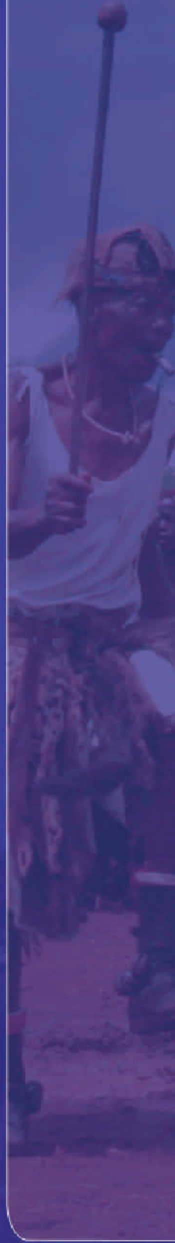
Bank Of Zambia

ANNUAL REPORT 2009

TABLE OF CONTENTS

Against great odds the Zambian economy posted a preliminary real growth of 6.3% in 2009 compared with 5.7% in 2008. The positive growth was underpinned by a strong fiscal and monetary policy response to the global financial crisis and past efforts made to reform the Zambian economy by strengthening both the private and the public sectors

Bank Of Zambia



MISSION STATEMENT

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

REGISTERED OFFICES

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

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

BOARD OF DIRECTORS

DR. CALEB M. FUNDANGA
GOVERNOR AND CHAIRMAN

MR. CHRITICLES MWANSA

MR. LIKOLO NDALAMEI

DR. JUDITH C. N. LUNGU

DR. MWENE MWINGA

DR. DENNIS CHIWELE

SENIOR MANAGEMENT AS AT 31 DECEMBER 2009

DR. DENNY H. KALYALYA
DEPUTY GOVERNOR - OPERATIONS

DR. FRANCIS CHIPIMO
ACTING DIRECTOR - ECONOMICS

MR. PETER BANDA
DIRECTOR - FINANCIAL MARKETS

MR. CHISHA MWANAKATWE
DIRECTOR - NON-BANK FINANCIAL INSTITUTIONS SUPERVISION

MRS. EDNA MUDENDA
DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

DR. AUSTIN MWAPE
DIRECTOR - BANK SUPERVISION

MR. MORRIS MULOMBA
DIRECTOR - REGIONAL OFFICE

DR. CALEB M. FUNDANGA
GOVERNOR

DR. TUKIYA KANKASA-MABULA
DEPUTY GOVERNOR - ADMINISTRATION

MS. FRIDAH TAMBA
ACTING DIRECTOR - FINANCE

MR. MATHEW CHISUNKA
BANK SECRETARY

MR. HOBBY KAPUTA
DIRECTOR - HUMAN RESOURCES

MR. DAVID MWAPE
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MR. SIMON SAKALA
DIRECTOR - RISK MANAGEMENT

MS. PRUDENCE MALILWE
DIRECTOR - INTERNAL AUDIT

MR. DAVID NKATA
DIRECTOR - PROCUREMENT AND MAINTENANCE

1.0 GOVERNOR'S OVERVIEW

1.0 GOVERNOR'S OVERVIEW

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

The adverse effects of the global financial crisis persisted in 2009 with output in the world economy contracting by 0.8% compared with the 3.0% growth in 2008. The decline in the world economy was partly moderated by the faster recovery in the emerging Asian economies where credit contraction was less severe, largely due to improved policy frameworks and fiscal and monetary stimulus packages. In particular, the policy response in China, India and Indonesia helped to cushion the effects of the global financial crisis, fostering a rebound in industrial production, world trade, and other activities. Similarly, advanced economies implemented significant fiscal and monetary stimulus packages to address the adverse effects of the global financial and economic crisis. In addition, the International Monetary Fund (IMF) through its enhanced lending capacity helped emerging and developing economies cope with risks of the global financial crisis. These measures assisted in reducing uncertainties and increasing confidence in the global economy. As a result, the global economy began to show signs of recovery.

In Africa, growth in real output slowed to 1.9% in 2009 from 5.2% in the preceding year. This outturn was favourable in light of severe external shocks arising from the global financial crisis. Many governments in the region expanded fiscal deficits in an effort to support domestic demand and contain employment losses. In Sub-Saharan Africa (SSA), growth dropped to 1.6% in 2009 from 5.6% in 2008. The crisis on SSA was manifested in subdued global demand coupled with reduced prices for the region's key commodity exports, particularly in the first half of the year.

Global inflation declined sharply as a result of contracting global demand for goods and services. The decline in inflation was notable in both developed and developing economies. Inflation in advanced economies was recorded at 0.1% in 2009 against 3.4% in 2008, while in developing countries it was 5.5% compared with 9.3% in 2008. In the SSA, inflation fell marginally to 10.6% in 2009 from 11.7% in 2008.

World commodity prices began to recover in March 2009, with copper prices increasing to US $7,356.0 per metric ton (mt) in December 2009 from US $2,902 per mt in December 2008. The increase in copper prices was largely attributed to improved economic prospects in China and India. Similarly, international oil prices rose to US $78.2 per barrel in December 2009 from US $48 per barrel in December 2008, mainly due to reduced production by Organisation of Petroleum Exporting Countries (OPEC) and a pick-up in demand.

Despite the adverse effects of the global financial crisis, Zambia recorded growth in real gross domestic product (GDP) of 6.3%, up from 5.7% in 2008. This was the seventh consecutive year that Zambia recorded growth in domestic output exceeding 5.0%. The growth in 2009 was mainly driven by the agriculture, mining and construction sectors.

Annual inflation fell to 9.9% in December 2009 from 16.6% in December 2008. The maize bumper harvest, coupled with the slowdown in international food prices and Government's maize price stabilisation programme in the first quarter of the year, dampened food inflationary pressures. Further, non-food inflationary pressures were moderated by stable domestic energy prices and the appreciation of the Kwacha against major currencies, which was mainly driven by recovering copper prices.

The performance of the external sector was favourable as reflected by the improvement in overall balance of payments (BoP) position. The overall BoP surplus rose to US $427.4 million in 2009 from the US $12.7 million recorded in 2008. This was also reflected in Zambia's gross international reserves that increased to 5.1 months of import cover from 2.1 months in 2008.

During 2009, Government budget performance was weak, mainly on account of lower than projected revenues and delayed disbursement of programmed Poverty Reduction Budget Support (PRBS) from cooperating partners. Nevertheless, the central Government budget deficit at 2.6% of GDP was broadly in line with the programmed 2.5%, largely through the compression of expenditure on some capital projects.

The overall financial condition of the banking sector was satisfactory in 2009. On aggregate, the banking sector was adequately capitalised and the liquidity position remained satisfactory. However, the asset quality of the sector deteriorated as the level of gross non-performing loans rose sharply to 12.6% in 2009 from 7.2% in 2008. Most banks therefore, raised provisions to cover potential loan losses. Despite the challenging external economic environment, the banking sector in Zambia continued to attract foreign direct investment with three banks being granted licences during the year. These included Ecobank Zambia Limited, United Bank for Africa Zambia Limited and International Commercial Bank Zambia Limited. Ecobank and First

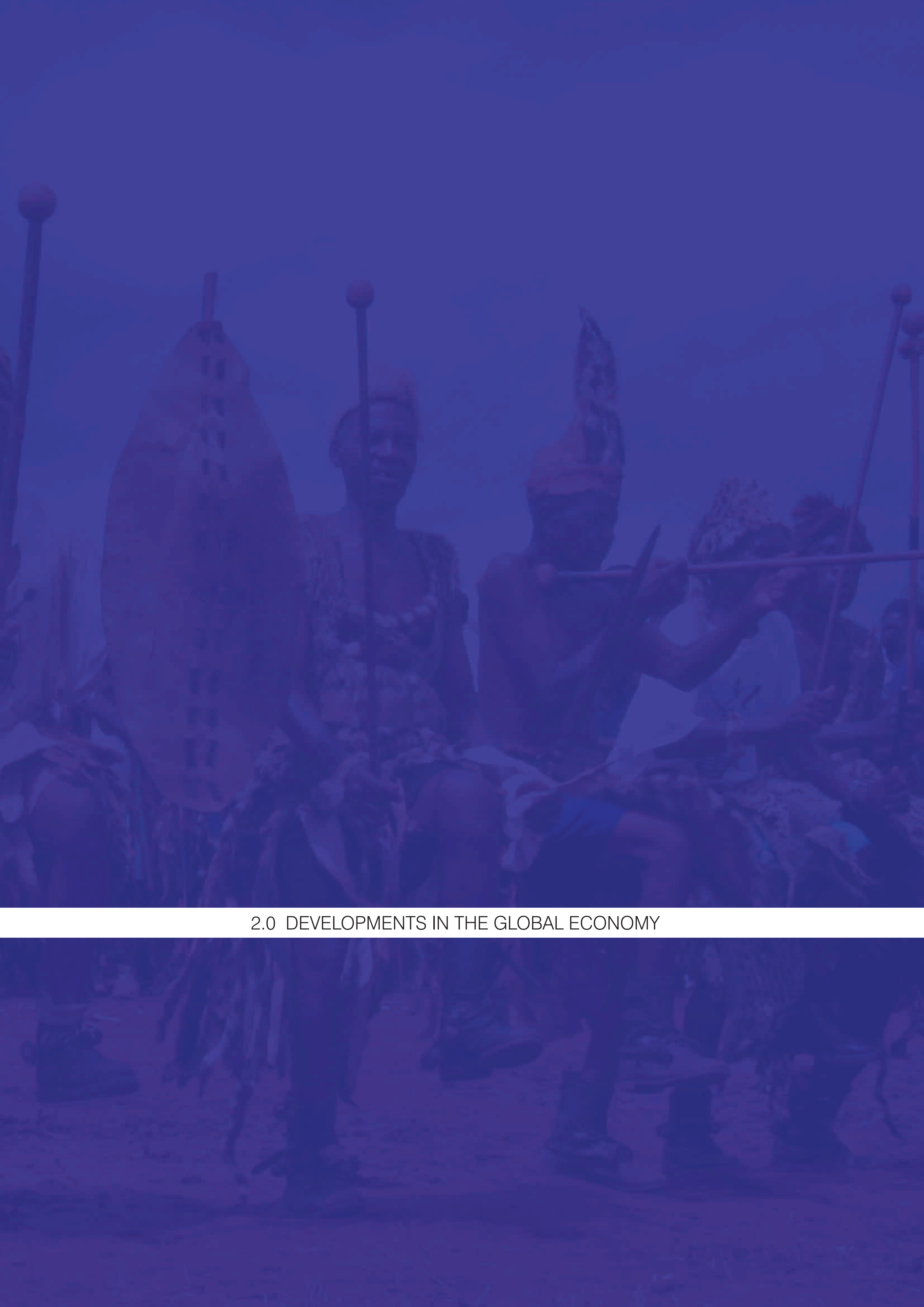
National Bank Zambia Limited whose banking licence was granted in 2008 commenced operations during the review period. The granting of new licences in 2008 and 2009 was a significant development and a show of renewed confidence in Zambia's financial sector following the numerous bank closures that were experienced between 1995 and 2000. With regard to the non-bank financial institutions, the overall financial performance and condition of the sector was fair. The number of institutions supervised by the Bank of Zambia increased to 87 in 2009 from 76 the previous year.

Government efforts to develop the financial sector continued in 2009. In this regard, the Bank of Zambia introduced an overnight lending facility (OLF), effective December 1, 2009, aimed at helping banks improve management of short-term liquidity. Further, the Credit Reference Bureau (CRB) recorded increased activity as reflected in the number of credit reports provided and obtained by financial service providers. The increased flow of information on the credit worthiness of borrowers is expected to help reduce default risks and improve efficiency of the Zambian financial sector. Administrative authority to extend the Financial Sector Development Programme (FSDP) to December 2012 was also granted during the year under review. This followed the lapse of the initial five year period in June 2009.

The key challenges for the Bank in 2010 will be to minimise the effects of inflationary pressures, and continue to maintain financial system stability. To this end, achieving low inflation, a stable exchange rate and a healthy financial system will continue to be the policy focus of the Bank.

Dr. Caleb M. Fundanga

Governor and Chairman of the Board of Directors



2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

The global economy showed signs of recovery from the financial crisis it suffered in 2007/8 as financial conditions improved in the first half of 2009. The economy took a while to recover as financial systems remained weak on account of inadequate liquidity that limited bank credit supply for the remainder of 2009, notably in the United States of America (USA) and Europe. Sub-Saharan Africa also experienced credit contraction, although the major impact of the crisis was manifested in subdued global demand coupled with reduced prices for the continent's key commodity exports, particularly in the first half of the year. Although commodity prices recovered in the second half of 2009, global trade volumes declined.

In emerging Asian economies, credit contraction was not severe. Accordingly, economic recovery was faster, supported by improved policy frameworks. In particular, the policy response in China, India and Indonesia helped to cushion the effects of the global financial crisis.

Global inflationary pressures in 2009 were contained towards the end of the year as a result of contracting global demand for goods and services. The decline in inflation was notable in both developed and developing economies. However, in Africa, the fall in inflation was modest.

Global Economic Performance

The global economic output contracted by 0.8% in 2009 from a 3.0% growth in 2008 (see Table 1). However, the contraction in the world economy was mitigated by coordinated policy responses to the crisis. For instance, strong public policies in the emerging economies, particularly in Asia, fostered a rebound in industrial production, world trade, and other activities. Further, Government fiscal stimulus programs and capital injections contributed to the rebound. The IMF also helped emerging and developing economies cope with risks of the financial crisis by using its enhanced lending capacity. These measures assisted in reducing uncertainties and increased confidence in most of the global economies.

Global inflation in 2009 declined sharply as a result of contracting global demand for goods and services. Inflation in advanced countries was recorded at 0.1% against 3.4% in 2008 while in developing countries it was 5.5% in the year compared with 9.3% in 2008. Inflation in SSA declined to 10.6% from 11.7% over the same period.

Commodity prices remained low at the beginning of 2009 but rebounded later in the year. Notably, copper prices started recovering towards the end of the first quarter of 2009, increasing to US $7,356.0 per mt at end-December 2009 from US $2,902 per mt in December 2008. The increase in copper prices was largely attributed to improved economic prospects in China and India. Similarly, the international oil prices increased to US $78.2 per barrel at end-December 2009 from US $48 per barrel at end-December 2008, mainly due to reduced production by OPEC and the increase in demand.

Table 1: World Real GDP, Inflation and Current Account Positions, 2007 - 2009 ***(Annual % change, unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2007	**2008**	**2009***	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
World	5.2	3.0	-0.8	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	2.7	0.5	-3.2	2.2	3.4	0.1	-0.9	-1.3	-0.7
United States	2.1	0.4	-2.9	2.9	3.8	-0.4	-5.2	-4.9	-2.6
Euro area	2.7	0.6	-3.9	2.1	3.3	0.3	0.3	-0.7	-0.7
Japan	2.3	-1.2	-5.3	0.0	1.4	-1.1	4.8	3.2	1.9
Commonwealth of Independent States	8.6	5.5	-7.5	9.7	15.6	11.8	4.2	4.9	2.9
Russia	8.1	5.6	-9.0	9.0	14.1	12.3	5.9	6.1	3.6
Excluding Russia	9.9	5.3	-3.9	11.5	19.6	10.6	-1.3	1.1	0.6
Middle East	6.2	5.3	2.2	11.2	15.0	8.3	18.1	18.3	2.9
Emerging and Developing Countries	8.3	6.1	2.1	6.4	9.2	5.2	7.0	5.9	5.0
Africa	6.3	5.2	1.9	6.0	10.3	9.0	2.9	2.5	-3.1
Sub-Saharan Africa	7.0	5.6	1.6	7.1	11.7	10.6	0.2	0.2	-3.7

Source: IMF: World Economic Outlook Update, January 2010
n/a = not applicable,
Note: 2009 * Projections Only

Advanced Economies

Real GDP growth in advanced economies slowed down to negative 3.2% in 2009 as they continued to face the impact of the economic crisis. The USA and Japan recorded negative growth rates of 2.9% and 5.3%, respectively. In the Euro area, growth contracted by 3.9% in 2009 compared with an increase of 0.6% in 2008. The decline was mostly explained by a sharp fall in capital flows, domestic demand and trade.

Financial market conditions in these economies improved in 2009, although progress in the largely bank-based financial system economies was slow. Iceland was hard hit and received IMF support following the collapse of its financial sector.

Inflation in advanced economies declined to 0.1% in 2009 from 3.4% in 2008, mainly due to the fall in consumer prices in the Euro area to 0.3% from 3.3%. Further, inflation in USA and Japan fell to negative 0.4% and negative 1.1% from 3.8% and 1.4%, respectively.

The current account balance narrowed to negative 0.7% in 2009 from negative 1.3% of GDP the previous year due to the contraction in import demand in the global economy. Economies with moderate current account deficits or surpluses generally experienced less severe downturns. Germany was severely affected by the fall in external demand. However, Germany benefited more than elsewhere in the Euro zone from the recovery in global trade in the latter part of the year. In contrast, the downturn in France was less pronounced in part because of lower trade openness and a larger public sector.

Emerging and Developing Countries

The emerging markets recorded a real GDP growth of 2.1% in 2009 compared with 6.1% the previous year. The rebound in the emerging economies was led by Asia, in particular China and India, which benefited from policy measures to stimulate economic activity.

Inflation in the emerging and developing economies slowed down to 5.2% in 2009 from 9.2% in 2008, with a number of countries recording single digit inflation. The decline in inflation partly reflected a slowdown in economic activity.

In general, emerging economies withstood the financial crisis much better than expected, reflecting improved policy frameworks.

Asian Economies

At the beginning of the crisis, Asian countries, especially the export-oriented economies, were adversely affected by the collapse of domestic and external demand. Domestic demand, particularly of durable goods, collapsed largely due to falling confidence, rising uncertainty, weakening labour markets and tightening financial conditions. In addition, a decline in investment activity negatively affected exports of manufactured goods especially in Korea, Singapore, and the Taiwan Province of China. Conversely, China, Indonesia and India escaped a severe recession as a result of large policy stimuli. In the case of India, the limited dependence on exports helped to lessen the severity of the recession.

The stimulus packages eased financing constraints for smaller export enterprises and improved consumer and business confidence. Most central banks in the region provided liquidity and lowered policy rates. Some emerging economies benefitted from commodity price increases and improved policy frameworks which helped to lift industrial production as domestic demand and exports strengthened.

Commonwealth of Independent States

The recovery in the Commonwealth of Independent States (CIS) turned out to be difficult, especially for economies mostly affected by falling capital flows and disturbances in the domestic sectors. As a result, real GDP growth contracted by 7.5% in 2009 from 5.5% growth in 2008.

A sharp contraction in the CIS economies, particularly in Russia, adversely affected lower-income net energy importers by reducing domestic demand given their dependence on Russia for export earnings. This resulted in a fall in economic activity accompanied by currency devaluation in countries such as Armenia. Energy exporters in the CIS, however, showed some signs of recovery with the rebound of energy prices. The current account surplus narrowed to 2.9% in 2009 from 4.9% in 2008.

The inflation rate in the region declined to 11.8% in 2009 from 15.6% in 2008, with sharp declines recorded in Ukraine, Kazakhstan, Turkmenistan and other low income CIS countries.

Latin America

Real GDP growth in Latin America was recorded at negative 2.5% in 2009 compared to 4.2% in 2008. This was attributed to continued weakness in economic activity, particularly in the first half of 2009. In the latter part of the year, the region showed signs of recovery, assisted by improving conditions in global financial and commodity markets. Further, stronger policy frameworks supported timely policy responses to leverage economic activity. Brazil led the recovery in the region mainly on account of a large domestic market and diversified export base. Mexico, the hardest hit economy showed slow recovery because of a sharp drop in trade flows as a result of its reliance on manufacturing exports and dependence on the US economy. Net commodity exporters, including the region's largest economies such as Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela suffered terms of trade losses. Many of these economies managed to mitigate the shocks by enhanced implementation of monetary and fiscal policies, more resilient financial sectors, and the willingness to let exchange rate adjustments absorb the macroeconomic shocks.

Inflation in the region declined to 6.1% in 2009 from 7.9% in 2008. The decline was largely driven by inflation-targeting economies of Brazil, Colombia, Chile, Mexico, Peru, and Uruguay which had strong policy frameworks and macroeconomic fundamentals. This enabled them to cut their policy rates at the onset of the global recession.

The current account deficit as a percent of GDP for the region widened to 0.8% in 2009 from 0.7% in 2008. This was attributed to the collapse of the current account surpluses in Venezuela and other energy exporters. On the other hand, the current account deficits of several economies of the region narrowed in 2009 as large import contraction outweighed the decline in exports.

Middle East

The Middle East economies were adversely affected by the recession largely due to the collapse in oil prices. Economic growth for the region slowed down to 2.0% in 2009 from 5.4% in 2008. Real GDP growth for oil exporters was recorded at 1.3% in 2009 compared with 4.9% recorded in 2008. The sharp slowdown in activity of oil exporters reflected a decline in oil production by OPEC. Despite this, most oil exporters increased public spending to help their non-oil sectors.

Inflation in the Middle East declined to 8.3% in 2009 from 15.0% in 2008. Jordan and Lebanon had the largest drop in inflation as a result of the decline in imported food and fuel prices. However, Iran recorded double digit inflation rates.

The current account surplus of the region narrowed to 2.6% of GDP in 2009 from 18.3% in 2008 due to a sharp reduction in oil export earnings.

African Economies

Economic growth in Africa declined to 1.7% in 2009 from 5.2% in the preceding period. This outturn was favourable in light of severe external shocks arising from the global financial crisis. An important factor behind this outturn was that many governments in the region used fiscal policies to sustain domestic demand and reduce employment losses. In Sub-Saharan Africa, the global economic crisis affected the region adversely with growth dropping to 1.6% in 2009 from 5.6% in 2008 (see Table 2).

The effects of the global financial crisis were most felt by economies such as South Africa which are highly integrated into the international financial markets and those affected by the collapse in global trade, particularly commodity and manufacturing exporters. Countries dependent on tourism also suffered a reduction in earnings due to the fall in international tourist arrivals. The improvement in the financial conditions and commodity prices in the latter part of 2009, however, reversed the trend for most economies in Africa.

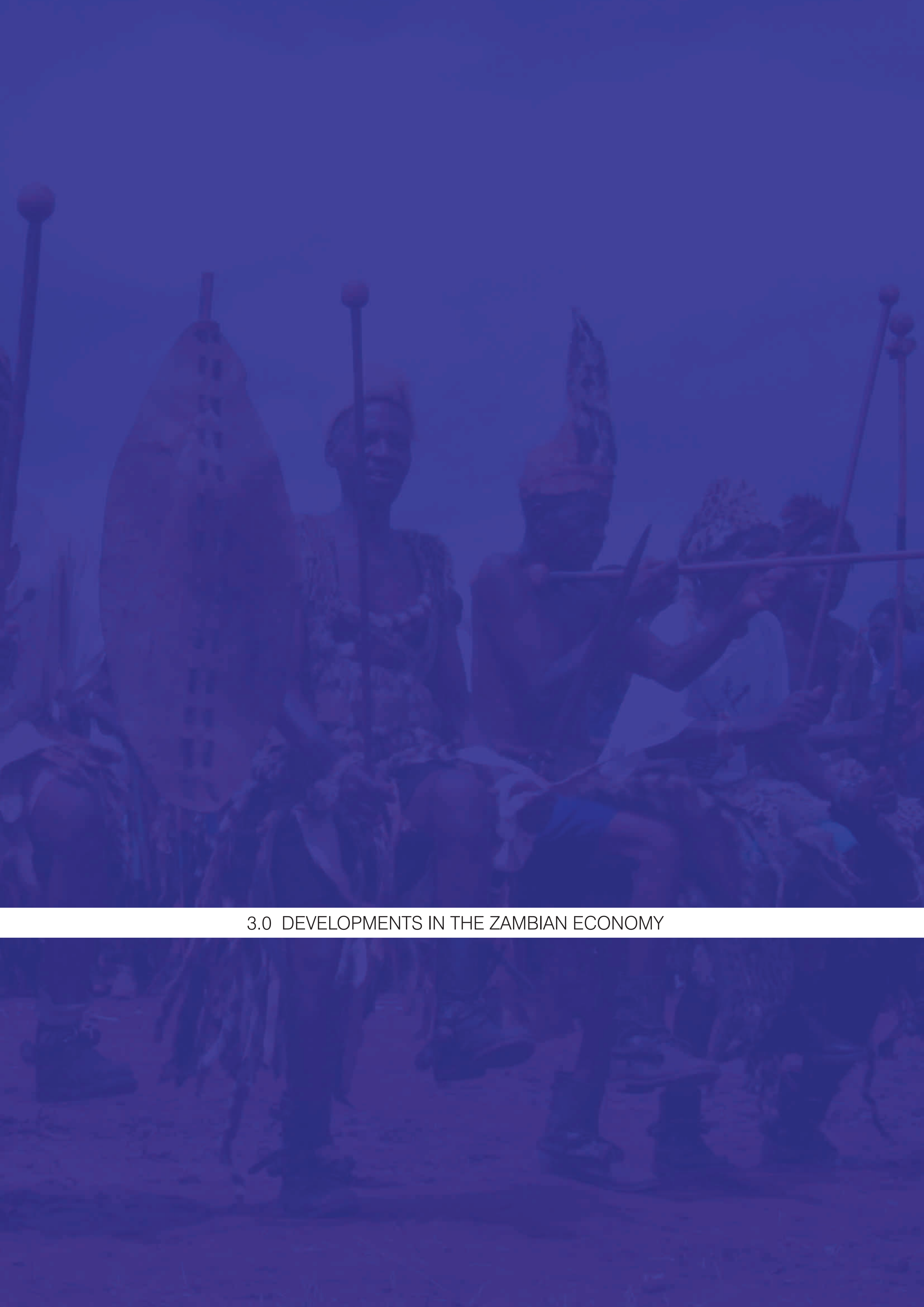
Inflation in the African region fell to 9.0% in 2009 from 10.3% in 2008 mainly on account of the stability of local currencies in the second half of the year and a reduction in food prices.

Preliminary data estimate the current account deficit at 3.1% of GDP in 2009 compared to a surplus of 2.5% in 2008 on account of reduced exports resulting from weak global demand.

Table 2: Selected African Countries GDP and Inflation, 2007 - 2009 *(Annual % change)*

	Real GDP			Inflation		
	2007	**2008**	**2009***	**2007**	**2008**	**2009**
Africa	**6.3**	**5.2**	**1.7**	**6.0**	**10.3**	**9.0**
Angola	20.3	13.2	0.2	12.2	12.5	14.0
Ghana	5.7	7.3	4.5	10.7	16.5	18.5
Kenya	7.1	1.7	2.5	9.8	13.1	12.0
Nigeria	7.0	6.0	2.9	5.4	11.6	12.0
South Africa	5.1	3.1	-2.2	7.1	11.5	7.2
Tanzania	7.1	7.4	5.0	7.0	10.3	10.6
Uganda	8.4	9.0	7.0	6.8	7.3	14.2
Zambia	6.2	5.8	6.3	8.9	16.6	9.9
Sub-Saharan Africa	**6.9**	**5.6**	**1.6**	**7.1**	**11.7**	**10.6**

Source: IMF: World Economic Outlook, October 2009, Zambia Budget Speech 2010
* Projections or preliminary



3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

The macroeconomic objectives of the Government in 2009 were to sustain growth and contain inflation in the wake of the global financial and economic crises. In this regard, the major macroeconomic objectives during the year were to:

(i) achieve real GDP growth of at least 5.0%;

(ii) lower inflation to 10.0%;

(iii) limit domestic deficit to 2.5% of GDP;

(iv) maintain the coverage of gross international reserves at no less than 4.5 months of import cover; and

(v) limit growth in both reserve and broad money to 19.0%.

As it turned out, the annual inflation rate slowed down to 9.9% at end 2009 from the 16.6% recorded in December 2008 due to the decline in both annual food and non-food inflation. However, fiscal performance was weak as reflected in the budget deficit, as a proportion of GDP, of 2.6% compared with the programmed deficit of 2.5%. This outturn was largely attributed to the lower than programmed tax revenues and grants. Preliminary data indicate that the economy posted a real growth of 6.3% in 2009 compared with 5.7% in 2008. The main drivers being the growth in the mining, construction and agricultural sectors. External sector performance improved in 2009 due to a rebound in the copper prices, resulting in the narrowing of the current account deficit and an increase in gross international reserves. The current account deficit narrowed to US $456.6 million from US $1,036.1 million in December 2008 while international reserves rose to 5.1 months of import cover from 2.1 months in the previous year. Meanwhile, the overall performance of the financial sector remained satisfactory as reflected in adequate capitalisation and favourable liquidity positions.

Initial statistics indicate that the Zambian economy posted a real growth of 6.3% in 2009 compared with 5.7% in 2008. This was mainly attributed to growth in the mining, construction and agriculture sectors

MWEMBESHI FOOD RESERVE AGENCY SHED – LUSAKA

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objectives

The main focus of monetary policy in 2009 was to achieve an end-year inflation target of 10.0%. Consistent with this objective, reserve and broad money growth rates were to be limited to 19.0%. This was to be complemented by prudent fiscal management.

Challenges to Monetary Policy

During 2009, challenges to monetary policy implementation included the continued adverse effects of the global recession on Government revenues, foreign exchange earnings, exchange rate and inflation expectations. Other challenges were expected to emanate from high production costs due to higher costs of energy and water services.

Monetary Policy Outcomes

Developments in the monetary sector indicated that monetary policy outcomes in 2009 were favourable, with a slow-down in both inflation and money supply growth. Annual overall inflation, which was at 16.6% in December 2008 slowed down to 9.9% in December 2009. This outturn was 0.1 percentage points below the end-year inflation target of 10.0% (see Table 3). The fall in inflation was on account of declines in both food and non-food inflation.

Table 3: Actual Performance against Projections, 2007 - 2009 (%)

	End-December 2007		End-December 2008		End-December 2009	
Description	Projection	Actual	Projection	Actual	Projection	Actual
Overall Inflation	9.0	8.9	7.0	16.6	10.0	9.9
Non-food Inflation	10.7	11.9	8.3	12.9	9.0	11.8
Food Inflation	7.3	5.9	6.0	20.5	11.0	8.2
Reserve Money	6.0	9.2	11.5	25.4	19.0	4.9
Broad Money*	6.0	26.3	11.6	21.9	19.0	8.0
Domestic Credit*	-	20.3	5.8	37.8	-	0.7
Government	-	-20.2	34.0	22.1	-	7.6
Public Enterprises	-	68.7	-	-61.0	-	147.7
Private Sector Credit	-	41.5	-	50.2	-	-1.2
Domestic Financing (% of GDP)	1.2	1.0	1.2	1.5	2.2	2.5

Source: Central Statistical Office and Bank of Zambia
- Indicates no target under the economic programme
***** Preliminary estimates for December 2009

Monetary Developments

Reserve Money

Reserve money growth in 2009 slowed down to 4.9% from the 25.4% in 2008. This was largely due to a decline in the Bank of the Zambia's Net Foreign Assets (NFA) as its Net Domestic Assets (NDA) increased. In absolute terms, the stock of reserve money was K4,633.7 billion at end-December 2009 compared with the K4, 418.6 billion recorded at end-December 2008 (see Tables 4).

The NFA declined by 11.9% compared to a growth of 26.4% in 2008, contributing negative 11.9 percentage points to reserve money growth while NDA contributed 16.8 percentage points to the growth in reserve money.

Table 4: Reserve Money, 2007 - 2009 (K' billions unless otherwise stated)

Description	**2007**	**2008**	**2009**
Net Foreign Assets	**3,490.3**	**4,411.3**	**3,886.3**
Net Domestic Assets	**-284.0**	**7.3**	**747.4**
Net claims on government	-12.6	655.7	1,104.8
Claims on non-government	234.7	187.4	184.7
Other items, net	-506.1	-835.8	-542.1
Reserve Money	**3,523.7**	**4,418.6**	**4,633.7**
Growth in Reserve Money (%)	9.2	25.4	4.9
Contributions to Growth in Reserve Money (percentage points)			
Net Foreign Assets	**31.0**	**26.1**	**-11.9**
Net Domestic Assets	**-21.8**	**-0.7**	**16.8**
Domestic Credit	-28.9	12.2	10.1
Government	-26.6	13.2	10.2
Public Enterprises	0.0	-5.2	0.0
Private Enterprises	0.4	25.9	0.0
Households	-0.1	35.1	0.1
Banks	-2.6	0.1	-0.1
Other Items Net	7.1	-12.7	6.6

Source: Bank of Zambia

Domestic Credit

During 2009, the rate of growth of domestic credit declined to 14.1% from 37.8% recorded in 2008 largely due to the fall in private sector credit. In absolute terms, domestic credit was recorded at K12,137.6 billion in 2009 from K10,633.5 billion in 2008, largely reflecting credit expansion to Government (see Table 6). Excluding foreign currency denominated credit, which decreased by 10.8%, annual domestic credit growth was 15.9%, down from 37.4% registered in 2008.

Credit to Government increased by 66.6%, thereby contributing 10.8 percentage points to annual credit growth. Similarly, credit to public enterprises and households increased by 147.7% and 1.9% and accounted for 2.0 and 0.5 percentage points to domestic credit expansion, respectively. However, lending to the private sector declined by 10.8%, contributing negative 5.5 percentage points to annual credit outturn.

Table 5: Developments in Domestic Credit, 2007 - 2009

Description	2007				2008				2009			
	K' bn	%			K' bn	%			K' bn	%		
		a	b	c		a	b	c		a	b	c
Domestic Credit	**7,715.0**	**21.3**	**21.3**	**100**	**10,633.5**	**37.8**	**37.8**	**100**	**12,137.6**	**14.1**	**14.1**	**100**
Government	1,959.8	-17.4	-6.5	25.4	2,408.9	22.9	5.8	22.7	4,013.4	66.6	15.1	33.1
Public Enterprises	378.5	68.7	2.4	4.9	147.5	-61.0	-3.0	1.4	365.5	147.7	2.0	3.0
Private Enterprises	4,309.1	41.5	19.9	55.9	5,455.2	26.6	14.9	51.3	4,867.8	-10.8	-5.5	40.1
Households	942.6	50.8	5.0	12.2	2,492.5	164.4	20.1	23.4	2,540.7	1.9	0.5	20.9
Non-Bank Fin. Inst.	124.9	38.9	0.5	1.6	129.2	3.5	0.1	1.2	350.2	171.0	2.1	2.9

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

Commercial banks' loans and advances declined by 0.5% in 2009 compared with an increase of 41.4% in 2008. The largest percentage decrease to a single sector was restaurants and hotels by 52.1%, followed by financial services (34.0%), electricity, gas, water and energy (28.9%), and construction (20.1%). However, some sectors recorded an expansion in credit with the largest increase being in real estate (68.7%), followed by agriculture, forestry, fishing and hunting (18.4%) and manufacturing (13.2%). Table 6, Charts 1 and 2 show the sector distribution of loans and advances.

Table 6: Sectoral Shares in Total Loans and Advances, Dec 2007 - Dec 2009

Sectors	2007		2008		2009	
	K'bn	%Share	K'bn	%Share	K'bn	%Share
Agriculture	1,210.3	21.0	1,321.4	16.2	1,565.1	19.3
Mining and Quarrying	231.2	4.0	382.1	4.7	338.2	4.2
Manufacturing	615.2	10.7	878.5	10.8	994.2	12.3
Electricity, Gas, Water and Energy	280	4.9	193.7	2.4	137.8	1.7
Construction	203	3.5	324.2	4	259.1	3.2
Wholesale and Retail Trade	622.2	10.8	789.9	9.7	829.9	10.2
Restaurants and Hotels	67.3	1.2	256.3	3.1	122.7	1.5
Transport, Storage and Communications	414.3	7.2	568.2	7.0	508.7	6.3
Financial Services	243	4.2	639.8	7.9	422.0	5.2
Community, Social and Personal Services	94.8	1.6	107.8	1.3	280.5	3.5
Real Estate	125.3	2.2	402.4	4.9	678.7	8.4
Personal Loans	1,495.3	26.0	2,070.7	25.4	1,789.7	22.1
Others	154.3	2.7	207.7	2.6	171.7	2.1
Total	**5,756.2**	**100**	**8,133.7**	**100**	**8,094.3**	**100**

Source: Bank of Zambia

CHART 1:

DISTRIBUTION OF LOANS AND ADVANCES[1] AS AT END-DEC 2009

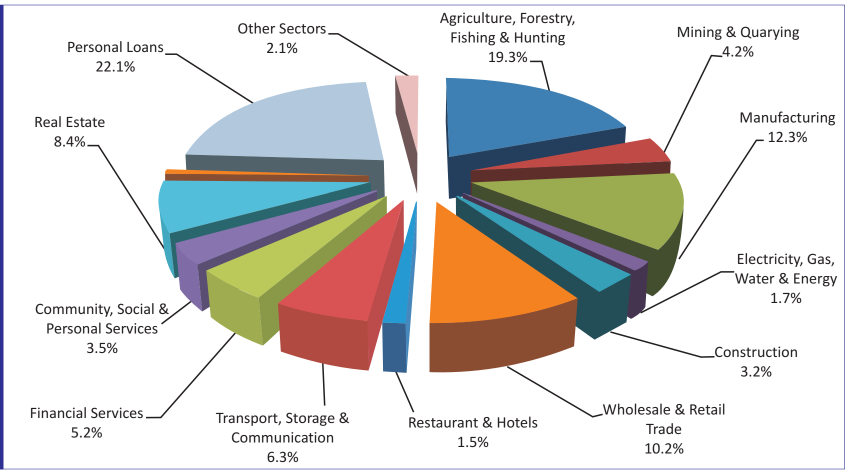
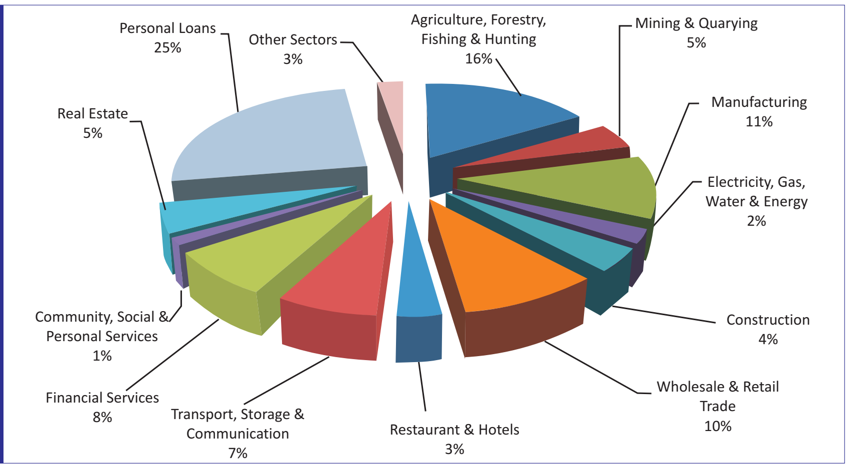


CHART 2:

DISTRIBUTION OF LOANS AND ADVANCES AS AT END-DEC 2008



Broad Money

Broad money (M3)[2] growth in 2009 slowed down to 8.2% from 21.9% recorded in 2008 and was 10.8 percentage points below the end-year projection of 19.0%. The contraction in broad money growth was largely due to the slowdown in the growth in NDA as NFA growth increased. NFA declined by 4.5% from the 11.4% growth recorded in 2008, contributing negative 1.8 percentage points to M3 growth. However, NDA grew by 16.8% from 30.3% in 2008 and contributed 10.0 percentage points to M3 expansion (see Table 8 and Chart 3). Excluding foreign currency deposits whose annual growth rose to 16.6% (11.9% in 2008), money supply growth fell to 4.0% from the 27.7% in 2008.

Table 7: Sources of Growth in Broad Money, 2007 - 2009 (%)

Description	2007	2008	2009	Contributions to change in M3 (2009)
Broad Money (M3)	26.3	21.9	8.2	8.2
of which:				
Net Foreign Assets	20.1	11.4	-4.5	-1.8
Net Domestic Assets	31.8	30.3	16.8	10.0
Domestic Credit	21.3	37.8	14.1	11.5
Net Claims on Govt.	- 17.4	22.9	66.6	12.3
Public Enterprises	68.7	-61.0	147.7	1.7
Private Enterprises	41.5	26.6	-10.8	-4.5
Households	50.8	164.4	1.9	0.4
NBFIs	38.9	3.5	171.0	1.7
Other Items Net	-4.4	63.3	7.0	-1.5

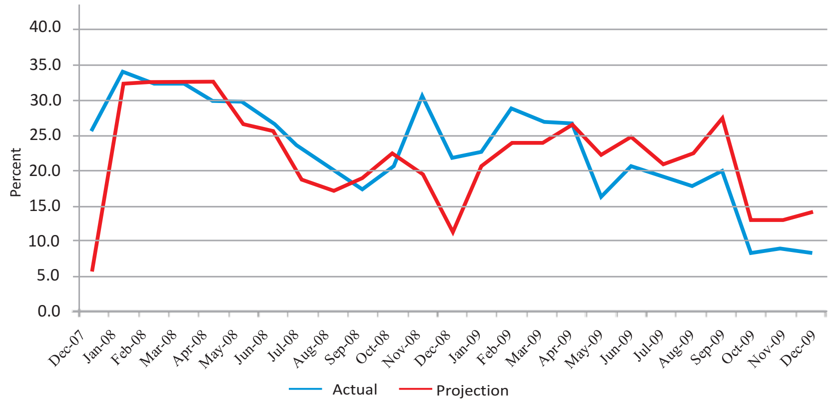
Source: Bank of Zambia

[1]Includes mortgages.

[2]Includes foreign currency deposits

CHART 3:

ANNUAL GROWTH IN BROAD MONEY, DEC 2007 - DEC 2009



Interest Rates Developments

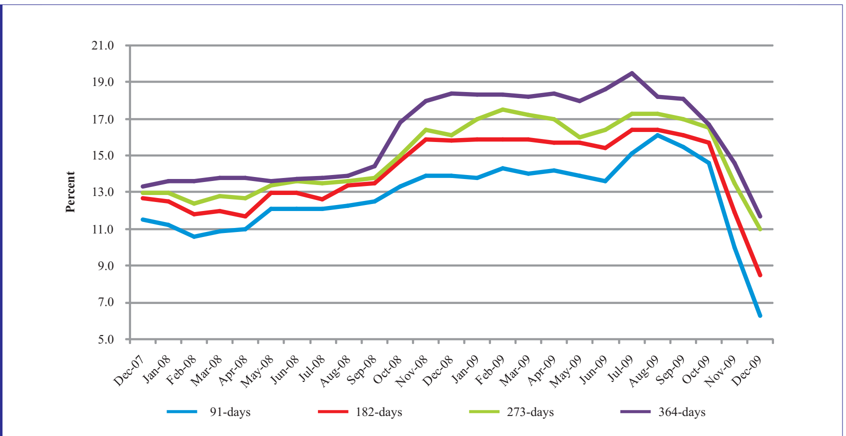
Yield Rates on Government Securities

Yield rates on Government securities generally trended downwards, especially towards the end of the year. This was on account of heightened demand for Government securities and easing inflationary pressures in 2009. The weighted average yield rate for Treasury bills was 9.5%, down from 14.0% in December 2008. For Government bonds, the composite average yield rate declined by 1.7 percentage points to an average of 15.9% at the end of 2009.

With regard to Treasury bill yield rates, these fell sharply, particularly in the last two months of the year. The yield rates on the 91 and 182-day securities declined to averages of 6.3% and 8.5% in December 2009 from 13.9% and 15.8% in December 2008, respectively. The yield rates for the 273 and 364-day papers fell to 11.0% and 11.7% in December 2009 from 16.1% and 18.4%, respectively (see Chart 4).

CHART 4:

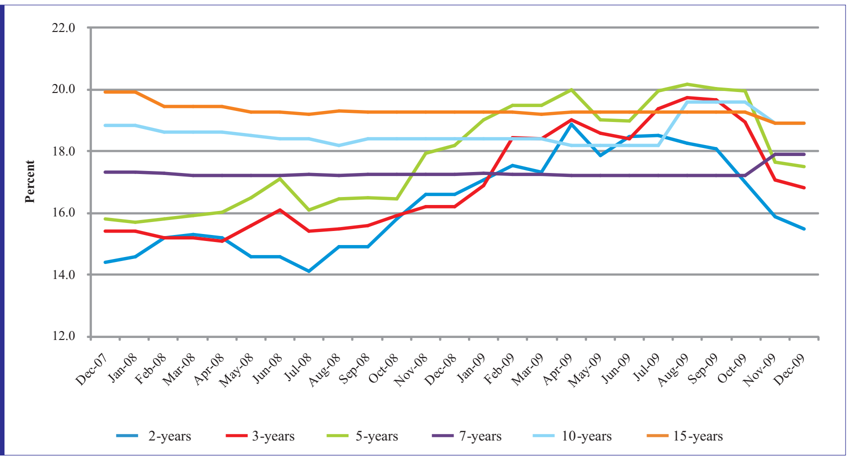
TREASURY BILLS YIELD RATES, DEC 2007 - DEC 2009



Developments in yield rates on Government bonds were mixed. The yield rate on the 2-year bond declined to 15.5% in December 2009 from the end-2008 yield rate of 16.6% while the yield rate on the 5-year paper fell by 0.7 percentage points to 17.5% in December 2009. Further, the yield rate on the 15-year bond declined to an average of 18.9% at the close of the year under review from 19.3% at the end of the preceding year. However, yield rate on the 3, 7 and 10-year bonds rose to averages of 16.8%, 17.9% and 18.9% in December 2009 from 16.2%, 17.3% and 18.4% in December 2008, respectively (see Chart 5).

CHART 5:

GOVERNMENT BONDS YIELD RATES, DEC 2007 - DEC 2009

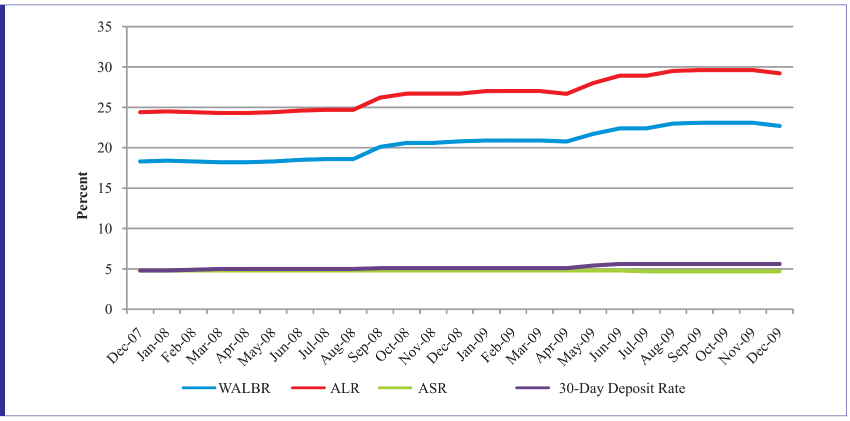


Commercial Banks' Nominal Interest Rates

Developments in commercial banks' nominal interest rates were mixed in 2009. The weighted average lending base rate (WALBR) and the average lending rate (ALR) increased to 22.7% and 29.2% at end-December 2009 from 20.8% and 26.9% in the previous period, respectively. Similarly, the 30-day deposit rate, for amounts exceeding K20 million, rose to 5.6% from 5.1%. However, the average savings rate (ASR) for amounts above K100,000 declined to 4.7% from 4.8% (see Chart 6).

CHART 6:

LENDING AND SAVINGS RATES, DEC 2007 - DEC 2009



Commercial Banks' Real Interest Rates

During 2009, all annual real interest rates rose, largely due to the decline in inflation. The real WALBR and the real ALR edged upwards to 12.8% and 19.3% at end-December 2009 from 4.2% and 10.3% in the previous period, respectively. Similarly, the real ASR for amounts above K100,000.00 rose to negative 5.2% from negative 11.8%. Further, the real 30-day deposit rate for amounts above K20 million increased to negative 4.3% from negative 11.5% during the reviewed period (see Chart 7 and Table 8).

CHART 7:

REAL INTEREST RATES, DEC 2007 - DEC 2009

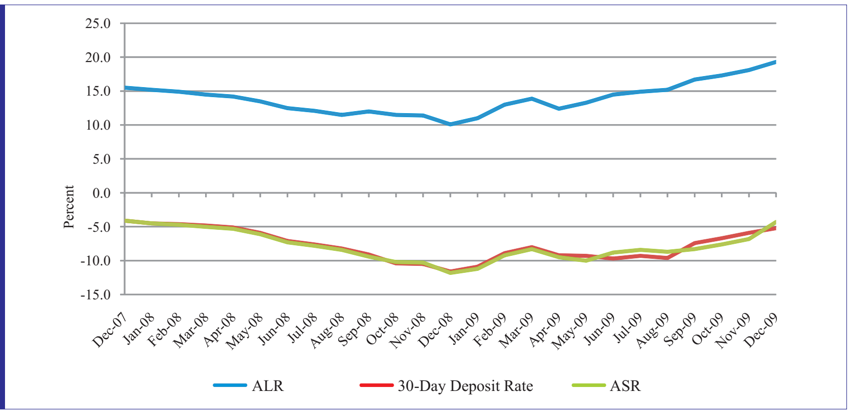


Table 8: Monthly Average Interest and Yield Rates, 2007 - 2009 (%)

	Nominal			Real		
Description	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
91-day Treasury bill	10.7	12.2	6.3	1.8	-4.4	-3.6
182-day Treasury bill	11.3	13.5	8.5	2.4	-3.1	-1.4
273-day Treasury bill	11.3	13.8	11.0	2.4	-2.8	1.1
364-day Treasury bill	11.2	14.9	11.7	2.3	-1.7	1.8
Weighted Average Treasury bill	11.1	14.0	9.5	2.2	-2.6	-0.4
2-year Bond	14.1	16.6	15.5	5.2	0.0	5.6
3-year Bond	14.3	16.2	16.8	5.4	-0.4	6.7
5-year Bond	14.9	18.2	17.5	6.0	1.6	7.6
7-year Bond*	17.7	17.3	17.9	8.8	0.7	8.0
10-year Bond*	19.0	18.4	18.9	10.1	1.8	9.0
15-Year Bond*	20.0	19.3	18.9	11.1	2.7	9.0
Composite Yield Rate on Bonds	14.8	16.3	15.9	5.9	-0.3	6.0
Commercial banks' Weighted Average Lending Base Rate	18.3	20.8	22.7	9.4	4.2	12.8
Commercial banks' Average Lending Rate	27.9	26.9	29.2	15.7	10.3	19.3
Commercial banks' Average Savings Rate	4.8	4.8	4.7	-4.1	-11.8	-5.2
Deposit >K20 m (30 days)	4.8	5.1	5.6	-4.1	-11.5	-4.3

Source: Bank of Zambia

Overall Inflation

The annual inflation rate slowed down to 13.1% in March 2009 from the 16.6% recorded in December 2008. Although the rate of inflation increased to 14.4% in June 2009, this trend was reversed in the second half of the year, with annual inflation falling to 13.0% in September 2009. At the end of 2009, inflation reduced further to a single digit level of 9.9% (see Chart 8 and Table 9). This outturn was attributed to the decline in both annual food and non-food inflation that reflected a strong agriculture sector performance and relative stability in the exchange rate as the adverse effects of the global economic crisis on the economy subsided.

