Bank of Zambia

ANNUAL REPORT 2021

Bank of Zambia

REGISTERED OFFICES

Head Office
Bank Square, Cairo Road
P. O. Box 30080, Lusaka,10101, Zambia
Tel: (+260)211399300
E-mail: info@boz.zm
Website:www.boz.zm

Regional Office
Buteko Avenue,
P.O. Box 71511, Ndola, Zambia
Tel: (+260)212399600
E-mail: info@boz.zm
Website:www.boz.zm

Bank *of* Zambia


BANK OF

VISION

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

MISSION STATEMENT

To achieve and maintain price and financial system stability to foster sustainable economic development

TABLE OF CONTENTS

BOARD OF DIRECTORS

AS AT DECEMBER 31, 2021

DR. DENNY H. KALYALYA
GOVERNOR AND CHAIRPERSON

MS. PAMELA KASESE BWALYA
VICE CHAIRPERSON

MS. SARAH S. TEMBO ROSS

MR. SHEBO NALISHEBO

MR. CAESAR CHEELO

PROF. DOUGLAS KUNDA

DR. PATRICIA N. SHANSONGA KAMANGA

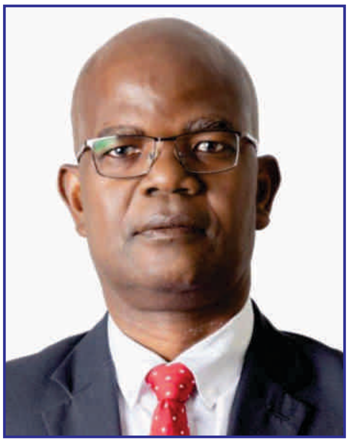
MR. MULELE M. MULELE

BOARD OF DIRECTORS

FORMER BOARD MEMBERS (UNTIL SEPTEMBR 24, 2021)

MR. CHRISTOPHER M. MVUNGA
GOVERNOR AND CHAIRPERSON

PROF. HELLICY C. NG'AMBI
VICE CHAIRPERSON



MR. BRYSON MUMBA

MR. MWILA LUMBWE

DR. ANDREW MWABA

MS. NAMUCANA C. MUSIWA

MS. ROSETA MWAPE CHABALA

MR. FREDSON K. YAMBA

EXECUTIVE

SENIOR MANAGEMENT AS AT 31 DECEMBER 2021

DR. DENNY H. KALYALYA
GOVERNOR

DR. FRANCIS CHIPIMO
DEPUTY GOVERNOR - OPERATIONS

MS. REKHA CHIFUWE MHANGO
DEPUTY GOVERNOR - ADMINISTRATION

DIRECTORS

SENIOR MANAGEMENT AS AT 31 DECEMBER 2021

DR. JONATHAN M. CHIPILI
DIRECTOR - ECONOMICS

MR. ISAAC MUHANGA
DIRECTOR - FINANCIAL MARKETS

MS. GLADYS MPOSHA CHIWELE
DIRECTOR - BANK SUPERVISION

MS. FREDA TAMBA
DIRECTOR - NON-BANK FINANCIAL INSTITUTIONS SUPERVISION

MS. MWABA KASESE
DIRECTOR - REGIONAL OFFICE

MR. LAZAROUS KAMANGA
DIRECTOR – BANKING AND CURRENCY

MS. MIRRIAM KAMUHUZA
DIRECTOR - PAYMENT SYSTEMS

MS. NAMWANDI NDHLOVU
GENERAL COUNSEL AND BANK SECRETARY

MR. DAVID MWAPE
DIRECTOR - STRATEGY AND CHANGE MANAGEMENT

DIRECTORS

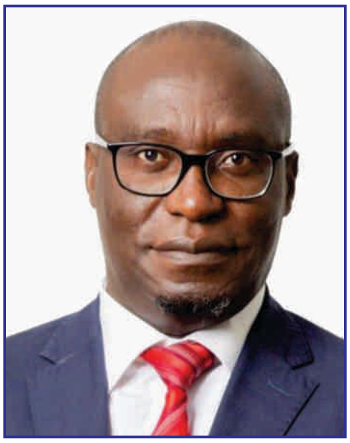
SENIOR MANAGEMENT AS AT 31 DECEMBER 2021

MR. VISSCHER BBUKU
DIRECTOR – RISK AND COMPLIANCE

MS. PRUDENCE MALILWE
DIRECTOR - FINANCE

MR. ROY SIKWIBELE
DIRECTOR - INTERNAL AUDIT

MS. MUMBI KANDEKE MWILA
DIRECTOR - HUMAN RESOURCES



DR. GREGORY NSOFU
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MR. EVANS LUNETA
DIRECTOR - PROCUREMENT AND MAINTENANCE SERVICES

MR. NAYOTO MOOLA
DIRECTOR - SECURITY

GOVERNOR'S OVERVIEW

GOVERNOR'S OVERVIEW

This Report reviews global and domestic macroeconomic developments and outlines the Bank of Zambia (BoZ or the Bank) activities in fulfilling its mandate of price and financial system stability in 2021. In addition, the Report provides an update on the implementation of the 2020-2023 Strategic Plan. Audited financial statements of the Bank for the year ended December 31, 2021 are also presented.

In 2021, the economy faced significant inflationary pressures. Accordingly, monetary policy focused on containing these pressures with a view to anchoring inflation expectations. The Monetary Policy Rate was thus cumulatively raised by 100 basis points to 9.0 percent with the aim of steering inflation towards single digits by end-2022 and to within the 6-8 percent target range by mid-2023. These policy actions also signalled the progressive unwinding of the accommodative monetary policy measures implemented in 2020 in the wake of the COVID-19 pandemic. As these measures were being taken, risks to financial system stability and the fragile economic growth were kept in focus.

While overall inflation trended upwards during the first half of 2021 and peaked at 24.6 percent in June, inflationary pressures moderated in the second half. In December, inflation had declined to 16.4 percent compared to the 19.2 percent recorded in December 2020. The lower outturn was largely driven by the sharp appreciation of the Kwacha against the US dollar; partial dissipation of shocks to prices of meat and poultry products that occurred between the third quarter of 2020 and the second quarter of 2021; and improved supply of maize. The strong recovery of the Kwacha in 2021, particularly in the second half of the year, was mainly supported by higher inflows from non-resident investors in Government securities and positive market sentiments attributed to better macro-economic prospects, including expectations and eventual general allocation of the Special Drawing Rights (SDRs) in August by the International Monetary Fund (IMF), as well as the holding of peaceful General Elections and subsequent change of the Government.

Money market liquidity conditions continued to be loose in 2021 on account of net Government spending, disbursements under the Bank of Zambia Targeted Medium-Term Refinancing Facility (TMTRF), and the settlement of bonds under the Secondary Market Bond Purchase Programme (SMBPP). Consequently, the overnight interbank rate declined and almost breached the lower bound of the Policy Rate Corridor during the last half of the year. In view of this, contractionary open market operations were scaled up to steer the interbank rate towards the Policy Rate.

The high liquidity levels contributed to the rebound in the demand for Government securities in 2021. This was in addition to renewed interest by non-resident investors in Government securities. As a result, yield rates on Treasury bills and Government bonds declined to 14.5 percent and 21.9 percent in December 2021 from 20.2 percent and 33.4 percent in December 2020, respectively. However, commercial banks' nominal average lending rate rose slightly to just below 26.0 percent from 25.1 percent, largely reflecting the upward adjustment in the Policy Rate.

The growth in domestic credit decelerated as lending to Government reduced and credit to the private sector contracted. Credit to Government slowed down due to the decline in loans and advances and lower accumulation of Government securities by commercial banks. The contraction of credit to the private sector largely reflected the decline in foreign currency denominated credit occasioned by heightened exchange rate risk and loan repayments. This was in spite of the enhanced disbursements of Kwacha denominated loans under the TMTRF.

As at end-December 2021, the overall financial performance and condition of the banking sector was rated *satisfactory*. Favourable capital adequacy, asset quality, earnings performance, and liquidity conditions were the main factors behind the rating. Similarly, the overall financial performance and condition of the non-bank financial institutions sector was rated *satisfactory*. The rating was on account of satisfactory earnings performance, regulatory capital, liquidity management, and sensitivity to market risks.

The other key development in the financial sector during 2021 was the addition of 15 participants on the National Financial Switch. This brought the total number of active participants on the Switch to 28. As a result, the value and volume of electronic transactions increased significantly during the year.

Real GDP rebounded, rising to 3.6 percent in 2021 after contracting by 2.8 percent in 2020. Strong performance in the information and communications as well as construction sectors underpinned the recovery in domestic economic activity.

The fiscal position improved in 2021 as reflected in the reduction in the cash fiscal deficit to 9.0 percent of GDP from 14.2 percent in 2020. This was largely on account of strong revenue performance driven by higher collection of income tax and mineral royalty from the mining sector—supported by relatively elevated copper prices—and dividend payment as well as enhanced compliance enforcement. However, expenditure exceeded the target and continued to exert pressure on the budget. This largely reflected increased spending on Government operations, agricultural subsidies, response programmes to the COVID-19 pandemic, and the 2021 General Elections.

An overall balance of payments surplus of US$1.5 billion (8.2 percent of GDP) was recorded in 2021 compared to a deficit of US$0.4 billion (2.2 percent of GDP) in 2020. This was largely on account of the General SDR allocation of SDR 937.6 million by the IMF, which also led to the rise in gross international reserves to US$2.8 billion (4.4 months of import cover) at end-2021 from US$1.2 billion (2.4 months of import cover) at end-2020. The current account surplus narrowed slightly on the back of widening deficits on *primary income* and *services accounts.* Reinvested earnings and the increase in expenditure on transportation, as imports recovered following the rebound in domestic activity, largely contributed to the deficits on the *primary income* and *services accounts*.

Global growth rebounded to 6.1 percent in 2021 against a contraction of 3.1 percent in 2020. This was driven by the pick-up in economic activity as COVID-19 vaccinations gained traction and restrictive measures eased. This was in addition to sustained expansionary fiscal policies in advanced economies and generally accommodative monetary policies.

The execution of the 2020-2023 Bank of Zambia Strategic Plan, under the theme "*Building an Inclusive and Resilient Financial Sector*", continued to lag behind due to the impact of the COVID-19 pandemic. In view of this, a midstream review of the Plan was conducted and delivery timelines for activities significantly delayed were extended. All the activities were retained as the environmental factors and risks that informed the formulation of the Plan remained largely unchanged.

The Bank-wide risk profile continued to improve, guided by enhanced governance and risk management policies. In addition, the Bank continued to implement Business Continuity Management strategies that were informed by staff safety and continuity of the Bank's critical activities considering the COVID-19 disruptions. Some of the actions undertaken included working from home, mass testing, regular fumigation of the premises, sensitisation of staff on prevention measures, and mass vaccination campaigns. About 81.0 percent of staff were vaccinated as at end-December 2021.

DR. DENNY H. KALYALYA
GOVERNOR

1.0 STATEMENT ON CORPORATE GOVERNANCE

1.0 STATEMENT ON CORPORATE GOVERNANCE

The Constitution of Zambia (Amendment) Act[1] as read with the Bank of Zambia Act[2] provides that the Bank of Zambia Board of Directors is vested with all the powers of running the affairs of the Bank, including formulating policies of the institution. The Board is composed of the Governor, six Non-Executive Directors (NEDs), and the Secretary to the Treasury (ST) as an ex-officio member. Appointments of the previous Board expired on various dates in September 2021 (Table 1.1).

Table 1.1: Former Board of Directors

Name	Position
Mr. Christopher M. Mvunga*	Chairperson
Prof. Hellicy C. Ng'ambi**	NED/Vice Chairperson
Dr. Andrew Mwaba**	NED
Mr. Bryson Mumba**	NED
Mr. Mwila Lumbwe**	NED
Ms. Namucana C. Musiwa**	NED
Ms. Roseta M. Chabala**	NED
Mr. Fredson K. Yamba***	Ex-Officio

*Resigned on September 7, 2021; ** Tenure ended on September 24, 2021; *** Appointment revoked on September 7, 2021

On October 28, 2021, the appointments of Dr. Denny H. Kalyalya as Governor and Mr. Felix Nkulukusa as Secretary to the Treasury were ratified by Parliament. The Minister of Finance and National Planning, on December 29, 2021, appointed the Non-Executive Board Members. The new and current Board Members of the Bank are shown in Table 1.2.

Table 1.2: Current Board of Directors

Name	Position
Dr. Denny H. Kalyalya	Chairperson
Ms. Pamela Kasese Bwalya	NED/Vice Chairperson
Dr. Patricia N. Shansonga Kamanga	NED
Ms Sarah S. Tembo Ross	NED
Mr. Shebo Nalishebo	NED
Mr. Caesar Cheelo	NED
Prof. Douglas Kunda	NED
Mr. Mulele M. Mulele	Ex-Officio (Permanent Alternate to ST)

The Board has four Standing Committees that include Audit and Finance (AFC); Appointments and Remuneration (ARC); and Governance and Risk (GRC). The roles and functions of the Committees are defined in their respective Charters. The Committees meet at least once a quarter and their composition until September 24, 2021 was as presented in Table 1.3.

Table 1.3: Composition of Board Committees

Audit and Finance	Appointments and Remuneration	Governance and Risk
Mr. Mwila Lumbwe *	Ms. Roseta M. Chabala*	Dr. Andrew Mwaba *
Prof. Hellicy C. Ng'ambi	Ms. Namucana C. Musiwa	Prof. Hellicy C. Ng'ambi
Mr. Bryson Mumba	Dr. Andrew Mwaba	Mr. Bryson Mumba
Ms. Namucana C. Musiwa	Mr. Mwila Lumbwe	Prof. Douglas Kunda
Prof. Douglas Kunda		Mr. Benjamin Ngenda**
Mr. Fredson K. Yamba		

*Chairperson
** Appointment expired on February 8, 2021.

[1]Article 213(3) of Act No.2 of 2016
[2]Bank of Zambia Act Chapter 360 of the Laws of Zambia

In addition, the Board has a Monetary Policy Advisory Committee (MPAC) to facilitate consultation, promote transparency, and provide advice to the Bank on monetary policy matters. This Committee meets bi-annually to approve the two half-yearly Monetary Policy Statements. The composition of MPAC as at December 31, 2021 was as presented in Table 1.4.

Table 1.4: Composition of MPAC

Name	Position
Dr Denny H Kalyalya	Governor (Chairperson)
Dr. Francis Chipimo	Deputy Governor – Operations
Ms. Rekha C. Mhango	Deputy Governor – Administration
Mr. Mukuli Chikuba	External Member
Dr. Dale Mudenda	External Member
Dr. Chanda M.G. Shikaputo	External Member

The summary of attendance to Board and Committee Meetings as at September 24, 2021 is provided in Tables 1.5 and 1.6.

Table 1.5: Board Meetings

Name	Position	Statutory Meetings	Special Meetings	Attendance percent %
Mr. Christopher M. Mvunga*	Chairperson	2/3	3/4	71
Prof. Hellicy C. Ng'ambi	Vice Chairperson	3/3	4/4	100
Dr. Andrew Mwaba	NED	3/3	4/4	100
Mr. Bryson Mumba	NED	3/3	4/4	100
Mr. Mwila Lumbwe	NED	3/3	4/4	100
Ms. Namucana C. Musiwa	NED	3/3	4/4	100
Ms. Roseta M. Chabala	NED	3/3	4/4	100
Mr. Fredson K. Yamba	Ex-Officio	2/3	1/4	43

*Resigned on September 7, 2021

Table 1.6: Board Committee and MPAC Meetings

Name	Position	ARC Regular Meetings	AFC Regular and Special Meetings	GRC Regular Meetings	MPAC Regular Meetings	Attendance Percent %
Mr. Christopher M. Mvunga *	Chairperson				1/2	50
Prof. Hellicy C. Ng'ambi	Vice Chairperson		5/5	3/3		100
Dr. Andrew Mwaba	NED	3/3		3/3		100
Mr. Bryson Mumba	NED		5/5	3/3		100
Mr. Mwila Lumbwe	NED	3/3	5/5			100
Ms. Namucana C. Musiwa	NED	3/3	5/5			100
Ms. Roseta M. Chabala	NED	3/3			2/2	100
Mr. Fredson K. Yamba	Ex-Officio		0/5			0
Prof. Douglas Kunda	External Member		5/5	2/2		100
Mr. Benjamin Ngenda**	External Member			1/1		100
Dr. Francis Chipimo	Deputy Governor - Operations				2/2	100
Ms. Rekha C. Mhango	Deputy Governor - Administration				2/2	100
Dr. Dale Mudenda	External Member				2/2	100
Dr. Chanda M.G. Shikaputo	External Member				2/2	100
Mr. Mukuli Chikuba	External Member				2/2	100
Ms. Pamela Kasese Bwalya	External Member				2/2	100

*Resigned on September 7, 2021.
**Expiry of Appointment on February 8, 2021

Some of the key resolutions passed by the Board included the termination of license for Commercial Leasing Zambia Limited; extension of the Secondary Market Bond Purchase Programme; restructuring of the Zambian Currency; support and collaboration with Financial Sector Deepening Zambia; revision of the Delegation of Authority; and Mid-Stream Review of the 2020-2023 Bank of Zambia Strategic Plan.

As part of its corporate social responsibility, the Bank continued to support various humanitarian, educational, sporting, and health related activities. To this effect, about K3.3 million was disbursed to support these activities, including to the fight against the COVID-19 pandemic.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

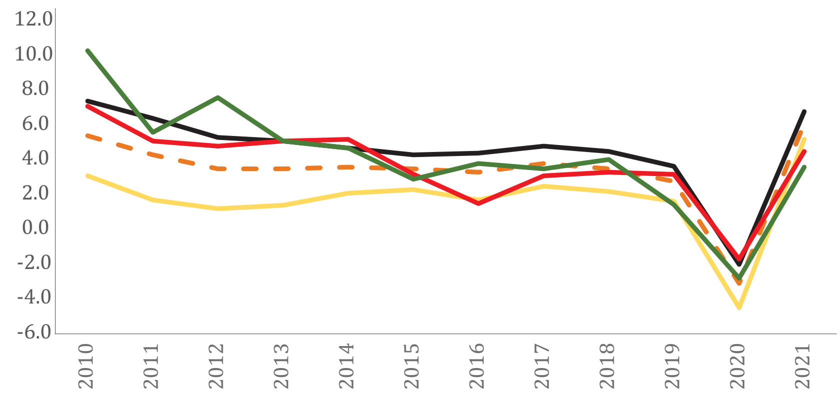
2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Overview of the Global Economy

The global economy rebounded in 2021 with growth rising to 6.1 percent[3] after contracting by 3.1 percent in 2020 (Chart 2.1 and Table 2.1). The pick-up in economic activity as COVID-19 vaccination gained traction and restrictive measures eased, largely accounted for the recovery in global growth. Business optimism and consumer confidence improved, leading to stronger global demand and a broader rebound in global trade as supply constraints eased. In addition, sustained expansionary fiscal policies, particularly in advanced economies, and generally accommodative monetary policies contributed to the recovery. However, the recovery varied across regions due to uneven and restricted access to vaccines in a number of jurisdictions amid vaccine hesitancy and limited policy support to mitigate the adverse impact of the pandemic, particularly in low-income countries.

CHART 2.1:
World GDP Growth (Percent), 2010 - 2021

World
AE
EMDEs
SSA
Zambia



Source: January 2022 IMF *World Economic Outlook* (*WEO)* Update, Bank of Zambia Compilation

Note: AE = Advanced Economies; EMDEs =Emerging Markets and Developing Economies; SSA = Sub-Saharan Africa

Table 2.1: World Real GDP and Inflation Rates (Annual Percentage Change), 2019-2021

	Real GDP			Inflation		
	2019	**2020**	**2021***	**2019**	**2020**	**2021***
World	2.8	-3.1	6.1	na	na	na
Advanced Economies	1.6	-4.5	5.2	1.4	0.8	3.3
United States	2.2	-3.4	5.7	1.8	1.2	4.7
Euro Area	1.3	-6.4	5.3	1.2	0.3	2.6
United Kingdom	1.4	-9.4	7.4	1.8	0.9	2.6
Emerging Markets & Developing Countries	3.6	-2.0	6.8	na	na	na
China	6.0	2.3	8.1	2.9	2.5	0.9
Sub-Saharan Africa	3.2	-1.7	4.5	8.5	10.8	12.6
South Africa	0.2	-6.4	4.9	4.1	3.3	4.6
Nigeria	2.2	-1.8	3.6	11.4	13.3	17.0
Zambia	1.4	-2.8	3.6	9.1	15.7	22.1

Source: IMF April 2022 WEO Update, Focus Economics, Trading Economics, Zambia Statistics Agency, Ministry of Finance and National Planning.
* Preliminary

[3] April 2022 IMF *World Economic Outlook* (WEO) Update.

Advanced Economies

Growth in advanced economies rebounded to 5.2 percent in 2021 after contracting by 4.5 percent in 2020 (Table 2.1). The effective public health response, reflected in accelerated vaccination interventions and strong policy support, boosted economic activity. This was despite occasional lockdowns to curb the rise in COVID-19 infections as new variants, such as Delta and Omicron, emerged.

Emerging Markets and Developing Economies

Real GDP growth for Emerging Markets and Developing Economies (EMDEs) recovered to 6.8 percent in 2021 against a 2.0 percent contraction in 2020 (Table 2.1). This was on the back of strong external demand, pick-up in commodity prices, rise in domestic consumption, and resilient remittances.

The recovery was led by China whose economy expanded by 8.1 percent, supported by effective COVID-19 containment measures, firm public investment, and sustained accommodative monetary policy measures. The recovery for tourism-dependent countries was restrained by global travel restrictions on account of the rise in COVID-19 infections as new variants emerged.

More broadly, the pace of economic recovery was affected by slow progress towards vaccination, persistent supply-chain disruptions, and gradual withdrawal of supportive policy measures in view of declining fiscal space and rising inflation.

Sub-Saharan Africa

Real GDP growth for the Sub-Saharan Africa (SSA) region was 4.5 percent in 2021 compared to a contraction of 1.7 percent in 2020 (Table 2.1). The recovery was largely driven by strong external demand, particularly for commodity exports, and a modest increase in tourism activity as travel restrictions gradually eased. Growth in Nigeria and South Africa—leading SSA economies—rebounded to 3.6 percent and 4.9 percent in 2021 from a contraction of 1.8 percent and 6.4 percent in 2020, respectively. Preliminary estimates show that the Zambian economy also recovered to 3.6 percent in 2021.

Nevertheless, the region's economic recovery remained fragile owing to renewed COVID-19 infections, limited access to vaccines, persistently high fiscal deficits amid subdued domestic revenue, and social unrest in some countries. Further, high inflation and elevated unemployment weighed on consumer spending. In response to surging price pressures, several countries tightened monetary policy, which somewhat negatively affected growth.

2.2 Inflation

Inflationary pressures accelerated in 2021 on the back of rising energy prices and surging global demand amid persistent raw material shortages in view of the continued supply bottlenecks. For the SSA region and some EMDEs, upward price pressures were augmented by currency depreciations and food shortages as global food prices rose.

2.3 Commodity Prices

Commodity prices rallied in 2021 mostly on account of relatively stronger global demand and reduced supply due to adverse weather conditions.

Copper prices surged to an average of US$9,317.1/mt in 2021 from US$6,173.1/mt in 2020. This was underpinned by upbeat industrial activity in China, rapid growth of the electric motor vehicle industry, transition to renewable energy systems, and supply disruptions[4]. Over the same period, crude oil prices soared to an average of US$69.1/barrel from US$41.3/barrel due to limited supply[5].

[4]The blockage of a road—popularly known as the mining corridor in Peru as the community protested the environmental and the social impact of mining activities—disrupted copper supply at the onset of the fourth quarter of 2021.
[5]The slower-than-anticipated recovery in global oil output was as a result of some OPEC+ Members producing below the allocated quotas. The Houthi attack on Saudi oil facilities and fears of a protracted Suez Canal blockage also contributed to lower production. Further, reduced US inventories amid cyber attacks resulted in constrained oil supply, hence pushing oil prices up.

Agricultural commodity prices also posted broad-based gains mainly on account of buoyant demand and reduced supply[6]. Maize prices rose to US$259.5/mt in 2021 from US$165.5/mt in 2020 due to delayed harvest in Ukraine. Wheat prices increased to US$281.7/mt from US$227.7/mt in 2020, reflecting uncertainty regarding the Russian export policy, low grain quality in Europe, and poor spring harvests in North America[7]. Soybean prices also rose to US$583.3/mt from US$406.6/mt due to limited supply as a result of prolonged dry weather conditions in Brazil—a major exporter—and increased demand for soymeal, particularly in the first half of 2021[8].

[6]Dry weather conditions in Brazil constrained maize and soybean supply while unexpected rainfall in Australia weighed on wheat supply.

[7]Agricultural Market Information System (AMIS) Market Monitor Report No. 92 and 93 - October and November 2021: http://www.amis-outlook.org/amis-monitoring.

[8]Agricultural Market Information System Market Monitor Report No. 92 – October 2021:http://www.amis-outlook.org/amis-monitoring

3.0 MACROECONOMIC OBJECTIVES AND MONETARY POLICY STANCE

3.0 MACROECONOMIC OBJECTIVES AND MONETARY POLICY STANCE

3.1 Macroeconomic Objectives

Key macroeconomic objectives set by the Government for 2021 were to:

a) Achieve a real GDP growth rate of at least 1.8 percent;
b) Reduce the inflation rate towards the 6-8 percent medium-term target;
c) Increase gross international reserves to at least 2.5 months of import cover;
d) Reduce the fiscal deficit to 9.3 percent of GDP; and
e) Achieve domestic revenue collections of not less than 18.0 percent of GDP.

Three macroeconomic objectives were achieved: real GDP growth was 3.6 percent; gross international reserves rose to 4.4 months of import cover; and domestic revenue to GDP was 23.7 percent. Inflation remained above the 6-8 percent target, at 16.4 percent in December, despite decelerating sharply, particularly in the last half of the year. The fiscal deficit was slightly below the target, at 9.0 percent of GDP. Details regarding the performance of these indicators are provided in this and subsequent chapters.

3.2 Monetary Policy Stance

In 2021, monetary policy focused on containing escalating inflationary pressures and anchoring inflation expectations. In this regard, the Policy Rate was raised by 50 basis points to 8.5 percent in February to deal with heightened inflationary pressures while balancing risks to financial system stability. This decision signalled the Bank's intention to progressively unwind the accommodative monetary policy measures[9] implemented in 2020 to safeguard financial system stability and augment efforts to safeguard lives and livelihoods. The Monetary Policy Rate was maintained at 8.5 percent in May and August to allow for the earlier adjustment to take full effect on the economy. This decision also recognised existing vulnerabilities in the financial sector and fragile growth.

However, in November, the Policy Rate was raised by 50 basis points to 9.0 percent to steer inflation towards single digits by the end of 2022 and to within the 6-8 percent target range by mid-2023. The increase in the Policy Rate was on account of the projected inflation remaining above the target range over the medium-term due to the pressures stemming from the possible increase in fuel pump prices and electricity tariffs. Further, contractionary open market operations were undertaken, particularly in the fourth quarter, to contain the overnight interbank rate—operating target—within the Policy Rate Corridor in line with the inflation objective.

3.3 Inflation Outcome

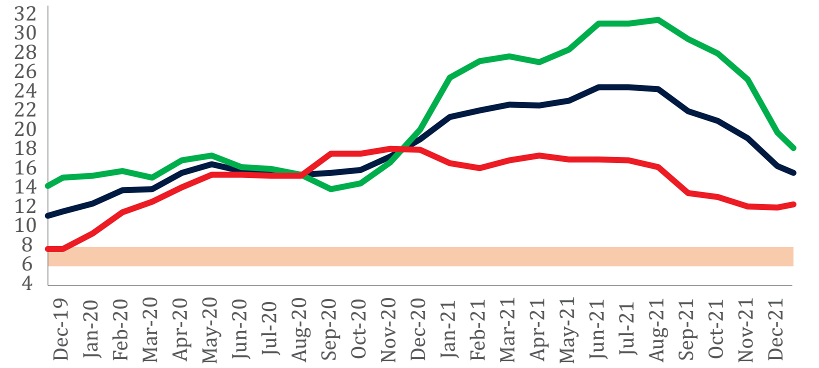
Overall inflation continued on an upward trend during the first half of 2021 and reached a peak of 24.6 percent in June—last observed in January 2003—from 19.2 percent in December 2020 (Chart 3.1). Sustained depreciation of the Kwacha, imported inflation, as well as reduced supply of meat, fish, and some vegetables were the key drivers of inflation. However, in the second half of the year, inflationary pressures moderated, largely driven by the sharp appreciation of the Kwacha, partial dissipation of shocks to the prices of meat and poultry products experienced between the third quarter of 2020 and the second quarter of 2021[10], and improved supply of maize. Consequently, overall inflation declined to 16.4 percent in December. Nonetheless, average overall inflation at 22.1 percent in 2021 was higher than the 15.7 percent recorded in 2020.

[9]The measures included the significant reduction in the Policy Rate; increased liquidity support through the scaling up of open market operations; launch of the Secondary Market Bond Purchase Programme; and measures to enhance financial sector resilience such as the establishment of the K10 billion Targeted Medium-Term Refinancing Facility, revision of loan classification and provisioning rules, as well as the promotion of digital channels for making payments.
[10]Meat prices rose sharply between the third quarter of 2020 and the second quarter of 2021 due to the depreciation of the Kwacha, which increased prices of imported inputs such as soya cake for stock feed and livestock medicines used in the production of meat. In addition, the importation of parent stock for production of broiler chicks was significantly disrupted by the COVID-19 related restrictions, hence the rise in prices of poultry products.

CHART 3.1:
Inflation, Annual Change (Percent), Dec 2019 – Dec 2021

Inflation Target Range
Overall Inflation
Food inflation
Non-food inflation

Source: Zambia Statistics Agency, Bank of Zambia Compilation



Both food and non-food inflation declined to 19.9 percent and 12.1 percent in December 2021 from 20.2 percent and 18.1 percent in December 2020, respectively. The key drivers of food inflation included the appreciation of the Kwacha, which reduced the price of imported inputs and finished products in the oils and fats sub-group; improved supply of maize; as well as the partial dissipation of price shocks to meat and poultry products (Chart 3.2). The improvement in maize supply followed a bumper harvest during the 2020/2021 farming season when 3.6 million metric tonnes were produced. Non-food inflation was also impacted by the appreciation of the Kwacha, which had a notable effect on the transport and household equipment sub-groups—prices of motor vehicles, international air fares and imported household products (Chart 3.3).

CHART 3.2:
Selected Sub-Components of Food Inflation (Percentage Points), Dec 2019 -Dec 2021

Bread and cereals
Fish
Oils and Fats
Vegetables
Fruits & Other Manufactured Products
Meat
Milk, Cheese & Eggs
Fruit
Sugar, Jam, honey, chocolate and confectionery
Food Inflation

Source: Zambia Statistics Agency, Bank of Zambia Compilation

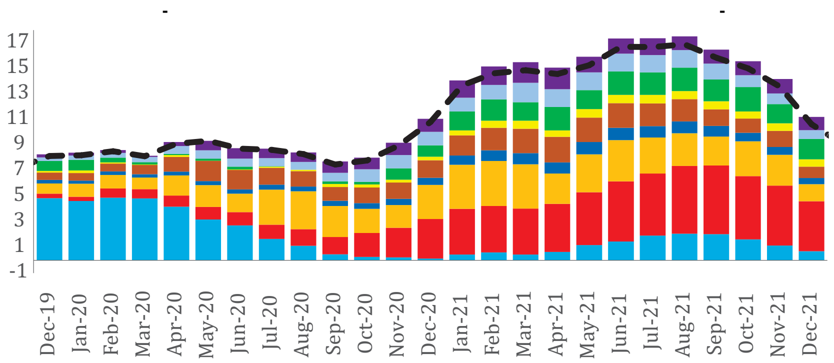
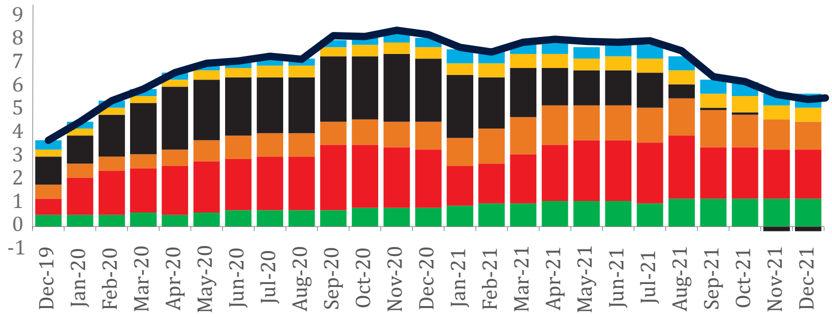


CHART 3.3:
Selected Sub-Components of Non-food Inflation (Percentage Points), Dec 2019 – Dec 2021

Clothing and Footwear
Goods and Services
Energy
Others
Household Equipment
Non-food Inflation
Transport

Source: Zambia Statistics Agency, Bank of Zambia Compilation



4.0 FINANCIAL MARKETS

4.0 FINANCIAL MARKETS

4.1 Money Market Liquidity

Money market liquidity conditions continued to be loose in 2021 on account of net Government spending, disbursements under the Bank of Zambia Targeted Medium-Term Refinancing Facility (TMTRF)[11], and the settlement of bonds under the Secondary Market Bond Purchase Programme (SMBPP)[12] as shown in Table 4.1.

Table 4.1 Liquidity Influences (K' billion), 2019 - 2021

	2019	2020	2021
Current Account Opening Balance	**1.4**	**2.0**	**3.3**
Net Government Spending/(Revenue)	-4.1	9.6	26.4
Net BoZ Foreign Exchange Purchases/(Sales)	1.3	-6.8	-23.9
Currency in Circulation	1.1	-4.5	-3.0
Statutory Reserves Deposits	-0.5	-1.3	-1.4
Overnight Lending Facility (OLF)	-0.1	-0.5	0.2
Net Government Secondary Maturities/(Sales)	2.4	-9.1	-3.7
SMBPP	0.0	8.0	2.2
Open Market Operations	0.1	1.5	-5.2
Miscellaneous	0.4	1.4	2.4
TMTRF	0.0	3.0	5.8
Current Account Closing Balance	**2.0**	**3.3**	**3.1**

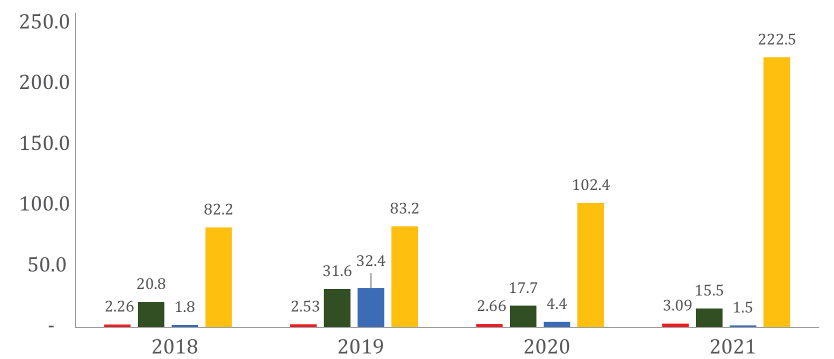
Source: Bank of Zambia

With high liquidity levels, particularly in the second half of the year, the interbank rate declined and almost breached the lower bound of the Policy Rate Corridor. In response, contractionary open market operations were scaled up to steer the overnight interbank rate towards the Policy Rate. Thus, a net of K5.2 billion was withdrawn from the market (Table 4.1).

4.2 Interbank Money Market

The turnover in the interbank money market more than doubled in 2021 to K222.5 billion from K102.4 billion in 2020 (Chart 4.1). This was mainly on account of lower liquidity levels in the first half of the year.

CHART4.1: Interbank Money Market Turnover (K' billion), 2018 – 2021



Source: Bank of Zambia

[11]The 3–5-year K10 billion TMTRF was established in April 2020 to provide funds to eligible Financial Service Providers to strengthen and enhance financial sector resilience as well as support economic recovery during the pandemic.

[12]The K8.0 billion Secondary Market Bond Purchase Programme was implemented in June 2020 to support market liquidity, promote bond consolidation in order to deepen the secondary trading of Government paper, and strengthen the transmission of monetary policy.

Commercial banks utilised foreign exchange swaps to obtain K3.1 billion to meet liquidity shortfalls (Chart 4.1). In addition, commercial banks accessed K15.5 billion from the Overnight Lending Facility (OLF) to cover short-term liquidity mismatches.

4.3 Government Securities Market

Demand for Government securities rebounded somewhat in 2021 largely on account of the high level of liquidity conditions, particularly in the second half of the year, and strong participation by non-resident investors, mostly in Government bond auctions. The upgrade of the local currency issuer default rating[13] and a positive macroeconomic outlook premised on higher copper prices and better prospects of a formal Extended Credit Facility (ECF)with the International Monetary Fund (IMF) later in the year, contributed to renewed interest by non-residents in Government securities. As a result, the average subscription rate for bonds increased significantly to 96.1 percent in 2021 from 37.2 percent in 2020 while that for Treasury bills rose marginally to 93.9 percent from 93.1 percent (Table 4.2).

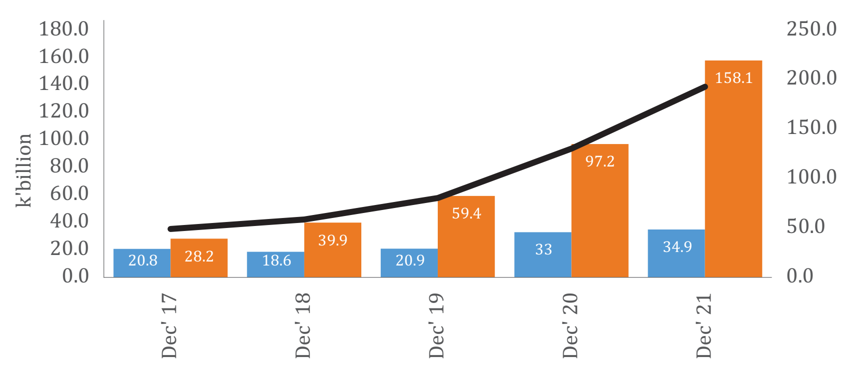
Table 4.2: Government Securities Transactions, 2019-2021

	2019			2020			2021		
	Amount on Offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount on Offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount on Offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)
91-day T-bills	2.1	1.5	71.4	2.2	3.1	140.9	4.9	4.7	95.9
182-day -bills	4.5	1.9	42.2	4.9	4.2	85.7	6.1	4.0	65.4
273-day T-bills	6.7	5.0	74.6	7.3	4.3	58.9	6.9	3.9	56.7
364-day T-bills	13.3	17.6	132.3	14.5	15.3	105.5	17.9	21.0	117.3
TOTAL	**26.6**	**26.0**	**(Average) 97.7**	**28.9**	26.9	**(Average) 93.1**	**35.8**	**33.6**	**(Average) 93.9**
2-year bond	1.1	1.7	154.5	2.2	2.5	113.6	2.2	3.5	57.7
3-year bond	2.5	1.3	52.0	3.1	1.6	51.6	3.8	2.9	75.5
5-year bond	2.8	3.4	121.4	4.1	1.1	26.8	4.9	5.6	113.8
7-year bond	1.0	0.1	10.0	1.7	0.0	0.0	1.6	0.9	55.6
10-year bond	2.8	0.2	7.1	3.4	0.4	11.8	4.3	3.6	83.3
15-year bond	0.8	0.1	12.5	1.1	0.2	18.2	1.1	0.8	74.1
TOTAL	**11.0**	**6.8**	**(Average) 61.8**	**15.6**	**5.8**	**(Average) 37.2**	**18.0**	**17.3**	**(Average) 96.1**

Source: Bank of Zambia

Although K52.5 billion[14] was raised through auctions against maturities of K42.7 billion, Government financing needs were not fully met. This was partly due to limited access to external support for Government, which meant that greater emphasis had to be placed on domestic financing. Therefore, an additional K65.5 billion was raised through private placements. Consequently, the stock of Government securities rose to K193.0 billion (at face value) at end-December 2021 from K130.2 billion at end-December 2020 (Chart 4.2).

CHART 4.2:
Stock of Government Securities (K' billion at face value), Dec-2017-Dec-2021

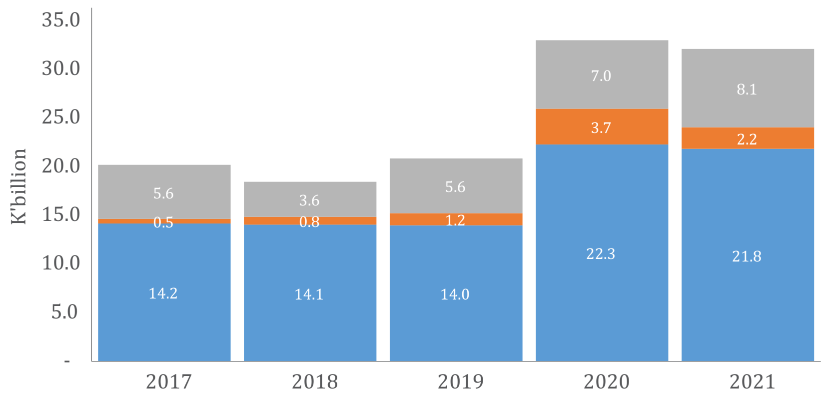


Source: Bank of Zambia

[13] Fitch Credit Ratings upgraded Zambia's credit rating on Kwacha denominated Government securities to 'CCC' from 'CC' in April 2021.
[14] The tender size for Treasury bills was raised to K1.4 billion in 2021 from K1.3 billion in 2020 while that for bonds remained unchanged at K1.5 billion.

Commercial banks continued to dominate the holdings of Treasury bills, amounting to K21.8 billion, and accounted for 67.9 percent of the stock (Chart 4.3).

CHART 4.3: Treasury Bills Holdings (K' billions at face value), 2017-2021

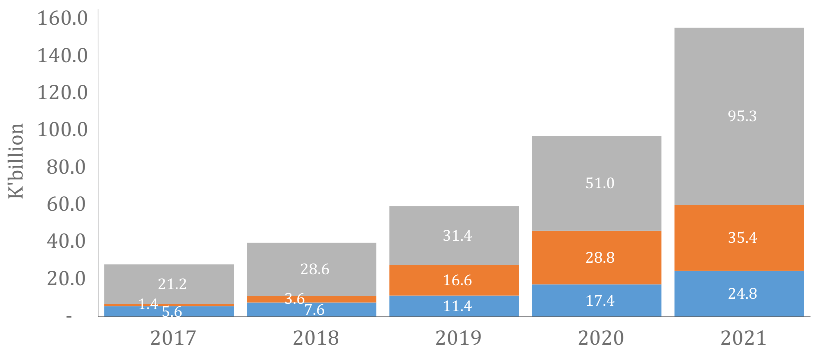


Commercial Banks
Bank of Zambia
Rest of Investors

Source: Bank of Zambia

In the case of Government bonds, the holdings were dominated by non-bank financial institutions, mainly pension funds (61.2 percent) as shown in Chart 4.4.

CHART 4.4: Government Bond Holdings (K' billions at face value), 2017-2021



Commercial Banks
Bank of Zambia
Non-Bank Financial Institutions

Source: Bank of Zambia

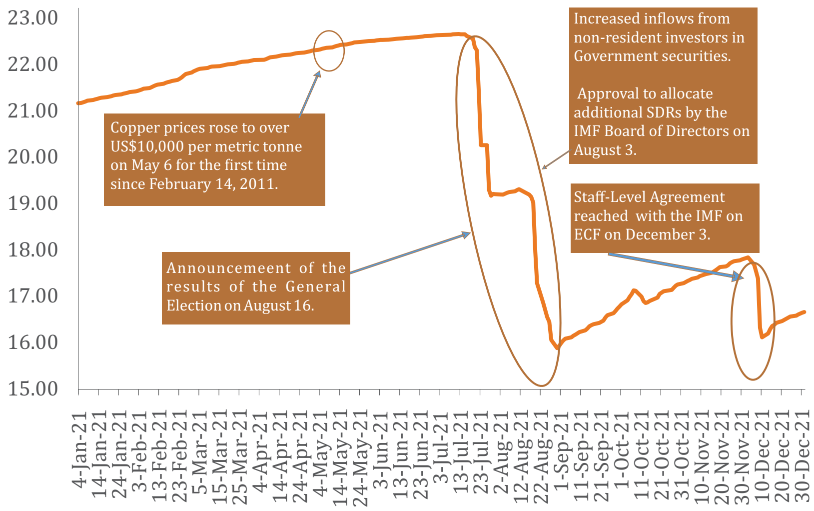
The holdings of Government securities by non-resident investors increased to K54.1 billion at end-December 2021 from K18.1 billion at end-December 2020. The bulk of their holdings (99.4 percent) was in bonds.

