Bank of Zambia

ANNUAL REPORT 2019

Bank of Zambia

Bank *of* Zambia

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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

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Board of Directors[1]

DR. DENNY H. KALYALYA
GOVERNOR AND CHAIRPERSON

PROF. HELLICY C. NG'AMBI
VICE CHAIRPERSON

MR. BRYSON MUMBA

MR. MWILA LUMBWE

[1]All members of the Board are non-executive with the exception of the Chairperson

BOARD OF DIRECTORS

DR. ANDREW MWABA

MS. NAMUCANA CATHERINE MUSIWA

MS. ROSETA MWAPE CHABALA

MR. FREDSON K. YAMBA

Senior Management as at 31 December 2019

DR. DENNY H. KALYALYA

GOVERNOR

***DR. BWALYA NG'ANDU**

DEPUTY GOVERNOR – OPERATIONS

DR. FRANCIS CHIPIMO

DEPUTY GOVERNOR - OPERATIONS

****DR. TUKIYA KANKASA - MABULA**

DEPUTY GOVERNOR – ADMINISTRATION

MS. REKHA CHIFUWE MHANGO

DEPUTY GOVERNOR - ADMINISTRATION

*Dr. Bwalya Ng'andu was Deputy Governor – Operations until 15th July 2019 when he was appointed Minister of Finance. Dr. Francis Chipimo who was Director – Economics replaced Dr. Ng'andu.

**Dr. Tukiya Kankasa - Mabula was Deputy Governor – Administration until 15th December 2019. Ms. Rekha C. Mhango who was Director – Human Resources replaced Dr. Mabula.

SENIOR MANAGEMENT AS AT 31 DECEMBER 2019

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

MR. VISSCHER BBUKU

DIRECTOR - REGIONAL OFFICE

MR. LAZAROUS KAMANGA

DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

SENIOR MANAGEMENT AS AT 31 DECEMBER 2019

MS. NAMWANDI NDHLOVU

DIRECTOR - BOARD SERVICES

DR. LEONARD N. KALINDE

GENERAL COUNSEL

MR. DAVID MWAPE

DIRECTOR - STRATEGY AND RISK MANAGEMENT

MS. PRUDENCE MALILWE

DIRECTOR - FINANCE

MR. FABIAN HARA

DIRECTOR - INTERNAL AUDIT

MR. EVANS LUNETA

DIRECTOR - PROCUREMENT AND MAINTENANCE SERVICES

SENIOR MANAGEMENT AS AT 31 DECEMBER 2019

MS. MWABA KASESE

DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

***MR. HAPPY MULWE**

ACTING DIRECTOR - HUMAN RESOURCES

*Appointed on 29th December 2019.

Governor's Overview

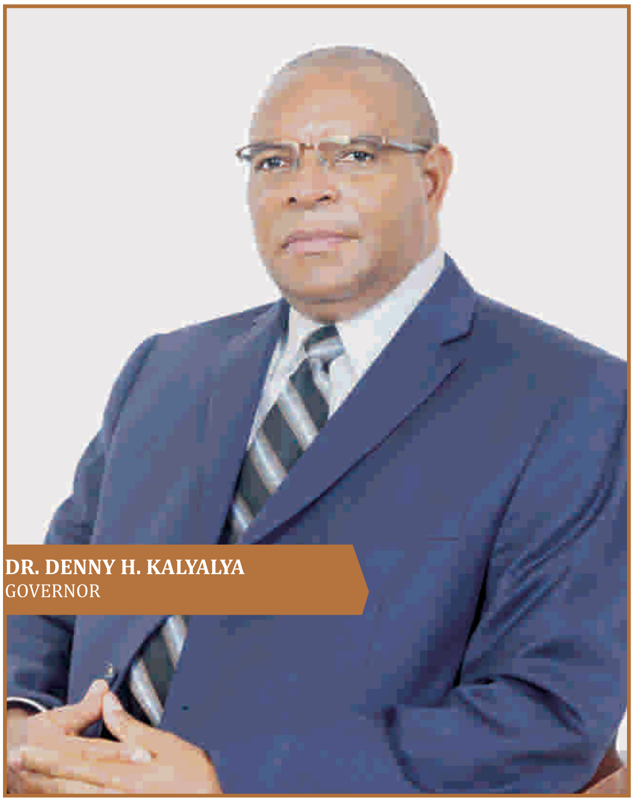
Governor's Overview

This Report reviews global and domestic macroeconomic developments in 2019, and outlines the role the Bank of Zambia (BoZ or Bank) played in fulfilling its mandate of price and financial system stability. It also provides an update on the implementation of the 2016-2019 Strategic Plan. The Report further presents audited financial statements of the Bank for the year ended 31 December 2019.