The annual inflation rate slowed down from the 16.6% recorded in December 2008 to a single digit level of 9.9% at the end of 2009. This outturn was attributed to the decline in both annual food and non-food inflation

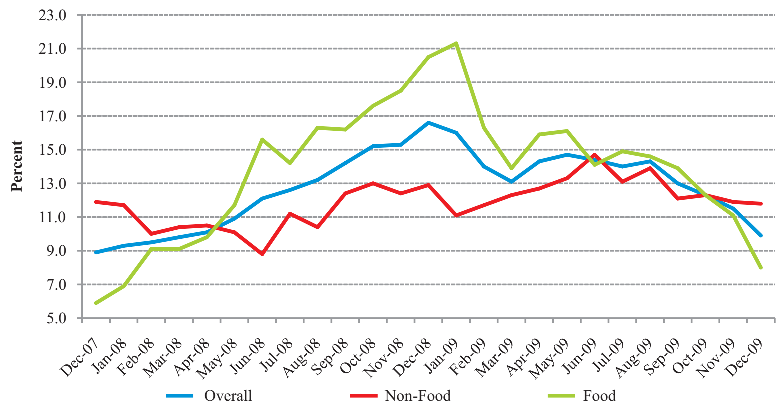
COMBINE HARVESTERS AT WORK ON A ZAMBEEF FARM IN SINAZONGWE

Non-Food Inflation

Annual non-food inflation rose during the first half of the year to 14.7% in June 2009 from the 12.9% recorded in December 2008. This outturn was mainly attributed to the pass-through effects of the 14.6% depreciation of the Kwacha against the US dollar during this period. However, during the second half of the year, non-food inflation slowed down, closing the year at 11.8%, reflecting the appreciation of the Kwacha against the US dollar by 8.0%. This was assisted by the stability in transport costs as fuel prices remained relatively stable during the year.

CHART 8:

ANNUAL INFLATION, DEC 2007 - DEC 2009



Food Inflation

After rising to 21.3% in January 2009 from 20.5% recorded in December 2008, annual food inflation slowed down to 14.1% in June 2009 then decreased further, reverting to single digit level of 8.0% in December 2009. The increase in food inflation at the beginning of the year was attributed to inadequate supply of most food commodities particularly cereals and cereal products, beef products, fresh vegetables, kapenta and fish. However, food price increases were partly moderated by the Government's maize price stabilisation programme in the first quarter of the year. Over the remainder of the year, domestic and global food supply conditions improved significantly with the increase in domestic food supply following a bumper crop harvest of an estimated 1.9 million metric tons of maize in the 2008/09 agricultural season.

Table 9: Inflation Outturn, Dec 2007 - Dec 2009 (%)

	Monthly			Annual			Year-to-date		
	Overall	Food	Non-food	Overall	Food	Non-food	Overall	Food	Non-food
Dec 07	1.4	1.7	0.8	8.9	5.9	11.9	8.9	5.9	11.9
Jan 08	1.8	1.7	1.9	9.3	6.9	11.7	1.8	1.7	1.9
Feb 08	2.5	4.1	1.1	9.5	9.1	10.0	4.3	5.9	2.9
Mar 08	1.0	1.3	0.8	9.8	9.1	10.4	5.4	7.2	3.7
Apr 08	0.3	0.1	0.4	10.1	9.8	10.5	5.7	7.4	4.2
May 08	0.4	0.4	0.5	10.9	11.7	10.1	6.2	7.9	4.7
Jun 08	1.3	2.8	-0.1	12.1	15.6	8.8	7.6	10.9	4.5
Jul 08	0.8	-0.6	2.3	12.6	14.2	11.2	8.5	10.2	6.9
Aug 08	0.9	1.5	0.3	13.2	16.3	10.4	9.4	11.9	7.2
Sep 08	1.3	0.2	2.3	14.2	16.2	12.4	10.9	12.1	9.7
Oct 08	1.2	1.4	1.0	15.2	17.6	13.0	12.2	13.6	10.9
Nov 08	1.4	2.2	0.7	15.3	18.5	12.4	13.8	16.2	11.6
Dec 08	2.4	3.7	1.2	16.6	20.5	12.9	16.6	20.5	12.9
Jan 09	1.3	2.4	0.3	16.0	21.3	11.1	1.3	2.4	0.3
Feb 09	0.7	-0.2	1.6	14.0	16.3	11.7	2.0	2.2	1.8
Mar 09	0.3	-0.8	1.3	13.1	13.9	12.3	2.3	1.4	3.2
Apr 09	1.3	1.9	0.8	14.3	15.9	12.7	3.7	3.3	4.0
May 09	0.8	0.6	1.0	14.7	16.1	13.3	4.5	3.9	5.0
Jun 09	1.1	1.0	1.2	14.4	14.1	14.7	5.6	5.0	6.2
Jul 09	0.5	0.1	0.8	14.0	14.9	13.1	6.1	5.1	7.1
Aug 09	1.1	1.3	1.0	14.3	14.6	13.9	7.3	6.4	8.2
Sep 09	0.1	-0.5	0.7	13.0	13.9	12.1	7.4	5.9	8.9
Oct 09	0.6	0.0	1.2	12.3	12.3	12.3	8.1	5.9	0.2
Nov 09	0.8	1.2	0.4	11.5	11.1	11.9	8.9	7.1	10.6
Dec 09	1.0	0.8	1.1	9.9	8.0	11.8	9.9	8.0	11.8

Source: Central Statistical Office and Bank of Zambia

3.2 MONEY AND CAPITAL MARKETS

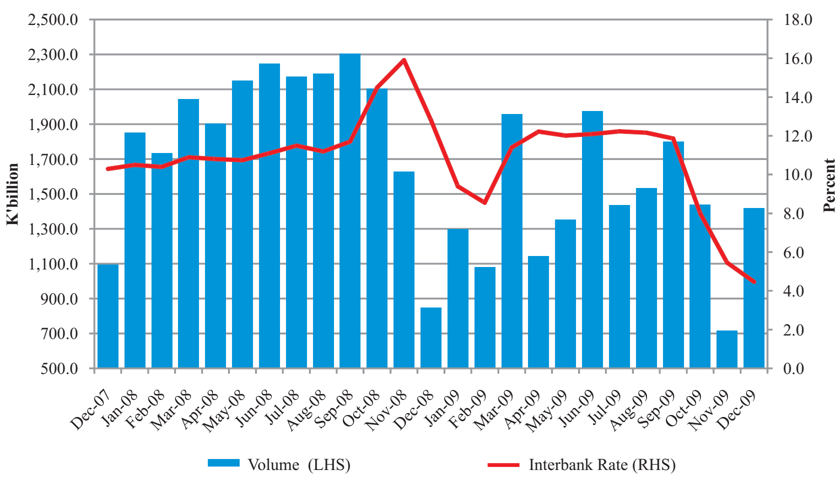
Inter-bank Money Market

Trading activity in the interbank money market slowed down by 28.2% in 2009 mainly due to abundant liquidity in the market although the volume of funds traded was more evenly distributed. The total amount of interbank loans transacted during the year decreased to K17,030.0 billion from K23,836.6 billion. The decline in trading activity underpinned a recovery of the Zambian money market from the global financial crisis. As most banks enjoyed relatively better liquidity positions, there was little incentive for increased interbank activity, leading to a contraction in the volume of funds transacted in 2009.

Classified by tenor, overnight loans accounted for the bulk of the transactions conducted in the market, representing K12,867.6 billion of total market turnover compared to K17,736.4 billion recorded in 2008. A similar pattern was observed with regard to the volume of funds traded for a period exceeding one day, which stood at K4,162.8 billion compared with K6,100.2 billion transacted in the preceding year. Foreign owned banks remained the most active on both sides of the interbank market even as trading activity slackened. Total funds borrowed amounted to K11,339.5 billion and funds lent totalled K9,198.8 billion, translating into a net borrowing of K2,140.8 billion. The dominant participation of foreign owned banks in the interbank market, coupled with abundance of liquidity, helped lower the weighted average interbank rate to 9.9% from the 11.8% posted in 2008 (see Chart 9). Locally owned banks borrowed only K1,162.6 billion from foreign owned counterparts at a higher rate of approximately 11.0% compared with 10.0% at which foreign owned banks borrowed K11,821.6 billion from each other. The volume of transactions recorded during the period partly explains the difference in the cost of funds between the two different bank categories.

CHART 9:

MONEY MARKET ACTIVITY, DEC 2007 - DEC 2009



Government Securities Market

The primary market for Government securities formed the Government's principle source of domestic borrowing in 2009. For Treasury bills, the average size of the weekly auctions was kept unchanged at K100.0 billion, with larger amounts pushed onto the 364-day portfolio. Monthly tender offers for Government bonds were also maintained at K120.0 billion throughout the period.

Although the supply of Government securities in 2009 was broadly in line with tender offerings in the previous year, demand was higher for Treasury bills than in 2008. The average bids received on the weekly auctions amounted to K131.4 billion compared with K83.2 billion in 2008. The average value of bids received at the Government bonds monthly tenders stood at K121.5 billion relative to K98.6 billion posted in the preceding period. In view of the high demand recorded for Treasury bills, the average rate of subscription soared to 131.4% from 83.2% while that for Government bonds was recorded at 101.3% relative to 82.2 % recorded during 2008 (see Table 10).

Table 10: Government Securities Transactions, 2008 - 2009

	2008			2009		
	Average Offers (K' billion)	Average Bids (K' billion)	Average Subscription Rate (%)	Average Offers (K' billion)	Average Bids (K' billion)	Average Subscription Rate (%)
91-day bills	17.0	12.1	71.2	21.3	26.6	124.9
182-day bills	21.1	15.6	73.9	19.2	21.3	110.9
273-day bills	17.8	13.1	73.6	16.3	20.1	123.3
364-day bills	44.1	42.4	96.1	43.2	63.4	146.8
Total	**100.0**	**83.2**	**83.2**	**100.0**	**131.4**	**131.4**
2-year bond	25.8	27.8	107.8	26.7	36.8	138.1
3-year bond	32.9	18.3	55.6	33.3	33.3	99.8
5-year bond	41.7	30.3	72.7	41.7	40.3	96.6
7-year bond	7.1	10.1	142.3	6.7	4.6	69.1
10-year bond	7.1	5.9	83.1	6.7	3.9	58.5
15-year bond	5.4	6.2	114.8	5.0	2.6	51.6
Total	**120.0**	**98.6**	**82.2**	**120.0**	**121.5**	**101.3**

Source: Bank of Zambia

The total value of Treasury bill tender invitations was unchanged at K5,200.0 billion in 2009. Similarly, the amount of Government bonds offered to the market amounted to K1,440.0 billion, unchanged from the amount offered in 2008. The market's response to Treasury bills tender invitation was overwhelming with bids submitted exceeding the amount offered. A total of K6,835.3 billion was tendered in Treasury bills, up from K4,324.7 billion submitted at the weekly auctions in 2008. Of the bids received, K4,283.9 billion was sold compared with K3,484.2 billion recorded in 2008. The demand for Government bonds was also relatively favourable although only the 2-year paper was oversubscribed. The total amount of bids received for all tenors totalled K1,004.7 million, out of which K800.8 billion was sold to investors. Sales of Government bonds in 2009 were below the amount sold in 2008 by K48.6 billion, underpinning the absence of investor enthusiasm in this segment of the debt market. Maturities on Treasury bills were more than fully covered by the sales, resulting in a surplus of K921.6 billion being recorded for the year under review. This figure was more favourable than the K88.6 billion recorded in 2008. Conversely, the realised surplus for Government bonds decreased to K183.6 billion from K478.3 billion posted in 2008.

Stock of Government Securities

The total amount of outstanding Government securities increased by 4.9% to K8,417.9 billion in 2009 from K8,021.8 billion in 2008. This increase was lower than the 5.6% recorded during the previous period, mainly due to a reduction in Government bonds outstanding. The increase in total securities outstanding was therefore, principally accounted for by the growth in the stock of Treasury bills which posted a gain of 18.7% to end the year at K3,895.1 billion while that of Government bonds shrunk by 4.6% to K4,522.8 billion.

Market Bidding Behaviour

Although all portfolios for Treasury bills were attractive to investors, the bidding behaviour mostly reflected the investors' preference for the long-dated 364-day paper, as in 2008. The average subscription rate for the 364-day paper at 146.8% was by far the highest, well above the 96.1% registered in 2008. The 91,182 and 273-day securities also received favourable responses, posting average subscription rates of 124.9%, 110.9% and 123.3%, respectively.

The demand for Government bonds was equally high with overall subscription rate exceeding 100%, mainly on account of over-subscription on the 2-year tenor which was recorded at 138.1%. The 3- and 5-year securities fell marginally below the full tender offer amounts, recording subscription rates of 99.8% and 96.6%, respectively. The rates of subscription for the 7- and 10-year government bonds were recorded at 69.1% and 58.5%. The least attractive tenor was the 15-year bond with a subscription rate of just above 50%.

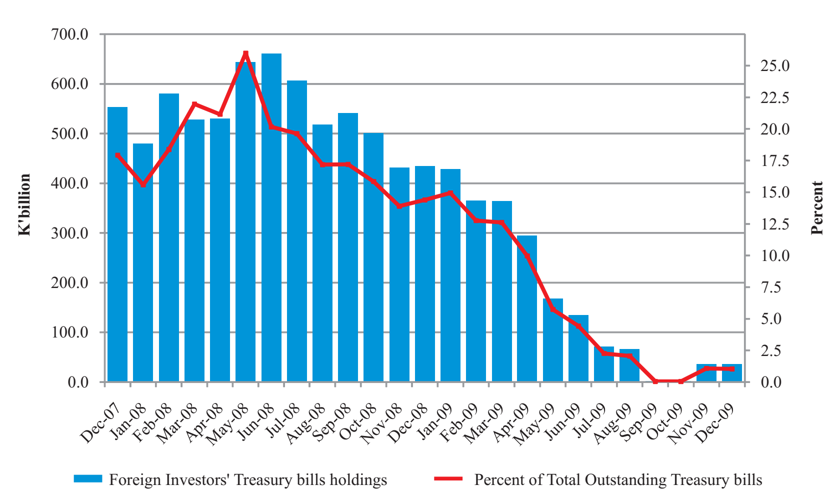
Foreign Investments in Government Securities

The slow pace of recovery in global financial conditions meant that foreign investors' participation in the Government securities market remained subdued, after the capital flight experienced at the height of the crisis in 2008. Thus, 2009 recorded a further reduction in the overall holdings of Government securities by non-residents. The total stock of Government securities held by foreign investors decreased by 30.6% ending the period at K565.9 billion compared with K815.8 billion held in 2008. Foreign investors' holdings accounted for 6.7% of total outstanding Government securities, a reduction from 10.2% recorded at the end of 2008.

The reduction in non-resident holdings of Government securities was more significant for Treasury bills than for Government bonds. Over the first half of the year, the amount of Treasury bills held by foreign investors declined to K1.5 billion from K363.4 billion recorded at the close of 2008. However, as the risks associated with the global financial crisis and economic recession receded and the domestic macroeconomic outlook strengthened, foreign investors returned to the Zambian debt market over the second half of the year. This was reflected in the increase in non-resident holdings of Treasury bills from K1.5 billion to K155.4 billion between July and December 2009 (see Chart 10). This figure was 4.0% of the total stock of Treasury bills outstanding, compared with 11.1% posted at the end of 2008.

CHART 10:

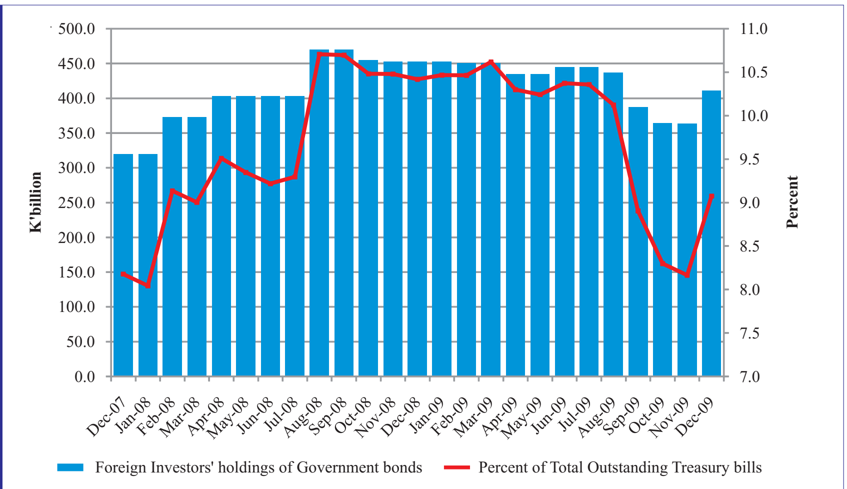
FOREIGN INVESTORS' HOLDING OF TREASURY BILLS, DEC 2007 - DEC 2009



The total stock of Government bonds held by non-residents declined by 9.3% to K410.5 billion at end December 2009 from K452.4 billion recorded in 2008 after reaching a low of K363.1 billion in November 2009. There was however, a recovery in non-resident holdings of Government bonds towards the end of the year (see Chart 11).

CHART 11:

FOREIGN INVESTORS HOLDING OF GOVERNMENT BONDS, DEC 2007 - DEC 2009



Foreign Exchange Market

As the price of copper remained low and private capital inflows reversed in the early part of the year, the exchange rate of the Kwacha against the US dollar weakened to a three-year low of K5,732.90 in mid-April 2009. However, the foreign exchange market subsequently stabilised, benefitting from a rebound in copper prices and receding risk concerns on the effects of the global financial crisis. In addition, foreign exchange inflows through disbursement of funds by the IMF and the resumption of donor support to Government[3] in the second half of the year added further impetus to the already improved foreign exchange market outlook. Nonetheless, due to the depth of the depreciation recorded in the early months of the year, the Kwacha weakened on average against major traded foreign currencies in 2009. Regarding foreign exchange trading, the turnover of funds transacted was higher in 2009 compared with the preceding period.

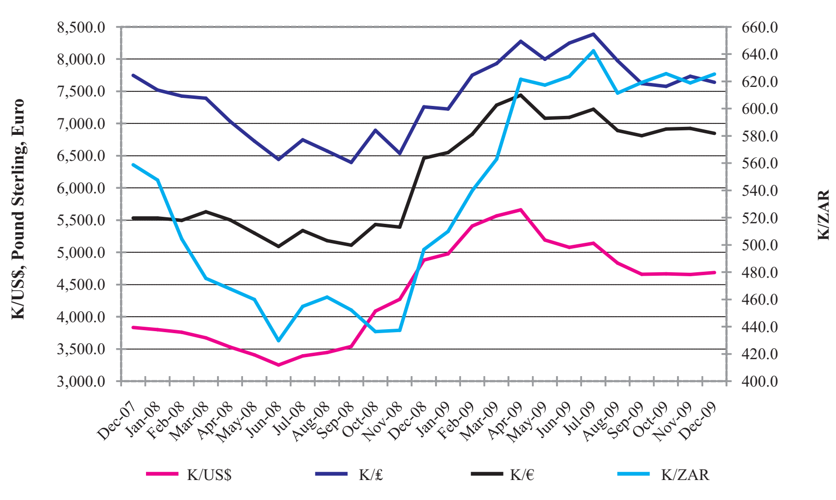
[3]Disbursement of donor support was delayed in part due to the negative impact of the global financial crisis in the donor countries and audit queries relating to allegations of misappropriation of public funds at the Ministry of Health.

Developments in the Nominal Exchange Rate

Despite the recovery in metal prices in the last half of the year, the global financial crisis had exerted considerable pressure on the exchange rate of the Kwacha in the first half of the year resulting in the domestic currency depreciating on average during the year (see Chart 12). Against the US dollar, the Kwacha depreciated by 34% to an average of K5,033.95/US$. It also weakened against the Euro and the South African rand by 28% to trade at an average of K6,988.46/€ and K602.07/ZAR, respectively. The rate of depreciation against the British pound was 13.7% to end the year at an average of K7,859.67/£. Nevertheless, on a year-to-year basis, the Kwacha appreciated by 4% against the US dollar compared to a depreciation of 27% in 2008.

CHART 12:

KWACHA EXCHANGE RATE LEVELS AGAINST MAJOR FOREIGN CURRENCIES, DEC 2007 - DEC 2009



Foreign Exchange Transactions

The pressure on the exchange rate was not only a reflection of external shocks but also depicted a reduction in the supply of foreign exchange from the market. In this regard, commercial banks' purchases of foreign exchange from various other sectors amounted to US $3,799.7 million in 2009 compared with purchases of US $4,942.6 million recorded in 2008. The demand for foreign exchange was equally low with commercial banks' sales to the rest of the economy totalling US $3,200.2 million, down from US $4,513.9 million recorded in the preceding period.

The market saw new leading suppliers of foreign exchange enter into the market. Reflecting a renewed interest into the domestic debt market, foreign financial firms accounted for US $982.7 million (25.9%) of the total foreign exchange supplied to the market. The mining companies, previously the single main player in the market accounted for one fifth (US $794.5 million) of the total funds placed onto the market, down from US $1,390.7 million recorded in 2008. The remainder (US $2,022.5 million) was distributed among a multiplicity of players of which the manufacturing sector supplied a total of US $147.4 million compared to US $177.9 million supplied in 2008.

Interbank trading of foreign exchange rose to US $4,811.9 million in 2009 from US $4,512.3 million at the end of 2008. However, with regard to the non-bank public, commercial banks' purchases of foreign exchange decreased to US$3,805.6 million compared with US $5,705.0 million in 2008. The banks' sales of foreign exchange to non-banks were equally lower at US $3,410.9 million compared to the US $5,280.5 million the previous period. On a net basis, banks gained US $394.7 million on their books through transactions with the non-bank public, which was lower than the net purchases of US $424.6 million recorded in 2008.

More activity was recorded for the South African rand on the demand side of the market with commercial banks offloading a total of ZAR2,797.6 million to the non-banks, although this was significantly lower than the sales of ZAR6,164.3 million recorded in 2008. Purchases of the rand from non-banks decreased to ZAR314.4 million from ZAR3,396.8 million over the same period. In view of this, commercial banks recorded net sales of ZAR2,483.2 million compared with ZAR2,767.5 million in 2008. Furthermore, commercial banks sold ZAR22.4 million worth of the South African currency to the bureaux, less than half of the amount sold in 2008. Conversely, the banks' purchases of foreign exchange from the bureaux amounted to only ZAR0.4 million, resulting in net sales of ZAR22.0 million to the bureaux. In the interbank rand market, transactions rallied strongly as ZAR105.4 million exchanged hands among commercial banks. This figure was much higher than ZAR12.9 million traded in 2008.

The continued high demand for the rand reflected the growing importance of the South African economy to most Zambian business houses.

Market activity for other major currencies continued to lag behind that of the US dollar and the South African rand. The banks' euro sales to non-banks fell steeply to €58.1 million at the end of 2009 from €119.2 million in 2008. Commercial banks purchased €50.9 million from non-banks, resulting in net sales of €7.3 million. With regard to the British pound, commercial banks reported sales of £25.8 million to non-banks, down from £52.2 million while the value of purchases stood at £11.6 million compared with £84.6 million recorded in 2008.

The prevailing market conditions were characterised by a high demand for foreign exchange, largely driven by the global financial crisis that led to a depreciating trend of the Kwacha against the major currencies throughout most of the period. In order to minimise exchange rate volatility, the Bank of Zambia stepped up its participation in the foreign exchange interbank market by accommodating some of the high demand for foreign exchange, particularly in the first quarter of the year. In this regard, a total of US $395.0 million was sold to the market, reflecting an increase of US $165.0 million over the previous period's level of intervention. The Bank's purchases of foreign exchange from the market were limited, totalling only US$24.5 million compared with US $59.0 million in 2008.

Real Effective Exchange Rate

The Real Effective Exchange Rate (REER) depreciated[4] by 5.8% to 108.3 in December 2009 from the 102.4 recorded in December 2008 (see Chart 13). This was largely a result of the 14.2% depreciation of the Nominal Effective Exchange Rate (of which the South African Rand and the Swiss Franc contributed 12.1 and 2.3 percentage points, respectively). This was moderated by the 7.4% decline in relative prices (ratio of foreign to domestic prices). On an annual basis, the average REER depreciated by 17.3% in 2009 compared with an appreciation of 13.6% recorded in 2008 (see Table 11). This was mainly attributed to the 31.3% depreciation of the annual average Nominal Effective Exchange Rate (of which the South African Rand and the Swiss Franc accounted for 13.6 and 10.9 percentage points, respectively).

CHART 13:

REAL EFFECTIVE EXCHANGE RATE INDEX, DEC 2007 - DEC 2009

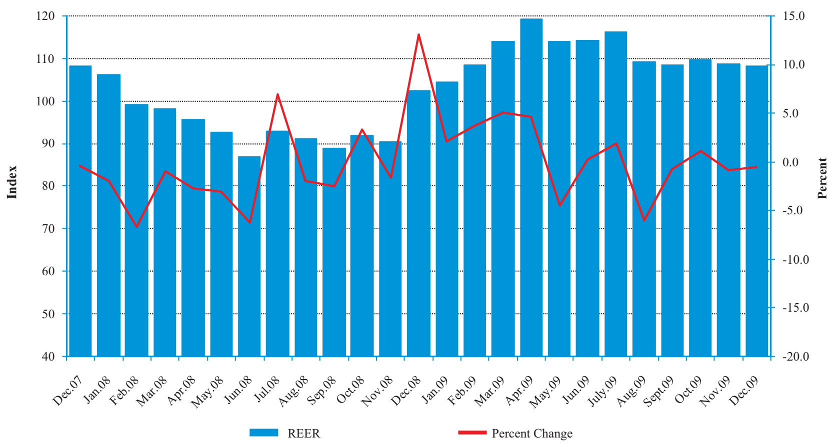


Table 11: End Period Real Effective Exchange Rate, 2007 - 2009

	2007	2008	2009	Percentage Change (2009/2008)
Domestic CPI(2005=100)	113.8	128.0	145.1	13.4
Weighted Foreign CPI(2005=100)	106.0	113.1	114.6	1.3
NEER Index	1,537.3	1,400.5	1,839.5	31.3
REER Index (2005=100)	109.8	94.9	111.3	17.3

Source: Bank of Zambia

Gross International Reserves

Despite pressures that characterised the foreign exchange market during the year, the Bank of Zambia's policy of reserves accumulation remained on course, boosted by the IMF's allocation of US $627.3[5] million in Special Drawing Rights (SDRs). The Bank increased its external reserves position by 75.6% to US $1,949.2 million

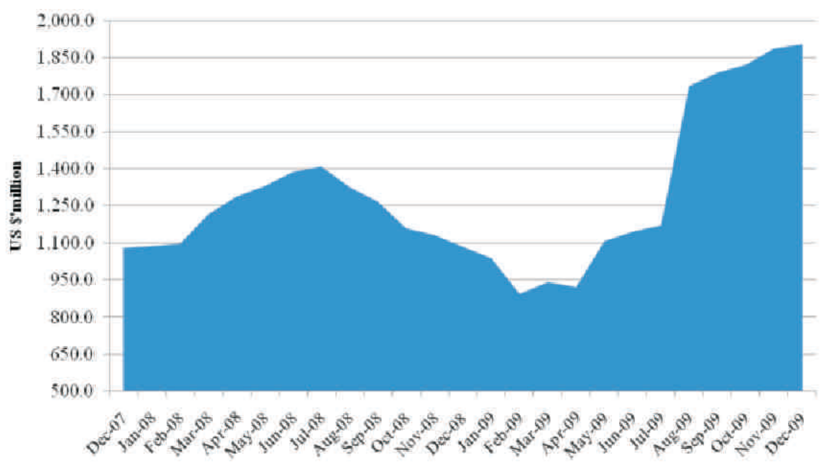
[4] A sustained depreciation of the real effective exchange rate has the potential to positively impact on the performance of non-traditional exports.

[5] This was a general and special allocation of SDR made to the IMF member countries meant to provide liquidity with the view of boosting reserves following the global financial crisis.

from the US $1,109.9 million recorded at the end of 2008 (see Chart 14). Other factors accounting for the increase in the level of reserves were the balance of payments support worth US $247.7 million, tax payments by the mining companies amounting to US $77.7 million and Bank of Zambia purchases of foreign exchange from the market totalling US $24.5 million. Receipts of project funds accounted for a further US $118.4 million while other receipts amounted to US $52.3 million. The Bank's reserves build-up was counteracted by the foreign exchange outflows mainly through Bank of Zambia net sales of foreign exchange to the market worth US $370.5 million. These sales were occasioned by the need to moderate exchange rate volatility.

CHART 14:

GROSS INTERNATIONAL RESERVES, DEC 2007 - DEC 2009



Developments in the Capital Markets

Equity Market

Market activity at the Lusaka Stock Exchange (LuSE) remained depressed, falling further during the course of 2009. The volume of shares traded at the stock market amounted to 203.5 million in 2009, the lowest since 2002. The fall in trading activity was mainly due to reduced participation of foreign investors, with only 72.2 million shares purchased at the local bourse despite an improvement in global economic conditions. The continued risk aversion of foreign investors towards developing economies' equities resulted in net foreign portfolio capital outflows from the LuSE amounting to US $13.1 million compared with a net inflow of US $1.7 million recorded in the previous year. Domestic trading was also sluggish, amounting to only 131.3 million shares transacted over the period, as local investors continued to experience liquidity constraints and remained uncertain about the future direction of the stock market. The poor performance of the stock market was also evident in the sales turnover, as both domestic and foreign sales fell sharply to K7,038.1 million and K1,714.2 million from K13,119.5 million and K12,020.2 million, respectively.

However, market capitalisation rose through the period as investors placed their funds in a select group of companies with strong growth prospects. The increase in share prices for Zambeef, Zambia Sugar plc, Zambian Breweries and ZANACO provided the impetus for growth in market value (see Table 12). Accordingly, market capitalisation rose by 21.9% to K24,940.7 billion at the end of 2009. The rise in market capitalisation was higher than the 8.5% increase recorded at the end of 2008. Largely due to bullish performance of the companies stated above, the Lusaka All Share Index posted an increase of 11.5% to close the year at 2,794.9 compared with 2,505.88 recorded in 2008 (see Chart 15).

CHART 15:

INDICATORS OF LUSE ACTIVITY, DEC 2007 - DEC 2009

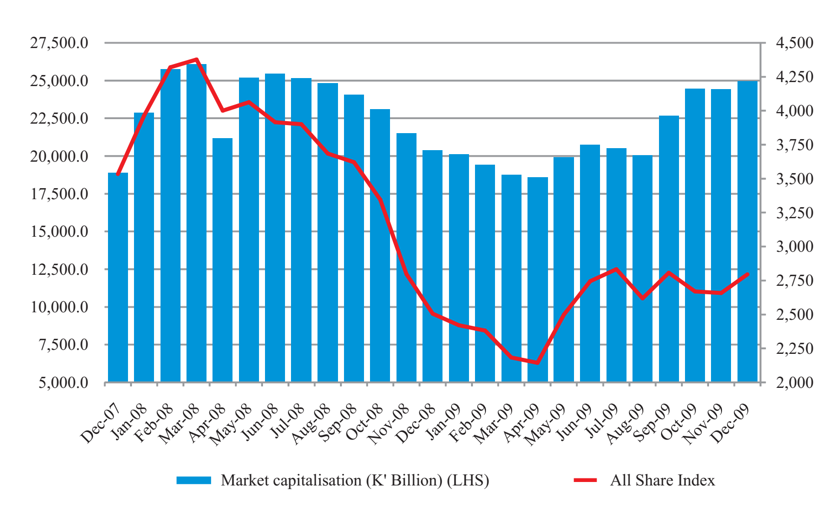


Table 12: Listed Companies' Share Prices on the Lusaka Stock Exchange, 2008 - 2009

Listed Company	Closing Share Price 2008	Closing Share Price 2009	Share Price Change (%)
African Explosive (Z) Ltd	1,680.00	1,000.00	-40.5
British American Tobacco	1,450.00	1,250.00	-15.5
British Petroleum	575.00	270.00	-53.0
Cavmont Capital	11.50	8.50	-26.1
Copperbelt Energy Corporation	450.00	430.00	-4.4
Celtel	300.00	498.00	66.0
Investrust Bank Limited	25.00	18.00	-28.0
Lafarge	6,100.00	5,500.00	-9.8
Farmers House	1,000.00	2,700.00	170.0
Farmers House Preference	4,280.00	4,280.00	0.0
National Breweries	6,880.00	6,460.00	-6.1
Pamodzi Hotel	500.00	320.00	-36.0
Standard Chartered Bank	379.00	250.00	-34.0
Shoprite	16,000.00	21,800.00	36.3
Zambeef	3,500.00	3,800.00	8.6
Zambia Metal Fabricators	299.00	200.00	-33.1
Zanaco	385.00	550.00	42.9
Zambia Breweries	1,710.00	2,000.00	17.0
ZCCM-IH	28,000.00	27,000.00	-3.6
Zambia Sugar	268.00	381.00	42.2

Source: Lusaka Stock Exchange

Bond Market

In the bond market, the value of Government bonds traded in the secondary market rose sharply in 2009, reaching a high of K57.3 billion against K3.1 billion in 2008. The high rate of trading activity manifested increased awareness of the importance of the secondary market in Government paper and was consistent with the Bank's efforts to develop this segment of the debt market. The volume of funds traded on the secondary market, although low, also increased to 11 from 6 in 2008.

3.3 BALANCE OF PAYMENTS

Preliminary data show that Zambia recorded a favourable balance of payments (BoP) position in 2009 compared with the previous year. The overall BoP surplus rose to US $427.4 million in 2009 from US $12.7 million recorded in 2008 (see Table 13). This was evidenced by the increase in gross international reserves equivalent to 5.1 months of import cover in 2009 from 2.1 months recorded the preceding year. The improvement in the BoP position was largely attributed to the narrowing of the current account deficit, which more than offset the unfavourable performance in the capital and financial account.

Table 13: Balance of Payments, 2007 - 2009 (US $' million)

	2007	2008	2009*
Current Account	**-754.5**	**-1,036.1**	**-456.6**
Balance on goods	899.2	404.4	865.3
Exports , f.o.b	**4,448.5**	**4,877.2**	**4,189.4**
Metal sector	3,667.7	4,001.0	3,283.9
Copper	3,406.5	3,684.5	3,115.4
Cobalt	261.2	316.5	168.5
Nickel			0.0
Non-traditional	780.8	876.2	905.5
Imports, f.o.b	**-3,610.5**	**-4,554.3**	**-3,400.3**
Metal sector	-1,059.1	-1,380.5	-866.0
Non-metal sector	-2,551.4	-3,173.8	-2,534.3
Goods Procured in ports by carriers(Bunker Oil)	35.3	37.4	39.6
Nonmonetary Gold	26.0	44.1	36.6
Services (net)	**-639.6**	**-602.0**	**-461.6**
Services Receipts	273.4	299.6	240.8
Services Payments	-913.0	-901.6	-702.4
Balance on goods and services	259.6	-197.6	403.7
Income Net	**-1,544.6**	**-1,398.6**	**-1,333.6**
Income Receipts	35.2	29.5	5.4
Income Payments	-1,579.8	-1,428.1	-1,338.9
Of which: Income on Equity Payments	-1,532.0	-1,345	-1,261.0
Interest payments	-13.3	-54.1	-49.3
Current Transfers (net)	**530.5**	**560.1**	**473.2**
Private	227.9	239.0	180.5
Official	302.6	321.1	292.7
Commodity, SWAP & Global Fund	156.0	150.1	79.2
Budget Grants	146.6	171.0	213.5
Capital and Financial Account	**1,065.4**	**1,046.1**	**879.0**
Capital Account	**222.8**	**230.0**	**298.7**
Capital Transfers	222.8	230.0	298.7
General Government	222.8	230.0	298.7
Project Assistance grants	222.8	230.0	298.7
Debt Cancelled/MDRI	0.0	0.0	0.0
Other Sectors	0.0	0.0	0.0
Financial Account	**842.6**	**816.1**	**580.3**
Direct Investment	1,323.9	938.6	694.4
Portfolio Investment	41.8	-6.1	-6.4
Other Investment	-523.1	-116.4	-107.6
Assets	-1,005.8	-443.5	-21.3
Increase in NFA - banks(-)	-66.7	142.7	-80.0
Other Short term Deposits	-939.1	-586.2	58.6
Liabilities	482.7	327.1	-86.2
Government	33.9	67.4	38.1
Disbursement of Loans	82.7	110.8	38.1
Project	82.7	79.0	58.3
Budget	0.0	31.8	20.9
Amortization of Loans(-)	-48.8	-43.3	-41.1
Monetary Authorities			627.3
Private Foreign Borrowing(net)	448.8	259.6	-751.6
Errors and Omissions	-0.4	2.6	5.0
Overall balance	**310.5**	**12.7**	**427.4**

Source: Bank of Zambia
** Preliminary*

Current Account

During the year, the current account deficit narrowed to US $456.6 million from the US $1,036.1 million recorded the previous year. This was generally attributed to a surge in the merchandise trade surplus to US $865.3 million from US $404.4 million over the same period. A decline in the merchandise imports bill, which outweighed the drop in merchandise export earnings, explained the increase in the trade surplus.

Merchandise imports fell by 25.3% to US $3,400.3 million in 2009 from US $4,554.3 million in 2008. This was mainly on account of a reduction in import bills on all commodity groups, with the exception of paper and paper products, and fertilizer, which increased by 1.6% and 0.7%, respectively. The slowdown in investment projects, particularly in the mining sector, coupled with the depreciation of the Kwacha during the first half of the year principally explained this outturn.

During the year, merchandise export earnings were US $4,189.4 million. This was 14.1% lower than the US $4,877.2 million recorded in 2008, due to a decline in both copper and cobalt export earnings by 18.0% (see Chart 16).

Spurred by the commencement of full commercial production at Lumwana mine, and enhanced processing capacity at the Chambishi and Konkola mines, copper export volumes soared to 669,096.50 mt in 2009 from 587,124.69 mt recorded in 2008. A Hitachi Euclid truck hauling concentrate from the Lumwana Copper Mine pit headed for the processing plant

COURTESY OF LUMWANA MINING COMPANY

EUCLID TRUCK AT LUMWANA COPPER MINING COMPANY IN SOLWEZI

Following the completion of the rehabilitation of major hydro-electric power stations in the country, the energy sector grew by 8.6% in 2009, up from a growth of negative 1.2% in 2008. Further exports of electricity rose more than three-fold

COURTESY OF ZESCO LIMITED

REHABILITATION AND UPGRADE WORK IN PROGRESS AT KAFUE GORGE

Copper export earnings fell by 15.4% to US $3,115.4 million from US $3,684.5 million realised the previous year. The fall in earnings was mainly due to a 25.8% decline in the average realised price of copper to US $4,656.09 per mt in 2009 from US $6,275.44 per mt recorded the preceding year. However, copper export volumes grew by 14.0% to 669,096.50 mt in 2009 from 587,124.69 mt recorded in 2008. This was due to the commencement of full commercial production at Lumwana Copper Mine, and enhanced processing capacity following the commissioning of the Chambishi and Konkola Copper Smelters.

Similarly, cobalt export earnings fell by 46.8% to US $168.5 million from US $316.5 million in 2008, as the average realised cobalt price declined by 58.5% to US $28,474.03 per mt from US $68,657.40 per mt. This was despite the increase in export volume by 28.3% to 5,916.88 mt in 2009 from 4,610.45 mt in 2008.

In contrast, non-traditional export earnings (NTEs) grew by 3.4% to US $905.5 million from US $876.2 million recorded in 2008. Accounting for the increase in NTEs were exports of cane sugar, burley tobacco, cotton lint, gasoil, gemstones, electricity and cement (see Table 14). Improved production of some of the leading NTEs, such as cane sugar, coupled with recovery in global demand in the latter part of the year, contributed to the increase.

CHART 16:

EXPORT EARNINGS, 2007 - 2009

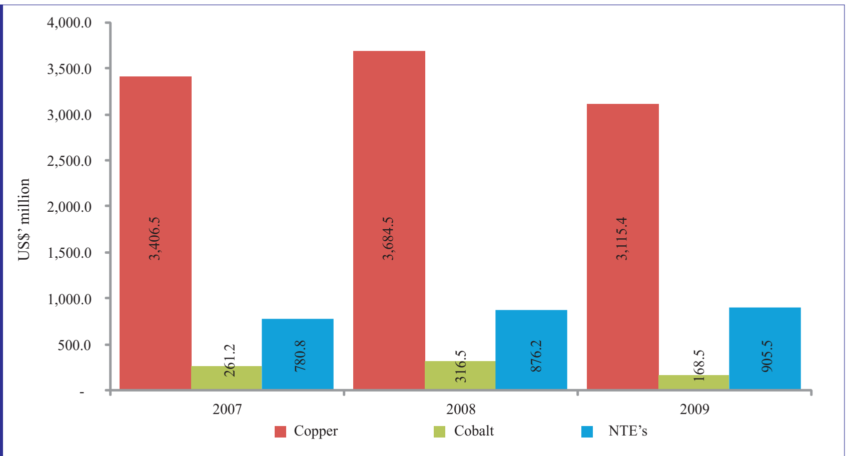


Table 14: Major Non-Traditional Exports (C.I.F.), 2007 – 2009 (US $' million)

Product	2007	2008	2009*	% Change 2009/2008
Copper Wire	195.4	158.0	110.4	-30.1
Cane Sugar	74.4	60.7	101.8	67.8
Burley Tobacco	63.2	74.6	96.0	28.7
Cotton Lint	37.1	35.4	48.6	37.4
Electrical Cables	150.5	56.3	38.2	-32.2
Fresh Flowers	38.3	23.7	23.4	-1.2
Cotton Yarn	12.4	7.5	0.1	-99.3
Fresh Fruits & Vegetables	24.6	27.0	22.1	-18.1
Gemstones	28.6	32.4	36.3	11.8
Gas oil	20.9	25.9	29.1	12.3
Electricity	7.3	3.3	10.5	215.6

Source: Bank of Zambia
*Preliminary

Capital and Financial Account

In the period under review, the capital and financial account balance narrowed by 16.0% to US $879.0 million from US $1,046.1 million in 2008. This was largely driven by the decline in inflows from foreign direct investment, Government and private borrowing against increased outflows from debt service by the private sector. The decline in the capital and financial account was moderated by the allocations of SDRs to Zambia by the IMF equivalent to US $627.3 million.

Direction of Trade

Major Export Markets by Region

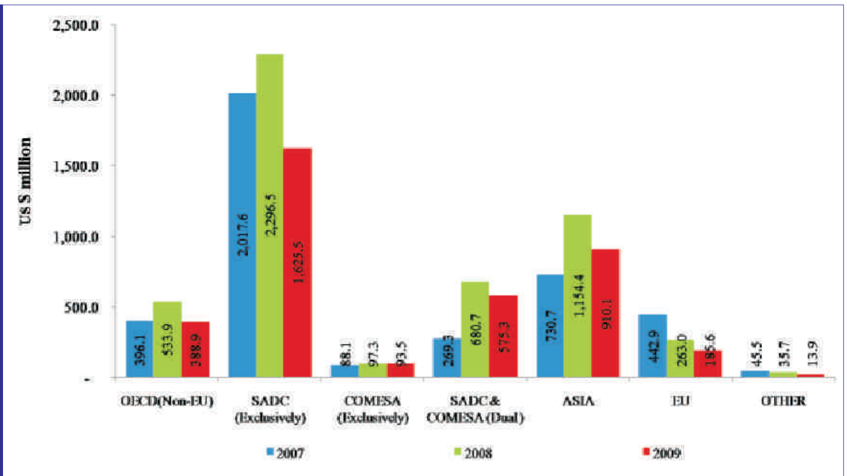
In the period under review, Zambia recorded a notable decline in exports to all regional markets apart from Asia, Southern African Development Community (SADC) and the Common Market for Eastern and Southern

Africa (COMESA). The non-EU OECD region maintained its top rank as Zambia's major export market, accounting for 52.0% of total exports (see Chart 17). Exports to this region, however, declined by 20.0% to US $2,227.0 million in 2009 from the US $2,783.0 million recorded the previous year. This was largely driven by the decline in metal exports to Switzerland, UK, USA and Japan. A decline in exports of food items to the UK was also recorded. The fall in the average metal prices on the international market as a result of the decline in demand due to the effects of the global economic crisis explained this outturn. Asia ranked second, accounting for 19.0% as exports to that region rose to US $802.0 million from US $654.0 million, spurred by increased metal exports to China and the United Arab Emirates.

The SADC and COMESA as a group emerged third accounting for 12.0% of total exports with exports to countries in this group growing by 13.6% to US $493.0 million from US $434.0 million in 2008. Increased exports of food and live animals, chemicals and related products to Congo DR; beverages and tobacco, machinery and transport equipment parts to Zimbabwe; and food items to Mauritius, explained this outturn. SADC (exclusively)[6] was displaced to the fourth rank, accounting for 11.0% as Zambia's exports to these countries declined further by 22.0% to US $449.0 million from US $575.0 million in 2008. A fall in exports of copper ores to South Africa and food items to Namibia, explained the decline. Similarly, exports to COMESA (exclusively) declined by 66.9% following a substantial reduction in copper exports to Egypt and manufactured goods to Kenya. The EU ranked sixth as exports to that region fell by 41.2% driven by a slide in metal exports to the Netherlands, Belgium, and Germany.

CHART 17:

DIRECTION OF EXPORTS BY REGION, 2007 - 2009



Major Sources of Imports by Region

The SADC remained the major source of Zambia's imports accounting for 43.0%. This was despite a fall in imports by 29.2% to US $1,625.5 million from US $2,296.5 million (see Chart 18). Accounting for this outturn was mainly the decline in imports of machinery and equipment, and manufactured goods, as well as mineral fuels, lubricants and related materials from Mozambique and South Africa. Asia was second with a 24.0% share in the country's total imports, despite a 21.2% drop in imports to US $910.1 million from US $1,154.4 million. This outcome was attributed to a decline in imports of machinery and equipment, and manufactured goods from China, Hong Kong, and United Arab Emirates; chemicals and related products from India; and petroleum products from Kuwait.

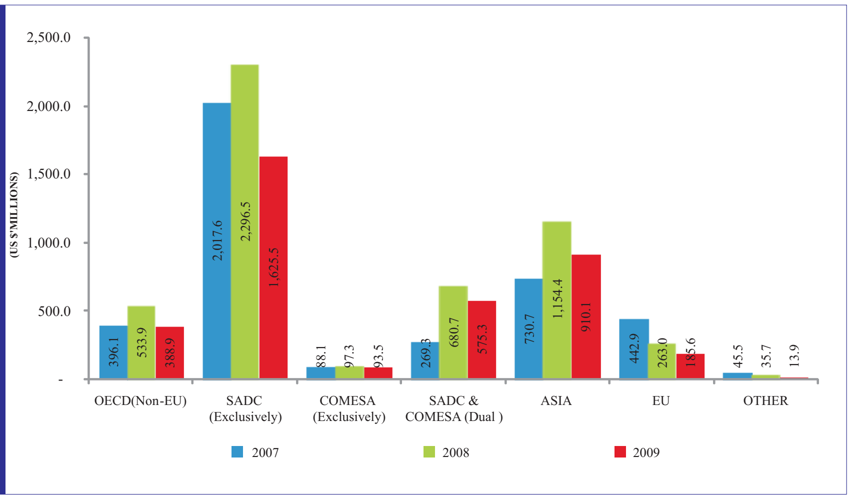
Similarly, imports from SADC and COMESA as a group fell by 15.5% to US $575.3 million from US $680.7 million recorded the previous year. A decline in imports of manufactured goods, food items and mineral fuels, lubricants and related products from Zimbabwe, explained this outturn.

The non-EU OECD region ranked fourth as imports fell by 27.2%, reflecting a decline in imports of machinery and transport equipment from Australia, Canada, Sweden and Japan. During the same period, imports from the EU equally declined by 29.4%, as imports of machinery and equipment from Belgium, Finland, Germany, Netherlands, France, and Italy edged downwards. This was mainly attributed to the low economic activities coupled with a relatively weak Kwacha in the first half of 2009 on the backdrop of the global financial and economic crises. The COMESA, which ranked sixth, accounted for 3.0% of Zambia's total imports.

[6]Exclusively in this context refers to those countries that are only members of SADC and do not belong to COMESA. In both regional bodies, they are countries with dual membership.

CHART 18:

SOURCE OF IMPORTS BY REGION, 2007 - 2009



3.4 EXTERNAL DEBT

Government Debt Stock

Preliminary data indicate that the Government's total stock of outstanding external debt increased by 26.8% to US $1,521.2 million at end-2009 from the US $1,199.8 million recorded at end-2008 (see Table 15). The increase in the debt stock was as a result of disbursements from various creditors, notably the IMF and the World Bank Group.

An analysis of the structure of Government's external debt stock as at the end of 2009 indicates that 69.8% of this total was owed to multilateral creditors, 21% to bilateral creditors and 9.2% to suppliers. The multilateral debt stock increased by 39.2% to US $1,061.5 million at the end of 2009 from US $762.5 million at the end of 2008. The increase was largely attributed to disbursements from the IMF under the Extended Credit Facility and disbursements from the World Bank Group for various projects. The stock of IMF debt increased to US $344.8 million in 2009 from the previous year's level of US $95.5 million. External debt owed to bilateral creditors at end 2009 was US $320 million, up from US $295 million, while the stock of debt owed to suppliers declined to US $139.7 million from US $142.1 million.

Table 15: Government External Debt Stock by Creditor, 2007 - 2009

	2007		2008		2009*	
Creditor	**US $'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	**286.8**	**25.9**	**295.2**	**24.6**	**320.0**	**21.0**
Paris Club	212.6	19.2	220.7	18.4	226.4	7.8
Non Paris Club	74.2	6.7	74.5	6.2	93.6	2.6
Multilateral	**708.3**	**64.0**	**762.5**	**63.6**	**1,061.5**	**69.8**
IMF	85.9	7.7	95.5	7.9	344.8	22.7
World Bank Group	407.9	36.8	436.0	36.3	501.1	33.0
African Development Bank Group	93.5	8.4	126.0	10.5	119.6	7.8
Others	120.8	10.9	104.8	8.8	96.0	6.3
Suppliers/ Bank	**111.4**	**10.1**	**142.1**	**11.8**	**139.7**	**9.2**
Total Govt. Debt	**1,106.5**	**100.0**	**1,199.8**	**100.0**	**1,521.2**	**100.0**

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

Government External Debt Service

In 2009, Government external debt service amounted to US $55.5 million, representing a decrease of 13.3% from US $64.0 million debt service in 2008 (see Table 16). Principal maturities during the year amounted to US $42.8 million while interest and other charges amounted to US $12.7 million. Of the total debt service for 2009, US $28.6 million was paid to bilateral creditors, US $26.4 million to multilateral creditors and US $0.5 million to supplier creditors.