4.4 Foreign Exchange Market

Following a sharp depreciation in 2020, the Kwacha recovered strongly in 2021, particularly in the second half of the year (Chart 4.5). This was mainly supported by higher inflows from non-resident investors in Government securities and positive market sentiments driven by better macroeconomic prospects, including expectations and eventual allocation of the Special Drawing Rights (SDRs) by the IMF. Consequently, the Kwacha appreciated by 21.0 percent against the US dollar to close the year at K16.67 (Chart 4.5 and Table 4.3). Similarly, the Kwacha gained against the British pound sterling (GBP), euro (EUR), and South African rand (ZAR) as shown in Table 4.3.

However, demand pressures emerged during the fourth quarter as the need to finance imports of petroleum products intensified. To moderate these pressures and avoid excessive volatility of the exchange rate, the Bank of Zambia provided mineral tax payments—paid directly in US dollars through the BoZ—back to the market. This significantly reduced the demand backlog to almost US$63.0 million at end-December 2021 from a peak of US$415.0 million in May 2021.

CHART 4.5:
Key Exchange Rate Developments in 2021



Source: Bank of Zambia

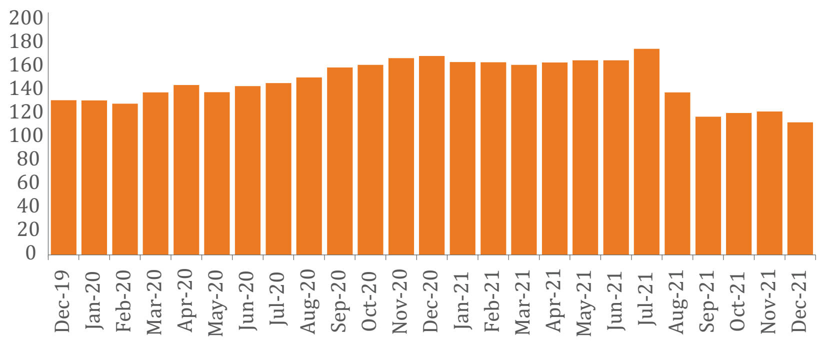
Table 4.3 End of Period Kwacha Exchange Rate Against Major Convertible Currencies, 2020-2021

Year	ZMW/USD	ZMW/GBP	ZMW/EUR	ZMW/ZAR
2020	21.17	28.92	25.96	1.44
2021	16.67	22.47	18.88	1.05
Percentage Change	-21.7	-22.3	-27.3	-27.5

Source: Bank of Zambia

In real terms, the Kwacha effective exchange rate appreciated by 1.0 percent in 2021 compared to a depreciation of 20.4 percent in 2020. This was due to the strengthening of the nominal exchange rate and relatively higher domestic inflation (Chart 4.6).

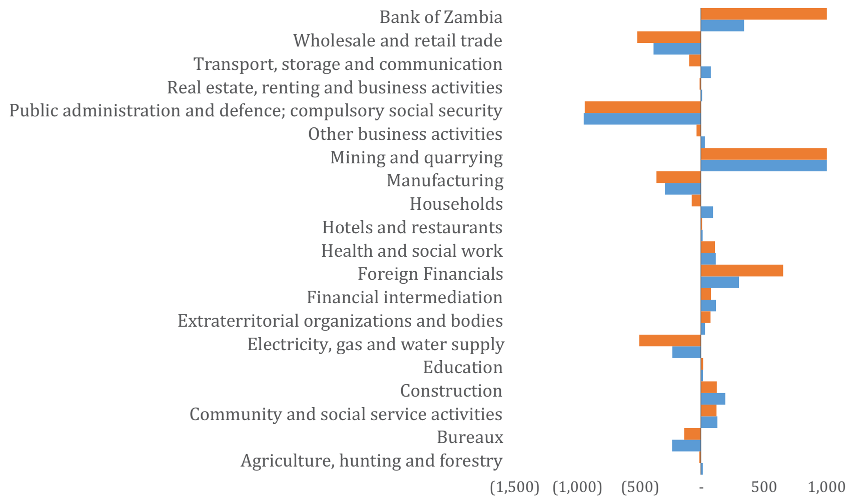
CHART 4.6:
Real Effective Exchange Rate, Dec 2019-Dec 2021



Source: Bank of Zambia

The supply of foreign exchange, at US$5.9 billion, in 2021was marginally higher than the US$5.2 billion recorded in 2020. The major sources were the mining and quarrying sector (US$1.1 billion) and foreign financial institutions—mostly offshore investors—(US$1.1 billion), as shown in Chart 4.7. In addition, to mitigate exchange rate volatility, the Bank of Zambia provided a net of US$1.2 billion to the market. The primary source of this liquidity was tax receipts from the mining companies amounting to US$1.5 billion paid directly in US dollars through the Bank of Zambia (Chart 4.8).

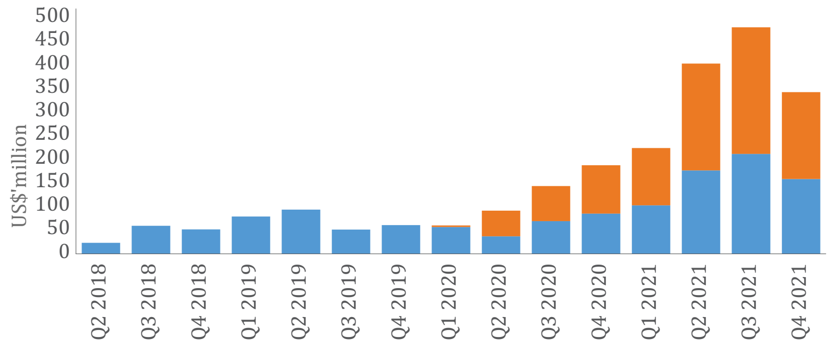
CHART 4.7
Net Supply of Foreign Exchange by Sector (US$ million), 2020-2021



2021
2020

Source: Bank of Zambia

CHART 4.8:
Mining Taxes Paid Directly in US Dollars through the Bank of Zambia, Jun 2018 – Dec 2021



Mineral Royalty
Non-Mineral Royalty

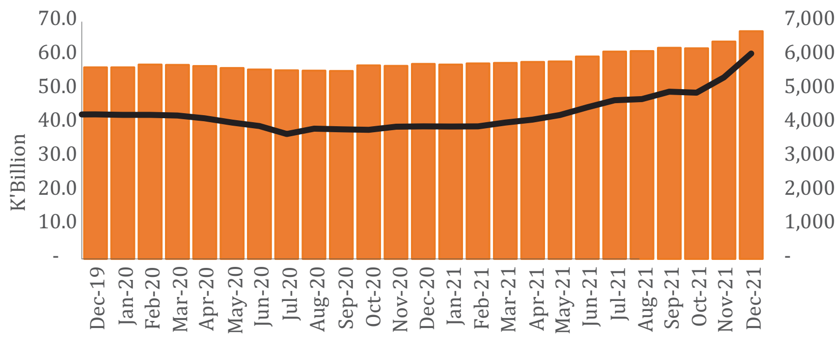
Source: Bank of Zambia

However, total demand for foreign exchange in 2021, at US$6.3 billion, was higher than the US$5.1 billion recorded in 2020. Demand was mostly from the public sector (US$1.0 billion) to finance primarily imports of petroleum products (Chart 4.7). This was followed by the wholesale and retail trade (US$0.8 billion), manufacturing (US$0.7 billion), and electricity, gas, and water (US$0.7billion) sectors (Chart 4.7).

4.5 Capital Market

Trading on the Lusaka Securities Exchange, which had been adversely affected by COVID-19 in 2020, recovered in 2021.The Lusaka All-share Index (LASI) increased by 54.9 percent to 6,059.7 at end-December (Chart 4.9) . This was on the back of higher profitability as costs were contained and sales increased with the pick-up in economic activity. As a result, market capitalisation rose by 16.8 percent to K67.2 billion[15] (Chart 4.9).

CHART 4.9:
Indicators of Capital Market Activity, Dec 2019-Dec 2021



Market Capitalisation (LHS)
All Share Index (RHS)

Source: Bank of Zambia

[15]The year-on-year change in market capitalisation in 2020 was revised to +1.8 percent from the -1.7 percent reported previously.

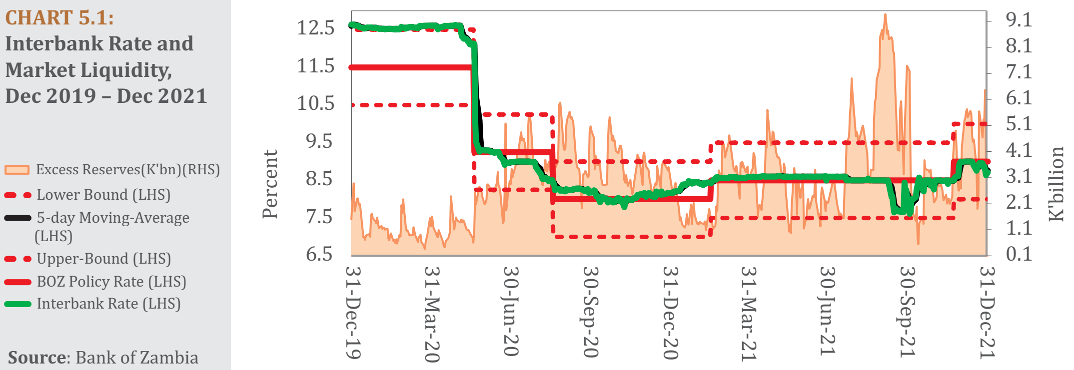
5.0 INTEREST RATES, CREDIT AND MONEY

5.0 INTEREST RATES, CREDIT AND MONEY

5.1 Interest Rates

In 2021, interest rates movements were mixed. The overnight interbank rate rose slightly to 8.64 percent in December 2021 from 8.10 percent in December 2020, but was contained within the Policy Rate Corridor (Chart 5.1). This was in line with the increase in the Policy Rate and the contractionary open market operations conducted in the last half of the year.

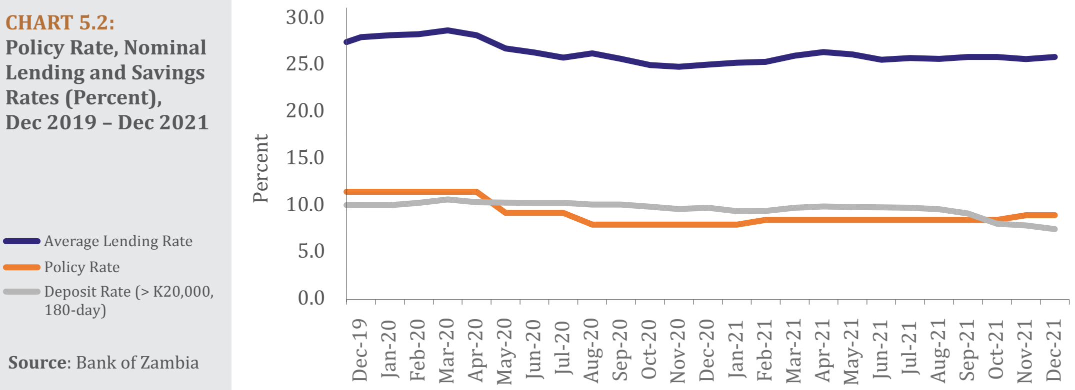
CHART 5.1:
Interbank Rate and Market Liquidity, Dec 2019 – Dec 2021



Source: Bank of Zambia

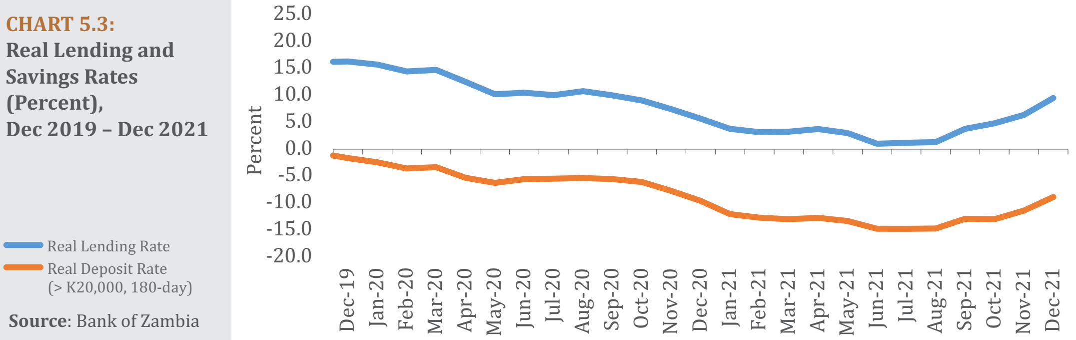
The commercial banks' nominal average lending rate (ALR) also increased slightly to 25.9 percent in December 2021 from 25.1 percent in December 2020, largely reflecting the upward adjustment in the Policy Rate (Chart 5.2). In real terms, the ALR increased to 9.5 percent from 5.7 percent, mostly on account of the decline in inflation (Chart 5.3). In contrast, the nominal 180-day deposit rate for amounts exceeding K20,000 declined to 7.5 percent from 9.8 percent in line with the fall in yield rates on Government securities. However, in real terms, the deposit rate, though still negative, improved to -8.9 percent from -9.6 percent. The fall in inflation was also the principal driver of this development.

CHART 5.2:
Policy Rate, Nominal Lending and Savings Rates (Percent), Dec 2019 – Dec 2021



Source: Bank of Zambia

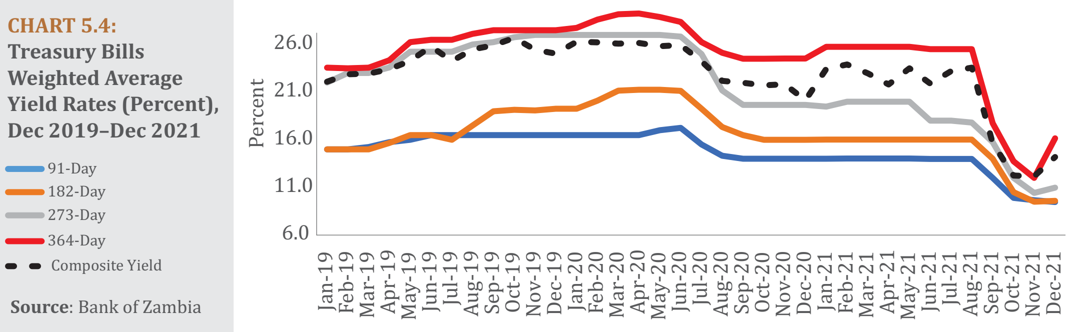
CHART 5.3:
Real Lending and Savings Rates (Percent), Dec 2019 – Dec 2021



Source: Bank of Zambia

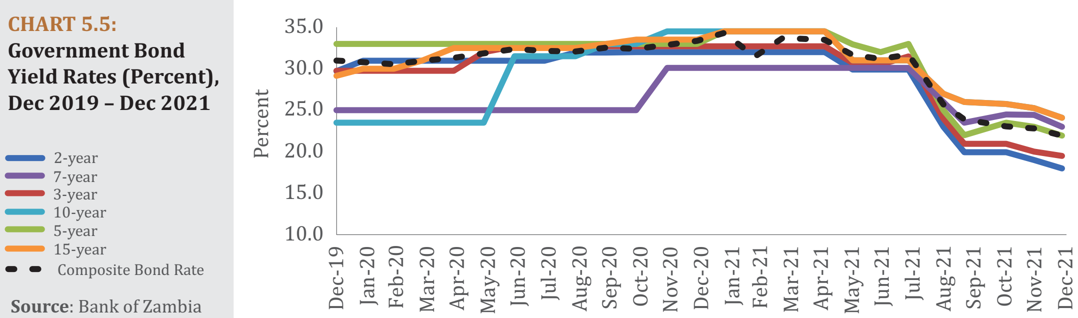
Yield rates on Government securities trended downwards in the last half of 2021, reflecting largely elevated demand supported by high liquidity level in the money market and strong participation by non-resident investors mostly in Government bond auctions. Consequently, the weighted average yield rates for Treasury bills and Government bonds declined to 14.5 percent and 21.9 percent in December 2021 from 20.2 percent and 33.4 percent in December 2020, respectively (Charts 5.4 and 5.5).

CHART 5.4:
Treasury Bills Weighted Average Yield Rates (Percent), Dec 2019–Dec 2021



Source: Bank of Zambia

CHART 5.5:
Government Bond Yield Rates (Percent), Dec 2019 – Dec 2021



Source: Bank of Zambia

5.2 Domestic Credit

In 2021, domestic credit[16] growth reduced significantly to 8.6 percent from 41.1 percent in 2020. This stemmed from both reduced lending to Government and contraction in private sector credit (Table 5.1 and Chart 5.6). Credit to Government only grew by 17.9 percent in 2021 compared to 68.8 percent in 2020 as loans and advances declined and commercial banks accumulated less Government securities. In contrast, credit to the private sector contracted by 7.8 percent in 2021 against a growth of 8.5 percent in 2020, largely due to the reduction in foreign currency denominated credit.

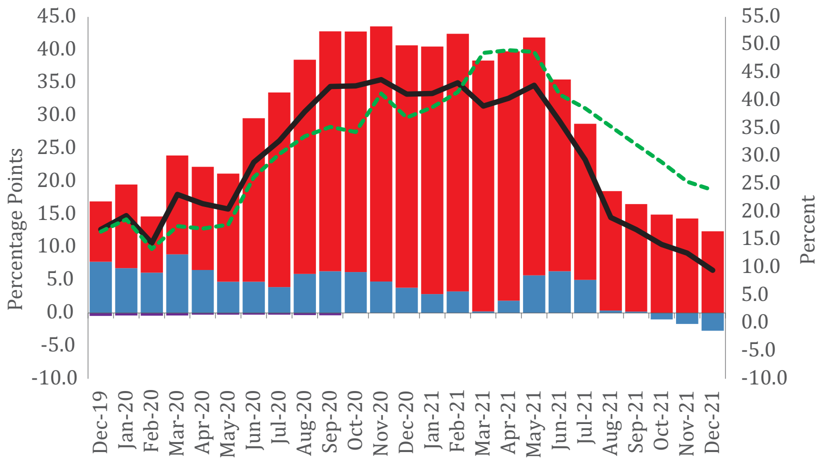
Table 5.1: Developments in Domestic Credit, 2019 – 2021

Description	2019			2020			2021		
	K' billion	Percent Change	Percentage Contribution	K' billion	Percent Change	Percentage Contribution	K' billion	Percent Change	Percentage Contribution
Total Domestic Credit	83.0	16.8	16.8	117.2	41.1	41.1	127.2	8.6	8.6
Government	44.4	17.2	9.2	75.0	68.8	36.8	88.5	17.9	11.5
Private Sector	37.6	17.2	7.8	40.8	8.5	3.9	37.7	-7.8	-2.7
Private Enterprises	23.4	23.3	6.2	27.2	16.2	4.6	24.3	-10.7	-2.5
Households	14.2	8.4	1.5	13.6	-4.2	-0.7	13.4	-1.8	-0.2
Public Enterprises	0.7	48.4	0.3	1.1	58.3	0.5	0.9	-24.1	-0.2
NBFIs	0.2	-59.8	-0.5	0.2	-23.7	-0.1	0.2	12.5	0.0

Source: Bank of Zambia

[16] Total domestic credit includes lending by the Bank of Zambia, commercial banks, and other depository corporations in both Kwacha and foreign currencies.

CHART 5.6:
Contribution to year-on-year Gross Domestic Credit Growth, Dec 2019 – Dec 2021

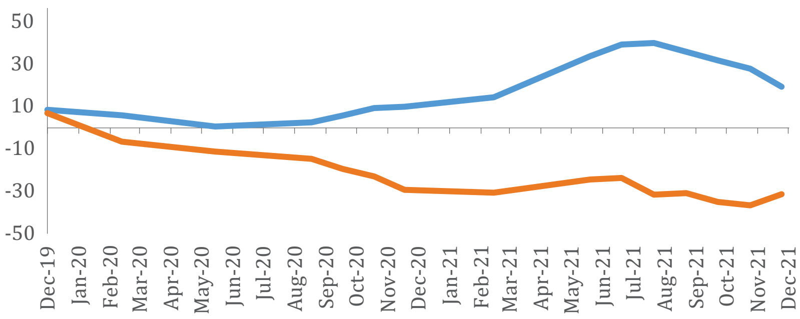


Private Sector
Gross Claims on Central Government
NBFIs
Gross Domestic Credit Growth (RHS)
Exchange Rate Adjusted Domestic Credit

Source: Bank of Zambia

In December 2021, foreign currency credit contracted further by 31.3 percent, year-on-year (y/y), from 29.2 percent (y/y) in 2020 (Chart 5.7). The conversion of US dollar loans into Kwacha to mitigate the foreign currency credit risk following the rapid depreciation of the Kwacha in the first half of the year as well as loan repayments were the major contributing factors to the observed contraction in foreign currency credit. On the other hand, Kwacha denominated credit continued to expand, growing by 19.4 percent (y/y) in December 2021 compared to 10.0 percent (y/y) in December 2020 (Chart 5.7). This was largely on account of more disbursements under the TMTRF and the switch from foreign denominated currency loans.

CHART 5.7:
Growth in Credit Growth by Currency, year-on-year (Percent), Dec 2019 – Dec 2021

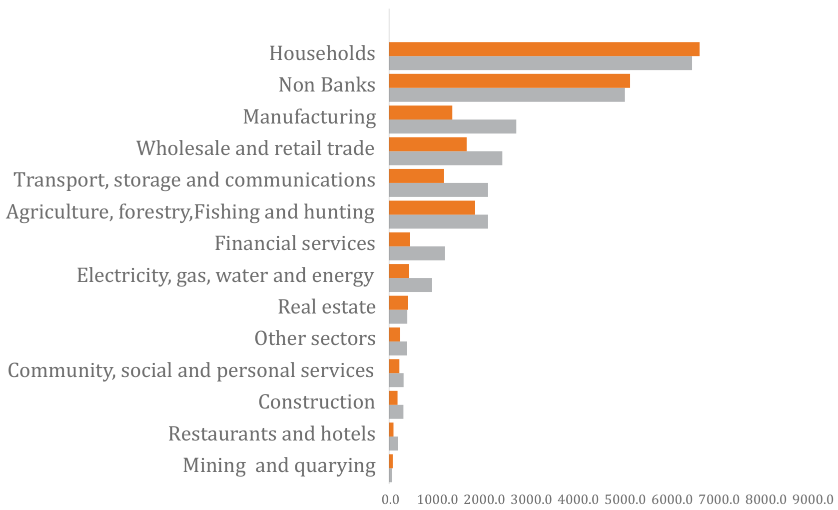


Kwacha
Foreign Currency

Source: Bank of Zambia

Kwacha denominated credit continued to be dominated by households (personal loans), which accounted for 26.0 percent (K7.8 billion) in December 2021 (33.4 percent in 2020) followed by the manufacturing sector (11.4 percent) as indicated in Chart 5.8.

CHART 5.8:
Distribution of Private Sector Kwacha Denominated Credit (K' million), 2020-2021

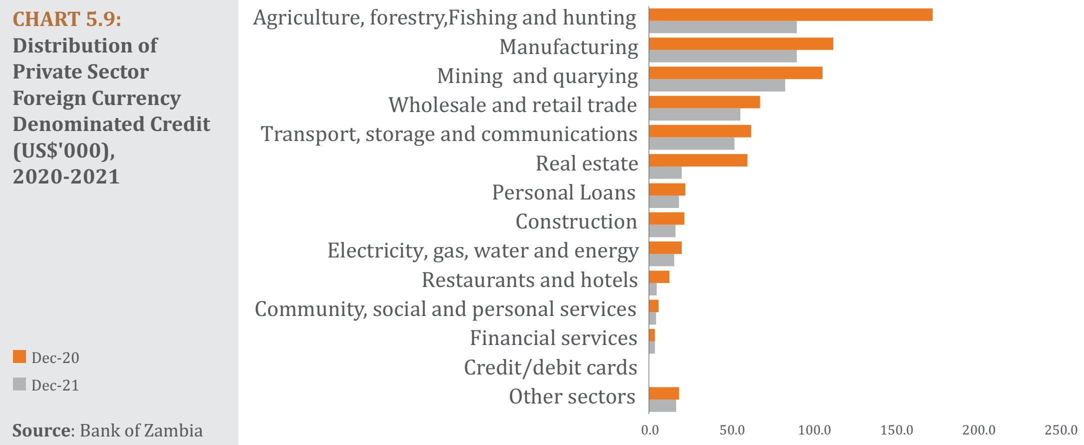


Dec-20
Dec-21

Source: Bank of Zambia

With regard to foreign currency denominated credit, at end-December 2021, the agriculture and manufacturing sectors, at 19.2 percent each, accounted for the largest proportion, followed by the mining sector (17.6 percent) as shown in Chart 5.9.

CHART 5.9: Distribution of Private Sector Foreign Currency Denominated Credit (US$'000), 2020-2021

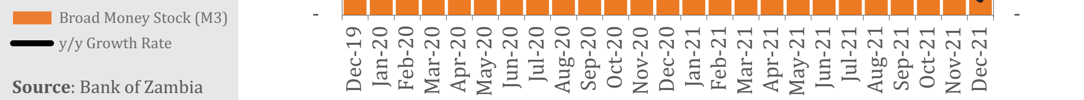


Source: Bank of Zambia

5.3 Broad Money

In December 2021, the growth rate in broad money (M3) slowed down significantly to 3.7 percent (y/y) from 46.4 percent (y/y) in December 2020 (Chart 5.10 and Table 5.2). The slowdown was largely due to the decline in net foreign assets (attributed to the reduction in foreign currency deposits held by commercial banks abroad), deceleration in total domestic credit, and valuation effects following the appreciation of the Kwacha. Adjusted for the exchange rate movement, the growth in broad money was still slower at 33.1 percent in December 2021 than the 35.1 percent recorded in December 2020.

CHART 5.10: Annual Broad Money Growth (Percent), Dec 2019 – Dec 2021



Source: Bank of Zambia

Table 5.2: Sources of Growth in Broad Money (Percent), 2019 – 2021

	2019	2020	2021	Contribution to Growth in M3 in 2021
Broad Money (M3)	12.5	46.4	3.7	3.7
of which				
Net Foreign Assets	-2.3	60.8	-3.5	-1.3
Net Domestic Assets	22.2	39.0	7.9	5.0
Gross Domestic Credit	16.8	41.1	8.6	9.7
Gross Claims on Government	17.2	68.8	17.9	13.0
Private Sector	17.2	8.5	-7.8	
Private Enterprises	23.3	16.2	-10.7	-2.8
Households	8.4	-4.2	-1.8	-0.2
Public Enterprises	48.4	58.3	-24.1	-0.3
NBFIs	-59.8	-	12.5	0.0

Source: Bank of Zambia

6.0 FISCAL SECTOR DEVELOPMENTS

6.0 FISCAL SECTOR DEVELOPMENTS

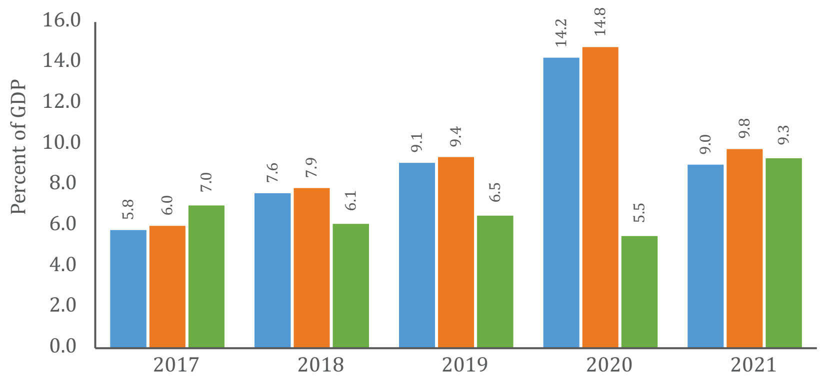
In 2021, the fiscal position of Government improved on account of stronger revenue performance despite expenditure exceeding the target.

Preliminary data indicate a cash fiscal deficit of 9.0 percent of GDP in 2021 compared to 14.2 percent in 2020 (Chart 6.1). Excluding amortisation, the cash fiscal deficit was 9.8 percent of GDP (14.8 percent of GDP in 2020).

CHART 6.1:
Fiscal Deficit (Percent of GDP), 2017 – 2021

■ Overall Cash Fiscal Deficit
■ Overall Cash Fiscal Deficit excluding amortisation
■ Target Deficit

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



6.1 Revenue and Grants

In 2021, total revenue and grants, at K98.9 billion (24.3 percent of GDP), were K30.9 billion above the target (Table 6.1). This outturn was largely on account of sustained higher collections of income tax and mineral royalty from the mining sector—supported by relatively high copper prices—and dividend payments.

Tax Revenue

Tax revenue was K71.2 billion (17.5 percent of GDP) against a target of K53.4 billion (14.6 percent of GDP) as shown in Table 6.1. Income tax accounted for almost 60.0 percent of total tax revenue on the back of higher company tax collections than projected, notably from mining companies. Enhanced compliance also contributed to above target tax revenue collection.

Non-Tax Revenue

Non-tax revenue exceeded the target of K12.6 billion by K2.7 billion (Table 6.1). This was largely due to exceedingly higher than projected mineral royalty receipts, bolstered by elevated copper prices and dividends by Bank of Zambia.

Grants

Total grants amounted to K2.5 billion against a target K2.0 billion due to higher disbursement of project funds by Cooperating Partners (Table 6.1).

Table 6.1: Central Government Revenue and Grants, 2019 – 2021

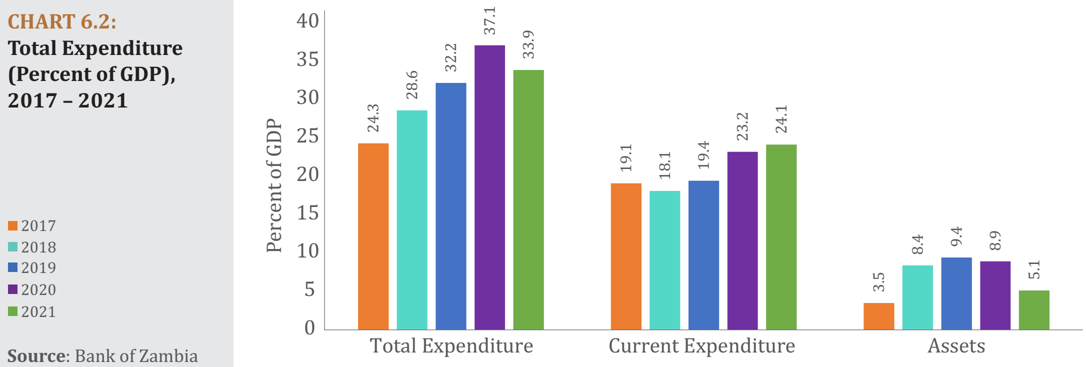
	2019		2020		2021			
					Target		Preliminary	
	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP
Revenue and Grants	61.3	21.6	67.4	20.6	68.0	18.5	98.9	24.3
Domestic Revenue	60.5	21.3	65.7	20.1	66.0	18.0	96.5	23.7
Tax Revenue	48.4	17.1	52.2	16.0	53.4	14.6	71.2	17.5
Income Tax	23.8	8.4	29.3	9.0	27.1	7.4	42.1	10.3
Personal Tax	11.7	4.1	14.3	4.4	12.9	3.5	14.8	3.6
Company Tax	7.5	2.7	9.5	2.9	9.1	2.5	19.2	4.7
Other Income Tax	4.6	1.4	5.5	1.7	5.1	1.4	8.0	2.0
Excise Taxes	4.0	1.2	4.7	1.4	4.8	1.3	4.3	1.1
Domestic VAT	6.1	2.2	3.4	1.0	6.1	1.7	7.0	1.7
International Trade Taxes	14.4	4.8	14.6	4.5	15.3	4.2	17.7	4.4
Import Duties	3.5	1.2	3.4	1.0	4.3	1.2	5.2	1.3
Import VAT	10.6	3.8	11.1	3.4	10.9	3.0	12.4	3.1
Export Duties	0.0	0.0	0.1	0.0	0.2	0.0	0.1	0.0
Non-tax Revenue	12.1	4.3	13.5	4.1	12.6	3.4	25.3	6.2
Fees and Charges	5.5	1.9	4.8	1.5	5.0	1.3	6.2	1.5
Dividends and Interest	1.8	0.6	3.2	1.0	1.1	0.3	6.3	1.5
Extraction Royalty	4.3	1.5	5.2	1.6	5.7	1.6	12.4	3.1
Grants	0.8	0.3	1.7	0.5	2.0	0.5	2.5	0.6
Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	0.8	0.3	1.7	0.5	2.0	0.5	2.5	0.6

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

6.2 Total Expenditure

Total expenditure (including amortisation) was K138.0 billion (33.9 percent of GDP) against the projected K119.6 billion in 2021 (Chart 6.2). Excluding amortisation, total expenditure was K134.9 billion against the target of K102.1 billion (Table 6.2). Higher spending on Government operations, agricultural subsidies, COVID-19 response programmes, and 2021 General Elections related activities accounted for the higher expenditure.

CHART 6.2:
Total Expenditure (Percent of GDP), 2017 – 2021



Source: Bank of Zambia

Current Expenditure

At K98.4 billion, total current expenditure was 21.5 percent higher than the target of K81.0 billion (Table 6.2). The main drivers were significantly higher-than-planned spending on Government operations, agricultural subsidies, as well as additional payment of social benefits.

Table 6.2: Central Government Expenditures, 2019 – 2021

	2019		2020		2021			
					Target		Preliminary	
	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP
Total Expenditure (excl. amortisation)	86.8	28.9	113.2	34.6	102.1	27.8	134.9	33.1
Current Expenditure	58.3	19.4	75.8	23.2	81.0	22.1	98.4	24.1
Personal Emoluments	23.0	7.7	26.9	8.2	28.5	7.8	31.9	7.8
Use of Goods and Services	4.2	1.4	9.2	2.8	6.9	1.9	14.8	3.6
Interest Payment	18.0	6.0	19.8	6.0	28.6	7.8	26.9	6.6
Domestic Debt	9.0	3.0	14.5	4.4	18.3	5.0	24.9	6.1
Foreign Debt	9.0	3.0	5.2	1.6	10.3	2.8	2.0	0.5
Transfers and Subsidies	12.4	4.1	17.7	5.4	13.8	3.8	20.6	5.1
Social Benefits	0.2	0.1	2.3	0.7	3.2	0.9	4.3	1.0
Other Expenses	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	0.2	0.1	8.2	2.5	2.9	0.8	15.6	3.8
Assets	28.3	9.4	29.2	8.8	18.2	5.0	20.9	5.1
Non-Financial Assets	28.3	9.4	27.6	8.3	18.0	4.9	19.0	4.7
Financial Assets	0.0	0.0	1.5	0.5	0.3	0.1	1.9	0.4

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

Assets and Liabilities

Expenditure on assets, at K20.9 billion, was above the target of K18.2 billion and was mostly on capital projects (Table 6.2). Liabilities to Government, at K15.6 billion, were significantly higher than the target of K2.9 billion due to the accumulation of fuel arrears.

6.3 Deficit Financing

The budget deficit was mainly financed through the issuance of Government securities in the domestic market due to limited access to external financing (Table 6.3).

Table 6.3: Budget Deficit Financing, 2019 – 2021

	2019		2020		2021			
					Target		Preliminary	
	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP
Total Financing	27.3	9.1	46.6	14.2	33.0	9.0	36.7	9.0
Net Domestic Financing	8.9	3.0	31.0	9.5	17.5	4.8	31.2	7.7
Government Securities	11.9	4.0	33.6	10.3	17.5	4.8	31.4	7.7
Bridge Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	0.0	0.0	0.2	0.1	0.0	0.0	0.3	0.1
Carry-over Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	-3.0	-1.0	-2.8	-0.9	-0.0	-0.0	-0.5	-0.1
Net External Financing	18.4	6.1	15.6	4.8	16.7	4.5	5.5	1.4
Programme Loans	0.0	0.0	0.0	0.0	20.6	5.6	0.0	0.0
Project Loans	25.2	8.4	20.8	6.3	13.6	3.7	8.2	2.0
Amortisation	-6.7	-2.2	-5.2	-1.6	-17.5	-4.8	-2.6	-0.6

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

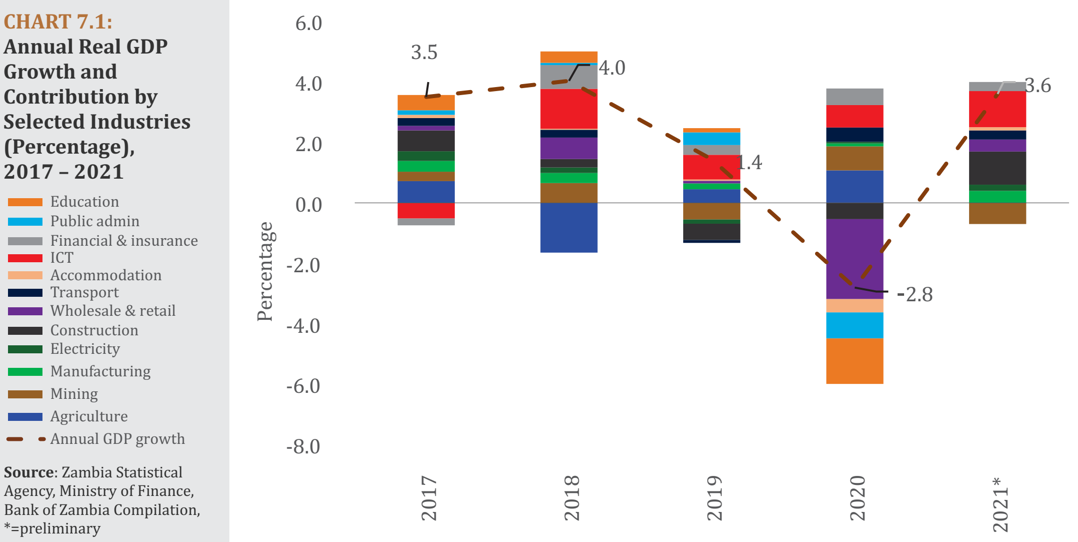
7.0 REAL SECTOR DEVELOPMENTS

7.0 REAL SECTOR DEVELOPMENTS

Preliminary data indicate that real GDP growth rebounded to 3.6 percent in 2021 after contracting by 2.8 percent in 2020 (Chart 7.1 and Table 7.1). Strong performance in the information and communication (ICT) as well as construction sectors were the main drivers of the recovery in growth.

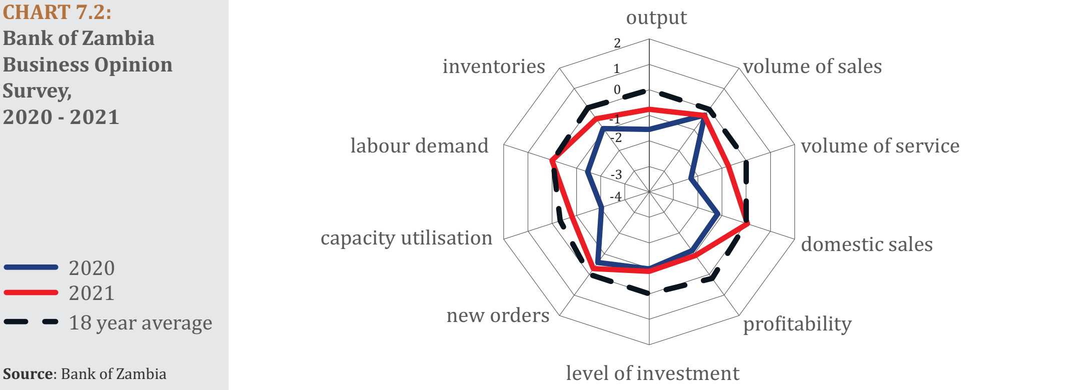
The private sector business environment also improved according to the Quarterly Business Opinion and Expectations (QSBOE) Surveys undertaken by the Bank of Zambia (Chart 7.2) and the Purchasing Managers' Index compiled by Stanbic Bank Zambia (Chart 7.3). This was reflected in the expansion in new orders by firms, higher customer demand, increased input purchase, and a rise in staff employment. The improvement in the business environment was largely attributed to positive sentiments following a smooth transition of Government after the 2021 General Elections, optimism about economic reforms announced by the new Government, and anticipated recovery from the COVID-19 pandemic following the roll-out of the COVID-19 Vaccination Programme.

CHART 7.1:
Annual Real GDP Growth and Contribution by Selected Industries (Percentage), 2017 – 2021



Source: Zambia Statistical Agency, Ministry of Finance, Bank of Zambia Compilation, *=preliminary

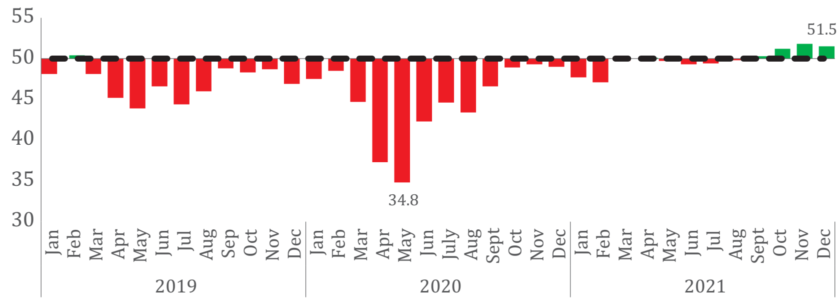
CHART 7.2:
Bank of Zambia Business Opinion Survey, 2020 - 2021



Source: Bank of Zambia

Note: The Survey indicators are standardized net balances with mean=0 and standard deviation=1. A value within the black dotted line entails weaker economic conditions than the historical average while a value outside the black dotted line signifies an improvement over the historical average.

CHART 7.3:
Stanbic Bank Zambia Purchasing Manager's Index, 2019 – 2021



Source: Stanbic Bank, Bank of Zambia Compilation

Note: The PMI is a composite indicator produced by Stanbic Bank Zambia to provide an overall view of activity in the economy. It is calculated as a weighted average of five sub-components: new orders, output, employment, suppliers' delivery times and stocks of purchases. A reading below 50 means business conditions deteriorated and above 50 reading means an improvement while 50 means no change in the business environment.

Table 7.1: Real GDP Growth (Percent), 2019 – 2021 and Percentage Point Contribution in 2021

Kind of Economic Activity	2019 Growth Rate	2020 Growth Rate	2021* Growth Rate	2021* Contribution to Growth
Agriculture, forestry and fishing	7.7	17.2	-0.7	0.0
Mining and quarrying	-5.1	8.0	-6.3	-0.7
Manufacturing	2.4	1.0	4.2	0.4
Electricity generation and supply	-8.1	3.1	12.7	0.2
Water supply; sewerage	-1.2	2.1	2.6	0.0
Construction	-5.0	-5.4	10.9	1.1
Wholesale and retail trade;	0.4	-12.6	2.3	0.4
Transportation and storage	-2.8	13.8	7.1	0.3
Accommodation and food service activities	2.2	-22.4	7.2	0.1
Information and communication	18.6	14.3	19.7	1.2
Financial and insurance activities	8.1	13.0	6.6	0.3
Real estate activities	3.5	3.5	3.6	0.1
Professional, scientific, and technical activities	-0.9	6.8	0.5	0.0
Administrative and support service activities	0.3	3.3	3.7	0.0
Public administration and defense	8.3	-15.9	-0.7	0.0
Education	1.8	-19.3	-0.6	0.0
Human health and social work activities	8.3	7.4	2.5	0.0
Arts, entertainment and recreation	3.8	-71.6	25.2	0.0
Other service activities	3.5	3.5	3.6	0.0
Taxes less subsidies	0.4	-12.6	2.3	0.1
Gross Domestic Product (GDP)	1.4	-2.8	3.6	3.6

Source: Zambia Statistics Agency, Ministry of Finance and National Planning, Bank of Zambia Compilation
*=preliminary

The ICT sector expanded by 19.7 percent, and contributed 1.2 percentage points to overall growth. This was supported by the continued growth in active mobile and internet subscriptions, additional investments in modern data and voice infrastructure, as well as sustained recourse to virtual platforms amid the COVID-19 pandemic. Active mobile subscribers increased by 6.0 percent to 20,247,111 in 2021 while mobile internet broadband users rose by 1.3 percent to 10,357,442. The number of telecommunication towers also increased by 5.8 percent to 3,413.

The construction sector grew by 10.9 percent as priority public infrastructure projects were sustained. The wholesale and retail trade sector rebounded to 2.3 percent growth in 2021 due to a stronger Kwacha that lowered the price of imports as well as the growth in supporting sectors. Consumer spending also recovered as COVID-19 restrictive measures were eased and the Kwacha appreciated. A growth of 4.2 percent was also recorded in the manufacturing sector, underpinned by stable electricity supply and expansion in supporting sectors.

The other sectors that contributed to growth in 2021 included transportation and storage, financial and insurance, electricity generation and supply, accommodation and food services activities as well as real estate activities. Increased diesel consumption as well as the recovery in merchandise trade were the major factor that drove the growth of 7.1 percent in the transportation and storage sector. The financial and insurance sector grew by 6.6 percent as profitability in the banking sub-sector increased and the insurance sub-sector recorded higher premiums. The growth was also supported by higher volumes and values of mobile money transactions, which rose by 11.1 percent and 60.1 percent, respectively, reflecting increased usage of mobile digital financial services.