Table 16: Zambia's Official External Debt Service by Creditor, 2007 - 2009

	2007	2008	2009
Creditor	**US $'million**	**US $'million**	**US $'million**
Bilateral	35.9	35.7	28.6
Paris Club	3.5	9.2	7.3
Others	32.4	26.5	21.3
Multilateral	24.8	28.0	26.4
IDA	3.0	3.5	3.7
IMF	0.0	3.4	2.0
ECU/EIB	15.2	14.9	16.2
Others	6.6	6.2	4.5
Suppliers/Bank	0.8	0.3	0.5
Total	61.5	64.0	55.5

Source: Bank of Zambia

Table 17: Private and Parastatal External Debt Stock, 2007 - 2009

	2007		2008		2009*	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	**1,005.5**	**96.5**	**881.7**	**96.9**	**2,227.0**	**99.0**
Multilateral	96.2	9.2	65.4	7.2	214.8	9.5
Financial Institutions	206.1	19.8	209.3	23.0	420.9	18.7
Parent Company	**541.4**	**52.0**	**448.4**	**49.3**	**1,432.7**	**63.7**
Other	**161.8**	**15.5**	**158.6**	**17.4**	**158.6**	**7.1**
Parastatal	**34.7**	**3.5**	**27.9**	**3.1**	**23.4**	**1.0**
Total Private and Parastatal Debt	**1,040.2**	**100.0**	**909.6**	**100.0**	**2,250.4**	**100.0**

Source: Ministry of Finance and National Planning, and Bank of Zambia

Table 18: Central Government Fiscal Operations, 2007 - 2009

	2007 (Actual)		2008 (Actual)		2009 (Target)		2009 (Preliminary)	
	K' billion	% of GDP	K' billion	% of GDP	K' billion	% of GDP	K' billion	% of GDP
Revenues and Grants	**10,626.0**	**22.9**	**12,186.3**	**22.0**	**13,681.2**	**21.6**	**12,182.4**	**18.9**
Domestic Revenues	**8,522.1**	**18.4**	**10,113.6**	**18.2**	**10,648.7**	**16.8**	**10,315.2**	**16.0**
Of which:								
Tax Revenues	8,183.6	17.7	9,546.3	17.2	10,194.5	16.1	9,660.9	15.0
Non-tax Revenue	338.5	0.7	567.3	1.0	454.2	0.7	654.3	1.0
Grants	**2,103.9**	**4.5**	**2,072.7**	**3.7**	**3,032.5**	**4.8**	**1,867.2**	**2.9**
Total Expenditures	**11,209.5**	**24.2**	**13,280.0**	**24.0**	**15,248.4**	**24.1**	**13,847.5**	**21.5**
Of which:								
Current Expenditures	9,366.5	20.2	11,313.0	20.4	12,272.5	19.4	11,556.9	18.0
Capital Expenditures	1,083.0	2.3	1,271.0	2.3	2,975.9	4.7	2,290.6	3.6
Change in balances	*474.5*	*1.0*	*-308.8*	*-0.6*	*0.0*	*0.0*	*21.9*	*0.0*
Overall bal including grants (Cash)	**-109.0**	**-0.2**	**-1,402.5**	**-2.5**	**-1,567.2**	**-2.5**	**-1,643.2**	**-2.6**
Of which:								
Overall bal. excluding grants (Cash)	**-2,212.9**	**-4.8**	**-3,475.2**	**-6.3**	**-4,599.7**	**-7.3**	**-3,510.4**	**-5.5**

Source: Ministry of Finance and National Planning

New initiatives by the Government like the Citizen's Economic Empowerment Commission (CEEC) led to the birth of enterprises by indigenous persons, leading to an increase in manufacturing firms and a higher real GDP in 2009. Kechas General Dealers was a beneficiary of CEEC funding

CORRUGATED IRON SHEET MAKING AT KECHAS GENERAL DEALERS IN KABWE

Table 19: Central Government Revenue, 2007 - 2009

	2007 (Actual)		2008 (Actual)		2009 (Target)		2009 (Preliminary)	
	K'billion	% of GDP	K' billion	% of GDP	K' billion	% of GDP	K' billion	% of GDP
Revenue and Grants	**10,626.0**	**22.9**	**12,186.3**	**22.0**	**13,681.2**	**21.6**	**12,182.4**	**18.9**
Domestic Revenues	**8,522.1**	**18.4**	**10,113.6**	**18.2**	**10,648.7**	**16.8**	**10,315.2**	**16.0**
Tax Revenues	**8,183.6**	**17.7**	**9,546.3**	**17.2**	**10,194.5**	**16.1**	**9,660.9**	**15.0**
Income Tax	**3,831.9**	**8.3**	**4,379.9**	**7.9**	**4,657.3**	**7.4**	**5,072.9**	**7.9**
Personal Tax	2,541.4	5.5	2,986.0	5.4	3,225.9	**5.1**	3,462.4	5.4
Company Tax	1,222.9	2.6	1,327.0	2.4	1,311.8	**2.1**	1,375.6	2.1
Extraction Royalty	67.6	0.1	66.9	0.1	119.6	**0.2**	234.9	0.4
Domestic Goods & Services	**1,231.2**	**2.7**	**993.0**	**1.8**	**1,280.6**	**2.0**	**1,331.0**	**2.1**
Excise Taxes	1,204.5	2.6	1,424.0	2.6	1,657.2	2.6	1,024.0	1.6
Domestic VAT	26.7	0.1	-431.0	-0.8	-376.6	-0.6	307.0	0.5
International Trade Taxes	**3,120.5**	**6.7**	**4,173.4**	**7.5**	**4,256.6**	**6.7**	**3,257.0**	**5.1**
Import Tariffs	914.1	2.0	1,351.0	2.4	1,431.9	2.3	1,088.6	1.7
Import VAT	2,204.1	4.8	2,632.0	4.7	2,824.7	4.5	2,168.4	3.4
Import Declaration Fee/ Export Duties	2.3	-	190.4	0.3	-	-	-	-
Non-tax Revenue	**338.5**	**0.7**	**567.3**	**1.0**	**454.2**	**0.7**	**654.3**	**1.0**
Fees and Charges	194.4	0.4	388.9	0.7	340.1	0.5	378.9	0.6
Dividends	29.3	0.1	21.1	0.0	66.1	0.1	6.8	0.0
Other Receipts	114.8	0.2	157.3	0.3	48.0	0.1	268.6	0.4
Grants	**2,103.9**	**4.5**	**2,072.7**	**3.7**	**3,032.5**	**4.8**	**1,867.2**	**2.9**
Programme	581.9	1.3	643.0	1.2	832.3	1.3	879.4	1.4
Projects	1,522.0	3.3	1,429.7	2.6	2,200.2	3.5	987.8	1.5

Source: Ministry of Finance and National Planning

Investment Pledges[8]

During 2009, total investment pledges amounted to US $1,840.5 million compared with the US $9,526.3 million recorded the previous year. This outturn partly reflects the contraction in investment flows in the wake of the global financial and economic crisis. On a sectoral basis, pledges in manufacturing were US $584.0 million, real estate (US $433.5 million), tourism (US $198.5 million), mining (US $182.3 million), services (US $115.5 million), energy (US $92.1 million), health (US $59.3 million), transport (US $58.7 million), agriculture (US $48.7 million), financial services (US $38.0 million), education (US $14.6 million), construction (US $12.3 million) and ICT (US $3.0 million).

Table 20: Central Government Expenditure, 2007 - 2009

	2007 (Actual)		2008 (Actual)		2009 (Target)		2009 (Preliminary)	
	K' billion	% of GDP	K' billion	% of GDP	K' billion	% of GDP	K' billion	% of GDP
Total Expenditures	**11,209.5**	**24.2**	**13,280.0**	**24.0**	**15,248.4**	**24.1**	**13,847.5**	**21.5**
Current Expenditures	**9,366.5**	**20.2**	**11,313.0**	**20.4**	**12,272.5**	**18.8**	**11,556.8**	**18.0**
Wages and Salaries	3,530.9	7.6	4,435.1	8.0	5,056.9	8.0	5,251.0	8.2
PSRP	35.0	0.1	30.0	0.1	43.0	0.1	23.2	0.0
Use of Goods and Services	2,437.0	5.3	2,464.8	4.4	3,317.1	5.2	2,656.9	4.1
Interest on Public Debt	775.6	1.7	1,101.7	2.0	1,068.5	1.7	1,032.6	1.6
Domestic Debt	721.3	1.6	879.8	1.6	978.8	1.6	974.6	1.5
Foreign Debt	54.3	0.1	221.9	0.4	89.7	0.1	58.0	0.1
Subsidies	409.0	0.9	525.0	0.9	0.0	0.0	0.0	0.0
Grants and Other Payments	933.0	2.0	1,676.0	3.0	1,938.4	3.1	1,729.7	2.7
Social Benefits	266.0	0.6	168.7	0.3	245.8	0.4	253.5	0.4
Other Expenses	980.0	2.1	911.7	1.6	251.2	0.4	332.5	0.5
Liabilities	-	-	-	-	351.6	0.6	277.5	0.4
Capital Expenditures	**1,843.0**	**4.0**	**1,967.0**	**3.5**	**2,975.9**	**4.7**	**2,290.5**	**3.6**
Domestically Financed	1,083.0	2.3	1,271.0	2.3	1,850.4	2.9	1,842.3	2.9
Foreign Financed	760.0	1.6	696.0	1.3	1,125.5	1.8	448.3	0.7

Source: Ministry of Finance and National Planning

When fully executed, the pledges were expected to generate 19,602 jobs compared with 25,767 jobs in 2008. The breakdown of jobs expected to be generated were manufacturing (7,365), real estate (3,318), mining (2,015), agriculture (1,897), services (1,635), tourism (1,127), construction (948), transport (860), education (178), health (171), financial services (37), ICT (34) and energy (17).

[7] In December 2009, the IMF Board approved the transformation of the PRGF into the Extended Credit Facility (ECF), which provided enhanced support to the IMF member states.

Table 21: Budget Deficit Financing, 2007 - 2009

	2007 (Actual)		2008 (Actual)		2009 (Target)		2009 (Preliminary)	
	K' billion	% of GDP	K' billion	% of GDP	K'billion	% of GDP	K' billion	% of GDP
Total Financing	**109.0**	**0.2**	**1,402.5**	**2.5**	**1,567.2**	**2.5**	**1,643.2**	**2.6**
Domestic	**-36.0**	**-0.1**	**811.6**	**1.5**	**1,170.4**	**1.9**	**1,676.3**	**2.6**
Bank	-431.0	-0.9	711.6	1.3	970.4	1.6	1,429.0	2.2
Non-bank	395.0	0.9	100.0	0.2	200.0	0.3	247.3	0.4
External	**145.0**	**0.3**	**590.9**	**1.1**	**396.8**	**0.6**	**-33.1**	**-0.1**
Programme Loans	-	-	118.3	0.2	208.7	0.3	158.8	0.2
Project Loans	331.0	0.7	472.6	0.9	590.5	0.9	18.8	0.0
Amortisation	-186.0	-0.4	-151.7	-0.3	-402.4	-0.6	-210.7	-0.3

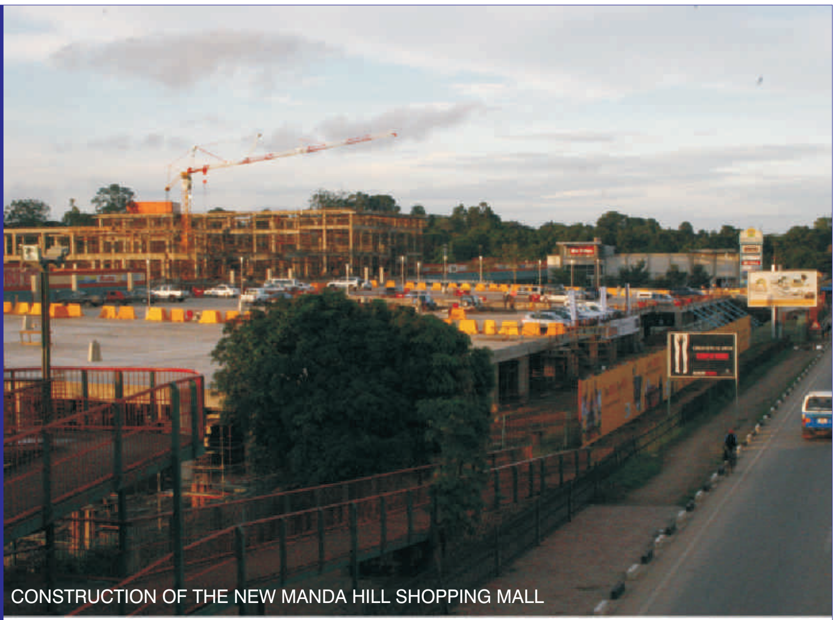
Source: Ministry of Finance and National Planning

Table 22: Sectoral Percentage Contribution to Real GDP, 2007 - 2009 (In Constant 1994 Prices)

	2007	2008	2009
Growth in real GDP (%)	**6.2**	**5.7**	**6.3**
Agriculture, forestry and fisheries	0.1	0.3	0.9
Mining and quarrying	0.3	0.2	1.3
Manufacturing	0.3	0.2	0.2
Electricity, gas and water	0.0	0.0	0.2
Construction	2.0	1.0	1.8
Wholesale and retail trade	0.4	0.4	0.5
Restaurants and hotels	0.3	0.1	-0.4
Transport, storage and communications	1.4	1.3	0.3
Financial intermediaries	0.3	0.6	0.4
Real estate and business services	0.3	0.3	0.3
Community, social, and personal services	1.0	0.9	0.6
Taxes on products	0.0	0.4	0.4
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1

Source: Central Statistical Office

The construction industry continued to record strong performance with output growth nearly doubling between 2008 and 2009, moving from 8.7% to 15.5%, respectively. Construction of the New Manda Hill shopping mall, with a two tier car park, and the Diamonds of Lusaka building were well underway



CONSTRUCTION OF THE NEW MANDA HILL SHOPPING MALL

THE DIAMONDS OF LUSAKA

Table 23: Comparative Summary Results of 2007/ 2008 and 2008/2009 Crop Output Estimates

Crop	2007/08 Output (mt)	2008/09 Output (mt)	% change
Maize	1,445,655	1,888,773	30.6
Cassava	1,048,047	1,151,700	9.0
Wheat	185,000	195,000	5.4
Sorghum	9,992	21,829	118.5
Rice	30,258	41,929	38.6
Sunflower	15,405	33,657	118.5
Ground nuts	84,598	120,564	42.5
Soybeans	59,000	118,799	101.4
Irish Potatoes	10,195	19,974	95.9
Virginia Tobacco (kg)	15,400,000	12,000,000	-22.1
Burley Tobacco (kg)	15,000,000	16,000,000	6.7

Source: Ministry of Agriculture and Co-operatives

Even though tourism performance in the overall economy contracted in 2009 compared to 2008, activity in the sector was robust with construction of new hotels and the promotion of cultural ceremonies as a tourist attraction

NEWLY BUILT GOLDEN BRIDGE HOTEL IN LUSAKA

NGONI DANCERS AT NC'WALA CEREMONY IN CHIPATA

RADISSON HOTEL UNDER CONSTRUCTION IN LUSAKA

Table 24a: GDP by Kind of Economic Activity at Constant 1994 Prices, 2007 - 2009 (K' billion)

KIND OF ECONOMIC ACTIVITY	2007	2008	2009*	Growth in 2009 (%)
Agriculture, Forestry and Fishing	460.2	472.0	505.6	7.1
Agriculture	206.6	210.5	236.6	12.7
Forestry	173.6	80.0	186.5	3.6
Fishing	79.9	81. 4	82.6	1.5
Mining and Quarrying	301.2	308.7	357.3	15.7
Metal Mining	298.7	306.3	354.9	15.9
Other Mining and Quarrying	2.4	2.3	2.4	4.3
PRIMARY SECTOR	**761.4**	**780.6**	**862.9**	**10.5**
Manufacturing	365.2	371.7	381.0	2.5
Food, Beverages and Tobacco	241.1	248.4	259.3	4.2
Textile and Leather Industries	38.8	29.7	24.1	-18.9
Wood and Wood Products	27.5	30.8	32.8	6.5
Paper and Paper Products	9.9	12.8	13.9	8.6
Chemicals, Rubber and Plastic Products	32.2	33.9	34.4	1.5
Non-Metallic Mineral Products	6.7	7.0	7.6	8.6
Basic Metal Products	1.4	1.7	1.7	0.0
Fabricated Metal Products	7.7	7.5	7.2	-4.0
Electricity, Gas and Water	90.4	89.3	97.0	8.6
Construction	394.4	428.5	495.0	15.5
SECONDARY SECTOR	**850.0**	**889.6**	**973.2**	**9.4**
Wholesale and Retail Trade	602.4	617.4	635.9	3.0
Restaurants, Bars and Hotels	101.7	106.8	91.3	-14.5
Transport, Storage and Communications	297.3	344.2	354.8	3.1
Rail Transport	7.5	5.9	4.1	-30.5
Road Transport	102.6	116.2	131.7	11.9
Air Transport	63.5	72.2	51.2	-29.1
Communications	123.8	149.9	167.8	11.9
Financial Intermediaries and Insurance	254.6	276.6	290.3	5.0
Real Estate and Business Services	305.4	314.8	324.6	3.1
Community, Social and Personal Services	289.1	322.9	344.8	6.8
Public Admin. & Defence; Public and Sanitary Service	122.3	125.0	112.1	-10.3
Education	118.3	141.4	173.3	22.6
Health	15.7	18.5	19.1	3.2
Recreation, Religion and Culture	16.4	22.3	23.1	3.6
Personal Services	16.0	16.5	17.1	3.6
TERTIARY SECTOR	**1,850.5**	**1,982.8**	**2,041.8**	**3.0**
Less: FISIM	-145.1	-148.8	-152.6	2.6
TOTAL GROSS VALUE ADDED	**3,316.7**	**3,504.2**	**3,725.3**	**6.3**
Taxes on Products	247.3	261.3	277.8	6.3
TOTAL GDP AT MARKET PRICES	**3,564.0**	**3 ,765.4**	**4,003.0**	**6.3**
Real Growth Rates	**6.2**	**5.7**	**6.3**	**6.3**

Source: Central Statistical Office
* Preliminary estimates

[8]Investment pledges are an indicator of investor confidence.

The global financial crisis did not entirely spare Zambia, explaining the reduced investment inflows from US $9,526.3 in 2008 to US $1,840 in 2009. Defying the trend, new investments were recorded in some parts of Zambia, such as the Zampalm project in Northern province. Further, the Government continued investing in public infrastructure

A NURSERY OF PALM TREES AT ZAMPALM PROJECT IN MPIKA

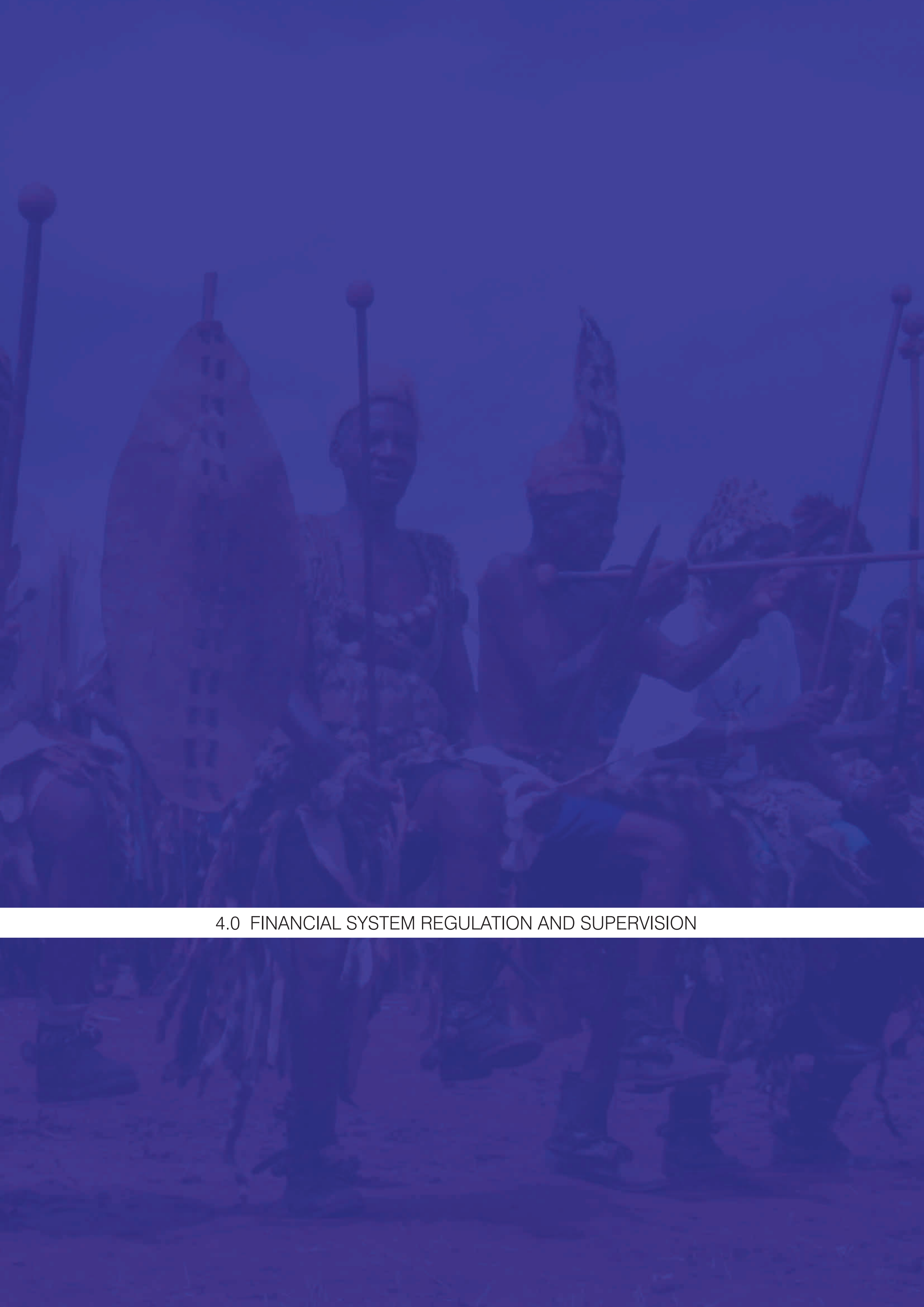
KAFUE DISTRICT HOSPITAL EXTENSION

NEW STADIUM UNDER CONSTRUCTION IN NDOLA

Table 24b: Gross Domestic Product by Kind of Economic Activity at Current Prices, 2007 - 2009 (K'billion)

KIND OF ECONOMIC ACTIVITY	2007	2008	2009*	Growth in 2009 (%)
Agriculture, Forestry and Fishing	9,139.5	10,863.8	13,469.9	24.0
Agriculture	1,575.1	1,826.4	2,377.1	30.2
Forestry	7,127.7	8,531.6	10,498.2	23.1
Fishing	436.7	505.8	594.6	17.5
Mining and Quarrying	2,037.2	2,227.6	805.4	-63.8
Metal Mining	2,027.2	2,217.4	802.1	-63.8
Other Mining and Quarrying	9.9	10.2	3.3	-68.2
PRIMARY SECTOR	**11,176.7**	**13,091.4**	**14,275.3**	**9.0**
Manufacturing	4,487.4	5,125.0	6,011.3	17.3
Food, Beverages and Tobacco	2,745.1	3,185.4	3,852.5	20.9
Textile, and Leather Industries	611.4	558.4	440.9	-13.0
Wood and Wood Products	393.5	513.9	644.9	26.7
Paper and Paper Products	226.1	326.2	436.1	29.3
Chemicals, Rubber and Plastic Products	372.4	432.8	520.5	20.3
Non-Metallic Mineral Products	61.1	70.8	91.4	29.2
Basic Metal Products	8.0	10.4	3.3	-68.7
Fabricated Metal Products	69.9	72.7	21.6	-70.3
Electricity, Gas and Water	1,345.0	1,512.4	1,804.9	19.3
Construction	6,692.7	8,811.4	12,468.2	41.5
SECONDARY SECTOR	**12,525.1**	**15,448.8**	**20,284.4**	**31.3**
Wholesale and Retail Trade	7,395.5	8,523.5	10,037.0	17.8
Restaurants, Bars and Hotels	1,354.2	1,604.7	1,516.7	-5.5
Transport, Storage and Communications	2,147.0	2,248.9	2,312.9	2.8
Rail Transport	91.9	79.0	59.7	-24.5
Road Transport	755.7	891.8	1,052.6	18.0
Air Transport	488.6	573.4	419.4	-26.8
Communications	648.3	704.8	781.2	10.8
Financial Intermediaries and Insurance	3,647.2	4,510.3	5,577.7	23.7
Real Estate and Business services	2,678.2	3,137.7	3,686.2	17.5
Community, Social and Personal Services	4,324.1	5,465.1	6,641.8	21.5
Public Administration and Defence	1,258.3	1,446.1	1,482.8	2.5
Education	2,335.3	3,092.8	4,097.4	32.5
Health	445.2	576.9	650.8	12.8
Recreation, Religion and Culture	81.8	114.7	134.5	17.3
Personal Services	203.5	234.6	276.2	17.8
TERTIARY SECTOR	**21,383.6**	**25,490.1**	**29,772.3**	**16.8**
Less: FISIM	-2,096.0	-2,592.0	-3,205.4	23.7
TOTAL GROSS VALUE ADDED	**42,989.4**	**51,438.4**	**61,126.6**	**18.8**
Taxes on Products	3,205.4	3,640.4	3,199.5	-12.1
TOTAL GDP AT MARKET PRICES	**46,194.8**	**55,078.8**	**64,326.1**	**16.8**

Source: Central Statistical Office
*Preliminary estimates



4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

The overall financial condition of the banking sector in 2009 was rated as satisfactory. On aggregate, the banking sector was adequately capitalised and the liquidity position remained satisfactory. As at 31 December 2009, fifteen out of the sixteen operating banks in the sector met the minimum nominal capital requirements.

However, relative to 2008, the sector's financial performance declined significantly on account of the deterioration in asset quality as the level of non-performing loans (NPLs) rose sharply during the year. The gross NPL ratio[9] increased to 12.6% at end-December 2009 from 7.2% at end-December 2008. Nevertheless, in the year under review, total assets in the banking sector grew by 8.0% to K18,525.6 billion.

Performance Rating[10]

As at end-December 2009, the overall performance of the banking sector was satisfactory. Out of the sector's sixteen operating banks; ten had a composite rating of 'satisfactory'; four banks were rated 'fair'; one bank was rated 'marginal'; and one was rated 'unsatisfactory' (see Table 25).

Table 25: Performance Rating for Banks, 2007 - 2009

	Capital Adequacy			Asset Quality			Earnings			Liquidity			Composite		
Performance	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
Strong	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Satisfactory	11	11	12	10	11	14	9	9	7	8	5	8	10	9	10
Fair	1	1	2	2	1	0	2	2	3	3	7	4	2	3	4
Marginal	0	1	1	0	1	0	1	0	2	1	1	3	0	1	1
Unsatisfactory	1	1	1	1	1	2	1	3	4	1	1	1	1	1	1
Unrated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**13**	**14**	**16**	**13**	**14**	**16**	**13**	**14**	**16**	**13**	**14**	**16**	**13**	**14**	**16**

Source: Bank of Zambia

Table 26 presents the share of total assets, loans and deposits for the banks which were rated satisfactory, fair, marginal and unsatisfactory:

Table 26: Performance Rating for Banks, 2008 - 2009 (%)

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

Source: Bank of Zambia

Balance Sheet Composition[11]

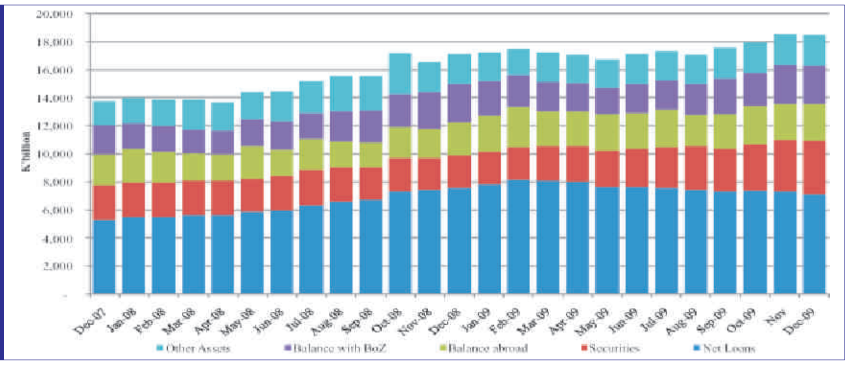
Asset Structure

Total assets[12] in the banking sector grew by 8.0% to K18,525.6 billion in 2009 from K17,146.6 billion in 2008. This growth was largely driven by increased investments in Government securities while net loans and advances decreased (see Chart 19). The increase in total assets was largely funded by deposits.

[9]This is the ratio of 'gross non-performing loans to total gross loans' and is a key indicator of the banks' asset quality.
[10]The financial condition and performance of banks is assessed based on several ratios on four main components; which are Capital Adequacy, Asset quality, Earnings performance and Liquidity position (CAEL). There are five component and composite ratings as follows:-
Strong- Excellent performance and sound in every respect, limited supervisory response is required, Satisfactory- Above average performance and fundamentally sound with modest correctable weakness, Fair-Average performance with a combination of weaknesses if not redirected will become severe, Marginal-below average performance, immoderate weaknesses unless properly addressed could impair future viability of the bank. Unsatisfactory- Poor performance in most parameters, high risk of failure in the near term. The bank is under constant supervision and BOZ possession is most likely.
[11]The composition of the balance sheet is analysed to determine the type and spread of bank's business activities, as well as to consider the impact of changes thereto on the risk profile of the banking sector. The composition of a bank's balance sheet is normally a result of asset-liability and risk management decision.
[12]The banking sector's assets comprise items that are a reflection of individual banks' balance sheets, although the structure of balance sheets may vary significantly depending on business orientation, market environment, customer mix, or economic environment.

CHART 19:

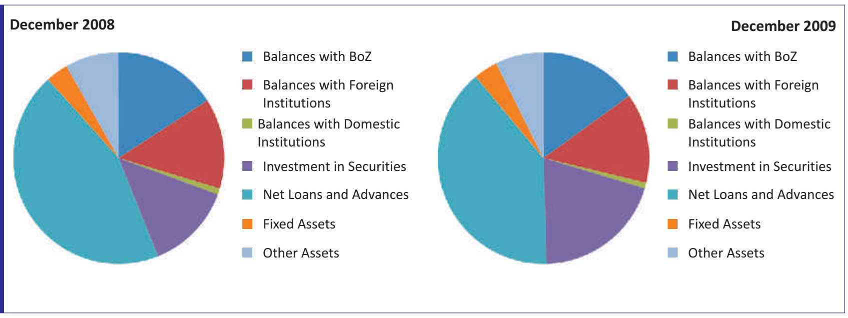
TOTAL ASSETS, DEC 2007 - DEC 2009



The asset structure of the banking sector continued to be dominated by net loans and advances, which accounted for 38.7% of the total assets as at end-December 2009 compared to 44.3% as at end-December 2008. However, there was a shift in the structure of assets as investments in Government securities increased to 20.4% of total assets from 13.2% in 2008. Other significant assets were balances with Bank of Zambia at 14.7%[13] of total assets as at end 2009 compared to 15.9% at the end of the previous year and balances with foreign institutions at 14.1% compared to 13.8% at end-2008 (see Chart 20).

CHART 20:

INDUSTRY ASSET STRUCTURE, DEC 2008 - DEC 2007



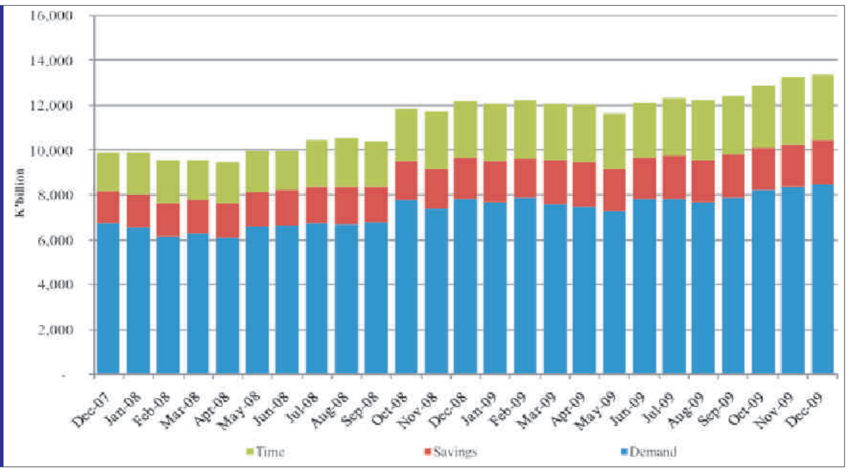
Deposits and Other Liabilities

In the year under review, the banking sector's total liabilities increased by 7.5% to K16,648.1 billion from K15,490.3 billion as at end-December 2008, with the funding structure remaining fairly unchanged. The growth in total liabilities was largely on account of total deposits, which increased by 9.6% to K13,377.8 billion from K12,203.5 billion, and accounted for 80.3% of total liabilities compared to 78.8% in December 2008.

The banking sector has generally recorded a positive growth trend in total deposits over the last two years. Demand deposits continued to be the largest component of total deposits, accounting for 63.5% compared to 64.4% in December 2008. This was followed by time and savings deposits at 21.7% and 14.8% in December 2009, compared with 20.6% and 15.0% at the end of 2008, respectively. Chart 21 below shows the trend and composition of total deposits.

CHART 21:

STRUCTURE OF TOTAL DEPOSITS, DEC 2007 - DEC 2009



[13]The balances with the Bank of Zambia were largely comprised of: Statutory Reserves at K1,066.0 billion or 39.1% of the total (December 2008: K945.9 billion or 34.7% of the total), Current Account at K895.4 billion or 32.8% (December 2008: K467.3 billion or 17.1%) and the Open market operations balances at K659.0 billion or 24.2% (December 2008: K1,206.9 billion or 44.2%).

Capital Adequacy[14]

In 2009, the banking sector's primary regulatory capital increased by 14.4% to K1,755.1 billion while total regulatory capital increased by 13.8% to K2,068.7 billion. The growth in regulatory capital was largely on account of the increase in share premium account, paid-up share capital, retained earnings and the general reserves. On the other hand, the sector's total risk-weighted assets decreased by 5.2% to K9,262.1 billion, on account of a shift in the assets' risk profile towards assets of lower credit risk. Consequently, the banking sector's primary regulatory capital and total regulatory capital to total risk-weighted assets, increased to 18.9% and 22.3% as at end-December 2009 from 15.7% and 18.6%, as at end-December 2008, respectively (see Chart 22 and Table 27).

On a bank by bank basis, fifteen out of the sixteen operating banks in the sector met the minimum nominal capital requirement of K12.0 billion and the capital adequacy ratios of 5% for primary regulatory capital and 10% for total regulatory capital.

The ratio of net non-performing loans to total regulatory capital increased to 6.5% as at end-December 2009 from 5.2% as at end-December 2008. However, in the event of an adverse migration in the NPLs, at 6.5% of total regulatory capital, the impact of the net NPLs would be very minimal[15].

Capital Adequacy Ratios

The nominal value of the banking sector's primary and total regulatory capital increased during the first half of 2009. However, during the second half of the year, there was a decline in regulatory capital largely attributed to the increase in the provisions for loan loss expenses, but this did not fully offset the initial increase in primary and total regulatory capital. As a result, capital adequacy ratios rose during the year (see Chart 23 and Table 28).

CHART 22:

REGULATORY CAPITAL, DEC 2007 - DEC 2009

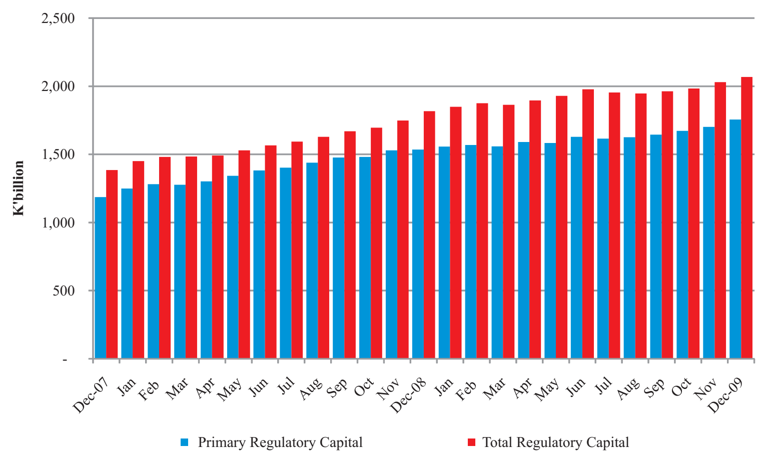
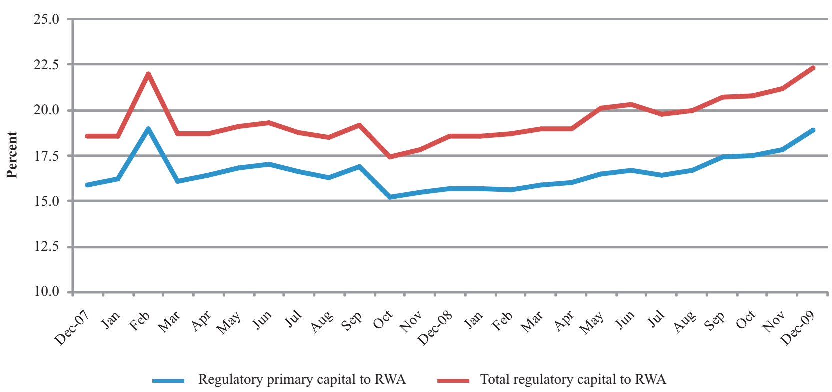


CHART 23:

CAPITAL ADEQUACY RATIOS, DEC 2007 - DEC 2009



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

[15] For example, if the entire portfolio of the substandard loans (with the required provision for loan losses at only 20% of the total) and the entire portfolio of doubtful loans (with the required provision for loan losses at only 50% of the total) adversely migrate to the loss category (with the required provision for loan losses at 100% of the total), the capital adequacy ratios as at end-December 2009, would decline by 1.4 percentage points to 17.5% and 20.9% for primary regulatory capital and total regulatory capital, respectively.

Table 27: Capital Adequacy Ratios, 2007 - 2009 (%)

Key Ratios	2007	2008	2009
Primary regulatory capital to total risk-weighted assets	15.9	15.7	18.9
Total regulatory capital to total risk-weighted assets	18.6	18.6	22.3
Total regulatory capital to total assets plus off-balance sheet items	9.2	9.9	10.6
Net Non-performing loans to total regulatory capital[16]	9.6	5.2	6.5

Source: Bank of Zambia

Similarly, an upward trend in total risk-weighted assets (RWA) was noticed during the first half of 2009, largely due to a shift in the risk profile of the banking sector's total assets to assets of higher-credit risk (see Chart 24 and Table 28). However in the second half of the year, the RWA began to trend downwards as a result of a shift in the risk profile of the sector's assets to assets of lower credit risk. This was largely in response to the increase in the credit risk of the loans and advances as reflected by the rising trend in the NPL ratio over this period. Banks also repositioned their balance sheets to mitigate the adverse spill-over effects of the global financial crisis.

Table 28: Asset Profile, 2007 - 2009 (%)

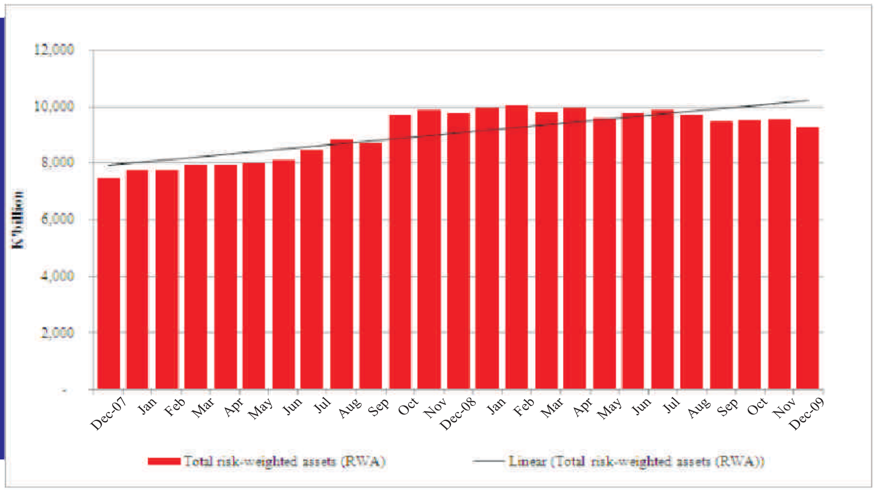
Asset Type and Risk-weight Categories	2007	2008	2009
20 percent risk-weight (% of RWA)	**9.7**	**8.1**	**9.9**
Balances with banks	70.1	66.0	59.3
Investments in Government bonds	29.7	31.1	36.5
Inter-bank loans and advances	0.0	2.6	3.9
Assets in transit	0.2	0.3	0.3
Sub-total	100.0	100.0	100.0
50 percent risk-weight (% of RWA)	**2.9**	**3.0**	**5.9**
Loans and advances	88.9	96.1	96.1
Assets in transit	11.1	3.9	3.9
Sub-total	100.0	100.0	100.0
100 percent risk-weight (% of RWA)	**79.6**	**83.5**	**78.7**
Loans and advances	69.5	75.9	79.8
Inter-bank loans and advances	12.3	6.8	0.0
All other assets	18.2	17.3	20.2
Sub-total	100.0	100.0	100.0
Off-balance sheet items (% of RWA)	**7.9**	**5.4**	**5.5**
20 percent risk-weight	17.8	11.1	4.9
50 percent risk-weight	8.2	8.3	7.6
100 percent risk-weight	74.0	80.6	87.5
Sub-total	100.0	100.0	100.0
Total risk-weighted assets (RWA)	**100.0**	**100.0**	**100.0**
Total risk-weighted assets to total assets	**54.1**	**57.1**	**50.0**

Source: Bank of Zambia

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

CHART 24:

TOTAL RISK-WEIGHTED ASSETS, DEC 2007 - DEC 2009



Asset Quality[17]

The banking sector recorded deterioration in asset quality during the year under review. The gross NPL ratio significantly increased to 12.6% at end-December 2009 from 7.2% at end-December 2008 (see Tables 29 and 30, and Chart 25). The net NPL ratio also deteriorated to 1.9% from 1.2% at end-December 2008 on account of an increase in the level of non-performing loans by 73.0% to K1,010.2 billion at end-December 2009. However, allowance for loan losses increased by 78.7% to K874.4 billion at end-December 2009. Consequently, there was an improvement in the NPL coverage ratio[18] to 86.6% from 83.8% at end-December 2008.

Table 29: Key Asset Quality Ratios, 2007 - 2009 (%)

Key Ratios	**2007**	**2008**	**2009**
NPL ratio[19]	8.8	7.2	12.6
Net NPL ratio[20]	2.5	1.2	1.9
ALL/ NPL[21]	73.2	83.8	86.6
ALL[22]	98.4	104.6	101.4

Source: Bank of Zambia

Table 30: Classification of Loans, 2007 - 2009

	2007		**2008**		**2009**	
Loan Category	**K' billion**	**% Share**	**K' billion**	**% Share**	**K' billion**	**% Share**
Standard Loans	5,201.2	91.2	7,501.9	92.8	7,032.1	87.4
Non-Performing Loans	498.9	8.8	583.8	7.2	1,010.2	12.6
Substandard	109.5	2.0	99.9	1.2	115.8	1.5
Doubtful	80.0	1.4	75.9	1.0	110.4	1.4
Loss	309.4	5.4	408.0	5.0	784.0	9.7
Total Loans	**5,700.1**	**100.0**	**8,085.7**	**100.0**	**8,042.3**	**100.0**

Source: Bank of Zambia

[17] The asset quality refers to the amount of risk or "probable" loss in a bank's assets and the strength of management processes to control credit risk. The greatest concern is the loss associated with credit quality in the bank's loan portfolio. This is because loans typically constitute a majority of a bank's assets, and interest earned on loans is an important source of a bank's revenue. [Credit risk is the risk that borrowers are unable or unwilling to repay the principal and interest associated with their debt obligations to the bank. Credit risk is generally measured by the ratio of gross non-performing loans to total loans].

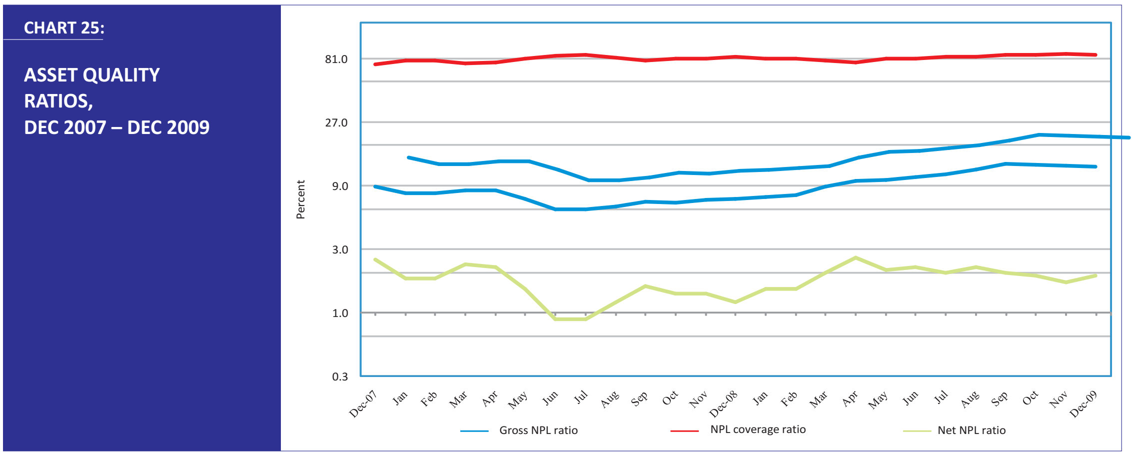
[18] This is the ratio of the 'allowance for loan losses to gross non-performing loans'.

[19] NPL ratio Non Performing Loans to Total Loans Ratio

[20] Net NPL ratio (Non-performing Loans Allowance for Loan Losses)/(Loans Allowance for Loan Losses)

[21] ALL/NPL Allowance for loan Losses to Non-Performing Loans

[22] ALL Allowance for Loan Losses to minimum regulatory requirements



Large Loan Exposures[23]

The banking sector's aggregate large loan exposure[24] to total regulatory capital decreased to 114.0% as at end-December 2009 from 126.3% as at end-December 2008. The large loan exposure of individual banks remained within the maximum regulatory limit of 600% of total regulatory capital.

Sectoral Distribution of Non-Performing Loans (NPL)

The sectoral distribution of NPLs in 2009 shows that the agriculture, forestry, fishing and hunting sector continued to account for the largest share of the total banking sector's gross NPLs at 33.4% compared with 33.5% in 2008. This was followed by the category of other sectors, which is dominated by lending to households, at 27.1% compared with 19.0% in 2008. However, the distribution of NPLs within individual sectors indicated that the construction sector had the highest intra-sector NPL[25] ratio at 31.0% compared with 12.2% in 2008. The agriculture, forestry, fishing and hunting sector recorded an intra sector NPL ratio of 22.7% compared with 16.5% in 2008 (see Tables 31 and 32).

Table 31: Distribution of the Total NPLs by Economic Sector, 2007 - 2009 (%)

Sector	2007	2008	2009
1. Agriculture, Forestry, Fishing and Hunting	37.2	33.5	33.4
2. Mining and Quarrying	5.2	2.9	3.3
3. Manufacturing	11.4	11.9	8.6
4. Electricity, Gas, Water and Energy	0.3	1.8	0.2
5. Construction	6.4	6.7	7.8
6. Wholesale and Retail Trade	14.6	15.6	8.3
7. Restaurants, Bars and Hotels	2.4	3.7	2.3
8. Transport, Storage and Communication	6.6	3.4	7.1
9. Financial Services	0.2	0.8	0.3
10. Real Estate	1.4	0.7	1.6
11. Other Sectors (largely personal loans)	14.3	19.0	27.1
Total	**100**	**100**	**100**

Source: Bank of Zambia

[23]The prudential objective in credit risk management is to prevent banks from relying excessively on a large borrower or group of borrowers, but not to dictate to who banks may or may not lend. The BoZ regulations prescribe a maximum limit of 25% of total regulatory capital for each single name and 600% for all such large exposures.
[24]Large loans are all loans which are 10% or more of total regulatory capital.
[25]The intra-sector NPL ratio represents the amount of gross non-performing loans within the sector itself.

Table 32: The Intra Sector NPL Ratios, 2007 - 2009 (%)

Sector	2007	2008	2009
1. Agriculture, Forestry, Fishing and Hunting	18.0	16.5	22.7
2. Mining and Quarrying	11.2	4.5	10.2
3. Manufacturing	9.2	8.0	8.9
4. Electricity, Gas, Water and Energy	0.4	5.6	1.4
5. Construction	15.5	12.2	31.0
6. Wholesale and Retail Trade	11.7	11.8	10.4
7. Restaurants, Bars and Hotels	19.5	8.6	19.3
8. Transport, Storage and Communication	8.2	3.7	14.7
9. Financial Services	0.4	0.7	0.7
10. Real Estate	5.8	1.0	2.4
11. Other Sectors (largely personal loans)	4.0	4.7	12.4

Source: Bank of Zambia

Earnings Performance[26]

Profitability and Earnings Composition

The banking sector's earnings performance deteriorated in 2009. Profit before tax declined by 33.1% to K367.1 billion from K548.6 billion in 2008. The reduction in the sector's profitability in the year under review reflected a sharp increase in the provision for loan loss (PLL) expenses despite an increase of 20.5% (2008: 27.0%) in net operating income. As a proportion of net operating income, the PLL more than doubled to 18.7% in 2009 from 8.5% in 2008. Further, the net operating profit margin[27] declined to 32.9% from 34.0% in 2008, on account of an increase in non-interest expenses by 22.5%. As a result, the banking sector's overall net profitability, measured by the return on assets and return on equity decreased to 2.0% and 8.9% from 3.3% and 19.2% at end-December 2008, respectively (see Charts 26, 27 and 28, and Tables 33 and 34).