The electricity sector grew by 12.7 percent, supported by increased generation as dam water levels remained high after a favourable 2020/2021 rainy season. This improved electricity production at Kafue Gorge, Kariba North Bank, Lusiwasi Upper, and Lunsemfwa Hydropower Stations considerably. In addition, the commencement of operations at Kafue Gorge Lower Hydropower Station in the second half of 2021 contributed positively to the sector's growth. International arrivals increased by 32.5 percent in 2021 to 281,636 and this largely contributed to the recovery in the accommodation and food services activities, which grew by 7.2 percent.

In contrast, the mining and quarrying, agriculture, public administration as well as education sectors contracted. The mining sector contracted by 6.3 percent on account of reduced copper production to 800,696 metric tonnes in 2021 from 837,996 metric tonnes in 2020. Excessive rainfall in the previous season was one of the key factors that weighed on production at open pit mines as well as breakdown of equipment and reduced ore grades at some mines. The agriculture sector contracted by 0.7 percent due to changes in the rainfall pattern during the 2021/2022 rainy season. This was reflected in flash floods and droughts in some provinces, which moderated crop production[17]. The decrease in contact hours due to the lingering effects of the COVID-19 pandemic largely contributed to the contraction in the education and public administration and defense sectors.

[17]The maize production reported in 2020/2021 agricultural season was apportioned between the 2020 and 2021 calendar years. In 2021, the drought, flash floods and army worm infestations resulted in lower crop production.

8.0 BALANCE OF PAMENTS AND EXTERNAL DEBT

8.0 BALANCE OF PAMENTS AND EXTERNAL DEBT

8.1 Balance of Payments

An overall balance of payments surplus of US$1.5 billion (8.2 percent of GDP) was recorded in 2021 compared to a deficit of US$0.4 billion (2.2 percent of GDP in 2020) as shown in Table 8.1. The US$1.3 billion (SDR 937.6 million equivalent) general allocation by the IMF largely accounted for the surplus.

Table 8.1: Balance of Payments (US$' million, f.o.b), 2019-2021

BPM6 Concept	2019r	2020r	2021*
A. Current Account, n.i.e.	151.2	2,432.8	2,351.7
Balance on goods	744.3	3,216.0	4,730.6
Goods: exports, of which	7,246.1	8,002.9	11,114.6
Copper	4,994.5	5,867.7	8,345.3
Cobalt	42.7	10.6	5.0
NTEs	1,937.4	1,868.8	2,508.1
Gold	196.4	220.5	209.2
Goods: Imports	6,501.7	4,786.8	6,384.0
Balance on Services	-522.2	-4,93.8	-7,76.2
Services: credit, of which	1,011.8	555.6	501.4
Transportation	42.6	46.2	66.5
Travel	819.2	411.6	393.0
Services: debit, of which	1,534.0	1,049.4	1,277.6
Transportation	817.4	514.7	713.6
Travel	298.4	233.9	248.7
Insurance & Pension Services	109.0	58.3	16.5
Balance on Primary Income	-393.4	-510.7	-1,921.7
Primary income: credit	45.2	35.3	9.9
Primary income: debit	438.6	546.0	1,931.6
Balance on Secondary Income	322.5	221.2	319.0
Secondary income, n.i.e.: credit	389.1	285.2	406.0
Secondary income: debit	66.6	63.9	87.0
B. Capital Account, n.i.e.	96.6	79.8	77.1
Capital account, n.i.e.: credit	96.6	79.8	77.1
C. Financial Account, n.i.e.	-76.6	2,820.9	926.2
Direct investment: assets	696.2	35.4	-453.4
Direct investment: liabilities, n.i.e.	859.8	-172.8	-456.7
Portfolio investment: assets	0.0	38.1	134.2
Equity and investment fund shares	0.0	0.0	0.0
Debt securities	0.0	38.1	134.2
Portfolio investment: liabilities, n.i.e.	-53.0	232.5	2,106.5
Equity and investment fund shares	-1.3	-1.4	0.7
Debt securities	-51.7	234.0	2,105.8
Financial derivatives: net	-83.9	10.4	30.1
Financial derivatives: assets	-41.4	75.5	50.5
Financial derivatives: liabilities	42.5	65.1	20.4
Other investment: assets	531.2	2,941.3	6,082.9
Other debt instruments	531.2	2,926.1	6,081.2

Source: Bank of Zambia
f.o.b = free on board; (*) = preliminary; (r) =revised; and (S)= financial account and overall balance take on a sign convention such that a negative denotes a surplus and a positive represents a deficit; NTEs =Non-Traditional Exports.

Table 8.1: Balance of Payments (US$' million, f.o.b), 2019-2021 ...Cont'd

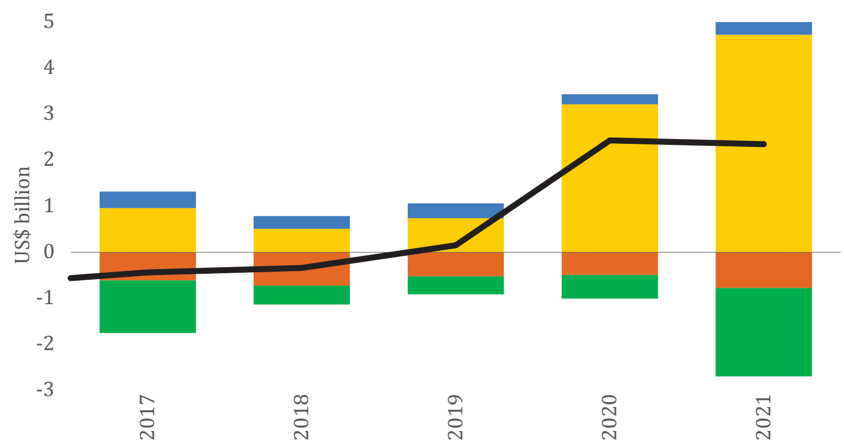
BPM6 Concept	2019r	2020r	2021*
Central bank	24.3	189.8	1,403.9
Deposit-taking corporations, except C/bank	-314.9	256.1	383.5
Other sectors	821.9	2,480.3	4,293.8
Non-financial corps, h/holds & NPISHs	821.9	2,480.3	4,293.8
Other investment: liabilities, n.i.e.	4,13.4	144.5	3,217.8
Special Drawing Rights	0.0	0.0	1,327.8
Other debt instruments	406.5	144.5	1,891.3
Deposit-taking corporations, except c/bank	-19.5	-141.6	180.7
General government	881.0	894.1	279.2
Other sectors	-454.9	-607.9	1,431.4
Non-financial corps, h/holds & NPISHs	**-454.9**	**-607.9**	**1431.4**
D. Net Errors and Omissions	**-423.9**	**-117.1**	**12.8**
E. Overall Balance	**99.5**	**425.4**	**-1,515.4**
F. Reserves and Related Items	-99.5	-425.4	1,515.4
Reserve assets	-143.7	-440.9	1,512.6
Credit and loans from the IMF	-44.2	-15.5	-2.7
Exceptional financing	0.0	0.0	0.0

Source: Bank of Zambia
f.o.b = free on board; (*) = preliminary; (r) =revised; and (S)= financial account and overall balance take on a sign convention such that a negative denotes a surplus and a positive represents a deficit; NTEs =non-traditional exports; NPISHs=non-profit institutions serving households.

Current Account

The current account surplus narrowed slightly to US$2.35 billion (12.6 percent of GDP) in 2021 from US$2.43 billion (12.7 percent of GDP) in 2020 (Chart 8.1). This was on the back of a significant widening of the deficit on the *primary income account* to US$1.9 billion from US$0.5 billion mainly due to the rise in reinvested earnings. The expansion in the *services account* deficit, owing to the increase in expenditure on transportation as imports recovered, also contributed to a lower current account surplus.

CHART 8.1:
Current Account (US$' billion), 2017 – 2021

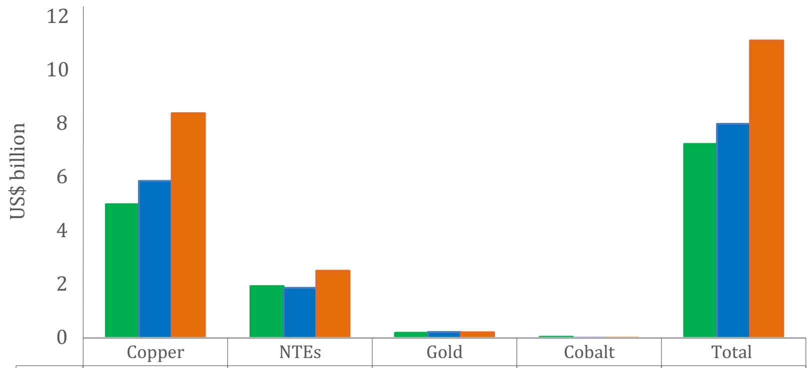


Source: Bank of Zambia

Nonetheless, merchandise net exports expanded to US$4.7 billion from US$3.2 billion as exports surged higher relative to imports (Chart 8.1). Exports increased by 38.9 percent to US$11.1 billion due to higher copper and non-traditional export (NTEs) earnings (Chart 8.2). Copper earnings rose to US$8.4 billion from US$5.9 billion, underpinned by soaring copper prices despite a reduction in export volumes (Table 8.2). The decrease in copper export volumes was as a result of the drop in copper output occasioned by excessive rainfall that affected production at open pit mines, breakdown of equipment, and reduced ore grades at some mines. In contrast, gold and cobalt export earnings were relatively lower in 2021 due to reduced volumes and prices (gold) as shown in Table 8.2. Cobalt volumes were affected by low activity as the major producer remained on care and maintenance.

NTEs went up by 34.2 percent to US$2.5 billion, reflecting buoyant demand, especially in regional markets and the gradual easing of COVID-19 restrictions (Chart 8.2 and Table 8.3). Higher earnings from iron and steel; beverages, spirits, and vinegar; oil cake and other residues of soybean; gemstones; and yoghurt were major contributors to the registered growth in NTEs.

CHART 8.2:
Export Earnings (US $' billion), 2019 – 2021



	Copper	NTEs	Gold	Cobalt	Total
2019	5.0	1.9	0.2	0.0	7.2
2020	5.9	1.9	0.2	0.0	8.0
2021	8.4	2.5	0.2	0.0	11.1

Source: Bank of Zambia

Table 8.2: Realised Prices and Export Volumes, 2019-2021

	2019	2020	2021
Realised Prices			
Copper (US$/mt)	5,960.0	6,050.5	9,252.9
Cobalt (US$/mt)	41,441.2	28,356.3	31,451.8
Gold (US$/ounce)	1,421.7	1,808.4	1,738.6
Export Volumes			
Copper (mt)	836,258.2	930,969.1	901,634.3
Cobalt (mt)	1,271.3	366.9	161.2
Gold (ounces)	138,135.0	123,157.0	120,144.0

Source: Bank of Zambia

Table 8.3: Major Non-Traditional Exports (US$' million, f.o.b), 2019-2021

Commodity/ Product	2019	2020	2021
Iron and Steel	81.1	92.9	237.3
Beverages, Spirits and Vinegar	70.5	88.3	144.7
Gemstones	156.9	88.2	126.3
Sulphur of all Kinds	58.3	58.3	108.8
Oil-cake and other residues of soybean	33.7	33.7	85.5
Sulphuric Acid	148.8	94.6	56.6
Industrial Boilers and Equipment	139.2	90.0	104.3
Cane Sugar	141.8	115.6	122.0
Gasoil/Petroleum Oils	7.6	11.1	17.3
Cement & Lime	167.2	191.0	185.1
Electricity	86.4	123.7	113.7
Burley Tobacco	69.8	116.6	126.9
Copper Wire	53.2	48.5	76.2
Maize & Maize Seed	36.9	38.8	48.8
Electrical Cables	17.3	12.6	30.4
Cotton Lint	53.4	17.7	23.7
Soap	55.4	73.8	96.5

Source: Bank of Zambia
(*) c.i.f = cost, insurance and freight

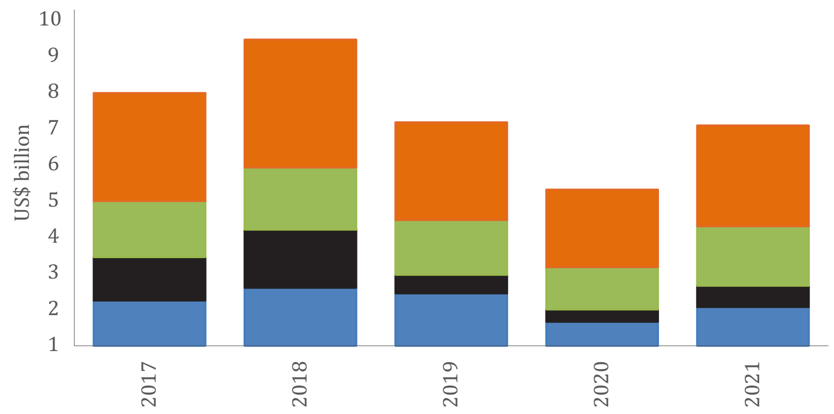
Table 8.3: Major Non-Traditional Exports (US$' million, f.o.b), 2019-2021

Commodity/ Product	2019	2020	2021
Fresh Flowers	8.6	7.7	9.7
Yoghurt	5.5	8.2	31.0
Miscellaneous Chemical Products	29.5	36.8	61.9
Other	550.4	561.3	694.2
Total	**1937.3**	**1868.8**	**2508.1**

Source: Bank of Zambia
(*) c.i.f = cost, insurance and freight

Imports rebounded in 2021, growing by 33.4 percent to US$6.4 billion, as domestic economic conditions improved, the Kwacha appreciated, and COVID-19 restrictions were eased (Table 8.1). All major components of imports registered growth with raw materials rising the most (Chart 8.3).

CHART 8.3: Components of Merchandise Imports (US$' billion), 2017 – 2021



Source: Bank of Zambia

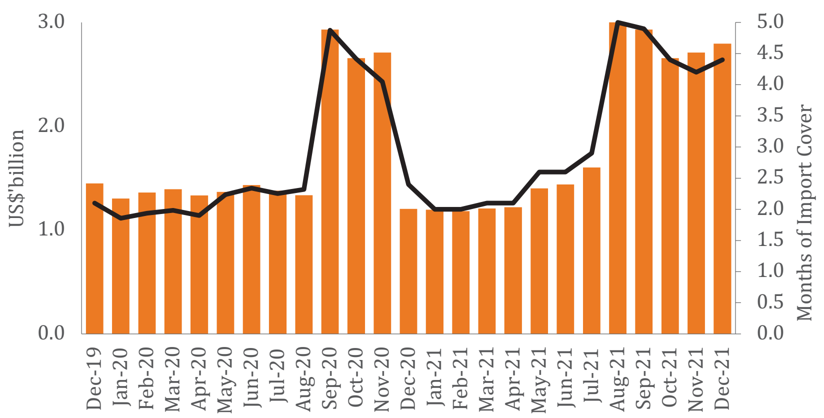
Capital and Financial Accounts

The *capital account* surplus declined further in 2021 to US$77.1 million from US$79.8 million in 2020 (Table 8.1). The *financial account* deficit reduced markedly to US$0.9 billion from US$2.8 billion following the receipt of SDR937.6 million from the IMF (Table 8.1).

8.2 Gross International Reserves

Gross international reserves rose to US$2.8 billion (equivalent to 4.4 months of import cover) at end-2021 from US$1.2 billion (equivalent to 2.4 months of import cover) at end-2020 (Chart 8.4). The increase was mainly attributed to the receipt of SDR937.6 million from the IMF. Net BoZ foreign exchange purchases (US$275.9 million) and project receipts (US$147.9 million) also contributed to the increase in reserves.

CHART 8.4: Gross International Reserves, 2019 -2021



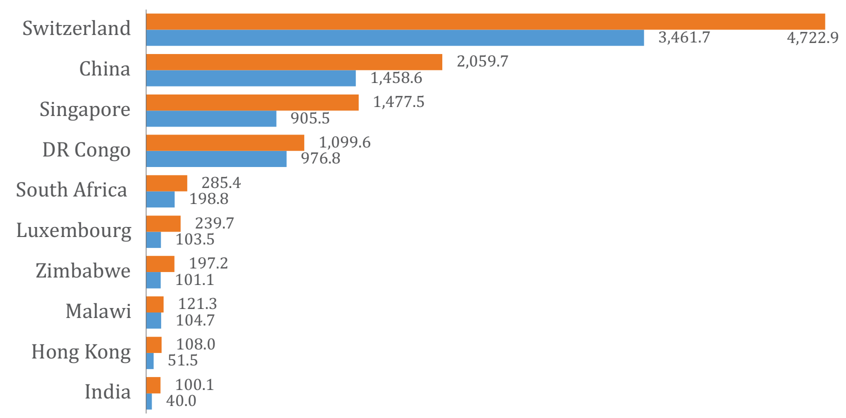
Source: Bank of Zambia

8.3 Direction of Trade

Major Export Markets

The top five export destinations in 2021 were Switzerland, China, Singapore, the Democratic Republic of Congo (DRC), and South Africa (Chart 8.5). These countries accounted for 86.9 percent of total exports, a reduction from 89.8 percent in 2020. Copper was the major export product, with Switzerland[18], China, and Singapore as the main markets (Table 8.4).

CHART 8.5: Direction of Exports by Country (US$ millions), 2020-2021



Source: Bank of Zambia

Table 8.4: Products Accounting for Performance to Top Destination Countries (US$ millions)

Country	Main Products	2019	2020	2021	Percentage Change
Switzerland	Copper and Articles thereof	2,843.7	3,461.7	4,579.2	97.0
China	Copper and Articles thereof	1,458.3	1,387.2	1,907.8	92.6
Singapore	Copper and Articles thereof	499.9	874.5	1,471.8	99.6
Democratic Republic of Congo	Salt, sulphur, earth and stone	177.9	189.3	212.9	19.4
	Beverages	61.3	79.7	119.9	10.9
	Soap and organic surface-active agents	47.9	65.3	86.4	7.9
	Sugars and sugar confectionery	65.9	68.4	81.8	7.4
	Preparation of cereal, flour and starch/milk	36.3	44.5	66.5	6.0
	Natural/ cultured pearls and precious stones	296.9	69.4	65.2	22.8
South Africa	Copper and articles thereof	25.4	15.9	37.0	13.0
	Iron and steel	23.1	12.6	33.7	11.8
	Nuclear reactors, boilers and machinery	26.7	19.0	21.0	7.4
	Cotton	22.5	7.2	15.8	5.5

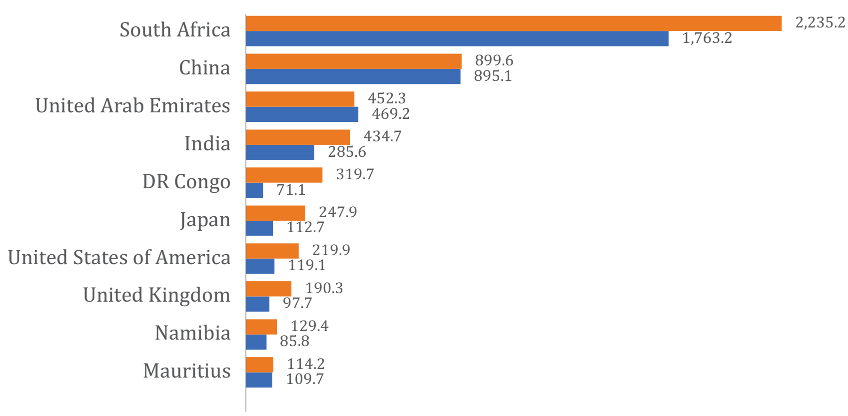
Source: Bank of Zambia and Zambia Statistics Agency

Major Source Countries for Imports

The top five source countries for imports were South Africa, China, United Arab Emirates, India, and the Democratic Republic of Congo. Together, these countries accounted for 61.2 percent of total imports, which reflects a reduction of 4.3 percentage points from the 2020 share (Chart 8.6 and Table 8.5).

[18]Switzerland is reflected as a partner country of Zambia in the customs data although the destination for copper is different. Large metal traders based in Switzerland purchase copper and cobalt from mining companies operating in Zambia and sell them in other foreign markets.

Chart 8.6: Direction of Imports by Country (US$ millions), 2020-2021



Source: Bank of Zambia

Table 8.5: Products Accounting for Import Performance from Top Source Countries (US$ millions)

Country	Main Products	2019	2020	2021	Percent Change
South Africa	Nuclear reactors and boilers	323.1	229.2	264.0	15.2
	Vehicles	212.3	163.5	223.8	36.9
	Plastics and articles thereof	146.7	124.6	192.3	54.3
	Fertiliser	125.9	154.4	152.8	-1.0
China	Nuclear reactors and boilers	182.9	166.0	166.3	0.2
	Vehicles	103.3	78.0	117.1	50.1
	Electrical Machinery Equipment	195.8	109.1	113.4	3.9
	Iron and Steel	80.9	74.9	64.0	-14.6
United Arab Emirates	Mineral fuels, oils and products of their distillation	573.2	300.7	209.2	-30.4
	Nuclear reactors and boilers	25.4	44.5	74.6	67.5
	Organic chemicals	28.6	27.1	29.3	8.3
	Electrical Machinery Equipment	5.8	9.7	17.3	79.0
India	Pharmaceutical products	106.4	97.4	163.4	67.8
	Nuclear reactors and boilers	86.1	42.4	71.2	67.9
	Plastics and articles thereof	29.4	25.3	32.4	28.2
	Vehicles	16.5	17.3	27.8	60.5
DRC	Ores, slag and ash	154.5	62.1	213.4	243.53
	Inorganic chemicals and compounds of precious metals	73.2	4.4	65.1	1,395.62
	Other base metals, cermets	0.0	0.0	16.5	n.a
	Zinc and Article s thereof	0.0	0.0	16.2	n.a

Source: Bank of Zambia and Zambia Statistics Agency,

8.4 External Debt

Government Debt Stock

Preliminary data indicate that the public and publicly guaranteed external debt stock (PPG) went up by 1.9 percent to US$14.57 billion at end-December 2021. The increase was on account of continued disbursements mainly from multilateral creditors. However, the PPG debt stock as a ratio of GDP declined to 71.5 percent in 2021 percent from 80.1 percent in 2020. This was due to the rise in GDP in US dollar terms following the appreciation of the Kwacha against the US dollar.

Of the US$14.57 billion debt, Central Government external debt amounted to US$13.04 billion while guaranteed external debt was US$1.53 billion (Table 8.6). The bulk of the Central Government external debt was owed to commercial creditors (45.0 percent) followed by bilateral creditors (30.0 percent) and multilateral creditors (25.0 percent).

Table 8.6: Total Government External Debt Stock by Creditor, 2019 – 2021

	2019-		2020		2021*	
Creditor	**US $' million**	**Percent share**	**US $' million**	**Percent share**	**US $' million**	**Percent share**
Bilateral	**343.1**	**2.9**	**265.14**	**2.1**	**349.1**	**2.7**
Paris Club	119.0		53.42	20.1	131.4	
Non-Paris Club	224.1		211.72	79.9	217.7	
Multilateral	**2,132.3**	**18.3**	**2,525.81**	**19.8**	**2,867.3**	**22.0**
IMF	17.8		2.65	0.1	-	
World Bank Group	1,110.6		1,460.06	57.8	1,387.5	
African Development Bank Group	579.2		776.54	30.7	836.6	
Others	424.6		286.56	11.3	643.2	
Suppliers/ Export credit agencies/Banks	**9,183.4**	**78.8**	**9,947.35**	**78.1**	**9,824.8**	**75.3**
Total Government Debt	**11,658.7**	**100.0**	**12,738.30**	**100.0**	**13,041.2**	**100.0**

Source: Ministry of Finance and National Planning, Bank of Zambia Compilation
*Preliminary

Government External Debt Service

Preliminary data show that Government external debt service was US$206.7 million in 2021 compared to US$691.7 million in 2020. The moratorium on debt service under the Debt Service Suspension Initiative (DSSI) and debt service standstill to commercial creditors largely explained this outturn. Debt service was in respect of principal repayment (US$135.1 million) as well as interest and other charges (US$71.6.0 million) as shown in Table 8.7.

Table 8.7: Zambia's Official External Debt Service by Creditor, (US $'million), 2019 – 2021

Creditor	2019	2020	2021
Bilateral	**31.8**	**0.8**	**24.6**
Paris Club	2.4	0.8	-
Others	29.4	-	24.6
Multilateral	**89.2**	**73.9**	**77.1**
World Bank Group	17.0	23.5	36.3
IMF	46.7	18.5	-
ECU/EIB	2.9	6.2	7.7
Others	22.6	25.7	33.1
Suppliers/Bank(commercial)/Export credit agencies	**1,075.2**	**543.1**	**105**
Total	**1,196.2**	**617.7**	**206.7**

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed External Debt Stock

Total external debt owed by the private sector and the non-guaranteed parastatal sector declined to US$8.3 billion in 2021 from US$12.9 billion in 2020 (Table 8.8). This was mainly due to the reclassification of one of the privately owned entities as a resident parastatal company.

Table 8.8: Private and Non-Guaranteed Parastatal External Debt Stock, 2019 – 2020

	2019		2020		2021*	
Creditor	**US $' million**	**Percent Share**	**US $' million**	**Percent Share**	**US $' million**	**Percent Share**
Private	12,603.0	82.7	11,800.3	90.9	6,061.3	73.3
Multilateral	41.3		110.7		25.1	
Financial Institutions	1,264.1		640.1		106.7	
Parent and Related Company	10,649.2		10,656.7		5,366.8	
Other	648.5		392.8		562.7	
Parastatal	2,604.7	17.3	1,177.6	9.1	2,212.8	26.7
Total Private and Non-Guaranteed Parastatal Debt	**15,207.7**	**100.0**	**12,977.9**	**100.0**	**8,274.10**	**100.0**

Source: Bank of Zambia
* Preliminary data as at end September 2021

9.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

9.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

9.1 Banking Sector

Structure of the Banking Sector

The number of licensed commercial banks declined to 17 in 2021 from 18 in 2020 following the acquisition of Cavmont Bank Zambia Limited by Access Bank Zambia Limited in February. Ten of these banks were subsidiaries of foreign banks, three were locally owned private banks, and four were partially owned by the Government of the Republic of Zambia. The sector continued to be dominated by subsidiaries of foreign banks in terms of total assets, loans, deposits, and profit before tax (Table 9.1).

Table 9.1: Assets, Loans and Deposits and Profit before Tax by Ownership Type (share of industry, percent), 2019 - 2021

	2019				2020				2021			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT*
Subsidiaries of Foreign Banks	74.9	71.1	74.0	74.4	73.8	68.2	74.6	42.1	71.0	63.8	70.9	71.0
Banks with Government stake	20.6	22.8	22.1	24.1	23.1	27.1	22.6	48.1	25.9	32.0	25.9	26.6
Local Private Banks	4.5	6.1	4.0	1.6	3.0	4.7	2.8	9.7	3.1	4.1	3.1	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Zambia
*PBT – Profit before tax

Overall Financial Performance and Condition

As at end-December 2021, the overall financial performance and condition of the banking sector was *satisfactory*[19]. This was due to favourable capital adequacy, asset quality, earnings performance, and liquidity conditions (Table 9.2). The number of banks with adverse composite ratings—*fair, marginal, and unsatisfactory*—reduced to three from nine in 2020 (Tables 9.3 and 9.4). Three banks remained under heightened surveillance.

Table 9.2: Financial Performance Indicators (Percent), 2019 – 2021

Performance Indicators	Benchmark	2019	2020	2021
Primary Capital Adequacy Ratio	5.0 or higher	20.1	17.8	23.2
Total Regulatory Capital Adequacy Ratio	10.0 or higher	22.2	20.1	24.6
Net Non-Performing Loans to Regulatory Capital	10.0 or lower	2.3	9.2	-0.4[20]
Gross Non-Performing Loans to Total Loans	10.0 or lower	8.9	11.6	5.8
Net Non-Performing Loans to Total Loans	2.5 or lower	0.8	2.8	-0.2
Allowance for Loan Losses to Gross Non-Performing Loans	80.0 or higher	91.6	75.9	102.8
Minimum Regulatory Provisions	80.0 or higher	98.9	86.5	118.6
Return on Assets	4.0 or higher	3.3	2.1	5.2
Return on Equity	20.0 or higher	16.5	12.9	35.1
Efficiency Ratio	60.0 or lower	65.9	72.5	54.4
Liquid Assets to Total Assets	25.0 or higher	42.1	48.6	46.6
Liquid Assets to Deposits and Short-Term Liabilities	Lower than 100.0	51.5	57.4	56.3
Loan to Deposit Ratio	Lower than 100.0	51.5	41.0	39.4

Source: Bank of Zambia

[19]Ratings: *Strong* – Sound in every respect, no supervisory response required. *Satisfactory* – Fundamentally sound with modest correctable weaknesses, supervisory response limited. *Fair* – Combination of weaknesses, if not redirected will become severe. Watch category. Requires more than normal supervision. *Marginal* - Immoderate weaknesses unless properly addressed could impair future viability. Needs close supervision. *Unsatisfactory* - High risk of failure in the near term. Under constant supervision.
[20]The negative ratio implied that the allowance for loan losses exceeded the stock of NPLs leading to negative net NPLs as at the reporting date. This was also evident from the NPLs coverage ratio exceeded 100 percent, at 102.8 percent. Therefore, potential credit losses from the stock of NPLs were fully provided for as at end-December 2021

Table 9.3: Composite Ratings of Banking Sector Financial Performance and Condition, 2019 - 2021

	Number of Banks			Percent of Total Assets			Percent of Total Deposits		
Performance Rating	2019	2020	2021	2019	2020	2021	2019	2020	2021
Satisfactory	10.0	9.0	14.0	84.1	70.8	95.6	86.3	72.7	95.4
Fair	4.0	4.0	2.0	5.3	23.8	3.5	4.4	22.2	3.3
Marginal	3.0	4.0	0.0	9.4	4.5	0.0	8.0	3.9	0.0
Unsatisfactory	1.0	1.0	1.0	1.2	0.9	0.9	1.3	1.2	1.3
Total	18.0	18.0	17.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Zambia

Table 9.4: Component Ratings of the Banking Sector Financial Performance and Condition, 2019 - 2021

	Capital Adequacy			Asset Quality			Earnings			Liquidity		
Performance Rating	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Satisfactory	12	11	15	8	8	12	11	10	13	10	10	14
Fair	2	2	1	6	5	1	3	2	1	6	6	3
Marginal	1	1	0	3	3	3	0	1	2	1	1	0
Unsatisfactory	3	4	1	1	2	1	4	4	1	1	1	0
Total	18	18	17	18	18	17	18	18	17	18	18	17

Source: Bank of Zambia

Asset and Liability Structure

Total assets rose by 14.1 percent to K156.9 billion in 2021 as investments in Government securities, balances held with Bank of Zambia, as well as net loans and advances increased (Table 9.5 and Chart 9.1). Net loans and advances as well as investments in Government securities accounted for the largest share of total assets. This was followed by balances held with foreign financial institutions abroad.

Table 9.5: Asset Structure (K' billion and Percent), 2019 - 2021

	2019		2020		2021*		
	K'billion	Percent Share of Total Assets	K'billion	Percent Share of Total Assets	K'billion	Percent Share of Total Assets	Annual Percentage change
Net Loans and Advances	32.6	35.0	39.4	28.7	41.9	26.7	6.3
Investments in Securities	21.1	22.7	33.5	24.4	41.9	26.7	25.1
Balances with Foreign Financial Institutions	18.4	19.8	31.1	22.6	30.1	19.2	-3.4
Balances with Bank of Zambia	8.3	8.9	14.1	10.3	19.2	12.3	36.3
Other	12.7	13.6	19.3	14.0	23.8	15.1	23.1
Total	**93.1**	**100.0**	**137.4**	**100.0**	**156.9**	**100.0**	**14.1**

Source: Bank of Zambia

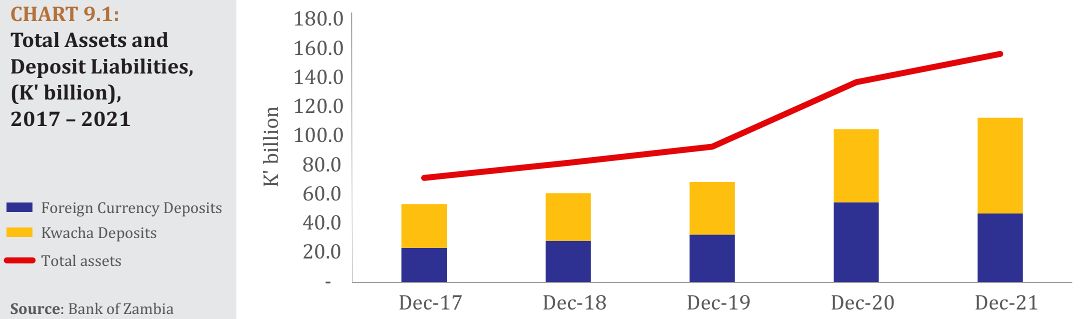
Liabilities also increased by 11.2 percent to K139.5 billion in 2021. This was mainly due to borrowings under the TMTRF and the rise in deposits as economic activity picked up (Table 9.6). Deposits continued to be the primary source of funding, accounting for 72.0 percent of total asset funding (Table 9.7).

Table 9.6: Liability Structure (K' billion and Percent), 2019 - 2021

	2019		2020		2021		
	K'billion	Percent Share of Total Liabilities	K'billion	Percent Share of Total Liabilities	K'billion	Percent Share of Total Liabilities	Annual Percentage Change
Deposits	68.9	83.6	105.2	83.9	113.0	81.0	7.4
Other Liabilities	6.0	7.2	8.4	6.7	9.8	7.0	15.6
Balances Due to Financial Institutions Abroad	5.0	6.1	2.7	2.1	4.3	3.1	62.9
Other Borrowed Funds	1.6	2.0	3.2	2.5	2.8	2.0	-11.4
Balances Due to Financial Institutions in Zambia	0.3	0.4	0.9	0.7	0.7	0.5	-25.4
Others	0.5	0.7	5.0	4.0	8.9	6.4	77.2
Total	**82.5**	**100.0**	**125.4**	**100.0**	**139.5**	**100.0**	**11.2**

Source: Bank of Zambia

CHART 9.1:
Total Assets and Deposit Liabilities, (K' billion), 2017 – 2021



Source: Bank of Zambia

Table 9.7: Banking Sector Funding of Assets (Percent of total assets), 2019 - 2021

	2019	2020	2021
Customer deposits	74.0	76.6	72.0
Shareholder funds	11.4	8.7	11.1
Borrowings	8.1	8.5	10.7
All other liabilities	6.4	6.1	6.2
Total funding	100.0	100.0	100.0

Source: Bank of Zambia

Capital Adequacy

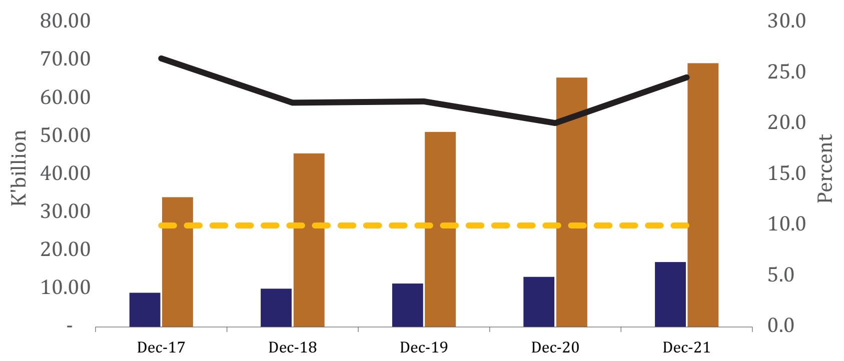
The sector continued to be adequately capitalised. Primary and total regulatory capital adequacy ratios of 23.2 percent and 24.6 percent were above the minimum regulatory requirement of 5.0 percent and 10.0 percent, respectively.

Primary and total regulatory capital increased by 38.1 percent and 29.4 percent to K16.1 billion and K17.0 billion in 2021, respectively (Chart 9.2). Retained earnings, which increased by 118.1 percent to K7.6 billion, boosted primary and total regulatory capital.

CHART 9.2: Regulatory Capital, Risk Weighted Assets and Capital Adequacy Ratio, 2017 – 2021

Total Regulatory Capital (LHS)
Captial Adequacy Ratio (RHS)
Risk Weighted Assets (LHS)
Prudential Benchmark

Source: Bank of Zambia



Asset Quality

Asset quality improved on account of the decline in non-performing loans (NPLs), which reduced by 48.4 percent to K2.6 billion as some banks wrote off a significant amount of legacy bad loans deemed irrecoverable. Consequently, the ratio of non-performing loans to total gross loans (NPL ratio) improved to 5.8 percent at end-December 2021 from 11.6 percent at end-December 2020 and was well below the prudential benchmark of 10.0 percent (Table 9.8).

Table 9.8: Gross Loans and Non-Performing Loans, 2019 - 2021

	2019	2020	2021
Gross loans (K' billion)	35.5	43.2	44.5
NPLs (K 'billion)	3.2	5.0	2.6
Substandard (K' billion)	0.2	0.3	0.0
Doubtful (K' billion)	0.2	0.8	0.2
Loss (K' billion)	2.8	4.0	2.0
NPL ratio (percent)	8.9	11.6	5.8
	Percentage share of total gross loans		
Substandard	0.4	0.7	0.1
Doubtful	0.6	1.8	0.4
Loss	7.9	9.2	4.6

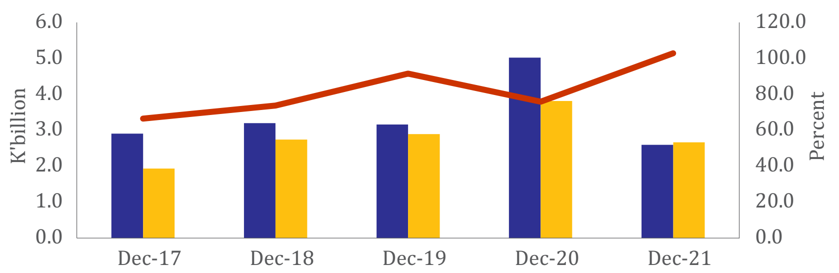
Source: Bank of Zambia

The NPLs coverage ratio increased to 102.8 percent in 2021 from 75.9 percent in 2020, well above the prudential benchmark of 80.0 percent (Chart 9.3). This was due to the reduction in the balance of NPLs by 48.4 percent relative to a 30.1 percent decline in the stock of allowances for loan losses (ALL).

CHART 9.3: Non-Performing Loans, Provisions and NPL Coverage Ratio, 2017 - 2021

Gross non-performing loans (NPL) (LHS)
NPL covereage ratio (RHS)
Allowance for Loan Losses (ALL) (LHS)

Source: Bank of Zambia



Personal loans continued to account for the highest proportion of loans followed by the agriculture, forestry, fishing, and hunting, as well as the manufacturing sectors (Table 9.9).

Table 9.9: Sectoral Distribution of Loans (Percent), 2019 - 2021

Sector	Dec-19	Dec-20	Dec-21
Personal loans	24.0	20.7	16.3
Agriculture, forestry, fishing and hunting	16.3	16.0	11.5
Manufacturing	9.0	10.0	11.3
Wholesale and retail trade	11.5	8.4	8.9
Transport, storage and communication	8.8	8.6	8.4
Electricity, gas, water and energy	4.4	4.5	4.3
Mining and quarrying	7.5	6.4	3.8
Construction	2.1	1.6	1.8
Financial services	2.1	1.9	1.3
Restaurants and hotels	0.8	0.8	0.6
Other sectors	13.6	21.0	31.9
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

The agriculture, forestry, fishing, and hunting sector contributed the largest to NPLs followed by personal loans (Table 9.10).

Table 9.10: Sectoral Distribution of NPLs (Percent), 2018 – 2021

Sector	Dec-19	Dec-20	Dec-21
Agriculture, forestry, fishing and hunting	36.0	40.4	24.6
Personal loans	16.6	12.9	17.8
Mining and quarrying	2.9	7.7	12.4
Manufacturing	12.1	9.2	11.7
Other sectors	7.7	6.1	11.0
Transport, storage and communication	2.2	5.5	6.9
Construction	6.2	5.4	6.1
Wholesale and retail trade	9.9	6.2	5.2
Restaurants and hotels	6.2	5.6	2.5
Financial services	0.3	0.4	1.0
Electricity, gas, water and energy	0.0	0.6	0.8
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

In terms of intra-sector NPLs[21], all the sectors performed better in 2021 than in 2020 as the economy began to recover from the negative impact of the COVID-19 pandemic (Table 9.11). The restaurants and hotels as well as construction sectors continued to have the worst default rates. However, their exposure to the banking system was minimal (Table 9 .9).

[21]Intra-sector NPLs refer to the non-performing loans within a sector.

Table 9.11: Intra-Sector NPL Ratios (Percent), 2019 – 2021

Sector	2019	2020	2021
Restaurants and hotels	72.0	64.9	23.8
Construction	26.5	36.7	19.3
Agriculture, forestry, fishing and hunting	25.7	28.9	12.5
Mining and quarrying	3.5	14.3	19.2
Manufacturing	12.1	10.5	6.0
Wholesale and retail trade	8.9	8.5	3.4
Personal loans	6.1	8.1	6.4
Transport, storage and communication	2.4	7.5	4.8
Financial services	1.3	2.4	4.4
Electricity, gas, water and energy	0.3	1.6	1.2

Source: Bank of Zambia

Earnings Performance

Profitability improved significantly in 2021 as the sector posted profit before tax (PBT) of K8.1 billion, 227.6 percent higher than the previous year (Table 9.12). Higher profits were mainly due to net interest income, non-interest income, and lower provisioning due to fewer IFRS-9 related impairments as a result of an upgrade of local currency debt by Fitch in April 2021.

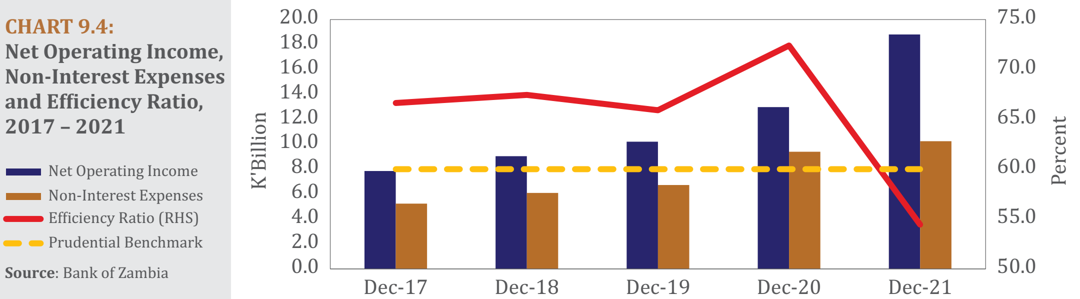
The cost to income ratio, at 54.4 percent, was within the prudential threshold of 60.0 percent in 2021 compared to 72.0 percent in 2020. This was due to a higher percentage growth in net operating income relative to the rise in overhead costs (Chart 9.4). Consequently, the return on assets (ROA) and return in equity (ROE) increased to 5.2 percent and 35.1 percent in 2021 from 2.1 percent and 12.9 percent in 2020, respectively (Table 9.12).

Table 9.12: Summarised Income Statement (K' billion), 2019- 2020

Particulars	2019	2020	2021
Interest Income	9.7	12.5	17.0
Interest Expenses	3.2	4.2	4.8
Net Interest Income	6.6	8.3	12.2
Non-Interest Income	3.7	4.7	6.6
Net Operating Income	10.2	13.0	18.8
Non-Interest Expenses	6.7	9.4	10.2
Pre-Provision Operating Profit (PPP)	3.5	3.6	8.6
Loan Loss Provisions	0.6	1.1	0.5
Profit Before Taxation	2.8	2.5	8.1
Taxation	1.2	1.0	2.9
Net Profit	1.7	1.5	5.1

Source: Bank of Zambia

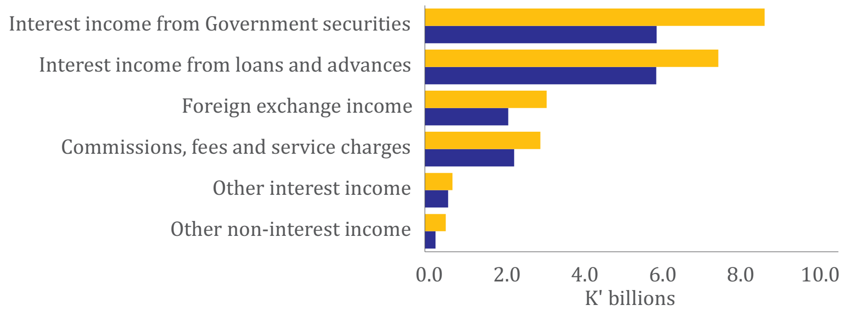
CHART 9.4: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2017 – 2021



Source: Bank of Zambia

Interest income from Government securities was the largest source of income (37.0 percent). This was followed by loans and advances (31.9 percent) and foreign exchange income (13.3 percent) as depicted in Chart 9.5.