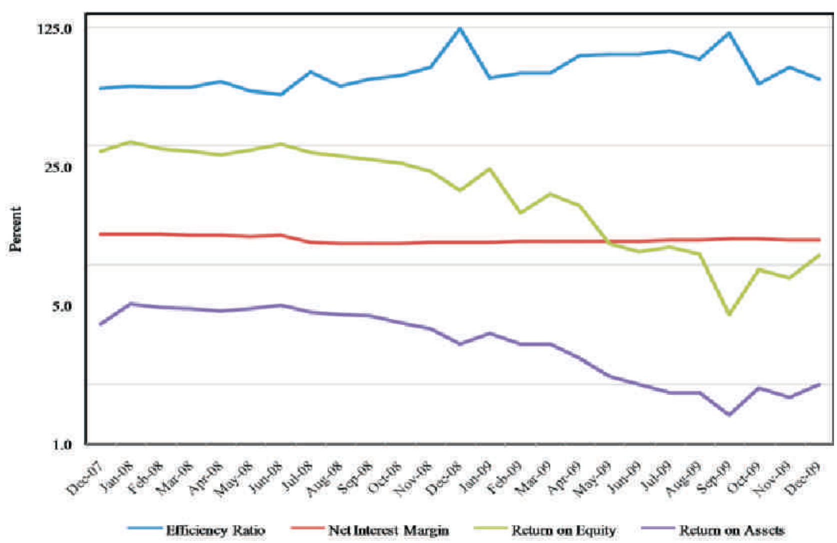
Table 33: Earnings Performance Indicators, 2007 - 2009 (%)

Key Ratios	2007	2008	2009
Return on Assets (ROA)	4.0	3.3	2.0
Return on Equity (ROE)	30.0	19.2	8.9
Net Interest Margin	11.5	10.4	10.7
Efficiency[28] Ratio	64.9	72.1	82.6
Earning Assets Ratio	80.7	80.6	83.7

Source: Bank of Zambia

CHART 26:

BANKING SECTOR KEY EARNINGS RATIOS, DEC 2007 - DEC 2009



[26]Earnings are an important source for capital formation. 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.
[27]Before accounting for taxes and PLL
[28]The "overhead efficiency ratio" gives a measure of how effectively a bank is operating. An increase in the efficiency ratio means that the bank is losing a larger percentage of its income to overhead expenses. However, if it is getting lower, it is a good measure of improving profitability. The international benchmark for the efficiency ratio is normally 60%.

CHART 27:

NET OPERATING PROFIT AND LOAN LOSS PROVISIONS, DEC 2007 – DEC 2009

CHART 28:

PROFIT BEFORE TAX, DEC 2007 - DEC 2009

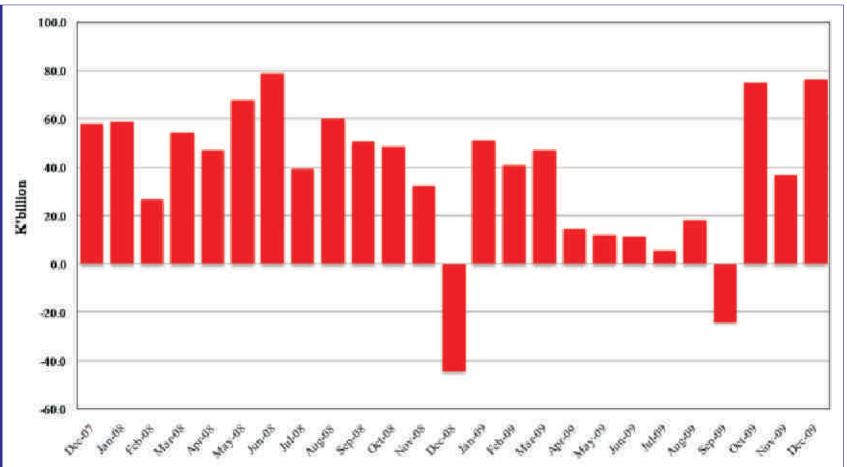


Table 34: Summarised Income Statement, 2007 - 2009 (K' billion)

Particulars	2007	2008	2009
Interest Income	1,224.0	1,624.4	1,995.7
Interest Expenses	245.3	366.0	482.7
Net Interest Income	**978.7**	**1,258.4**	**1,513.0**
Non-Interest Income	714.6	890.8	1,075.9
Net Operating Income	**1,693.3**	**2,149.2**	**2,588.9**
Loan Loss Provisions	160.7	183.2	484.8
Gross Operating Profit	**1,532.6**	**1,966.1**	**2,104.1**
Non-Interest Expenses	996.8	1,417.5	1,737.0
Profit Before Taxation	**535.8**	**548.6**	**367.1**
Taxation	148.2	230.1	201.4
Net Profit	**387.6**	**318.5**	**165.7**

Source: Bank of Zambia

The principal sources of income for the banking sector continued to be interest income from loans and advances at 41.8% compared with 39.7% in 2008. Income from commissions, fees and service charges was 19.3% of total income compared with 17.2% in 2008.

Other sources included interest income from securities and income from foreign exchange transactions at 14.9% and 14.5% correspondingly, compared with 12.9% and 17.0% in 2008. However, in terms of cost structure, total non-interest expenses largely comprised of salaries and employee benefits, and management fees, which accounted for 48.4% and 9.3%, compared to 53.5% and 7.1% in 2008, respectively.

Liquidity and Funds Management

In the year under review, the banking sector's liquidity position remained satisfactory. The liquidity ratio[29] improved to 46.5% from 40.4% in 2008, while the ratio of net loans to deposits[30] improved to 53.7% from 62.2% in 2008 (see Table 35 and Chart 29). The banking sector's core deposit ratio[31] fell marginally to 78.3% from 79.4% in 2008 while the deposit concentration ratio[32] improved to 31.7% from 38.9% in 2008.

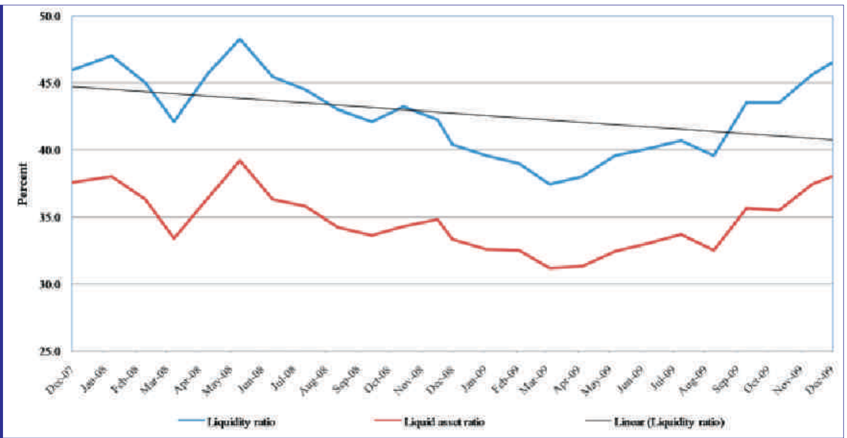
Table 35: Banking Sector Liquidity, 2007 - 2009 (K'billion)

Details	2007	2008	2009
Cash and Balances with Domestic Institutions	601.6	1,091.3	1,660.4
Balances with Foreign Institutions	2,216.8	2,369.2	2,603.5
OMO Deposits	1,060.1	1,206.9	659.0
Treasury Bills	430.5	1,049.2	2,108.3
Total Liquid Assets	**4,308.9**	**5,716.6**	**7,031.2**
Deposits and Short-Term Liabilities	11,252.7	14,161.7	15,109.9
Total Deposits	9,928.1	12,203.5	13,377.8
Total Net Loans and Advances	5,335.3	7,596.4	7,167.7
Key Liquidity Ratios (%):			
Liquid Assets to Total Assets (*liquid asset ratio*)	31.3	33.3	38.0
Liquid Assets to Deposits and Short-Term Liabilities (*liquidity ratio*)	38.3	40.4	46.5
Net Loans to Deposits Ratio	53.7	62.2	53.7
Core Deposits/ Total Deposits Ratio	82.5	79.4	78.3
Deposit Concentration Ratio	35.1	38.9	31.7

Source: Bank of Zambia

CHART 29:

LIQUIDITY RATIOS, DEC 2007 - DEC 2009



Market Share and Performance Indicators

Based on the proportion of total assets, loans and deposits held, Barclays Bank, Standard Chartered Bank, Zambia National Commercial Bank, Stanbic and Finance Bank continued to dominate the banking sector's market share. In terms of asset size, these five banks accounted for 72.1% of the industry's total assets compared to 76.4% in 2008. The banks that accounted for the largest portion of the industry's total profit before tax, in order of significance, were Zambia National Commercial Bank, Standard Chartered Bank, Finance Bank, Citibank and Stanbic Bank (see Table 36).

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

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

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

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

Agricultural products were among the contributors to the country's growth in NTEs. To this end the country' s diversification efforts in agriculture included support to poultry farming

COURTESY OF ZAMBEEF PLC

A POULTRY FARM IN LUSAKA

Table 36: Commercial Banks' Market Share and Performance Indicators as at 31 December 2009

Bank	Percentage of assets	Percentage of loans	Percentage of deposits	Percentage of profit before tax[33]	Return on Assets (%)	Return on Equity (%)	Total Regulatory Capital
Barclays	19.0	27.9	16.8	-33.8	-3.2	-47.3	**13.9**
ZNCB	15.9	15.0	17.0	34.9	4.8	28.2	**21.0**
Stanchart	16.1	13.3	17.5	33.8	4.6	42.3	**21.9**
Stanbic	13.0	13.5	14.8	16.0	2.6	19.6	**18.0**
Citibank	7.7	3.5	4.8	25.0	7.3	20.5	**53.5**
Indo Zambia	5.3	4.4	5.5	11.2	4.4	12.8	**38.8**
Finance Bank	8.1	10.8	8.4	30.1	7.3	36.8	**20.6**
Bank of China	5.5	1.7	6.9	4.7	2.3	25.7	**22.0**
First Alliance Bank	1.4	1.3	1.3	5.6	17.8	34.6	**50.4**
ABC	1.6	3.0	0.8	-6.3	-7.7	-92.8	**12.2**
Investrust	2.5	3.8	2.6	4.7	3.7	24.9	**23.1**
Cavmont Capital	0.9	0.5	0.9	-0.4	-0.9	-9.1	**29.8**
Intermarket	0.7	0.5	0.7	-3.0	-31.0	-136.1	**14.8**
Access	1.1	0.6	1.2	-2.8	-8.4	-106.7	**10.5**
FNBZ	0.7	0.1	0.5	-14.5	-77.1	-61.7	**71.3**
ECO	0.3	0.1	0.2	-5.3	-7.6	-146.6	**129.8**
Total/Weighted Average	**100.0**	**100.0**	**100.0**	**100.0**	**2.0**	**9.4**	**22.3**

Source: Bank of Zambia

Market Share: Assets, Loans and Deposits by Ownership

Subsidiaries of foreign banks[34] continued to dominate the banking sector's market share in terms of assets, loans and deposits; followed by banks with Government stake[35] and local private banks[36] (see Table 37).

[33]This represents the percentage share of each bank's profit/ (loss) contribution to the net banking industry's net profit or loss. Hence in some cases the percentages are above 100%.
[34]These are locally incorporated subsidiaries of foreign banks (Ten)
[35]Banks which are partly owned by the Government of the Republic of Zambia (Two).
[36]Other banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government (Four).

Table 37: Distribution of the Banking Sector's Assets, Loans and Deposits by Ownership Type, 2007 - 2009 (%)

	2007			2008			2009		
	Assets	Loans	Deposits	Assets	Loans	Deposits	Assets	Loans	Deposits
Subsidiaries of Foreign Banks	62.8	71.1	58.8	63.8	65.2	60.2	65.8	64.2	64.2
Banks with Government Stake	23.1	15.5	26.0	20.6	16.5	23.8	21.2	19.4	22.5
Local Private Banks	14.1	13.4	15.2	15.5	18.4	16.0	13.0	16.4	13.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Market Share: Profit Before Tax By Ownership

The distribution of 'profit before tax' by type of ownership indicated that banks with government stake accounted for the largest share of the sector's total profit before tax at 46.1% in 2009, followed by the local private banks (40.0%) and subsidiaries of foreign banks (13.9%) (see Table 38).

Table 38: Distribution of the Banking Sector's Assets, Loans and Deposits by Ownership Type, 2007 - 2009 (%)

	2007	2008	2009
Subsidiaries of Foreign Banks	69.8	50.2	13.9
Banks with Government Stake	8.0	20.3	46.1
Local Private Banks	22.3	29.6	40.0
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Regulation and Supervision

On-Site Inspections

The Bank of Zambia inspected a total of seven commercial banks in the year 2009, with particular focus on the impact of the global financial crisis on the banking sector. Most of the banks inspected were found to have taken precautionary measures to guard against any adverse effects of the global financial crisis. Generally, an increase in the level of non-performing loans was recorded by most banks although the majority raised adequate provisions to cover potential loans losses, and operated prudently, whilst remaining adequately capitalised.

In order to support the Government's efforts to improve the credit culture, the inspection procedures also incorporated compliance checks to determine whether banks were correctly submitting credit data on their borrowing customers to the Credit Reference Bureau (CRB). This was aimed at assessing compliance with the 2008 Directives on the Submission of Credit Data and Utilisation of Credit Reference Agencies by Credit Providers. Most banks were only partially compliant as they mainly submitted information on their defaulting customers, contrary to the requirement for them to submit both positive and negative data on all their clients. In this regard, the Bank directed all banks to submit both positive and negative data on their clients.

In the financial sector, despite unfavourable external economic conditions particularly in 2008, Zambia received foreign direct investment leading to the licensing of three new banks, while a fourth that was licenced in the last quarter of 2008 started operations in 2009. Some of the new banks are located at the Acacia Park in Lusaka

THE ACACIA PARK

Licensing

Despite the challenging external economic environment, the banking sector in Zambia continued to receive foreign direct investment during the year under review. In this regard, three banks were granted banking licences during the year, namely, Ecobank Zambia Limited from Togo, United Bank for Africa Zambia Limited from Nigeria and International Commercial Bank Zambia Limited from Malaysia. Of the three, only Ecobank Zambia Limited commenced operations during the review period. Further, First National Bank Zambia Limited from South Africa which was granted a banking licence during the last quarter of 2008 also commenced operations during the review period. The entry of new banks in the market is expected to further enhance competition in the banking sector. The granting of new licences in 2008 and 2009 was a significant development and a show of renewed confidence in Zambia's financial sector following the numerous bank closures that were experienced between 1995 and 2000.

Financial Inclusion

Despite some positive developments in the banking sector during the review period, access to financial services still remains a major challenge in Zambia. Financial intermediation continued to be limited by the small size (in terms of coverage) of the banking sector as well as inadequate supporting financial infrastructure. Accordingly, the Bank of Zambia continued to support non-traditional models of providing banking services such as mobile banking, internet banking and truck banking services.

Law Review and Development

The Bank of Zambia continued to review relevant laws and regulations in order to enhance supervisory oversight for the banking sector during the year under review. In this regard, the Banking and Financial Services Act has been the subject of on-going review to ensure that it is current with developments in the financial sector. While the promotion of a stable financial system remains at the core of supervision of the sector, regulations and guidelines continued to be aligned to respond to the demands of the sector. A conducive regulatory environment has helped to foster investor confidence in the banking sector, resulting in increased foreign direct investment such as witnessed in the year under review.

Bank Branch Network and Agencies[37]

During the year, the commercial banks' branch and agency network increased by 10.3% to 247 as at end-December 2009 from 224 in 2008 (see Table 39).

Table 39: Commercial Banks' Branch Network and Agencies, 2007 - 2009

	2007	2008	2009
Access Bank Zambia Ltd	0	1	3
African Banking Corporation Zambia Ltd	2	2	2
Bank of China Zambia Ltd	1	1	1
Barclays Bank Zambia Plc	39	52	54
Cavmont Capital Bank Ltd	12	12	12
Citibank Zambia Ltd	2	2	2
Ecobank Zambia Ltd	0	0	1
Finance Bank Zambia Ltd	42	44	48
First Alliance Bank Zambia Ltd	3	3	3
First National Bank Zambia Ltd	0	0	3
Indo-Zambia Bank Ltd	9	12	13
Intermarket Banking Corporation Zambia Ltd	3	3	4
Investrust Bank Plc	8	9	14
Stanbic Bank Zambia Ltd	12	12	13
Standard Chartered Bank Zambia Plc	16	17	20
Zambia National Commercial Bank Plc	53	54	54
Total	**202**	**224**	**247**

Source: Bank of Zambia *Access Bank started operating in 2008. n/a = not applicable

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

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

In 2009, the overall financial performance and condition of the non-bank financial institutions (NBFIs) sector was fair. The leasing and finance companies, bureaux de change and microfinance sub-sectors, and the development finance institutions all registered satisfactory performance. In addition, performance of building societies and savings and credit institutions continued to improve.

The number of NBFIs rose to 87 as at 31 December 2009 from 76 as at 31 December 2008. This was mainly due to the increase in microfinance institutions (MFIs) and bureaux de change to 25 and 44 from 21 and 39, respectively. Details on the number of NBFIs supervised by the Bank of Zambia as at 31 December 2009 are shown in Table 40.

Table 40: Structure of NBFIs, 2007 - 2009

Type of Institution	Number of Institutions as at 31 December 2007	Number of Institutions as at 31 December 2008	Number of Institutions as at 31 December 2009
Leasing Companies[38]	12	10	12
Building Societies	3	3	3
Bureaux de change	35	39	44
Savings and credit	1	1	1
Microfinance	8	21	25
Development finance	1	1	1
Credit reference bureaux	1	1	1
Total	**61**	**76**	**87**

Source: Bank of Zambia

Regulation and Supervision

During the year, twelve operating licences for NBFIs were granted, out of which four were for microfinance institutions, six were for bureaux de change whilst two were for leasing companies (see Table 41).

Table 41: Licences Issued in 2009

Sub-Sector	Institution	Date
A. Micro Finance Institutions	1. Prime Circle Microfinance Limited	28 January
	2. Kungoma Financial Services Limited	2 April
	3. Credit Finance Limited	2 April
	4. Wide and Deep Services Limited	2 April
B. Bureaux de Change	1.Gobena Bureau de Change Limited	2 April
	2. Radox Bureau de Change Limited	2 April
	3. Crusade Bureau de Change Limited	4 June
	4. Dilt Bureau de Change Limited	4 April
	5. Presans Bureau de Change Limited	3 September
	6. Floodgates Bureau de Change Limited	8 September
C. Leasing Companies	1. Afgri Leasing Services Limited	19 January
	2. Focus Financial Services Limited	8 September

Source: Bank of Zambia

In 2009, 6 applications for bureau de change branches were approved (see Table 42) while two NBFIs branches were opened in Lusaka and Livingstone by Izwe Loans Zambia Limited.

[38]As at 31 December 2008, two leasing companies, Access Leasing Limited and Access Financial Services Limited, which were under the statutory management of the BoZ since 13 January 2003, were placed under compulsory liquidation on 27 November 2008. However, in 2009, two leasing companies, Afgri Leasing Services Ltd and Focus Financial Services Ltd were licensed.

Table 42: Approved Bureau de Change Branch Applications, 2009

Name of Institution	No. of Branches	Date Approved
FX Africa Bureau de Change - Nakonde and Kasumbalesa Branches	2	19 May
Golden Coin Bureau de Change Limited - Nakonde Branch	1	2 September
Walk Tall Bureau de Change - Kitwe and Kasumbalesa Branches	2	4 December
Zanwiche Bureau de Change - Chipata Branch	1	15 December
Total	**6**	

Source: Bank of Zambia

Performance of the Non-Bank Financial Sector

The overall financial performance and condition of the NBFIs was rated as fair[39]. Thirty-eight NBFIs, (three of which were deposit taking) accounting for 45% of sector total assets were rated satisfactory while twenty-four NBFIs accounting for 22% of sector total assets were rated fair. Nine NBFIs accounting for 16% of the sector total assets were rated marginal. In addition, five NBFIs (three of which were deposit-taking) accounting for 17% of sector total assets were rated unsatisfactory. The Bank engaged management of the 5 NBFIs whose performance was unsatisfactory to put measures in place to address the capital deficiencies.

Leasing and Finance Companies Sub-sector

During the year, the overall performance of the leasing sub-sector was fair as reflected in the maintenance of adequate capital and reserves relative to risk profiles. Out of the ten leasing companies in operation, seven met the prescribed minimum capital adequacy ratio of 10%, while three had regulatory capital deficiencies. Remedial measures were recommended for each capital deficient institution. Tables 43 and 44 provide year-end details on composite rating and performance rating for leasing finance companies sub-sector, respectively. These tables indicate deterioration in the overall performance of leasing and finance companies, hence the fair rating compared to the satisfactory rating in the previous year.

Table 43: Composite Rating for the Leasing and Finance Companies Sub-Sector, 2007 - 2009

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2007	**2008**	**2009**	**2007**	**2008**	**2009**
Current Condition Satisfactory	1.0 - 2.0	4	4	1	51.1	49.8	52
Possible Emerging Problem	2.1 - 2.5	1	1	3	1.7	6.6	12
Watch	2.6 - 3.5	2	3	3	8.7	7.9	26
Problem	3.6 or greater	3	2	3	38.5	35.7	10
Total		**10**	**10**	**10**	**100**	**100**	**100**

Source: Bank of Zambia

Table 44: Performance Rating for the Leasing Sub-Sector, 2007 - 2009

Performance Category	Capital Adequacy No. of Leasing companies			Asset Quality No. of Leasing companies			Earnings No. of Leasing companies			Liquidity No. of Leasing companies		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
Strong	2	4	0	1	0	0	1	1	0	3	3	1
Satisfactory	3	1	3	3	5	2	1	1	1	1	2	3
Fair Needs Improvement	2	2	2	2	2	4	4	1	2	1	1	1
Marginal	1	1	3	1	2	2	0	3	1	1	1	2
Unsatisfactory	2	2	2	3	1	2	4	4	6	4	3	3
Total	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**

Source: Bank of Zambia

Capital Adequacy

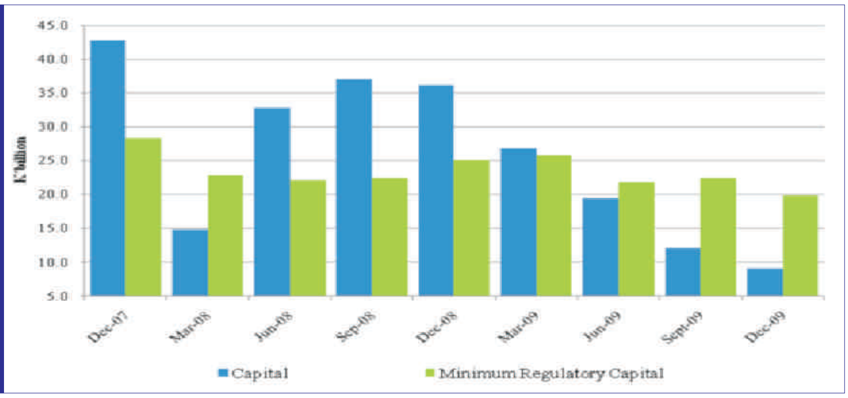
The regulatory capital for the leasing sub-sector decreased to K9.0 billion as at 31 December 2009 from K34.4 billion at the end of 2008. This was below the aggregate sub-sector minimum capital requirement of K19.8

[39]The financial condition and performance of the NBFIs was evaluated on the basis of their performance in the parameters of **C**apital Adequacy, **A**sset Quality, **E**arnings Performance and **L**iquidity (CAEL). The composite rating averages the effects of the individual ratings in each of the above parameters. A five-tier rating system was utilised as follows: Strong (rating 1, Excellent performance in all components); Satisfactory (rating 2, Satisfactory performance and meets minimum statutory requirements); Fair (rating 3, Average performance and meets minimum statutory requirements); Marginal (rating 4, below average performance in some of the components); Unsatisfactory (rating 5, Poor performance in most components and violates minimum statutory requirements).

billion by K10.8 billion based on risk-weighted assets (see Chart 30). The fall in capital resources was largely attributed to loan loss provisions amounting to K12.4 billion coupled with the after tax loss of K7.4 billion. In addition, one leasing company made a dividend payout of K5.8 billion which reduced the sub-sector's regulatory capital. However, the decline in the regulatory capital was mitigated by capital injections amounting to K8.8 billion.

CHART 30:

LEASING SUB-SECTOR REGULATORY CAPITAL, DEC 2007 - DEC 2009

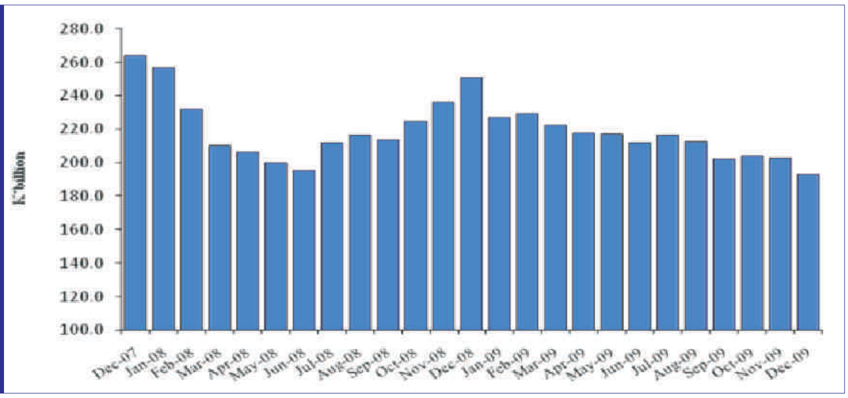


Asset Quality

As at 31 December 2009, the total assets of the leasing sub-sector declined by 23% to K193.1 billion from K250.7 billion in 2008 (see Chart 31). This outturn was largely attributed to a 19.0% reduction in the sub-sector's loans and leases to K147.6 billion from K182.9 billion.

CHART 31:

LEASING SUB-SECTOR TOTAL ASSETS, DEC 2007 - DEC 2009

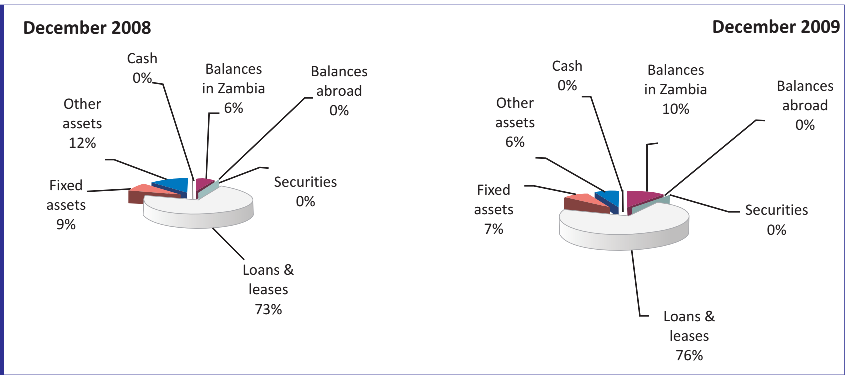


Net loans and advances constituted the largest proportion of total assets at 76.0% (K147.6 billion), (see Chart 32). Out of the total gross loan portfolio of K183.6 billion, NPLs amounted to K38.7 billion, representing 21.0% of total loans for the sub-sector. This was above the prudential level of 10.0%. On the basis of the ratio of NPLs to gross loan portfolio, the leasing sub-sector's asset quality was rated unsatisfactory. One leasing company accounted for 60% (K23.0 billion) of the sub-sector's total non-performing loans.

As at 31 December 2009, total earning assets amounted to K166.8 billion and accounted for 86.0% of total assets. Balances with financial institutions in Zambia accounted for 11.0% of total earning assets while loans and leases accounted for 88.0%.

CHART 32:

LEASING SUB-SECTOR ASSETS, DEC 2008 and DEC 2009



Earnings

The earnings performance of the leasing sub-sector was rated unsatisfactory during the period under review. Six NBFIs, accounting for 43.0% of total assets of the sub-sector, reported losses. However, two leasing finance companies accounted for 66.3% of the losses incurred in the sub-sector. The sub-sector reported a loss before tax of K7.4 billion, up from the previous years' loss of K3.3 billion, representing an increase of 128.0% (see Table 45 and Chart 33). The loss incurred was largely attributed to an increase in provision for loan loss (PLL) and non-interest expenses. Loan loss provisions increased by 116.0% to K9.0 billion from K4.2 billion while non-interest expenses increased by 18.0% to K33.3 billion from K28.1 billion in 2008.

Table 45: Earnings Performance, 2007 - 2009 (K'million)

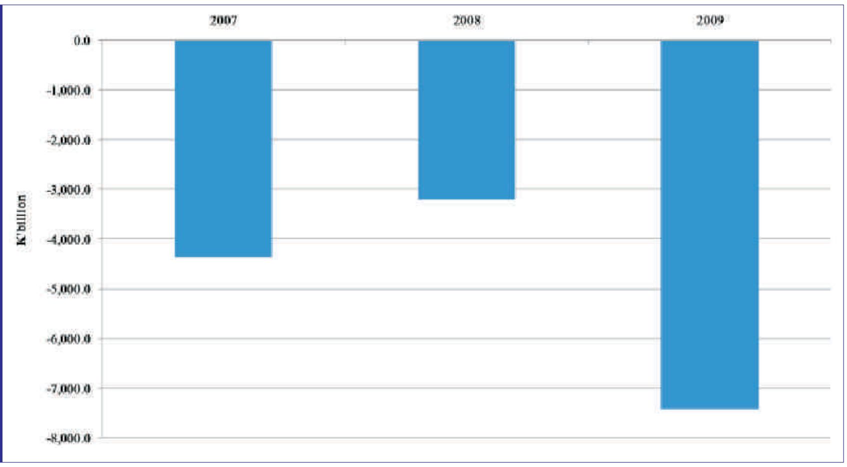
	2007	2008	2009
Interest Income	41,437	39,048	45,592
Interest Expenses	17,533	15,545	16,739
Net Interest Income	**23,904**	**23,412**	**28,853**
Provisions/(Provisions Reversals)	11,795	4,171	9,013
Net Interest Income after Provisions	11,957	19,854	19,840
Non-Interest Income	6,080	5,770	6,122
Total Net Income	18,037	24,981	25,962
Non-Interest Expenses	22,395	28,118	33,274
Profit Before Tax	**(4,358)**	**(3,214)**	**(7,312)**
Tax	615	41	118
Profit After Tax	**(4,973)**	**(3,255)**	**(7,430)**

Source: Bank of Zambia

The principal source of income for the leasing sub-sector continued to be interest from loans and leases which accounted for 88.2% of total income in 2009. Interest income increased by 16.8% to K45.6 billion in 2009 from K39.0 billion in 2008, largely due to income from leases which increased to K25.2 billion from K17.2 billion. In terms of cost, interest expenses increased by 7.6% to K16.7 billion in 2009 from K15.5 billion in 2008 on account of an 18.0% increase in borrowing from financial institutions in Zambia and abroad.

CHART 33:

LEASING SUB-SECTOR PROFIT BEFORE TAX, DEC 2007 - DEC 2009

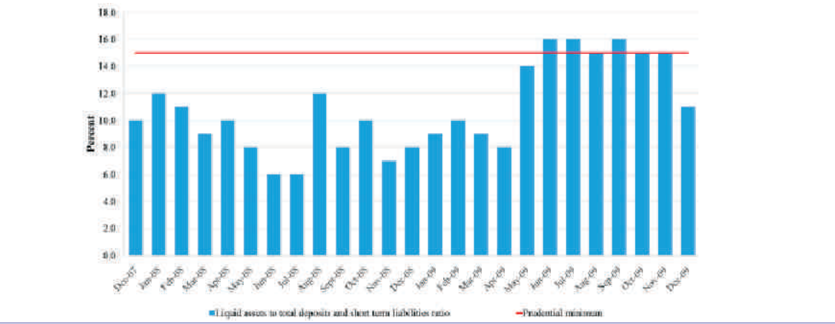


Liquidity

The liquidity of the sub-sector was rated marginal as at 31 December 2009. The level of liquidity averaged 13.0% and was below the prudential ratio of 15.0%. Five out of the ten leasing companies in operation failed to meet the minimum prudential liquidity ratio of 15.0% for NBFIs. However, a number of leasing companies had standby lines of credit with banks which provided them with liquidity as and when needed (see Chart 34).

CHART 34:

LEASING SUB-SECTOR LIQUIDITY TREND, DEC 2007 - DEC 2009



Building Societies Sub-Sector

Generally, the rating of the building societies in 2009 did not significantly change from the previous year. The overall performance of the building societies sub-sector was fair as reflected in the maintenance of an adequate capital and reserves relative to risk profiles (see Tables 46 and 47). However, as at 31 December 2009, one building society was capital deficient. The Bank engaged management of the building society to put measures in place to address the capital deficiency.

Capital Adequacy

As at 31 December 2009, the building society sub-sector's aggregate regulatory capital improved by K51.1 billion to K40.1 billion from minus K10.9 billion in 2008. This was mainly on account of capital injections amounting to K24.2 billion in the year. In addition, an improvement in one building society's regulatory capital by K21.7 billion, as a result of fair value gains on the revaluation of its investment properties, contributed to this growth. Furthermore, the sub-sector reported an after-tax profit of K1.2 billion. Out of the three building societies in operation, one did not meet its minimum risk-weighted regulatory capital. In this regard, appropriate measures were put in place by shareholders to recapitalise the institution.

Table 46: Year-End Composite Rating for the Building Society Sub-Sector, 2007 - 2009

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2007	2008	2009	2007	2008	2009
Current Condition Satisfactory	1.0 - 2.0	2	1	1	37.4	31.8	33
Possible Emerging Problem	2.1 - 2.5	0	1	1	0	5.2	8
Watch	2.6 - 3.5	0	0	0	0	0	0
Problem	3.6 or greater	1	1	1	62.6	63.0	59
Total		**3**	**3**	**3**	**100**	**100**	**100**

Source: Bank of Zambia

Table 47:Year-End Performance Rating for the Building Society Sub-Sector, 2007 - 2009

Performance Category	Capital Adequacy No. of Building Societies			Asset Quality No. of Building Societies			Earnings No. of Building Societies			Earnings No. of Building Societies		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Strong	1	1	0	1	0	0	0	0	0	1	0	0
Satisfactory	1	0	1	0	2	1	3	1	1	2	0	1
Fair Needs Improvement	0	1	1	2	1	2	0	2	1	1	1	0
Marginal	0	0	0	0	0	0	0	0	0	0	2	1
Unsatisfactory	1	1	1	0	0	0	0	0	1	0	0	1
Total	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**

Source: Bank of Zambia

Asset Quality

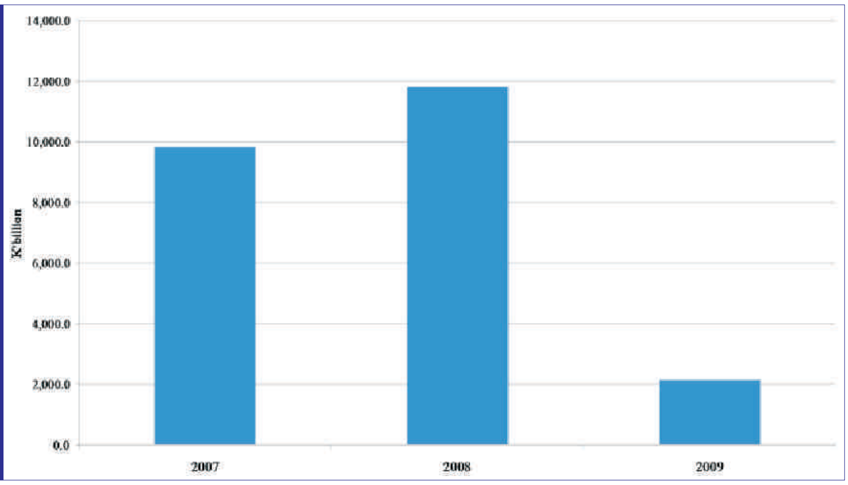
The asset quality of the sub-sector was designated fair in 2009. The proportion of net non-performing assets to total assets was 3.9% in 2009, representing an increase of 1.2 percentage points from the previous year. Total assets increased by 17% to K317.2 billion as at 31 December 2009 from K271.8 billion at the end of 2008, largely due to an increase in fixed assets.

Earnings Performance

During 2009, the earnings performance of the building society sub-sector was unsatisfactory with profit before tax declining by 82% to K2.1 billion from K11.8 billion in 2008 (see Chart 35). The decrease in the earnings performance was largely due to the increase in loan loss provisions by 283% to K6.1 billion from K1.6 billion in 2008. In addition, non-interest and interest expenses increased to K51.9 billion and K11.4 billion from K50.2 billion and K9.8 billion in 2008, respectively.

CHART 35:

ANNUAL PROFIT BEFORE TAX, 2007 - 2009

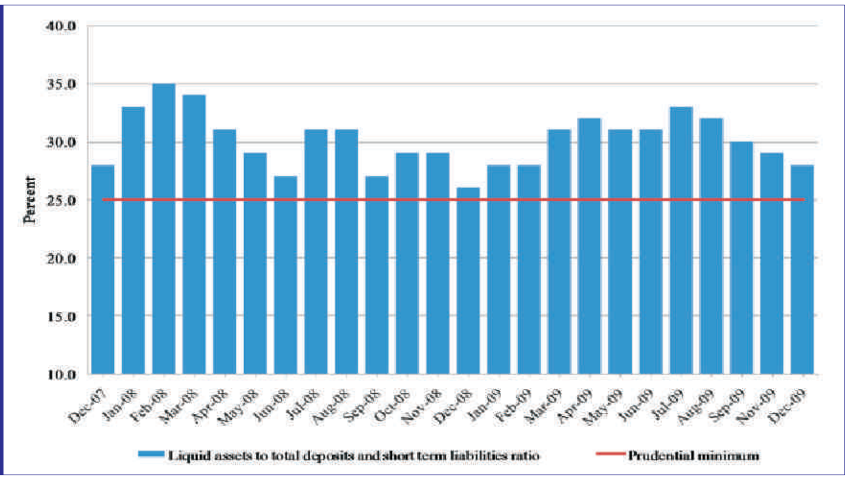


Liquidity

The average liquidity of the building society sub-sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities was 28% in 2009. This was above the prudential minimum ratio of 25% for building societies and was therefore, designated satisfactory (see Chart 36).

CHART 36:

BUILDING SOCIETY LIQUIDITY TREND, DEC 2007 – DEC 2009



Microfinance Institutions

The overall financial condition and performance of the sub-sector in the year under review was satisfactory with MFIs registering adequate capitalisation and satisfactory asset quality and earnings performance. The aggregate capital of the MFIs increased by 60% to K233.1 billion as at 31 December 2009 from K145.9 billion at the end of 2008. The increase was largely due to the after-tax profit recorded in the year amounting to K61.9 billion as well as capital injections of K19.4 billion due to an increase in the number of MFIs licensed in 2009.

As at 31 December 2009, total assets of the microfinance sub-sector amounted to K515.5 billion representing an increase of 10.2% or K47.7 billion over the previous year's position of K467.8 billion. The growth in assets was attributed to an increase in capital and reserves to K230.4 billion from K147.7 billion in 2008 as well as an increase in long-term borrowing to K122.4 billion from K101.1 billion in 2008.

Bureaux de Change

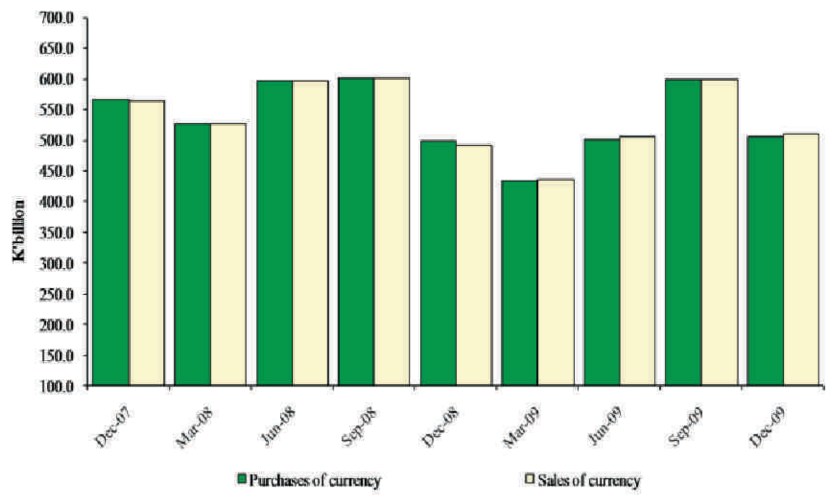
As at 31 December 2009, the bureaux de change sub-sector was adequately capitalised as all the 44 operating bureaux de change met the minimum regulatory capital requirement of K40 million. The aggregate capital and reserves increased by 7.8% to K30.6 billion in 2009 from K28.3 billion in 2008. This was largely due to profit after tax of K1.8 billion coupled with capital injections by the newly licensed bureaux de change.

Total assets as at 31 December 2009 amounted to K42.1 billion, representing an increase of 7% from K39.3 billion in the previous year. This increase was mainly attributed to the rise in aggregate capital and reserves.

The volume of purchases of foreign currency by bureaux de change decreased to K2,039.5 billion (US $415 million) in 2009 from K2,249.4 billion (US $462 million) in 2008. Similarly, sales fell to K2,050.9 billion (US $414 million) in 2009 from K2,280.1 billion (US $468 million), during the same period. Consequently, the volume of transactions (total purchases and sales) decreased by 9.7% in 2009 (see Chart 37).

CHART 37:

BUREAU DE CHANGE VOLUMES OF TRANSACTIONS, DEC 2007 - DEC 2009



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN (FSDP)

Overview

During the year under review, the Government of the Republic of Zambia granted authority for an administrative extension of the Financial Sector Development Programme (FSDP) following the lapse of the initial five year period for the FSDP in June 2009. Phase II of the FSDP will run up to December 2012 and will focus on increasing competition, access to finance and market infrastructure. The extension of the programme period will also provide an opportunity for completion of outstanding work from the FSDP I.

Sovereign Rating

During 2009, the exercise to conduct a sovereign rating for Zambia was put on hold given the 2008/09 global financial crisis. This followed Government's approval of the process in 2008 and the subsequent selection of JP Morgan to offer financial advisory services. However, in view of the positive economic outlook in the latter part of 2009, the exercise was expected to be undertaken in 2010. The sovereign rating is expected to complement other Government initiatives to promote investment in the Zambian economy and stimulate the development of domestic capital markets.

Second FinScope Survey

The second FinScope Consumer Survey was undertaken by FinMark Trust in conjunction with local consultants in the last quarter of 2009. The findings of the survey were expected to be launched during the first quarter of 2010. The survey, which is intended to address the identified limited market knowledge of financial services and products under the FSDP, has the following objectives:

a) establish credible benchmarks and indicators of access;

b) provide insights into regulatory and market obstacles to growth and innovation; and

c) highlight opportunities for policy reform and innovation in product development and delivery.

Introduction of Standing Facility

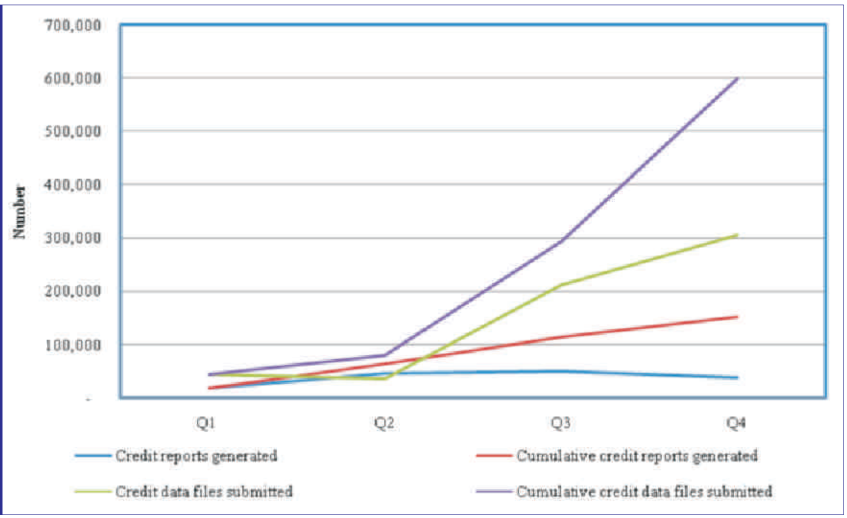
During the year under review, the Bank introduced an overnight standing facility for commercial banks which became effective from 1 December 2009. The primary purpose of the overnight standing facility was to enhance the operations of the money markets by ensuring commercial banks' access to liquidity from the Bank at their own initiative. It is the Bank's expectation that the overnight standing facility will complement other existing refinancing facilities at the Central Bank and also serve as another convenient avenue through which monetary policy signals can be conveyed to the economy.

Operations of Credit Reference System

Following the issuance of the Banking and Financial Services Act (Provision of Data and Utilisation of Credit Reference Services) Directive in 2008, financial service providers were required to submit credit data to the Credit Reference Bureau (CRB) as well as obtain credit reports from the Bureau as part of their credit appraisal process. In this regard, during 2009, financial service providers submitted a total of 660,036 credit reports to Credit Reference Bureau Africa Limited (CRBAL). In addition, the total number of credit reports obtained from CRBAL was 155,108 (see Chart 38).

CHART 38:

USE OF CREDIT REFERENCE SYSTEM BY FINANCIAL SERVICE PROVIDERS, 2009



Corporate Governance

A draft board charter was developed in 2009 to complement the existing corporate governance guidelines. Key highlights in the board charter include:

(a) clarity on whether one can be a director of more than one financial institution in the financial sector;

(b) determining what constitutes a conflict of interest to be able to sit on a Board;

(c) limiting the tenures for board appointment to an organisation in order to ensure independence;

(d) the need for a common position on the expected minimum and maximum number of board members taking into consideration small financial service providers such as some bureaux de change and MFIs; and,

(e) the need for independence of boards by ensuring a majority of non-executive directors to sit on any board in the Zambian financial sector.

Framework for Channelling of Long-Term Funds

The FSDP identified the lack of an institutional framework for long-term and appropriately priced funds for companies to access in Zambia. The Government appointed Development Bank of Zambia (DBZ) as the new manager for long-term funds previously administered by the Bank. Subsequently, the Apex Unit at the Bank, which was managing these funds, was relocated to DBZ in December 2009.

Law Review

Accountants Act

The Accountants' Bill was enacted into law in 2008. The process of harmonising the Accountants' Act with various financial sector and business laws and regulations such as the Companies Act continued in 2009.

Deposit Protection Scheme

To instil confidence in the financial system, work was undertaken to introduce a deposit protection scheme for the financial sector. A draft deposit protection bill was completed and circulated to all banks and deposit taking institutions for comments in 2009. Subsequently, comments from banks and deposit taking institutions were incorporated in the draft deposit protection bill. The final draft bill was expected to be submitted to the Government in 2010.

Risk Management and Basle II Accord

During 2009, the Basle II Accord project initiation document was updated and a tentative implementation plan formulated for discussion and adoption by the banks and non-bank financial institutions. The Basle II Accord was marked for introduction by the Bank in order to facilitate better identification and management of risk by financial institutions in line with international regulatory and supervisory practices and to enhance financial system stability.

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2009, the Banking, Currency and Payment Systems operations were rated satisfactory. The performance of commercial banks in general was satisfactory although some banks failed to maintain adequate funds in their settlement accounts for meeting their clearing obligations on time. In the area of currency and payment systems, the Bank continued to implement the clean note policy. Furthermore, the performance of the three systemically important payment systems was satisfactory during the year.

The Bank continued to perform its role as banker to the Government and commercial banks through the maintenance and monitoring of accounts to ensure that all transactions were covered by adequate liquidity. In the area of currency management, the Bank continued to meet the currency needs of the public, as the sole issuer of currency, by ensuring the supply and integrity of bank notes.

5.1 BANKING

Operations of Commercial Banks Current Accounts

The Bank continued to monitor account operations of commercial banks to ensure that all transactions were covered by adequate liquidity and that sufficient funds were available to meet all clearing obligations. Overall, the performance of the commercial banks in general was satisfactory. All commercial banks that accessed the intra-day credit facility were able to repay the funds by close of business. In addition, the Bank continued to perform its role as banker to the Government by providing banking services for efficient revenue collection and transfer of funds to facilitate Government operations.

Management of Project Loans

Zambia Agriculture Marketing and Processing Infrastructure Project (ZAMPIP)

The ZAMPIP credit facility was set up to support the emergence and development of the private sector by financing agriculture, agriculture marketing, processing infrastructure, road rehabilitation and construction of dams. The Bank of Zambia continued to receive both principal and interest payments on the loans disbursed under the ZAMPIP until 31st August 2009 when the last instalment was received and the project closed. The principal repayments and interest earned during the year amounted to US $100,000.00 and US $2,114.36 respectively, bringing the ZAMPIP Revolving Fund Account as at close of project to US $1,040,233.05.

Multi-Purpose Credit Facility (MCF)

The MCF is a line of credit set up to provide financing through commercial banks and other licensed financial institutions to enterprises in the form of short, medium and long-term credit on a revolving fund basis. In 2009, the MCF which was managed by the APEX Unit at the Bank of Zambia was relocated to the Development Bank of Zambia (DBZ) following Government's appointment of DBZ as new Managers. This was in line with Government's decision to improve capitalisation and effectiveness of DBZ as a development bank.

Various financing schemes helped the positive growth of the country's economy by supporting new entrants in the economy access funds for their capital and recurrent expenditures


ANGLE BARS MADE AT KAFUE STEEL PLANT IN KAFUE

5.2 CURRENCY

As at end-2009, currency in circulation (CIC) increased by 3.5% to K2,001.0 billion (338.1 million pieces) from K1,934.0 billion (327.3 million pieces) in the previous year. The increase was particularly high during the crop marketing in the months June to October 2009 on account of increased demand for cash to pay the farmers (see Charts 39a, 39b and 39c).