CHART 9.5:
Principal Sources of Income, 2020 – 2021

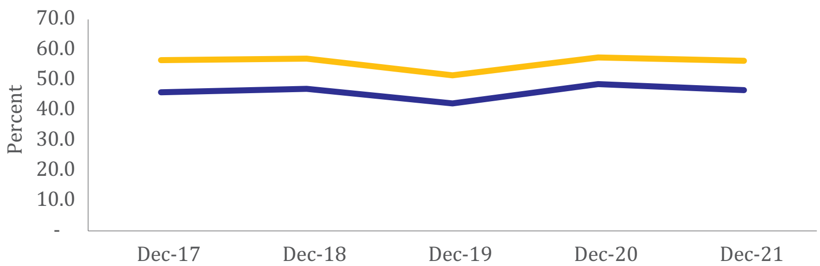


Source: Bank of Zambia

Liquidity

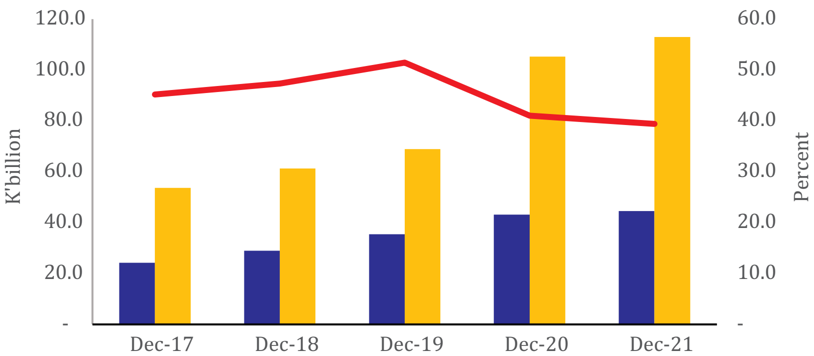
Favourable liquidity conditions were sustained in 2021 mainly due to net Government spending, enhanced disbursements under the TMTRF, and settlement of bonds under SMBPP. As a result, the ratio of liquid assets to deposits and short-term liabilities (*liquidity ratio*) and liquid assets to total assets ratios remained high at 56.3 percent and 46.6 percent, respectively (Chart 9.6). The loan to deposit ratio declined to 39.4 percent in 2021 from 41.0 percent in 2020 and remained below the prudential benchmark of 100.0 percent (Chart 9.7).

CHART 9.6:
Liquid Assets Ratio and Liquidity Ratio (Percent), 2017 - 2021



Source: Bank of Zambia

CHART 9.7:
Loans, Deposits, and Loan-to-Deposit Ratio, 2017 - 2021



Source: Bank of Zambia

9.2 Non-Bank Financial Institutions Sector

Structure of the Non-Bank Financial Institutions

The number of licensed non-bank financial institutions (NBFIs) increased to 125 in 2021 from 116 in 2020 as new issuances exceeded cancellations (Tables 9.13 - 9.15).

Table 9.13 Structure of NBFIs, 2019 - 2021

	Number of Banks		
Type of Institution	**2019**	**2020**	**2021**
Bureaux de Change	75	72	74
Consumer Lending Microfinance Institutions	26	26	29
Enterprise Lending Microfinance Institutions	7	7	9
Leasing Finance Institutions	7	6	8
Building Societies	1	2	2
Credit Reference Bureau	1	1	1
Savings and Credit Institutions	1	1	1
Development Finance Institutions	1	1	1
Total	**119**	**116**	**125**

Source: Bank of Zambia

Table 9.14 Licenses Cancelled in 2021

Bureau de Change	Date Cancelled
Crossrate de Bureau	April 26,2021

Source: Bank of Zambia

Table 9.15: Licenses Issued in 2021

	Institution Licensed	Date Licensed
	Bureau de Change	
1	B & C Bureau de Change	January 27, 2021
2	B - Square Bureau de Change	March 27, 2021
3	Hibiscus FX Bureau de Change	September 6, 2021
	Microfinance Institutions	
1	Great North Credit Limited	January 8, 2021
2	Eleazar Financial Services Limited	January 13, 2021
3	BIU Capital Limited	March 17, 2021
4	Kukumba Solutions Limited	October 19, 2021
5	Liquidity Solutions Limited	December 8, 2021
	Leasing and Financial Businesses	
1	Inde Credit Solutions	March 26, 2021
2	ZCF Golden Lotus Financing	July 27, 2021

Source: Bank of Zambia

9.2.1 Performance and Condition of the Non-Bank Financial Institutions Sector (Excluding Bureau de Change[22])

The overall financial performance and condition of NBFIs sector was rated *satisfactory* as at end-December 2021. The rating was on account of satisfactory earnings performance, regulatory capital, liquidity management, and sensitivity to market risk. However, asset quality was *marginal* (Tables 9.16 and 9.17). As at end-2021, 40 credit providers were assessed out of which three were rated *strong*, 10 were rated *satisfactory*, 16 were rated *fair*, six were rated *marginal,* and five were rated *unsatisfactory*.

Table 9.16: Financial Performance Indicators of the NBFI Sector, 2019 - 2021

Indicator (percent)	Benchmark	2019	2020	2021
Primary capital adequacy ratio	5.0 or higher	22.5	34.6	36.8
Total regulatory capital adequacy ratio	10.0or higher	23.2	33.1	35.8
Net NPLs to regulatory capital	10.0 or lower	19.0	8.1	4.1
Gross non-performing loans to total loans	10.0 or lower	22.4	20.4	17.2
Net non-performing loans to total loans	2.5 or lower	4.6	2.8	0.9
Net non-performing loans to net loans	2.5 or lower	5.6	3.4	1.0
Provisions to non-performing loans	80.0 or higher	73.9	86.2	94.9
Earning assets to total assets	80.0 or higher	79.1	81.6	78.9
Provision for loan losses to total assets	80.0 or higher	14.8	12.2	10.6
Net interest income to total assets	10.0*or higher	20.5	14.2	1.7
Return on assets	4.0 or higher	3.1	(0.2)	11.1
Return on equity	20.0 or higher	15.1	(0.8)	8.6
Efficiency ratio	60.0 or lower	69.6	76.5	61.0
Liquid assets to total assets	15.0 or higher	17.3	31.9	30.8
Liquid assets to deposits and short-term liabilities	15.0 or higher	27.4	55.3	60.5

Source: Bank of Zambia

Table 9.17: Performance and Financial Condition of the NBFIs Sector, 2019 – 2021

		Number of Institutions			2021
Performance Rating	**Licence Type**	**2019**	**2020**	**2021**	**Total Assets (Percent)**
Strong	Deposit-taking	0	0	0	0.0
	Non-Deposit-taking	0	0	3	7.2
Satisfactory	Deposit-taking	2	3	3	39.2
	Non-Deposit-taking	29	7	7	4.8
Fair	Deposit-taking	5	4	6	13.0
	Non-Deposit-taking	30	13	10	5.0
Marginal	Deposit-taking	3	1	0	0.0
	Non-Deposit-taking	16	4	6	2.0
Unsatisfactory	Deposit-taking	1	2	1	16.9
	Non-Deposit-taking	7	5	4	11.9
Total		**93**	**39**	**40**	**100**

Source: Bank of Zambia

[22]Out of 125 licensed NBFIs, 74 are bureaux de change and one is a credit reference bureau. These institutions are not subject to prudential assessment along the five rating categories. The other 50 NBFIs are credit providers out of which 40 were assessed. The credit providers that were not assessed included seven microfinance institutions, two financial business that had not started submitting prudential returns and one leasing company whose licence was suspended.

Asset and Liability Structure

Total assets grew by 13.6 percent to K13.5 billion as at end-December 2021. This was mainly on account of the increase in net loans and mortgages, balances with domestic institutions, as well as investments in Government securities, which rose by 8.2 percent, 23.8 percent and 58.8 percent, respectively. These collectively accounted for 84.1 percent of the total sector assets (Table 9.18).

Table 9.18: Asset Structure (K'billion), 2019-2021

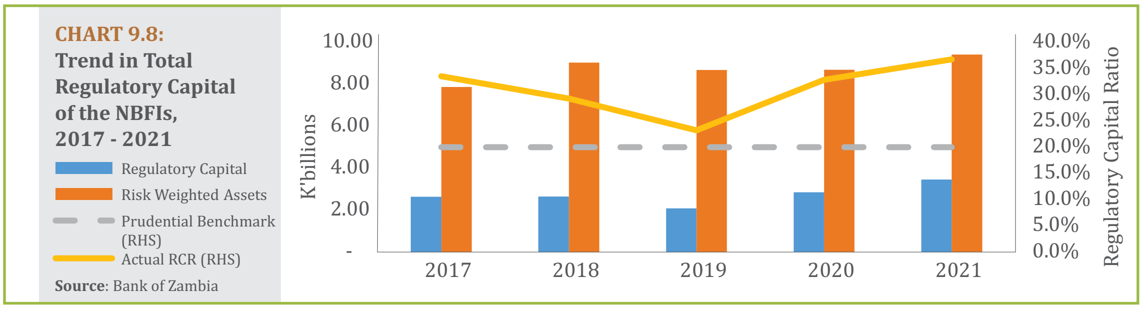
	2019		2020		2021	
Asset Class	**K'billion**	**Percent Share of Total Assets**	**K'billion**	**Percent Share of Total Assets**	**K'billion**	**Percent Share of Total Assets**
Net mortgages and loans	7.0	68.9	6.8	57.2	7.4	54.4
Balances with domestic institutions	0.9	8.3	1.7	14.5	2.1	15.9
Investments in Government securities	0.2	1.9	1.2	9.9	1.9	13.8
Other assets	1.4	13.7	1.5	12.2	1.4	10.0
Fixed assets	0.6	6.1	0.6	5.1	0.7	4.9
Notes and coin	0.1	1.0	0.1	1.1	0.1	1.0
Total	10.2	100.0	11.9	100.0	13.5	100.0

Source: Bank of Zambia

Assets were largely funded by equity, deposits and the TMTRF, which increased by 17.1 percent, 18.7 percent, and 103.0 percent, respectively.

Capital Adequacy

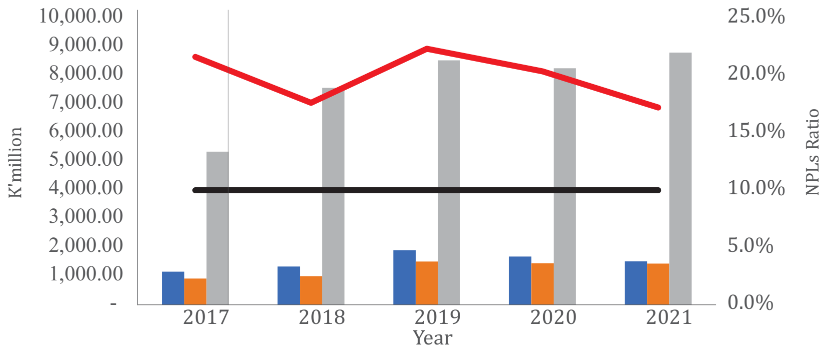
Regulatory capital was rated *strong* at end-2021. The capital adequacy ratio increased to 36.8 percent from 32.9 percent recorded at end-2020 and was well above the minimum regulatory ratio of 10.0 percent (Chart 9.8). The regulatory capital, at K3.5 billion, was higher by 17.5 percent than the end-2020 level. The increase was largely driven by a 5.9 percent rise in paid-up capital to K2.6 billion due to recapitalisation. The capital at risk—measured as a ratio of net non-performing loans to regulatory capital—decreased to 4.1 percent at end-2021 from 8.1 percent at end-2020 due to the reduction in NPLs.



Asset Quality

The asset quality of the NBFI sector was rated *marginal*. The adverse rating was driven by the high NPLs ratio of 17.2 percent, which remained above the prudential limit of 10.0 percent at end-2021(Chart 9.9). However, the NPLs ratio improved to 17.4 percent in 2021 from 20.4 percent recorded at end-2020. This was largely due to a 9.9 percent fall in NPLs to K1.5 billion. The decline was due to a significant reduction in Government arrears for civil servant loans. Consequently, the NPL ratio for loans to civil servants was lower at 13.5 percent but was still above the prudential limit of 10.0 percent.

CHART 9.9:
Trend in Total Loans and Non-Performing Loans of the Non-Bank Financial Institutions, 2017 - 2021



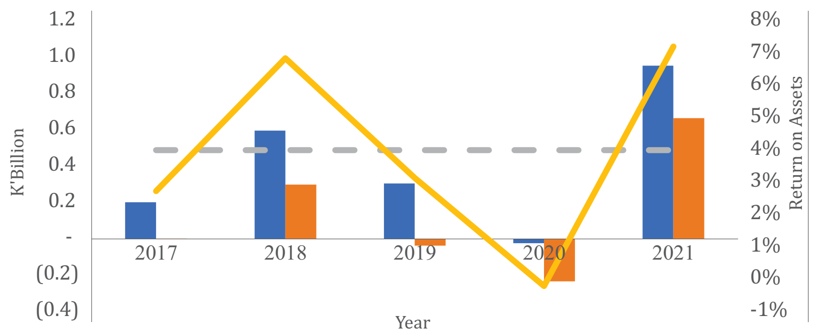
Source: Bank of Zambia

As at end-2021, the total credit exposure of the NBFIs sector to civil servants increased to K4.7 billion from K3.9 billion at end-2020 and represented 53.5 percent of the total sector loans.

Earnings Performance and Profitability

The NBFIs sector earnings performance was rated *satisfactory* due to the profit before tax of K0.1 billion recorded in 2021 compared to a loss before tax of K23.6 million in 2020 (Chart 9.10). Consequently, the sector reported a ROA of 11.1 percent compared to negative 0.2 percent in 2020 largely on account of the rise in interest income and non-interest income. The higher income was on the back of the growth in gross loans and stock of Government securities.

CHART 9.10:
Trend in Earnings of the Non-Bank Financial Institutions, 2017 - 2021



Source: Bank of Zambia

Liquidity

Liquidity was rated *satisfactory* in 2021. The ratio of liquid assets to deposits and short-term liabilities increased to 60.5 percent at end-2021 from 55.3 percent at end-2020 and was above the prudential minimum of 15.0 percent. The improvement in the liquidity ratio was largely as a result of the TMTRF funding that NBFIs obtained to refinance existing loans at lower interest rates.

Foreign Exchange Risk

The foreign exchange risk exposure of the NBFIs sector was *satisfactory.* The ratio of overall foreign currency exposure to regulatory capital reduced to 10.0 percent at end-2021 from 18.4 percent at end-2020 and remained below the minimum prudential limit of 25.0 percent.

9.2.2 Performance of the Bureaux de Change Sub-Sector

The bureau de change sub-sector was adequately capitalised as at end-December 2021. Two bureaux de change, however, failed to meet the required minimum paid up capital of K250,000 and were directed to recapitalise within the prescribed timelines.

Aggregate capital and reserves rose on account of higher retained earnings in 2021 than in 2020. The entry of two bureaux de change into the market boosted paid up capital and other reserves.

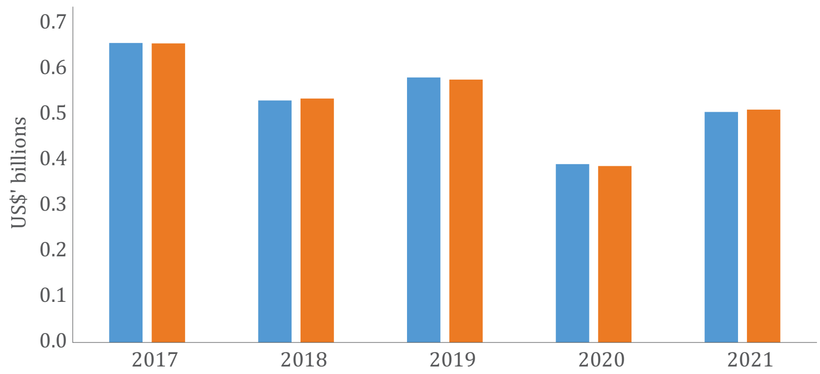
Earnings

The profit before tax increased by 26.9 percent to K8.5 million in 2021. Total income rose by 23.9 percent to K8.5 million, supported by the pick-up in economic activity.

Foreign Currency Sales and Purchases

In 2021, foreign currency sales and purchases increased by 32.0 percent and 29.3 percent to US$511.0 million and US$505.8 million, respectively (Chart 9.11). This outturn was due to improved trading activities attributed to the relaxation of the COVID-19 pandemic restrictive measures.

CHART 9.11:
Bureau De Change Transactions, 2017 – 2021



Source: Bank of Zambia

9.3 Performance of the TMTRF in 2021

The Targeted Medium-Term Refinancing Facility was a measure taken by the BoZ in 2020 to provide liquidity to Financial Service Providers (FSPs) for onward lending to viable non-financial corporates and households during the pandemic period. Additional incentives were given to the priority sectors (agriculture, manufacturing, energy, and tourism) identified in the Seventh National Development Plan (7NDP) with a view to stimulating private sector-led growth. A certain portion of the Facility was also made available to support non-financial corporates and other sectors as well as households, which could have otherwise been viable without the outbreak of COVID-19 pandemic.

In May 2021, some changes were made to the Terms and Conditions of the TMTRF to improve uptake. These included the:

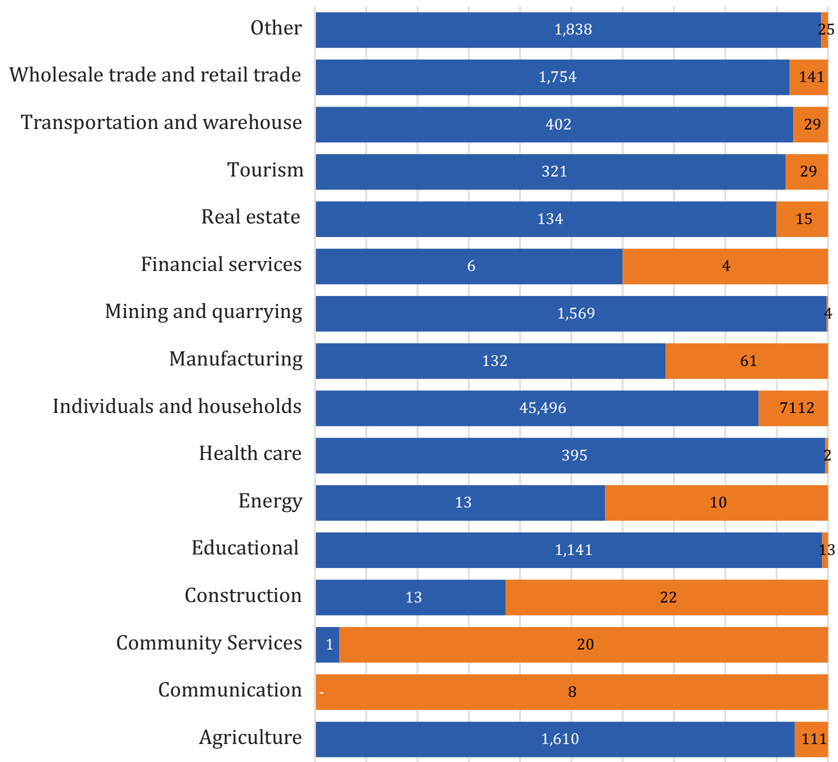
a) Removal of the 60.0 percent and 40.0 percent split in the allocation of funds between priority and non-priority sectors, respectively;
b) Amendments to Section 7.2 to allow the Bank to approve advances to non-targeted sectors for periods up to five years where this was deemed necessary; and
c) Amendments to Section 7.3 to allow Financial Service Providers request the Bank to vary the tenor with justification on approved but not yet disbursed advances.

The Bank received 59 applications (24 from commercial banks and 35 from NBFIs) amounting to K12.1 billion compared to 40 applications worth K8.7 billion in 2020. About K9.8 billion of the K12.1 billion applications was approved, representing an approval rate of 80.7 percent (89.2 percent in 2020). Commercial banks accounted for 77.1 percent of the approved amount. Cumulative disbursements amounted to K9.2 billion: K7.1 billion to commercial banks and K2.1 billion to NBFIs.

Out of the K9.2 billion disbursed, large cooporates received K6.2 billion followed by individuals and household (K2.1 billion) and small and medium enterprises (K1.0 billion).

As at December 31, 62,431 customers benefited from the disbursed amounts. Individuals and households continued to be the major beneficiaries of the Facility (Chart 9.12).

CHART 9.12:
Number of TMRTRF Beneficiaries at end-December 2021



Source: Bank of Zambia

9.4 Collaboration with other Financial Sector Regulators

In 2021, the Bank continued to collaborate with various stakeholders—particularly other financial sector regulators i.e. Pensions and Insurance Authority (PIA) and Securities and Exchange Commission (SEC)—to contribute to the achievement of the 2017-2022 National Financial Inclusion Strategy (NFIS) goals. This was done through enhancements to appropriate financial sector laws and regulations to promote financial inclusion. The NFIS aims to achieve universal access to and usage of a broad range of affordable financial products and services among Zambians.

In 2021, the BoZ, PIA and SEC embarked on a national joint messaging campaign to sensitise the public on fraudulent schemes that became prevalent in the financial sector. The campaign reached over 65,000 citizens throughout the country. In addition, the Bank collaborated with the German Sparkassenstiftung Zambia (DSIK) and Financial Sector Deepening Zambia (FSDZ) to contribute towards the achievement of the objectives of the National Strategy on Financial Education (NSFE) - Phase II (2019–2024). The primary objective of the NSFE is to empower Zambians with knowledge, understanding, skills, motivation and confidence to help them secure positive financial outcomes for themselves and their families. As a result, supplementary education materials for teachers and learners in primary and secondary schools were validated; small businesses, farmers and large employers were trained countrywide; and the Financial Literacy Week and World Savings Day were commemorated. Under the partnership with FSDZ, the Bank supported the design and development of a financial edutainment radio drama programme dubbed "*Bank Yako Yako*". This was broadcast countrywide to increase financial literacy, specifically promoting the safe use of digital financial services.

10.0 BANKING AND CURRENCY

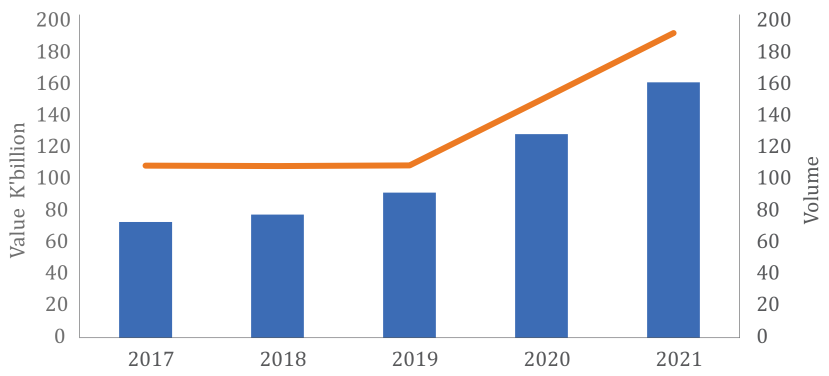
10.0 BANKING AND CURRENCY

10.1 Banking Services

During the year under review, the Bank of Zambia continued to offer banking services to Government, quasi-Government institutions, and commercial banks. Services provided to Government included receipt of revenue and transmission of payments to suppliers of goods and services as well as funding of line Ministries, Provinces and Spending Agencies (MPSAs) through the Treasury Single Account (TSA). In addition, the Bank continued to maintain accounts of commercial banks and provide audit confirmations as well as other client services.

The value and volume of transactions processed through the TSA increased to K161.5 billion and 192,723 in 2021 from K128.9 billion and 150,670 in 2020, respectively (Chart 10.1). The total number of accounts migrated to TSA remained unchanged at 59.

CHART 10.1:
Treasury Single Account Transactions, 2017– 2021



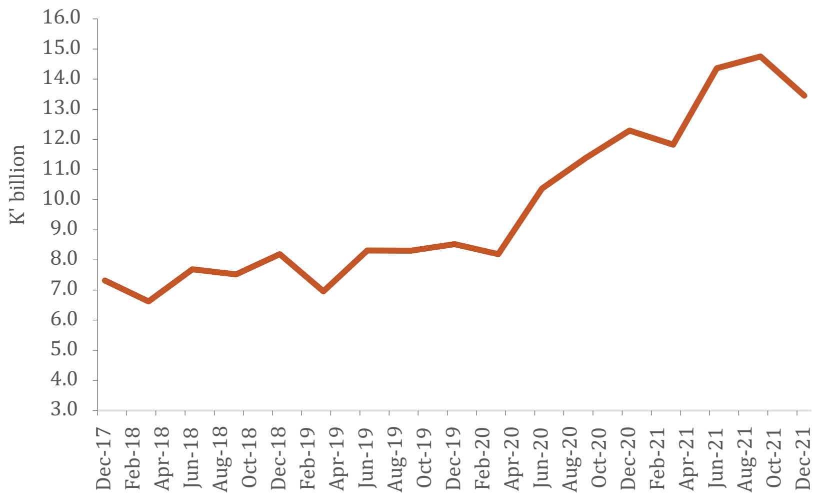
Source: Bank of Zambia

10.2 Currency Management

Currency in circulation grew by 9.8 percent to K13.5 billion in 2021 (Chart 10.2). The increase in currency demand, particularly in the second and third quarters, was mainly on account of payments related to crop marketing, social cash transfer and the General Elections. In addition, the high demand for Kwacha in Tanzania[23] and uncertainties related to the outcome of the General Elections contributed to significantly high demand for currency in the second quarter. The bulk of the currency was in banknotes accounting for 98.5 percent (K13.3 billion) of the outstanding stock (Table 10.1).

[23]In September 2018 Bank of Zambia signed a Memorandum of Understanding with the Bank of Tanzania on Currency Convertibility and Repatriation to facilitate trade between Zambia and Tanzania through trade payment settlement in respective local currencies..

CHART 10.2:
Currency in Circulation (K 'billion), Dec 2017 – Dec 2021



Source: Bank of Zambia

Table 10.1: Currency in Circulation, 2019 – 2021

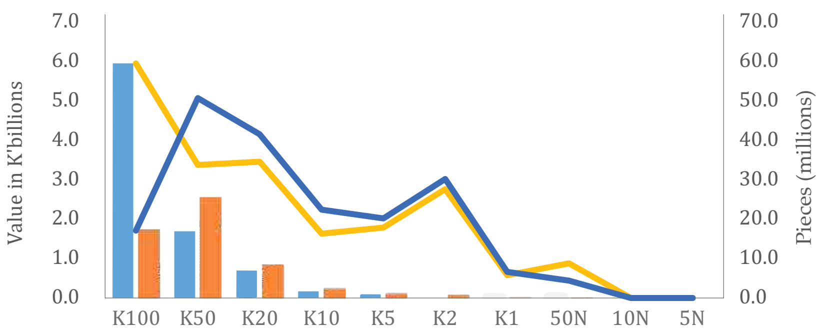
	Values (ZMW)			Pieces		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
Banknotes						
K100	5,814,103,200	8,913,139,700	8,679,596,100	58,141,032	89,131,397	86,795,961
K50	1,980,858,350	2,368,547,250	3,447,834,550	39,617,167	47,370,945	68,956,691
K20	295,299,360	501,754,540	719,089,420	14,764,968	25,087,727	35,954,471
K10	130,650,780	163,774,310	214,661,580	13,065,078	16,377,431	21,466,158
K5	90,101,670	99,656,335	122,235,765	18,020,334	19,931,267	24,447,153
K2	31,447,319	49,503,319	64,088,208	15,723,660	24,751,659	32,044,104
K1	109,494,990	115,438,992	122,786,488	109,494,990	115,438,992	122,786,488
Coins						
50N	62,246,428	67,238,928	70,279,428	124,492,856	134,477,856	140,558,856
10N	8,685,472	8,685,472	8,685,472	86,854,724	86,854,723	86,854,723
5N	3,723,059	3,723,059	3,723,059	74,461,189	74,461,189	74,461,189
Total	**8,526,610,629**	**12,291,461,906**	**13,452,980,071**	**554,635,997**	**633,883,187**	**694,325,794**

Source: Bank of Zambia

In 2021, the Bank issued 193.4 million pieces of mint banknotes and coins into circulation valued at K5.5 billion compared to 204.4 million pieces valued at K8.7 billion in 2020 (Chart 10.3 and Table 10.2). Most of the currency issued was in high value banknotes: K100 and K50, which accounted for 31.3 percent and 46.3 percent, respectively. The middle value (K20 and K10) and low value (K5 and K2) banknotes accounted for 22.2 percent while coins accounted for only 0.2 percent of the currency issued.

CHART 10.3:
Currency Issued into Circulation, 2020 – 2021

Values 2020
Values 2021
Pieces 2020
Pieces 2021



Source: Bank of Zambia

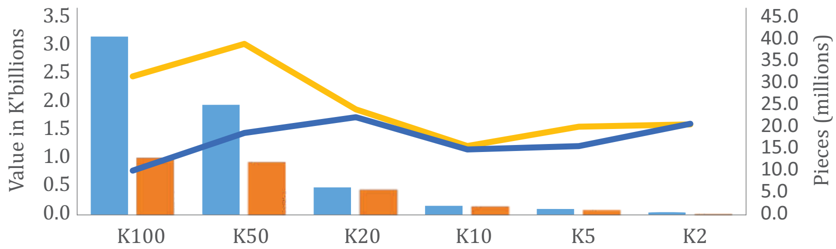
Table 10.2: Currency Issued into Circulation, 2019 - 2021

	Values (ZMW)			Pieces		
	2019	2020	2021	2019	2020	2021
K100	3,997,600,000	5,954,000,000	1,713,000,000	39,976,000	59,540,000	17,130,000
K50	1,383,900,000	1,690,000,000	2,537,400,000	27,678,000	33,800,000	50,748,000
K20	439,570,000	692,390,000	831,500,000	21,978,500	34,619,500	41,575,000
K10	128,630,000	163,450,000	224,270,000	12,863,000	16,345,000	22,427,000
K5	73,280,000	89,410,000	101,060,000	14,656,000	17,882,000	20,212,000
K2	31,446,000	55,272,000	60,434,000	15,723,000	27,636,000	30,217,000
K1	5,419,000	5,822,000	6,638,000	5,419,000	5,822,000	6,638,000
50N	3,502,000	4,390,000	2,214,000	7,004,000	8,780,000	4,428,000
10N	2,100	0	0	21,000	0	0
5N	200	0	0	4,000	0	0
Total	**6,063,349,300**	**8,654,734,000**	**5,476,516,000**	**145,322,500**	**204,424,500**	**193,375,000**

Source: Bank of Zambia

In 2021, the Bank of Zambia withdrew a total of 102.7 million pieces of unfit banknotes from circulation valued at K2.7 billion compared to 153.7 million pieces valued at K5.9 billion in 2020. The bulk of the currency withdrawn in pieces (60.2 percent) was in K50, K20 and K2 denominations (Chart 10.4 and Table 10.3). These notes are heavily used and therefore wear out or become unfit for circulation at a faster rate than the other denominations.

CHART 10.4: Currency Withdrawn from Circulation, 2020 – 2021



Source: Bank of Zambia

Table 10.3: Currency Withdrawn from Circulation, 2019 – 2021

	Values (ZMW)			Pieces		
	2019	2020	2021	2019	2020	2021
K100	3,323,418,900	3,167.709,800	1,012,193.700	33,234,189	31,677,098	10,121,937
K50	1,447,743,250	1,954,084,900	935,440,025	28,954,865	41,338,633	18,708,801
K20	609,074,120	482,465,720	446,550,260	30,453,706	24,123,286	22,327,513
K10	161,855,000	157,440,000	149,650,050	16,185,500	15,744,000	14,965,005
K5	78,286,305	100,715,500	78,662,500	15,657,261	20,143,100	15,732,500
K2	24,294,000	41,353,000	41,654,006	12,147,000	20,676,500	20,827,003
Total	5,644,671,575	5,903,768,920	2,664,150,541	136,632,521	153,702,617	102,682,759

Source: Bank of Zambia

The Bank of Zambia, commercial banks and other Government Security Agencies detected a total of 18,519 pieces of counterfeit notes in 2021 compared to 10,676 pieces in 2020 (Tables 10.4 and 10.5). The Bank and Security Agencies continued to sensitise the public on the identification of genuine banknotes.

Table 10.4: Counterfeit Notes Detected, 2019 – 2021

Denomination	2019	2020	2021
K100	19,888	7,524	18,325
K50	586	3,116	160
K20	199	35	34
K10	22	1	0
K5	3	0	0
K2	0	0	0
Total	**20,698**	**10,676**	**18,519**

Source: Bank of Zambia

Table 10.5: Counterfeit Notes Interception by Organisation, 2021

Denomination	Bank of Zambia	Commercial Banks	Drug Enforcement Commission & Zambia Police	Others	Total
K100	25	133	18,149	18	18,325
K50	32	24	100	4	160
K20	29	5	0	0	34
K10	0	0	0	0	0
K5	0	0	0	0	0
K2	0	0	0	0	0
Total	86	162	18,249	22	18,519

Source: Bank of Zambia

11.0 PAYMENT SYSTEMS

11.0 PAYMENT SYSTEMS

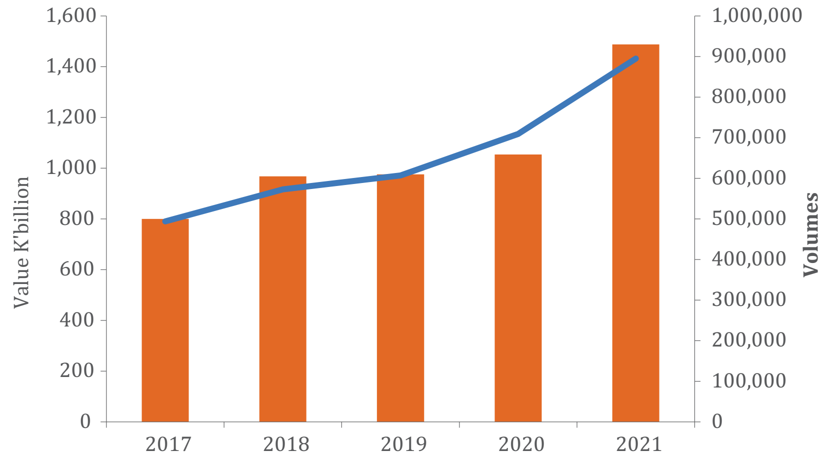
The operation of the national payment systems was satisfactory in 2021. This was reflected in high availability levels of the systems as well as the increase in values and volumes of transactions processed.

Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) recorded an average availability level of 99.0 percent in 2021 compared to 99.3 percent in 2020. Nonetheless, system availability rate was below the target of 99.9 percent due to continued technical challenges experienced on the infrastructure.

The volume and value of transactions processed on ZIPSS increased by 26.3 percent and 41.3 percent to 895,051 and K1.5 billion, respectively (Chart 11.1). This was mainly due to the increase in Government spending and interbank transactions.

CHART 11.1:
ZIPSS Volumes and Values, 2017 – 2021



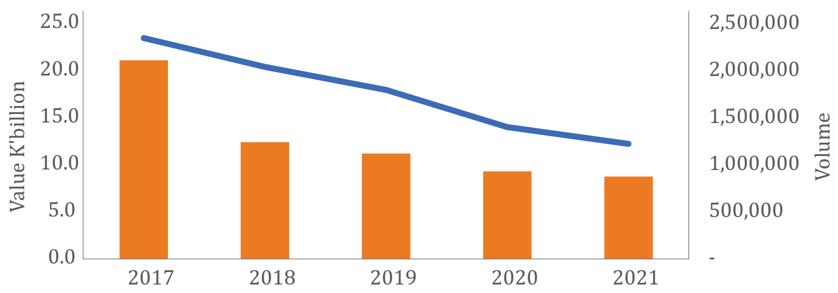
Value
Volume

Source: Bank of Zambia

Cheque Image Clearing System

The volume and value of cheques cleared in 2021 continued to decline due to the dominant usage of electronic payment methods. The volume decreased by 12.7 percent to 1,222,608 while the value reduced by 5.8 percent to K8.8 billion (Chart 11.2).

CHART 11.2:
Cheque Images Cleared, 2017 – 2021

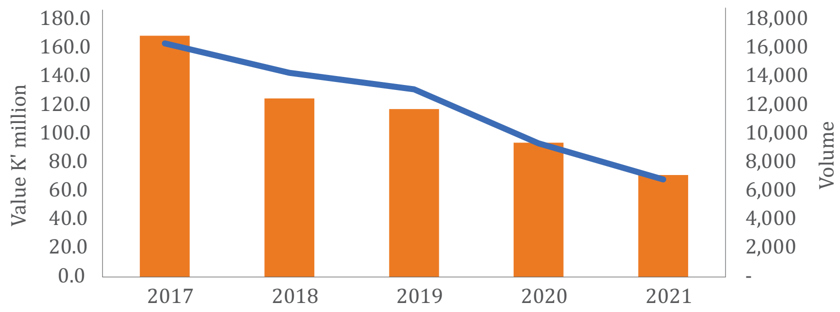


Value
Volume (RHS)

Source: Bank of Zambia

The value and volume of cheques unpaid due to insufficient funds declined further by 24.1 percent and 27.0 percent to K71.3 million and 6,825, respectively (Chart 11.3).

CHART 11.3:
Unpaid Cheques, 2017 – 2021



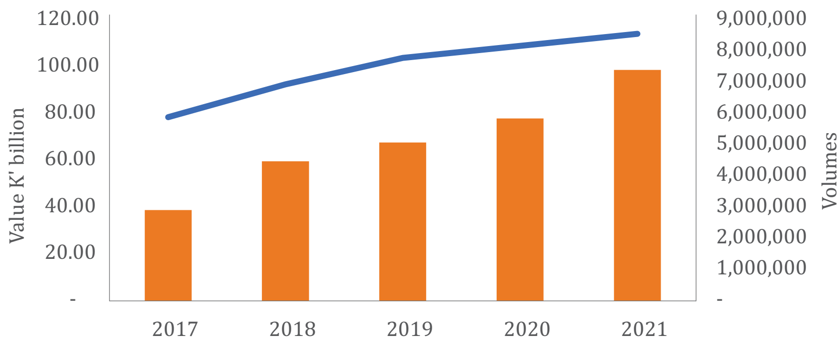
Value
Volume (RHS)

Source: Bank of Zambia

Electronic Funds Transfer (EFT) Clearing System

The volume and value of transactions processed on the Electronic Funds Transfer (EFT) payment system increased by 4.7 percent and 26.6 percent to 8,570,230 and K98.8 billion, respectively (Chart 11.4). This was due to the sustained use of digital financial services.

CHART 11.4:
Electronic Funds Transfers Processed 2017 – 2021



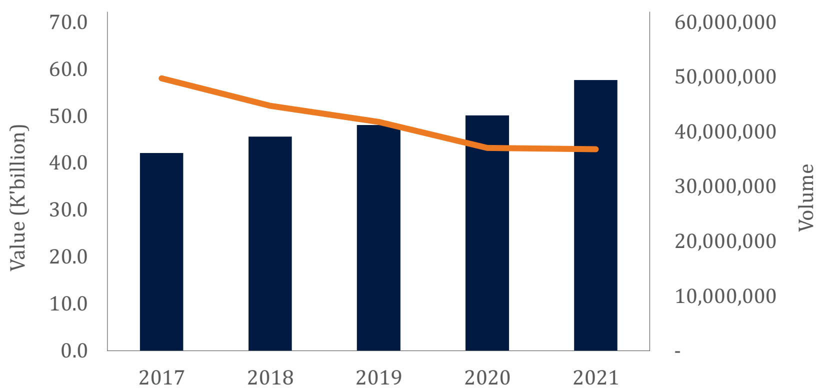
Value
Volume (RHS)

Source: Bank of Zambia

Automated Teller Machines

The volume of transactions processed through Automated Teller Machines (ATMs) continued to decline. For the year under review, it went down by 0.7 percent to 36,789,812 (Chart 11.5). This was mainly due to the increased usage of electronic payment methods such as mobile money channels for person-to-person (P2P) direct transactions and Point of Sale (PoS). The value of ATM transactions, however, rose by 15.1 percent to K57.7 billion.

Chart 11.5:
Automated Teller Machines, 2017 – 2021



Value
Volume (RHS)

Source: Bank of Zambia

The number of ATMs declined to 995 in 2021 from 1,032 in 2020 (Table 11.1). This was mainly due to the decommissioning of ATMs following the exit of one of the ATM service providers from the Zambian market. Nevertheless, the distribution of the ATMs remained broadly unchanged (Table 11.1).

Table 11.1: Nationwide Deployment of ATMs by Province, 2020 – 2021

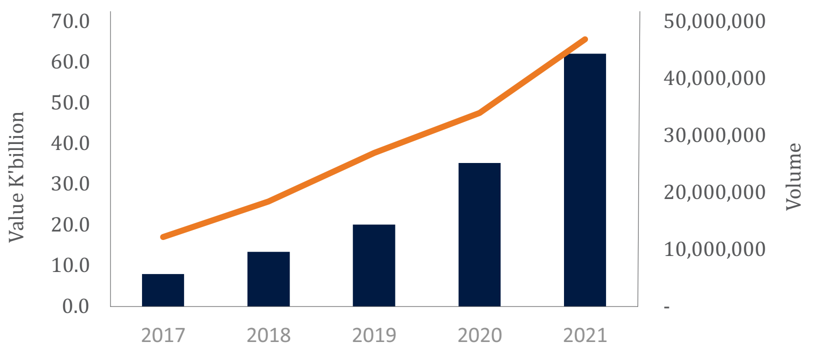
Province	2020	2021
Lusaka	492	479
Copperbelt	240	228
Southern	74	72
North-western	61	56
Central	46	46
Eastern	40	39
Northern	21	21
Luapula	20	19
Western	19	18
Muchinga	19	19
Total	**1,032**	**995**

Source: Bank of Zambia

Point of Sale Terminals

The volume and value of transactions processed on Point of Sale (PoS) terminals increased by 26.1 percent and 75.3 percent to 46,884,388 and K62.1 billion, respectively (Chart 11.6 and Table 11.2). This was largely attributed to the continued promotion of digital financial services in the wake of COVID-19 pandemic.

CHART 11.6:
POS Terminals, 2017–2021



Source: Bank of Zambia

Table 11.2: Nationwide Deployment of PoS Terminals by Province, 2020 – 2021

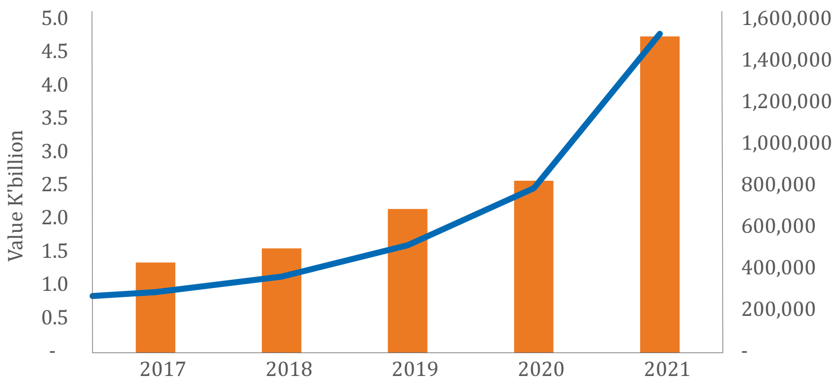
Province	2020	2021
Lusaka	11,364	13,736
Copperbelt	4,534	6,008
Southern	1,867	2,610
Central	1,274	1,701
Eastern	1,191	1,707
North-western	769	848
Luapula	500	668
Muchinga	475	574
Northern	438	791
Western	410	595
Total	**22,822**	**29,238**

Source: Bank of Zambia

International Remittances

In 2021, the volume and value of in-bound international remittances through the money transfer operators rose by 83.8 percent and 93.9 percent to 1,522,282 and K4.8 billion, respectively (Chart 11.7). This was mainly due to the increased uptake of digital financial services (DFS) and the inclusion of more corridors by service providers relative to in-bound remittances. The United States of America, United Kingdom, Canada, and Australia continued to be the main source countries.