CHART 39a:

CURRENCY IN CIRCULATION, DEC 2007 - DEC 2009

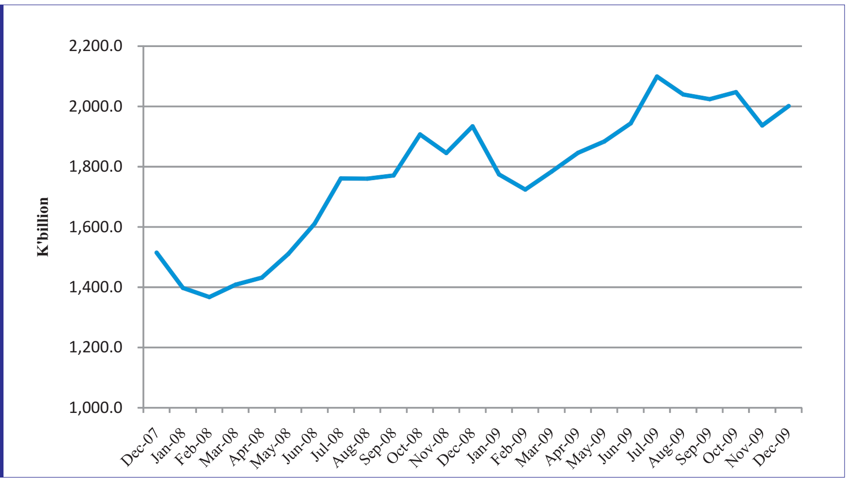


CHART 39b:

CURRENCY IN CIRCULATION BY DENOMINATION, DEC 2007 - DEC 2009

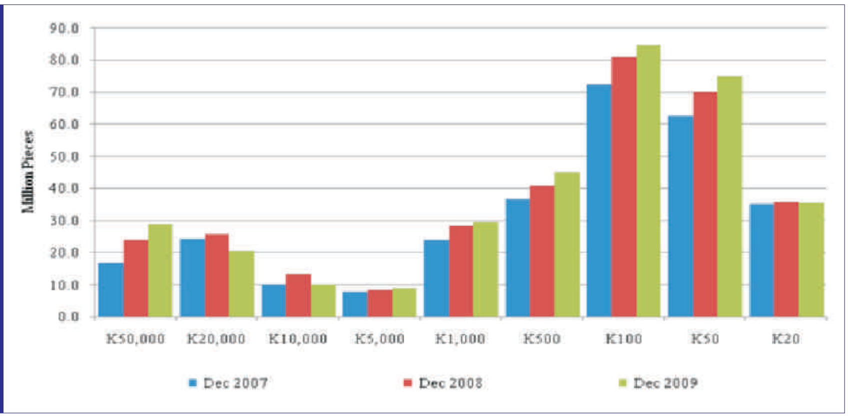
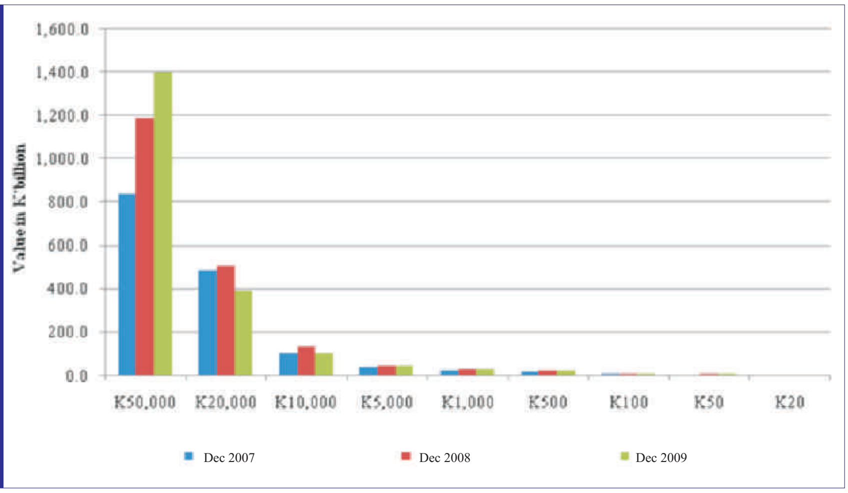


CHART 39c:

CURRENCY IN CIRCULATION BY DENOMINATION, DEC 2007 - DEC 2009

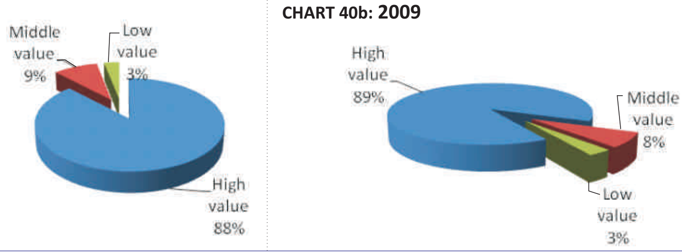


A breakdown of CIC, in value terms shows that the high value banknotes (K20,000 and K50,000) accounted for 69.6% and 19.8%, respectively, of the total CIC (see Charts 40a and 40b).

CHART 40

CURRENCY IN CIRCULATION

CHART 40a: 2008 **CHART 40b: 2009**



In continued pursuance of the Clean Note Policy, the Bank withdrew from circulation a total of 110.5 million pieces valued at K727.8 billion compared to 80.9 million pieces with a value of K617.2 billion in 2008 (see Table 48). Of the total unfit banknotes withdrawn, 30.4 million pieces with a value of K22.8 billion were unfit polymer banknotes. In addition, the total number of mutilated banknotes exchanged by members of the public for clean banknotes increased by 14.4% to 59,485 pieces valued at K156.6 million. Of this total, 59,052 mutilated banknotes with a value of K145.6 million were paid out at full face value while 433 mutilated banknotes valued at K10.9 million were paid out at half face value.

In addition, the Bank destroyed a total of 131.6 million pieces of unfit banknotes with a face value of K1,149.5 billion compared with a total of 113.3 million pieces valued at K613.1 billion the previous year.

During the same period, the Bank issued into circulation a total of 150.7 million pieces of new banknotes, with a value of K1,143.5 billion. This reflected an increase of 11.1% when compared to the volume put into circulation in 2008. The bulk of the banknotes issued in 2009 were low value denominations (K1,000 - K50), which accounted for 59% of the total new banknotes issued in the year. The high value banknotes (K50,000 and K20,000) and middle value banknotes (K10,000 and K5,000) accounted for 22% and 19%, respectively (see Table 48).

Table 48: Bank Notes Withdrawn Against Issuance of New Bank Notes, 2009

Denomination	Bank Notes Withdrawn (K'billion)	Bank Notes Withdrawn (Pieces)	New Bank Notes Issued (K'billion)	New Bank Notes Issued (Pieces)
K50,000	265.9	5,319,601	701.1	16,483,000
K20,000	227.9	11,393,353	233.5	14,404,000
K10,000	155.6	15,561,248	124.6	14,467,000
K5,000	52.4	10,487,999	56.7	12,419,000
K1,000	15.2	15,233,499	14.8	19,527,000
K500	7.5	15,150,914	9.8	23,871,000
K100	2.5	25,388,005	2.3	29,867,000
K50	0.5	11,946,007	0.8	19,674,000
K20	0.04	22,014	0	0
Total	**727.8**	**110,502,640**	**1,143.5**	**150,712,000**

Source: Bank of Zambia

5.3 PAYMENT SYSTEMS

Zambian Interbank Payment and Settlement System (ZIPSS)

During the year under review, ZIPSS operated satisfactorily with all the 16 commercial banks transacting actively. The volume of transactions processed increased by 8.0% to 148,247 transactions in 2009 from 136,720 in 2008. However, the value of transactions fell by 9% to K209,090 billion in 2009 from K228,613 billion in 2008 (see Chart 41).

CHART 41

ZIPSS VOLUMES AND VALUES, 2005 - 2009

Physical Interbank Clearing System

In 2009, the volume of cheques cleared through the Physical Interbank Clearing (PIC) system decreased by 1% to 2,558,805 cheques from 2,593,070 in 2008 while the value decreased by 2% to K21,787 billion from K22,337 billion in 2008 (see Table 49). The reduction in the volume and value of cheques processed was attributed to the implementation in 2008 of the K100 million limit on the value of any single cheque that customers can issue.

Table 49: Volume and Value of Cheques, 2007 - 2009

Month	Volumes				Values (K'billion)			
	2007	2008	2009	%Change (2009/2008)	2007	2008	2009	% Change (2009/ 2008)
Jan	206,242	217,724	210,005	-4%	2,766	1,957	1817	-7%
Feb	187,580	205,654	199,691	-3%	2,288	1,639	1635	0%
Mar	203,588	196,717	209,503	6%	2,648	1,619	1736	7%
Apr	193,629	223,182	208,038	-7%	2,521	1,808	1747	-3%
May	213,672	213,313	199,201	-7%	2,576	1,742	1655	-5%
Jun	204,793	218,511	217,898	0%	2,546	1,812	1813	0%
Jul	211,029	226,817	224,151	-1%	2,823	1,958	1,928	-2%
Aug	217,821	208,618	203,819	-2%	2,741	1,873	1,744	-7%
Sep	202,495	227,699	226,102	-1%	2,446	2,010	1,923	-4%
Oct	227,790	219,944	222,573	1%	2,224	1,977	1,914	-3%
Nov	218,272	207,407	216,296	4%	2,125	1,841	1,876	2%
Dec	202,279	227,484	221,528	-3%	2,015	2,102	1,998	-5%
Total	**2,489,190**	**2,593,070**	**2,558,805**	-1%	**29,719**	**22,337**	**21,787**	-2%
Monthly Average	**207,433**	**216,089**	**213,234**	**-1%**	**2,477**	**1,861**	**1,816**	**-2%**

Source: Zambia Electronic Clearing House Limited

Direct Debit and Credit Clearing System

During the year under review, the volume of transactions processed through the Direct Debit and Credit Clearing **(**DDACC) payment stream rose by 19% to 1,512,654 in 2009 from 1,267,990 in 2008. The value of DDACC transactions increased by 83% to K6,513 billion in 2009 from K3,562 billion in 2008, respectively (see Table 50). The growth in the volume and value of transactions follows continued efforts by the Bank of Zambia in encouraging the public to increase the use of electronic payment methods.

Table 50: Volume and Value of Direct Debit and Credit Clearing, 2007 - 2009

	Volumes				Values (K'billion)			
	2007	2008	2009	% Change (2009/ 2008)	2007	2008	2009	% Change (2009/ 2008)
Month	63,150	76,801	104,544	36	262	275	321	17
Jan	57,061	95,011	127,029	34	206	254	330	30
Feb	68,793	83,681	132,362	58	246	264	389	48
Mar	68,715	105,091	115,499	10	270	299	353	18
Apr	71,446	97,402	117,493	21	297	308	395	28
May	64,965	104,482	138,038	32	294	296	360	22
Jun	82,784	116,467	127,794	10	326	330	367	11
Jul	76,622	102,001	116,058	14	395	318	365	15
Aug	53,993	116,832	116,490	0	281	331	367	11
Sep	92,768	112,623	127,437	13	429	323	387	20
Oct	89,236	97,813	128,696	32	308	131	370	182
Nov	106,104	159,786	159,205	0	339	433	499	15
Dec	895,637	1,267,990	1,512,654	19	3,677	3,562	6,513	83
Total Monthly	**74,636**	**105,666**	**126,055**	19	**306**	**297**	**543**	83

Source: Zambia Electronic Clearing House Limited

National Switch Project

The Bank of Zambia has in the recent years been working with the commercial banks to implement a National Switch. The National Switch will enable commercial banks share their existing payment infrastructure such as Automated Teller Machines and Point of Sale devices through a common platform (the Switch). This will result in greater convenience to consumers as they will have wider access to payment infrastructure without having regard to the bank which owns the infrastructure. However, progress in implementing the National Switch was slow during 2009 as the process of selecting the vendor was protracted.

Settlement of the Cash Leg of LuSE Trades on ZIPSS

The Bank of Zambia has been working with the Lusaka Stock Exchange (LuSE) towards facilitating the settlement of the cash leg of LuSE Trades on the Zambia Interbank Payment and Settlement system (ZIPSS). In this regard, a guarantee fund that ensures capital market trades are settled on ZIPSS to attain delivery versus payment (DvP) was put in place. The mechanism and procedures on how the guarantee fund will be accessed were developed by LuSE.

Designation of Payment Systems and Businesses

In 2009, the Bank of Zambia approved 14 applications for the provision of various payment services, and two from new commercial banks who wanted to participate on the DDACC, ZIPSS and the Cheque systems. This brought the total number of entities authorised to offer payment services to 28 while the number of payment systems participants rose to 16.

6.0 RISK MANAGEMENT

6.0 RISK MANAGEMENT

During the year under review the Bank's risk management strategies were derived from the 2008-2011 Strategic Plan. The Bank adopted an enterprise-wide approach to managing risks and the primary objective is to integrate risk management policies and procedures into the Bank's operations.

Operational Risk Management Framework

(a) Operational Risk Management

The first bank-wide Risk Register for operational risks was finalised over the review period. Consistent with the requirements of the Risk Management Policy and good corporate governance, all risks assessed as high or very high were reported monthly to Senior Management and quarterly to the Board. This was for the purpose of monitoring progress in implementing the programmes put in place to mitigate identified risks.

The newly introduced incident reporting mechanism was activated over the review period to facilitate reporting the risks that materialised and those that almost materialised. This mechanism enabled the Bank to develop a database for all recorded incidents and provided an input into the design of appropriate risk management programmes. It also served as a database for evaluation of similar risks in future.

(b) Business Continuity Management

During the year, the Bank continued with the implementation of the Business Continuity Management (BCM) programme as an operational risk treatment option for mitigating rare but potentially catastrophic risks.

In addition, a Bank-wide Business Impact Analysis (BIA) questionnaire was administered to all departments to identify mission-critical (or essential) business processes whose absence would pose risk to the Bank's operations. This was to ensure that the business processes received the correct priority in the Bank-wide Business Continuity Plan (BCP). The BIA would provide the main input into the development of departmental business continuity/resumption plans and a Bank-wide BCP.

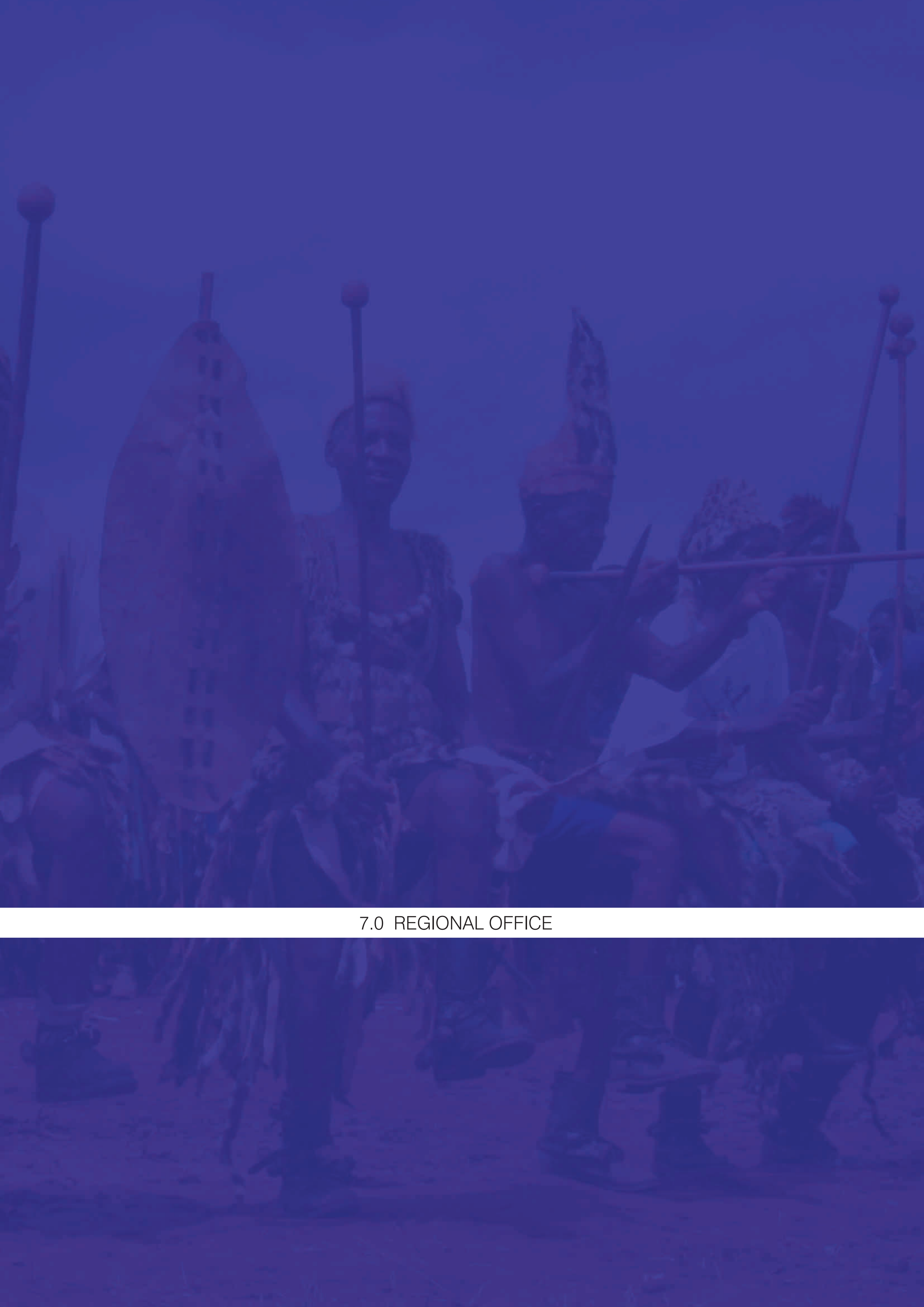
The Bank also developed guidelines for dealing with an outbreak of pandemic flu in response to the world-wide outbreak of the A H1N1 Swine Flu. The Bank further conducted all Disaster Recovery (DR) test exercises as planned for the year. The DR site tests were aimed at providing assurance to Management and other stakeholders on the adequacy of the Bank's disaster recovery capabilities.

(c) Management of Project Risks

During the period under review, the Procurement and Maintenance Services (PMS) department was tasked to spearhead the establishment of a Project Management Office (PMO) at the Bank. It was expected that the framework that would be developed for the operations of the PMO would adequately cater for the effective management of project risks.

Financial Risk Management

The Bank engaged ICRA Management Consulting Services Limited (IMaCS) to develop a framework for managing financial risks. The consultant submitted the Design Report outlining the recommendations necessary for providing solutions to the gaps identified in specific areas of operation, which pose financial risk exposure on the Bank's balance sheet. The identified areas of operation were monetary policy formulation and cash flow forecasting, management of international reserves, foreign exchange intervention, open market operations, payments and settlement systems, supervision of banks, and lender of last resort.



7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

The Regional Office continued to provide the Government, commercial banks and the general public in the Northern Region with banking, currency and other financial services. The Office also carried out on-site inspections of commercial banks' branches in the region and pre-inspections of NBFIs to ensure compliance with financial system regulatory requirements and guidelines. In addition, the Regional Office facilitated the renewal of licences by NBFIs and attended to various queries from the public.

Furthermore, the Regional Office continued to undertake surveys and distributed various Bank publications to enhance economic information flow in the Region. The surveys undertaken included the Quarterly Survey of Business Opinion and Expectations, Quarterly Private Sector External Debt Reconciliation Survey and Real Sector Survey. In addition to conducting surveys, the Regional Office carried out currency sensitisation programmes in the Northern Region.

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

At the end of 2009, the total staff strength of the Bank was 561 against the establishment of 693.The gender composition of the 561 employees was 378 (67%) male and 183 (33%) female. This complement comprised 456 (81%) employees on Permanent and Pensionable Service and 105 (19%) on Fixed-Term Employment Contracts (see Tables 51 and 52).

Table 51: Staffing Levels, 2007 - 2009

No.	Functions	2007			2008			2009		
		Estab	Actual	Diff	Estab	Actual	Diff	Estab	Actual	Diff
1	**Executive**	10	9	-1	10	11	1	10	11	1
	Subtotal	10	9	-1	10	11	1	10	11	1
2	**Core Departments**									
	Economics	49	42	-7	49	41	-8	49	40	-9
	Bank Supervision	37	34	-3	37	32	-5	37	32	-5
	Non-Bank Financial Institutions Supervision	34	32	-2	34	30	-4	34	27	-7
	Financial Markets	33	31	-2	33	29	-4	47	29	-18
	Banking, Currency and Payment Systems	93	85	-8	93	84	-9	93	79	-14
	Regional Office	120	116	-4	120	112	-8	120	111	-9
	Subtotal	366	340	-26	366	328	-38	380	318	-62
3	**Support Services**									
	Finance	44	37	-7	44	36	-8	44	36	-8
	Procurement & Maintenance Services	73	67	-6	73	63	-10	73	58	-15
	Human Resources	38	32	-6	38	32	-6	38	30	-8
	Information & Communications Technology	39	33	-6	39	32	-7	39	30	-9
	Bank Secretariat	19	16	-3	19	16	-3	19	15	-4
	Security	53	48	-5	53	41	-12	53	40	-13
	Internal Audit	26	20	-6	26	20	-6	26	18	-8
	Risk Management	11	5	-6	11	5	-6	11	5	-6
	Subtotal	303	258	-45	303	245	-58	303	232	-71
	TOTAL	**679**	**607**	**-72**	**679**	**584**	**-95**	**693**	**561**	**-132**

Source: Bank of Zambia

Table 52: Distribution of Staff, 2009

OFFICE	PERMANENT & PENSIONABLE			CONTRACT STAFF			
	Male	Female	Subtotal	Male	Female	Subtotal	Total
Lusaka	245	112	357	58	35	93	**450**
Ndola	65	34	99	10	2	12	**111**
Subtotal	310	146	456	68	37	105	**561**

Source: Bank of Zambia

Staff Movements

During the year under review, the Bank hired only one employee on a three-year Fixed Term Contract. On the other hand, there were 24 separations, resulting in a net staff decrease of 23. The separations from the Bank were through Voluntary Early Separation Scheme, death, resignations, dismissals and/or statutory retirements (see Table 53).

Table 53: Staff Movements, 2009

Movement	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Recruitments	0	0	0	0	0	0	1	0	0	0	0	0	**1**
Reinstatements	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Inward Staff Movements	0	0	0	0	0	0	1	0	0	0	0	0	**1**
Dismissals	0	0	0	0	0	0	0	1	0	0	0	0	**1**
Resignations	0	0	0	0	0	0	0	1	0	1	0	0	**2**
Statutory Retirements	0	2	1	0	0	1	0	0	0	0	1	0	**5**
VESS	1	1	0	0	0	0	3	0	1	1	3	3	**13**
Death	0	0	0	0	0	0	1	0	2	0	0	0	**3**
Total Outward Staff Movements	1	3	1	0	0	1	4	2	3	2	4	3	**24**
Net Staff Movements	**-1**	**-3**	**-1**	**0**	**0**	**-1**	**-3**	**-2**	**-3**	**-2**	**-4**	**-3**	**-23**

Source: Bank of Zambia

Capacity Building Programmes

Staff Development

In an effort to ensure the continuous availability of skills and new knowledge, the Bank continued to provide support to employees pursuing various study programmes both short and long-term. The support provided by the Bank was in the form of paid study leave, full Bank scholarships and time-off to study part-time programmes. The training was undertaken at various training institutions as well at the Bank's In-Service Training Centre (ISTC). In the period under review, a total of 21 employees completed various study programmes (see Table 54).

Table 54: Study Programmes Completed, 2003 - 2009

PROGRAMME	2003	2004	2005	2006	2007	2008	2009	Totals
PhD	1	0	1	2	3	0	1	**8**
Masters Qualifications; MBA, LLM, MSc etc	6	8	9	7	8	5	8	**51**
Bachelor's Degrees in Laws, Banking & Financial Services, Public Administration & Computing	2	4	2	1	3	3	4	**19**
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	4	1	0	1	1	2	5	**14**
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply, & Accounting	15	12	3	5	8	1	3	**47**
TOTAL	**28**	**25**	**15**	**16**	**23**	**11**	**21**	**139**

Source: Bank of Zambia

Support to Universities

In accordance with the Memorandum of Understanding (MoU) signed between the Bank and the University of Zambia (UNZA) and the Copperbelt University (CBU), the Bank continued to provide support to these institutions. This support was in the form of salary supplementation for staff in the Department of Economics (at UNZA) and the School of Business (at CBU).

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

Library and Records Management

Electronic Document Management System (EDMS)

During the year, a review of the records management policy and other documents was undertaken to aid the effective implementation of the EDMS. In addition, training for administrators and trainers was carried out in various modules such as document management, records management, collaboration and knowledge management.

Employee Relations

During 2009, the Bank continued to experience harmonious industrial relations. Management held scheduled monthly and quarterly meetings with employee representatives aimed at nurturing dialogue between employees and management. Further, the Bargaining Unit successfully concluded the Mid-Stream Salary Review negotiations for 2009.

Staff Welfare

Employee Health

To consolidate the gains made in previous years, sensitisation campaigns on HIV/AIDS were intensified in 2009. The number of staff and their dependants accessing Anti-retroviral drugs (ARVs) declined to 151 from 164 in 2008 (see Table 55). This was mainly on account of staff separations from the Bank.

Table 55: Number of Beneficiaries of VCT and/or ARTs, 2000 - 2009

Year	Staff	Spouses	Children	Totals
2000	2	0	0	**2**
2001	11	2	3	**16**
2002	20	13	2	**35**
2003	7	6	2	**15**
2004	59	30	11	**100**
2005	78	38	14	**130**
2006	81	46	17	**144**
2007	94	51	18	**163**
2008	94	53	18	**165**
2009	92	43	16	**151**

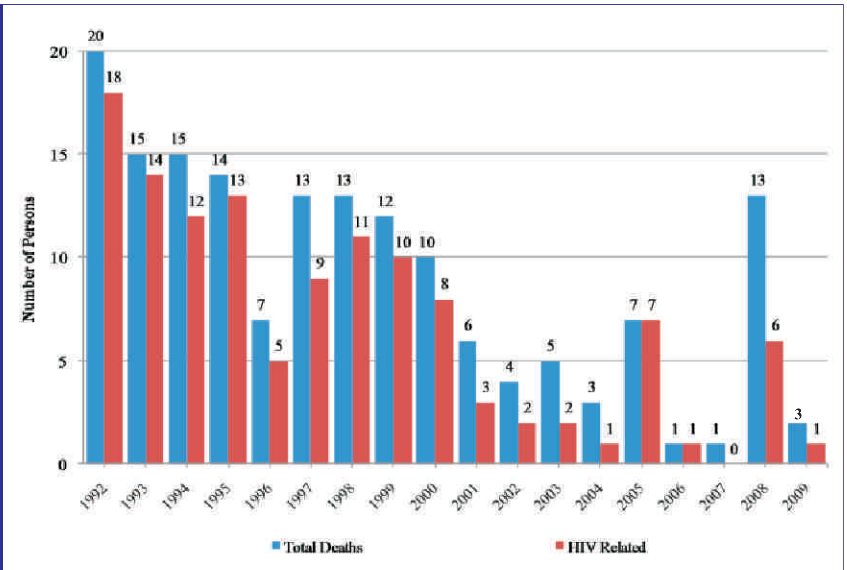
Source: Bank of Zambia

Staff Mortality

In the year under review, the Bank recorded a significant reduction in staff deaths to 3 from thirteen in 2008 (see Chart 42).

CHART 42

STAFF MORTALITY TREND, 1992 - 2009



Employee Welfare Programmes

As part of on-going management efforts aimed at improving staff welfare, the Bank hosted several sensitisation talks on topical issues. In this regard, specialists were invited to sensitise staff on how to write a will, living positively with HIV/AIDS, and cervical and prostate cancer.

Projects

During the year under review, a number of human resource processes were automated. These included the following:

- o Computerised Human Resource System;
- o Electronic Document Management System (EDMS); and
- o Library system

Development and Review of Policies

Reviews of the Disciplinary Code and Grievances Procedure and the Job Specification Policy were undertaken.

8.2 INTERNAL AUDIT

In order to provide assurance to the Board of Directors and Management on the effectiveness of internal controls, the Bank continued to undertake internal audits and reviews of its operations. These included evaluation of the effectiveness of internal controls related to accounting, operational and administrative functions of the Bank. In addition, internal audit continued to assist management meet Bank objectives by reviewing corporate governance and the effectiveness of risk management in the Bank.

In an effort to increase audit efficiency through the use of Computer Assisted Audit Techniques (CAATs), the Bank during the year, successfully migrated to the new version of Auto Audit and undertook on-site training in the new version of Auto Audit. Further, in November 2009, the Bank reviewed the Internal Audit Charter to incorporate changes in the International Professional Practices Framework of Internal Auditing that came into effect in February 2009.

8.3 BANK SECRETARIAT

During the period under review, the Bank of Zambia Board of Directors held four regular and one special Board meetings at which numerous important decisions were made. Among others, the Board approved the following:

- The Job Specifications Document to be used by the Bank of Zambia in administering the Employee Resourcing and Retention Policy;
- The Young Professionals Development Policy;
- The increase of the Authorised Capital of the Bank of Zambia from K10 billion to K500 billion; and
- The establishment of the Governance Committee of the Bank of Zambia Board of Directors.

Law Review

The first draft of the amended Bank of Zambia Act modelled on the SADC model Central Bank Law together with a consultative paper were developed and circulated. In addition, the first draft of the Credit Reporting Bill was finalised and circulated.

Public Relations

The Bank continued to engage closely with the media in order to keep them informed of pertinent economic developments in general and the Bank's operations in particular. In this regard, the Bank disseminated information through quarterly media briefings, press releases and statements as well as wide circulation of its various publications such as the Monetary Policy Statement, ZAMBANKER and a Special ZAMBANKER supplement to commemorate the Bank's 45th Anniversary.

In 2009, the Bank of Zambia, in conjunction with the Bank Negara of Malaysia, hosted the Rural Finance Programme Conference and also facilitated the convening of the Financial Sector Development Plan Phase II Stakeholders Forum.

The Bank continued with its Corporate Social Responsibility Programmes in its quest to assist vulnerable members of the community. To this effect, the Bank provided assistance to various organisations, orphanages schools and individuals across the country.

8.4 INFORMATION AND COMMUNICATIONS TECHNOLOGY

During 2009, the Bank of Zambia accomplished several objectives in the area of Information and Communications Technology (ICT). In line with the Bank's strategic objectives, a number of projects were undertaken during the year, including the following:

IT Governance Implementation

The programme of implementing the Control Objectives for Information and related Technologies (COBIT) as a framework for IT Governance continued in 2009. In addition, ICT governance procedures based on best practice and other industry standards such as the ISO 27002, Information Technology Infrastructure Library (ITIL) and the Project Management Institute (PMI) standards were developed and reviewed.

Implementation of the Oracle Human Resources Management System (HRMS)

The implementation of the HRMS based on the Oracle E-Business Suite continued in 2009 and all key project milestones were largely achieved. The HRMS provides an integrated data model with an instant view of human resource-related activities, including recruitment, performance management, learning, compensation, benefits, payroll, time management, and real time analysis.

Bank Supervision Application (BSA) Upgrade

Progress continued to be made towards the full implementation of the new version of BSA for the East and Southern Africa bank supervisors. During the review period, the new BSA was deployed at all commercial banks and parallel runs commenced.

Implementation of the Integrated Electronic Document Management System:

The objective of the project was to introduce workflows in document management across the Bank. During the review period, all key milestones were delivered.

Network Infrastructure

In an effort to improve service availability and reliability, an Enterprise Network Management (ENM) application was implemented to provide real-time notifications of network failure or service degradation. The ENM monitors all Bank of Zambia core network elements at Head Office, Regional Office and the Disaster Recovery site.

Integration of Information Systems

The Bank embarked on an information system integration process to facilitate seamless information sharing with key stakeholders. The project included implementation of Gentran Integration Suite (GIS), which interfaces with Zambia Revenue Authority and the Ministry of Finance and National Planning's Integrated Financial Management Information System (IFMIS).

ICT Service Continuity

The Bank conducted partial disaster recovery tests for mission-critical applications and the tests were largely successful compared to the previous year. The ICT infrastructure and systems operated within acceptable levels of service quality.

8.5 SECURITY ACTIVITIES

In 2009, the Bank continued to sensitise stakeholders on the problem of currency counterfeits and security of cash-in-transit through several sensitisation programmes across the country. Participants in the programmes included officers from the Road Transport and Safety Agency (RTSA), various law enforcement agencies, cashiers drawn from commercial banks and retail shops. Consequently, the Bank recorded a reduction in the number of reported counterfeit cases and a number of convictions were secured. In terms of investigations, 169 cases were handled during the period under review compared to 188 cases in 2008. The bulk of the cases (149) involved currency counterfeits.

8.6 PROCUREMENT AND MAINTENANCE

In 2009, the Bank successfully finalised the ventilation programme in the vaults both at Head Office and Regional Office. The Bank also procured an additional bullion truck and four armoured escort vehicles to be delivered in 2010. In an effort to address the acute problem of inadequate parking space, the Bank finalised the consultancy proposals for additional parking space.

9.0 BANK OF ZAMBIA FINANCIAL STATEMENTS

Bank of Zambia
Financial Statements
for the year ended 31 December 2009

Contents

Bank of Zambia

Directors' responsibilities in respect of the annual financial statements

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

Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the annual financial statements and their report appears on page 80.

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

In the opinion of the Directors:

- The statement of comprehensive income is drawn up so present fairly the loss of the Bank for the year ended 31 December 2009;
- The statement of financial position is drawn up so as to present fairly the state of affairs of the Bank as at 31 December 2009; and
- The financial statements are drawn up in accordance with International Financial Reporting Standards and in the manner required by the Bank of Zambia Act, No. 43 of 1996.

Approval of the financial statements

The financial statements of the Bank set out on pages 81 to 135 were approved by the Board of Directors on 18 March 2010 and signed on their behalf by:

Governor

Director

Deloitte

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Kafue House
1 Nairobi Place
Cairo Road
Lusaka

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

INDEPENDENT AUDITOR'S REPORT

To the Members of
Bank of Zambia

We have audited the financial statements of the Bank of Zambia ("the Bank") which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 81 to 135.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Bank of Zambia Act, No. 43 of 1996. This responsibility includes: 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly the financial position of the Bank of Zambia as at 31 December 2009, and of its financial performance and cash flows for the *year* then ended in accordance with International Financial Reporting Standards and in the manner required by the Bank of Zambia Act, No. 43 of 1996.

Deloitte & Touche

DELOITTE & TOUCHE

18 March 2010

Bank of Zambia

Statement of comprehensive income
for the year ended 31 December 2009

In millions of Zambian Kwacha

	Notes	**2009**	2008
Interest income	*6*	**239,818**	310,091
Interest expense	*6*	**(97,103)**	(121,280)
Net interest income		**142,715**	188,811
Fee and commission income	*7*	**47,424**	42,557
Fee and commission expense	*7*	**(1,218)**	(105)
Net fee and commission income		**46,206**	42,452
Net income from foreign exchange transactions		**13,556**	13,761
Other operating (expenses)/income	*8*	**(9,426)**	639,176
		4,130	652,937
Total income		**193,051**	884,201
Net reversal of impairment on financial assets	*9*	**8,800**	3,333
Employee benefits	*10*	**(251,744)**	(244,668)
Depreciation and amortisation	*24, 25*	**(15,925)**	(13,492)
Operating expenses	*11*	**(125,807)**	(128,393)
		(384,676)	(383,220)
(Loss)/profit for the year		**(191,625)**	500,981
Other comprehensive income			
Gain on revaluation of property		**86,800**	-
Total comprehensive (loss)/income for the year		**(104,825)**	500,981

The notes on pages 85 to 135 form part of these financial statements.

Bank of Zambia

Statement of financial position
at 31 December 2009

In millions of Zambian Kwacha

	Notes	**2009**	2008
Assets			
Domestic cash in hand		**2,165**	2,566
Foreign currency cash and bank accounts	13	**8,934,006**	5,202,878
Items in course of settlement	14	**7,505**	5,296
Held-for-trading financial assets	15	**660**	-
Loans and advances	16	**41,119**	38,208
Held-to-maturity financial assets	17	**1,971,110**	1,963,925
Other assets	19	**59,440**	23,608
Available-for-sale investments	21	**4,489**	2,786
IMF funds recoverable from Government of the Republic of Zambia	22	**1,594,878**	85,311
IMF subscriptions	23	**4,125,279**	2,824,220
Property, plant and equipment	24	**287,342**	203,430
Intangible assets	25	**1,739**	3,020
Total assets		**17,029,732**	10,355,248
Liabilities			
Deposits from the Government of the Republic of Zambia	28	**2,445,089**	1,340,637
Deposits from financial institutions	29	**2,693,604**	2,657,260
Foreign currency liabilities to other institutions	30	**296,593**	98,536
Other deposits	31	**24,920**	21,556
Other liabilities	32	**35,178**	72,001
Provisions	33	**22,789**	27,405
Domestic currency liabilities to IMF	34	**4,125,279**	2,824,220
Foreign currency liabilities to IMF	35	**1,594,842**	464,285
Notes and coins in circulation	37	**2,001,246**	1,934,426
Total liabilities		**13,239,540**	9,440,326
Equity			
Capital	38	**10,020**	10,020
General reserve fund	39	**92,588**	92,588
SDR allocation	39	**3,226,992**	246,897
Property revaluation reserves	39	**224,950**	144,459
Retained earnings	39	**235,642**	420,958
Total equity		**3,790,192**	914,922
Total liabilities and equity		**17,029,732**	10,355,248

The responsibilities of the Bank's Directors with regard to the preparation of the financial statements are set out on page 79. The financial statements on pages 81 to 135 were approved for issue by the Board of Directors on 18 March 2010 and were signed on its behalf by:

Governor *Director*

Bank of Zambia

Statement of changes in equity
for the year ended 31 December 2009

In millions of Zambian Kwacha

	Share Capital	General reserve fund	SDR allocation	Property revaluation reserve	Retained earnings	Total Equity
Balance at 1 January 2008	10,020	42,490	246,897	147,684	(33,150)	413,941
Amortisation of revaluation surplus relating to properties	-	-	-	(3,225)	3,225	-
Profit for the year	-	-	-	-	500,981	500,981
Transfer to general reserve	-	50,098	-	-	(50,098)	-
Balance at 31 December 2008	10,020	92,588	246,897	144,459	420,958	914,922
Balance at 1 January 2009	**10,020**	**92,588**	**246,897**	**144,459**	**420,958**	**914,922**
Amortisation of revaluation surplus relating to properties	-	-	-	**(6,309)**	**6,309**	-
Other comprehensive income	-	-	-	**86,800**	-	**86,800**
Loss for the year	-	-	-	-	**(191,625)**	**(191,625)**
Receipt of additional SDR allocation	-	-	**2,980,095**	-	-	**2,980,095**
Balance at 31 December 2009	**10,020**	**92,588**	**3,226,992**	**224,950**	**235,642**	**3,790,192**

The notes on pages 85 to 135 form part of these financial statements.

Bank of Zambia

Statement of cash flows
for the year ended 31 December 2009

In millions of Zambian Kwacha

	Notes	**2009**	2008
Cash flows from operating activities			
(Loss)/profit for the year		**(191,625)**	500,981
Adjustment for:			
- Depreciation/amortisation	*24, 25*	**15,925**	13,492
- Dividends income		**(509)**	-
- Loss/(gain) on disposal of plant and equipment		**1,208**	(28)
- Impairment on available-for-sale investments	*9*	**-**	(53)
- Impairment on other assets	*9*	**(1,820)**	(2,262)
- Impairment on amounts due from closed banks	*9*	**(6,980)**	(1,017)
- Provisions made during the year	*33*	**3,486**	23,525
		(180,315)	534,637
Changes in operating assets and liabilities			
Change in items in course of settlement		**(2,209)**	35,313
Change in held for trading financial assets		**(660)**	-
Change in loans and advances		**(2,911)**	361
Change in held-to-maturity financial assets		**(7,185)**	(434)
Change in other assets		**(34,012)**	(15,837)
Change in amounts due from closed banks		**6,980**	1,017
Change in available-for-sale investments		**(1,703)**	53
Change in IMF funds receivable from Government of the Republic of Zambia		**(1,509,567)**	(16,474)
Change in IMF subscription		**(1,301,059)**	261,650
Change in deposits from the Government of the Republic of Zambia		**1,104,452**	(610,540)
Change in deposits from financial institutions		**36,344**	590,546
Change in foreign currency liabilities to other institutions		**198,057**	7,812
Change in other deposits		**3,364**	(8,060)
Change in other liabilities		**(36,823)**	24,184
Change in domestic currency liabilities to IMF		**1,301,059**	(261,649)
Change in foreign currency liabilities to IMF		**1,130,557**	130,262
Change in notes and coins in circulation		**66,820**	419,275
		771,189	1,092,116
Dividends received		**509**	-
Net cash generated from operating activities		**771,698**	1,092,116
Cash flows from financing activities			
Receipt of additional SDR allocations		**2,980,095**	-
Claims paid	*33*	**(8,102)**	(120)
		2,971,993	(120)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*24, 25*	**(13,342)**	(33,709)
Proceeds from sale of property, plant and equipment		**378**	96
		(12,964)	(33,613)
Net change in cash and cash equivalents		**3,730,727**	1,058,383
Cash and cash equivalents at the beginning of year		**5,205,444**	4,147,061
Cash and cash equivalents at the end of the year		**8,936,171**	5,205,444
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**2,165**	2,566
Foreign currency cash and bank accounts		**8,934,006**	5,202,878
		8,936,171	5,205,444

The notes on pages 85 to 135 form part of these financial statements.

Bank of Zambia

Notes to the financial statements
for the year ended 31 December 2009

1 Principal activity

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

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

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2(b).

(a) Standards affecting presentation and disclosure

IAS 1 (as revised in 2007): Presentation of Financial Statements

IAS 1 (as revised in 2007) has introduced terminology changes (including revised titles for the financial presentation of financial statements) and changes in the format and content of the financial statements. The Bank's adoption of amendments from two other Standards (see below), merely results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank

Improving Disclosure about Financial Instruments (Amendments to IFRS 7: Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Bank has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Amendments to IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures regarding reclassifications of financial assets

IAS 8.28(c),(d) The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made. No reclassifications occurred during 2009.

(b) Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IAS 32: Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on liquidation

The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Bank of Zambia

Notes to the financial statements (Continued)
for the year ended 31 December 2009

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

(b) Standards and Interpretations adopted with no effect on the financial statements *(Continued)*

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

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

Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39: Financial Instruments: Recognition and Measurement (see above).

Improvements to IFRSs (2008)

In addition to the changes affecting amounts reported in the financial statements described at 2(a) above, the Improvements have led to a number of changes in the detail of the Bank's accounting policies some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009 and had no material effect on amounts reported.

(c) Standards and Interpretations in issue not yet adopted

As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of *IAS 17: Leases* regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17.

These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments) and the Bank will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings.

The directors anticipate that these amendments to IAS 17 will be adopted in the Bank's financial statements for the period beginning 1 January 2010. It is likely that the changes will affect the classification of some of the Bank's leases of land. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. In particular, the directors will be considering the extent to which information is available for retrospective application.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3. Significant accounting policies *(Continued)*

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

3.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and comply with the requirements of the Bank of Zambia Act, No. 43 of 1996.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3 Functional and presentation currency

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

3.4 Interest income and expense

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

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

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

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

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

3.5 Fees and commission income

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3. Significant accounting policies *(Continued)*

3.6 Dividend income

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

3.7 Rental income

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

3.8 Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the translation of available-for-sale equity instruments which are recognised directly in other comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.9 Financial instruments

3.9.1 Financial assets

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

(a) Classification

Management determines the appropriate classification for financial instruments on initial recognition.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.9 Financial instruments (*Continued*)

3.9.1 Financial assets (*Continued*)

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

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 38 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Bank has classified all treasury bills held for trading as financial assets at fair value through profit or loss except for the treasury bills arising from the November 2007 conversion of a portion of the Government of the Republic of Zambia ("GRZ") consolidated bond and the staff savings treasury bills.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.1 Financial assets *(Continued)*

Equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

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

Loans and receivables

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

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

(b) Recognition

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

Effective interest method

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

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

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

Held-to-maturity investments

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3. Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.1 Financial assets *(Continued*

(b) Recognition *(Continued)*

Available-for-sale (Continued)

recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement.

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

(c) Derecognition

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

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

(d) Impairment of financial assets

The Bank assesses at each statement of financial position 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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.1 Financial assets *(Continued)*

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

impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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 income statement.

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 income statement.

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.2 Financial liabilities

(a) Classification

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

The Bank has not classified any financial liabilities as FVTPL.

3.9.3 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.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.2 Financial liabilities *(Continued)*

3.9.3 Other financial liabilities *(Continued)*

(b) De- recognition of financial liabilities

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

3.10 Fair value measurement

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

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

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

The Bank does not hold positions with its financial instruments.

3.11 Offsetting

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.12 Property, plant and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(b) 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 income statement during the financial period in which they are incurred.

(c) Revaluation surplus

Property, which comprises offices and residential buildings, are subsequently measured at their market value, based on valuation by independent external valuations. The Bank revalues its properties after every five years. The market value is based on the depreciated replacement cost since the buildings are considered to be of a specialised nature without an observable reference market price.

Any revaluation increase arising on the revaluation of such buildings 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.

(d) Depreciation

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

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.12 Property, plant and equipment *(Continued)*

(d) Depreciation*(Continued)*

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

	2009	2008
Leasehold buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture and furnishings	**10%**	10%
Security systems and other equipment	**10-20%**	10-20%
Motor vehicles	**25%**	25%
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 statement of financial position date.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Capital work-in-progress

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

3.13 Intangible assets computer software

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

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

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.14 Impairment of non-financial assets

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

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

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

3.15 Employee benefits

(a) Defined contribution plan

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

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

(b) Defined benefit plan

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

The Bank's net obligation 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. To determine the net amount in the statement of financial position, any unrecognised actuarial gains (losses) not recognised because of the “corridor” approach described below are added (deducted) and unrecognised past service costs are deducted. The discount rate 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 calculation is performed on a regular periodic by a qualified actuary.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.15 Employee benefits *(Continued)*

(b) Defined benefit plan*(Continued)*

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the income statement when they arise. Past-service costs are recognised immediately in the income statement, 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.

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.

(c) Termination benefits

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

(d) Short-term benefits

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

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

(e) Other staff benefits

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.16 Cash and cash equivalents

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

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

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

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

The 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.

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.

3.18 Provisions

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

3 Significant accounting policies *(Continued)*

3.19 Currency in circulation

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

3.20 Currency printing and minting expenses

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

3.21 Sale and repurchase agreements

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

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

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

4 Use of estimates and judgements

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

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

4.1 Impairment losses on loans and advances

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

4 Use of estimates and judgements *(Continued)*

4.2 Impairment of non-financial assets

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

4.3 Determination of fair values

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists. The estimated fair value of financial instruments is determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Bank could realise in a current market exchange.

4.4 Held-to-maturity investments classification

The Bank classifies financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than selling an insignificant amount close to maturity, it will reclassify the entire class as available-for-sale.

4.5 Held for trading and other classifications

In classifying financial assets or liabilities as “held for trading”, the Bank determines that they meet the description set out in the accounting policy set out in note 3, significant accounting policies. All other classification for financial instruments will be determined by relevant accounting policies as set out in note 3.

4.6 Defined benefits obligations

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

5 Risk management policies

(a) Overview and risk management framework

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

5 Risk management policies *(Continued)*

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

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

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

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

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

i) Active Board and senior management oversight. Management maintains an interest in the operations and ensures appropriate intervention is available for identified risks.

ii) A business continuity strategy is in place to ensure continuity of mission critical activities in an event of a major disaster.

iii) Implementation of adequate policies, guidelines and procedures. The existing policies, procedures and guidelines are reviewed and communicated to relevant users to maintain their relevance.

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.

The following is the current exposure to the risks identified:

(b) *Credit risk*

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

5 Risk management policies *(Continued)*

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

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

Exposure to credit risk

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

The Bank invests its reserves in assets that are deemed to have low credit risk such as deposits at other central banks, or deposits at highly rated supranational such as the Bank for International Settlement (BIS) and other typically triple a rated institutions.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

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

Exposure to credit risk *(Continued)*

	Loans and advances to staff (note 16)		Investment securities (notes 17 & 21)		Other receivables (note 19)		Amounts due from closed financial institutions (note 20)	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Carrying amounts	**41,119**	38,207	**1,975,599**	1,966,711	**59,178**	22,553	-	-
Assets at amortised cost								
Individually impaired	-	-	-	-	**1,820**	2,494	**130,182**	137,163
Allowance for impairment	-	-	-	-	**(1,820)**	(2,494)	**(130,182)**	(137,163)
Carrying amount	-	-	-	-	-	-	-	-
Collectively impaired	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Neither past due nor impaired	**41,119**	38,207	**1,971,110**	1,963,925	**59,178**	22,553	-	-
Carrying amount	**41,119**	38,207	**1,971,110**	1,963,925	**59,178**	22,553	-	-
Available-for-sale (AFS) assets								
Individually impaired	-	-	-	-	-	-	-	-
Allowance for impairment	-	-	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-	-	-
Neither past due nor impaired	-	-	**4,489**	2,786	-	-	-	-
Carrying amount	-	-	**4,489**	2,786	-	-	-	-
Assets at fair value through profit or loss								
Carrying amount fair value	-	-	-	-	-	-	-	-
Total carrying amount	**41,119**	38,207	**1,975,599**	1,966,711	**59,178**	22,553	-	-

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

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

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

Exposure to credit risk *(Continued)*

(i) GRZ bonds and Treasury Bills

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

(ii) Equity investments

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

(iii) Fixed term deposits

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

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

Currency	Country/ Location	Country Ceiling	Correspondent Bank	Bank short Term	Bank long Term
EUR	European Union	Aaa	BIS Basle account	-	-
EUR	European Union	Aaa	Deutsche Bundes Bank	-	-
GBP	United Kingdom	Aaa	Bank of England	-	-
GBP	European Union	Aaa	BIS Basle account	-	-
SDR	USA	Aaa	IMF	-	-
USD	European Union	Aaa	BIS Basle account	-	-
USD	USA	Aaa	Federal Reserve Bank and Citibank New York	-	-
ZAR	South Africa	3A	Reserve Bank of South Africa	-	-
USD	USA	Aaa	Citibank New York	P-1	A1

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

Institutional credit risk exposure analysis

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

Currency	**Credit rating**	**2009**	2008
BIS Fixbis - Euro	-	**973,585**	1,179,317
BIS Fixbis - USD	-	**1,260,530**	1,676,941
BIS Fixbis - GBP	-	**585,282**	795,185
BIS Fixed Term - Euro	-	**846,655**	679,386
BIS Fixed Term - USD	-	**465,991**	394,728
BIS Fixed Term - GBP	-	**689,692**	199,198
Bank of England	-	**4,329**	13,443
Federal Reserve Bank NY	-	**99**	328
Citibank New York C/A	A1	**54,406**	13,648
BIS Current account - USD	-	**668,034**	116,666
BIS Current account - GBP	-	**29,460**	10,589
BIS Current account - EUR	-	**388,707**	71,933
Deutsche Bundes Bank Current a/c	-	**8,212**	429
SDR Holdings account	-	**2,948,993**	51,047
Reserve Bank of South Africa	-	**31**	40
Total		**8,934,006**	5,202,878

(iv) Staff loans

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

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

Exposure to credit risk *(Continued)*

(iv) Staff loans *(Continued)*

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

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	**41,119**	**-**	38,208	-
Past due 0-30 days	**-**	**-**	-	-
Past due 31-120 days	**-**	**-**	-	-
More than one year	**-**	**-**	-	-
Total	**41,119**	**-**	38,208	-

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

	Loans and advances (note 16)		Other assets (note 19)	
	2009	2008	**2009**	2008
Against past due but not impaired				
- Motor vehicles	**-**	-	**-**	-
Against neither past due nor impaired				
- Property	**17,556**	20,258	**-**	-
- Motor vehicles	**10,733**	8,673	**-**	-
- Gratuity and leave days	**12,560**	15,829	**-**	-
	40,849	44,760	**-**	-

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(iv) Staff loans *(Continued)*

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

	Loans and advances (Note 16)		Sundry receivables (Note 19)	
	2009	2008	**2009**	2008
Carrying amount	**38,208**	38,208	**57,028**	16,872
Concentration by nature				
- House loans	**17,556**	17,694	**-**	-
- Motor vehicle loans	**10,733**	8,264	**-**	-
- Multi-purpose loans	**7,474**	6,893	**-**	-
- Personal loans	**1,769**	1,518	**-**	-
- Other advances	**3,587**	3,839	**-**	-
- Former employee loans	**-**	-	**2,001**	2,286
- Other	**-**	-	**2,208**	14,586
	41,119	38,208	**4,209**	16,872

(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). Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

(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. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

5 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(vii) Write-off policy

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

(c) ***Operational risk***

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

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

(b) ***Settlement risk***

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

(e) ***Liquidity risk***

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(e) *Liquidity risk* *(Continued)*

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2009.

31 December 2009	**On demand**	**Due within 3 months**	**Due between 3 - 12 months**	**Due between 1 - 5 years**	**Due after 5 years**	**Total carrying amounts**
Non-derivative liabilities						
Deposits from the GRZ	2,445,089	-	-	-	-	2,445,089
Deposits from financial institutions	2,694,437	-	-	-	-	2,694,437
Foreign currency liabilities to other institutions	296,593	-	-	-	-	296,593
Other deposits	24,920	-	-	-	-	24,920
Other liabilities	-	-	35,178	-	-	35,178
Domestic currency liabilities to IMF	4,125,279	-	-	-	-	4,125,279
Foreign currency liabilities to IMF	1,594,842	-	-	-	-	1,594,842
Notes and coins in circulation	2,001,246	-	-	-	-	2,001,246
Total non-derivative liabilities	13,182,406	-	35,178	-	-	13,217,584
Assets held for managing liquidity risk						
Domestic cash in hand	2,165	-	-	-	-	2,165
Foreign currency cash and bank accounts	8,934,006	-	-	-	-	8,934,839
Held-to-maturity financial assets	-	-	637,653	1,338,027	-	1,975,680
Total assets held for managing liquidity risk	8,936,171	-	637,653	1,338,027	-	10,911,851
Net exposure	(4,246,235)	-	602,475	1,338,027	-	(2,306,733)

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(e) *Liquidity risk* *(Continued)*

Financial assets and liabilities held for managing liquidity risk

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Total carrying amounts
31 December 2008						
Non-derivative liabilities						
Deposits from the GRZ	1,340,637	-	-	-	-	1,340,637
Deposits from financial institutions	2,657,260	-	-	-	-	2,657,260
Foreign currency liabilities to other institutions	98,536	-	-	-	-	98,536
Other deposits	21,556	-	-	-	-	21,556
Other liabilities	-	-	72,001	-	-	72,001
Domestic currency liabilities to IMF	2,824,220	-	-	-	-	2,824,220
Foreign currency liabilities to IMF	464,285	-	-	-	-	464,285
Notes and coins in circulation	1,934,426	-	-	-	-	1,934,426
Total non-derivative liabilities	9,340,920	-	72,001	-	-	9,412,921
Assets held for managing liquidity risk						
Domestic cash in hand	2,566	-	-	-	-	2,566
Foreign currency cash and bank accounts	5,202,878	-	-	-	-	5,202,878
Held-to-maturity financial assets	-	-	631,544	1,332,381	-	1,963,925
Total assets held for managing liquidity risk	5,205,444	-	631,544	1,332,381	-	7,169,369
Net exposure	(4,135,476)	-	559,543	1,332,381	-	(2,243,552)

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

5 Risk management policies *(Continued)*

(f) *Market risk*

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

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

(g) *Exposure to currency risk*

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

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

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

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 2009 was as shown in the table below:

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

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

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

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2008						
Foreign currency assets						
Foreign currency cash and bank accounts	2,199,515	1,019,341	1,932,355	51,617	50	5,202,878
IMF Subscriptions	-	-	-	2,824,220	-	2,824,220
Total foreign currency assets	2,199,515	1,019,341	1,932,355	2,875,837	50	8,027,098
Foreign currency liabilities						
Foreign currency liabilities to other institutions	78,705	313	16,393	3,125	-	98,536
Foreign currency liabilities to IMF	-	-	-	464,285	-	464,285
Total foreign currency liabilities	78,705	313	16,393	467,410	-	562,821
Net exposure	2,120,810	1,019,028	1,915,962	2,408,427	50	7,464,277

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

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

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

	Spot rate	
	2009 ZMK	2008 ZMK
USD 1	**4,641.88**	4,800.36
GBP 1	**7,358.31**	6,958.60
EUR 1	**6,655.56**	6,767.57
SDR 1	**7,250.57**	7,430.05

Foreign currency sensitivity

The following table illustrates a 12 percent strengthening of the Kwacha against the relevant foreign currencies. 12 percent is based on observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12 percent change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant. The analysis is performed on the same basis for 2008.

Effect in millions of Kwacha

	Equity ZMK	**Income statement ZMK**
31 December 2009		
USD	**-**	**(288,763)**
GBP	**-**	**(158,212)**
EUR	**-**	**(235,664)**
SDR	**-**	**(657,603)**
31 December 2008		
USD	-	(263,809)
GBP	-	(122,328)
EUR	-	(231,983)
SDR	-	(289,011)

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

5 Risk management policies *(Continued)*

(h) *Exposure to interest rate risk*

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

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

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

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

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

The table below shows the extent to which the Bank's interest rate exposures on assets and liabilities are matched. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date or maturity date. The Bank's exposure to interest rate risk is low and in compliance with the principle pursued by the Bank of ensuring safety and liquidity in the management of financial affairs.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

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

	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
At 31 December 2008					
Assets					
Domestic cash in hand	-	-	-	2,566	2,566
Foreign currency cash and bank accounts	5,201,065	-	-	1,813	5,202,878
IMF Subscriptions	-	-	-	2,824,220	2,824,220
Loans and advances	-	1,491	33,938	2,779	38,208
IMF funds receivable from Government	-	-	-	85,311	85,311
Held-to-maturity financial assets	-	631,544	1,332,381	-	1,963,925
Available-for-sale investments	-	-	939	1,847	2,786
Items in course of settlement	-	-	-	5,296	5,296
Other assets	-	-	-	23,608	23,608
Total financial assets	5,201,065	633,035	1,367,258	2,947,440	10,148,798
Liabilities					
Notes and coins in circulation	-	-	-	1,934,426	1,934,426
Foreign currency liabilities to other institutions	-	-	-	98,536	98,536
Foreign currency liabilities to IMF	-	-	-	464,285	464,285
Domestic currency liabilities to IMF	-	-	-	2,824,220	2,824,220
Deposits from the Government	-	-	-	1,340,637	1,340,637
Deposits from banks and other financial institutions		-	-	2,657,260	2,657,260
Other deposits	19,049	-	-	2,507	21,556
Other liabilities	-	-	-	72,001	72,001
Total financial liabilities	19,049	-	-	9,393,872	9,412,921
Net exposure at 31 December 2008	5,182,016	633,035	1,367,258	(6,446,432)	735,877

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(i) Fair values versus carrying amounts

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

	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Assets				
Domestic cash in hand	**2,165**	**2,165**	2,566	2,566
Foreign currency cash and bank accounts	**8,934,006**	**8,934,006**	5,202,878	5,202,878
Items in course of settlement	**7,505**	**7,505**	5,296	5,296
Held-for-trading financial assets	**660**	**660**	-	-
Loans and advances	**41,119**	**41,119**	38,208	34,975
Held-to-maturity financial assets	**1,971,110**	**1,971,110**	1,963,925	1,963,925
Other assets	**59,440**	**59,400**	23,608	23,608
Available-for-sale investments	**4,489**	**4,489**	2,786	2,786
IMF funds receivable from GRZ	**1,594,878**	**1,594,878**	85,311	85,311
IMF Subscriptions	**4,125,279**	**4,125,279**	2,824,220	2,824,220
Total financial assets	**16,740,651**	**16,740,651**	10,148,798	10,145,565
Liabilities				
Deposits from the GRZ	**2,445,089**	**2,445,089**	1,340,637	1,340,637
Deposits from financial institutions	**2,693,604**	**2,693,604**	2,657,260	2,657,260
Foreign currency liabilities to other institutions	**296,593**	**296,593**	98,536	98,536
Other deposits	**24,920**	**24,920**	21,556	21,556
Other liabilities	**35,178**	**35,178**	72,001	72,001
Domestic currency liabilities to IMF	**4,125,279**	**4,125,279**	2,824,220	2,824,220
Foreign currency liabilities to IMF	**1,594,842**	**1,594,842**	464,285	464,285
Notes and coins in circulation	**2,001,246**	**2,001,246**	1,934,426	1,934,426
Total financial liabilities	**13,216,751**	**13,216,751**	9,412,921	9,412,921

(j) Management of capital

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(j) Management of capital *(Continued)*

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

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

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

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

	Notes	**2009**	2008
Capital	**39**	**10,020**	10,020
General reserve fund	**39**	**92,588**	92,588
SDR allocation	**39**	**3,226,992**	246,897
Property revaluation reserve	**39**	**224,950**	144,459
Retained earnings	**39**	**241,476**	420,958
Total		**3,796,026**	914,922

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

6	**Interest income**	**2009**	2008
	Interest on held-to-maturity Government securities	**211,036**	177,928
	Interest on foreign currency investments and deposits	**26,331**	129,101
	Interest on loans and receivables	**2,451**	3,062
	Total interest income	**239,818**	310,091

The significant reduction in interest income from foreign currency investments and deposits is on account of low interest rates resulting from actions taken by governments and banks due to the global financial crisis.

During 2009, the Bank appointed the World Bank-Reserve Asset Management Programme (RAMP) division and the Bank for International Settlements as its external fund managers. The purpose of engaging external

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

6 Interest income *(Continued)*

fund managers is twofold: to enhance the income earning base and to build capacity for the Bank's staff in foreign exchange reserves management.

The Bank has since placed USD100 million with the World Bank and EUR 139 million with the Bank for International Settlements. These investments are classified as held-for-trading in foreign currency investments and deposits.

Interest expense	**2009**	2008
Interest arising on open market operations	**94,713**	119,519
Interest arising on staff savings	**2,390**	1,761
Total interest expense	**97,103**	121,280

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

7 Fee and commission income

Fee and commission income	**2009**	2008
Supervision fees	**22,650**	17,935
Fees and commission income on transactions with the GRZ	**18,633**	19,694
Penalties	**2,967**	1,768
Other	**2,413**	2,313
Licences and registration fees	**761**	847
Fees and commission income	**47,424**	42,557
Fee and commission expense		
Arising on foreign exchange transactions	**1,218**	105

8 Other operating (expenses)/income

Other operating (expenses)/income	**2009**	2008
Net foreign exchange gains	**473,940**	147,624
Other income	**12,079**	14,269
Rental income	**1,064**	886
Dividend on available-for-sale investments	**509**	-
(loss)/profit on disposal of property, plant and equipment	**(1,208)**	28
Net unrealised foreign exchange (losses)/gains	**(495,810)**	476,369
	(9,426)	639,176

The Kwacha appreciated significantly against the United States Dollar and other major foreign currencies during the latter part of year. The exchange rate as at 31 May 2009 of K5,500 to 1US$ had appreciated to K4,640 by 31 December 2009 resulting in net foreign exchange losses on the Bank's foreign currency denominated assets.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

9 Impairment of financial assets

	Amounts due from closed banks (Note 20)	Other assets (Note 19)	Available- for-sale investments (Note 21)	Total
At 1 January 2008	138,181	4,757	53	142,991
Impairment loss for the year				
- Charge for the year	33	-	-	33
- Reversal during the year	(1,051)	(2,262)	(53)	(3,366)
	(1,018)	(2,262)	(53)	(3,333)
Balance at 31 December 2008	137,163	2,495	-	139,658
At 1 January 2009	137,163	2,495	-	139,658
Impairment loss for the year				
- Charge for the year	**164**	**-**	**-**	**164**
- Reversal during the year	**(7,144)**	**(1,820)**	**-**	**(8,964)**
	(6,980)	**(1,820)**	**-**	**(8,800)**
Balance at 31 December 2009	**130,183**	**675**	**-**	**130,858**

10 Employee benefits

	2009	2008
Wages and salaries	**122,956**	115,560
Other employee costs	**110,573**	112,146
Employer's pension contributions	**14,882**	14,184
Employer's NAPSA contributions	**2,780**	2,218
Staff loan benefit	**553**	560
	251,744	244,668

11 Operating expenses

Expenses for bank note production	**61,685**	56,755
Administrative expenses	**54,298**	62,683
Repairs and maintenance	**9,815**	8,937
Sundry banking office expenses	**9**	18
	125,807	128,393

12 Income tax

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

13 Foreign currency cash and bank accounts	2009	2008
Deposits with non-resident banks	**3,419,154**	4,922,372
Special Drawing Rights ("SDRs")	**2,950,196**	51,617
Current account balances with non-resident banks	**2,068,409**	212,836
Clearing correspondent accounts with other central banks	**491,876**	14,240
Foreign currency cash with banking office	**4,371**	1,813
	8,934,006	5,202,878

14 Items in course of settlement

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

15 Held-for-trading financial assets

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks. Rediscount activity was generally low in both 2009 and 2008. The holding recorded as at 31 December 2009 is in respect of Treasury Bills with a tenure of 182 days.

16 Loans and advances	2009	2008
Staff loans	**37,435**	31,963
Staff loans benefit at market value	**2,680**	3,233
Total staff loans	**40,115**	35,196
Staff advances	**1,004**	3,012
Total staff loans and advances	**41,119**	38,208

Movement in staff loans benefit

Balance at 1 January	**3,233**	3,515
Current year fair value adjustment of new loans	**-**	278
	3,233	3,793
Amortised to statement of comprehensive income	**(553)**	(560)
Balance at 31 December	**2,680**	3,233

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

16 Loans and advances *(Continued)*

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

	2009	2008
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

17 Held-to-maturity financial assets

	2009	2008
GRZ consolidated securities (Note 18)	**1,754,051**	1,656,416
Other GRZ securities	**204,437**	299,593
Staff savings treasury bills	**12,622**	7,916
	1,971,110	1,963,925

18 The GRZ consolidated securities

	2009	2008
6% GRZ consolidated bond	**1,120,968**	1,122,396
364 days Treasury Bills	**633,083**	534,020
	1,754,051	1,656,416

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

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

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

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

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

18 The GRZ consolidated securities *(Continued)*

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

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

19 Other assets

	2009	2008
Sundry receivables	**57,028**	16,872
Prepayments	**3,244**	8,176
Stationery and office consumables	**988**	1,055
	61,260	26,103
Specific allowances for impairment (note 9)	**(1,820)**	(2,495)
	59,440	23,608

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

20 Amounts due from closed banks

	2009	2008
Advances	**130,182**	137,163
Specific allowances for impairment (note 9)	**(130,182)**	(137,163)
	-	-

21 Available-for-sale investments

Zambia Electronic Clearing House Limited	**3,550**	1,847
African Export Import Bank	**939**	939
	4,489	2,786

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

21 Available for-sale investments *(Continued)*

Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution to its set up costs and costs of K1,703 million made in 2009 for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered to be an available-for-sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of **K48 million** (2008: K38 million) are included in administrative expenses.

Africa Export Import Bank

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

Valuation for available-for-sale investments

The available-for-sale investments are disclosed at cost because there is no readily available market for these investments which could provide evidence of their current fair values.

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

	2009	2008
Poverty Reduction and Growth Facility (PRGF)*	**1,594,676**	83,472
Accrued charges - SDR Allocation	**202**	1,839
	1,594,878	85,311

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.

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

23 IMF subscription

The IMF subscription represents membership quota amounting to SDR 489,100,000 (2008: 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 2009 and 2008. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect necessary adjustments.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

24 Property, plant and equipment

	Leasehold buildings	Furniture fittings computer, plant, machinery and equipment	Motor vehicles	Capital work-in progress	Total
Cost or valuation					
At I January 2008	164,233	54,303	12,239	8,091	238,866
Additions	235	7,820	2,794	20,390	31,239
Transfers	2,886	21,402	42	(24,742)	(412)
Disposals	(19)	(1,368)	(487)	-	(1,874)
31 December 2008	167,335	82,157	14,588	3,739	267,819
At 1 January 2009	**167,335**	**82,157**	**14,588**	**3,739**	**267,819**
Additions	**141**	**3,226**	**-**	**9,179**	**12,546**
Revaluation	**72,721**	**-**	**-**	**-**	**72,721**
Transfers	**369**	**1,023**	**-**	**(1,392)**	**-**
Disposals	**(1,680)**	**(1,173)**	**(1,079)**	**-**	**(3,932)**
31 December 2009	**238,886**	**85,233**	**13,509**	**11,526**	**349,154**
Depreciation					
At I January 2008	11,142	34,141	9,117	-	54,400
Charge for the year	3,304	6,665	1,825	-	11,794
Disposals	(5)	(1,313)	(487)	-	(1,805)
At 31 December 2008	14,441	39,493	10,455	-	64,389
At 1 January 2009	**14,441**	**39,493**	**10,455**	**-**	**64,389**
Charge for the year	**4,762**	**7,715**	**1,371**	**-**	**13,848**
Disposals	**(237)**	**(1,030)**	**(1,079)**	**-**	**(2,346)**
Transfer of depreciation to reserves	**(14,079)**	**-**	**-**	**-**	**(14,079)**
Adjustments	**(2)**	**2**	**-**	**-**	**-**
At 31 December 2009	**4,885**	**46,180**	**10,747**	**-**	**61,812**
Carrying amounts					
At 31 December 2009	**234,001**	**39,053**	**2,762**	**11,526**	**287,342**
At 31 December 2008	152,894	42,664	4,133	3,739	203,430

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

24 Property, plant and equipment *(Continued)*

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

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

25 Intangible assets

	Purchased Software
Cost	
At 1 January 2008	20,939
Additions	2,470
Transfers from capital work in progress	413
At 31 December 2008	23,822
At 1 January 2009	**23,822**
Additions	**796**
Transfers from capital work in progress	**-**
At 31 December 2009	**24,618**
Amortisation and impairment	
At 1 January 2008	19,104
Amortisation charge for the year	1,698
At 31 December 2008	20,802
At 1 January 2009	**20,802**
Amortisation charge for the year	**2,077**
At 31 December 2009	**22,879**
Carrying amounts	
At 31 December 2009	**1,739**
At 31 December 2008	3,020

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

26 Agency relationship with Bank of China

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

27 Capital commitments

	2009	2008
Authorised by the directors and contracted for	**53,050**	34,648

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

28 Deposits from the Government of the Republic of Zambia

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

29 Deposits from financial institutions

	2009	2008
Statutory minimum reserve requirements	**1,065,801**	951,258
Commercial bank current accounts	**967,880**	497,130
Term deposits from financial institutions	**659,526**	1,207,007
Deposits from other international financial institutions	**363**	363
Deposits from other central banks	**34**	34
Deposits of banks in liquidation	**-**	1,468
	2,693,604	2,657,260

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

30 Foreign currency liabilities to other institutions

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

31 Other deposits

	2009	2008
Staff savings, deposits and clearing accounts	**24,681**	21,389
Other savings and deposits	**239**	167
	24,920	21,556

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

32 Other liabilities

	2009	2008
Accrued expenses payable	**27,521**	54,410
Accounts payable	**7,657**	17,591
	35,178	72,001

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

33 Provisions

	2009	2008
Balance at 1 January	**27,405**	4,000
Provisions made during the year	**3,486**	23,525
Payments made during the year	**(8,102)**	(120)
Balance at 31 December	**22,789**	27,405

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

34 Domestic currency liabilities to IMF

	2009	2008
International Monetary Fund:		
Securities account	**4,113,578**	2,816,397
No. 1 account	**11,535**	7,713
No. 2 account	**166**	110
	4,125,279	2,824,220

The above liability arises from IMF Quota subscriptions (Note 23) and has no repayment terms and bears no interest. The increase in value is on currency valuation adjustments between 2009 and 2008, as advised by IMF.

35 Foreign currency liabilities to IMF

	2009	2008
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (Note a)	**1,594,640**	462,446
- Charges on SDR allocation (Note b)	**202**	1,839
	1,594,842	464,285

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 an interest rate of one-half per centum. 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

36 Employee benefits

	2009	2008
Present value of unfunded obligations	**-**	-
Present value of funded obligations	**216,555**	216,555
Total present value of obligations	**216,555**	216,555
Fair value of plan assets	**(220,284)**	(220,284)
Unrecognised plan asset	**3,729**	3,729
Recognised liability for defined benefit obligations	**-**	-

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

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

The fund is revalued every three years by independent consultant actuaries. The latest actuarial valuation was carried out by QED of South Africa to determine the fund's position as at 31 December 2006 and shows that the plan assets were K143,874 million and liabilities were K155,375 million resulting in a deficit of K11,500 million which was paid in full to the fund.

Plan assets comprise:

	2009	2008
Corporate bonds	**3,826**	3,826
Other assets	**1,920**	1,920
Equity securities	**9,639**	9,639
Investment properties	**28,729**	28,729
Treasury bills	**47,500**	47,500
GRZ bonds	**128,670**	128,670
Total plan assets	**220,284**	220,284

Movement in the present value of the defined benefit obligations

	2009	2008
Defined benefit obligations at 1 January	**187,176**	187,176
Benefits paid by the plan	**(11,924)**	(11,924)
Current service costs and interest	**36,270**	36,270
Defined benefit obligations at 31 December	**211,522**	211,522

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

36 Employee benefits *(Continued)*

Movement in the present value of plan assets

Fair value of plan assets at 1 January	**196,017**	196,017
Contributions paid into the plan	**18,806**	18,806
Benefits paid by the plan	**(11,924)**	(11,924)
Expected return on plan assets	**29,919**	29,919
Unrecognised actuarial loss or gains	**(12,534)**	(12,534)
Fair value of plan assets at 31 December	**220,284**	220,284

Expense recognised in income statement

	2009	2008
Current service costs	**13,136**	13,136
Interest on obligation	**19,406**	19,406
Expected return on plan assets	**(29,919)**	(29,919)
Unrecognised plan asset	**3,729**	3,729
Unrecognised actuarial loss/(gains)	**12,533**	12,533
Contribution by members	**(4,701)**	(4,701)
	14,184	14,184

Principle actuarial assumptions at the statement of financial position date were:

Actuarial assumptions	**2009**	2008
Future pension increase	**3.5%**	3.5%
Salary increase (p.a)	**12%**	12%
Discount rate (p.a)	**15%**	15%
Expected return on plan assets	**15%**	15%

37 Notes and coins in circulation

	2009	2008
Bank notes issued by denomination		
K50,000	**1,402,527**	1,191,433
K20,000	**387,786**	507,947
K10,000	**100,923**	131,613
K5,000	**44,828**	41,992
K1,000	**29,548**	28,370
K500	**22,466**	20,537
K100	**8,481**	8,096
K50	**3,750**	3,498
K20	**711**	714
Bank notes issued	**2,001,020**	1,934,200
Coins issued	**226**	226
	2,001,246	1,934,426

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

38 Capital

	2009	2008
Authorised	**500,000**	10,020
Issued and paid up	**10,020**	10,020

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

39 Reserves

General reserve fund

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

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

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

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

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

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

SDR allocation

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

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

Retained earnings

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

40 Related party transactions

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

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

The main services during the year to 31 December 2009 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:

	2009	2008
Interest on held-to-maturity GRZ securities	**211,036**	177,424
Fees and commission income on transactions with the GRZ	**18,633**	19,694
Profit on foreign exchange transactions	**4,692**	5,569
Interest on advances to GRZ	**-**	101
Total	**234,361**	202,788

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

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

GRZ - year end balances	**2009**	2008
Deposits from GRZ Institutions	**(2,445,089)**	(1,340,637)
Holdings of GRZ securities	**1,975,680**	1,963,925

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

In millions of Zambian Kwacha

40 Related party transactions *(Continued)*

Transactions and balances with the GRZ *(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.

a) Short-term benefits

	2009	2008
Directors' fees	**282**	296
Remuneration for key management personnel		
- Salaries and allowances	**17,773**	16,697
- Pension contributions	**811**	802
	18,584	17,499

Loans and advances to key management personnel

Balance at 31 December	**2,206**	1,642

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

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

b) Post employment pension benefits	**1,481**	-
c) Other long-term benefits	**3,388**	2,956
d) Termination benefits	**3,683**	-

41 Contingent liabilities

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

Bank of Zambia

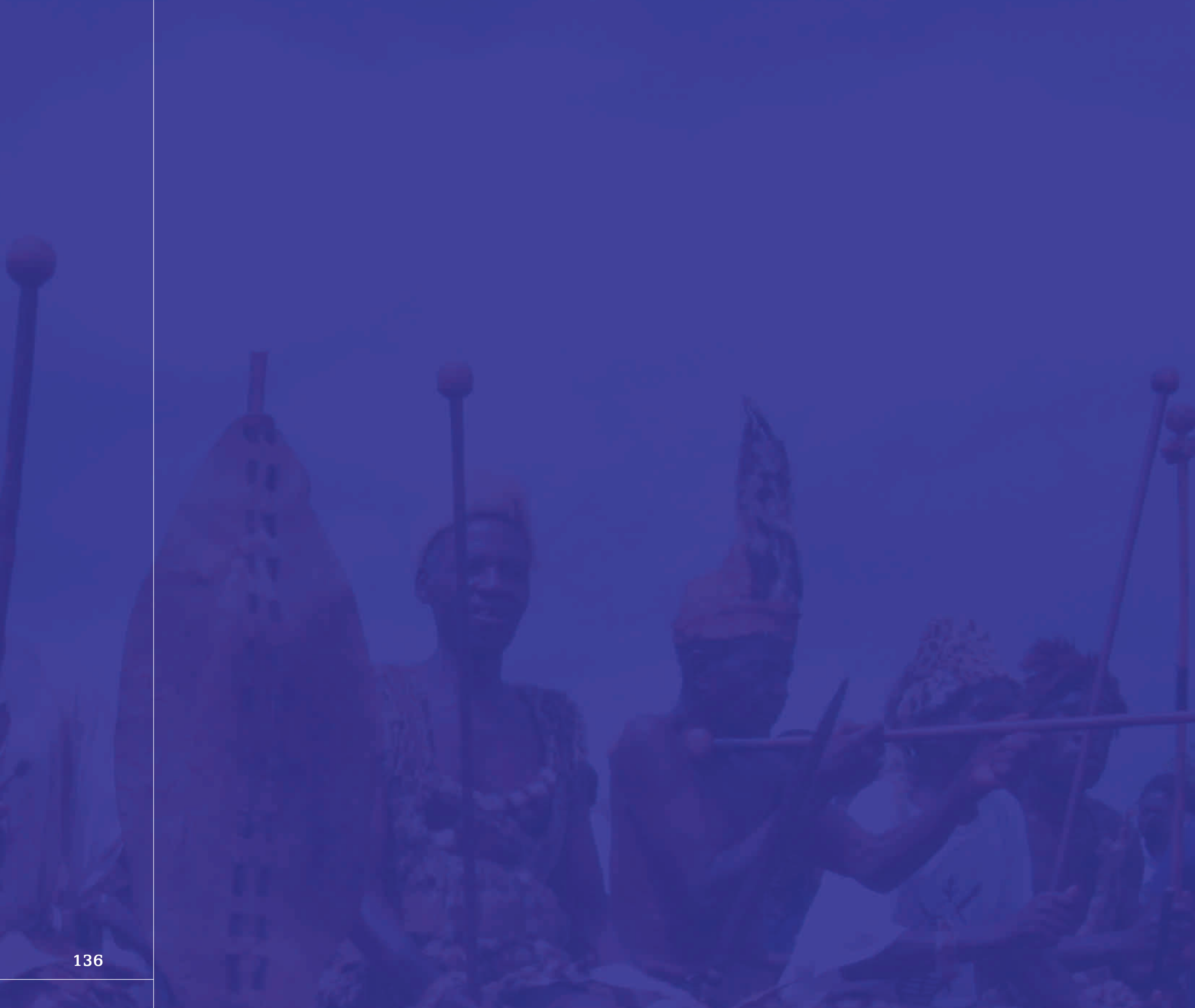
Notes to the financial statements *(Continued)*
for the year ended 31 December 2009

42 Comparative figures

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

43 Events after the statement of financial position date

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



10.0 2009 ANNUAL STATISTICAL REPORT

*2008 numbers may differ from those published in 2008 Annual Report as some were preliminary while 2008 numbers in this Report presents final numbers for all the years.

MONETARY SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

Monetary Account/Period	2007 December	2008 December	2009 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**4,746,584**	**5,289,653**	**4,937,299**	**5,257,953**	**5,177,474**	**5,272,683**	**4,915,236**	**5,365,703**	**5,218,940**	**4,806,894**	**5,026,440**	**5,176,062**	**5,308,200**	**5,053,504**
Foreign assets (BOZ)	4,164,782	5,223,404	4,836,042	5,064,233	5,129,766	5,211,345	5,687,530	5,954,830	5,921,097	8,114,499	8,499,461	8,511,895	8,865,027	9,004,775
Foreign assets (banks)	2,339,236	2,539,169	2,693,890	3,013,831	2,658,141	2,704,571	2,720,559	2,734,374	2,774,740	2,365,887	2,659,814	2,881,290	2,784,863	2,804,304
Foreign liabilities (BOZ)	-674,480	-812,089	-806,983	-844,799	-859,710	-867,609	-1,711,107	-1,685,736	-1,734,136	-4,251,610	-4,564,023	-4,570,113	-4,580,392	-5,118,461
o/w: IMF	-613,559	-752,101	-774,803	-809,533	-812,022	-819,079	-1,609,812	-1,644,596	-1,602,570	-4,213,221	-4,524,712	-4,515,710	-4,539,446	-4,853,623
Foreign liabilities (banks)	-1,082,954	-1,660,831	-1,785,650	-1,975,312	-1,750,724	-1,775,624	-1,781,745	-1,637,765	-1,742,762	-1,421,883	-1,568,812	-1,647,009	-1,761,298	-1,637,114
DOMESTIC ASSETS	**5,960,441**	**7,768,368**	**8,154,515**	**8,016,241**	**7,879,765**	**7,680,605**	**7,703,595**	**7,709,842**	**8,286,068**	**8,606,239**	**8,538,302**	**8,657,732**	**8,623,313**	**9,071,972**
DOMESTIC CREDIT	**7,714,991**	**10,633,463**	**10,809,296**	**11,592,794**	11,386,202	**11,334,470**	**11,275,021**	**11,197,208**	**11,892,180**	**11,995,180**	**12,468,445**	**12,089,681**	**12,207,494**	**12,137,617**
Net Claims on General Government	1,959,837	2,408,899	2,277,821	2,715,668	2,494,515	2,493,293	2,739,318	2,624,772	3,205,970	3,402,123	3,905,185	3,671,390	3,820,878	4,013,370
Claims on government (BOZ)	2,010,510	2,033,508	2,040,646	2,045,118	2,043,162	2,041,493	2,036,883	2,046,181	2,425,134	2,392,688	3,221,638	3,212,308	3,233,353	3,542,856
Claims on government (banks)	2,496,823	2,570,100	2,580,728	2,501,355	2,496,540	2,709,990	2,840,077	2,832,462	3,043,064	3,293,455	3,469,762	3,619,807	3,826,306	3,804,402
Government deposits at BOZ	-1,956,823	-1,377,776	-1,782,689	-1,307,144	-1,469,858	-1,568,130	-1,486,738	-1,514,677	-1,698,568	-1,682,527	-2,221,147	-2,400,914	-2,275,123	-2,438,014
Government deposits at banks	-590,673	-816,932	-560,865	-523,660	-575,329	-690,060	-650,904	-739,193	-563,659	-601,493	-565,068	-759,811	-963,658	-895,874
Claims on public enterprises	378,545	147,545	154,746	144,870	154,819	157,304	149,288	157,028	151,892	236,225	237,547	322,984	343,047	365,495
Claims on public enterprises (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on public enterprises (banks)	378,545	147,545	154,746	144,870	154,819	157,304	149,288	157,028	151,892	236,225	237,547	322,984	343,047	365,495
Claims on private enterprises	4,309,122	5,455,233	5,722,767	6,107,384	6,065,382	6,029,175	5,710,672	5,624,203	5,701,593	5,568,990	5,350,906	5,165,659	5,137,019	4,867,814
Claims on private enterprises (BOZ)	18,151	5,962	7,632	14,934	15,543	16,759	17,971	18,385	19,694	20,846	22,252	23,462	24,024	5,149
Claims on private enterprises (banks)	4,290,971	5,449,271	5,715,135	6,092,450	6,049,839	6,012,415	5,692,702	5,605,818	5,681,899	5,548,144	5,328,654	5,142,197	5,112,994	4,862,665
Claims on households	942,615	2,492,545	2,525,433	2,515,724	2,566,337	2,541,451	2,548,419	2,411,871	2,430,574	2,444,932	2,526,397	2,526,217	2,548,728	2,540,713
Claims on households (BOZ)	37,935	38,959	38,075	37,003	37,593	37,290	38,734	39,467	40,840	40,199	40,413	40,220	41,277	41,873
Claims on households (banks)	904,680	2,453,586	2,487,358	2,478,721	2,528,744	2,504,161	2,509,685	2,372,404	2,389,734	2,404,732	2,485,983	2,485,996	2,507,450	2,498,840
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (banks)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions	124,872	129,240	128,528	109,148	105,150	113,247	127,323	379,333	402,150	342,910	448,410	403,431	357,823	350,225
Claims on nonbank financial institutions (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions (banks)	124,872	129,240	128,528	109,148	105,150	113,247	127,323	379,333	402,150	342,910	448,410	403,431	357,823	350,225
OTHER ITEMS NET	-1,754,550	-2,865,094	-2,654,781	-3,576,553	-3,506,437	-3,653,864	-3,571,426	-3,487,366	-3,606,112	-3,388,941	-3,930,143	-3,431,949	-3,584,182	-3,065,645
Claims on banks (BOZ)	178,636	142,452	144,364	144,180	138,360	145,905	140,935	142,062	138,381	142,751	148,669	138,803	135,261	137,687
Bankers deposits at BOZ	2,080,588	2,724,733	2,483,687	2,303,609	2,113,375	1,979,672	1,903,524	2,078,386	2,111,632	2,213,360	2,345,348	2,365,266	2,782,273	2,728,049
BOZ liabilities to banks	-1,992,860	-2,467,915	-2,299,970	-2,101,668	-1,912,970	-1,801,582	-1,752,461	-1,875,571	-2,013,099	-2,155,754	-2,353,133	-1,250,930	-2,605,923	-2,613,023
Credit from BOZ	-23,727	-80,001	-82,536	-88,437	-86,167	-76,473	-70,467	-61,779	-59,878	-99,539	-91,933	-56,001	-58,809	-55,590
Other items net (BOZ)	-254,978	-835,819	-389,325	-1,314,250	-1,321,365	-1,351,440	-1,072,484	-1,165,558	-983,373	-565,775	-755,597	-1,642,818	-886,319	-542,122
o/w: IMF	-252,241	-248,736	-249,143	-248,594	-248,832	-249,067	-247,090	-247,290	-247,426	-2,946,660	-3,227,263	-3,227,373	-3,227,099	-3,227,194
Other items net (banks)	-1,742,208	-2,348,544	-2,511,001	-2,519,987	-2,437,670	-2,549,945	-2,720,474	-2,604,906	-2,799,775	-2,923,983	-3,223,497	-2,986,270	-2,950,665	-2,720,646
BROAD MONEY	**10,707,025**	**13,058,021**	**13,091,813**	**13,274,194**	**13,057,239**	**12,953,288**	**12,618,831**	**13,075,544**	**13,505,008**	**13,413,133**	**13,564,741**	**13,833,794**	**13,931,512**	**14,125,477**
MONEY	**4,172,541**	**5,101,414**	**4,643,852**	**4,777,910**	**4,474,545**	**4,410,402**	**4,633,505**	**4,576,464**	**4,934,993**	**4,975,953**	**4,960,931**	**4,864,257**	**4,927,963**	**5,020,066**
Currency outside banks	1,305,005	1,617,059	1,484,846	1,465,678	1,471,391	1,532,871	1,572,080	1,586,814	1,752,833	1,712,720	1,653,047	1,673,169	1,568,965	1,591,996
Demand deposits at BOZ	543	437	428	214	240	182	190	177	757	771	1,270	1,179	1,034	512
Demand deposits at banks	2,866,993	3,483,919	3,158,578	3,312,018	3,002,913	2,877,349	3,061,234	2,989,473	3,181,403	3,262,462	3,306,614	3,189,910	3,357,964	3,427,558
QUASI-MONEY	**6,534,484**	**7,956,606**	**8,447,962**	**8,496,283**	**8,582,695**	**8,542,886**	**7,985,326**	**8,499,081**	**8,570,015**	**8,437,179**	**8,603,810**	**8,969,536**	**9,003,549**	**9,105,411**
Savings Deposits	1,446,048	1,833,931	1,827,217	1,754,106	1,868,207	1,852,567	1,769,100	1,741,232	1,825,111	1,797,205	1,830,487	1,830,711	1,767,435	1,831,489
Savings deposits at BOZ	16,924	18,389	16,051	16,556	18,443	20,504	18,210	17,528	18,341	17,138	16,785	16,334	16,838	21,128
Savings deposits at banks	1,429,124	1,815,542	1,811,166	1,737,550	1,849,764	1,832,064	1,750,890	1,723,704	1,806,770	1,780,067	1,813,703	1,814,377	1,750,597	1,810,361
Time deposits and other deposits	1,182,532	1,750,797	1,812,182	1,733,983	1,619,229	1,720,643	1,638,996	1,689,595	1,770,331	1,995,319	1,987,092	2,086,053	2,230,460	2,178,108
Time deposits	1,181,929	1,750,407	1,811,317	1,733,534	1,618,700	1,720,092	1,638,524	1,688,592	1,769,499	1,993,959	1,986,393	2,085,385	2,228,865	2,176,609
Bills payable	603	390	865	449	529	551	472	1,003	832	1,360	699	668	1,595	1,499
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	3,905,904	4,371,878	4,808,563	5,008,194	5,095,259	4,969,676	4,577,230	5,068,253	4,974,573	4,644,655	4,786,231	5,052,772	5,005,655	5,095,814
Foreign currency demand deposits	3,329,376	3,591,069	4,026,532	4,097,999	4,085,251	3,979,731	3,647,735	4,140,333	4,094,264	3,873,424	4,046,878	4,306,778	4,125,298	4,216,439
Foreign currency savings deposits	11,033	17,483	15,442	17,658	114,171	144,152	105,757	106,524	100,863	95,637	101,350	99,170	109,260	159,595
Foreign currency time deposits	565,495	763,327	766,589	892,537	895,837	845,794	823,738	821,396	779,446	675,594	638,003	646,824	771,097	719,780
Verticle Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

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

TABLE 2

Monetary Account/Period	2007 December	2008 December	2009 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**3,490,302**	**4,411,315**	**4,029,059**	**4,219,434**	**4,270,056**	**4,343,735**	**3,976,422**	**4,269,094**	**4,186,961**	**3,862,890**	**3,935,439**	**3,941,781**	**4,284,635**	**3,886,314**
Gross foreign assets	4,164,782	5,223,404	4,836,042	5,064,233	5,129,766	5,211,345	5,687,530	5,954,830	5,921,097	8,114,499	8,499,461	8,511,895	8,865,027	9,004,775
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SDR holdings	37,826	51,617	53,820	56,048	56,326	57,032	52,432	53,549	49,945	2,681,607	3,031,414	3,009,411	3,067,534	2,950,196
Foreign exchange holdings	4,110,377	5,154,356	4,775,118	4,995,379	5,060,736	5,141,724	5,616,701	5,882,900	5,834,501	5,388,557	5,424,067	5,472,679	5,767,132	6,040,378
Other foreign assets	16,579	17,431	7,104	12,806	12,704	12,589	18,397	18,381	36,651	44,335	43,981	29,805	30,361	14,200
Gross foreign liabilities	-674,480	-812,089	-806,983	-844,799	-859,710	-867,609	-1,711,107	-1,685,736	-1,734,136	-4,251,610	-4,564,023	-4,570,113	-4,580,392	-5,118,461
Fund administered accounts	-361,318	-503,365	-525,659	-560,939	-563,190	-570,012	-1,362,722	-1,397,307	-1,355,144	-1,266,562	-1,297,449	-1,288,337	-1,312,347	-1,626,429
Fund charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocation of SDRs	-252,241	-248,736	-249,143	-248,594	-248,832	-249,067	-247,090	-247,290	-247,426	-2,946,660	-3,227,263	-3,227,373	-3,227,099	-3,227,194
Other foreign liabilities	-60,921	-59,988	-32,180	-35,266	-47,688	-48,530	-101,295	-41,140	-131,566	-38,388	-39,310	-54,403	-40,946	-264,838
DOMESTIC ASSETS	**33,430**	**7,285**	**58,704**	**-380,160**	**-556,566**	**-678,123**	**-324,699**	**-434,141**	**-57,892**	**348,182**	**456,228**	**-628,938**	**272,474**	**747,429**
DOMESTIC CREDIT	288,408	843,104	448,029	934,091	764,799	673,317	747,785	731,417	925,481	913,957	1,211,824	1,013,879	1,158,793	1,289,551
Claims on Gen.Government (net)	53,687	655,731	257,958	737,974	573,304	473,363	550,145	531,503	726,566	710,162	1,000,491	811,394	958,230	1,104,842
Claims on the central government	2,010,510	2,033,508	2,040,646	2,045,118	2,043,162	2,041,493	2,036,883	2,046,181	2,425,134	2,392,688	3,221,638	3,212,308	3,233,353	3,542,856
Central government deposits	-1,956,823	-1,377,776	-1,782,689	-1,307,144	-1,469,858	-1,568,130	-1,486,738	-1,514,677	-1,698,568	-1,682,527	-2,221,147	-2,400,914	-2,275,123	-2,438,014
Claims on nonfin. public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	18,151	5,962	7,632	14,934	15,543	16,759	17,971	18,385	19,694	20,846	22,252	23,462	24,024	5,149
Claims on households	37,935	38,959	38,075	37,003	37,593	37,290	38,734	39,467	40,840	40,199	40,413	40,220	41,277	41,873
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	178,636	142,452	144,364	144,180	138,360	145,905	140,935	142,062	138,381	142,751	148,669	138,803	135,261	137,687
Claims on nonbank financial inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	**-254,978**	**-835,819**	**-389,325**	**-1,314,250**	**-1,321,365**	**-1,351,440**	**-1,072,484**	**-1,165,558**	**-983,373**	**-565,775**	**-755,597**	**-1,642,818**	**-886,319**	**-542,122**
Other assets	3,370,240	3,137,490	3,148,965	3,158,686	3,172,211	3,120,024	4,492,162	4,502,771	4,602,905	4,602,297	4,614,218	4,626,051	4,508,785	4,520,165
Special holdings of Government securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve position in the Fund	3,085,871	2,824,221	2,824,221	2,824,234	2,824,234	2,758,499	4,125,278	4,125,278	4,125,278	4,125,278	4,125,278	4,125,278	4,125,278	4,125,278
Gov/IMF Trust Fund obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Outstanding charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Securities account	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/ESAF & SAF obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land and Fixed assets	258,436	291,365	293,135	293,373	294,638	296,036	296,270	295,905	383,104	370,100	370,097	370,654	372,404	373,930
Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Items in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	25,933	21,904	31,609	41,078	53,338	65,488	70,614	81,588	94,523	106,919	118,843	130,119	11,103	20,957
Other liabilities	**-3,625,218**	**-3,973,309**	**-3,538,290**	**-4,472,936**	**-4,493,575**	**-4,471,463**	**-5,564,646**	**-5,668,329**	**-5,586,279**	**-5,168,072**	**-5,369,815**	**-6,268,869**	**-5,395,104**	**-5,062,288**
General Reserve Fund	-42,490	-42,490	-46,977	-42,490	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588
Provision for bad & dfll debt	-146,521	-151,765	-146,765	-163,700	-162,476	-162,126	-156,086	-155,686	-158,942	-158,592	-158,592	-158,725	-156,109	-154,467
Other provisions	-5,888	-47,115	-53,435	-53,696	-50,270	-43,101	-44,639	-45,403	-46,581	-38,231	-31,079	-33,010	-33,832	-12,925
Profit and loss carried over	-313,293	29,924	-487,627	-473,047	-421,860	-422,389	-422,653	-422,653	-423,182	-423,447	-424,988	-449,219	-449,219	-425,800
Profit and loss current year	256,831	-531,511	-114,582	-454,308	-510,762	-575,348	-341,547	-441,191	-275,531	94,477	-104,149	-23,931	-157,259	155,961
ZIMCO accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020
Reserves and retained earnings	-148,276	-144,459	-144,190	-143,925	-143,925	-143,396	-143,132	-143,132	-243,852	-229,845	-227,967	-227,574	-227,574	-226,788
Forex arrears accounts	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325
Use of Fund credit	-3,020,698	-2,758,849	-2,758,849	-2,758,862	-2,758,862	-2,758,862	-3,024,361	-3,024,361	-4,125,641	-4,125,641	-4,125,641	-4,125,641	-4,125,641	-4,125,641
Credit for IMF Subscript. pyt.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation account (liabilities)	-65,735	-65,735	-65,735	-65,735	-65,735	0	-1,101,280	-1,101,280	0	0	0	0	0	0
Other liabilities	-128,803	-250,964	290,215	-306,827	-276,751	-263,307	-228,015	-231,690	-209,617	-183,861	-194,465	-1,147,836	-142,537	-169,695
RESERVE MONEY	**3,523,732**	**4,418,600**	**4,087,763**	**3,839,274**	**3,713,491**	**3,665,613**	**3,651,723**	**3,834,953**	**4,129,069**	**4,211,072**	**4,391,666**	**3,312,843**	**4,557,109**	**4,633,743**
Currency in circulation:	1,513,404	1,931,859	1,771,314	1,720,836	1,781,838	1,843,344	1,880,863	1,941,677	2,096,872	2,037,408	2,020,478	2,044,400	1,933,313	1,999,080
add: notes and coins issued	1,515,152	1,934,426	1,774,301	1,724,092	1,784,147	1,846,354	1,883,744	1,943,938	2,099,619	2,039,498	2,024,205	2,047,775	1,936,629	2,001,246
less: teller's cash (BOZ)	-1,747	-2,566	-2,987	-3,256	-2,309	-3,010	-2,882	-2,262	-2,747	-2,090	-3,726	-3,375	-3,316	-2,165
Liabilities to commercial banks	1,992,860	2,467,915	2,299,970	2,101,668	1,912,970	1,801,582	1,752,461	1,875,571	2,013,099	2,155,754	2,353,133	1,250,930	2,605,923	2,613,023
Required reserves (Kwacha deps.)	300,139	408,515	426,608	436,627	433,494	379,545	392,766	418,267	406,803	476,542	514,949	509,360	520,186	496,221
Required reserves (Forex deps.)	19	19	0	0	0	0	0	0	0	0	0	0	0	0
Required reserves (Forex deps in **US$**.)	525,035	355,830	459,969	473,604	460,348	418,722	427,049	462,595	455,789	432,243	435,267	-478,662	487,893	489,993
Current account balances (positive)	144,238	496,535	368,147	263,940	370,131	604,319	414,649	397,485	257,247	274,916	278,363	646,976	841,713	967,555
Term deposits of banks (kwacha)	1,022,703	1,206,493	1,044,993	927,243	648,743	398,743	517,743	596,500	893,000	971,800	1,124,300	573,001	751,001	659,000
Other bank deposits (kwacha)	727	523	254	254	254	254	254	723	260	254	254	254	5,129	254
Settlement position at clearing centre	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities to non-banks	17,467	18,826	16,479	16,770	18,683	20,686	18,400	17,705	19,098	17,909	18,055	17,513	17,873	21,640
o/w: non government deposits	16,924	18,389	16,051	16,556	18,443	20,504	18,210	17,528	18,341	17,138	16,785	16,334	16,838	21,128
Memo items:														
K/USD exchange rate (end of period - BOZ mid-rate)	3,845	4,832	4,832	5,622	5,589	5,632	5,166	5,167	5,049	5,049	4,723	4,641	4,678	4,641
K/USD exchange rate (period average - BOZ mid-rate)	3,834	4,883	4,883	5,407	5,585	5,660	5,186	5,073	5,134	5,134	4,655	4,660	4,657	4,682
Reserve money (BoZ definition)	1,974,725	2,855,317	2,582,119	2,437,959	2,603,906	2,847,712	2,706,487	2,774,957	2,779,263	2,806,004	2,830,575	3,217,071	3,312,051	3,483,984
NIR in USD (estimated from MS):	910	903	825	780	765	767	767	842	815	752	845	846	920	830
Assets	1,086	1,070	990	937	919	921	1,097	1,174	1,153	1,580	1,826	1,827	1,903	1,923
Liabilities:	-176	-166	-165	-156	-154	-153	-330	-332	-338	-828	-980	-981	-983	-1,093
Liabilities to the Fund	-94	-103	-108	-104	-101	-101	-263	-275	-264	-247	-279	-276	-282	-347
Short-term liabilities	-16	-12	-7	-7	-9	-9	-20	-8	-26	-7	-8	-12	-9	-57
NIR reported by the BoZ in dollars:	876	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180
Assets	957	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282
o/w Escrow a/c bal.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities:	-82	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102
Liabilities to the Fund	-82	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102
Short-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vertical check:	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