CHART 11.7: In-bound Remittances, 2017 – 2021

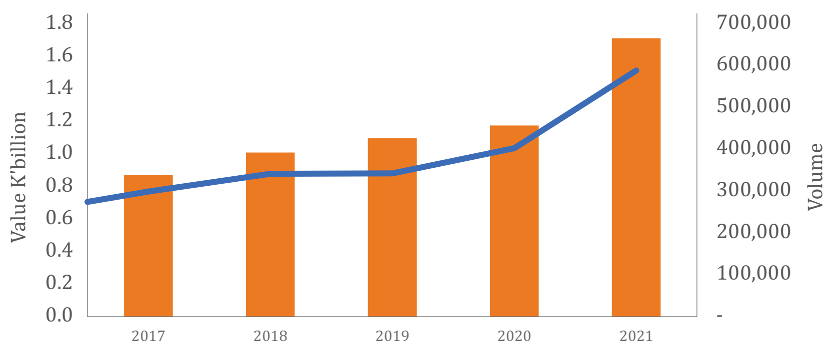


Value
Volume (RHS)

Source: Bank of Zambia

The volume and value of out-bound international remittances also increased by 46.1 percent and 45.7 percent to 588,202 and K1.7 billion, respectively (Chart 11.8). This was mainly on account of the increased adoption of DFS and the inclusion of more outbound remittance corridors by service providers. India, Tanzania, Zimbabwe and the Democratic Republic of Congo continued to be the main recipient countries in 2021.

CHART 11.8: Outbound Remittances, 2017 – 2021

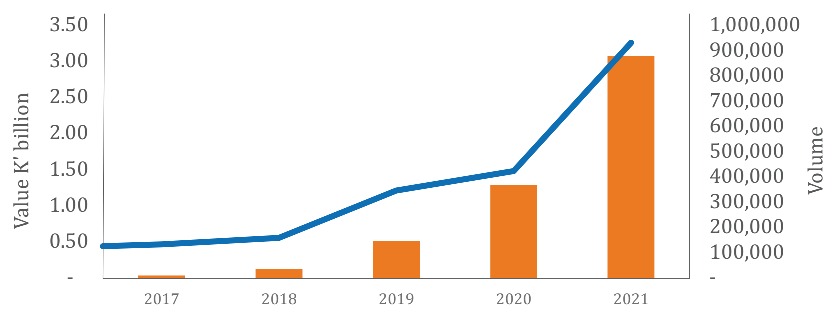


Value
Volume (RHS)

Source: Bank of Zambia

The net value of international remittances increased to K3.1 billion in 2021 from K1.3 billion in 2020 (Chart 11.9).

CHART 11.9: Net Inflows of Remittances, 2017 – 2021



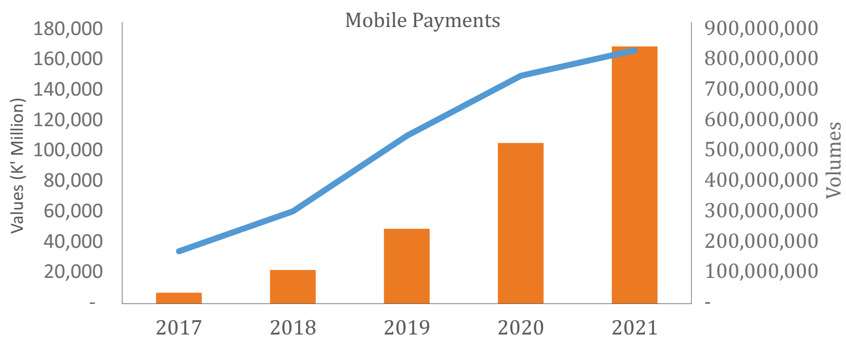
Value
Volume (RHS)

Source: Bank of Zambia

Mobile Money Transactions

The volume and value of transactions processed on mobile money platforms grew by 11.1 percent and 60.1 percent to 834,121,817 and K169.4 billion in 2021, respectively (Chart 11.10). This largely followed measures taken by the Bank and other stakeholders to promote the use of digital payment channels in the wake of the COVID-19 pandemic.

Chart 11:10: Mobile Money Transactions, 2017– 2021

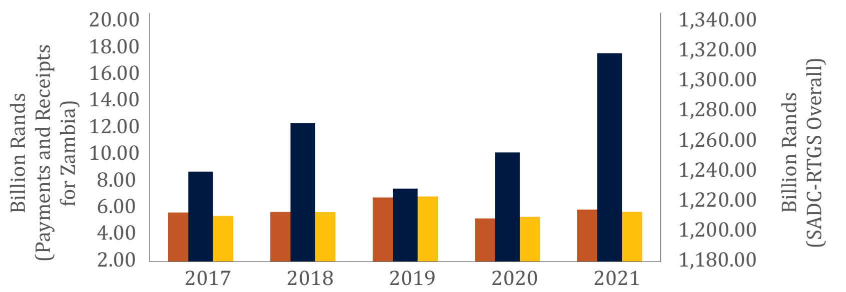


Source: Bank of Zambia

Regional Cross Border Payment Systems

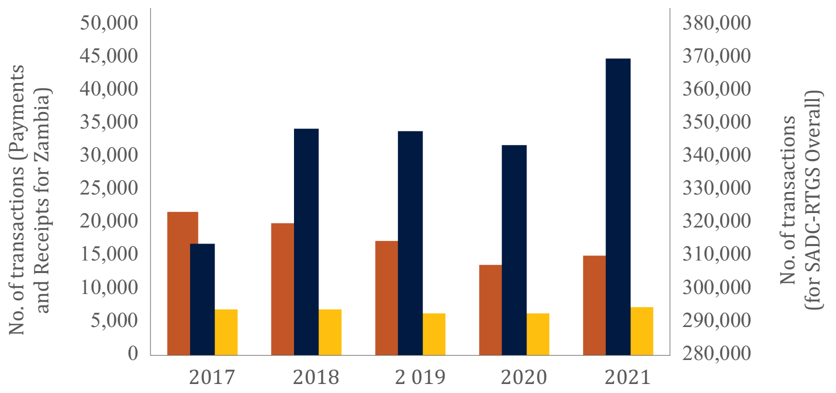
The volume and value of payments processed on the SADC Real Time Gross Settlement System (SADC-RTGS) by Zambian commercial banks increased by 10.2 percent and 12.7 percent to 15,095 and ZAR5,904.7 million, respectively (Charts 11.11 and 11.12). This was mainly due to the recovery of trade between South Africa and Zambia.

CHART 11.11: Values of SADC-RTGS Transactions



Source: Bank of Zambia

Chart 11.12: Volumes of SADC-RTGS Transactions



Source: Bank of Zambia

The volume of US dollar transactions processed on the COMESA Regional Electronic Payments and Settlement System (REPSS) reduced to 106 in 2021 from 336 in 2020. Only one Euro transaction was recorded in 2021. The value of in-bound and out-bound transactions also declined to US$14.8 million from US$45.9 million the previous year.

National Financial Switch

There were 28 participants live on the National Financial Switch (NFS) at the end of 2021 compared to 13 in 2020 distributed as follows: 18 on the ATM platform, 16 on the PoS, and 23 on the mobile payment module. Accordingly, the value and volume of transactions on the NFS increased by 111.6 percent and 110.5 percent to K17.0 billion and 25.0 million, respectively.

12.0 STRATEGY AND ENTERPRISE RISK MANAGEMENT

12.0 STRATEGY AND ENTERPRISE RISK MANAGEMENT

12.1 Performance of the 2020-2023 Strategic Plan

In 2021, implementation of the Strategic Plan continued to lag behind the expected target due to the impact of the COVID-19 pandemic. In this regard, a completion rate of 51.0 percent was achieved against a target of 66.0 percent (Table 12.1). In view of this, a mid-stream review of the Plan was conducted and delivery timelines for activities significantly delayed were extended. All the activities were retained as the environmental factors and risks that informed the formulation of the Plan remained largely unchanged.

Table 12.1: Performance against Strategic Objectives, as at end-2021

		2021	
	Strategic Initiatives	**Expected Percent on Target (Percent)**	**Actual Percent on Target (Percent)**
	Financial Stability		
1.1	Strengthen Microprudential Regulations and Supervision.	63	50
1.2	Strengthen Macroprudential Regulation and Supervision	82	72
1.3	Develop and strengthen financial market infrastructure and oversight	65	51
1.4	Enhance Data Collection, Management, and Application	54	42
	Financial Inclusion		
2.1	Formulate and implement a financial inclusion Strategy for the Bank	73	50
2.2	Mainstream gender in the financial sector	46	34
	Overall Performance	**66**	**51**

Source: Bank of Zambia

Note: The theme for the 2020-2023 Strategic Plan is "*Building an Inclusive and Resilient Financial Sector*." *Financial Stability* and *Financial Inclusion* are the two focus areas of the Plan, supported by six strategic initiatives.

12.2 Enterprise Risk Management

The overall Bank-wide risk profile continued to improve in 2021, guided by enhanced governance and risk management policies. Risk management responses were informed by the safety of staff and the continuity of the Bank's critical activities in light of COVID-19 disruptions. The operational resilience of the Bank was also evaluated and live market-wide tests were successfully conducted from the secondary site.

13.0 HUMAN RESOURCE MANAGEMENT

13.0 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

There were 534 employees (321 male and 213 female) at end-2021 out of an establishment of 680. Of these, 289[24] (54.1 percent) were on permanent and pensionable service while 245 (45.9 percent) were on fixed-term employment contract (Tables 13.1 and 13.2).

Table 13.1: Staffing Levels

	2019			2020			2021		
Functions	**Estab.**	**Actual**	**Var**	**Estab.**	**Actual**	**Var**	**Estab.**	**Actual**	**Var**
Executive	15	11	-4	15	10	-5	33	18	-15
Strategy & Risk Management	13	12	-1	13	11	-2			
Strategy &Change Management							10	8	-2
Risk & Compliance Management							7	6	-1
Security	85	36	-49	85	32	-53	59	41	-18
Subtotal	**113**	**59**	**-54**	**113**	**53**	**-60**	**109**	**73**	**-36**
Core Departments									
Bank Supervision	54	39	-15	54	43	-11	58	44	-14
Banking, Currency & Payment Systems	94	68	-26	94	69	-25			
Payment Systems							22	14	-8
Banking and Currency							75	59	-16
Economics	55	46	-9	55	44	-11	56	51	-5
Financial Markets	37	36	-1	37	36	-1	39	34	-5
Non-Banks Financial Institutions Supervision	43	37	-6	43	32	-11	43	33	-10
Subtotal	**283**	**226**	**-57**	**283**	**224**	**-59**	**293**	**235**	**-58**
Support Services									
Bank Secretariat							17	17	
Board Services	21	18	-3	21	17	-4			
Legal Services	9	9	0	9	7	-2			
Finance	37	30	-7	37	29	-8	37	30	-7
Human Resources	26	19	-7	26	20	-6	26	19	-7
Information & Communications Technology	34	29	-5	34	29	-5	34	30	-4
Internal Audit	17	16	-1	17	15	-2	17	16	-1
Procurement & Maintenance Services	83	74	-9	83	66	-17	83	63	-20
Subtotal	227	195	-32	227	183	-44	214	175	-39
Regional Office	**61**	**56**	**-5**	**61**	**54**	**-7**	**64**	**51**	**-13**
Subtotal	**61**	**56**	**-5**	**61**	**54**	**-7**	**64**	**51**	**-13**
TOTAL	**684**	**536**	**-148**	**684**	**514**	**-170**	**680**	**534**	**-146**

Source: Bank of Zambia
Note: Estab =Establishment, Var = Variance

Table13.2: Distribution of Staff by Location, Gender and Employment Type

Office	**Permanent & Pensionable**	**Fixed Term Contract**	**Gender**		**Total**
			Male	**Female**	
Lusaka	260	224	295	189	484
Ndola	29	21	26	24	50
Total	289	245	321	213	534
Percent share	54.1	45.9	60.0	40.0	100

Source: Bank of Zambia

[24]110 employees were converted from fixed-term contract to permanent and pensionable employment in 2021.

Reorganisation Programme

As part of the on-going re-organisation exercise, the Board, at its 343rd sitting held on February 23, 2021, approved the re-establishment of the Bank Secretariat (a merger of Board and Legal Services Departments); creation and appointment of a new role of Chief of Staff; creation of an additional position of Advisor to the Governor; conversion of Payment Systems Division into a Department; conversion of Security Division into a Department; establishment of the Strategy and Change Management Department; and establishment of the Risk and Compliance Department. The role of Regional Office was enhanced to reflect the prevailing operational needs of the Bank (Table 13.1).

Staff Movements

In 2021, the Bank recruited 47 employees while 27 separated due to statutory early retirements, resignation, death, contract expiry, or voluntary separation (Tables 13.3 and 13.4).

Table 13.3: Staff Recruitments in 2021

Department	Number
Bank Supervision	4
Economics	10
Finance	1
Governor's Office	2
Human Resources	3
Non-Bank Financial Institutions Supervision	1
Procurement and Maintenance Services	1
Security	13
Payment Systems	4
Internal Audit	2
Banking and Currency	1
Information and Communications Technology	3
Bank Secretariat	2
Total	**47**

Source: Bank of Zambia

Table 13.4: Staff Separations in 2021

Mode of Separation	Number
Statutory Early Retirement	15
Voluntary Separations/Early Separation	1
Resignation	5
Contract Expiration	2
Death	4
Total	**27**

Source: Bank of Zambia

Staff Welfare

In 2021, a total of 179 COVID-19 positive cases and three related deaths were recorded. To promote and safeguard the health and safety of staff, the Bank continued to implement the following measures: working from home, mass testing, regular fumigation of Bank premises, and sensitisation on prevention measures. In addition, mass vaccination campaigns were conducted and about 81.0 percent of staff were vaccinated as at end-December 2021.

Capacity Building Programmes

The Bank sponsored several capacity building programmes—locally and internationally—through virtual and in-person workshops and seminars. In addition, the Bank continued to support staff in various training programmes to improve their qualifications (Table 13.5).

Table 13.5: Number of Students Pursuing Study Programmes, 2019 – 2021

	2019	2020	2021
PhD/DBA	8	5	12
Masters Degrees	0	0	1
Bachelor's Degrees	0	0	0
Professional Qualifications	2	4	4
TOTAL	**10**	**9**	**17**

Source: Bank of Zambia

14 .0 BANK OF ZAMBIA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Approval of the financial statements

The financial statements of the Bank set out on pages 78 to 135 were approved by the Board of Directors on 30 March 2022 and signed on their behalf by:

Governor

Director F002800

Independent auditor's report

To the Government of the Republic of Zambia

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Bank of Zambia (the "Bank") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Bank of Zambia Act, No 43 of 1996.

What we have audited

Bank of Zambia's annual financial statements are set out on pages 78 to 135 and comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers , PwC Place, Stand No 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
T: +260 (0) 211 334 000, F: +260 (0) 211 256 474, www.pwc.com/zm

A list of Partners is available from the address above

Report on the audit of the annual financial statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss on financial assets measured at amortised cost At each reporting date, the Bank estimates the Expected Credit Loss ('ECL") on financial instruments carried at amortised cost. As at 31 December 2021, the Bank's portfolio of these instruments comprised loans and advances and investment securities totaling ZMW40,945 million on which expected credit losses of ZMW276 million were recognised. Determining the ECL involves the use of various assumptions and significant judgements to estimate the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and forward-looking information, which makes this an area of focus. Furthermore, the application of qualitative information is critical in determining the impairment estimate. Additional information on impairment of financial assets measured at amortised cost is presented in Note 4, 16, 17, 18, 19, 21 and 41.	**We carried out the following procedures:** 1. We tested the controls around loan origination, disbursement and selected a sample of financial assets at amortised cost on which we performed a detailed credit review to confirm appropriate classification and measurement. 2. We obtained an understanding of the basis used to determine the PDs, LGDs and EADs for the financial assets. 3. We tested the mathematical accuracy of the ECL computation performed by management and reperformed the calculation of certain key model inputs. 4. We reviewed the assumptions used in the ECL model for forward looking information and economic scenarios. 5. For investment securities, we agreed the assumptions relating to PDs and LGDs to information from reputable external credit rating agencies. 6. Tested the financial statement disclosures..
Valuation of Defined Benefit Pension Obligation The Bank recognised an obligation of K495 million at 31 December 2021 with respect to its defined benefit pension scheme. Estimating the obligation requires the use of assumptions and judgements such as: • The discount rate (the rate used to discount post-employment benefit obligation); • The rate at which salaries increase into the future; • The mortality (deaths) expected of the members in the fund before retirement; and • The rates of employee turnover and disability. Additional information on valuation of defined benefit pension obligation is presented in Note 35.	We carried out the following procedures: 1. Obtained an understanding of the Bank's methodology used to estimate the defined benefit obligation and assessed this against the requirements of IAS 19 (Employee Benefits) and IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). 2. Challenged the assumptions made by comparing the amounts determined to historical trends as well as future expected outcomes based on data available from independent sources. 3. Using an Actuary as an Auditor's Expert, we re-performed the calculation of the defined benefit obligation recognised in the financial statements; 4. Reviewed the financial statement disclosures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Bank of Zambia Act, No 43 of 1996 and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Report on the audit of the annual financial statements (continued)

Auditor's responsibilities for the audit of the annual financial statements (continued)

Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Bank of Zambia Act, No 43 of 1996

The Act requires that the financial statements of Bank of Zambia be prepared in accordance with the Bank of Zambia Act No 43 of 1996, and the accounting and other records and registers be properly kept in accordance with the Act.

In respect of the foregoing requirements, we have no matters to report.

PricewaterhouseCoopers
Chartered Accountants
Lusaka

31 March 2022

Andrew Chibuye
Practicing Certificate Number: AUD/F002378
Partner signing on behalf of the firm

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2021**	2020
		K'000	K'000
Interest income	*5*	**5,386,167**	3,771,442
Interest expense	*5*	**(274,799)**	(93,843)
Net interest income		**5,111,368**	3,677,599
Fees and commission income	*6*	**404,183**	266,241
Fees and commission expense	*6*	**(7,279)**	(8,830)
Net fees and commission income		**396,904**	257,411
Trading (losses)/gain	*43*	**(139,217)**	172,212
Other operating (losses)/gains	*7*	**(3,357,050)**	5,315,797
		(3,496,267)	5,488,009
Total operating income		**2,012,005**	9,423,019
Depreciation and amortisation	*23,24*	**(41,894)**	(41,387)
Impairment credit/(charge)	*8*	**309,589**	(585,251)
Personnel expenses	*9*	**(538,582)**	(635,406)
Operating expenses	*10*	**(296,502)**	(1,190,594)
Net expense		**(567,389)**	(2,452,638)
Profit for the year		**1,444,616**	6,970,381
Other comprehensive income			
Items that will not be classified to profit or loss			
Changes in fair value of equity investment at FVOCI	*20*	**80,516**	513,574
Net defined benefit obligation	*35*	**-**	(494,848)
Total comprehensive income for the year		**1,525,132**	6,989,107

Notes to the financial statements on pages 82 to 135 form an integral part of the financial statement.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Notes	**2021**	2020
Assets		**K'000**	K'000
Domestic cash in hand	*12*	**4,943**	3,196
Foreign currency cash and bank accounts	*13*	**45,752,848**	25,460,219
Monetary gold	*14*	**687,966**	-
Items in course of settlement	*15*	**10**	201
Government securities at FVOCI	*16*	**88,191**	88,986
Loans and advances	*17*	**1,903,350**	2,527,520
Government securities at amortised cost	*18*	**23,238,874**	22,709,527
Prepayments and other assets	*20*	**26,651**	58,310
Equity investments at FVOCI	*21*	**661,685**	738,676
IMF funds receivable from Government	*22,33*	**5,665,945**	7,653,019
IMF subscriptions	*23*	**31,341,051**	24,961,309
Property, plant and equipment	*24*	**603,410**	582,261
Intangible assets	*40*	**59,475**	57,247
Non-monetary gold	*41*	**127,984**	59,701
Targeted Medium-Term Refinancing Facility	*42*	**9,772,648**	3,400,764
Financial derivative asset		**230,071**	23,195
Total assets		**120,165,102**	88,324,131
Liabilities			
Deposits from Government of the Republic of Zambia	*26*	**7,849,486**	2,940,414
Deposits from financial institutions	*27*	**17,470,759**	15,192,959
Foreign currency liabilities to other institutions	*28*	**56,483**	53,043
Other deposits	*29*	**153,433**	105,428
Notes and coins in circulation	*30*	**13,555,338**	12,391,883
Other liabilities	*31*	**5,293,067**	755,841
Provisions	*32*	**180,222**	973,677
Domestic currency liabilities to IMF	*22,33*	**31,341,051**	24,961,309
Foreign currency liabilities to IMF	*34*	**2,863**	58,640
Financial derivative liability	*42*	**-**	405,213
SDR allocation	*36*	**32,826,428**	14,301,539
Total liabilities		**108,729,130**	72,139,946
Equity			
Capital	*37*	**500,020**	500,020
General reserve fund	*38*	**3,247,412**	2,550,373
Property revaluation reserve	*38*	**311,311**	325,738
Retained earnings	*38*	**7,377,229**	12,808,054
Total equity		**11,435,972**	16,184,185
Total liabilities and equity		**120,165,102**	88,324,131

Notes to the financial statements on pages 82 to 135 form an integral part of the financial statement

The financial statements on pages 78 to 135 were approved for issue by the Board of Directors.

Governor

F002800

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Note	**Share capital**	**General reserve fund**	**Property revaluation reserve**	**Retained earnings**	**Total equity**
		K'000	**K'000**	**K'000**	**K'000**	**K'000**
Balance at 1 January 2020		500,020	2,261,822	340,161	8,690,038	11,792,041
Profit for the year		-	-	-	6,970,381	6,970,381
Changes in fair value for equity at FVOCI		-	-	-	513,575	513,575
Actuarial loss on defined benefit obligation		-	-	-	(494,848)	(494,848)
Transfer to general reserves		-	288,551	-	(288,551)	-
Revaluation surplus amortisation		-	-	(14,423)	14,423	-
Total comprehensive income		-	288,551	(14,423)	6,714,980	6,989,108
Transactions with owners:						
Dividend to Government	*38*	-	-	-	(2,596,964)	(2,596,964)
Total transactions with owners		-	-	-	(2,596,964)	(2,596,964)
Balance at 31 December 2020		500,020	2,550,373	325,738	12,808,054	16,184,185
Balance at 1 January 2021		**500,020**	**2,550,373**	**325,738**	**12,808,054**	**16,184,185**
Profit for the year		**-**	**-**	**-**	**1,444,616**	**1,444,616**
Changes in fair value for equity at FVOCI		**-**	**-**	**-**	**80,516**	**80,516**
Transfer to general reserves		**-**	**697,039**	**-**	**(697,039)**	**-**
Revaluation surplus amortisation		**-**	**-**	**(14,427)**	**14,427**	**-**
Total comprehensive income		**-**	**697,039**	**(14,427)**	**842,520**	**1,525,132**
Transactions with owners:						
Dividend to Government	*38*	**-**	**-**	**-**	**(6,273,345)**	**(6,273,345)**
Total transactions with owners		**-**	**-**	**-**	**(6,273,345)**	**(6,273,345)**
Balance at 31 December 2021		**500,020**	**3,247,412**	**311,311**	**7,377,229**	**11,435,972**
Notes		37	38	38	38	

Notes to the financial statements on pages 82 to 135 form an integral part of the financial statement

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Notes	**2021**	2020
Cash flows from operating activities		**K'000**	K'000
Profit for the year		**1,444,616**	6,970,381
Adjustment for:			
Depreciation/amortisation	*23,24*	**41,894**	41,387
Dividends received		**(29)**	(362)
Gain on disposal of plant and equipment		**(18)**	(120)
Effects of exchange rate changes	*7*	**2,754,212**	1,518,604
Provisions made during the year		**(793,455)**	813,119
		3,447,220	9,343,009
Changes in operating assets and liabilities			
Change in items in course of settlement	*14*	**191**	7
Change in Monetary gold	*13*	**(687,966)**	-
Change in Government securities at FVOCI	*15*	**795**	547
Change in loans and advances	*16*	**624,170**	(1,865,159)
Change in Government securities at AC	*17*	**(529,347)**	(8,698,267)
Change in prepayments and other assets	*18*	**31,659**	(455)
Change in non-refined gold	*40*	**(68,283)**	(59,701)
Change in TMTRF	*41*	**(6,371,884)**	(3,400,764)
Change in equity investments at FVOCI	*20*	**151,426**	(35,505)
Change in IMF funds receivable from Government	*21*	**1,987,074**	(2,798,844)
Change in financial asset derivative	*42*	**(206,876)**	(23,195)
Change in deposits from Government of the Republic of Zambia	*26*	**4,909,072**	597,927
Change in deposits from financial institutions	*27*	**2,277,800**	6,826,750
Change in foreign currency liabilities to other institutions	*28*	**3,440**	20,814
Change in other deposits	*29*	**48,005**	(29,488)
Change in other liabilities	*31*	**4,537,226**	152,699
Change in financial derivative liability	*42*	**(405,213)**	405,213
Change in foreign currency liabilities to IMF	*34*	**(55,777)**	(178,985)
Change in notes and coins in circulation	*30*	**1,163,455**	3,764,852
Change in SDR allocation	*36*	**18,524,889**	5,149,768
Net cash generated from operating activities		**29,381,076**	9,171,223
Cash flow from financing activities			
Dividends paid to shareholders		**(6,273,345)**	(2,596,964)
Net cash out flows from financing activities		**(6,273,345)**	(2,596,964)
Cash flows from investing activities			
Dividends received		**6,110**	7,173
Purchase of property, plant and equipment and intangible assets	*23,24*	**(65,950)**	(74,924)
Proceeds from sale of property, plant and equipment		**697**	673
Net cash out flows from investing activities		**(59,143)**	(67,078)
Net change in cash and cash equivalents		**23,048,588**	6,507,181
Cash and cash equivalents at the beginning of year		**25,463,415**	20,474,838
Effects of exchange rate changes		**(2,754,212)**	(1,518,604)
Cash and cash equivalents at the end of the year		**45,757,791**	25,463,415
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**4,943**	3,196
Foreign currency cash and bank accounts		**45,752,848**	25,460,219
		45,757,791	25,463,415

Notes to the financial statements on pages 82 to 135 form an integral part of the financial statement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Principal activity

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

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

The Board of Directors approved these financial statements for issue on 30 March 2022.

2 Principal accounting policies

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

2.1 Basis of preparation

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

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

(a) New Standards effective 1 January 2021

IFRS 16 and COVID-19 — Extension of practical expedient

The extension permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The amendments do not have an impact on the financial statements.

Amendments Interest Rate Benchmark Reform (IBOR) Phase 2

The IASB issued 'Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' to address issues arising from the implementation of the IBOR reform including the replacement of one benchmark with an alternative one, with disclosures on how it is managing the transition and any associated risks. The Bank shall consider the use of alternative benchmark rate in pricing financial products and services.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. Standards and amendments that are not yet effective and have not been adopted early by the Bank include:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarifying when there is a onerous contract, effective 1 January 2022. The amendment clarifies when there is a onerous contract and the type of costs an entity includes as the 'costs of fulfilling a onerous contract;

- Amendments to IAS 1 and IFRS Practice Statement 2 on accounting policy disclosures, effective 1 January 2023. The amendment is consistent with the redefinition of 'material' and requires entities to disclose their material accounting policies rather than their significant accounting policies and omit accounting policies related to immaterial transactions, other events or conditions;

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective 1 January 2023. The amendment defines what an accounting estimates is and clarifies how companies should distinguish between changes in accounting policies and changes in accounting estimates;

- Amendments to IAS 1 on the classification of Liabilities as either current or non-current, effective 1 January 2023. The amendment requires that a liability is classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period; and

- Amendments to IAS 16 – Property, Plant and Equipment, regarding proceeds before intended use, effective 1 January 2022. The amendment prohibits the deduction from the cost of an item of Property, Plant and Equipment any proceeds from selling items produced before intended use (activation) of PPE.

None of the above standards will have a material impact on the Bank.

(c) **Functional and presentation currency**

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

(d) **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised in the profit or loss within 'interest income' and 'interest expense' respectively 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 receipts and cash payments 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 profit or loss include:
- Interest on financial assets and liabilities at amortised cost calculated on an effective interest basis; and
- Interest on financial assets at FVOCI calculated on an effective interest basis.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.0 Principal accounting policies (*continued*)

(e) **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 reflecting the consideration to which the Bank expects to be entitled to in exchange for providing the services.

The Bank in line with the provisions of IFRS 15, Revenue from Contracts with Customers employs the five-step process in recognising revenue as follows:

- Identifying contracts with financial institutions;
- Identifying the separate performance obligation;
- Determining the transaction price for each contract;
- Allocating the transaction price to each of the separate performance obligations; and
- Recognising the revenue as each performance obligation is satisfied.

(f) **Dividends**

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).

(g) **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.

(h) **Foreign currency reserves, cash and bank balances**

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Foreign exchange differences arising on translation are recognised in the profit or loss, except for differences arising on the translation of equity instruments at FVOCI that are recognised directly in other comprehensive income.

(i) **Financial instruments**

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

a. Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.0 Principal accounting policies (*continued*)

Classification

The Bank classifies its financial assets into the following categories as required by IFRS 9 namely, Amortised Cost (AC), Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI).

Business model assessment

The classification of financial assets is based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Classification of a financial instrument into a category occurs at the time of initial recognition. The Bank assesses the business model for newly originated or purchased financial assets at portfolio level because this best reflects the way the financial instruments are managed and how information is provided to Management.

The features assessed may include:

- In case of variable interest instruments, determination of the significance of impact of a rate reset on cash flows;
- Extent to which contractual terms, such as prepayment callable or extension, could change the timing or amount of cash flows; and
- For asset backed securities, to assess underlying assets to determine if they are classified as SPPI.

Assessment of whether contractual cash flows are Solely Payments of Principle and Interest (SPPI)

The Bank assesses whether the contractual cash flows are solely payments of principle and interest on the principle amount outstanding and that the cash flows are consistent with the basic lending arrangement. Principle here refers to, the fair value of the financial asset at initial recognition. Interest includes the consideration for the time value of money, the credit risk associated with the principle amount outstanding and other basic lending risks and costs (e.g. liquidity risk, administrative costs and profit margin). Further, in assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the subject financial asset to determine if there are any contractual terms that change the timing or amount of cash flows such that the conditions for the SPPI test are not met. In assessing the contractual terms, the Bank considers:

- That contractual cash flows are consistent with the basic lending arrangement; and
- Assesses nature and effect of complex features to determine if they are 'de minimis' or not genuine.

Financial assets at amortised cost

Financial assets that are held to collect contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that solely payments of principle and interest on the principle amount outstanding, are measured at amortised cost (AC).

The Bank has classified the following as financial assets at amortised cost:

- GRZ consolidated bond;
- Other GRZ securities;
- Staff saving securities; and
- Loans and receivables, transaction fees receivable, Targeted Medium-Term Refinancing Facility (TMTRF), credit to banks and staff loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets held within a business model that is achieved by both collecting contractual cash flows and selling the asset and also contain contractual terms that give rise on specified dates to cash flows that solely payments of principle and interest on the principle amount outstanding, are measured at fair value through other comprehensive income (FVOCI). The Bank has irrevocably designated at FVOCI, equity investments in Africa Export and Import Bank (Afreximbank), Society for Worldwide Interbank Financial Telecommunication Services (SWIFT), Zambia Electronic Clearing House Limited (ZECHL) and other domestic securities. The Bank chose this classification alternative because these investments were made for strategic purposes rather than with a view to profit or gain on subsequent sale. There are no plans to dispose of these investments in the short or medium term.

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

All other financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss (FVTPL).

i. Subsequent measurement of financial asset

Subsequent measurement, gains, and losses applicable in respect of financial assets are as follows:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

ii. Derecognition of financial assets

The Bank derecognises a financial asset or a portion of it when the contractual rights to the cash flows from the financial asset expire or when it transfers the contractual rights to receive the cash flows in a way that transfers substantially all the risks and rewards of ownership of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

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.

iii. Impairment

IFRS 9 requires impairment assessment of all financial instruments that are not measured at FVTPL under the Expected Credit Loss (ECL) model. The standards require Management to make a number of judgements, assumptions and estimates and these may result in the introduction of measurement uncertainty to the ECL allowance. In determining ECL, Management is required to exercise judgement in defining what is considered to be a significant increase in credit risk (SICR) and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The recognition and measurement of impairment is intended to be more forward-looking. All financial assets should be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is larger than the population for which there is objective evidence of impairment.

Measurement of ECL

IFRS 9 establishes a three-stage impairment model, based on whether there has been a SICR of a financial asset since its initial recognition. These three-stages then determine the amount of impairment to be recognised as expected credit losses at each reporting date as well as the amount of interest revenue to be recorded in future periods:

- Stage 1: Credit risk has not increased significantly since initial recognition – recognise 12 month ECL, and recognise interest on a gross basis;
- Stage 2: Credit risk has increased significantly since initial recognition – recognise lifetime ECL, and recognise interest on a gross basis; and
- Stage 3: Financial asset is credit impaired, recognise interest on a net carrying amount.

The Bank's financial assets are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement.

Calculation of ECL

ECLs are a probability-weighted estimate of credit losses and are determined by computing the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

When an ECL is determined, the carrying amounts of an asset is adjusted by the impairment allowance, which is recognised in income statement.

As at 31 December 2021 the Bank recognised an ECL allowance of K276 million.

Determining whether there is significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment including forward-looking information. Some of the qualitative factors the Bank uses in determining whether there has been a significant increase in credit risk include modications to the contractual arrangements, credit ratings, liquidity/cashflow challenges, delays in meeting contractual obligations and significant changes in external market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

Definition of default

The Bank considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- There is information that the counterparty is in breach of regulatory requirements that impact its operations or is about to be liquidated; or
- The financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. In determining low credit risk, the Bank uses its internal ratings and other methodologies as well as market perspective of the financial instrument being assessed.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of lifetime ECLs that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

b. Financial liabilities

All financial liabilities are recognised when the Bank becomes party to the contractual provisions of the instrument.

i. Classification

The Bank classifies its financial liabilities into either fair value through profit or loss (FVTPL) or amortised cost (AC).

Financial liabilities at fair value through profit or loss

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

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

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

ii. Subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except those that, at initial recognition, are irrevocably designated as measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.0 Principal accounting policies (*continued*)

iii. Derecognition of financial liabilities

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

(j) **Determination of fair value**

Fair value, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When a quoted price is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument.

If a market for a financial instrument is not active, the Bank establishes fair value using appropriate valuation techniques. 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.

(k) **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.

(l) **Property, plant and equipment**

An item shall be recognised as an item of property, plant and equipment (fixed asset) when it is probable that, the future economic benefits associated with the fixed asset shall flow to the Bank, the cost of the fixed asset can be measured reliably, the asset has a useful life of more than 1 year and its cost is above the Bank's minimum capitalisation threshold. Items falling below the threshold shall not be capitalised unless they form an integral and essential part of a functional group or structure considered to be a fixed asset or a part of a capital project. All items that qualify for recognition as an asset are initially measured at historical cost. Property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Special assets are not depreciated, as they, by their nature, tend to appreciate with time and also because they have unlimited useful life like land.

i. Property

Properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.0 Principal accounting policies (*continued*)

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

ii. Plant and equipment

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

iii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of such an item, only when it is probable that future economic benefits associated with that item will flow to the Bank and the cost of that item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the profit or loss during the financial period in which they are incurred. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

iv. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation method applied, reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

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 property revaluation reserve is transferred directly to retained earnings. A portion of the surplus equal to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred as the asset is used by the Bank. The transfers from revaluation surplus to retained earnings are not made through profit or loss. Other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Asset	2021	2020
Buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture	**10%**	10%
Security systems and other equipment	**10-20%**	10-20%
Motor vehicles	**25%**	25%
Armoured Bullion vehicles	**10%**	10%
Armoured escort vehicles	**16.7%**	16.7%
Computer equipment - hardware	**25%**	25%
Office equipment	**33.3%**	33.3%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.0 Principal accounting policies (*continued*)

i De-recognition

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

ii. Capital work-in-progress

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

(m) Intangible assets

Intangible assets are identifiable, non-monetary assets that do not have a physical existence and are expected to be used for more than 1 year. An intangible asset may be contained within an asset having a physical presence, such as, computer software contained on compact discs, hard-drives or tape media.

Purchased intangible assets

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

Item	Amortisation method	Average useful life
Purchased software	Straight-line basis	3 years
Internally generated	Straight-line basis	3 years
Work in progress	No amortisation charged	-

(n) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

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

(o) **Employee benefits**

i. Defined contribution plan

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

In line with the above defined scheme:

- the Bank contributes to the Statutory Pension Scheme in Zambia, National Pension Scheme Authority (NAPSA) where the Bank pays an amount equal to the employees' contributions; and
- the Bank also contributes to the defined contribution pension scheme. The defined contribution pension scheme was established in 2020, following Board approval to convert eligible employees from Fixed Term Contracts to Permanent and Pensionable. The conversion of the eligible staff to the defined contribution pension scheme commenced in 2021 and the Bank's contribution to this scheme is 15.76%.

ii. Defined benefit plan

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

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

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

When the calculations above result in a benefit to the Bank, the recognised asset is limited to the lower of any surplus in the fund and the 'asset ceiling' (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

iii. 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.

iv. 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.

v. Other staff benefits

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

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

(p) 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.

(q) Transactions with the International Monetary Fund (IMF)

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

The Bank revalue 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.0 Principal accounting policies (*continued*)

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

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

(r) Provisions

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

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

(s) Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the financial statements. Currency in circulation represents the face value of notes and coins issued to commercial banks and Bank of Zambia cashiers.

(t) 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.

(u) 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 withdraws 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

(v) Financial derivatives

The Bank uses fair value on initial recognition of the derivative financial instrument when the contract is entered into. Subsequently, derivative financial instrument contracts are remeasured at their fair value. In order to obtain the fair value, recent market transactions between market participants for similar contracts are noted and or, where available, quoted market prices in active markets are used.

The Bank uses FX Swaps to manage the US dollar liquidity needed for FX market support. Currencies to be exchanged in the swap transaction is the Kwacha (K) and the United States dollar (US$). To operationalise the Swap, both counterparties must agree to initially enter into an International Swaps and Derivatives Association Inc. (ISDA) agreement or any other Swap agreement agreed to by both parties. The US dollar proceeds of the Swap is used by the Bank in discharging its mandate of promoting an efficient and stable foreign exchange market.

The spot rate is the interbank mid-rate of K/US$ rate, derived from the bid/ask rates quoted on the BoZ website on the start date of the Swap. For the Kwacha proceeds that a commercial bank is expected to receive in the Swap, the Bank provides an option to the counterparty to invest the Kwacha in a fixed term deposit. Placing the Kwacha receipts on the Bank fixed term deposit is not mandatory. The return on the Kwacha facility is based on the determined rate at the time the investment is made.

The Bank does not use hedge accounting rules of IFRS 9.

(w) Monetary gold and non-monetary gold (non-refined gold)

The Bank is holding the gold for strategic purposes to enhance the foreign reserves. The Bank holds non-interest gold account with the Bank for International Settlements (BIS) Basle while gold custody is held at the Bank of England.

Monetary gold

Gold designated as monetary gold is recognised when the Bank acquires the contractual rights to the economic risks and rewards of ownership of the Gold and upon receipt of a credit balance of refined ounces of gold deposit on the account at BIS. The Bank initially measures monetary gold at cost. Subsequently, monetary gold is measured at fair value with any realised or unrealised revaluations reported in other comprehensive income. Monetary gold forms part of the foreign reserves position at the prevailing market gold price.

Non-monetary gold (non-refined gold)

On acquisition of non-refined gold (non-monetary gold/dore gold), the gold is accounted for as inventory and only converted to monetary gold upon receipt of a credit balance of the refined ounces of gold deposit on the account statement from BIS and consequently form part of the foreign reserves position at the prevailing market gold price.

Initial measurement is at fair value. Where fair value is not available cost is considered as an acceptable proxy, based on cost of getting gold to market. Therefore, the following cost-based adjustments are applicable:

- Refining costs; Costs that are essential to bringing the gold to the desired level form for classification as monetary gold; and
- Transport costs; are costs necessary to deliver the gold to a recognised market location.

Both costs cited above, form part of the value of the gold and as such is not considered as being recurrent expenditure. Subsequent measurement is at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Principal accounting policies (*continued*)

Any unrealised revaluations is not considered for determining annual profits and loss, but is reported in other comprehensive income.

(x) Targeted Medium-Term Refinancing Facility (TMTRF)

The Bank introduced the Targeted Medium-Term Refinancing Facility (TMTRF) whose objective is to strengthen and enhance financial sector resilience, particularly in the wake of the Coronavirus (Covid-19) pandemic outbreak. The interest rate applicable on the TMTRF is the prevailing Bank of Zambia Monetary Policy Rate (MPR) at the time of granting the Advance.

This facility is made available to Financial Service Providers (FSP) that meet the eligibility criteria as defined under the facility's terms and conditions. TMTRF aims at providing liquidity support to qualifying FSPs for onward lending/refinancing to borrowers in the priority sectors identified as key drivers of economic growth and development.

The loans under the TMTRF are held at amortised cost and are assessed annually for impairment in line with IFRS 9.

(y) Loans and advances

The Bank provides loans and advances to staff. Loans carry varying repayment periods based on the type of loan. All loans to staff are at concessional interest rates determined by the Bank. The internal assessment criteria is stipulated in the Bank's Staff Loans and Advances Policy.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate method.

3 Critical accounting judgements and key sources of estimation uncertainty

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

The Bank is also aware of the uncertainties that surround these assumptions and estimates and that these uncertainties could lead to outcomes that may require a material adjustment to the carrying amounts of assets and liabilities in future periods. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

3.1 Property, plant and equipment

Management uses judgement in determining, the appropriate depreciation method, depreciation rate and the appropriate useful life for the various categories of property, plant and equipment, which reflects the best use and duration of these assets. Judgment is also exercised in determining the residual values for assets as well as the recoverable amount of any impaired assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

3.2 Defined benefits obligations

The Bank's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality government bonds (Refer to note 35 for discount rate used). Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the government bonds, quality of the bonds and the identification of outliers which are excluded.

3.3 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of default and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increases in credit risk; and
- Choosing appropriate models and assumptions for measuring of ECL.

Significant in the measurement of credit loss is the probability of default. Changes to the probability of default may result in significant changes in the ECLs recognised.

3.4 Fair value measurement

Management uses valuation techniques to determine the fair value (where active market quotes are not available) of financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible and available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The Bank offers loans to its members of staff at concessional rates and these are marked to market at the inception date and subsequently measured at amortised cost. The discount rate for fair valuation purposes is generally constructed from a risk-free curve and a spread in the policy rate during the reported period. The risk-free rate is obtained from financial markets department. The spread is to reflect the credit risk in the market.

Market prices are critical in the measurement of fair value, significant changes to market prices or lack of them may result in significant changes to values adopted as fair values.

4 Risk management policies

4.1 Overview and risk management framework

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

- Credit risk;
- Liquidity risk; and
- Market risk which include interest rate risk, currency risk and other price risks.

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 the risks, and the Bank's management of capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

In its ordinary operations, the Bank is exposed to various financial risks, which if not managed may have adverse effects on the attainment of the Bank's strategic objectives. The identified risks are monitored and managed according to an existing and elaborate internal control framework. To underscore the importance of risk management in the Bank, the Board has established a Risk and Compliance 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 and Finance Committee and the Governance and Risk Management Committee oversees how Directors monitor compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Finance 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 and Finance Committee.

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

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

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

iii. Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they remain relevant.

iv. Adequate internal controls. Improved internal control structures and culture emphasising 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.

a. Credit risk

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

The Bank has two major committees that deal with credit risk. The Investment Committee deals with risk arising from foreign currency denominated deposits while the Budget and Finance 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 minimising of default probabilities of the counterparties and the financial loss in case of default. As such, the Bank carefully considers the credit and sovereign risk profiles in its choice of depository banks for deposit placements. Currently, the Bank's choice of depository banks is restricted to international banks that meet the set eligibility criteria of financial soundness on long-term credit rating, short-term credit rating, composite rating and capital adequacy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4.0 Risk management policies (*continued*)

The current approved depository banks holding the Bank's deposits have their performance reviewed periodically, based on performance ratings provided by international rating agencies. The Bank's counterparties which, comprises mostly central banks continued to meet the Bank's minimum accepted credit rating criteria of A- except for the South African Reserve Bank and the Bank of Mauritius (see table below), which maintain minimum balances to meet operational and strategic objectives.

Counterparty	Rating Agency			BoZ Minimum Acceptable Rating
	Moody's	**S&P**	**Fitch**	
Federal Reserve Bank	Aaa	AA+	**AAA**	A-
Citi Bank New York	Aa3	BBB+	A	A-
Bank of New York Mellon (BNY)	Aa1	AA-	AA+	A-
Deutsche Bundesbank	Aaa	AAA	AAA	A-
Bank of England (BOE)	Aa3	AA	AA-	A-
South African Reserve Bank	Ba2	BB-	BB-	A-
Bank of Mauritius	Baa2	N/A	N/A	A-
World Bank	Aaa	AAA	N/A	A-
*Bank for International Settlement	N/A	N/A	N/A	A-

* not externally rated

i. Exposure to credit risk

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

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

The table below shows the credit ratings of foreign financial assets. The ratings were obtained from Moody's.