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

TABLE 3

Monetary Account/Period	2007	2008	2009											
	December	December	January	February	March	April	May	June	July	August	September	October	November	December
FOREIGN ASSETS (NET)	**1,256,282**	**878,337**	**908,240**	**1,038,519**	**907,417**	**928,948**	**938,814**	**1,096,609**	**1,031,978**	**944,004**	**1,091,002**	**1,234,281**	**1,023,565**	**1,167,190**
Gross assets	2,339,236	2,539,169	2,693,890	3,013,831	2,658,141	2,704,571	2,720,559	2,734,374	2,774,740	2,365,887	2,659,814	2,881,290	2,784,863	2,804,304
Liabilities	-1,082,954	-1,660,831	-1,785,650	-1,975,312	-1,750,724	-1,775,624	-1,781,745	-1,637,765	-1,742,762	-1,421,883	-1,568,812	-1,647,009	-1,761,298	-1,637,114
RESERVES (CREDIT TO BOZ)	**2,288,987**	**3,039,534**	**2,770,155**	**2,558,767**	**2,423,822**	**2,290,145**	**2,212,307**	**2,433,249**	**2,455,672**	**2,538,048**	**2,712,779**	**2,736,497**	**3,146,622**	**3,135,134**
Cash in vaults	208,399	314,801	286,468	255,158	310,447	310,474	308,783	354,863	344,040	324,688	367,431	371,231	364,348	407,085
Other balances at BOZ	161,779	571,031	452,569	327,742	417,204	636,600	520,235	506,971	369,960	358,563	341,597	730,856	941,114	1,002,345
Statutory reserves at BOZ (kwacha and forex)	858,749	946,757	985,840	1,048,311	1,056,082	972,044	907,119	994,902	958,672	1,009,697	1,041,437	1,063,276	1,089,159	1,066,704
Money market placements	1,060,060	1,206,945	1,045,278	927,557	640,088	371,028	476,171	576,513	783,000	845,100	962,314	571,134	752,000	659,000
CREDIT TO DOMESTIC ECONOMY	**7,605,219**	**9,932,811**	**10,505,631**	**10,802,883**	**10,759,763**	**10,807,057**	**10,668,171**	**10,607,853**	**11,105,080**	**11,223,973**	**11,405,289**	**11,214,605**	**11,183,963**	**10,985,753**
Claims on general government (net)	1,906,150	1,753,168	2,019,864	1,977,694	1,921,211	2,019,929	2,189,173	2,093,269	2,479,404	2,691,961	2,904,694	2,859,996	2,862,648	2,908,527
Claims on general government	2,496,823	2,570,100	2,580,728	2,501,355	2,496,540	2,709,990	2,840,077	2,832,462	3,043,064	3,293,455	3,469,762	3,619,807	3,826,306	3,804,402
Treasury bills	1,307,922	1,195,741	1,178,094	1,084,215	1,136,817	1,392,731	1,483,839	1,484,631	1,545,080	1,711,492	1,780,874	1,979,402	2,063,537	1,961,596
Other assets	1,188,901	1,374,359	1,402,634	1,417,139	1,359,723	1,317,259	1,356,239	1,347,831	1,497,983	1,581,963	1,688,888	1,640,405	1,762,769	1,842,805
Dep. of general government with Donor funds	-590,673	-816,932	-560,865	-523,660	-575,329	-690,060	-650,904	-739,193	-563,659	-601,493	-565,068	-759,811	-963,658	-895,874
Dep. of general government without Donor Funds		-632,383	-505,639	-470,778	-502,996	-549,793	-554,915	-658,116	-464,313	-489,138	-454,326	-670,830	-856,448	-795,891
Claims on parastatals & state enterpr.	378,545	147,545	154,746	144,870	154,819	157,304	149,288	157,028	151,892	236,225	237,547	322,984	343,047	365,495
Claims on private enterprises	4,290,971	5,449,271	5,715,135	6,092,450	6,049,839	6,012,415	5,692,702	5,605,818	5,681,899	5,548,144	5,328,654	5,142,197	5,112,994	4,862,665
Claims on households	904,680	2,453,586	2,487,358	2,478,721	2,528,744	2,504,161	2,509,685	2,372,404	2,389,734	2,404,732	2,485,983	2,485,996	2,507,450	2,498,840
Claims on nonbank fin. inst.	124,872	129,240	128,528	109,148	105,150	113,247	127,323	379,333	402,150	342,910	448,410	403,431	357,823	350,225
Claims on nongov./nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	**-1,742,208**	**-2,348,544**	**-2,511,001**	**-2,519,987**	**-2,437,670**	**-2,549,945**	**-2,720,474**	**-2,604,906**	**-2,799,775**	**-2,923,983**	**-3,223,497**	**-2,986,270**	**-2,950,665**	**-2,720,646**
Assets	1,436,890	1,426,703	1,368,740	1,293,663	1,554,972	1,356,851	1,316,300	1,442,172	1,277,292	1,264,549	1,288,437	1,418,970	1,540,838	1,826,238
Balances held with comm. banks	132,628	171,602	204,850	182,675	266,260	152,198	157,732	228,014	212,022	167,152	229,920	139,018	164,696	172,652
Balances with branches	9,846	12,638	12,098	24,129	30,187	1,615	13,106	18,250	8,829	10,007	25,717	12,525	15,634	12,983
Bank premises	366,152	597,372	589,016	594,399	601,966	597,215	660,532	665,669	673,568	671,897	686,616	688,016	692,325	710,215
Other assets	928,264	645,092	562,774	492,459	656,560	605,823	484,930	530,240	382,873	415,493	346,183	579,410	668,183	930,388
Liabilities	-3,179,098	-3,775,248	-3,879,741	-3,813,650	-3,992,642	-3,906,796	-4,036,774	-4,047,078	-4,077,066	-4,188,532	-4,511,934	-4,405,240	-4,491,504	-4,546,885
Liabilities to comm. banks	-177,552	-148,208	-187,714	-184,971	-352,342	-99,040	-135,480	-173,330	-193,705	-135,692	-271,085	-99,188	-125,755	-136,157
Balances with branches	-47,148	-8,312	-4,713	-3,992	-3,745	-40,794	-3,973	-3,745	-3,745	-11,017	-4,014	-13,364	-3,745	-3,745
Capital	-1,352,279	-1,653,096	-1,682,254	-1,693,026	-1,689,053	-1,724,087	-1,716,422	-1,757,605	-1,750,811	-1,756,476	-1,767,604	-1,803,094	-1,841,753	-1,874,284
Reserves	-200,138	-415,199	-434,646	-466,589	-458,858	-461,488	-492,496	-497,264	-485,990	-461,650	-523,999	-521,418	-523,670	-519,350
Other liabilities	-1,401,981	-1,550,432	-1,570,415	-1,465,072	-1,488,644	-1,581,387	-1,688,403	-1,615,135	-1,642,815	-1,823,696	-1,945,233	-1,968,176	-1,996,581	-2,013,348
LIABILITIES TO NONGOVERNMENT SECTOR	**9,384,552**	**11,422,136**	**11,590,489**	**11,791,745**	**11,567,165**	**11,399,731**	**11,028,350**	**11,471,025**	**11,733,077**	**11,682,503**	**11,893,639**	**12,143,112**	**12,344,674**	**12,511,841**
Demand deposits in Kwacha	2,866,993	3,483,919	3,158,578	3,312,018	3,002,913	2,877,349	3,061,234	2,989,473	3,181,403	3,262,462	3,306,614	3,189,910	3,357,964	3,427,558
Demand deposits in forex	3,329,376	3,591,069	4,026,532	4,097,999	4,085,251	3,979,731	3,647,735	4,140,333	4,094,264	3,873,424	4,046,878	4,306,778	4,125,298	4,216,439
Savings deposits in Kwacha	1,429,124	1,815,542	1,811,166	1,737,550	1,849,764	1,832,064	1,750,890	1,723,704	1,806,770	1,780,067	1,813,703	1,814,377	1,750,597	1,810,361
Savings deposits in forex	11,033	17,483	15,442	17,658	114,171	144,152	105,757	106,524	100,863	95,637	101,350	99,170	109,260	159,595
Time deposits in Kwacha	1,181,929	1,750,407	1,811,317	1,733,534	1,618,700	1,720,092	1,638,524	1,688,592	1,769,499	1,993,959	1,986,393	2,085,385	2,228,865	2,176,609
Time deposits in forex	565,495	763,327	766,589	892,537	895,837	845,794	823,738	821,396	779,446	675,594	638,003	646,824	771,097	719,780
Bills payable	603	390	865	449	529	551	472	1,003	832	1,360	699	668	1,595	1,499
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT FROM THE BOZ	**23,727**	**80,001**	**82,536**	**88,437**	**86,167**	**76,473**	**70,467**	**61,779**	**59,878**	**99,539**	**91,933**	**56,001**	**58,809**	**55,590**
Vertical check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

SOURCES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 4

End of Period		Government Transactions: Revenue	Expenditure	Domestic interest	Other Govt Transactions	**Total Govt Infuence**	Foreign Exchange influence	Other BOZ influence	Non- bank Bond influence	Non-bank T.B influence	**Total primary influence**
1995	December	-53,956	38,625	6,173	16,432	7,274	-13,658	-320	302	1,292	-5,110
1996	December	-59,593	65,932	8,396	-16,022	-1,287	27,340	-1,110	292	2,112	27,347
1997	December	-111,550	111,376	6,192	-5,680	338	17,424	4,233	0	831	22,826
1998	December	-199,709	103,365	4,142	122,676	30,474	1,732	3,339	0	753	36,298
1999	December	-150,550	28,223	6,815	126,124	10,612	5,750	316	-6,387	565	10,856
2000	December	-226,202	59,145	11,150	192,599	36,692	16,690	2,598	267	0	56,247
2001	December	-286,907	48,406	26,507	351,870	139,876	-63,675	-1,824	0	2,495	76,872
2002	December	-433,603	159,563	27,379	454,172	207,511	-79,609	6,476	-9,667	1,417	126,128
2003	December	-394,281	26,570	33,121	521,095	186,505	11,946	532	22,421	43,983	265,387
2004	December	-527,757	13,075	13,290	678,372	176,980	6,575	3,446	23,581	313	187,314
2005	December	-620,299	17,489	18,385	867,606	283,182	17,515	17,098	0	617	310,314
2006	December	-617,754	22,726	3,015	835,173	243,160	-101,221	-7,780	-8,098	0	134,159
									0		
2007	January	-873,611	19,543	51,489	653,082	-149,498	-133,382	14,245		0	-208,762
	February	-633,224	20,591	38,164	570,344	-4,124	-13,932	1,213	59,872	0	-6,690
	March	-672,220	41,320	26,547	607,020	2,668	154,622	14,490	10,153	0	180,147
	April	-1,010,794	13,758	28,739	710,903	-257,393	230,530	11,884	8,367	0	79,526
	May	-428,184	9,070	304	328,528	-90,282	63,928	3,176	94,504	0	-10,130
	June	-783,936	19,791	23,761	818,160	77,776	50,219	10,395	13,046	-4	100,765
	July	-941,760	45,958	24,276	898,210	26,684	3,540	-531	-37,621	1	54,217
	August	-869,782	39,077	30,192	867,055	66,542	-97,176	15,446	24,523	0	-262
	September	-867,012	22,668	31,206	847,699	34,561	54,943	19,108	14,926	0	78,039
	October	-1,111,989	16,078	37,569	895,689	-162,654	18,468	19,674	-30,573	-19,939	-144,450
	November	-819,941	19,451	35,053	1,037,409	271,972	19,293	5,748	0	35,946	338,307
	December	-813,360	12,127	18,036	1,186,635	403,438	3,199	1,010	5,348	71,265	478,913
									0		
2008	January	-1,099,751	20,114	36,995	968,953	-73,689	-43,028	-9,517		-52,266	-161,611
	February	-881,459	7,121	54,726	878,844	59,232	10,841	19,648	16,888	76,277	186,683
	March	-854,489	13,195	35,478	924,534	118,718	41,107	4,399	20,685	-36,455	88,070
	April	-1,103,396	9,863	56,910	858,740	-177,883	67,618	5,967	-39,699	151,000	6,348
	May	-819,688	10,994	46,738	1,092,286	330,330	-28,402	14,826	-40,354	25,361	349,001
	June	-886,245	11,979	37,279	1,126,026	289,038	25,005	9,731	6,886	-40,490	266,774
	July	-1,159,643	13,733	50,687	1,203,590	108,367	-108,112	-46,037	-16,510	-10,122	-55,903
	August	-967,321	8,365	50,233	999,329	90,605	-15,098	38,912	0	1,008	101,506
	September	-1,047,159	14,381	37,070	1,091,944	96,236	-67,244	-4,394	-13,922	10,661	40,590
	October	-1,220,044	10,007	46,860	1,327,845	164,668	-197,171	-203	5,331	78,892	86,083
	November	-872,648	8,942	50,369	985,101	171,764	-48,320	-49,566	39,897	-54,799	40,384
	December	-1,120,202	18,380	46,984	1,726,680	671,841	-334,750	16,677	21,305	14,487	347,434
									-20,822		
2009	January	-1,182,036	18,791	39,072	891,704	-232,468	-217,503	12,491		30,906	-406,575
	February	-759,337	9,583	27,221	1,108,591	386,057	-735,235	-21,132	-16,347	22,577	-370,309
	March	-831,521	10,698	17,966	950,561	147,704	-189,437	8,895	7,754	-36,335	-32,838
	April	-1,012,192	11,690	13,244	1,151,176	163,918	-148,956	6,703	9,440	1,250	-8,285
	May	-761,577	0	20,075	868,292	126,790	-99,576	8,641	-31,200	-13,657	9,398
	June	-865,212	0	46,709	1,000,166	181,663	-17,640	569	-12,800	-18,970	167,922
	July	-1,199,840	6,560	14,966	1,411,946	233,632	88,414	-5,593	22,300	11,235	285,338
	August	-1,095,069	6,592	50,751	1,211,568	173,842	31,502	22,644	-42,350	16,534	280,722
	September	-1,014,753	11,294	34,295	1,328,827	359,663	-23,538	-2,032	36,200	-20,516	300,698
	October	-1,140,026	12,432	48,477	1,404,412	325,295	-296,575	-3,847	-12,879	36,032	98,887
	November	-880,370	8,934	54,657	1,229,953	413,174	59,554	3,319	54,328	122,678	597,155
	December	-1,328,747	13,847	42,174	1,603,378	330,652	-132,678	33,022	-1,569	-91,925	139,072

Source: Bank of Zambia

USES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 5

End of Period		Total Primary Influence	Net Currency Change	Net Bank Tbs Influence.	Net Change in Statutory Reserves	Others	Errors and Omissions	Change in Current a/c Bal. of Banks.
1995	December	-5,110.0	-9,373.0	-17,058.0	121.0	9,676.0	-90.0	-21,834.0
1996	December	27,347.0	-1,915.0	-11,610.0	-15,994.0	386.0	161.0	-1,625.0
1997	December	22,836.0	-10,590.0	-10,488.0	347.0	2,743.0	-558.0	4,290.0
1998	December	36,298.0	-23,600.0	-29,324.0	-3,813.0	31,515.0	-2,743.0	8,333.0
1999	December	10,856.0	-33,939.0	-7,219.0	-4,698.0	-19,765.0	-1,173.0	-55,938.0
2000	December	56,247.0	-44,760.0	-13,217.0	-63,981.0	18,069.0	-1,125.0	-48,767.0
2001	December	76,872.0	-47,701.0	-20,105.0	-86,387.0	-16,611.0	4.0	-93,928.0
2002	December	126,127.0	-33,002.0	10,314.0	-79,433.0	62,919.0	-47.0	86,878.0
2003	December	265,387.0	-61,723.0	-125,568.0	-31,642.0	-27,037.0	-10.0	19,407.0
2004	December	187,314.0	-16,306.0	15,790.0	-24,223.0	-48,069.0	-6.0	114,500.0
2005	December	310,314.0	-64,838.0	-55,622.0	-31,882.0	-35,037.0	4.0	122,938.0
2006	December	134,159.0	-54,788.0	-67,769.0	-26,778.0	179,817.0	1.0	164,642.0
2007	January	-208,762.4	56,182.1	-24,606.4	35,317.8	39,569.2	-3.2	-102,303.0
	February	-6,690.1	52,298.9	8,291.5	-22,350.3	-89,068.8	-0.5	-57,519.3
	March	180,146.7	-27,587.3	-37,795.3	20,696.6	-72,812.8	-2.4	62,645.4
	April	79,526.1	-10,581.6	-225,813.7	44,571.0	3,073.0	-3.2	-109,228.3
	May	-10,130.4	-35,135.1	-60,167.0	-30,811.0	166,010.0	-0.5	29,766.0
	June	100,765.0	-102,577.0	-24,849.0	-34,374.0	-21,892.0	1.0	-82,926.0
	July	54,217.0	-49,354.0	-56,783.0	-16,989.0	99,056.0	0.0	30,147.0
	August	-262.0	-67,567.0	-42,341.0	-47,901.0	138,759.0	0.0	-19,312.0
	September	78,039.0	299.0	33,164.0	-1,100.0	-51,667.0	1.0	58,736.0
	October	-144,450.2	1,075.9	6,864.5	263,466.5	13,381.9	-3.3	140,335.3
	November	338,307.1	46,432.9	-135,948.5	-9,419.4	-194,339.6	0.7	45,033.2
	December	478,913.2	-114,557.4	32,666.4	-28,609.7	-514,501.4	0.0	-146,089.0
2008	January	-161,611.3	117,474.1	-83,257.5	20,980.7	155,482.2	-0.1	49,068.0
	February	186,682.9	30,359.2	-64,151.5	5,083.3	-151,804.6	1.2	6,170.5
	March	88,069.6	-41,232.0	-85,642.5	-18,256.5	26,627.2	4.8	-30,429.4
	April	6,348.1	-23,049.8	20,680.8	-71,849.4	101,151.3	-1.5	33,279.6
	May	349,001.3	-78,850.0	44,780.2	19,483.6	-317,302.0	0.6	17,113.7
	June	266,773.9	-100,225.1	-93,351.9	-8,759.0	-51,723.0	4.2	12,719.2
	July	-55,903.3	-150,190.5	8,583.1	-42,058.1	154,096.0	-2.0	-85,474.8
	August	101,505.6	697.5	41,097.7	64,019.4	-231,848.0	0.4	-24,527.4
	September	40,589.6	-11,093.6	85,904.9	-131,549.5	-11,027.5	-0.9	-27,177.1
	October	86,082.8	-135,851.3	71,166.1	106,819.7	26,757.0	-2.5	154,971.9
	November	40,384.3	65,226.3	59,497.7	-111,478.5	-64,091.9	-1.3	-10,463.4
	December	347,433.9	-92,343.2	-42,106.3	59,186.9	-68,755.0	1.7	203,418.0
2009	January	-406,574.5	160,127.9	-94,975.9	-18,088.1	208,341.8	3.5	-151,165.4
	February	-370,309.5	50,568.8	116,281.9	-10,018.7	132,019.6	-2.5	-81,460.3
	March	-32,838.0	-59,510.0	-104,634.0	3,133.0	299,921.0	-3.0	106,069.0
	April	-8,285.0	-62,212.0	-12,050.0	53,948.0	257,876.0	2.0	233,348.0
	May	9,398.0	-39,481.0	-25,807.0	-16,800.0	-108,519.0	0.0	-189,001.0
	June	167,922.0	-59,476.0	14,766.0	-25,669.0	-73,527.0	1.0	-17,252.0
	July	285,338.0	-155,008.0	-32,497.0	11,534.0	-262,909.0	-1.0	-140,595.0
	August	280,722.0	59,062.0	-147,864.0	-69,138.0	-71,719.0	1.0	17,669.0
	September	300,698.0	15,763.0	-98,500.0	-38,406.0	-145,141.0	-1.0	3,444.0
	October	98,886.5	-23,691.1	-177,466.5	5,588.7	465,547.6	2.7	368,867.9
	November	597,155.2	111,085.3	-274,995.7	-10,825.0	-227,672.8	3.2	194,750.3
	December	139,071.6	94,741.1	-109,817.6	23,915.9	136,891.1	-1.7	125,568.1

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS

TABLE 6

	End of Period	Core Liquid Assets (a)	Minimum Required	Other Liquid Assets (b)	Total	Advances Plus Bills of Exchange as Percentage of Total Deposits
1995	December	57.1	30.0	40.6	97.7	57.2
1996	December	27.8	43.5	55.7	83.5	62.4
1997	December	33.9	30.0	26.8	60.7	52.9
1998	December	28.1	25.0	16.6	44.7	51.4
1999	December	29.6	25.0	16.9	46.4	57.9
2000	December	44.3	25.0	24.2	68.5	50.7
2001	December	48.0	35.0	48.8	96.8	47.0
2002	December	60.8	35.0	58.0	118.8	31.2
2003	December	64.2	35.0	60.8	125.0	34.3
2004	December	60.2	35.0	54.2	114.4	38.0
2005	December	63.2	35.0	63.9	127.1	45.1
2006	December	41.3	9.0	53.9	95.3	49.4
2007	January	38.4	9.0	55.0	93.5	52.9
	February	35.0	9.0	55.7	90.7	55.3
	March	40.3	9.0	59.0	99.3	59.1
	April	36.7	9.0	57.9	94.6	59.8
	May	35.5	9.0	52.0	87.5	55.7
	June	30.0	9.0	52.9	82.9	56.2
	July	25.3	9.0	50.9	76.2	54.3
	August	23.0	9.0	47.0	70.1	57.5
	September	21.0	9.0	49.5	70.5	58.9
	October	17.5	9.0	46.4	63.9	62.0
	November	25.5	9.0	47.9	73.4	61.2
	December	22.7	9.0	46.6	69.3	57.7
2008	January	23.2	9.0	46.8	70.1	59.4
	February	31.9	9.0	48.6	80.5	62.0
	March	33.7	9.0	46.5	80.1	63.4
	April	0.0	9.0	45.7	45.7	63.8
	May	47.7	9.0	47.9	95.6	63.1
	June	54.1	9.0	48.7	102.9	64.4
	July	48.4	9.0	45.9	94.3	64.4
	August	49.1	9.0	44.8	93.9	66.3
	September	50.5	9.0	46.9	97.4	68.8
	October	50.8	9.0	40.5	91.3	66.0
	November	44.3	9.0	44.9	89.2	67.4
	December	47.7	9.0	45.0	92.8	66.4
2009	January	47.2	9.0	43.8	91.0	69.3
	February	44.0	9.0	40.9	84.9	71.2
	March	40.7	9.0	40.6	81.2	72.3
	April	48.2	9.0	40.4	88.6	72.2
	May	48.1	9.0	42.6	90.7	71.8
	June	44.6	9.0	42.6	87.2	69.1
	July	50.4	9.0	44.9	95.3	68.8
	August	50.4	9.0	47.5	97.9	68.0
	September	52.9	9.0	50.0	102.9	66.5
	October	41.5	9.0	47.3	88.8	64.7
	November	60.2	9.0	50.8	111.0	62.4
	December	60.5	9.0	48.7	109.2	60.3

Source: Bank of Zambia

Note: (a) Core liquid assets include Zambia notes and coins, current account balances, all Treasury Bills (reported at face value), term deposits issued under Bank of Zambia (BoZ) open market operations, repurchase agreements (Repo) under BoZ open market operations and net collateralised interbank loans.

(b) Other Liquid assets includes balances with Bank of Zambia, balances held with banks and other financial institutions in Zambia, Govt of Zambia securities (Treasury bills, GRZ Bonds and Other securities), plus bills of exchange.

BANKING SYSTEM CLAIMS ON GOVERNMENT (IN MILLIONS OF KWACHA)

TABLE 7

		Commercial Banks Claims					Bank of Zambia Claims						
	End of Period	Treasury Bills	GRZ Stock	GRZ Position (1)	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans and Advances	Deposits	Tax Revenue Suspense a/c	(b) Total	(a+b) TOTAL CLAIMS
1995	December	24,662.1	10,393.3	-87,647.2	248.2	-52,343.6	141,937.4	58,634.6	-17,100.9	-35,832.5	0.0	147,638.6	95,295.0
1996	December	12,243.0	37,565.0	-104,096.7	248.2	-54,040.5	164,057.2	47,156.7	-2,623.6	-49,280.0	0.0	159,310.3	105,269.8
1997	December	6,862.5	23,220.6	-83,042.2	248.2	-52,710.9	195,342.6	44,671.2	-8,438.4	-55,196.6	0.0	176,378.8	123,667.9
1998	December	17,248.9	21,297.6	428,303.5	248.2	467,098.2	154,859.4	19,715.2	-5,764.9	-70,661.0	0.0	98,148.7	565,246.9
1999	December	23,672.2	20,031.7	558,615.5	0.0	602,319.4	175,359.8	41,523.6	-4,998.0	-127,630.3	0.0	84,255.1	686,574.5
2000	December	47,695.0	44,861.7	286,785.2	0.0	379,341.9	228,138.6	137,545.0	7,210.1	115,508.1	0.0	488,401.8	867,743.7
2002	December	52,538.5	1,648,393.4	-736,781.2	0.0	964,150.7	516,251.5	395,675.7	-4,039.7	-104,018.4	0.0	803,869.1	1,768,019.8
2003	December	5,181.0	1,706,427.2	-882,562.7	261,029.2	1,090,074.7	1,091,252.1	765,558.9	-6,295.7	-193,646.1	0.0	1,669,562.2	2,759,636.9
2004	December	62,580.9	1,660,562.7	-886,086.5	409,629.2	1,246,686.3	886,979.9	841,986.6	-6,833.7	-445,692.7	0.0	1,276,440.1	2,523,126.4
2005	December	3,654.9	1,646,943.4	-866,694.5	288,986.1	1,072,889.9	913,332.1	916,851.0	-5,590.7	-478,590.7	0.0	1,346,001.7	2,418,891.6
2006	December	607,812.0	1,309,952.0	-1,103,716.7	0.0	814,047.3	1,105,947.5	992,339.7	-7,087.7	-456,726.4	0.0	1,634,473.1	2,448,520.4
2007	January	488,295.1	1,309,952.0	-1,258,514.8	0.0	539,732.3	1,216,237.1	988,494.0	-7,087.7	-380,705.1	0.0	1,816,938.4	2,356,670.7
	February	492,828.3	1,309,952.1	-1,203,654.0	0.0	599,126.4	1,103,682.2	1,060,407.4	-7,804.7	-366,052.9	0.0	1,790,232.0	2,389,358.4
	May	614,945.4	1,309,952.1	-1,864,258.2	0.0	60,639.3	1,124,224.8	1,043,999.8	-5,720.7	-537,173.8	0.0	1,625,330.1	1,685,969.4
	June	540,604.5	1,309,952.1	-2,083,673.3	0.0	-233,116.7	1,209,923.5	1,023,719.7	-5,720.7	-464,459.7	0.0	1,763,462.8	1,530,346.1
	July	503,441.3	1,309,952.0	-2,154,408.2	0.0	-341,014.8	1,346,373.0	1,045,780.2	-5,720.7	-425,559.3	0.0	1,960,873.2	1,619,858.3
	August	465,428.7	1,309,952.0	-2,165,053.1	0.0	-389,672.4	1,394,362.9	1,079,760.4	-7,837.7	-396,528.2	0.0	2,069,757.5	1,680,085.1
	September	506,263.2	1,257,992.0	-2,333,439.4	0.0	-569,184.2	1,433,863.7	1,104,659.7	1,763.3	-396,528.2	0.0	2,143,758.5	1,574,574.3
	October	335,875.0	1,237,155.1	-2,391,609.2	0.0	-818,579.0	1,668,913.0	1,105,723.7	-8,034.7	-381,619.0	0.0	2,384,983.0	1,566,404.0
	November	458,765.8	1,243,050.0	-2,487,088.9	0.0	-785,273.1	1,538,485.5	1,123,847.9	-7,573.7	-428,870.3	0.0	2,225,889.3	1,440,616.2
	December	510,435.8	1,265,368.7	-2,064,174.5	0.0	-288,370.0	1,471,088.0	1,114,158.9	109,155.3	-485,644.5	0.0	2,208,757.6	1,920,387.6
2008	January	623,818.9	1,310,020.7	-2,331,967.4	0.0	-398,127.8	1,388,430.6	1,149,511.0	7,407.3	-426,314.6	0.0	2,119,034.3	1,720,906.5
	February	631,722.4	1,310,020.7	-2,387,804.4	0.0	-446,061.3	1,381,049.8	1,238,018.9	-7,579.7	-395,639.7	0.0	2,215,849.2	1,769,787.9
	March	628,158.0	1,310,020.7	-2,669,817.7	0.0	-731,639.1	1,337,775.5	1,214,690.3	-7,475.7	-453,772.4	0.0	2,091,217.7	1,359,578.7
	April	629,097.7	1,310,020.7	-3,092,200.2	0.0	-1,153,081.8	1,353,744.3	1,178,695.1	-7,767.7	-452,068.0	0.0	2,072,603.6	919,521.8
	May	127,552.2	1,310,020.7	-2,990,791.8	0.0	-1,553,218.9	1,786,050.4	1,330,602.5	-5,063.7	-452,068.0	0.0	2,659,521.2	1,106,302.3
	June	82,936.0	1,310,020.7	-2,939,196.3	0.0	-1,546,239.6	1,976,589.7	1,324,916.8	-5,063.7	-418,165.1	0.0	2,878,277.7	1,332,038.1
	July	116,998.5	1,310,020.7	-2,887,175.6	0.0	-1,460,156.5	1,918,992.3	1,301,872.3	-7,655.7	-458,481.2	0.0	2,754,727.7	1,294,571.2
	August	10,472.5	1,290,956.7	-2,630,039.4	0.0	-1,328,610.1	1,771,750.1	1,287,844.2	-7,655.7	-458,481.2	0.0	2,593,457.4	1,264,847.2
	September	12,198.0	1,237,443.5	-2,415,791.1	0.0	-1,166,149.6	1,762,996.4	1,333,966.3	-4,532.7	-718,264.0	0.0	2,374,166.0	1,208,016.5
	October	9,839.0	1,259,544.8	-2,126,197.8	0.0	-856,814.0	1,645,506.0	1,276,146.9	-6,938.7	-635,652.3	0.0	2,279,061.9	1,422,247.9
	November	6,725.2	1,166,277.9	-1,926,428.9	0.0	-753,425.8	1,487,814.2	1,385,047.2	-6,938.7	-635,652.3	0.0	2,230,270.4	1,476,844.6
	December	84,155.2	1,304,102.5	-1,436,746.9	0.0	-48,489.2	1,738,268.3	1,346,046.8	-4,967.7	-635,652.3	0.0	2,443,695.1	2,395,205.9
2009	January	75,264.5	1,222,294.7	-1,584,005.1	0.0	-286,446.0	1,820,984.8	1,397,496.5	-8,058.7	-460,126.1	0.0	2,750,296.5	2,463,850.5
	February	200,906.8	1,222,294.7	-1,310,968.9	0.0	112,232.7	1,726,980.3	1,411,084.8	-6,279.7	-428,387.7	0.0	2,703,397.7	2,815,630.4
	March	279,343.1	1,269,620.3	-1,434,373.6	0.0	114,589.8	1,709,339.1	1,354,012.0	-5,629.9	-456,740.3	0.0	2,600,980.8	2,715,570.6
	April	340,594.8	1,310,020.1	-1,461,605.3	0.0	189,009.6	1,660,861.3	1,281,329.4	-5,012.7	-487,366.8	0.0	2,449,811.2	2,638,820.8
	May	401,160.7	1,310,020.1	-1,473,347.3	0.0	237,833.5	1,687,141.2	1,347,111.2	-4,065.7	-511,757.2	0.0	2,518,429.6	2,756,263.1
	June	167,435.5	1,310,020.1	-1,426,178.2	0.0	51,277.5	1,950,858.1	1,337,987.8	-4,705.7	-620,663.5	0.0	2,663,476.6	2,714,754.1
	July	120,469.5	1,203,797.1	-1,548,965.8	0.0	-224,699.2	2,089,950.0	1,493,389.6	-7,834.7	-417,805.3	0.0	3,157,699.5	2,933,000.3
	August	103,535.5	1,149,823.7	-1,458,778.8	0.0	-205,419.6	2,235,616.9	1,595,853.7	-5,657.7	-435,355.1	0.0	3,390,457.8	3,185,038.1
	September	34,254.2	1,144,997.5	-1,518,587.5	0.0	-339,335.7	2,417,433.4	1,649,624.7	-970.7	-403,351.4	0.0	3,662,735.9	3,323,400.2
	October	383,691.6	1,310,020.1	-2,245,558.9	0.0	-551,847.2	2,186,935.9	1,598,060.1	31,182.3	-537,930.3	0.0	3,278,247.9	2,726,400.7
	November	613,063.7	1,221,836.1	-2,144,398.4	0.0	-309,498.6	2,179,316.9	1,744,452.9	31,182.3	-537,930.3	0.0	3,417,021.7	3,107,523.1
	December	455,928.6	1,309,951.5	-2,362,567.7	0.0	-596,687.7	2,417,231.3	1,656,370.7	31,182.3	-537,930.3	0.0	3,566,854.0	2,970,166.3

Source: Bank of Zambia

Note: (1) GRZ position represents the net position inclusive of donor funds received that have not yet been credited to the GRZ accounts, GRZ indebtedness to the BoZ and GRZ deposits at BoZ.

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

		Issued			At banks			Outside banks		
End of Period		Total	Notes	Coin	Total	Notes	Coin	Total	Notes	Coin
1995	December	91,917,584	91,783,860	133,724	13,936,098	13,917,123	18,975	77,981,486	77,866,737	114,749
1996	December	128,053,024	127,853,508	199,516	20,290,660	19,819,475	471,185	107,762,364	108,034,033	-271,669
1997	December	157,937,077	157,709,820	227,257	21,188,415	21,149,995	38,420	136,748,662	136,559,825	188,837
1998	December	197,056,249	196,828,898	227,351	25,995,000	25,994,000	1,000	171,061,249	170,834,898	226,351
1999	December	251,662,500	251,435,622	226,878	38,894,000	38,754,000	140,000	212,768,500	212,681,622	86,878
2000	December	331,738,268	331,511,141	227,127	43,027,000	43,026,000	1,000	288,711,268	288,485,141	226,127
2001	December	432,338,205	432,111,531	226,674	58,147,000	58,147,000	0	374,191,205	373,964,531	226,674
2002	December	481,227,530	481,000,950	226,580	57,051,000	57,051,000	0	424,176,530	423,949,950	226,580
2003	December	671,236,287	671,009,873	226,414	77,690,063	77,690,063	0	593,546,224	593,319,810	226,414
2004	December	829,422,716	829,196,707	226,009	85,916,164	85,916,164	0	743,506,552	743,280,543	226,009
2005	December	964,383,652	964,157,696	225,956	138,834,164	138,834,164	0	825,549,488	825,323,532	225,956
2006	December	1,226,161,009	1,225,934,647	226,362	153,017,164	153,017,164	0	1,073,143,845	1,072,917,483	226,362
2007	January	1,170,391,110	1,170,164,748	226,362	155,256	155,256	0	1,170,235,854	1,170,009,492	226,362
	February	1,118,093,093	1,117,866,731	226,362	145,205	145,205	0	1,117,947,888	1,117,721,526	226,362
	March	1,102,710,961	1,102,484,599	226,362	138,226	138,226	0	1,102,572,735	1,102,346,373	226,362
	April	1,152,943,570	1,152,717,208	226,362	139,448	139,448	0	1,152,804,122	1,152,577,760	226,362
	May	1,229,183,168	1,228,956,806	226,362	156,594	156,594	0	1,229,026,574	1,228,800,212	226,362
	June	1,330,837,587	1,330,611,225	226,362	150,893	150,893	0	1,330,686,694	1,330,460,332	226,362
	July	1,380,190,453	1,379,964,091	226,362	186,429	186,429	0	1,380,004,024	1,379,777,662	226,362
	August	1,448,622,547	1,448,396,185	226,362	159,049	159,049	0	1,448,463,498	1,448,237,136	226,362
	September	1,447,900,457	1,447,674,095	226,362	193,595	193,595	0	1,447,706,862	1,447,480,500	226,362
	October	1,447,027,587	1,446,801,225	226,362	216,160	216,160	0	1,446,811,427	1,446,585,065	226,362
	November	1,400,593,835	1,400,367,484	226,351	193,518	193,518	0	1,400,400,317	1,400,173,966	226,351
	December	1,515,151,601	1,514,925,245	226,356	208,399	208,399	0	1,514,943,202	1,514,716,846	226,356
2008	January	1,397,727,970	1,397,501,689	226,281	205,775	205,775	0	1,397,522,195	1,397,295,914	226,281
	February	1,367,383,936	1,367,157,655	226,281	195,099	195,099	0	1,367,188,836	1,366,962,556	226,281
	March	1,408,616,639	1,408,390,359	226,281	226,873	226,873	0	1,408,389,766	1,408,163,485	226,281
	April	1,431,673,072	1,431,446,791	226,281	213,231	213,231	0	1,431,459,841	1,431,233,560	226,281
	May	1,510,520,028	1,510,293,747	226,281	211,080	211,080	0	1,510,308,948	1,510,082,667	226,281
	June	1,610,747,193	1,610,520,912	226,281	248,844	244,245	4,599	1,610,498,349	1,610,276,667	221,682
	July	1,760,955,471	1,760,729,190	226,281	258,650	250,996	7,654	1,760,696,821	1,760,478,194	218,627
	August	1,760,254,067	1,760,027,786	226,281	236,732	236,732	0	1,760,017,335	1,759,791,054	226,281
	September	1,771,345,701	1,771,119,420	226,281	298,480	298,480	0	1,771,047,221	1,770,820,940	226,281
	October	1,907,194,703	1,906,968,422	226,281	280,438	280,438	0	1,906,914,265	1,906,687,984	226,281
	November	1,845,336,765	1,845,110,484	226,281	259,461	259,461	0	1,845,077,304	1,844,851,023	226,281
	December	1,934,425,552	1,934,199,271	226,281	314,801	314,801	0	1,934,110,751	1,933,884,470	226,281
2009	January	1,774,301,133	1,774,074,852	226,281	286,468	286,468	0	1,774,014,665	1,773,788,384	226,281
	February	1,724,092,164	1,723,865,883	226,281	255,158	255,158	0	1,723,837,006	1,723,610,725	226,281
	March	1,784,147,256	1,783,920,976	226,281	310,447	310,447	0	1,783,836,810	1,783,610,529	226,281
	April	1,846,354,231	1,846,127,951	226,281	310,474	310,474	0	1,846,043,758	1,845,817,477	226,281
	May	1,883,744,451	1,883,518,170	226,281	308,783	308,783	0	1,883,435,668	1,883,209,387	226,281
	June	1,943,938,332	1,943,712,051	226,281	354,863	354,863	0	1,943,583,469	1,943,357,188	226,281
	July	2,099,618,911	2,099,392,631	226,281	344,040	344,040	0	2,099,274,872	2,099,048,591	226,281
	August	2,039,498,246	2,039,271,965	226,281	324,688	324,688	0	2,039,173,558	2,038,947,277	226,281
	September	2,024,204,589	2,023,978,308	226,281	367,431	367,431	0	2,023,837,158	2,023,610,877	226,281
	October	2,047,774,797	2,047,548,516	226,281	371,231	371,231	0	2,047,403,566	2,047,177,285	226,281
	November	1,936,628,710	1,936,402,430	226,281	364,348	364,348	0	1,936,264,362	1,936,038,081	226,281
	December	2,001,245,543	2,001,019,262	226,281	407,085	407,085	0	2,000,838,458	2,000,612,177	226,281

Source: Bank of Zambia

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

TABLE 9

End of period.		Government	Statutory Bodies	Parastatal Bodies	Public	Individuals and Households	Other Fin. Institutions	Non-Resident	Foreign Currency (Kwacha)	US Dollar	Total
1996	December	49,279,680	18,675,113	47,673,139	352,768,626		6,500,015	5,667,653	160,916,463	123,453	641,480,689
1997	December	55,196,564	22,724,294	47,842,835	449,085,308		5,724,842	4,310,119	207,380,705	146,470	792,264,667
1998	December	79,233,000	40,170,000	10,300,000	180,117,000	237,764,000	12,001,000	1,746,000	393,833,000	168,398	955,164,000
1999	December	142,787,000	39,379,000	31,000,000	228,541,000	286,062,000	2,144,000	1,355,000	533,502,000	198,357	1,264,770,000
2000	December	131,636,000	76,531,000	66,921,000	302,395,000	417,291,000	1,467,000	2,435,000	1,160,621,000	273,656	2,159,297,000
2001	December	119,668,000	53,277,000	143,175,000	404,176,000	578,625,000	8,128,000	1,754,000	1,045,153,000	268,626	2,353,956,000
2002	December	121,857,000	57,601,000	247,631,000	726,643,000	582,472,000	11,513,000	2,034,000	1,429,013,000	295,127	3,178,764,000
2003	December	214,607,000	103,790,000	216,459,000	843,870,000	866,514,000	25,079,000	5,986,000	1,619,097,000	351,904	3,895,402,000
2004	December	467,357,000	153,666,000	203,059,000	1,037,899,000	980,051,000	39,234,000	5,290,000	2,439,540,000	518,320	5,326,096,000
2005	December	509,221,606	115,891,758	89,373,313	1,280,618,756	1,036,317,677	18,062,000	30,939,000	1,981,182,000	564,570	5,075,637,110
2006	December	524,870,311	230,808,168	178,133,313	1,758,044,125	1,731,624,677	27,354,000	18,977,000	2,713,997,000	655,119	7,183,808,594
2007	January	467,850,997	184,274,168	200,621,313	1,768,610,125	1,531,946,677	42,572,000	20,488,000	2,683,928,567	638,210	6,900,291,847
	February	391,454,801	193,298,168	218,126,313	1,741,073,125	1,506,640,677	34,783,000	4,970,000	2,706,649,688	635,518	6,796,995,772
	March	408,428,444	129,573,168	217,342,313	1,699,768,125	1,577,300,677	43,672,000	8,510,000	2,599,989,990	608,876	6,684,584,717
	April	493,447,751	194,204,168	193,500,313	1,635,954,125	1,542,170,877	43,584,000	6,930,000	2,746,211,500	658,375	6,856,002,734
	May	563,165,691	158,396,168	257,604,313	1,756,141,125	1,502,660,677	34,708,000	9,492,000	2,892,845,500	718,058	7,175,013,474
	June	489,178,612	246,288,168	237,904,313	1,762,402,125	1,492,525,677	43,906,000	29,651,000	3,044,620,500	780,595	7,346,476,395
	July	454,098,241	213,843,168	316,580,313	1,935,630,125	1,599,628,677	31,973,000	9,301,000	3,364,431,500	876,476	7,925,486,024
	August	424,554,080	242,568,168	259,515,313	1,981,403,125	1,606,644,677	26,532,000	9,113,000	3,576,367,000	888,832	8,126,697,363
	September	498,145,919	269,681,168	224,478,313	1,938,539,125	1,607,690,677	36,042,000	10,663,000	3,562,739,000	896,023	8,147,979,202
	October	435,824,907	275,295,168	231,282,313	2,043,043,125	1,656,682,677	23,801,000	11,698,000	3,320,524,800	862,855	7,998,151,990
	November	511,001,243	288,004,168	233,922,313	2,144,279,125	1,684,042,677	35,861,000	15,773,000	3,451,223,834	911,864	8,364,107,360
	December	614,334,458	322,415,168	352,272,313	2,244,280,125	1,784,147,677	40,422,000	15,281,000	3,905,904,010	1,015,636	9,279,056,751
2008	January	469,881,549	284,811,168	309,496,313	2,167,631,125	1,723,248,677	40,828,000	13,449,000	4,169,869,000	1,095,762	9,179,214,832
	February	446,386,667	244,100,168	253,404,313	2,136,240,125	1,884,733,677	30,341,000	12,950,000	3,811,486,000	1,011,608	8,819,641,950
	March	512,565,294	219,680,168	274,142,313	2,117,262,125	1,850,448,677	18,434,000	11,018,000	3,633,718,000	985,252	8,637,268,577
	April	548,163,961	241,774,168	358,136,313	2,069,432,125	1,852,674,677	21,952,000	15,534,000	3,496,242,000	988,066	8,603,909,244
	May	509,648,345	290,806,168	373,461,313	2,535,968,125	1,903,389,677	34,086,000	10,384,000	3,483,422,000	1,020,335	9,141,165,628
	June	480,085,997	248,718,168	354,940,313	2,325,813,125	1,921,624,677	37,449,000	13,219,000	3,478,171,000	1,065,554	8,860,021,280
	July	671,360,563	272,714,168	193,359,313	2,297,996,125	2,197,195,677	36,771,000	11,300,000	3,703,056,000	1,087,915	9,383,752,846
	August	731,749,358	243,361,168	179,599,313	2,375,329,125	2,220,070,677	33,065,000	12,868,000	3,764,966,000	1,089,471	9,561,008,641
	September	761,047,926	290,387,168	261,362,313	2,395,725,560	2,105,563,362	33,022,000	15,367,000	3,514,253,241	990,175	9,376,728,570
	October	716,020,206	289,670,168	282,008,313	2,783,315,196	2,309,776,839	23,073,000	27,476,000	4,362,681,691	1,074,794	10,794,021,414
	November	579,416,921	447,382,168	210,949,313	2,764,072,167	2,386,560,362	42,893,000	39,655,000	4,334,340,163	1,009,619	10,805,269,094
	December	808,503,982	445,599,168	127,638,313	2,255,860,864	3,278,756,391	11,975,000	25,891,000	4,371,877,889	884,257	11,326,102,607
2009	January	523,691,623	422,251,062	185,003,235	2,867,605,013	2,924,821,444	19,527,347	76,994,910	4,808,562,967	971,014	11,828,457,601
	February	491,344,004	320,453,191	318,623,490	2,972,405,701	3,063,930,779	18,040,462	83,550,444	5,008,194,218	924,090	12,276,542,288
	March	538,035,238	389,862,000	141,091,000	2,775,232,000	3,004,041,000	34,045,000	84,896,000	5,095,259,000	911,130	12,062,461,238
	April	658,391,249	260,153,168	110,323,313	2,792,465,034	3,019,088,878	38,275,000	103,220,000	4,969,676,111	876,048	11,951,592,753
	May	617,255,341	393,363,168	222,037,313	2,655,760,323	2,953,259,974	35,072,000	58,575,000	4,577,229,982	879,115	11,512,553,101
	June	709,334,108	298,472,168	183,600,313	3,102,474,274	2,901,293,849	25,058,000	56,505,000	5,068,253,441	1,003,772	12,344,991,153
	July	555,231,171	375,051,837	209,875,874	2,980,133,492	2,397,497,421	7,101,000	28,048,000	4,974,573,375	963,878	11,527,512,169
	August	593,065,472	341,496,168	108,834,183	3,375,464,318	2,369,791,097	25,792,000	20,748,000	4,644,655,247	958,792	11,479,846,485
	September	556,639,649	432,759,168	92,070,313	3,128,519,125	2,391,747,677	58,543,000	35,828,000	4,786,231,000	1,052,716	11,482,337,932
	October	751,383,234	390,844,168	156,006,313	3,240,722,725	2,394,531,677	66,585,000	35,123,000	5,052,772,000	1,080,189	12,087,968,117
	November	955,229,901	567,170,168	159,999,313	3,521,169,066	2,294,914,866	17,376,000	33,026,000	5,005,654,723	1,072,525	12,554,540,036
	December	887,446,220	593,469,168	119,346,509	3,370,800,561	2,409,608,856	32,434,000	32,650,000	5,095,814,044	1,084,850	12,541,569,358

Source: Bank of Zambia

Note: (1) Data has been corrected for casting errors identified in previous series.
(2) Exchange rate used is the commercial banks' monthly weighted retail average selling rate.
(3) From August 2003 Exchange rate used is the Monthly Non Bank's Selling rate.