Rating-2021						
Financial asset	**Aaa K'000**	**Aa1 K'000**	**Aa3 K'000**	**Baa1 K'000**	**Baa2 K'000**	**Total K'000**
Bank balances	**5,565,409**	**486,639**	**13,500**	**5,276**	**1,057**	**6,071,881**
Monetary gold	**687,966**	**-**	**-**	**-**	**-**	**687,966**
Deposits	**8,180,681**	**-**	**-**	**-**	**-**	**8,180,681**
Securities	**6,598,104**	**-**	**-**	**-**	**-**	**6,598,104**
Special drawing rights	**24,902,182**	**-**	**-**	**-**	**-**	**24,902,182**
Total	**45,934,342**	**486,639**	**13,500**	**5,276**	**1,057**	**46,440,814**

Rating-2020						
Financial asset	Aaa K'000	A1 K'000	Aa1 K'000	Baa1 K'000	Baa2 K'000	Total K'000
Bank balances	5,692,116	24,786	14,472	6,722	1,275	5,739,371
Deposits	7,619,835	-	-	-	-	7,619,835
Securities	8,288,349	-	-	-	-	8,288,349
Special drawing rights	3,812,664	-	-	-	-	3,812,664
Total	25,412,964	24,786	14,472	6,722	1,275	25,460,219

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

a. Credit risk (*continued*)

ii. GRZ bonds and treasury bills

Having full visibility of the Government's debt obligations and its assets the Directors are satisfied with the Government of the Republic of Zambia's ability to settle outstanding obligations. Therefore, advances to Government are classified as low risk.

iii. Advances to Financial Service Providers (FSP)

Advances extended to FSPs (banks and non-banks financial institutions) mainly consisted of open market operations, term deposits and targeted medium term financing facility which were fully collateralised. Advances made to banks and non-banks financial institutions under the Targeted Medium-Term Refinancing Facility (TMTRF) are well collateralised and takes into account applicable haircuts. For TMTRF, credit risk is further mitigated by:

- Floating Charge: For loans pledged as collateral, the Bank has created a floating charge over the loan book and therefore collateral is based on the category of loans classified as "Pass" at any point in time.
- Periodic assessment: The Bank conducts periodic assessment of the valuation of all collateral and the performance of the facilities are monitored on a quarterly basis through offsite surveillance, assessment of shareholder guarantor's management accounts and review of the audited financial statements.
- Review of Returns: FSPs are required to submit to the Bank returns on a monthly basis for the first three (3) months after disbursement of funds and thereafter on a quarterly basis.

iv. Staff loans and advances

Staff loans and advances are debt facilities extended to qualifying members of staff in line with the Bank's loans and advances policy. The loan facilities include house loan (mortgage), car loan, multi-purpose loan, personal loan and other advances. A thorough internal assessment is conducted before providing any credit facility to a member of staff. The internal assessment, which include determining the ability to repay the facility, is designed to reduce the credit risk on staff loans/advances. Other advances are backed by salaries.

Further, 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. The Bank asseses the fair value and impairement of the facility at each balance sheet date. An estimate of the fair value of collateral held against financial assets is shown below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4.0 Risk management policies (*continued*)

a. Credit risk (*continued*)

Loans and advances	2021	2020
	K'000	K'000
Fair value		
Property	**11,214**	12,199
Gratuity and leave days	**47,011**	67,672
Motor vehicles	**23,384**	21,888
	81,609	101,759

Loans and advances (see Note 16)	2021	2020
	K'000	K'000
Carrying value		
Staff loans	**92,274**	90,095
Staff advances	**1,430**	3,699
	93,704	93,794
Concentration by nature	**K'000**	K'000
Multi-purpose loans	**47,625**	47,353
House loans	**11,214**	12,199
Motor vehicle loans	**23,384**	21,888
Staff advances	**1,430**	3,699
Personal loans	**5,555**	5,990
Other	**4,496**	2,665
	93,704	93,794

v. Collateral and other credit enhancements

The Bank employs a range of policies to mitigate credit risk. The most common of these are insurance, mortgage interest over property and endorsement of the Bank's interest in motor vehicle documents of title. Advances to FSPs are secured by Government securities, floating charge over the loan book classified as "Pass" and shareholder guarantee.

Amounts due from government through debt securities are unsecured. The Bank's policies regarding collateral have not significantly changed during the period, neither has there been significant change in the overall quality of collateral by the Bank since the prior period.

Collateral table	2021		2020	
	Asset	Collateral	Asset	Collateral
	K'000	K'000	K'000	K'000
Secured				
Targeted Medium Term Refinancing	**9,787,005**	**21,369,849**	3,400,764	3,400,764
Loans and advances at AC	**1,866,441**	**1,866,441**	2,646,786	2,646,786
Unsecured				
Government securities at AC	**23,391,736**	**-**	23,294,778	-
IMF Funds recoverable from GRZ	**5,716,990**	**-**	7,653,019	-
Government securities at FVOCI	**88,986**	**-**	88,986	-
Total	**40,851,158**	**23,236,290**	37,084,333	6,047,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4.0 Risk management policies (*continued*)

a. Credit risk (*continued*)

vi. Impairment assessment

The Bank follows IFRS 9 guidelines in assessing the impairment of its financial assets. In assessing the impairment, the Bank considers historical, current and available forward looking information, which is both qualitative and quantitative. The objective of this assessment is to determine whether there has been significant increase in credit risk of a financial asset since its initial recognition. The Bank conducts either an individual or a collective assessment on an asset's portfolio based on the risk profile of the financial assets.

Some of the qualitative factors the Bank uses in determining whether there has been a significant increase in credit risk include, capacity of the counterparty to repay, taking into account the historical payment profiles as well as the changes in the economic conditions, the currency denomination of the financial assets, modications to the contractual arrangements, credit ratings, liquidity/cashflow challenges, delays in meeting contractual obligations and significant changes in external market.

Internal rating of financial assets

Banks uses an internal rating scale to assign its financial assets into one of the following stages:

	Stage 1	Stage 2	Stage 3
The Bank considers all financial instruments with an investment grade rating to be classified as low credit risk. These include:			
• IMF funds receivable from Government	X		
• Investments in government securities	X		
• Targeted medium term refinancing facility	X		
• Loans and advances to banks	X		
Exposures for which credit risk has not significantly deteriorated since initial recognition			
Loans and advances to staff	X		
Newly issued or acquired credit exposures			
Credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition		X	X
Impaired credit exposures (more than 90 days past due)			X

Probability of default estimation

The Bank uses available information to estimate the probability of default (PD) for all its financial assets. To arrive at the PD, the Bank employs a number techniques including conditional probability, sensitivity analysis and analysis of past performance, among other factors.

Loss given default

The loss given default represents the amount of loss that the Bank may suffer in the event of a default. The Banks assesses various macro economic factors that may impact the financial asset's performance and utilises information from other banking jurisdictions for the loss given default (LGD) calculations such as the guidelines from the European Banking Authority (EBA) on capital requirements regulation.

Exposure at default

This represents the carrying amount of the financial asset at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

a. Credit risk (*continued*)

The table below contains an internal analysis of the credit risk exposure of the financial instruments for which an ECL allowance has been recognised.

2021	**Stage 1**	**Stage 2**	**Stage 3**		**Total**
	K'000	**K'000**	**K'000**	**ECL**	**K'000**
Government securities at FVOCI	**88,986**	**-**	**-**	**(795)**	**88,191**
IMF funds recoverable from GRZ	**5,716,990**	**-**	**-**	**(51,045)**	**5,665,945**
Government securities at AC	**23,448,233**	**-**	**-**	**(209,359)**	**23,238,874**
Targeted Medium-Term Refinancing	**9,787,005**	**-**	**-**	**(14,357)**	**9,772,648**
Loans and advances	**1,903,456**	**-**	**-**	**(106)**	**1,903,350**

2020	Stage 1	Stage 2	Stage 3	ECL	Total
	K'000	K'000	K'000		K'000
Government securities at FVOCI	88,986	-	-	-	88,986
IMF funds recoverable from GRZ	7,653,019	-	-	-	7,653,019
Government securities at AC	23,294,778	-	-	(585,251)	23,709,527
Targeted Medium-Term Refinancing	3,400,764	-	-	-	3,400,764
Loans and advances	2,527,520	-	-	-	2,527,520

vii. Write-off policy

The Bank writes off financial assets, in whole or in part, when the Bank's Board determines that all practical recovery efforts have been exhausted and has concluded that there is no reasonable expectation of recovery. 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.

The following table breaks down the Bank's credits risk exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the nature of the Bank's counterparties.

Concentration of risks of financial assets with credit risk exposure.

31 December 2021	**Financial Institutions**	**Government**	**Individuals**	**Total**
	K'000	**K'000**	**K'000**	**K'000**
Foreign currency cash and bank accounts	**45,752,848**	**-**	**-**	**45,752,848**
Monetary gold	**687,966**	**-**	**-**	**687,966**
Items in course of settlement	**10**	**-**	**-**	**10**
Government securities at FVOCI	**88,191**	**-**	**-**	**88,191**
Loans and advances	**1,772,738**	**44,705**	**85,907**	**1,903,350**
Government securities at AC	**-**	**23,238,874**	**-**	**23,238,874**
Financial derivative	**230,071**	**-**	**-**	**230,071**
Targeted Medium Term Refinancing	**9,772,648**	**-**	**-**	**9,772,648**
IMF funds recoverable from GRZ	**-**	**5,665,945**	**-**	**5,665,945**
IMF subscriptions	**31,341,051**	**-**	**-**	**31,341,051**
	89,645,523	**28,949,524**	**85,907**	**118,680,954**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

a. Credit risk (*continued*)

Concentration of risks of financial assets with credit risk exposure.

31 December 2020	Financial Institutions K'000	Government K'000	Individuals K'000	Total K'000
Foreign currency cash and bank accounts	25,460,219	-	-	25,460,219
Items in course of settlement	201	-	-	201
Government securities at FVOCI	88,986	-	-	88,986
Loans and advances	2,408,254	25,472	93,794	2,527,520
Government securities at AC	-	22,709,527	-	22,709,527
Financial derivative	23,195	-	-	23,195
Targeted Medium Term Refinancing Facility	3,400,764	-	-	3,400,764
IMF funds recoverable from GRZ	-	7,653,019	-	7,653,019
IMF subscriptions	24,961,309	-	-	24,961,309
	56,342,928	30,388,018	93,794	86,824,740

b. Liquidity risk

This is the risk of being unable to meet financial commitments or payments at the correct time, place and in the required currency.

The Bank as a central bank does not face Zambian Kwacha liquidity risks.

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

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

b. Liquidity risk (*continued*)

31 December, 2021	On demand K'000	Due within 3 months K'000	Due between 3-12 months K'000	Due between 1–5 years K'000	Total K'000
Assets held for managing liquidity risk					
Domestic cash in hand	4,943	-	-	-	4,943
Foreign currency cash and bank accounts	33,100,164	12,327	12,640,357	-	45,752,848
Monetary gold	687,966	-	-	-	687,966
Targeted Medium Term Refinancing	-	-	552,348	9,234,657	9,787,005
Government securities at AC	-	1,272,018	2,072,225	21,126,985	24,471,228
Government securities at FVOCI	-	-	88,986	-	88,986
Loans and advances	1,772,738	46,135	-	88,054	1,906,927
IMF funds recoverable from GRZ	5,716,990	-	-	-	5,716,990
IMF subscription	31,341,051	-	-	-	31,341,051
Total assets held	72,623,852	1,330,480	15,353,916	30,449,696	119,757,944
Notes and coins in circulation	(13,555,339)	-	-	-	(13,555,339)
Foreign currency liabilities to other institutions	(56,483)	-	-	-	(56,483)
Foreign currency liabilities to IMF	(2,863)	-	-	-	(2,863)
Domestic currency liabilities to IMF	(31,341,051)	-	-	-	(31,341,051)
Deposits from the Government	(7,849,486)	-	-	-	(7,849,486)
Deposits from financial institutions	(17,484,068)	-	-	-	(17,484,068)
Other deposits	(140,583)	-	-	-	(140,583)
Other liabilities	(59,800)	(77,509)	(4,498,114)	(419,172)	(5,054,595)
Total non-derivative liabilities	(70,489,673)	(77,509)	(4,498,114)	(419,172)	(75,484,468)
Net exposure	2,134,179	1,252,971	10,855,802	30,030,524	44,273,476

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

b. Liquidity risk (*continued*)

31 December, 2020	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Total K'000
Assets held for managing liquidity risk					
Domestic cash in hand	3,196	-	-	-	3,196
Foreign currency cash and bank accounts	18,523,646	6,758	6,929,815	-	25,460,219
Targeted Medium Term Refinancing	-	-	-	3,401,326	3,401,326
Government securities at AC	-	290,246	841,999	22,434,037	23,566,282
Government securities at FVOCI	-	-	88,986	-	88,986
Financial derivative	-	-	23,195	-	23,195
Loans and advances	2,419,682	33,406	373,032	86,566	2,912,686
IMF funds recoverable from GRZ	7,653,019	-	-	-	7,653,019
IMF subscription	24,961,309	-	-	-	24,961,309
Total assets held	53,560,852	330,410	8,257,027	25,921,929	88,070,218
Notes and coins in circulation	(12,391,883)	-	-	-	(12,391,883)
Foreign currency liabilities to other institutions	(53,043)	-	-	-	(53,043)
Foreign currency liabilities to IMF	(58,640)	-	-	-	(58,640)
Domestic currency liabilities to IMF	(24,961,309)	-	-	-	(24,961,309)
Deposits from GRZ	(2,940,414)	-	-	-	(2,940,414)
Deposits from financial institutions	(15,192,959)	-	-	-	(15,192,959)
Other deposits	(105,428)	-	-	-	(105,428)
Financial derivative	-	-	(405,213)	-	(405,213)
Other liabilities	-	(64,497)	(196,496)	(494,848)	(755,841)
Total non-derivative liabilities	(55,703,676)	(64,497)	(601,709)	(494,848)	(56,864,730)
Net exposure	(2,142,824)	265,913	7,655,318	25,427,081	31,205,488

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:

- GRZ bonds and other securities that are readily acceptable in repurchase agreements with commercial banks;
- Cash and foreign currency balances with central banks and other foreign counterparties; and
- Targeted Medium Term Refinancing Facility (TMTRF) as an exceptional advance available to Financial Service Providers.

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

c. Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

c. Market risk (*continued*)

i. 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 in kwacha terms on account of foreign exchange rate movements, resulting in large exposure to foreign exchange risk. This position coupled with substantial exchange rate fluctuations is primarily responsible for the Bank recording large realised and unrealised exchange gains/(losses) over the years. The Bank is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, SDR, British Pound and Euro. The Investment Committee is responsible for making investment decisions that ensure maximum utilisation of foreign reserves at minimal risk.

The Bank as a central bank by nature holds a net asset position in its foreign currency balances. The Directors have mandated the Investment Committee to employ appropriate strategies and methods to minimise the imminent 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 2021 was as shown in the table below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

c. Market risk (*continued*)

At 31 December 2021 Foreign currency assets	USD K'000	GBP K'000	EUR K'000	SDR K'000	Other K'000	Total Kwacha
Foreign currency cash and bank accounts	19,789,913	18,440	1,174	24,902,183	1,041,138	45,752,848
Monetary gold	687,966	-	-	-	-	687,966
IMF subscriptions	-	-	-	31,341,051	-	31,341,051
Total foreign currency assets	20,477,879	18,440	1,174	56,243,234	1,041,138	77,781,865
Foreign currency liabilities						
Foreign currency liabilities to other institutions	(50,085)	(4,478)	(1,920)	-	-	(56,483)
Foreign currency liabilities to IMF	-	-	-	(2,863)	-	(2,863)
SDR allocation	-	-	-	(32,826,428)	-	(32,826,428)
Total foreign currency liabilities	(50,085)	(4,478)	(1,920)	(32,829,291)	-	(32,855,774)
Net exposure	20,427,794	13,962	(746)	23,413,943	1,041,138	44,896,091

At 31 December 2020 Foreign currency assets	USD K'000	GBP K'000	EUR K'000	SDR K'000	Other K'000	Total Kwacha
Foreign currency cash and bank accounts	20,371,369	27,465	1,643	3,812,664	1,247,053	25,460,194
IMF subscriptions	-	-	-	24,961,308	-	24,961,308
Total foreign currency assets	20,371,369	27,465	1,643	28,773,972	1,247,053	50,421,502
Foreign currency liabilities						
Foreign currency liabilities to other institutions	(39,827)	(9,307)	(3,909)	-	-	(53,043)
Foreign currency liabilities to IMF	-	-	-	(58,640)	-	(58,640)
SDR allocation	-	-	-	(14,301,540)	-	(14,301,540)
Total foreign currency liabilities	(39,827)	(9,307)	(3,909)	(14,360,180)	-	(14,413,223)
Net exposure	20,331,542	18,158	(2,266)	14,413,792	1,247,053	36,008,279

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

Spot rate	**2021** **K**	2020 K
SDR 1	**23.34**	30.48
GBP 1	**22.40**	28.40
EUR 1	**18.86**	25.75
USD 1	**16.67**	21.17

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

c. Market risk (*continued*)

Foreign currency sensitivity

The following table illustrates the impact of a 11% weakening of the Kwacha against the relevant foreign currencies. The 11% is based on long-term 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 11% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in Kwacha	Equity K'000	Profit or (loss) K'000
31 December 2021		
SDR	**2,575,534**	**2,575,534**
USD	**2,247,057**	**2,247,057**
EUR	**(82)**	**(82)**
GBP	**1,536**	**1,536**
31 December 2020		
SDR	864,828	864,828
USD	1,219,894	1,219,894
EUR	(136)	(136)
GBP	1,090	1,090

A 11% strengthening of the Kwacha against the above currencies at 31 December would have had an equal but opposite effect to the amounts shown above.

ii. 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.

Foreign currency balances are subject to floating interest rates. Interest rate changes threaten levels of income and expected cash flows. The Bank holds a net asset position of foreign exchange reserves and interest income far outweighs interest charges on domestic borrowing and staff savings. Substantial liabilities including currency in circulation and balances for commercial banks and GRZ ministries attract no interest.

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

Whilst adhering to the key objectives of capital preservation and liquidity, the Bank continued to posture itself towards implementing return enhancing strategies which has seen a careful management of the distribution of reserves in terms of liquidity, invested and working capital tranches to obtain optimum balance that enhances returns while assuring security.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

c. Market risk (*continued*)

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

31 December 2021	On demand K'000	Due within 3 months K'000	Due between 3-12 months K'000	Due between 1–5 years K'000	Non-interest bearing K'000	K'000 Total K'000
Assets						
Domestic cash in hand	-	-	-	-	4,943	4,943
Foreign currency cash and bank accounts	45,740,521	-	-	-	12,327	45,752,848
Monetary gold	-	-	-	-	687,966	687,966
Items in course of settlement	-	-	-	-	10	10
Loans and advances	-	-	1,772,738	84,583	46,135	1,903,456
Targeted Medium Term Refinancing Facility	-	-	410,108	9,376,897	-	9,787,005
Government securities at FVOCI	-	-	-	88,986	-	88,986
Government securities at AC	-	1,272,018	2,072,225	20,103,990	-	23,448,233
Other assets	-	-	-	-	26,651	26,651
IMF funds receivable form GRZ	-	-	-	-	5,716,990	5,716,990
IMF subscription	-	-	-	-	31,341,051	31,341,051
Total financial assets	45,740,521	1,272,018	4,255,071	29,654,456	37,836,073	118,758,139
Liabilities						
Deposits from the GRZ	-	-	-	-	(7,849,486)	(7,849,486)
Deposits from financial institutions	-	-	-	-	(17,484,068)	(17,484,068)
Foreign currency liabilities to other institutions	-	-	-	-	(56,483)	(56,483)
Other deposits	(153,433)	-	-	-	-	(153,433)
Notes and coins in circulation	-	-	-	-	(13,555,338)	(13,555,338)
Other liabilities	-	-	(4,498,038)	-	(564,957)	(5,062,995)
Domestic currency liabilities to IMF	-	-	-	-	(31,341,051)	(31,341,051)
Foreign currency liabilities to IMF	-	-	-	-	(2,863)	(2,863)
Total liabilities	(153,433)		(4,498,038)	-	(70,854,246)	(75,505,717)
Net exposure	45,587,088	1,272,018	(242,967)	29,654,456	(33,018,173)	43,252,422

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

c. Market risk (*continued*)

31 December 2020	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Non-interest bearing K'000	Total K'000
Assets						
Domestic cash in hand	-	-	-	-	3,196	3,196
Foreign currency cash and bank accounts	25,453,461	-	-	-	6,758	25,460,219
Items in course of settlement	-	-	-	-	201	201
Loans and advances	-	-	90,095	2,464,183	29,171	2,583,449
Targeted Medium Term Refinancing Facility	-	-	-	3,400,764	-	3,400,764
Government securities at FVOCI	-	-	-	88,986	-	88,986
Government securities at AC	-	-	3,370,852	26,285,134	-	29,655,986
Financial derivative asset	-	-	23,195	-	-	23,195
Other assets	-	-	-	-	58,310	58,310
IMF funds receivable form GRZ	-	-	-	-	7,653,019	7,653,019
IMF Subscription	-	-	-	-	24,961,307	24,961,307
Total financial assets	25,453,461	-	3,484,142	32,239,067	32,708,766	93,888,632
Liabilities						
Deposits from the GRZ	-	-	-	-	(2,940,414)	(2,940,414)
Deposits from financial institutions	-	-	-	-	(15,192,959)	(15,192,959)
Foreign currency liabilities to other institutions	-	-	-	-	(53,043)	(53,043)
Other deposits	(105,428)	-	-	-	-	(105,428)
Notes and coins in circulation	-	-	-	-	(12,391,884)	(12,391,884)
Other liabilities	-	-	(30,768)	-	(725,073)	(755,841)
Financial derivative liability	-	-	(405,213)	-	-	(405,213)
Domestic currency liabilities to IMF	-	-	-	-	(24,961,309)	(24,961,309)
Foreign currency liabilities to IMF	-	-	-	-	(58,640)	(58,640)
Total liabilities	(105,428)	-	(435,981)	-	(56,323,322)	(56,864,731)
Net exposure	25,348,033	-	3,048,161	32,239,067	(23,611,360)	37,023,901

d. Fair values

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

d. Fair values (*continued*)

	Carrying amount	Fair value	Carrying amount	Fair value
	2021	**2021**	2020	2020
	K'000	**K'000**	K'000	K'000
Assets				
Monetary gold	**687,966**	**687,966**	-	-
Government securities at FVOCI	**88,191**	**88,191**	88,986	88,986
Equity investments at FVOCI	**661,685**	**661,685**	738,676	738,676
Total financial assets	**1,437,842**	**1,437,842**	827,662	827,662

Fair value hierarchy

IFRS13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the bank market assumptions. These two types of inputs have created the following fair value hierarchy:

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

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the swaps and forwards.

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

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

Transfers between levels in the fair value hierarchy

Some of the equity investments at FVOCI which were previously categorised under level 2 in 2020, have been categorised under level 3. The transfer of assets between levels 2 and 3 reflected the market conditions at the reporting dates that affected the observability of the market prices.

Valuation techniques used to derive level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that uses both observable and non-observable data. The valuation technique used to value the financial instruments in this level include the quoted share price and yield price for similar financial instruments.

Valuation techniques used to derive level 3 fair values

The fair value of the financial instruments in this category have been derived at by using valuation techniques that employed significant unobservable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on pricing assumptions, market prices at the valuation date, and other risks affecting this asset class.

For financial assets in level 2, the valuation techniques employed include quoted share prices that are observable/unobservable and discounted cash flow valuation. For buildings, which are in level 3, the fair values are determined by independent valuation surveyor engaged by the Bank. The valuation is conducted every five years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

d. Fair values (*continued*)

31 December 2021	**Level 1 K'000**	**Level 2 K'000**	**Level 3 K'000**	**Total K'000**
ASSETS				
Monetary gold	**687,966**	**-**	**-**	**687,966**
Government securities at FVOCI	**-**	**88,191**	**-**	**88,191**
Buildings	**-**	**-**	**359,649**	**359,649**
Equity investment at FVOCI	**-**	**658,135**	**3,550**	**661,685**
	687,966	**746,326**	**363,199**	**1,797,491**

31 December 2020	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
ASSETS				
Government securities at FVOCI	-	88,986	-	88,986
Buildings	-	-	363,562	363,562
Financial derivative	-	23,195	-	23,195
Equity investment at FVOCI	-	738,676	-	738,676
	-	850,857	363,562	1,214,419
LIABILITIES				
Financial derivative liability	-	405,213	-	405,213

Level 3 fair value measurement (Reconciliations)

The following table shows a reconciliation of the opening balances and the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

Level 3 fair value reconciliation	**Equity investment at FVOCI K'000**	**Buildings K'000**	**Total K'000**
2021			
Balance as at 1 January	**-**	**363,562**	**363,562**
Additions and disposals	**-**	**10,762**	**10,762**
Depreciation and disposals	**-**	**(14,675)**	**(14,675)**
Fair value adjustments	**-**	**-**	**-**
Revaluation adjustments	**-**	**-**	**-**
Transfer into level 3	**3,550**	**-**	**3,550**
Transfer out of level 3	**-**	**-**	**-**
Balance as at 31 December	**3,550**	**359,649**	**363,199**
2020			
Balance as at 1 January	-	392,764	392,764
Additions and disposals	-	96	96
Depreciation and disposals	-	(29,298)	(29,298)
Fair value adjustments	-	-	-
Revaluation adjustments	-	-	-
Transfer into level 3	-	-	-
Transfer out of level 3	-	-	-
Balance as at 31 December	-	363,562	363,562

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

e. Management of capital

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

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

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

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

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

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

	Note	**2021** **K'000**	2020 K'000
Capital			
Retained earnings	37	**500,020**	500,020
General reserve fund	38	**7,377,229**	12,808,054
Property revaluation reserve	38	**3,247,412**	2,550,373
Total	38	**311,311**	325,738
		11,435,972	16,184,185

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Risk management policies (*continued*)

f. Classification of financial assets

The Bank has classified its financial assets as detailed in the table below:

Financial assets 2021	FVOCI K'000	Amortised cost K'000	FVTPL K'000	Total K'000
Domestic cash in hand	-	4,943	-	4,943
Foreign currency cash and bank accounts	-	45,752,848	-	45,752,848
Monetary Gold	687,966	-	-	687,966
Items in course of settlement	-	10	-	10
Sundry receivables	-	4,727	-	4,727
Government securities at FVOCI	88,986	-	-	88,986
Loans and advances	-	1,903,350	-	1,903,350
Government securities at AC	-	23,238,874	-	23,238,874
Targeted Medium-Term Refinancing Facility	-	9,772,649	-	9,772,649
Equity investments at FVOCI	661,685	-	-	661,685
Financial derivative asset	-	-	230,071	230,071
IMF funds recoverable from GRZ	-	5,665,945	-	5,665,945
IMF Subscriptions	-	31,341,051	-	31,341,051
	1,438,637	117,684,397	230,071	119,353,105

Financial assets 2020	FVOCI K'000	Amortised cost K'000	FVTPL K'000	Total K'000
Domestic cash in hand	-	3,196	-	3,196
Foreign currency cash and bank accounts	-	25,460,219	-	25,460,219
Items in course of settlement	-	201	-	201
Sundry receivables	-	4,727	-	4,727
Government securities at FVOCI	88,986	-	-	88,986
Loans and advances	-	2,527,520	-	2,527,520
Government securities at AC	-	22,709,527	-	22,709,527
Financial derivative	-	-	23,195	23,195
Targeted Medium-Term Refinancing Facility	-	3,400,764	-	3,400,764
Equity investments at FVOCI	738,676	-		738,676
IMF funds recoverable from GRZ	-	7,653,019	-	7,653,019
IMF Subscriptions	-	24,961,309	-	24,961,309
	827,662	86,720,482	23,195	87,571,339

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5 Net interest income

	2021	2020
	K'000	K'000
Interest income calculated using the effective interest method		
Interest on Government securities	**4,055,893**	3,247,956
Interest on loans and advances	**520,642**	299,425
Interest on Targeted Medium Term Refinancing Facility	**507,327**	-
Interest on foreign currency investments and deposits	**95,428**	200,866
	5,179,290	3,748,247
Interest income on financial derivative	**206,877**	23,195
Total interest income	**5,386,167**	3,771,442
Interest expense		
Interest paid on open market operations	**266,278**	33,403
Interest paid on staff savings	**8,521**	8,701
	274,799	42,104
Interest paid on financial derivative	**-**	51,739
Total interest expense	**274,799**	93,843

6 Fees and commission income/expense

	2021	2020
	K'000	K'000
Fee and commission income		
Fees and commission income on Government transactions	**198,566**	98,630
Supervision fees	**197,068**	137,359
Penalties	**551**	22,165
Licences and registration fees	**897**	983
Other	**7,101**	7,104
Fees and commission income	**404,183**	266,241
Fees and commission income is not calculated using the effective interest rate method		
Fees and commission expense		
Fees and commission paid on foreign exchange transactions	**(7,279)**	(8,830)
Net fees and commission income	**396,904**	257,411

7 Other operating (losses)/gains

	2021	2020
	K'000	K'000
Dividend on equity investment at FVOCI	**29**	362
Realised foreign exchange (losses)/gains	**(1,460,319)**	6,727,203
Unrealised foreign exchange losses	**(2,754,212)**	(1,518,604)
Rental income	**2,098**	2,223
Profit on disposal of property, plant and equipment	**18**	121
Other income	**855,336**	104,492
	(3,357,050)	5,315,797

The net realised and unrealised losses reported in 2021 are as a result of the appreciation of the Kwacha against major trading currencies. The Kwacha appreciated against the US dollar by 21% from K21.17 to K16.67, against the British Pound by 21% from K28.40 to K22.40, against the Euro by 27% from K25.75 to K18.86 and the SDR by 23% from K30.48 to K23.34 between December 2020 in December 2021. The increase in other income, is mainly on account of a reduction in the provision for legal costs (see note 46).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8 Impairment credit/(charge)

	2021	2020
	K'000	K'000
Opening balance	(585,251)	-
Credit/(charge) for the year	309,589	(585,251)
Closing balance	275,662	(585,251)

Reconciliation of the closing balance:	2021	2020
	K'000	K'000
Impairment on loans and advances	106	-
Impairment on Government securities at FVOCI	795	-
Impairment on targeted medium term refinancing facility	14,357	-
Impairment on poverty reduction growth facility	51,045	-
Impairment on Government securities at AC	209,359	585,251
Total impairment	275,662	585,251

The reduction in the expected credit loss of K309.6 million follows the Bank's re-assessment of its financial assets, in line with IFRS 9.

9 Personnel expenses

	2021	2020
	K'000	K'000
Wages and salaries	280,102	274,282
Other employee costs	128,812	128,978
Leave costs	43,470	57,763
Staff benefit costs	39,569	132,259
Employer's pension contributions	17,774	17,476
Employee welfare costs	18,890	11,118
Employer's NAPSA contributions	7,259	7,136
Staff loan benefit	-	3,706
Employer's NHI contributions	2,706	2,688
	538,582	635,406

The reduction in staff benefit costs was due to voluntary separation scheme which was discontinued on 31 December 2020.

10 Operating expenses

	2021	2020
	K'000	K'000
Administrative expenses	171,953	995,014
Expenses for bank note production	79,097	158,955
Repairs and maintenance costs	45,452	36,625
	296,502	1,190,594

The movement in operating expenses was mainly on account of a reduction of K798 million relating to legal fees provisions (see Note 32).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11 Income tax

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

12 Foreign currency cash and bank accounts

	2021 K'000	2020 K'000
Current account balances with non-resident banks	**7,079,416**	6,929,813
Clearing correspondent accounts with other central banks	**5,584,531**	7,091,423
Foreign currency cash with banking office	**4,480**	6,758
Deposits with non-resident banks	**8,182,238**	7,619,560
Special Drawing Rights (SDR's) (See Note 12.1 below)	**24,902,183**	3,812,665
	45,752,848	25,460,219

12.1 Special Drawings Rights

	2021 K'000	2020 K'000
Opening balance	**3,812,665**	2,677,957
Net (charge)/gain	**(1,085,199)**	1,134,708
SDR allocation	**22,174,717**	-
Closing balance	**24,902,183**	3,812,665

The foreign currency cash and bank accounts represents the balances held with other central banks and are held at amortised cost. In August 2021 Zambia's SDR allocation account was credited with SDR937,560,706 equivalent to K22,174,717,038 (Details in Note 36).

13 Monetary gold

	2021 K'000	2020 K'000
Opening balance	**-**	-
Purchases in the year	**826,844**	-
Fair value movement	**2,899**	-
Exchange rate loss	**(141,777)**	-
Closing balance	**687,966**	-

Monetary gold consists of 22,900 ounces of gold equivalent to US$41 million (2020: nil).

14 Items in course of settlement

	2021 K'000	2020 K'000
Items in course of settlement	**10**	201

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

15 Government securities at Fair value through other comprehensive income (FVOCI)

	2021	2020
	K'000	K'000
Government securities at FVOCI	88,986	88,986
Impairment allowance (Note 8)	(795)	-
	88,191	88,986

16 Loans and advances

	2021	2020
	K'000	K'000
Staff loans	92,274	90,095
Transaction fees	44,705	25,472
Credit to banks and non-bank institutions	1,772,738	2,419,682
Staff advances	1,430	3,699
Total staff loans and advances	1,911,147	2,538,948
Mark to market adjustment - staff loans	(7,691)	(11,428)
	1,903,456	2,527,520
Impairment allowance (Note 8)	(106)	-
	1,903,350	2,527,520

a. Staff loans benefit	2021	2020
	K'000	K'000
Movement in staff loans benefit		
Balance at 1 January	6,487	13,151
Current year fair value adjustment of new loans	(3,471)	(2,958)
	3,016	10,193
Amortised to statement of profit or loss	4,675	(3,706)
Balance at 31 December	7,691	6,487

Loans and advances to staff were made at concessionary rates. At the end of each year, the fair value of the loans and advances is computed based on market rates and presented as a mark to market adjustment shown above. Loans and advances are assessed for impairment in line with IFRS 9. Most of the staff loans are collateralised, by way of securing a mortgage on the property, insurance or other collateral demanded, as a way of improving their credit quality.

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

	2021	2020
	K'000	K'000
House loans	10%	10%
Personal loans	10%	10%
Multi-purpose loans	12.5%	12.5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17 Government securities at amortised cost

	2021	2020
	K'000	K'000
GRZ consolidated securities	**10,564,134**	10,015,387
Other GRZ securities	**12,835,373**	13,228,352
Staff savings treasury bills	**48,726**	51,039
	23,448,233	23,294,778
Impairment allowance (Note 8)	**(209,359)**	(585,251)
	23,238,874	22,709,527

GRZ consolidated securities	2021	2020
	K'000	K'000
6% GRZ consolidated bond	**9,301,064**	8,960,357
364 days treasury bills	**1,263,070**	1,055,030
	10,564,134	10,015,387

In December 2018, the Government and the Bank of Zambia entered into an agreement to convert the outstanding bridge loan from the Government to the Bank of Zambia into two consolidated bonds in respect to the outstanding principle and accrued interest amounts.

Consolidated bond No. 2 being the outstanding principle amount was issued on 28 August 2019 with a face value of K4,406.7 million with a coupon interest rate of 10% being the average inflation for the previous twelve (12) months prior to the issuance plus two (2) percentage points per annum, whose coupon interest is payable every six months. Consolidated bond No. 2 may be rolled over for another 10 years on such terms as may be agreed by the parties.

Consolidated bond No. 3 being the outstanding accrued interest was issued on 12 December 2019 with a face value of K4,104.4 million with interest rate of 6% per annum. The Bond shall be a zero-coupon bond with a tenor to maturity of 7 years with effect from the date of issue.

The first Consolidated bond was issued on 27 February 2003 as a 10-year long-term bond with a face value of K1,646.74 million and a coupon interest rate of 6%. This reduced to K1,120.97 million effective on 1 December 2007 after a portion of the consolidated bond was converted to treasury bills. This created a portfolio of marketable securities, for the purpose of enhancing the range of instruments available for implementing monetary policy and to support the Bank's strategic objective of maintaining price stability.

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

The treasury bills are renewable in the short term and the rolled over values will reflect fair values. Both the consolidated bonds and the treasury bills are measured at amortised cost at their respective effective interest rates. However, where objective evidence of impairment exists, a measurement of the impairment loss will be determined and recorded in profit or loss.

	2021	2021
	K'000	K'000
Other government securities	**12,835,373**	12,835,373

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17 Government securities at amortised cost (*continued*)

The Bank implemented the GRZ Bond Purchase Programme for the Backstop Repo Facility to enhance secondary market development. The K12.8 billion represents securities holdings as at 31 December 2021 following the purchase of bonds by the Bank for secondary market operations.

18 Prepayments and other assets

	2021 **K'000**	2020 K'000
Prepayments	**4,454**	47,523
Stationery and office consumables	**7,020**	6,065
Sundry receivables	**15,177**	4,727
	26,651	58,315
Impairment allowance (Note 8)	**-**	(5)
	26,651	58,310

19 Amounts due from closed banks

	2021 **K'000**	2020 K'000
Overdrawn current accounts	**99,664**	99,669
Write off during the year	**(9,908)**	(5)
Balance as at 31 December	**89,756**	99,664

The amounts consist of various expenditures that the Bank settled on behalf of the closed banks and are fully provided.

20 Equity investments at FVOCI

	2021 **K'000**	2020 K'000
Zambia Electronic Clearing House Limited	**3,550**	3,550
Society for Worldwide Interbank Financial Telecommunication	**4,908**	-
African Export-Import Bank	**653,227**	735,126
	661,685	738,676

Zambia Electronic Clearing House Limited (ZECHL)

The investment in ZECHL represents the Bank's contribution of K3.6 million, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. ZECHL is funded by contributions from member banks. ZECHL is considered an equity investment at FVOCI. As there is no reliable measure of the fair value of this investment, it is carried at cost, which is the fair value. 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 period under review of K0.030 million (2020: K0.036 million) are included in administrative expenses. In line with the agreement, no dividend is expected from ZECHL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

20 Equity investments at FVOCI (*continued*)

Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The Bank of Zambia as a member of SWIFT currently holds 44 shares worth K4,908 million. SWIFT is a worldwide community of financial institutions providing global financial messaging and communication solutions which enables interoperability between its members, their market infrastructures and their end-user communities moving value for payments around the world reliably and securely.

SWIFT re-allocates shares every three years in proportion to its member's participation. The present re-allocation is based on the financial contribution to SWIFT for network-based services in 2020. The amount in the statement of financial position is based on the fair value (market price) of the shares.

African Export-Import Bank (Afreximbank)

The Bank of Zambia holds an investment in the equity of Afreximbank. Afreximbank is a grouping of regional central banks and financial institutions designed to facilitate intra and extra African trade.

The Bank's holding in Afreximbank increased from 692 shares in 2020 to 713 shares in 2021. In 2021 the Bank received US$370,933.14 as dividend from Afreximbank, of this amount, US$369,251.90 was converted into 21 additional shares. The cash balance of US$1,681.84 (K29,001.31) is accounted for in other income. As at 31 December 2021, the market price of the shares was US$54,948.11.

	2021	2020
	K'000	K'000
Opening balance	**735,126**	192,857
Fair value gain	**80,516**	513,574
Exchange rate (loss)/gain	**(157,507)**	28,695
Closing balance	**658,135**	735,126

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

IMF funds recoverable represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 34). The decrease is on account of movement in foreign exchange rates.

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

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

	2021	2020
	K'000	K'000
Poverty Reduction and Growth Facility (PRGF)	**5,562,485**	7,266,558
Accrued charges - SDR Allocation	**154,505**	386,461
	5,716,990	7,653,019
Impairment allowance (Note 8)	**(51,045)**	-
	5,665,945	7,653,019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22 IMF Subscriptions

The IMF subscription represents membership quota 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 33. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability carry the same value.

The movement on IMF subscription is on account of currency valuation adjustments between 2021 and 2020. The valuation is conducted every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23 Property, plant and equipment

Cost or valuation	Buildings K'000	Furniture fittings computers, plant, machinery and equipment K'000	Motor vehicles, bullion trucks and escort vehicles K'000	Capital work-in progress K'000	Total K'000
At 1 January 2020	392,764	262,909	55,943	52,763	764,379
Additions	-	2,577	5,528	47,586	55,691
Transfers	96	11	-	(107)	-
Adjustment	-	(29)	-	-	(29)
Disposals	-	(364)	(2,378)	-	(2,742)
31 December 2020	392,860	265,104	59,093	100,242	817,299
At 1 January 2021	**392,860**	**265,104**	**59,093**	**100,242**	**817,299**
Additions	**-**	**7,511**	**-**	**50,857**	**58,368**
Transfers	**10,762**	**70,524**	**-**	**(81,408)**	**(122)**
Disposals	**-**	**(299)**	**-**	**-**	**(299)**
31 December 2021	**403,622**	**342,840**	**59,093**	**69,691**	**875,246**
Accumulated depreciation					
At 1 January 2020	(14,656)	(149,268)	(37,503)	-	(201,427)
Charge for the year	(14,642)	(15,603)	(5,585)	-	(35,830)
Transfer to reserves	-	-	-	-	-
Adjustments	-	118	(99)	-	19
Disposals	-	296	1,904	-	2,200
At 31 December 2020	(29,298)	(164,457)	(41,283)	-	(235,038)
At 1 January 2021	**(29,298)**	**(164,457)**	**(41,283)**	**-**	**(235,038)**
Charge for the year	**(14,675)**	**(17,228)**	**(5,191)**	**-**	**(37,094)**
Transfer to reserves	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**296**	**-**	**-**	**296**
At 31 December 2021	**(43,973)**	**(181,389)**	**(46,474)**	**-**	**(271,836)**
Carrying amounts					
At 31 December 2021	**359,649**	**161,451**	**12,619**	**69,691**	**603,410**
At 31 December 2020	363,562	100,647	17,810	100,242	582,261

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23 Property, plant and equipment (*continued*)

a. The fair value measurement of the buildings as at 31 December 2018 were performed by Messrs R.M. Fumbeshi & Co Limited, independent valuers. Messrs R.M. Fumbeshi & Co Limited are members of the Royal Institute of Chartered Surveyors, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair values were based on the market comparable approach that reflects recent transaction prices for similar properties. The valuation techniques are consistent with those applied in the past. The carrying amount of the revalued properties if carried under cost model would be K31.5 million (2020: K20.8 million). The net movement resulted from the capitalisation of works.

	2021	2020
	K'000	K'000
Opening balance	**20,767**	21,151
Net movement	**10,744**	(384)
Closing balance	**31,511**	20,767

b. Capital work-in-progress in property plant and equipment and intangible assets represents the expenditure to date on office refurbishment and software upgrade projects.

24 Intangible assets

	Computer software K'000	**Captial work-in progress K'000**	**Total K'000**
Cost			
At 1 January 2020	66,151	31,280	97,431
Additions	1,617	17,616	19,233
Transfers	-	-	-
At 31 December 2020	67,768	48,896	116,664
At 1 January 2021	**67,768**	**48,896**	**116,664**
Additions	**-**	**7,582**	**7,582**
Transfers	**1,367**	**(1,921)**	**(554)**
At 31 December 2021	**69,135**	**54,557**	**123,692**
Accumulated amortisation and impairment			
At 1 January 2020	(53,858)	-	(53,858)
Charge for the year	(5,557)	-	(5,557)
Adjustments	(2)	-	(2)
At 31 December 2020	(59,417)	-	(59,417)
At 1 January 2021	**(59,417)**	**-**	**(59,417)**
Charge for the year	**(4,800)**	**-**	**(4,800)**
At 31 December 2021	**(64,217)**	**-**	**(64,217)**
Carrying amounts			
At 31 December 2021	**4,918**	**54,557**	**59,475**
At 31 December 2020	8,351	48,896	57,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

25. Capital expenditure commitments

	2021	2020
	K'000	K'000
Authorised by the directors and contracted for	**90,731**	85,300

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

26. Deposits from the Government of the Republic of Zambia

	2021	2020
	K'000	K'000
Deposits from Government of the Republic of Zambia	**7,849,486**	2,940,414

The deposits are non-interest bearing, they are payable on demand and are due to the Government ministries.

27 Deposits from financial institutions

	2021	2020
	K'000	K'000
Commercial bank current accounts	**3,074,751**	3,296,381
Minimum reserve requirements	**12,338,359**	11,008,098
Deposits from financial institutions	**1,547**	1,930
Deposits of other international financial institutions	**3,026**	3,026
Deposits of other central banks	**2,053,076**	883,524
	17,470,759	15,192,959

All deposits are non-interest bearing and are payable on demand. Minimum reserve balance requirement relates to the holdings that the commercial banks hold with the Bank.

28 Foreign currency liabilities to other institutions

	2021	2020
	K'000	K'000
Donor funds	**56,483**	53,043

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

29 Other deposits

	2021	2020
	K'000	K'000
Staff savings, deposits and clearing accounts	**153,433**	105,428

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

30 Notes and coins in circulation

	2021	2020
	K'000	K'000
Bank notes issued by denomination		
K100	8,679,546	8,913,140
K50	3,447,835	2,368,547
K20	719,359	501,755
K10	213,882	163,774
K5	122,233	99,656
K2	64,187	49,503
Bank notes issued	13,247,042	12,096,375
Coins issued	205,938	195,312
Unrebased notes	100,422	100,196
Notes and coins due to commercial banks	1,936	-
	13,555,338	12,391,883

31 Other liabilities

	2021	2020
	K'000	K'000
Accrued expenses payable	83,753	165,728
Term deposits (OMO liability)	4,730,256	30,768
Accounts payable	59,810	64,497
	4,873,819	260,993
Defined benefit deficit	419,248	494,848
	5,293,067	755,841

Term deposits are held at amortised cost and arise from Open Market Operations (OMO). These are short-term instruments with maximum maturity of up to 364 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.

32 Provisions

	2021	2020
	K'000	K'000
Balance at 1 January	973,677	160,558
Provisions made during the year	4,854	813,260
Reduction in provision	(798,309)	(141)
Balance at 31 December	180,222	973,677

The provisions are in respect of various claims brought against the Bank in the courts of law and other creditors on which it is probable that an outflow of financial resources will be required to settle the claims. The provisions are due after more than 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

33 Domestic currency liabilities to IMF

	2021	2020
	K'000	K'000
International Monetary Fund:		
Securities account	**31,257,201**	24,894,527
No. 1 account	**83,221**	66,281
No. 2 account	**629**	501
	31,341,051	24,961,309

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The increase in value is on account of currency valuation adjustments between 2021 and 2020, as advised by the IMF.

34 Foreign currency liabilities to IMF

	2021	2020
	K'000	K'000
Due to the International Monetary Fund:		
Poverty Reduction and Growth Facility (PRGF) (a)	**120**	56,233
Charges on SDR allocation (b)	**2,743**	2,407
	2,863	58,640

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 2021. The loan bears interest at one-half per cent per annum.

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.

35 Employee benefits

35.1 Defined Benefit Plan

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

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

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

Valuation for funding purposes

The statutory actuarial valuation for the fund is done at intervals of not more than three years by an independent qualified actuary, with interim reviews in the intervening years using the attained age method. The statutory actuarial valuation is prepared to comply with the requirements of the Pension Scheme Regulations Act ("the Act") and as required in the terms of the Trust Deed and Rules of the Fund.

A statutory actuarial valuation of the Fund performed in 2019 revealed a funding deficit of K507.6 million. To address the net defined benefit liability resulting from the statutory actuarial valuation, the Board approved for the Bank to fund the net defined benefit liability of K507.6 million with additional monthly contributions of K6.3 million over a ten-year period commencing November 2020 and subject to funding plan review at the subsequent actuarial valuations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35 Employee benefits (*continued*)

Accounting Treatment for the defined benefit liability

In recognising the net defined benefit liability, the Bank took into consideration the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC 14) in relation to the limit on a defined benefit asset, the minimum funding requirements and their interaction. Where the Fund records a net defined benefit asset, the Bank is not entitled to any refunds or reductions in future contributions due to the minimum funding requirement.

In line with the Fund rules, Paragraph 20 of the Fund rules state that "If the report of the Actuary shall show a deficiency in the Fund the Employer will pay the Trustees such sum or sums as shall be certified by the actuary to make good such deficiency". In terms of the Fund rules, an obligation is created whereby the Employer is required to fund the deficit and return the Fund to a sound financial condition.

Furthermore, Paragraph 20 continues "If the report of the Actuary shows a surplus in the Fund such surplus shall be credited to the Fund for the purpose of reducing the Employer's cost of funding, or to increase the benefits to Members or Pensioners". This means that the surplus may be used to benefit of the Employer or Members and Pensioners, or both groups. There is therefore no certainty that the Employer will benefit from any surplus in the Fund. Based on the above and in line with IFRIC 14 p 23 and 24, a net liability was recognised in the annual financial statements.

35.2 Accounting valuation

The 2021 accounting valuation as per IAS 19 revealed an actuarial deficit of K187.8 million (2020: K67.7 million actuarial surplus) due to the actuarial assumptions made (discount rate, salary adjustments, demographic assumptions) based on market expectations at the end of the reporting period for the period the obligations are settled.

Contributions made to the fund is as detailed:	**2021**	2020
	K'000	K'000
Employer contribution	**14,522**	22,850
Employee contribution	**4,607**	5,652
	19,129	28,502

The Fund is exposed to a number of risks the main ones being:

a. Changes in bond yields
The Fund liabilities are calculated using a discount rate set with reference to Zambian government bond yields. A decrease in government bond yields will increase the plan liabilities and hence affect the balance sheet of the fund.

b. Changes in salaries
The Fund benefits are calculated with reference to employees' salaries, an increase in salaries will increase the Fund liabilities. This risk becomes higher as the expectations of short-term inflation increase, due to the fluctuations of the Zambian Kwacha against other currencies.

c. Cost of benefit provision
The Fund is a balance of cost scheme, therefore, the Employer is required to make the additional contributions required to ensure that the benefit promise to members is met. Therefore, the Bank bears the investment risk, longevity risk and risk of increase in expenses of managing the scheme. This results in a volatility of cost of benefit provision for the Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35 Employee benefits (*continued*)

Plan assets for the fund comprised of:	2021 K'000	2020 K'000
Investment properties and equity	**212,633**	245,010
Government securities	**179,477**	68,377
Fixed assets and corporate bonds	**23,814**	25,582
Other assets	**26,804**	45,968
Net current assets/liabilities	**14,106**	(2,717)
Total plan assets	**456,834**	382,220

Summary of significant actuarial assumptions:
The significant actuarial assumptions used by the independent actuary to compute the Fund's liabilities on an accounting valuation basis were:

	2021 K'000	2020 K'000
Discount rate (p.a)	**22.25%**	33.50%
Salary increase (p.a)	**12.00%**	12.00%
Return on plan asset	**22.25%**	33.50%
Future pension increase	**10.00%**	10.00%
General Inflation	**8.00%**	8.00%

The demographic assumptions used in the valuation are as follows:

	2021 K'000	2020 K'000
Pre-retirement mortality (males)	**A24/29**	A24/29
Pre-retirement mortality (females)	**A24/29**	A24/29
Post-retirement mortality (males)	**a (55)**	a (55)

With no further mortality improvements.

	2021 K'000	2020 K'000
Post-retirement mortality (females)	**a(55)**	a (55)
Expected retirement age (males)	**60 years**	60 years
Expected retirement age (females)	**60 years**	60 years
Percentage married at retirement	**100%**	100%

With no further mortality improvements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35 Employee benefits (*continued*)

Sensitivity of defined benefit obligation to actuarial assumptions
The assumed retirement age is 60 years. The weighted average duration of the defined benefit obligation was 7.02 years.

The sensitivity analysis has been computed using the projected unit credit method used in determining the pension liability. The following shows the sensitivity of the present value of the defined benefit obligation to changes in key actuarial assumptions:

Assumption	Change	2021 K'000	2020 K'000
Discount rate	+1%	**(50,065)**	(12,817)
	-1%	**57,423**	13,896
Salary increase	+1%	**15,894**	5,728
	-1%	**(14,992)**	(5,451)
Pension increase	+1%	**44,891**	10,139
	-1%	**(40,257)**	(9,424)

The sensitivity analyses are based on a change in one assumption, while holding all other assumptions constant.

Amounts recognised in Other Comprehensive Income

	2021 K'000	2020 K'000
Net defined benefit liability	**-**	494,848

No net defined benefit liability has been recognised in 2021, this is because there was no increase in the net defined benefit liability.

Amounts recognised in the Statement of Financial Position

The net defined benefit liability based on the minimum funding requirement in line with IFRIC14 was **K419.2 million** (2020: K494.8 million), as analysed in the table below:

Amounts recognised in Statement of Financial Position

	2021 K'000	2020 K'000
Net defined benefit liability	**494,848**	494,848
Additional monthly contributions	**(75,600)**	-
Net defined benefit liability	**419,248**	494,848

Effect of the defined benefit plan on the Bank's future cashflow

In 2020, the Board approved for the Bank to fund the net defined benefit liability arising from the funding valuation with additional monthly contributions of K6.3 million over a ten-year period, subject to funding plan review at the subsequent Actuarial valuations.

	K'000
Current additional monthly contributions	**75,600**
Expected future additional contributions to the fund	**419,248**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35 Employee benefits (*continued*)

35.3 Defined contribution scheme

Bank also contributes to the defined contribution pension scheme. The defined contribution pension scheme was established in 2020, following Board approval to convert eligible employees from Fixed Term Contracts to Permanent and Pensionable. The conversion of the eligible staff to the defined contribution pension scheme commenced in 2021 and the Bank's contribution to this scheme is 15.76%. The amounts recognised in the income statement is K3.4 million (2020: K nil).

36 Special Drawing Rights allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 1,406.7 million (2020: SDR 469.1 million). In July 2021, the International Monetary Fund (IMF) approved a general Special Drawing Rights (SDR) allocation of SDR456 billion (equivalent to US$650 billion) to member countries. On 23 August 2021 Zambia's SDR allocation account was credited with SDR937,560,706 equivalent to K22,174,717,038. The new allocation is aimed at augmenting the International Reserves in the wake of the COVID-19 pandemic.

The purpose of the allocations is to improve an IMF member country's foreign exchange reserve assets. The amount is not repayable to IMF except in the event that (a) the allocation is withdrawn or cancelled; (b) the member country leaves the IMF; or (c) the SDR department of the IMF is liquidated. The translation rate for end of year was ZMW23.34 per SDR (2020: ZMW30.48).

SDR Allocation	2021	2020
	K'000	K'000
Opening balance	14,301,539	9,151,770
Exchange (loss)/gain	(3,649,828)	5,149,769
SDR allocation	22,174,717	-
Closing balance	32,826,428	14,301,539

37 Capital

	2021	2020
	K'000	K'000
Authorised capital	500,020	500,020
Issued and fully paid-up capital	500,020	500,020

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.

38 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38 Reserves (*continued*)

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

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

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

Property revaluation reserve

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

Retained earnings

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

Appropriation of profits

In accordance with Sections 7 and 8 of the Bank of Zambia Act 43, 1996 Management has proposed appropriation of profits resulting in a transfer of **K144.4 million** to the general reserve fund and declaration of a dividend **K1,300.2 million** to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2021 financial year.

39 Related party transactions

The Bank is owned by the Government of the Republic of Zambia. In the context of the Bank, related party transactions include any transactions entered into with any of the following:

- The Government of the Republic of Zambia and related Agencies;
- Kwacha Pension Trust Fund;
- Zambia Electronic Clearing House;
- Afreximbank;
- Members of the Board of Directors including the Governor and key management staff;
- Close family members of key management staff including the members of the Board of Directors.

The main services during the year to 31 December 2021 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.

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

39 Related party transactions (*continued*)

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:

	2021 K'000	2020 K'000
Interest on GRZ securities at amortised cost	**4,055,893**	3,523,787
Fees and commission income on GRZ transactions	**198,566**	98,630
(Loss)/Profit on foreign exchange transactions with GRZ	**(285,905)**	175,483
Total	**3,968,554**	3,797,900

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:

	2021 K'000	2020 K'000
GRZ - year end balances		
Deposits from GRZ Institutions	**(7,849,486)**	(2,940,414)
Holdings of GRZ securities	**23,238,874**	23,570,610
Transaction fees receivable	**44,705**	25,472

The GRZ securities holdings comprise of various balances outstanding from GRZ (see note 17) secured by predetermined payments based on securities issued by the Government of the Republic of Zambia.

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

Transactions and balances with Directors and key management personnel

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

a. Short-term benefits	2021 K'000	2020 K'000
Directors' fees	**1,766**	2,840
Remuneration for key management personnel		
Salaries and allowances	**53,864**	47,844
Pension contributions	**2,688**	2,357
	56,552	50,201
Loans and advances to key management personnel		
Balance as at 31 December	**8,076**	3,594

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

39 Related party transactions (*continued*)

b. Post-employment pension benefits	2021 K'000	2020 K'000
Balance as at 31 December	**28,836**	13,970

40 Non-monterary gold

	2021 K'000	2020 K'000
Opening balance	**59,701**	-
Purchases in the year	**68,283**	59,701
Closing balance	**127,984**	59,701

The K127.98 million represents 3,535 ounces of non-refined gold (2020: K59.70 million representing 1,542 ounces).

41 Targeted Medium Term Refinancing Facility (TMTRF)

	2021 K'000	2020 K'000
Targeted Medium Term Refinancing Facility	**9,787,005**	3,400,764
Impairment allowance (Note 8)	**(14,357)**	-
	9,772,648	3,400,764

The K9.8 billion represents the principle amount disbursed of K9.2 billion and accrued interest of K0.6 million. The interest rate applicable on the TMTRF is the prevailing Bank of Zambia Monetary Policy Rate (MPR) at the time of granting the Advance.

42 Financial derivative

	2021 K'000	2020 K'000
Asset		
Financial derivative asset	**230,071**	23,195
Liability		
Financial derivative liability	**-**	405,213

The Bank entered into a one year currency swap in February 2021 which matures in January 2022.

43 Trading (losses)/gains

	2021 K'000	2020 K'000
Gains on forex transactions with commercial banks	**146,827**	5,240
(Losses) /gains on forex transactions with Government	**(285,906)**	175,483
Losses on other forex transactions	**(138)**	(8,511)
Net trading (losses)/gains	**(139,217)**	172,212

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

44 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.

45 Significant events during the period and impact of Covid-19 on Bank operations

The Covid-19 outbreak had an impact on the normal operations of the Bank. In addressing the challenges brought by the outbreak, the Bank introduced guidelines for work arrangement which include work from home and has continued to monitor the effectiveness of these measures in an effort to contain the spread of pandemic. The Directors have determined that the impact of Covid-19 has no material impact on the going concern of the Bank.

46 Events after the reporting date

On 15 March 2022, the Supreme Court rendered its Ruling in a case wherein the Bank was held liable to a former depositor in a collapsed Bank. The Supreme Court in its Ruling dismissed all the applications of the Respondents with costs, which shall be taxed in default of agreement.

In view of the Supreme Court Ruling, the Bank made an adjustment to the provisions against legal costs in the 2021 financial statements.

13.0 2021 ANNUAL STATISTICAL ANNEXURES

TABLE OF CONTENTS

Depository Corporations Survey (K'Millions), Dec. 2020 - Dec. 2021 **Table 1**

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
NET FOREIGN ASSETS	38,980.2	44,554.5	43,893.8	45,041.6	47,115.7	55,763.7	54,138.4	46,731.0	35,617.0	37,274.5	39,349.9	42,734.0	37,632.6
CLAIMS ON NONRESIDENTS	61,469.3	65,964.6	65,296.3	68,389.3	73,356.6	81,524.3	83,565.5	73,342.7	79,506.6	82,109.7	84,600.5	89,500.5	81,239.0
LIABILITIES TO NONRESIDENTS	-22,489.0	-21,410.1	-21,402.4	-23,347.7	-26,240.9	-25,760.6	-29,427.0	-26,611.7	-43,889.6	-44,835.3	-45,250.7	-46,766.6	-43,606.4
DOMESTIC CLAIMS	102,654.9	99,320.0	102,136.6	99,925.0	103,315.4	100,737.4	104,626.3	102,472.3	101,629.7	102,942.4	100,993.1	101,687.6	103,413.8
NET CLAIMS ON CENTRAL GOVERNMENT	60,445.7	57,951.8	60,564.5	58,420.3	60,734.3	54,994.3	58,499.2	58,034.9	60,150.7	61,216.4	59,346.0	60,258.9	64,641.1
CLAIMS ON CENTRAL GOVERNMENT	75,030.5	77,906.9	78,233.9	83,663.4	85,257.8	86,639.9	88,456.1	86,986.9	84,910.8	86,814.3	88,162.1	90,282.4	88,497.0
LIABILITIES TO CENTRAL GOVERNMENT	-14,584.9	-19,955.1	-17,669.4	-25,243.1	-24,523.5	-31,645.6	-29,956.9	-28,952.1	-24,760.1	-25,597.9	-28,816.2	-30,023.5	-23,855.9
CLAIMS ON OTHER SECTORS	42,209.2	41,368.2	41,572.1	41,504.8	42,581.1	45,743.1	46,127.1	44,437.4	41,479.0	41,726.0	41,647.1	41,428.7	38,772.7
CLAIMS ON OTHER FINANCIAL CORPORATIONS	168.3	202.1	182.7	167.8	199.4	231.4	182.6	164.0	187.6	205.3	180.6	176.7	189.4
CLAIMS ON STATE AND LOCAL GOVERNMENT	51.4	42.2	42.4	42.2	38.9	39.3	33.7	33.0	32.5	44.2	41.9	41.8	40.5
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	1,147.6	1,191.6	1,194.0	1,131.2	1,095.1	1,298.9	1,258.3	1,095.8	1,069.7	906.8	927.0	899.3	870.5
CLAIMS ON PRIVATE SECTOR	40,841.9	39,932.3	40,153.0	40,163.6	41,247.7	44,173.5	44,652.5	43,144.6	40,189.2	40,569.6	40,497.6	40,310.8	37,672.3
BROAD MONEY LIABILITIES	103,828.7	105,221.7	105,414.0	111,175.8	116,574.5	118,841.6	122,332.6	113,917.8	108,100.3	107,757.9	107,661.3	109,587.7	107,625.8
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	9,838.2	9,565.7	9,492.5	9,934.2	10,049.2	12,320.4	12,714.7	13,387.3	14,223.6	12,679.1	12,212.6	11,517.4	9,231.0
TRANSFERABLE DEPOSITS	61,663.1	64,733.9	64,994.5	66,025.8	72,434.6	71,640.4	75,446.2	66,856.6	61,324.3	61,167.8	63,460.6	66,823.8	64,150.5
OTHER DEPOSITS	32,327.5	30,922.2	30,926.9	35,215.8	34,090.7	34,880.8	34,171.7	33,673.9	32,552.4	33,911.0	31,988.0	31,246.5	34,244.4
SECURITIES OTHER THAN SHARES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LOANS	3,521.2	3,568.3	3,589.4	3,621.1	3,093.2	5,521.1	5,483.6	4,566.5	3,792.1	3,964.7	3,635.8	3,307.2	3,018.6
FINANCIAL DERIVATIVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INSURANCE TECHNICAL RESERVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SHARES AND OTHER EQUITY	32,487.4	33,589.6	33,043.9	27,124.9	28,151.8	29,240.4	30,350.9	27,936.6	26,187.3	27,790.0	29,048.0	30,436.7	31,280.9
OTHER ITEMS (NET)	1,761.6	1,458.7	3,946.9	3,008.7	2,575.3	2,861.8	561.4	2,746.1	-869.1	668.0	-38.4	1,053.9	-915.0

Central Bank Survey (K'Millions), Dec. 2020 - Dec. 2021 **Table 2**

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
NET FOREIGN ASSETS	10,921.2	10,902.9	10,525.5	11,748.5	10,815.6	15,215.1	15,999.0	16,722.1	14,813.2	14,554.8	9,709.4	11,696.7	12,135.8
CLAIMS ON NONRESIDENTS	26,230.2	26,374.6	26,259.8	27,442.8	27,767.1	32,384.6	32,997.0	31,435.5	48,562.8	49,782.3	46,198.5	48,761.5	47,073.7
LIABILITIES TO NONRESIDENTS	-15,308.9	-15,471.7	-15,734.3	-15,694.2	-16,951.4	-17,169.5	-16,998.1	-14,713.5	-33,749.5	-35,227.5	-36,489.1	-37,064.8	-34,937.8
CLAIMS ON OTHER DEPOSITORY CORPORATIONS	5,887.0	8,187.0	8,795.5	9,468.6	9,857.7	13,321.8	11,869.7	11,588.7	12,228.2	11,622.3	12,443.2	11,903.1	11,645.1
NET CLAIMS ON CENTRAL GOVERNMENT	28,389.5	24,538.7	26,475.6	20,219.7	22,302.2	15,901.5	17,261.3	17,725.4	19,847.3	19,125.0	18,321.4	18,714.5	21,630.7
CLAIMS ON CENTRAL GOVERNMENT	31,329.9	31,772.9	30,894.7	33,329.8	33,498.9	33,689.5	33,204.7	32,029.0	30,290.0	30,831.7	30,563.2	30,730.3	29,480.2
LIABILITIES TO CENTRAL GOVERNMENT	-2,940.4	-7,234.2	-4,419.1	-13,110.1	-11,196.7	-17,788.0	-15,943.5	-14,303.6	-10,442.7	-11,706.7	-12,241.8	-12,015.7	-7,849.5
CLAIMS ON OTHER SECTORS	89.7	90.6	90.3	88.0	88.3	88.5	92.7	90.7	88.2	90.2	93.7	94.8	94.8
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON STATE AND LOCAL GOVERNMENT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON PRIVATE SECTOR	89.7	90.6	90.3	88.0	88.3	88.5	92.7	90.7	88.2	90.2	93.7	94.8	94.8
MONETARY BASE	27,181.1	24,976.6	26,957.6	28,064.0	28,968.1	29,759.3	29,719.8	33,552.3	36,708.1	34,071.8	28,657.4	29,620.7	33,637.1
CURRENCY IN CIRCULATION	12,388.7	11,882.2	11,759.1	11,922.4	11,877.9	14,111.9	14,460.3	15,122.0	15,698.9	14,847.9	14,196.9	13,392.3	13,550.4
LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	14,708.2	12,999.4	15,079.7	16,072.6	17,023.0	15,577.4	15,190.2	18,363.2	20,931.7	19,152.4	14,377.9	16,145.9	19,997.2
LIABILITIES TO OTHER SECTORS	84.2	94.9	118.8	69.0	67.1	69.9	69.2	67.1	77.4	71.4	82.6	82.4	89.5
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	30.8	45.3	63.9	99.0	124.8	151.5	206.1	224.9	245.0	271.6	164.2	163.2	162.3
DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
DEPOSITS ExCLUDED IN BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LOANS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL DERIVATIVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SHARES AND OTHER EQUITY	18,421.3	19,034.3	18,423.5	11,725.4	12,302.1	13,002.5	13,577.2	10,757.7	8,432.1	9,513.7	10,224.0	11,075.4	11,453.1
OTHER ITEMS (NET)	-345.8	-337.1	442.0	1,636.4	1,668.8	1,613.6	1,719.5	1,592.0	1,591.9	1,535.3	1,522.2	1,550.0	254.0

Other Depository Corporations Survey (K'Millions), Dec. 2020 - Dec. 2021 **Table 3**

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
NET FOREIGN ASSETS	28,059.0	33,651.6	33,368.3	33,293.1	36,300.0	40,548.6	38,139.5	30,009.0	20,803.8	22,719.6	29,640.5	31,037.3	25,496.8
CLAIMS ON NONRESIDENTS	35,239.1	39,590.0	39,036.4	40,946.6	45,589.5	49,139.8	50,568.4	41,907.2	30,943.8	32,327.4	38,402.0	40,739.0	34,165.3
LIABILITIES TO NONRESIDENTS	-7,180.1	-5,938.4	-5,668.1	-7,653.5	-9,289.5	-8,591.1	-12,428.9	-11,898.2	-10,140.1	-9,607.8	-8,761.5	-9,701.7	-8,668.5
CLAIMS ON CENTRAL BANK	17,794.8	16,173.2	18,866.7	19,119.4	20,401.5	18,534.5	19,411.0	21,809.6	23,711.0	23,048.9	19,121.3	18,872.5	25,059.1
CURRENCY	2,550.5	2,316.5	2,266.6	1,988.2	1,828.7	1,791.5	1,745.6	1,734.7	1,475.4	2,168.9	1,984.3	1,875.0	4,319.4
RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES	15,244.3	13,856.7	16,600.2	17,131.1	18,572.7	16,743.1	17,665.5	20,075.0	22,235.7	20,880.0	17,137.0	16,997.5	20,739.7
OTHER CLAIMS ON CENTRAL BANK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET CLAIMS ON CENTRAL GOVERNMENT	32,056.2	33,413.1	34,088.9	38,200.6	38,432.1	39,092.9	41,237.9	40,309.5	40,303.4	42,091.4	41,024.5	41,544.4	43,010.4
CLAIMS ON CENTRAL GOVERNMENT	43,700.6	46,134.0	47,339.2	50,333.6	51,758.9	52,950.5	55,251.4	54,957.9	54,620.8	55,982.6	57,598.9	59,552.2	59,016.7
LIABILITIES TO CENTRAL GOVERNMENT	-11,644.4	-12,720.9	-13,250.3	-12,133.0	-13,326.8	-13,857.6	-14,013.4	-14,648.4	-14,317.4	-13,891.2	-16,574.3	-18,007.8	-16,006.3
CLAIMS ON OTHER SECTORS	42,119.5	41,277.7	41,481.7	41,416.7	42,492.8	45,654.6	46,034.4	44,346.7	41,390.8	41,635.8	41,553.4	41,333.9	38,677.9
CLAIMS ON OTHER FINANCIAL CORPORATIONS	168.3	202.1	182.7	167.8	199.4	231.4	182.6	164.0	187.6	205.3	180.6	176.7	189.4
CLAIMS ON STATE AND LOCAL GOVERNMENT	51.4	42.2	42.4	42.2	38.9	39.3	33.7	33.0	32.5	44.2	41.9	41.8	40.5
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	1,147.6	1,191.6	1,194.0	1,131.2	1,095.1	1,298.9	1,258.3	1,095.8	1,069.7	906.8	927.0	899.3	870.5
CLAIMS ON PRIVATE SECTOR	40,752.2	39,841.8	40,062.7	40,075.5	41,159.4	44,085.0	44,559.8	43,053.9	40,101.0	40,479.4	40,403.9	40,216.0	37,577.5
LIABILITIES TO CENTRAL BANK	5,901.0	8,100.4	8,676.6	9,261.2	9,672.4	12,281.6	11,467.2	12,103.2	11,755.6	11,080.7	11,551.8	10,899.8	10,660.6
TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY	61,578.9	64,639.0	64,875.7	65,956.8	72,367.5	71,570.5	75,376.9	66,789.5	61,246.9	61,096.4	63,378.0	66,741.4	64,061.0
OTHER DEPOSITS INCLUDED IN BROAD MONEY	32,327.5	30,922.2	30,926.9	35,215.8	34,090.7	34,880.8	34,171.7	33,673.9	32,552.4	33,911.0	31,988.2	31,246.6	34,244.4
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LOANS	3,521.2	3,568.3	3,589.4	3,621.1	3,093.2	5,521.1	5,483.6	4,566.5	3,792.1	3,964.7	3,635.8	3,307.2	3,018.6
FINANCIAL DERIVATIVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INSURANCE TECHNICAL RESERVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SHARES AND OTHER EQUITY	14,066.1	14,555.3	14,620.4	15,399.5		16,238.0	16,773.7	17,179.0	17,755.1	18,276.3	18,824.0	19,361.3	19,827.8
OTHER ITEMS (NET)	2,598.7	2,694.4	5,080.3	2,539.2	15,849.7	3,302.5	1,513.5	2,126.6	-929.4	1,130.4	1,925.8	1,195.6	395.8

Banking System Claims on Government (K' Millions), Dec 2013 - Dec 2021

Table 4

		Net Bank of Zambia Claims					Net Commercial Banks Claims					
End of period		Treasury Bills	GRZ Stock	GRZ Position (3)	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	(b) Total	(a+b) TOTAL CLAIMS
2013	December	625,775.0	1,800,989.2	-3,595,675.6	1,830,539.0	661,627.6	6,566,194.6	2,653,510.9	120,597.5	-1,158,762.7	8,181,540.4	8,843,168.0
2014	December	710,825.6	1,714,917.8	-4,739,629.5	1,397,539.0	-916,347.2	6,572,940.0	2,362,441.2	661,321.2	-1,573,725.0	8,022,977.5	7,106,630.2
2015	December	1,277,345.9	1,650,173.5	-2,607,813.1	1,997,539.0	2,317,245.3	6,184,432.0	1,568,433.9	457,565.9	-1,539,557.1	6,670,874.7	8,988,120.0
2016	December	647,467.6	1,444,323.2	-1,454,842.5	5,321,014.7	5,957,963.0	5,471,394.5	2,249,459.2	819,316.9	-1,762,938.7	6,777,231.9	12,735,194.9
2017	December	625,775.0	1,314,325.2	-2,733,230.7	5,321,014.7	4,527,884.2	12,035,101.4	4,348,928.7	844,388.4	-1,631,315.0	15,597,103.5	20,124,987.8
2018	December	642,937.9	3,960,457.5	-1,302,508.7	4,406,714.7	7,707,601.3	12,117,440.3	6,202,396.3	1,576,097.0	-1,395,958.9	18,499,974.7	26,207,576.0
2019	December	1,401,554.8	10,281,610.0	-2,468,101.5	0.0	9,215,063.3	11,028,530.9	8,274,830.8	2,507,729.2	-1,713,590.3	20,097,500.6	29,312,563.9
2020	January	786,596.3	14,595,367.5	-1,227,803.8	0.0	14,154,160.0	10,989,410.7	9,509,121.3	3,630,947.2	-1,338,284.5	22,791,194.7	36,945,354.7
	February	1,279,190.5	14,657,983.0	-839,961.6	0.0	15,097,211.9	10,591,558.4	8,453,072.5	4,031,370.3	-1,304,674.2	21,771,327.0	36,868,539.0
	March	1,243,092.7	14,659,744.3	-4,351,160.8	0.0	11,551,676.2	11,435,561.4	7,462,281.4	5,778,479.3	-1,390,543.7	23,285,778.3	34,837,454.5
	April	2,171,999.4	14,602,354.3	-3,236,860.7	0.0	13,537,493.1	11,031,059.8	6,655,555.8	5,886,885.8	-1,282,895.2	22,290,606.1	35,828,099.2
	May	3,890,661.6	14,482,646.4	-2,746,227.3	0.0	15,627,080.7	11,201,206.0	6,883,056.8	6,127,534.8	-1,528,481.8	22,683,315.7	38,310,396.4
	June	4,151,157.3	16,667,669.0	-7,568,842.6	0.0	13,249,983.7	12,092,856.4	6,395,489.3	5,655,077.5	-1,616,944.2	22,526,479.1	35,776,462.8
	July	2,917,810.5	19,594,548.3	-5,386,116.5	0.0	17,126,242.3	15,603,119.7	8,123,608.4	5,764,597.4	-1,599,919.0	27,891,406.4	45,017,648.7
	August	3,259,688.9	19,934,709.1	-3,142,225.3	0.0	20,052,172.7	16,020,470.6	8,944,499.1	5,309,379.8	-1,974,527.4	28,299,822.1	48,351,994.8
	September	3,286,087.1	19,706,812.0	-4,036,847.2	0.0	18,956,051.8	17,716,708.9	9,228,765.5	5,358,809.8	-2,057,916.6	30,246,367.5	49,202,419.4
	October	2,987,722.7	21,462,449.4	-4,176,842.2	0.0	20,273,329.9	17,531,391.2	12,112,015.2	5,820,187.7	-2,790,274.7	32,673,319.4	52,946,649.3
	November	2,586,913.9	21,305,353.7	-4,279,557.1	0.0	19,612,710.5	18,790,988.9	12,075,078.1	6,174,978.5	-2,555,032.0	34,486,013.6	54,098,724.1
	December	2,909,413.3	21,318,917.9	-1,580,774.4	0.0	22,647,556.7	18,187,177.1	11,965,000.7	7,240,374.7	-2,966,590.5	34,425,962.0	57,073,518.7
2021	January	5,506,205.1	21,745,453.8	-5,777,191.2	0.0	21,474,467.8	16,572,693.9	11,330,112.0	7,957,620.8	-2,492,066.7	33,368,360.0	54,842,827.8
	February	5,486,572.4	22,861,370.7	-4,397,482.4	0.0	23,950,460.8	16,631,565.3	12,369,955.1	8,405,572.5	-2,313,220.1	35,093,872.7	59,044,333.5
	March	5,099,981.6	24,396,187.0	-11,307,545.4	0.0	18,188,623.2	17,311,696.2	10,426,064.3	9,966,557.8	-2,154,021.5	35,550,296.8	53,738,920.0
	April	5,154,769.0	24,717,000.3	-9,131,540.9	0.0	20,740,228.4	17,891,008.8	13,982,567.5	9,966,557.8	-2,881,585.7	38,958,548.4	59,698,776.8
	May	4,267,419.8	24,485,530.5	-14,837,219.6	0.0	13,915,730.6	18,605,462.4	11,873,056.5	11,464,026.8	-3,013,850.7	38,928,694.9	52,844,425.6
	June	5,113,151.9	24,233,880.0	-13,297,754.6	0.0	16,049,277.3	17,226,994.1	14,021,549.0	11,464,026.8	-2,856,416.9	39,856,152.9	55,905,430.2
	July	5,126,048.8	24,347,208.3	-12,387,028.3	0.0	17,086,228.8	16,278,091.7	15,053,034.8	11,752,379.8	-3,027,741.0	40,055,765.4	57,141,994.2
	August	4,661,370.7	24,323,404.2	-8,875,723.0	0.0	20,109,051.9	16,806,073.9	17,108,726.0	11,715,916.7	-2,955,468.2	42,675,248.4	62,784,300.3
	September	3,370,223.3	23,985,496.7	-9,560,647.3	0.0	17,795,072.7	15,782,135.3	16,276,166.4	11,781,417.0	-2,986,795.8	40,852,922.9	58,647,995.6
	October	3,519,769.1	24,024,432.1	-9,738,956.3	0.0	17,805,244.8	16,775,621.8	16,024,346.1	11,924,362.9	-3,476,445.3	41,247,885.5	59,053,130.4
	November	2,621,456.2	23,782,869.3	-6,873,310.7	0.0	19,531,014.8	18,672,658.7	16,148,488.7	12,176,089.2	-3,476,445.3	43,520,791.4	63,051,806.2
	December	1,932,521.8	24,176,303.1	-6,167,339.2	0.0	19,941,485.8	18,143,322.4	16,611,118.1	11,607,787.2	-4,103,088.3	42,259,139.4	62,200,625.2

Currency in Circulation (K' Million), Dec 2013 - Dec 2021

Table 5

End of period		Issued			At banks			Outside banks		
		Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
2013	December	4,601.1	4,550.9	50.1	1,130.5	1,094.2	36.3	3,470.6	3,456.8	13.8
2014	December	5,727.7	5,620.4	107.3	1,507.7	1,503.6	4.2	4,220.0	4,116.9	103.1
2015	December	6,449.8	6,318.0	131.8	1,698.6	1,692.9	5.6	4,751.2	4,625.1	126.1
2016	December	6,451.5	6,292.4	159.1	1,714.2	1,705.7	8.5	4,737.3	4,586.7	150.6
2017	December	7,315.3	7,134.6	180.8	1,715.6	1,702.2	13.4	5,599.8	5,432.4	167.3
2018	December	8,194.5	7,987.0	207.5	1,757.0	1,740.4	16.6	6,437.6	6,246.6	191.0
2019	December	8,526.6	8,342.4	184.2	1,779.0	1,767.5	11.5	6,747.6	6,574.9	172.7
2020	January	7,897.3	7,712.7	184.6	1,495.9	1,483.2	12.7	6,401.4	6,229.5	171.9
	February	7,617.3	7,432.4	184.8	1,481.8	1,468.3	13.6	6,135.4	5,964.2	171.3
	March	8,189.6	8,004.2	185.4	1,532.3	1,521.4	10.9	6,657.3	6,482.9	174.5
	April	8,814.9	8,628.5	186.3	1,857.2	1,842.3	14.9	6,957.7	6,786.3	171.4
	May	9,503.2	9,316.0	187.1	1,595.7	1,581.4	14.3	7,907.4	7,734.6	172.8
	June	10,367.4	10,179.2	188.2	1,618.0	1,604.0	14.0	8,749.4	8,575.2	174.2
	July	10,847.2	10,654.0	193.2	1,675.1	1,662.4	12.6	9,172.1	8,991.6	180.5
	August	11,455.9	11,266.7	189.2	1,914.6	1,901.8	12.8	9,541.3	9,364.8	176.4
	September	11,387.4	11,196.8	190.6	1,906.2	1,893.1	13.0	9,481.2	9,303.7	177.6
	October	11,636.1	11,444.8	191.3	1,917.5	1,904.9	12.5	9,718.6	9,539.8	178.8
	November	11,060.7	10,867.4	193.3	2,126.3	2,113.6	12.8	8,934.4	8,753.9	180.6
	December	12,291.5	12,096.2	195.2	2,481.8	2,469.1	12.8	9,809.6	9,627.2	182.5
2021	January	11,886.4	11,590.1	195.9	2,253.3	2,240.8	12.5	9,532.7	9,349.4	183.4
	February	11,762.8	11,465.8	196.6	2,202.5	2,190.3	12.2	9,459.8	9,275.5	184.4
	March	11,926.2	11,629.1	196.7	1,923.3	1,911.2	12.0	9,902.5	9,717.8	184.7
	April	11,882.2	11,584.4	197.3	1,760.5	1,749.6	10.9	10,021.2	9,834.8	186.4
	May	14,115.8	13,817.1	198.3	1,717.7	1,707.9	9.8	12,297.7	12,109.2	188.5
	June	14,464.1	14,164.5	199.1	1,648.2	1,638.9	9.3	12,715.5	12,525.6	189.8
	July	15,126.6	14,826.4	199.7	1,648.3	1,641.6	6.7	13,377.8	13,184.8	193.0
	August	15,703.3	15,401.7	201.2	1,395.7	1,390.6	5.2	14,207.2	14,011.1	196.0
	September	14,852.9	14,550.2	202.3	2,081.5	2,076.3	5.2	12,671.0	12,473.9	197.1
	October	14,203.2	13,899.4	203.5	1,904.8	1,899.4	5.3	12,198.1	11,999.9	198.1
	November	13,398.3	13,093.4	204.4	1,800.0	1,794.0	6.0	11,497.8	11,299.4	198.4
	December	13,555.3	13,249.1	205.8	4,253.8	4,251.6	2.2	9,201.1	8,997.5	203.6

Commercial Banks' Deposits by Institution-Domestic Currency (K' Million), Dec 2013 - Dec 2021

Table 6A

End of period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2013	December	1,567.5	1,833.1	853.4	10,385.9	5,138.6	2,461.4	216.9	22,456.6
2014	December	2,163.4	1,954.7	1,006.7	9,348.6	5,852.6	3,079.4	306.1	23,711.5
2015	December	1,975.0	1,397.4	1,231.9	9,339.4	6,361.1	3,092.1	298.5	23,695.4
2016	December	2,220.5	2,737.9	599.0	7,767.8	8,135.8	4,168.7	223.4	25,853.1
2017	December	2,250.4	1,352.6	1,102.4	9,952.9	9,591.0	5,658.6	365.3	30,273.3
2018	December	1,871.5	2,766.0	834.2	11,540.5	10,328.0	5,474.9	81.8	32,897.0
2019	December	2,577.4	3,359.0	809.4	12,684.7	10,145.4	6,789.9	72.9	36,438.8
2020	January	2,251.8	3,390.7	748.2	12,745.8	10,309.0	6,476.2	57.4	35,979.1
	February	2,324.8	3,537.3	1,027.3	12,206.8	10,915.9	6,276.6	75.7	36,364.2
	March	3,254.4	3,294.4	1,133.7	11,630.0	11,158.5	6,476.3	84.6	37,031.7
	April	2,443.1	3,479.7	914.0	13,826.9	11,292.7	5,980.6	97.5	38,034.5
	May	2,714.2	3,640.2	975.9	13,470.6	11,584.5	6,195.3	90.7	38,671.3
	June	2,891.9	3,784.6	982.7	14,051.2	12,042.6	6,383.7	85.5	40,222.1
	July	2,301.0	4,282.5	1,155.5	15,297.2	12,613.7	7,539.0	59.9	43,248.8
	August	3,421.6	4,365.8	965.5	15,365.7	12,667.3	8,142.9	101.3	45,030.1
	September	3,581.7	3,661.0	1,138.2	17,138.1	12,662.4	7,300.4	74.7	45,556.5
	October	4,471.2	5,229.8	1,135.1	18,663.5	12,012.6	7,345.9	133.1	48,991.3
	November	4,390.4	4,821.4	1,146.1	18,015.7	13,158.1	7,878.8	115.6	49,526.2
	December	5,084.9	4,027.6	950.7	17,679.4	13,831.6	9,003.3	83.4	50,660.9
2021	January	4,471.5	4,708.4	1,271.4	16,945.8	13,548.9	7,693.7	162.0	48,801.8
	February	3,964.7	5,754.0	574.5	17,586.5	13,898.4	9,633.2	135.5	51,546.8
	March	4,770.7	4,957.4	2,085.8	17,877.3	14,170.3	8,085.9	144.3	52,091.7
	April	5,531.1	5,521.2	1,614.0	18,797.6	14,481.3	8,758.6	94.8	54,798.8
	May	5,179.1	5,491.0	1,714.3	17,168.3	14,411.6	9,621.1	72.5	53,657.8
	June	5,296.9	6,123.9	1,336.5	17,745.8	15,093.9	8,754.5	216.6	54,568.1
	July	6,004.5	7,045.5	1,358.1	18,570.0	15,555.4	11,242.9	105.9	59,882.4
	August	5,615.7	7,514.2	1,073.0	20,477.8	17,118.9	11,975.9	89.1	63,864.6
	September	6,042.8	6,854.0	2,003.3	18,867.1	17,328.4	11,297.3	95.2	62,488.0
	October	6,334.5	7,418.9	1,120.9	18,878.6	16,180.2	11,097.6	104.9	61,135.6
	November	6,655.7	8,809.6	1,102.2	19,726.5	16,003.2	10,343.2	131.5	62,771.9
	December	5,918.1	7,439.4	1,620.5	22,758.5	17,126.9	10,880.6	142.2	65,886.3

Commercial Banks' Deposits by Institution-Foreign Currency (K' Million), Dec 2013 - Dec 2021 **Table 6B**

End of period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2013	December	307.18	24	258	6,352	868	442	199	8,450
2014	December	155.73	36	401	7,063	1,657	1,276	642	11,231
2015	December	373	101	522	15,219	2,677	1,276	887	22,715
2016	December	611.1	88.4	320.4	12,282.1	2,537.7	2,619.4	2,548.0	21,007.0
2017	December	847.9	491.1	645.9	14,202.0	2,701.3	2,363.7	2,389.0	23,640.9
2018	December	1,266.4	592.6	602.0	17,482.7	3,953.4	3,966.8	698.6	28,562.6
2019	December	1,678.6	530.3	558.7	19,630.4	4,947.4	4,480.2	890.3	32,715.8
2020	January	1,577.5	619.5	440.4	20,230.1	5,175.5	4,581.9	1,619.7	34,244.5
	February	1,541.3	675.2	399.7	22,296.6	4,990.4	4,450.7	1,039.6	35,393.4
	March	2,442.5	563.9	668.1	26,249.2	6,101.8	4,849.1	1,179.5	42,054.2
	April	1,534.5	886.3	614.7	25,430.6	6,448.1	6,154.3	1,379.1	42,447.6
	May	1,791.8	801.1	750.3	26,660.6	6,361.3	5,701.6	1,211.2	43,277.8
	June	1,865.2	1,283.8	767.3	23,537.3	6,231.3	5,350.0	1,386.6	40,421.5
	July	1,889.7	486.2	662.0	25,939.8	6,365.9	5,592.9	1,975.8	42,912.2
	August	2,261.2	1,306.1	625.4	33,009.1	6,872.5	2,041.2	1,987.9	48,103.4
	September	2,389.4	858.6	674.2	34,915.1	7,090.7	2,322.9	2,744.5	50,995.4
	October	3,128.8	932.2	1,001.3	34,960.0	6,966.1	1,914.6	2,634.2	51,537.1
	November	2,916.8	719.3	541.6	36,103.8	7,477.7	2,462.1	3,035.5	53,256.8
	December	3,436.7	706.8	411.8	36,813.5	7,716.4	2,048.8	3,779.5	54,913.5
2021	January	3,366.7	925.0	1,446.8	39,223.3	7,942.2	3,138.3	2,530.9	58,573.3
	February	2,970.7	678.2	859.5	39,427.7	8,131.4	3,461.7	2,480.3	58,009.7
	March	2,741.5	632.8	1,544.5	39,085.5	9,106.5	3,938.9	3,622.2	60,672.0
	April	2,875.0	707.3	1,072.9	42,951.7	10,025.3	3,352.6	4,626.1	65,611.0
	May	3,183.5	996.2	1,193.3	43,310.0	10,275.1	3,171.6	3,827.6	65,957.2
	June	3,138.5	790.8	785.5	45,686.3	10,654.2	3,420.3	5,968.4	70,444.0
	July	2,852.7	784.4	1,754.8	34,328.7	9,752.8	2,377.4	5,990.1	57,840.9
	August	1,926.7	363.2	1,224.6	27,321.1	6,660.9	2,254.4	4,589.7	44,340.6
	September	2,036.7	326.2	873.6	29,513.3	7,216.5	2,029.6	5,111.1	47,106.9
	October	2,240.5	444.4	1,473.9	32,237.2	7,248.7	2,316.6	4,199.4	50,160.8
	November	1,998.6	324.9	1,477.6	34,064.4	7,891.8	2,460.9	4,928.4	53,146.6
	December	2,393.9	350.3	1,550.4	29,510.5	7,489.5	2,134.2	3,897.0	47,325.8