COMMERCIAL BANKS' LOANS AND ADVANCES BY SECTOR (IN THOUSANDS OF KWACHA) **TABLE 10**

End of period		Government	Statutory Bodies	Parastatal Bodies	Private	Individuals and Households	Other Fin. Institutions	Non-Resident	US Dollar(3)	Total
1995	December	4,060,090	3,797,036	31,847,136	205,023,479	n/a	552,267	240,735	22,500	267,224,776
1996	December	6,222,388	3,635,246	46,073,520	293,324,722	n/a	2,961,623	360,605	34,327	397,322,081
1997	December	407,568	5,734,139	35,124,490	285,965,728	n/a	911,018	278,907	60,639	412,200,044
1998	December	2,658,000	15,561,000	103,504,000	320,218,000	56,295,000	3,124,000	478,000	71,437	668,902,711
1999	December	3,425,000	5,486,000	243,449,000	420,113,000	85,470,000	1,814,000	113,000	90,063	759,870,000
2000	December	3,009,000	3,321,000	286,351,000	722,509,000	60,329,000	887,000	943,000	123,912	1,077,349,000
2001	December	3,410,000	6,246,000	240,532,000	748,969,000	126,125,000	776,000	0	107,051	1,126,058,000
2002	December	4,417,000	1,781,000	61,260,000	820,790,000	126,391,000	11,568,000	0	90,717	1,026,207,000
2003	December	1,296,000	937,000	60,826,000	1,073,601,000	245,500,000	18,887,000	0	142,739	1,401,047,000
2004	December	2,115,000	1,160,000	113,430,000	1,711,617,000	275,796,000	1,941,000	309,000	185,865	2,106,368,000
2005	December	4,080,000	664,000	133,339,000	1,842,074,000	489,030,000	29,906,000	2,637,000	223,517	2,501,730,000
2006	December	3,834,381	7,982,996	216,432,400	3,017,605,320	583,679,310	89,906,868	4,254,000	324,999	3,923,695,275
2007	January	3,035,381	8,990,996	171,832,400	3,126,770,320	534,231,310	94,336,868	107,000	316,786	3,939,304,275
	February	2,626,381	8,450,996	188,487,400	3,121,364,820	599,667,810	97,981,868	107,000	311,448	4,018,686,275
	March	2,484,381	67,624,996	217,780,400	3,244,414,320	643,619,310	98,237,868	107,000	349,540	4,274,268,275
	April	2,365,381	69,044,996	214,055,400	3,145,067,320	862,587,310	103,691,868	107,000	348,455	4,396,919,275
	May	4,228,381	85,220,996	240,778,400	3,268,035,320	692,228,310	89,304,868	101,000	360,598	4,379,897,275
	June	2,342,381	81,991,996	164,378,400	3,359,217,820	743,810,810	88,506,868	101,000	344,514	4,440,349,275
	July	2,281,381	61,670,996	132,658,400	3,566,220,320	778,989,310	88,275,868	101,000	344,169	4,630,197,275
	August	2,240,381	103,132,996	142,748,400	3,841,908,320	801,810,310	88,097,868	101,000	358,461	4,980,039,275
	September	11,214,381	9,600,996	307,246,400	3,940,887,320	814,408,310	95,533,868	104,000	364,187	5,178,995,275
	October	1,925,381	7,443,996	361,372,400	3,987,342,320	889,355,310	101,363,868	101,000	364,291	5,348,904,275
	November	2,436,381	6,735,996	409,498,400	3,632,434,320	1,417,000,310	114,917,868	99,000	382,516	5,583,122,275
	December	119,394,381	6,139,996	372,405,400	4,229,593,320	904,680,310	124,871,868	106,000	488,638	5,757,191,275
2008	January	1,725,381	6,056,996	347,265,400	4,120,764,320	1,331,557,310	103,956,868	106,000	493,226	5,911,432,275
	February	2,195,381	8,184,996	314,857,400	4,023,539,320	1,516,859,310	77,966,868	106,000	503,052	5,943,709,275
	March	2,386,381	8,420,996	275,589,400	4,205,259,320	1,483,660,310	121,296,868	106,000	483,830	6,096,719,275
	April	1,964,381	8,517,996	230,049,400	3,840,506,320	1,893,468,310	127,131,868	97,000	478,618	6,101,735,275
	May	4,576,381	7,656,996	199,500,400	3,930,434,320	2,019,374,310	172,559,868	97,000	471,139	6,334,199,275
	June	4,525,381	8,612,996	154,253,400	3,999,198,320	2,102,392,310	144,291,868	93,000	695,913	6,413,367,275
	July	4,983,381	7,523,996	149,007,400	4,322,855,320	2,135,027,310	154,315,868	15,312,000	711,664	6,789,025,275
	August	6,677,381	8,602,996	137,714,400	4,504,381,320	2,238,187,310	150,726,868	15,167,000	765,208	7,061,457,275
	September	7,597,381	496,996	1,479,604	4,619,198,320	2,295,634,310	123,004,868	15,306,000	746,622	7,062,717,479
	October	5,357,381	298,996	1,482,204	5,253,195,320	2,307,905,629	111,797,868	19,765,000	760,244	7,699,802,397
	November	7,389,381	298,996	1,477,364	5,204,369,492	2,450,946,755	136,320,868	19,741,000	747,777	7,820,543,856
	December	6,738,381	695,996	1,468,494	5,388,889,492	2,453,585,807	129,239,868	16,792,000	705,391	7,997,410,038
2009	January	5,137,381	608,996	1,541,374	5,654,534,436	2,487,357,881	128,527,868	3,685,000	825,076	8,281,392,936
	February	6,054,381	294,996	1,445,754	6,032,198,061	2,478,720,504	109,147,868	0	770,552	8,627,861,564
	March	7,848,000	295,000	1,545,240	5,989,298,000	2,528,744,000	105,150,000	0	814,649	8,632,880,240
	April	8,331,381	280,996	1,570,234	5,957,255,254	2,504,161,190	113,246,868	0	744,226	8,584,845,923
	May	9,127,381	285,996	1,490,024	5,599,316,580	2,509,684,852	127,322,868	0	664,872	8,247,227,701
	June	8,375,381	284,996	1,567,434	5,531,307,745	2,372,404,090	379,332,868	0	606,158	8,293,272,514
	July	4,593,381	268,996	151,623,400	5,518,993,968	2,389,733,983	397,263,868	0	611,603	8,462,477,597
	August	7,573,381	17,940,996	218,284,400	5,372,297,429	2,404,732,310	338,181,868	0	638,192	8,359,010,384
	September	11,214,381	40,469,996	197,077,400	5,117,289,320	2,485,983,310	372,921,868	0	611,853	8,224,956,275
	October	44,276,381	110,948,996	212,035,400	5,105,741,320	2,485,996,310	321,919,868	0	661,449	8,280,918,275
	November	49,310,381	140,312,996	202,734,400	5,067,701,320	2,507,450,310	277,775,868	0	665,542	8,245,285,275
	December	43,758,381	157,003,996	208,491,400	4,839,931,320	2,498,840,310	275,036,868	0	629,395	8,023,062,275

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

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR) — TABLE 11

End of period		Central Bank	Penalty Rate	Treasury Bill Rates					Government Bond			Commercial Bank Deposits							7-90 day	Weighted Lending Base Rate	Weighted Interbank Rate
				28-days	91-days	182-days	273-days	364-days	12-months	18-months	24-months	3-year	5-year	7-year	10-year	15-year	Savings	24 hr call			
1995	December	51.5	66.7	41.7	41.5	38.9	0.0		43.6	-	n/a						28.7	31.1	36.7	47.7	33.1
1996	December	70.0	82.5	57.5	60.0	61.4	0.0		37.0	-	n/a						27.1	30.5	44.6	57.4	50.4
1997	December	23.3	38.8	13.8	20.3	22.3	0.0		23.3	-	n/a						18.2	14.7	25.4	37.9	13.8
1998	December	43.4	59.2	34.2	33.4	31.4	0.0		43.9	-	n/a						9.3	7.1	16.4	37.4	16.0
1999	December	46.2	61.1	36.1	36.2	36.4	0.0		48.1	49.2	0.0						11.2	7.9	21.0	42.6	13.2
2000	December	44.1	36.5	11.5	34.1	36.7	38.6		38.7	43.3	45.8						11.5	6.5	20.0	37.5	16.4
2001	December	48.5	55.2	41.5	37.3	59.5	46.4		54.1	55.0	55.4						8.7	7.0	24.3	46.7	25.4
2002	December	36.0	55.1	25.1	34.0	33.0	34.0		44.8	46.3	43.5						8.3	7.9	22.5	43.1	9.6
2003	December	15.8	50.0	N/a	13.8	15.8	17.0		19.6	23.2	24.3						7.6	8.1	21.1	36.8	6.1
2004	December	18.3	49.3	n/a	16.5	18.5	19.8		19.9	21.3	22.2						5.6	5.3	11.1	29.8	12.6
2005	December	17.1	44.0	n/a	15.6	16.6	16.9	17.1	16.0	17.0	19.0	22.4	24.9				6.1	4.6	10.4	26.7	24.9
2006	December	10.7	38.2	n/a	9.3	9.2	9.9	10.3	n/a	n/a	10.5	12.2	13.6				6.1	4.9	10.3	21.6	7.9
2007	January	11.1	39.3	n/a	9.1	10.1	10.5	11.3	n/a	n/a	11.1	12.4	13.7				6.1	4.9	10.3	21.0	8.4
	February	11.8	39.0	n/a	9.8	10.7	11.1	11.3	n/a	n/a	12.4	13.0	13.9				6.1	4.9	10.3	21.0	9.1
	March	12.8	38.8	n/a	10.8	11.8	11.8	12.5	n/a	n/a	12.7	13.3	14.0				6.1	4.9	10.3	20.3	10.2
	April	14.0	40.9	n/a	12.0	12.9	13.4	13.3	n/a	n/a	13.5	13.8	14.6				6.1	4.9	10.3	18.2	9.7
	May	13.2	41.6	n/a	11.2	11.7	12.1	12.4	n/a	n/a	14.9	13.9	14.6				6.1	4.9	10.3	18.2	12.5
	June	12.9	40.9	n/a	10.9	11.4	12.1	12.8	n/a	n/a	14.8	13.5	15.0				6.1	4.9	10.3	18.2	11.7
	July	13.6	40.8	n/a	11.6	12.0	12.5	12.9	n/a	n/a	14.5	13.9	15.3				6.1	4.9	10.3	18.2	10.5
	August	13.4	41.8	n/a	11.4	12.5	12.7	12.8	n/a	n/a	14.5	15.0	15.3	17.8	19.1	20.0	6.1	4.9	10.3	18.2	12.8
	September	14.0	42.2	n/a	12.0	12.8	13.3	13.6	n/a	n/a	14.4	15.0	15.2	17.8	19.1	20.0	5.8	4.4	9.3	18.2	14.0
	October	13.5	38.7	n/a	11.5	12.2	12.1	12.0	n/a	n/a	14.4	15.0	15.2	17.8	19.1	20.0	4.8	3.1	6.3	18.2	11.7
	November	12.8	39.9	n/a	10.8	12.6	12.8	13.2	n/a	n/a	14.4	15.2	15.6	17.6	19.0	20.0	4.8	3.1	6.4	18.2	11.3
	December	13.5	38.4	n/a	11.5	12.7	13.0	13.3	n/a	n/a	14.4	15.4	15.8	17.3	18.8	19.9	4.8	3.1	6.3	18.3	10.4
2008	January	13.2	37.0	n/a	11.2	12.5	13.0	13.6	n/a	n/a	14.6	15.4	15.7	17.3	18.8	19.9	4.8	3.1	6.3	18.4	10.4
	February	12.6	38.9	n/a	10.6	11.8	12.4	13.6	n/a	n/a	15.2	15.2	15.8	17.3	18.8	19.8	4.8	2.9	6.4	18.3	10.6
	March	12.9	39.5	n/a	10.9	12.0	12.8	13.8	n/a	n/a	15.3	15.2	15.9	17.2	18.6	19.4	4.8	2.6	6.6	18.2	11.0
	April	13.0	40.0	n/a	11.0	11.7	12.7	13.8	n/a	n/a	15.2	15.1	16.0	17.2	18.6	19.4	4.8	2.6	6.6	18.2	10.6
	May	14.1	39.1	n/a	12.1	13.0	13.4	13.6	n/a	n/a	14.6	15.6	16.5	17.2	18.5	19.4	4.8	2.6	6.6	18.2	10.7
	June	14.1	38.3	n/a	12.1	13.0	13.6	13.7	n/a	n/a	14.6	16.1	17.1	17.2	18.4	19.3	4.8	2.6	6.6	18.5	11.0
	July	14.1	40.1	n/a	12.1	12.6	13.5	13.8	n/a	n/a	14.1	15.4	16.1	17.3	18.4	19.3	4.8	2.6	6.6	18.6	11.9
	August	14.3	40.0	n/a	12.3	13.4	13.6	13.9	n/a	n/a	14.9	15.5	16.4	17.2	18.2	19.2	4.8	2.6	6.6	18.6	11.1
	September	14.5	40.5	n/a	12.5	13.5	13.8	14.4	n/a	n/a	14.9	15.6	16.5	17.3	18.4	19.3	4.8	2.6	6.6	19.6	11.7
	October	15.3	42.9	n/a	13.3	14.7	15.0	16.8	n/a	n/a	15.8	15.9	16.5	17.3	18.4	19.3	4.8	2.6	6.6	20.6	14.2
	November	12.0	43.4	n/a	13.9	15.9	16.4	18.0	n/a	n/a	16.6	16.2	17.9	17.3	18.4	19.3	4.8	2.6	6.6	20.6	16.0
	December	15.9	37.3	n/a	13.9	15.8	16.1	18.4	n/a	n/a	16.6	16.2	18.2	17.3	18.4	19.3	4.8	2.6	6.6	20.8	12.8
2009	January	15.8	40.7	n/a	13.8	15.9	17.0	18.3	n/a	n/a	17.1	16.9	19.0	17.3	18.4	19.3	4.8	2.6	6.6	20.9	9.5
	February	16.3	40.3	n/a	14.3	15.9	17.5	18.3	n/a	n/a	17.5	18.4	19.5	17.3	18.4	19.3	4.8	2.6	6.6	20.9	8.2
	March	16.0	39.2	n/a	14.0	15.9	17.2	18.2	n/a	n/a	17.3	18.4	19.5	17.2	18.4	19.2	4.8	2.6	6.6	20.9	11.4
	April	16.2	39.1	n/a	14.2	15.7	17.0	18.4	n/a	n/a	18.9	19.0	20.0	17.2	18.2	19.2	4.8	2.6	6.6	20.7	12.3
	May	15.9	41.3	n/a	13.9	15.7	16.0	18.0	n/a	n/a	17.9	18.6	19.0	17.2	18.2	19.2	4.7	2.7	6.9	21.6	12.0
	June	15.6	41.5	n/a	13.6	15.4	16.4	18.6	n/a	n/a	18.5	18.4	19.0	17.2	18.2	19.2	4.7	2.9	7.4	22.4	12.0
	July	17.1	37.9	n/a	15.1	16.4	17.3	19.5	n/a	n/a	18.5	19.4	19.9	17.2	18.2	19.2	4.7	2.9	7.4	22.4	11.9
	August	18.1	38.0	n/a	16.1	16.4	17.3	18.2	n/a	n/a	18.3	19.7	20.2	17.2	19.6	19.2	4.7	2.9	7.4	23.0	12.1
	September	17.5	37.9	n/a	15.5	16.1	17.0	18.1	n/a	n/a	18.1	19.7	20.0	17.2	19.6	19.2	4.7	2.9	7.4	23.1	11.8
	October	16.6	34.8	n/a	14.6	15.7	16.5	16.7	n/a	n/a	17.0	18.9	20.0	17.2	19.6	19.2	4.7	2.9	7.4	23.1	8.1
	November	12.0	31.3	n/a	10.0	11.9	13.5	14.6	n/a	n/a	15.9	17.1	17.6	17.9	18.9	18.9	4.7	2.9	7.4	23.1	5.1
	December	8.3	29.9	n/a	6.3	8.5	11.0	11.7	n/a	n/a	15.5	16.8	17.5	17.9	18.9	18.9	4.7	2.9	7.4	22.7	4.2

Source: Bank of Zambia

COMMERCIAL BANK INTEREST RATES (PERCENT PER YEAR)

TABLE 12

End of period		Weighted lending Base Rate	Weighted Interbank Rate	Savings Rates		Deposits over K20 million						
				Less than K100,000	More than K100,000	24 -hr call	7-day	14-day	30-day	60-day	90-day	180-day
1995	December	47.7	33.1	28.7	30.6	31.1	31.3	38.2	40.9	40.0	36.7	33.1
1996	December	57.4	50.4	27.1	30.2	30.5	31.1	40.7	47.0	47.3	44.6	32.0
1997	December	37.9	13.8	14.8	18.0	14.6	19.1	23.5	27.2	28.5	25.4	24.3
1998	December	37.4	16.0	9.3	7.1	7.1	8.3	6.0	14.9	13.6	16.4	13.3
1999	December	42.6	13.2	7.6	7.9	7.9	14.8	14.0	19.5	21.3	21.0	19.8
2000	December	37.5	16.4	10.2	11.5	6.5	11.9	18.2	17.8	18.8	20.0	12.7
2001	December	46.7	25.4	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8
2002	December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	18.3	21.3	22.5	22.3
2003	December	36.8	6.1	5.5	7.6	8.1	12.4	12.4	17.3	20.4	21.1	20.4
2004	December	29.8	12.6	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
2005	December	26.7	24.9	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5
2006	December	21.6	7.9	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
2007	January	21.0	8.4	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	February	21.0	9.1	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	March	20.3	10.2	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	April	18.2	9.7	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	May	18.2	12.5	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	June	18.2	11.7	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	July	18.2	10.5	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	August	18.2	12.8	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	September	18.2	14.0	3.6	5.8	4.4	4.1	5.9	7.5	9.5	9.3	8.6
	October	18.2	11.7	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
	November	18.2	11.3	3.5	4.8	3.1	2.8	3.5	4.9	6.3	6.4	6.2
	December	18.3	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
2008	January	18.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
	February	18.3	10.6	3.5	4.8	2.9	2.8	3.5	4.9	6.4	6.4	6.1
	March	18.2	11.0	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	April	18.2	10.6	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	May	18.2	10.7	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	June	18.5	11.0	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	July	18.6	11.9	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	August	18.6	11.1	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	September	19.6	11.7	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	October	20.6	14.2	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	November	20.6	16.0	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	December	20.8	12.8	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
2009	January	20.9	9.5	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	February	20.9	8.2	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	March	20.9	11.4	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	April	20.7	12.3	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	May	21.6	12.0	3.5	4.7	2.7	3.1	3.7	5.3	6.9	6.9	7.0
	June	22.4	12.0	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	July	22.4	11.9	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	August	23.0	12.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	September	23.1	11.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	October	23.1	8.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	November	23.1	5.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	December	22.7	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6

Source: Bank of Zambia

BANK OF ZAMBIA AND BUREAUX KWACHA/US DOLLAR EXCHANGE RATES

TABLE 13

Period Monthly Average		Bank of Zambia Rates			Bureau Rates		
		Buying	Selling	Mid	Buying	Selling	Mid
1995	December	937.78	956.53	947.16	937.78	956.53	947.16
1996	December	1,272.27	1,292.62	1,282.45	1,294.97	1,328.81	1,263.38
1997	December	1,382.90	1,405.03	1,393.97	1,410.16	1,487.67	1,448.92
1998	December	2,263.34	2,299.55	2,281.45	2,329.97	2,445.95	2,387.96
1999	December	2,573.00	2,614.17	2,593.59	2,643.93	2,727.98	2,685.96
2000	December	4,079.32	4,141.36	4,110.34	4,227.64	4,418.45	4,323.05
2001	December	3,790.01	3,850.65	3,820.33	4,114.04	4,203.50	4,158.77
2002	December	4,702.43	4,777.67	4,740.05	4,897.96	5,000.82	4,949.39
2003	December	4,548.02	4,607.49	4,577.75	4,672.50	4,769.25	4,720.88
2004	December	4,621.82	4,681.36	4,651.51	4,700.06	4,794.46	4,747.26
2005	December	3,383.32	3,449.36	3,416.34	3,542.77	3,650.17	3,596.47
2006	December	4,117.86	4,137.81	4,127.83	4,123.88	4,204.66	4,164.27
2007	January	4,211.10	4,231.03	4,221.06	4,251.89	4,335.86	4,293.88
	February	4,237.52	4,251.02	4,254.02	4,287.38	4,354.52	4,320.95
	March	4,248.54	4,268.52	4,258.53	4,290.13	4,354.02	4,322.08
	April	4,151.47	4,171.47	4,161.47	4,194.78	4,276.59	4,235.69
	May	4,004.27	4,023.37	4,013.82	4,073.84	4,161.00	4,115.32
	June	3,878.13	3,898.09	3,888.11	3,947.20	4,025.19	3,986.20
	July	3,817.21	3,837.21	3,827.21	3,859.15	3,936.03	3,897.59
	August	4,003.08	4,023.08	4,013.08	4,038.33	4,109.86	4,074.09
	September	3,950.75	3,970.66	3,960.70	4,023.39	4,091.80	4,057.60
	October	3,821.42	3,841.31	3,831.36	3,870.12	3,953.31	3,911.71
	November	3,756.72	3,776.63	3,766.67	3,807.53	3,881.09	3,844.31
	December	3,826.89	3,846.87	3,836.88	3,842.57	3,912.63	3,877.60
2008	January	3,782.78	3,802.77	3,792.78	3,827.45	3,899.61	3,863.53
	February	3,743.59	3,763.59	3,753.59	3,779.37	3,848.70	3,814.04
	March	3,658.93	3,678.90	3,668.91	3,707.63	3,797.10	3,752.36
	April	3,507.24	3,527.24	3,517.24	3,558.59	3,634.10	3,596.34
	May	3,389.20	3,409.20	3,397.73	3,380.16	3,450.84	3,415.50
	June	3,239.71	3,259.70	3,249.70	3,286.19	3,360.71	3,325.49
	July	3,383.37	3,403.37	3,393.37	3,397.92	3,472.84	3,435.38
	August	3,437.79	3,452.29	3,452.79	3,471.28	3,556.37	3,513.83
	September	3,528.43	3,545.57	3,539.85	3,540.94	3,623.13	3,582.04
	October	4,034.33	4,054.33	4,044.33	3,927.09	4,028.39	3,977.74
	November	4,246.98	4,266.99	4,256.98	4,211.06	4,333.22	4,272.14
	December	4,872.97	4,892.97	4,882.97	4,718.77	4,837.05	4,777.91
2009	January	5,007.32	5,027.32	5,017.32	4,965.33	5,065.85	5,015.59
	February	5,397.00	5,417.00	5,407.00	5,341.69	5,464.15	5,402.92
	March	5,587.81	5,607.81	5,597.81	5,564.98	5,672.96	5,618.97
	April	5,648.85	5,667.35	5,660.35	5,620.32	5,714.39	5,667.35
	May	5,176.38	5,196.38	5,186.38	5,197.16	5,341.67	5,269.42
	June	5,062.58	5,082.58	5,073.76	5,040.99	5,150.09	5,095.54
	July	5,124.32	5,144.18	5,134.32	5,139.30	5,239.34	5,189.32
	August	4,822.39	4,842.39	4,832.39	4,845.12	4,954.52	4,899.82
	September	4,644.90	4,664.90	4,654.91	4,655.60	4,747.29	4,701.45
	October	4,650.15	4,739.92	4,660.16	4,660.47	4,750.72	4,705.60
	November	4,641.47	4,661.46	4,651.46	4,648.94	4,722.92	4,685.93
	December	4,657.86	4,677.80	4,667.83	4,651.92	4,730.93	4,691.43

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 commercial bank of their choice.

COMMERCIAL BANKS' FOREIGN EXCHANGE RATES (IN KWACHA)

TABLE 14

		Non Banks US Dollar			Bureaux US Dollar		INTERBANK US Dollar		UK Pound			EURO			SAR		
Monthly Average		Buying	Selling	Mid-Rate	Selling	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate
2003	December	4,568.78	4,600.96	4,584.87	4,650.84	4,563.79	4,598.38	4,581.08	7,950.13	8,143.45	8,046.79	5,581.91	5,710.97	5,646.44	698.34	721.86	710.10
2004	December	4,632.00	4,706.63	4,655.29	4,723.04	4,639.23	4,670.94	4,655.08	8,871.69	9,062.65	8,967.17	6,118.46	6,272.23	6,195.34	803.82	827.20	815.51
2005	December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27
2006	December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27
2007	January	4,145.29	4,284.47	4,214.88	4,300.78	4,214.53	4,205.40	4,209.97	8,119.35	8,412.39	8,265.87	5,395.86	5,576.06	5,485.96	578.52	600.72	589.62
	February	4,185.45	4,311.00	4,248.23	4,311.41	4,241.32	4,258.97	4,250.14	8,207.66	8,479.47	8,343.56	5,476.84	5,645.20	5,561.02	584.28	603.62	593.95
	March	4180.58	4310.11	4245.34	4305.97	4251.99	4270.15	4261.07	8163.67	8425.34	8294.50	5544.39	5715.17	5629.78	571.47	590.51	580.99
	April	4100.78	4227.69	4164.24	4223.92	4151.93	4171.19	4161.56	8202.18	8435.58	8318.88	5561.72	5709.80	5635.76	579.83	597.14	588.49
	May	3964.84	4091.52	4028.18	4080.88	4010.79	4028.71	4019.75	7915.92	8119.40	8017.66	5387.69	5525.35	5456.52	570.28	587.34	578.81
	June	3840.22	3973.44	3906.83	3964.59	3883.88	3900.39	3892.13	7677.23	7919.25	7798.24	5191.17	5336.40	5263.79	542.54	559.26	550.90
	July	3752.93	3884.73	3818.83	3885.18	3821.74	3838.59	3830.16	7657.89	7918.44	7788.16	5160.39	5310.33	5235.36	540.45	557.54	549.00
	August	3933.05	4062.48	3997.76	4055.95	4004.50	4023.67	4014.09	7931.89	8164.18	8048.03	5345.52	5498.33	5421.93	546.69	563.38	555.03
	September	3907.40	4037.61	3972.51	4032.80	3956.53	3976.17	3966.35	7894.55	8167.14	8030.85	5397.13	5563.01	5480.07	549.28	567.83	558.55
	October	3779.09	3905.47	3842.28	3896.47	3829.65	3848.30	3838.97	7718.39	7975.33	7846.86	5346.27	5511.11	5428.69	555.65	574.70	565.17
	November	3710.11	3836.25	3773.18	3826.67	3765.81	3784.80	3775.30	7700.57	7959.84	7830.21	5407.09	5577.98	5492.53	552.20	573.60	562.90
	December	3761.91	3888.67	3825.29	3896.12	3828.65	3845.77	3837.21	7624.97	7887.18	7756.07	5448.40	5623.04	5535.72	548.72	570.12	559.42
2008	January	3741.79	3862.65	3802.22	3853.27	3789.58	3805.45	3797.51	7395.43	7631.49	7513.46	5440.34	5617.11	5528.73	537.01	556.62	546.81
	February	3708.13	3823.78	3765.95	3807.59	3751.11	3767.75	3759.43	7312.38	7544.29	7428.34	5418.87	5576.02	5497.44	495.74	513.25	504.50
	March	3632.28	3751.04	3691.66	3731.87	3673.70	3688.11	3680.90	7291.89	7532.03	7411.96	5555.83	5724.77	5640.30	467.89	485.62	476.75
	April	3475.53	3600.76	3538.14	3588.06	3519.34	3538.47	3528.90	6909.85	7155.20	7032.53	5416.27	5592.71	5504.49	458.60	499.30	478.95
	May	3334.01	3467.96	3400.98	3471.30	3394.12	3414.00	3404.06	6595.67	6845.27	6720.47	5200.36	5382.22	5291.29	450.46	469.11	459.78
	June	3,200.8	3,331.0	3,265.9	3,330.8	3,243.5	3,264.2	3,253.8	6,319.4	6,569.0	6,444.2	4,997.1	5,187.6	5,092.4	420.5	439.0	429.7
	July	3,314.5	3,456.8	3,385.6	3,465.6	3,385.4	3,403.8	3,394.6	6,612.7	6,895.5	6,754.1	5,240.4	5,445.3	5,342.9	445.4	466.0	455.7
	August	3,379.2	3,520.7	3,449.9	3,526.4	3,440.8	3,455.8	3,448.3	6,422.2	6,691.0	6,556.6	5,081.6	5,263.8	5,172.7	450.1	471.5	460.8
	September	3,463.2	3,604.8	3,534.0	3,612.6	3,530.3	3,549.1	3,539.7	6,269.4	6,526.0	6,397.7	5,022.0	5,199.1	5,110.5	441.4	462.0	451.7
	October	3,951.9	4,112.9	4,032.4	4,115.5	4,030.8	4,059.1	4,044.9	6,704.2	6,708.4	6,852.5	5,289.4	5,503.2	5,396.3	425.6	446.5	436.1
	November	4,151.6	4,350.9	4,251.2	4,398.5	4,253.5	4,293.0	4,273.3	6,367.1	6,708.4	6,537.8	5,406.3	5,518.8	5,462.6	425.5	449.2	437.4
	December	4,814.2	4,915.8	4,865.0	5,454.8	4,823.9	4,944.1	4,884.0	7,103.6	7,419.8	7,261.7	6,315.0	6,621.8	6,468.4	486.2	507.7	496.9
2009	January	4,887.8	5,025.0	4,956.4	5,179.6	4,893.6	4,952.1	4,922.9	7,095.7	7,375.0	7,235.3	6,407.3	6,691.4	6,549.3	500.2	522.4	511.3
	February	5,307.0	5,487.6	5,397.3	5,488.9	5,422.1	5,419.6	5,420.8	7,621.6	7,880.3	7,751.0	6,724.4	6,922.0	6,823.2	528.8	551.0	539.9
	March	5,479.4	5,666.0	5,572.7	5,676.9	5,525.9	5,592.2	5,559.1	7,788.1	8,051.2	7,919.7	7,169.5	7,385.6	7,277.5	549.5	573.9	561.7
	April	5,562.6	5,745.4	5,654.0	5,737.7	5,650.8	5,672.8	5,661.8	8,122.8	8,428.5	8,275.7	7,330.0	7,552.6	7,441.3	608.9	634.3	621.6
	May	5,117.3	5,321.6	5,219.5	5,305.6	5,176.3	5,206.6	5,191.5	7,849.9	8,147.2	7,998.5	6,961.2	7,200.9	7,081.0	603.9	630.8	617.3
	June	4,957.6	5,137.7	5,047.7	5,144.6	5,027.0	5,049.2	5,038.1	8,066.2	8,397.8	8,232.0	6,969.4	7,183.1	7,076.3	608.2	636.5	622.4
	July	5,060.3	5,241.7	5,151.0	5,236.0	5,134.3	5,161.0	5,147.7	8,239.4	8,536.7	8,388.1	7,108.6	7,338.5	7,223.5	628.0	654.8	641.4
	August	4,749.4	4,929.1	4,839.2	4,915.2	4,822.6	4,844.3	4,833.5	7,837.1	8,111.4	7,974.2	6,799.4	6,987.1	6,893.2	598.5	624.3	611.4
	September	4,565.8	4,735.1	4,650.5	4,719.3	4,526.6	4,546.6	4,536.6	7,301.7	7,567.6	7,434.6	6,545.3	6,773.0	6,659.1	592.9	618.0	605.4
	October	4,583.3	4,751.4	4,667.3	4,728.5	4,657.7	4,677.7	4,667.7	7,447.6	7,710.4	7,579.0	6,800.8	7,029.4	6,915.1	613.1	638.4	625.7
	November	4,566.6	4,730.7	4,648.7	4,712.5	4,645.0	4,667.2	4,656.1	7,610.6	7,859.6	7,735.1	6,819.8	7,028.6	6,924.2	606.0	632.0	619.0
	December	4,598.3	4,760.1	4,679.2	4,742.6	4,678.4	4,697.3	4,687.8	7,524.5	7,755.1	7,639.8	6,745.4	6,950.3	6,847.9	613.3	637.5	625.4

Source: Bank of Zambia

FOREIGN EXCHANGE TRANSACTIONS (IN MILLION US DOLLARS)

TABLE 15

Period		Bank of Zambia Inflows		Bank of Zambia Outflows					Gross
		Purchases from ZCCM (1)	Other Non-GRZ	Donor Inflows	Dealing	Other Non-GRZ	GRZ Debt Servicing	GRZ Other Uses	International Reserves (2)
1995	December	393.79	43.25	302.09	458.88	51.09	330.98	72.07	210.53
1996	December	85.80	214.60	175.12	154.90	37.84	218.54	97.45	211.00
1997	December	45.05	114.20	141.21	36.96	20.49	150.06	68.72	237.88
1998	December	28.00	28.44	5.24	30.80	19.89	130.82	52.16	68.56
1999	December	16.36	9.60	199.64	25.30	23.95	153.98	40.08	45.33
2000	December	0.00	120.79	297.42	27.40	49.52	139.28	50.53	713.58
2001	December	16.66	8.35	0.91	38.90	0.23	115.22	1.46	116.46
2002	December	15.60	0.18	337.35	-33.50	0.40	113.67	2.68	489.78
2003	December	0.00	14.14	45.29	1.00	2.63	124.81	2.35	285.70
2004	December	0.00	12.41	1.60	2.00	9.67	6.55	1.00	337.23
2005	December	0.00	18.60	67.45	-5.000	17.52	138.34	1.12	450.68
2006	December	0.00	21.44	2.80	22.70	14.30	3.31	3.97	731.35
2007	January	0.00	30.58	0.90	32.00	18.92	2.79	0.09	709.03
	February	0.00	14.99	24.67	4.50	20.45	2.89	0.38	720.47
	March	0.00	24.03	11.88	-35.50	13.35	3.31	-3.91	779.13
	April	0.00	62.72	1.05	-16.50	10.94	4.53	6.77	837.17
	May	0.00	20.53	18.95	-27.40	12.96	2.61	6.05	888.63
	June	0.00	30.53	61.28	-12.00	13.39	3.13	3.53	972.39
	July	0.00	66.55	0.00	-3.00	13.86	8.95	5.68	1,013.46
	August	0.00	39.48	4.53	27.50	41.69	11.45	0.65	976.18
	September	0.00	64.26	27.58	-9.50	18.01	6.54	1.21	1,051.77
	October	0.00	46.56	15.65	-3.00	71.67	1.34	32.66	1,011.30
	November	0.00	52.66	2.14	5.00	17.38	3.35	-47.38	1,087.75
	December	0.00	73.51	2.20	-6.50	54.21	5.38	5.19	1,105.18
2008	January	0.00	41.51	38.51	14.00	49.44	-0.50	21.02	1,106.71
	February	0.00	33.82	17.52	0.00	24.20	8.04	3.92	1,121.89
	March	0.00	41.92	100.92	-13.00	23.73	7.04	1.22	1,245.73
	April	0.00	77.83	0.00	-19.50	24.27	5.42	7.30	1,306.06
	May	0.00	45.48	54.73	9.50	32.71	3.02	5.25	1,355.79
	June	0.00	29.99	38.16	-6.50	12.20	2.11	2.75	1,413.39
	July	0.00	58.39	43.18	33.50	23.98	3.81	18.62	1,435.05
	August	0.00	15.61	0.00	5.00	49.25	11.48	33.79	1,351.65
	September	0.00	51.63	0.86	19.00	71.26	4.53	16.57	1,292.78
	October	0.00	29.78	2.15	48.00	84.12	4.93	3.01	1,184.64
	November	0.00	28.69	10.62	11.50	44.73	5.65	4.74	1,157.34
	December	0.00	104.62	8.17	67.50	84.63	2.05	5.96	1,109.99
2009	January	0.00	50.58	0.76	46.50	56.86	3.31	-9.67	1,064.32
	February	0.00	17.48	2.45	135.50	26.31	2.99	0.38	919.07
	March	0.00	49.53	79.02	34.00	40.00	4.48	2.11	967.02
	April	0.00	47.74	0.00	26.00	33.17	3.81	4.90	946.89
	May	0.00	45.96	173.46	18.50	12.46	2.95	-0.41	1,132.80
	June	0.00	38.48	22.92	3.50	17.06	2.00	0.46	1,171.17
	July	0.00	25.67	32.01	0.00	24.29	3.45	4.31	1,196.80
	August	0.00	596.91	9.35	-1.00	27.25	13.82	3.33	1,759.66
	September	0.00	93.02	0.58	4.00	27.89	3.80	3.63	1,813.94
	October	0.00	90.76	34.09	63.50	23.38	4.46	1.53	1,845.93
	November	0.00	32.26	72.25	15.00	5.74	8.30	9.35	1,912.05
	December	0.00	53.23	171.49	28.00	69.84	2.64	87.10	1,949.18

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

CONSUMER PRICE INDICES BY INCOME GROUP (1994 WEIGHTS) (CPI BASE 1994=100) **TABLE 16**

Period		TOTAL INDEX Nos (1994=100)	Non Metropolitan Group Percentage Change		Metropolitan Low-Income Group Percentage Change		Metropolitan High-Income Group Percentage Change		Weighted Average Percentage Change			Monthly Non-Food Inflation % Change
			Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Annualised	
1995	December	161.6	3.3	49.5	3.4	46.1	2.2	40.8	3.0	46.0	42.3	3.2
1996	December	218.5	4.2	34.8	5.1	34.6	3.7	36.4	4.3	35.2	65.5	2.5
1997	December	259.1	2.3	19.0	2.0	17.2	1.6	19.1	2.0	18.6	27.0	-0.8
1998	December	338.3	5.9	30.7	5.9	31.1	5.0	30.0	5.6	30.6	93.4	1.2
1999	December	408.1	1.5	20.0	1.6	18.5	2.1	23.6	1.7	20.6	22.3	-0.7
2000	December	531.1	2.4	28.3	2.2	27.1	3.4	35.6	2.6	30.1	36.1	2.9
2001	December	630.3	4.0	21.7	4.1	19.0	2.1	14.1	3.5	18.7	51.1	1.4
2002	December	798.3	4.6	26.2	5.5	31.5	3.8	23.2	4.6	26.7	71.5	2.5
2003	December	935.3	3.5	16.3	3.0	15.8	2.0	19.8	2.9	17.2	40.9	2.2
2004	December	1,099.0	2.6	17.8	2.7	16.7	1.1	17.8	2.2	17.5	29.8	1.3
2005	December	1,273.2	1.5	16.4	1.7	16.6	-0.4	14.4	1.0	15.9	12.7	-0.6
2006	December	1,378.1	1.3	7.6	1.3	5.6	0.9	11.6	1.2	8.2	15.4	1.0
2007	January	1,397.5	1.5	8.9	1.0	7.3	1.6	13.6	1.4	9.8	18.2	2.1
	February	1,430.1	2.1	10.6	2.5	11.0	2.5	17.1	2.3	12.6	31.4	2.6
	March	1,441.9	0.9	11.0	0.8	10.9	0.7	16.9	0.8	12.7	10.0	0.4
	April	1,441.0	-0.3	11.0	-0.2	10.3	0.4	16.5	-0.1	12.4	-1.2	1.1
	May	1,423.0	-0.4	10.6	-0.4	9.9	0.2	15.1	-0.2	11.8	-2.4	0.8
	June	1,441.0	0.1	10.7	-0.2	8.3	0.7	14.2	0.2	11.1	2.4	1.1
	July	1,445.8	0.3	10.7	0.5	9.2	0.2	13.5	0.3	11.2	3.7	0.0
	August	1,450.9	0.6	10.7	-0.2	9.6	0.5	11.6	0.4	10.7	4.9	1.0
	September	1,457.1	0.6	9.6	0.2	8.0	0.4	10.1	0.4	9.3	4.9	0.6
	October	1,462.0	-0.4	7.9	0.8	8.0	1.1	11.3	0.3	9.0	3.7	0.5
	November	1,481.2	1.7	8.1	1.0	7.4	1.0	10.7	1.3	8.7	16.8	1.2
	December	1,501.2	1.5	8.4	1.8	7.9	0.8	10.7	1.3	8.9	16.8	0.8
2008	January	1,527.9	1.7	8.5	1.9	8.9	1.8	10.9	1.8	9.3	23.9	1.9
	February	1,566.4	3.0	9.4	2.9	9.3	1.6	9.9	2.5	9.5	34.5	1.1
	March	1,582.7	1.2	9.7	0.8	9.3	1.0	10.2	1.0	9.8	12.7	0.8
	April	1,587.2	0.1	10.2	0.6	10.2	0.2	10.0	0.3	10.1	3.7	0.4
	May	1,594.1	0.0	10.6	0.7	11.4	0.9	10.8	0.4	10.9	4.9	0.5
	June	1,615.3	1.4	11.9	2.0	13.9	0.7	10.9	1.3	12.1	16.8	-0.1
	July	1,628.7	0.4	12.0	0.6	13.9	1.7	12.5	0.8	12.6	10.0	2.3
	August	1,643.0	0.6	12.1	1.1	15.4	1.1	13.2	0.9	13.2	11.4	0.3
	September	1,664.2	1.1	12.7	1.1	16.4	1.8	14.7	1.3	14.2	16.8	2.3
	October	1,684.1	1.3	14.6	0.4	16.0	1.7	15.4	1.2	15.2	15.4	1.5
	November	1,708.3	1.6	14.5	1.7	16.7	1.0	15.3	1.4	15.3	18.2	0.7
	December	1,749.8	2.8	16.0	3.0	18.1	1.4	16.0	2.4	16.6	32.9	1.2
2009	January	1,773.0	2.1	16.6	1.1	17.1	0.3	14.3	1.3	16.0	16.8	0.3
	February	1,785.0	0.6	13.9	0.0	13.9	1.3	14.0	0.7	14.0	8.7	1.6
	March	1,789.9	0.3	13.0	-0.5	12.4	0.8	13.8	0.3	13.1	3.7	1.3
	April	1,813.7	1.0	13.9	2.5	14.4	1.0	14.7	1.3	14.3	16.8	0.8
	May	1,828.0	0.5	14.6	1.2	15.1	0.8	14.5	0.8	14.7	10.0	1.0
	June	1,847.9	1.2	14.4	0.9	13.9	1.1	14.9	1.1	14.4	14.0	1.2
	July	1,856.5	0.4	14.4	0.6	13.9	0.4	13.4	0.5	14.0	6.2	0.8
	August	1,877.4	1.2	15.1	1.2	14.0	0.9	13.2	1.1	14.3	14.0	1.0
	September	1,879.9	0.3	14.2	0.2	13.0	-0.1	11.2	0.1	13.0	1.2	0.7
	October	1,890.8	0.7	13.5	0.3	12.8	0.6	10.0	0.6	12.3	7.4	1.2
	November	1,905.1	0.8	12.6	0.7	11.7	0.7	9.7	0.8	11.5	10.0	0.4
	December	1,923.5	1.1	10.8	1.2	9.7	0.6	8.9	1.0	9.9	12.7	1.1

Source: Central Statistics Office

TREASURY BILLS TRANSACTIONS (IN MILLION OF KWACHA) (FACE VALUE UNLESS OTHERWISE INDICATED)

TABLE 17

		Treasury Bills Tender Sales										
Period		28-Days	91-Days	182-Days	273-Days	364-Days	Total Sales	Settlement Value	Maturites	Special Taps & Off-Tender Sales	Re-Discounts	Total Outstanding Bills
1995	December	947,454.8	133,789.5	32,563.5	n/a		1,113,807.8	1,067,059.6	1,111,683.1	113,222.0	93,620.3	211,403.3
1996	December	1,460,360.5	321,309.4	46,956.8	n/a		1,828,626.4	1,597,371.6	1,790,302.5	97,341.5	178,153.8	231,802.0
1997	December	586,437.0	564,869.5	154,802.0	n/a		1,306,108.5	1,217,575.8	1,346,526.2	54,276.0	70,101.9	248,032.5
1998	December	481,595.0	403,860.0	35,075.0	n/a		920,530.0	837,764.4	1,010,197.4	57,231.7	49,805.0	217,360.9
1999	December	1,040,240.0	414,286.0	47,970.0	n/a		1,502,496.0	1,440,115.7	1,558,906.6	102,462.9	46,518.0	263,413.2
2000	December	255,340.0	586,940.0	311,120.0	28,210.0		1,181,610.0	1,074,191.2	1,182,147.8	81,778.9	106,054.0	4,016,755.9
2001	December	28,825.0	70,350.0	43,250.0	23,270.0		165,695.0	142,233.9	160,514.0	13,717.0	4,260.0	676,701.6
2002	December	19,080.0	61,270.0	33,035.0	36,220.0		149,605.0	132,868.3	185,017.0	10,878.0	12,650.0	817,612.8
2003	December	0.0	85,070.0	93,875.0	89,920.0		268,865.0	243,720.6	197,585.0	0.0	0.0	1,325,561.0
2004	December	0.0	85,530.0	83,360.0	51,455.0		220,345.0	203,454.6	241,337.0	31,000.0	4,050.0	1,438,873.0
2005	December	0.0	87,601.0	98,410.0	97,595.0	154,166.9	437,772.9	381,954.5	319,604.0	0.0	0.0	2,088,647.9
2006	December	0.0	64,169.0	90,208.0	71,448.0	808,352.0	1,033,897.9	325,182.6	437,583.0	0.0	0.0	3,261,990.8
2007	January	0.0	63,759.0	91,967.0	73,115.0	126,911.0	355,752.0	304,864.1	385,822.0	0.0	0.0	3,232,199.9
	February	0.0	32,512.0	61,099.0	83,878.5	144,603.0	322,092.5	297,074.7	390,023.0	0.0	0.0	3,164,269.4
	March	0.0	54,560.0	97,568.0	43,579.0	113,740.0	309,447.0	285,040.6	317,941.0	0.0	0.0	3,155,775.4
	April	0.0	56,758.0	70,705.0	54,940.0	232,260.0	414,663.0	376,251.0	300,193.0	0.0	0.0	3,270,245.4
	May	0.0	66,647.0	67,555.0	68,774.0	201,020.0	403,996.0	369,356.0	255,389.0	0.0	0.0	3,418,852.4
	June	0.0	72,716.0	68,899.0	53,327.0	116,654.0	311,596.0	276,783.0	245,088.0	0.0	0.0	3,485,360.4
	July	0.0	21,769.0	73,300.0	45,923.0	151,290.0	292,282.0	248,063.3	316,695.0	0.0	0.0	3,460,947.4
	August	0.0	47,439.0	36,313.0	87,854.0	185,885.0	357,491.0	324,058.2	372,373.0	0.0	0.0	3,446,065.4
	September	0.0	34,921.0	36,996.0	19,285.0	105,830.0	197,032.0	176,594.4	249,864.0	0.0	0.0	3,393,233.4
	October	0.0	34,053.0	52,070.0	79,203.0	160,850.0	326,176.0	297,827.4	280,004.0	0.0	0.0	3,439,405.4
	November	0.0	102,759.0	121,755.0	54,995.0	126,180.0	405,689.0	371,618.0	369,072.5	0.0	0.0	3,476,021.9
	December	0.0	27,548.0	39,860.0	22,230.0	75,034.0	164,672.0	148,513.4	203,679.0	0.0	0.0	3,437,014.9
2008	January	0.0	53,114.0	56,215.0	66,844.0	138,700.0	314,873.0	283,728.2	289,204.0	0.0	0.0	3,484,330.8
	February	0.0	62,889.2	93,448.4	70,659.0	215,480.0	442,476.6	403,001.6	418,929.0	0.0	0.0	3,507,878.4
	March	0.0	20,256.0	43,915.0	65,280.0	138,700.0	268,151.0	237,309.2	165,126.0	0.0	0.0	3,610,902.5
	April	0.0	27,735.0	81,810.0	30,790.0	132,195.0	272,530.0	247,648.4	383,367.0	0.0	0.0	3,500,065.5
	May	0.0	57,638.0	63,765.0	76,585.0	178,489.0	376,477.0	337,760.6	523,553.2	0.0	0.0	3,352,989.3
	June	0.0	34,277.0	72,400.0	64,514.0	205,695.0	376,886.0	331,577.5	146,020.0	0.0	0.0	3,583,855.3
	July	0.0	18,619.0	45,434.0	60,679.0	148,710.0	273,442.0	226,980.3	314,443.0	0.0	0.0	3,542,854.3
	August	0.0	57,291.0	49,002.0	44,680.0	160,950.0	311,923.0	283,042.1	391,966.4	0.0	0.0	3,462,810.9
	September	0.0	49,184.0	36,355.0	20,522.0	55,836.0	161,897.0	145,469.8	206,252.0	0.0	0.0	3,418,455.9
	October	0.0	27,936.0	25,430.0	10,000.0	91,007.0	154,373.0	134,269.5	364,125.0	0.0	0.0	3,208,703.9
	November	0.0	54,651.0	53,938.0	37,629.0	137,566.0	283,784.0	248,769.8	281,893.0	0.0	0.0	3,210,594.9
	December	0.0	46,560.0	40,277.0	21,149.0	899,796.1	1,007,782.1	227,808.7	969,121.9	0.0	0.0	3,249,255.1
2009	January	0.0	62,700.0	65,960.0	49,680.0	247,148.0	425,488.0	369,026.2	310,379.0	0.0	0.0	3,364,364.1
	February	0.0	69,270.0	44,243.0	29,949.0	153,944.0	297,406.0	263,387.2	328,199.0	0.0	0.0	3,333,571.1
	March	0.0	74,901.0	78,327.0	67,844.0	219,158.0	440,230.0	384,710.4	286,129.0	0.0	0.0	3,487,672.1
	April	0.0	57,170.0	65,059.0	44,929.0	150,180.0	317,338.0	280,345.8	257,875.0	0.0	0.0	3,547,135.1
	May	0.0	108,555.0	86,489.0	69,990.0	303,463.0	568,497.0	502,436.8	404,565.0	0.0	0.0	3,669,083.1
	June	0.0	72,432.0	27,729.0	19,413.0	254,886.0	374,460.0	310,025.2	381,246.0	0.0	0.0	3,662,297.1
	July	0.0	82,467.0	61,795.0	41,925.0	220,211.0	406,398.0	342,651.1	303,230.0	0.0	0.0	3,765,465.1
	August	0.0	95,580.0	80,232.0	65,438.0	217,679.0	458,929.0	405,088.8	330,510.0	0.0	0.0	3,893,884.1
	September	0.0	77,249.0	48,401.0	69,146.0	166,448.0	361,244.0	320,965.7	222,171.0	0.0	0.0	4,032,957.1
	October	0.0	84,100.0	82,297.0	85,390.0	178,680.0	430,467.0	381,642.9	253,364.0	0.0	0.0	4,210,060.1
	November	0.0	83,162.0	87,014.0	88,288.0	187,308.0	445,772.0	400,254.7	305,795.0	0.0	0.0	4,350,037.1
	December	0.0	81,904.0	84,292.0	83,028.0	167,286.9	416,510.9	379,526.6	334,523.0	0.0	0.0	1,024,690.0

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

End of Period		By Holder: Commercial Banks	By Holder: Others(c)	Total Outstanding
1995	December	3,949.6	10,810.6	14,760.2
1996	December	17,324.2	14,371.0	31,695.2
1997	December	30,176.0	6,165.2	36,341.2
1998	December	19,714.0	5,680.2	25,394.2
1999	December	44,835.0	19,090.0	63,925.0
2000	December	126,033.1	75,671.9	201,705.0
2001	December	289,366.5	113,219.5	402,586.0
2002	December	395,675.7	237,887.3	633,563.0
2003	December	721,380.5	412,723.5	1,134,104.0
2004	December	841,986.6	287,995.6	1,129,982.2
2005	December	916,851.0	552,026.3	1,468,877.3
2006	December	992,339.7	1,120,618.5	2,112,958.1
2007	January	1,068,689.4	1,074,573.6	2,143,263.0
	February	1,071,820.7	1,103,378.2	2,175,198.9
	March	1,064,004.4	1,158,785.6	2,222,790.1
	April	1,093,950.7	1,250,100.9	2,344,051.6
	May	1,058,940.7	1,392,816.2	2,451,756.9
	June	1,023,719.7	1,354,367.8	2,378,087.5
	July	1,038,225.2	1,442,109.0	2,480,334.2
	August	1,079,760.2	1,491,317.2	2,571,077.4
	September	1,104,659.7	1,554,383.0	2,659,042.7
	October	1,114,602.4	1,646,925.3	2,761,527.8
	November	1,123,847.9	1,680,990.6	2,804,838.5
	December	1,069,506.9	1,705,733.2	2,775,240.0
2008	January	1,127,534.7	1,713,370.0	2,840,904.7
	February	1,238,018.9	1,711,881.3	2,949,900.2
	March	1,207,500.1	1,810,602.5	3,018,102.6
	April	1,230,523.6	1,882,687.4	3,113,211.0
	May	1,330,602.5	1,856,145.9	3,186,748.4
	June	1,330,946.8	1,915,950.5	3,246,897.3
	July	1,179,503.7	1,907,949.6	3,087,453.4
	August	1,287,844.2	1,979,624.2	3,267,468.4
	September	1,313,387.8	2,030,697.8	3,344,085.7
	October	1,276,146.9	1,987,541.2	3,263,688.1
	November	1,385,047.2	1,854,013.3	3,239,060.6
	December	1,367,620.8	1,853,220.7	3,220,841.6
2009	January	1,397,496.5	1,891,921.5	3,289,418.0
	February	1,411,084.8	1,860,262.5	3,271,347.4
	March	1,351,874.8	1,806,337.5	3,158,212.3
	April	1,308,927.7	1,787,246.9	3,096,174.7
	May	1,347,111.2	1,773,213.8	3,120,325.0
	June	1,339,455.7	1,827,428.3	3,166,884.0
	July	1,493,389.6	1,785,439.3	3,278,829.0
	August	1,574,389.5	1,757,078.0	3,331,467.6
	September	1,677,673.6	1,705,463.2	3,383,136.7
	October	1,596,128.9	1,672,444.2	3,268,573.1
	November	1,713,458.8	1,612,752.5	3,326,211.3
	December	1,656,370.7	1,745,471.0	3,401,841.7

Source: Bank of Zambia
Note:(1) Commercial banks holdings of GRZ ordinary Bonds excludes ZANACO Bond of K250.0 billion. (2) Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds

METAL PRODUCTION AND EXPORTS (METRIC TONS)

TABLE 19

Date		Copper		Cobalt	
		Exports	Production	Exports	Production
1995	Total	344,297	307,558	2,469	2,931
1996	Total	327,474	313,923	3,866	4,829
1997	Total	300,718	312,457	4,673	4,028
1998	Total	257,394	272,437	5,319	4,961
1999	Total	251,333	255,894	3,408	4,378
2000	Total	200,574	221,167	2,996	2,877
2001	Total	296,387	296,446	4,379	4,182
2002	Total	329,964	337,367	4,025	3,990
2003	Total	353,414	349,814	3,374	3,211
2004	Total	393,182	409,543	6,102	6,082
2005	Total	428,385	437,878	5,451	5,529
2006	Total	476,104	497,169	4,663	4,658
2007	January	30,916	35,750	239	248
	February	35,026	35,538	237	254
	March	44,706	39,683	335	357
	April	30,266	39,104	399	381
	May	38,212	40,604	454	446
	June	44,126	42,865	411	440
	July	35,353	43,962	480	462
	August	51,327	48,590	465	480
	September	48,476	45,803	391	416
	October	34,982	46,288	396	384
	November	36,744	43,479	449	427
	December	43,281	49,251	356	396
	Total	**473,415**	**510,917**	**4,614**	**4,690**
2008	January	37,356	42,369	378	341
	February	38,371	42,450	389	383
	March	65,042	54,103	406	420
	April	46,125	53,142	404	411
	May	46,717	49,569	321	311
	June	50,357	45,117	355	364
	July	32,024	45,781	463	425
	August	44,676	49,089	386	430
	September	49,983	43,470	383	438
	October	51,748	50,873	360	376
	November	54,393	55,795	411	422
	December	67,496	68,275	351	292
	Total	**584,288**	**600,033**	**4,608**	**4,613**
2009	January	55,199	62,621	356	367
	February	48,049	56,122	247	250
	March	50,058	52,205	469	464
	April	40,519	53,034	208	220
	May	51,048	52,248	307	312
	June	66,083	63,142	363	354
	July	58,109	57,749	571	567
	August	66,395	59,614	640	646
	September	62,445	60,777	826	802
	October	59,828	59,085	709	721
	November	54,608	55,439	662	661
	December	63,044	65,823	511	514
	Total	**675,384**	**697,860**	**5,868**	**5,879**

Source: Bank of Zambia