Commercial Banks' Loans and Advances - Foreign Currency (US $' 000), Dec 2020 - Dec 2021 **Table 7**

Sector	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Agriculture, forestry,Fishing and hunting	7,116,834.3	6,417,474.5	6,257,633.8	6,255,522.7	7,063,973.6	7,868,365.6	7,768,462.4	7,869,991.3	7,433,115.3	6,249,115.2	6,046,160.8	5,744,122.6	5,184,449.1
Mining and quarying	2,702,902.1	2,116,347.0	2,153,372.0	2,173,928.4	2,242,484.1	2,289,544.4	2,386,424.7	2,258,574.1	1,932,410.9	2,016,819.4	2,001,243.6	1,753,711.1	1,685,797.2
Manufacturing	4,419,440.8	4,774,231.9	5,003,092.0	4,850,516.2	4,886,064.0	5,811,798.9	5,941,444.6	5,652,550.2	5,326,017.2	5,253,288.2	5,489,551.4	5,315,856.4	5,017,383.7
Electricity, gas, water and energy	1,964,051.9	2,076,975.7	1,960,276.2	1,971,480.5	2,022,979.4	2,395,291.5	2,320,949.9	2,153,694.4	2,143,245.2	2,151,009.8	2,181,980.9	2,007,491.3	1,905,103.9
Construction	748,017.4	776,397.6	780,096.6	735,830.2	736,447.2	752,383.3	719,164.0	620,803.7	811,641.6	733,805.8	765,501.9	756,675.1	824,877.3
Wholesale and retail trade	3,683,531.6	3,687,154.0	3,667,434.2	3,683,894.1	3,266,048.6	3,609,195.0	3,951,192.3	3,715,066.0	3,490,060.3	3,806,725.1	3,938,117.1	4,086,832.7	3,991,853.6
Restaurants and hotels	447,210.0	457,649.1	471,242.2	478,203.9	493,308.3	493,892.4	432,105.0	406,850.5	377,855.9	403,044.2	410,758.0	413,327.1	290,109.9
Transport, storage and communications	3,685,161.5	3,555,059.4	3,467,397.2	3,607,168.3	3,737,601.0	3,919,453.2	4,225,912.3	3,782,225.9	3,495,028.5	3,412,220.4	3,593,600.7	3,623,027.0	3,762,647.4
Financial services	798,301.8	824,182.6	945,142.2	1,636,101.0	1,688,250.6	1,839,327.3	1,726,540.6	1,068,049.1	1,330,890.5	1,664,455.1	417,980.0	484,634.6	571,087.7
Community, social and perconal services	5,290,229.7	6,189,551.7	6,115,541.3	6,513,815.5	7,375,621.4	8,217,467.6	9,130,509.3	9,048,179.8	8,952,216.4	9,127,866.2	10,685,353.3	11,108,792.6	10,758,573.4
Real estate	1,957,607.0	2,121,719.3	1,852,453.5	1,813,567.4	1,796,658.0	1,800,430.7	1,826,205.4	1,593,482.5	1,407,132.4	1,453,394.9	1,494,668.0	1,517,810.4	1,468,475.0
Credit/debit cards	188.7	196.8	189.1	189.0	189.0	189.1	189.1	188.0	188.0	188.0	188.0	188.0	188.0
Other sectors	10,521,120.0	10,097,370.2	10,840,673.3	11,119,412.4	10,937,019.6	10,853,691.6	10,560,180.0	10,367,189.5	9,391,666.1	10,037,388.4	9,199,938.2	9,323,408.2	9,218,534.4
TOTALS	**43,334,596.8**	**43,094,309.6**	**43,514,543.7**	**44,839,629.7**	**46,246,644.7**	**49,851,030.5**	**50,989,279.8**	**48,536,845.1**	**46,091,468.3**	**46,309,320.8**	**46,225,042.0**	**46,135,877.2**	**44,679,080.6**

Commercial Banks' Loans and Advances - Local Currency (K' Million), Dec 2020 - Dec 2021 Table 7B

Sector	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-20
Agriculture, forestry,Fishing and hunting	231,856	196,404	189,806	187,987	199,027	224,460	216,805	215,772	173,428	147,389	109,139	101,514	104,912
Mining and quarying	123,519	94,278	94,474	94,172	96,425	97,674	101,263	112,650	113,910	114,252	111,542	94,729	96,889
Manufacturing	130,610	131,346	121,228	117,136	117,926	133,185	129,775	128,414	123,666	113,536	110,214	108,273	104,872
Electricity, gas, water and energy	68,697	67,767	68,662	65,536	64,753	63,817	61,779	60,955	60,399	46,427	46,238	44,799	43,415
Construction	25,072	25,410	25,524	23,104	22,636	23,413	19,822	22,139	21,412	15,402	16,504	15,755	21,341
Wholesale and retail trade	78,735	75,052	72,704	71,373	62,855	65,412	64,842	58,829	55,875	64,776	64,195	66,866	64,914
Restaurants and hotels	14,461	14,541	14,616	14,712	14,285	14,279	9,976	10,005	8,061	8,115	8,267	8,234	4,270
Transport, storage and communications	107,686	105,031	97,360	95,497	93,682	90,577	75,249	61,386	61,515	54,596	55,457	56,141	45,223
Financial services	4,519	4,362	4,471	1,080	4,309	3,844	3,669	3,601	3,729	3,419	3,313	5,665	5,283
Community, social and perconal services	42,095	36,380	32,535	77,689	105,119	129,051	176,281	199,715	231,911	227,759	261,710	266,582	267,557
Real estate	69,804	74,579	68,514	67,593	64,942	64,620	65,348	64,937	60,616	60,203	60,038	60,139	60,658
Other sectors	47,041	37,193	46,257	45,080	44,067	43,125	40,678	40,042	39,990	39,362	39,289	38,353	38,153
TOTALS	**944,095**	**862,345**	**836,151**	**860,958**	**890,025**	**953,456**	**965,489**	**978,445**	**954,513**	**895,236**	**885,906**	**867,051**	**857,488**

Structure of Interest Rates (Percent per Year), Dec 2013 - Dec 2021

Table 8

					Treasury bill rates			Government bond rates							Commercial Bank deposits rate	
End of period		BoZ[1] Policy Rate	Weighted Interbank rate	Penalty[2] rate	91 days	182 days	273 days	364 days	24 months	3 year	5 year	7 year	10 year	15 year	Savings	90 day
2013	December	9.8	9.9	36.4	8.0	14.8	15.0	15.7	14.0	15.5	16.5	16.9	18.2	18.0	3.6	6.6
2014	December	12.5	12.0	39.5	13.0	17.5	18.0	20.4	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.1
2015	December	15.5	26.1	39.8	15.0	20.3	18.7	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.2
2016	December	15.5	16.2	39.8	20.5	23.9	25.0	25.0	25.0	23.2	25.0	24.8	25.0	25.0	3.1	10.8
2017	December	10.3	10.1	39.8	9.5	9.8	13.6	16.3	16.5	18.3	18.0	19.5	20.6	18.5	2.8	6.9
2018	December	9.8	9.8	39.8	15.0	14.8	21.0	23.1	19.5	20.0	20.4	18.5	21.5	17.3	3.0	7.6
2019	December	11.5	10.7	39.8	16.5	19.3	27.0	27.5	29.5	29.8	33.0	25.0	27.0	28.0	3.0	8.8
2020	January	11.5	12.6	39.8	16.5	19.3	27.0	27.8	29.8	29.8	33.0	25.0	27.0	28.4	3.0	9.0
	February	11.5	12.5	39.8	16.5	20.5	27.0	28.8	31.0	29.8	33.0	25.0	27.0	30.0	3.0	9.0
	March	11.5	12.6	39.8	16.5	21.2	27.0	29.2	31.0	29.8	33.0	25.0	24.4	30.3	3.0	9.3
	April	11.5	12.6	39.8	16.5	21.2	27.0	29.3	31.0	29.8	33.0	25.0	23.5	31.6	3.0	9.0
	May	9.3	11.5	39.8	16.5	21.2	27.0	29.0	31.0	30.3	33.0	25.0	23.5	32.5	3.0	9.0
	June	9.3	9.2	39.8	17.2	21.1	26.8	28.4	31.0	32.2	33.0	25.0	25.5	32.5	3.0	9.0
	July	9.3	9.0	39.8	15.3	18.9	24.4	26.1	31.0	32.7	33.0	25.0	31.5	32.5	3.0	8.7
	August	8.0	8.4	39.8	14.4	17.4	21.3	25.2	31.5	32.7	33.0	25.0	31.5	32.5	3.0	8.5
	September	8.0	8.2	39.8	14.0	16.6	19.7	24.5	32.0	32.7	33.0	25.0	32.3	32.8	3.0	8.5
	October	8.0	8.1	39.8	14.0	16.1	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.1	3.0	8.3
	November	8.0	8.0	39.8	14.0	16.0	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.5	3.0	8.1
	December	8.0	8.1	39.8	14.0	16.0	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.5	3.0	8.1
2021	January	8.0	8.3	39.8	14.0	16.0	19.6	25.8	32.0	32.7	33.4	26.3	33.4	33.6	2.6	7.9
	February	8.5	8.4	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	33.8	2.6	7.9
	March	8.5	8.6	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	34.1	2.7	8.2
	April	8.5	8.6	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	34.5	2.6	8.0
	May	8.5	8.6	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	34.5	2.6	8.2
	June	8.5	8.6	39.8	14.0	16.0	18.0	25.5	29.9	30.6	32.6	30.1	31.0	32.9	2.7	8.1
	July	8.5	8.6	39.8	14.0	16.0	18.0	25.5	29.9	30.7	32.2	30.1	31.0	32.9	2.6	7.9
	August	8.5	8.5	39.8	14.0	16.0	17.9	25.5	28.2	29.6	31.0	29.1	30.0	31.4	2.6	7.4
	September	8.5	7.9	39.8	12.6	14.6	16.4	20.1	21.5	22.5	23.5	24.7	26.5	26.8	2.7	7.3
	October	8.5	7.6	39.8	10.2	11.1	12.6	14.2	20.0	21.0	22.3	23.7	25.9	26.4	2.6	6.6
	November	9.0	7.6	39.8	9.6	9.5	10.4	12.0	19.7	20.7	23.4	24.5	25.6	25.9	2.6	6.3
	December	9.0	7.6	39.8	9.5	9.6	10.6	14.4	18.6	19.8	22.6	23.9	24.8	26.0	2.6	5.9

Source: Bank of Zambia
[1]Figures before April 2012 reflect the Commercial Banks' weighted Lending Base Rate while figures after that indicates BoZ Policy rate.
[2]Penalty Rates: These are rates applied when a Bank falls short on Statutory Reserve Ratios.

Commercial Bank Interest Rates (Percent Per Year), Dec 2013 - Dec 2021 **Table 9**

End of period		Average Lending Rates	Weighted interbank rate	Savings Rates less than K100	more than K100	Deposits over K20,000 24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2013	December	16.4	10.1	2.8	3.5	1.9	3.0	4.1	5.1	6.1	6.6	8.4
2014	December	20.5	12.0	2.4	3.3	2.0	4.2	4.3	6.8	8.3	9.1	10.5
2015	December	25.8	26.1	2.5	3.3	1.9	4.0	4.2	7.2	7.9	9.2	10.8
2016	December	29.5	16.2	2.4	3.1	2.4	6.3	6.7	8.7	10.4	10.8	12.7
2017	December	24.6	10.1	1.9	2.8	2.0	3.3	3.5	5.5	6.2	6.9	8.6
2018	December	23.6	9.8	1.9	3.0	2.3	3.5	3.3	5.3	6.6	7.6	9.1
2019	December	28.0	10.7	1.7	3.0	2.6	3.4	3.3	6.8	8.4	8.8	10.1
2020	January	28.2	12.6	1.7	3.0	2.6	4.0	3.3	6.9	8.5	9.0	10.2
	February	28.3	12.5	1.7	3.0	2.6	3.8	3.3	6.8	8.1	9.0	10.3
	March	28.8	12.6	1.7	3.0	2.9	3.5	3.6	6.9	8.4	9.3	10.7
	April	28.2	12.6	1.7	3.0	2.6	3.2	3.4	6.8	8.4	9.0	10.4
	May	27.9	11.5	1.7	3.0	2.6	2.9	3.3	6.9	7.9	9.0	10.3
	June	26.4	9.2	1.7	3.0	2.5	2.6	2.9	6.5	7.9	9.0	10.3
	July	25.8	9.0	1.6	3.0	2.8	2.9	3.2	6.3	7.7	8.7	10.3
	August	26.3	8.4	1.6	3.0	2.7	2.8	3.0	6.1	7.5	8.5	10.1
	September	25.7	8.2	1.6	2.9	2.7	2.7	3.0	5.9	7.4	8.5	10.1
	October	25.3	8.1	1.6	2.9	2.7	2.8	3.1	5.8	7.2	8.3	9.9
	November	24.9	8.0	1.5	2.8	2.6	2.8	3.1	5.6	6.9	8.1	9.7
	December	25.1	8.1	1.5	2.7	2.7	2.7	3.0	5.9	7.1	8.1	9.8
2021	January	25.2	8.3	1.5	2.6	2.7	2.8	3.2	5.8	6.7	7.9	9.4
	February	25.6	8.4	1.4	2.6	2.6	2.7	3.1	5.7	6.8	7.9	9.5
	March	26.0	8.6	1.5	2.7	2.6	2.6	3.0	5.7	7.0	8.2	9.8
	April	26.3	8.6	1.4	2.6	2.2	2.2	2.7	5.7	6.9	8.0	9.7
	May	26.2	8.6	1.4	2.6	2.3	2.2	2.7	5.8	7.4	8.2	9.9
	June	24.8	8.6	1.4	2.7	2.3	2.1	2.6	5.4	7.1	8.1	9.8
	July	24.9	8.6	1.4	2.6	2.3	2.1	2.7	5.4	7.1	7.9	9.7
	August	25.7	8.5	1.4	2.6	2.3	2.1	2.6	5.3	6.9	7.4	9.7
	September	25.9	7.9	1.4	2.7	2.3	2.1	2.6	5.2	6.7	7.3	9.3
	October	25.9	7.6	1.4	2.6	2.2	2.0	2.4	4.6	5.6	6.6	8.3
	November	25.8	7.6	1.4	2.6	2.1	1.9	2.3	4.4	5.1	6.3	7.9
	December	25.9	7.6	1.4	2.6	2.0	1.8	2.1	4.0	5.0	5.9	7.6

Kwacha/US Dollar Exchange Rates, Dec 2012 - Dec 2021

Table 10

End of period		Bank of Zambia Rates				Bureau Rates	
		Buying	Selling	Mid	Buying	Selling	Mid
2012	December	5,198.5	5,229.0	5,208.5	5,243.3	5,323.6	5,283.5
2013	December	5.5	5.5	5.5	5.1	5.1	5.1
2014	December	6.3	6.3	6.3	6.3	6.4	6.4
2015	December	10.8	10.8	10.8	10.6	10.8	10.7
2016	December	9.8	9.9	9.8	9.8	10.0	9.9
2017	December	10.0	10.1	10.0	10.0	10.2	10.1
2018	December	11.9	11.9	11.9	11.8	12.0	11.8
2019	December	14.4	14.4	14.4	14.3	14.6	14.5
2020	January	14.4	14.4	14.4	14.1	14.3	14.2
	February	14.7	14.7	14.7	15.8	16.0	15.9
	March	16.5	16.5	16.5	16.1	16.3	16.2
	April	18.6	18.6	18.6	18.3	18.5	18.4
	May	18.2	18.2	18.2	18.2	18.4	18.3
	June	18.2	18.2	18.2	18.1	18.3	18.2
	July	18.1	18.2	18.2	18.0	18.3	18.1
	August	18.8	18.8	18.8	18.5	18.8	18.6
	September	19.8	19.8	19.8	19.7	20.0	19.9
	October	20.2	20.2	20.2	20.2	20.5	20.3
	November	20.8	20.9	20.8	20.9	21.1	21.0
	December	21.1	21.1	21.1	21.1	21.4	21.2
2021	January	21.3	21.3	21.3	21.2	21.5	21.3
	February	21.6	21.6	21.6	21.5	21.8	21.6
	March	22.0	22.0	22.0	21.9	22.1	22.0
	April	22.2	22.2	22.2	22.1	22.4	22.3
	May	22.3	22.4	22.3	22.2	22.5	22.4
	June	22.6	22.6	22.6	22.5	22.7	22.6
	July	21.6	21.6	21.6	21.7	22.0	21.8
	August	19.8	19.9	19.8	19.9	20.2	20.1
	September	16.3	16.4	16.4	16.4	16.7	16.5
	October	17.0	17.1	17.0	16.9	17.2	17.1
	November	17.5	17.6	17.5	17.4	17.7	17.6
	December	17.1	17.2	17.2	17.1	17.4	17.2

Source: Bank of Zambia
Note: In July 2003, the Bank of Zambia established a broad-based foreign exchange trading system as the new mechanism for determining the exchange rate in Zambia. This implies that Bank of Zambia ceased to auction foreign exchange to the market on behalf of major foreign exchange earners. Foreign exchange earners can now transact directly with commercial banks of their choice.
* Effective 1st January, 2013 the Zambian Kwacha was rebased by K1000.

Commercial Banks Foreign Exchange Rates, Dec 2019 - Dec 2021 — Table 11

		Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR		
	Monthly Avg.	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
2019	January	11.5	12.0	11.8	12.0	11.9	12.0	11.9	15.3	15.4	15.4	13.6	13.7	13.6	0.9	0.9	0.9
	February	11.8	11.9	11.9	12.0	11.9	11.9	11.9	15.5	15.5	15.5	13.5	13.6	13.5	0.9	0.9	0.9
	March	11.9	12.1	12.0	12.1	12.0	12.1	12.0	15.8	15.9	15.9	13.6	13.6	13.6	0.8	0.8	0.8
	April	12.2	12.4	12.3	12.3	12.3	12.3	12.3	16.0	16.1	16.0	13.8	13.9	13.8	0.9	0.9	0.9
	May	13.2	13.2	13.2	13.2	13.2	13.3	13.2	17.0	17.0	17.0	14.8	14.8	14.8	0.9	0.9	0.9
	June	12.9	13.1	13.0	13.1	13.0	13.1	13.1	16.5	16.6	16.5	14.7	14.8	14.7	0.9	0.9	0.9
	July	12.6	12.8	12.7	12.8	12.7	12.8	12.7	15.8	15.9	15.9	14.3	14.3	14.3	0.9	0.9	0.9
	August	13.0	13.1	13.0	13.1	13.0	13.1	13.0	15.8	15.9	15.8	14.5	14.5	14.5	0.9	0.9	0.9
	September	13.0	13.2	13.1	13.2	13.1	13.2	13.1	16.2	16.3	16.2	14.4	14.5	14.5	0.9	0.9	0.9
	October	13.1	13.3	13.2	13.2	13.2	13.2	13.2	16.6	16.6	16.6	14.5	14.6	14.6	0.9	0.9	0.9
	November	13.8	14.1	13.9	14.0	14.0	14.0	14.0	18.0	18.0	18.0	15.4	15.5	15.5	0.9	0.9	0.9
	December	14.3	14.5	14.4	14.4	14.4	14.4	14.4	18.8	18.9	18.9	15.9	16.0	16.0	1.0	1.0	1.0
2020	January	14.3	14.5	14.4	14.4	14.4	14.4	14.4	18.8	18.9	18.8	16.0	16.0	16.0	1.0	1.0	1.0
	February	14.6	14.8	14.7	14.7	14.7	14.7	14.7	19.0	19.1	17.3	15.9	16.1	16.0	1.0	1.0	1.0
	March	16.3	16.7	16.5	16.6	16.5	16.5	16.5	20.3	20.4	20.3	18.2	18.2	18.2	1.0	1.0	1.0
	April	18.4	18.7	18.6	18.6	18.6	18.6	18.6	23.0	23.1	23.1	20.2	20.2	20.2	1.0	1.0	1.0
	May	18.1	18.3	18.2	18.2	18.2	18.2	18.2	22.2	22.3	22.3	19.8	19.9	19.9	1.0	1.0	1.0
	June	18.0	18.3	18.2	18.2	18.2	18.2	18.2	22.7	22.8	22.8	20.4	20.5	20.5	1.1	1.1	1.1
	July	18.0	18.2	18.1	18.2	18.1	18.2	18.2	23.0	23.1	23.0	20.8	20.9	20.8	1.1	1.1	1.1
	August	18.6	18.9	18.7	18.8	18.8	18.8	18.8	24.6	24.7	24.7	22.2	22.3	22.2	1.1	1.1	1.1
	September	19.7	20.0	19.8	20.0	19.8	19.8	19.8	25.7	25.7	25.7	23.4	23.4	23.4	1.2	1.2	1.2
	October	20.1	20.5	20.3	20.4	20.2	20.2	20.2	26.2	26.2	26.2	23.8	23.8	23.8	1.2	1.2	1.2
	November	20.7	21.1	20.9	21.1	20.8	20.9	20.8	27.5	27.6	27.5	24.6	24.7	24.7	1.3	1.3	1.3
	December	20.9	21.3	21.1	21.2	21.1	21.1	21.1	28.3	28.4	28.3	25.6	25.7	25.7	1.4	1.4	1.4
2021	January	21.1	21.5	21.3	21.4	21.3	21.3	21.3	29.0	29.1	29.0	25.9	26.0	25.9	1.4	1.4	1.4
	February	21.4	21.8	21.6	21.7	21.6	21.6	21.6	29.9	30.0	29.9	26.1	26.2	26.1	1.5	1.5	1.5
	March	21.9	22.2	22.0	22.1	22.0	22.0	22.0	30.4	30.5	30.5	26.1	26.2	26.2	1.5	1.5	1.5
	April	22.2	22.4	22.3	22.3	22.2	22.2	22.2	30.7	30.8	30.8	26.6	26.6	26.6	1.5	1.5	1.5
	May	22.4	22.6	22.5	22.5	22.4	22.5	22.4	31.5	31.6	31.6	27.2	27.3	27.2	1.6	1.6	1.6
	June	22.6	22.8	22.7	22.8	22.6	22.6	22.6	31.6	31.7	31.7	27.2	27.2	27.2	1.6	1.6	1.6
	July	22.3	22.4	22.3	22.3	22.1	22.2	22.1	30.8	30.9	30.8	26.4	26.5	26.4	1.6	1.6	1.6
	August	18.0	18.3	18.2	18.1	18.0	18.1	18.1	24.9	25.0	24.9	21.2	21.3	21.3	1.2	1.2	1.2
	September	15.7	15.4	15.6	15.9	16.3	16.4	16.4	22.4	22.5	22.5	19.2	19.3	19.3	1.1	1.1	1.1
	October	16.4	15.7	16.1	16.5	17.0	17.1	17.0	23.3	23.4	23.3	19.7	19.8	19.8	1.1	1.1	1.1
	November	17.4	17.6	17.5	17.6	17.5	17.6	17.5	23.6	23.6	23.6	20.0	20.1	20.0	1.1	1.1	1.1
	December	16.7	16.8	16.8	16.8	16.8	16.8	16.8	22.3	22.4	22.4	18.9	19.0	19.0	1.1	1.1	1.1

Bank of Zambia Foreign Exchange Transactions (US $ Million), Dec 2012 - Dec 2021

Table 12

End of period		Inflows				Outflow			Gross
		Mines	Other Non-GRZ	Donor Inflows	Dealing	Other Non-GRZ	GRZ Debt Servicing	GRZ Other Uses	International Reserves
2012	December	0.0	45.6	74.2	171.0	12.3	18.4	191.5	3,069.0
2013	December	0.0	39.7	20.0	46.0	23.1	25.3	0.1	2,708.8
2014	December	0.9	40.1	4.0	0.0	44.9	4.6	1.5	3,103.2
2015	December	0.0	60.6	24.5	50.0	49.8	25.5	50.0	2,973.4
2016	December	0.0	69.4	12.8	57.3	46.1	28.3	7.8	2,366.0
2017	December	9.7	55.3	14.4	115.6	20.2	46.1	1.5	2,092.5
2018	December	0.0	44.8	8.5	0.0	11.5	74.9	2.6	1,544.2
2019	December	0.0	116.0	7.9	3.0	16.4	23.9	7.3	1,424.8
2020	January	0.0	41.9	6.2	-13.5	13.5	204.5	-9.9	1,278.3
	February	0.0	43.6	14.1	-52.0	14.9	29.6	7.7	1,335.9
	March	0.0	52.9	12.5	-29.0	32.5	28.9	0.7	1,368.4
	April	0.0	48.8	10.0	0.5	12.3	101.8	3.5	1,309.0
	May	0.0	92.0	11.4	-13.0	51.8	27.6	2.0	1,343.5
	June	0.0	108.3	7.6	-35.6	36.6	52.8	1.3	1,404.3
	July	0.0	122.5	8.8	16.0	36.8	121.9	6.6	1,354.7
	August	0.0	80.0	9.4	46.7	51.2	35.4	0.0	1,310.6
	September	0.0	147.2	6.9	84.8	42.7	37.9	2.9	1,296.2
	October	0.0	130.5	35.3	52.0	95.4	22.3	9.1	1,283.1
	November	0.0	108.0	11.9	115.4	31.3	15.2	1.2	1,239.9
	December								
2021	January	0.0	162.0	4.4	128.5	42.6	1.0	2.4	1,170.33
	February	0.0	87.7	2.9	49.7	37.6	14.0	3.4	1,156.37
	March	0.0	108.3	32.5	49.5	26.9	29.1	1.8	1,189.89
	April	0.0	252.2	6.2	150.5	90.5	9.4	3.2	1,194.79
	May	0.0	158.4	12.7	-66.8	40.7	10.1	5.1	1,376.68
	June	0.0	233.7	5.8	83.0	62.5	44.6	1.3	1,424.79
	July	0.0	418.8	6.2	112.5	99.9	45.0	15.3	1,577.09
	August	0.0	1502.0	7.4	55.5	31.1	7.2	8.1	2,984.61
	September	0.0	162.6	53.1	172.0	90.5	23.0	9.1	2,905.75
	October	0.0	228.5	5.7	392.5	89.6	12.3	14.5	2,630.98
	November	0.0	221.2	4.6	54.2	90.4	24.4	11.3	2,676.40
	December	0.0	216.7	8.6	49.5	74.6	3.9	3.2	2,770.53

Percentage Changes in the Consumer Price Indices (2009 weights - Base 2009 = 100), Jan 2013 - Dec 2021 Table 13

		Consumer Price Indices			Annual Inflation Rates			Month on Month Inflation Rates		
	End of period	Total	Food	Non Food	Total	Food	Non Food	Total	Food	Non Food
2013	December	135.1	130.6	140.3	7.1	6.2	8.2	0.9	1.2	0.6
2014	December	145.7	140.3	151.9	7.9	7.5	8.4	0.8	1.3	0.2
2015	December	176.5	175.1	178.1	21.1	24.8	17.1	2.1	2.5	1.6
2016	December	189.6	188.7	190.8	7.5	7.8	7.1	0.9	1.1	0.6
2017	December	201.2	197.8	205.1	6.1	4.8	7.5	0.7	1.1	0.2
2018	December	217.0	213.8	220.7	7.9	8.1	7.6	0.8	0.8	0.7
2019	December	242.4	246.4	237.9	11.7	15.2	7.8	1.6	2.3	0.7
2020	January	246.7	249.2	243.9	12.5	15.4	9.4	1.8	1.2	2.5
	February	251.5	252.4	250.5	13.9	15.9	11.6	1.9	1.3	2.7
	March	254.6	255.5	253.6	14.0	15.2	12.7	1.2	1.2	1.2
	April	260.3	262.2	258.0	15.7	17.0	14.2	2.2	2.6	1.7
	May	264.4	266.0	262.5	16.6	17.5	15.5	1.6	1.5	1.7
	June	264.9	264.5	265.5	15.9	16.3	15.5	0.2	-0.6	1.1
	July	265.8	265.1	266.7	15.8	16.1	15.4	0.3	0.2	0.5
	August	267.1	266.8	267.3	15.5	15.5	15.4	0.5	0.7	0.2
	September	270.8	268.6	273.4	15.7	14.0	17.7	1.4	0.6	2.3
	October	274.2	272.8	275.8	16.0	14.6	17.7	1.6	1.6	0.9
	November	280.2	281.1	279.1	17.4	16.8	18.2	2.2	3.0	1.2
	December	289.0	296.1	280.9	19.2	20.2	18.2	3.2	5.3	0.6
2021	January	299.7	313.0	284.5	21.5	25.6	16.7	3.7	5.7	1.3
	February	307.3	321.4	291.2	22.2	27.3	16.2	2.5	2.7	2.3
	March	312.7	326.5	296.8	22.8	27.8	17.0	1.7	1.6	1.9
	April	319.4	333.6	303.1	22.7	27.2	17.5	2.2	2.2	2.1
	May	325.8	341.9	307.4	23.2	28.5	17.1	2.0	2.5	1.4
	June	330.1	347.0	310.7	24.6	31.2	17.1	1.3	1.5	1.1
	July	331.2	347.8	312.0	24.6	31.2	17.0	0.3	0.2	0.4
	August	332.4	351.1	310.8	24.4	31.6	16.3	0.4	0.9	-0.4
	September	330.7	348.2	310.7	22.1	29.6	13.6	-0.5	-0.8	0.0
	October	332.1	349.4	312.2	21.1	28.1	13.2	0.4	0.4	0.5
	November	344.2	352.5	131.1	19.3	25.4	12.2	0.6	0.9	0.3
	December	336.3	355.0	314.8	16.4	19.9	12.1	0.6	0.7	0.5

Treasurity Bill Transactions (K' Million), Dec. 2011 - Dec. 2021

Table 14

		Treasury Bills Tender Sales								
	Period	182 Days	273 Days	364 Days	Total Sales	Settlement value	Maturites	Special Taps & Off-Tender Sales	Re-discounts	Total Outstanding Bills
2011	December	110,015.0	164,723.0	335,239.0	697,042.0	638,117.7	471,047.0	0.0	0.0	6,919,518.1
2012	December	167,296.0	172,174.5	374,891.7	767,399.2	0.0	0.0	0.0	0.0	6,840,829.8
2013	December	484,705.0	318,190.0	923,695.0	1,742,990.0	1,552,661.7	548,794.7	15,850.5	0.0	9,525,976.4
2014	December	173,153.0	102,920.0	579,915.0	1,000,598.0	871,680.8	710,943.0	0.0	0.0	10,809,484.4
2015	December	112,952.0	179,295.0	261,361.0	564,873.0	146,913.0	969,945.0	0.0	0.0	12,090,096.5
2016	December	480,261.0	555,388.8	1,128,459.0	2,455,798.8	2,077,945.7	762,489.0	0.0	0.0	13,174,213.5
2017	December	95,430.0	305,845.0	1,270,172.0	1,797,278.0	1,581,365.6	1,229,304.0	0.0	0.0	20,193,512.4
2018	December	217,886.0	408,240.0	1,504,949.6	2,339,177.6	2,089,999.5	335,975.0	0.0	0.0	17,515,488.9
2019	December	157,641.0	279,308.0	1,125,052.0	1,636,936.0	1,331,104.0	1,704,667.3	0.0	0.0	21,167,191.5
2020	January	193,500.0	216,961.0	1,211,461.0	1,731,017.0	1,408,215.4	2,045,358.0	0.0	0.0	20,209,794.5
	February	489,030.0	641,570.0	1,945,070.0	3,247,101.0	2,649,946.4	1,149,039.0	0.0	0.0	20,766,121.5
	March	367,407.0	256,955.0	809,637.0	1,551,867.0	1,286,000.3	1,785,402.0	0.0	0.0	21,697,480.5
	April	119,103.0	185,451.0	1,248,919.0	1,739,526.0	1,407,566.8	606,419.0	0.0	0.0	22,415,870.5
	May	694,087.0	458,352.0	2,837,165.2	4,292,871.2	3,500,924.5	1,739,967.0	0.0	0.0	24,654,734.8
	June	583,864.1	940,330.0	2,233,369.2	4,035,146.2	3,348,474.0	1,911,298.0	0.0	0.0	26,297,758.0
	July	607,585.0	1,082,110.0	3,777,598.0	6,088,625.0	5,062,838.7	2,142,137.0	0.0	0.0	29,262,897.0
	August	696,517.0	175,346.0	2,535,648.5	4,030,016.5	3,426,576.3	1,822,823.0	0.0	0.0	30,196,016.0
	September	350,622.0	506,256.0	2,708,312.0	3,932,275.0	3,296,581.0	2,024,662.8	0.0	0.0	32,823,974.4
	October	92,190.0	139,705.0	1,303,157.0	1,782,408.0	1,493,325.7	1,218,304.0	0.0	0.0	32,999,325.6
	November	235,990.0	214,970.0	2,529,376.0	3,502,115.0	2,948,484.5	2,272,972.6	0.0	0.0	32,737,044.0
	December	383,766.0	478,580.0	1,509,585.0	2,797,786.0	2,391,880.4	1,739,830.0	0.0	0.0	33,009,333.0
2021	January	194,181.0	92,410.0	2,498,826.0	3,101,232.0	2,553,902.6	1,561,741.0	0.0	0.0	34,567,487.0
	February	45,930.0	203,245.0	2,425,302.0	2,848,471.1	2,318,016.5	2,075,310.0	0.0	0.0	34,701,694.0
	March	260,135.0	391,700.0	2,742,478.0	4,243,687.0	3,584,401.8	1,160,259.0	0.0	0.0	35,301,433.0
	April	449,882.0	332,701.0	2,484,236.0	3,906,475.0	3,300,679.5	1,682,399.0	0.0	0.0	36,228,184.0
	May	88,528.0	117,797.0	2,074,767.0	2,528,950.0	2,074,766.3	3,073,155.2	0.0	0.0	35,553,262.8
	June	522,820.0	651,590.0	2,585,717.0	4,232,232.0	3,576,082.3	2,667,788.7	0.0	0.0	35,638,670.6
	July	434,338.0	477,355.0	4,059,966.0	5,349,303.0	4,424,664.7	3,961,557.9	0.0	0.0	34,488,011.6
	August	60,430.9	497,660.0	2,598,551.0	3,335,129.9	2,739,837.9	2,678,568.5	0.0	0.0	35,311,198.1
	September	661,598.0	468,758.0	1,409,147.7	3,123,214.2	2,800,000.0	2,939,867.0	0.0	0.0	34,379,170.3
	October	632,449.0	796,747.7	1,475,951.8	3,237,475.1	2,955,604.4	1,649,234.0	0.0	0.0	35,333,987.4
	November	616,862.0	327,020.0	1,816,856.3	3,267,508.3	3,009,005.6	2,862,909.0	0.0	0.0	35,195,824.1
	December	514,637.0	281,025.0	2,445,900.6	3,634,829.6	3,267,166.1	2,363,356.0	0.0	0.0	35,805,707.2

GRZ Bonds Outstanding (K' Million), Jan. 2013 - Dec. 2021 — **Table 15**

		By Holder		
	Period	Commercial banks	Others1	Total Outstanding
2013	December	2,653,510.9	4,924,994.7	7,578,505.7
2014	December	2,362,441.2	6,711,314.2	9,073,755.4
2015	December	1,568,433.9	7,503,337.9	9,071,771.8
2016	December	2,554,542.6	10,466,890.2	13,021,432.8
2017	December	4,760,033.9	14,657,981.0	19,418,014.9
2018	December	5,886,095.6	23,317,926.3	29,204,021.9
2019	December	7,003,999.3	27,529,789.7	34,533,789.0
2020	January	7,323,835.7	29,678,788.2	37,002,623.9
	February	6,145,476.6	28,263,536.4	34,409,013.1
	March	6,298,673.9	30,201,079.0	36,499,752.9
	April	6,202,722.8	30,176,668.4	36,379,391.2
	May	6,273,052.4	29,369,559.3	35,642,611.7
	June	6,312,816.4	36,831,119.6	43,143,936.0
	July	5,788,473.1	37,012,799.8	42,801,272.9
	August	6,478,868.6	37,351,009.7	43,829,878.4
	September	6,159,010.8	39,898,430.3	46,057,441.0
	October	12,112,015.2	39,806,618.6	51,918,633.8
	November	7,746,818.7	42,841,213.6	50,588,032.3
	December	7,916,012.7	44,615,613.3	52,531,626.0
2021	January	8,050,776.3	45,209,111.6	53,259,887.9
	February	11,465,603.1	45,491,897.1	56,957,500.2
	March	8,667,121.4	45,175,244.5	53,842,365.9
	April	8,762,838.5	48,593,071.7	57,355,910.2
	May	9,312,954.0	48,678,938.5	57,991,892.5
	June	10,731,384.6	58,309,372.1	69,040,756.7
	July	12,270,983.5	61,761,427.4	74,032,410.9
	August	12,618,887.0	63,029,002.1	75,647,889.1
	September	12,350,785.1	64,248,036.8	76,598,821.9
	October	14,577,022.0	66,488,790.0	81,065,812.0
	November	14,890,413.0	65,119,436.8	80,009,849.8
	December	15,813,254.4	66,923,221.2	82,736,475.6

Metal Production and Exports (metric tonnes), 2011-2021

Table 19

Date End Year Total		Copper		Cobalt	
		Exports	Production	Exports	Production
	2011	832,215.6	833,449.7	7,830.7	7,701.6
	2012	903,137.4	824,976.6	10,029.3	5,434.9
	2013	976,305.7	997,822.8	5,880.8	5,919.4
	2014	1,146,315.4	708,259.4	4,562.2	n/a
	2015	1,022,096.5	710,860.2	2,978.8	n/a
	2016	926,951.4	768,449.0	5,276.1	n/a
	2017				
	2018				
	2019	439,518.1	70,060.5	666.5	n/a
2020	January	71,356.0	65,230.6	0.0	n/a
	February	63,514.4	64,807.0	33.0	n/a
	March	71,875.7	70,969.7	0.0	n/a
	April	73,715.6	67,143.3	33.0	n/a
	May	82,284.7	74,291.4	0.1	n/a
	June	61,049.8	78,625.4	206.7	n/a
	July	78,013.2	73,391.6	69.3	n/a
	August	89,191.9	78,661.5	0.0	n/a
	September	98,428.0	73,381.7	24.9	n/a
	October	82,176.0	66,438.5	0.0	n/a
	November	82,411.5	77,766.8	0.0	n/a
	December	76,952.3	78,353.8	0.0	n/a
	Total	**930,969.1**	**869,061.4**	366.9	n/a
2021	January	81,100.4	63,775.6	59.1	n/a
	February	73,487.3	59,454.3	0.0	n/a
	March	73,460.1	68,921.6	0.0	n/a
	April	86,117.9	61,064.8	0.0	n/a
	May	72,762.0	67,767.4	0.0	n/a
	June	60,155.4	72,131.3	34.3	n/a
	July	62,886.5	62,843.4	0.0	n/a
	August	73,993.9	72,214.1	0.0	n/a
	September	78,353.0	65,328.1	0.0	n/a
	October	72,037.7	66,439.3	0.0	n/a
	November	85,935.3	66,951.6	0.0	n/a
	December	81,344.6	73,804.6	67.8	n/a
	Total	**901,634.3**	**800,695.8**	**161.2**	n/a

Table 17: Major Export Destinations for Zambia's Exports

Country	2017	2018	2019	2020	2021
Switzerland	3,633.4	3,809.2	2,905.4	3,461.7	4,722.9
China	1,330.0	1,336.9	1,502.7	1,458.6	2,059.7
Congo DR	535.4	855.6	911.6	976.8	1,099.6
Singapore	495.3	699.7	587.8	905.5	1,477.5
South Africa	453.6	438.7	295.7	198.8	285.4
Malawi	99.7	84.8	67.0	104.7	121.3
Luxembourg	52.2	76.6	86.2	103.5	239.7
Zimbabwe	133.9	137.1	99.7	101.1	197.2
Namibia	21.4	30.9	58.3	65.1	74.2
Tanzania, United	89.1	84.1	27.2	58.8	88.1
Hong Kong	145.5	142.3	12.9	51.5	108.0
India	175.9	185.9	40.9	40.0	100.1
Kenya	72.5	60.1	44.2	39.2	49.8
Burundi	24.3	20.4	9.8	24.5	28.6
Botswana	0.0	0.0	31.1	23.6	52.4
USA	4.0	12.5	15.8	22.9	41.0
United Arab Emirates	293.8	236.5	75.2	22.5	32.0
Mozambique	17.6	12.4	16.7	17.9	28.2
Germany	9.5	17.6	24.1	13.0	22.8
Belgium	5.1	5.7	0.6	12.6	21.3
Netherlands	10.4	5.9	8.0	11.0	18.2
Rwanda	33.6	19.4	14.5	9.9	10.8
United Kingdom	184.5	352.9	105.6	9.0	13.1
Madagascar	0.1	0.3	2.1	2.8	0.2
Eswatini (Swaziland)	4.1	5.3	0.1	2.1	2.7
Pakistan	0.0	0.0	0.2	1.9	17.3
Sweden	0.6	1.4	5.7	1.5	1.5
Australia	0.9	7.3	1.0	1.2	0.9
France	0.7	1.5	1.2	0.9	1.1
Malaysia	0.2	0.9	0.5	0.6	0.8
Egypt	0.0	0.0	0.2	0.5	2.4
Republic of Thailand	0.1	0.1	0.2	0.4	0.5
Korea, Republic of	4.0	1.8	0.0	0.3	0.0
Sudan	0.6	0.8	0.1	0.0	0.0
Philippines	0.1	0.2	-	0.0	0.2
Saudi Arabia	0.0	0.0	0.0	0.0	0.2
Kuwait	0.0	0.0	0.1	0.0	0.0
Other	310.6	422.7	95.3	72.0	179.9
Total	8,142.9	9,067.6	7,047.5	7,816.6	11,099.5

Table 18: Major Source Countries for Zambia's Imports

Country	2017	2018	2019	2020	2021
South Africa	2,456.4	2,726.8	2,222.7	1,763.2	2,235.2
China	1,120.6	1,290.7	1,020.9	895.1	899.6
United Arab Emirates	418.8	595.7	740.2	469.2	452.3
India	246.2	442.6	351.9	285.6	434.7
USA	108.5	194.7	186.5	119.1	219.9
Japan	129.2	168.5	218.5	112.7	247.9
Mauritius	217.5	206.0	200.2	109.7	114.2
United Kingdom	141.8	185.5	130.7	97.7	190.3
Namibia	125.9	104.2	105.6	85.8	129.4
Tanzania, United	165.2	180.8	204.5	73.7	55.9
Congo DR	1,804.4	1,393.7	232.2	71.1	319.7
Germany	70.0	107.5	113.2	70.4	92.5
Netherlands	58.6	50.2	56.7	64.4	62.8
Zimbabwe	74.4	74.2	61.8	62.4	81.4
Hong Kong	49.3	73.3	55.1	52.4	42.2
Mozambique	180.0	135.7	82.3	48.6	59.4
Finland	39.7	56.0	51.2	48.1	47.2
Kenya	35.5	50.2	42.3	46.6	59.3
Malaysia	13.1	15.7	40.6	44.7	92.8
Sweden	53.6	89.5	67.5	36.8	36.5
France	25.2	44.2	28.5	35.3	39.6
Australia	52.5	50.5	44.2	30.4	55.8
Belgium	58.0	44.1	40.8	29.5	49.7
Denmark	34.8	30.6	28.4	29.4	20.8
Italy	14.5	19.4	58.7	27.9	31.9
Korea, Republic of	39.1	45.7	27.5	23.8	53.6
Switzerland	45.4	50.6	24.0	23.7	17.3
Singapore	28.6	33.1	55.4	18.6	28.6
Pakistan	14.2	7.9	6.7	17.9	10.2
Botswana	17.9	23.6	17.2	17.8	20.9
Spain	13.1	23.4	20.9	17.8	30.8
Malawi	14.9	13.3	21.2	15.0	18.3
Egypt	13.6	14.4	15.7	14.6	14.3
Eswatini (Swaziland)	17.1	13.9	19.3	13.7	21.7
Republic of Thailand	9.8	12.4	16.9	12.7	21.7
Israel	3.8	90.1	30.2	11.9	15.0
Brazil	12.3	11.0	11.8	9.4	17.5
Indonesia	10.8	7.7	13.0	9.0	33.4
Canada	20.2	22.6	25.2	8.4	10.5
Taiwan	11.6	13.9	9.9	6.9	7.1
Lebanon	2.8	3.8	6.2	0.7	3.7
Kuwait	466.7	440.4	151.0	0.0	0.0
Other	288.1	303.7	364.1	385.6	698.5
Total	8,723.8	9,461.7	7,221.3	5,317.1	7,094.1