Monetary policy in 2019 continued to focus on maintaining inflation within the medium-term target range of 6-8%. However, towards the second half of the year, the focus of monetary policy shifted to bringing inflation back to the target range in the medium-term as some of the previously identified risks to inflation began to materialise and projections indicated that it would persist above the target range. In particular, the impact of the drought experienced during the 2018/19 farming season on food supply turned out to be larger than anticipated. To counter inflationary pressures that had intensified, the Bank raised the Policy Rate to 10.25% in May 2019 from 9.75%, and by another 125 basis points to 11.5% in November. To address the volatility that had emerged in the foreign exchange market and thus rein in inflationary pressures from this channel, the Bank also raised the Overnight Lending Facility (OLF) rate to 18% in May from 15.75%, and by a further 10 percentage points to 28% in November. In addition, the *statutory reserve ratio,* on both Kwacha and foreign currency deposits, was increased to 9.0% in December from 5.0%. For maximum effect, the compliance requirement for statutory reserves was changed to daily from weekly.

The aforementioned monetary policy measures notwithstanding, inflation in 2019 averaged 9.1% compared to 7.5% in 2018. It breached the 8% upper bound in May and ended the year at 11.7%, up from 7.9% in December 2018. The rise in inflation was mainly due to the persistent increase in food prices attributed to the drought. Among the immediate and direct adverse effect of the drought were reduced supply of the staple food item, maize and related products, and electricity. In addition, the pass-through from the depreciation of the Kwacha against the US dollar turned out to be another important contributor to the rise in inflation. Accounting for the depreciation of the Kwacha was subdued supply of foreign exchange amidst escalating demand for the importation of petroleum products, electricity, and agricultural inputs. Furthermore, adverse market sentiments, associated with Zambia's credit rating downgrades, weighed on the Kwacha.

Liquidity conditions in the money market were tight on account of net Government revenue, the upward adjustment in the *statutory reserve ratio* to 9% from 5%,



DR. DENNY H. KALYALYA
GOVERNOR

and currency demand. In response to the tight liquidity conditions, commercial banks did not wholly roll over their maturing securities. A moderation in the tight liquidity conditions also came from the net purchase of US$812.0 million by the Bank of Zambia for international reserves build up.

Demand for Government securities remained subdued in 2019, mainly due to tight liquidity conditions. Both Treasury bills and Government bonds were under-subscribed resulting in a deficit of K0.2 billion on the amount on offer. However, due to pressing financing needs, the Government made some private placements and that resulted in the observed rise in the stock of Government securities to K80.2 billion (face value) from K58.4 billion (face value) at end-December 2018.

Interest rates remained high in 2019, largely reflecting high Government financing requirements and tight liquidity conditions. The weighted average composite yield rates for Treasury bills and Government bonds rose to 24.4% and 28.7% from 18.3% and 18.9% in 2018, respectively. Further, the commercial banks' nominal average lending rate increased to 28.0% from 23.6%.

As a result of increased lending to Government, domestic credit grew by 16.8% in 2019 from a growth rate of 15.0% in 2018. Excluding lending to Government, domestic credit growth slowed down to 16.4% in 2019 compared to 17.5% in 2018. The slowdown was mainly attributed to reduced growth of credit to households on account of delays by Government in remitting loan deductions. Annual broad money (M3) growth slowed down to 12.5%

in December 2019 from 16.5% mainly due to the contraction in net foreign assets.

Preliminary data indicate that the *overall balance of payments* deficit narrowed to US$102.5 million in 2019 from US$387.8 million in 2018, driven by a surplus on the *current account*. The latter recorded a surplus of US$241.6 million (1.0% of GDP) in 2019 against a deficit of US$341.5 million (1.3% of GDP) in 2018. This was largely on account of a higher contraction in imports relative to exports. The contraction in imports was largely due to subdued economic activity while export earnings were adversely affected by the fall in copper export volumes and copper prices.

Copper export volumes declined by 20.4% to 836,233.9 mt mainly due to lower production on account of lower importation of copper ores and concentrates. Average realised copper prices for Zambia mining companies declined to US$5,972.6 per metric tonne from US$6,385.8 per metric tonne, reflecting subdued global growth. The global economy is estimated to have expanded at a slower pace of 2.9% in 2019 than the 3.6% recorded the preceding year on account of trade and geopolitical tensions, weather related disasters, as well as uncertainty surrounding Brexit.

The combined surplus on the current and capital accounts turned out to be insufficient to cover net outflows from the *financial account* resulting in a drawdown of international reserves, primarily for external debt service payments. Gross international reserves declined to US$1.45 billion at end-December 2019 from US$1.56 billion at end-December 2018.

Pressures on the fiscal front persisted in 2019 largely reflecting higher than programmed spending on capital projects and external debt service payments. The depreciation of the Kwacha against the US dollar compounded expenditure pressures. Preliminary estimates indicate that a cash fiscal deficit of 8.2% of GDP was recorded in 2019 against a budget target of 6.5%. The continued accumulation of domestic arrears constrained working capital for the private sector and posed risks to the stability of the financial sector through high non-performing loans.

Preliminary data show that real GDP growth declined to 2.0% in 2019 from 4.0% in 2018. This mainly reflects the contraction in agriculture, electricity generation, and mining output. However, the information and communication technology sector contributed the most to the observed overall growth, followed by the wholesale and retail sector. The slowdown in real GDP growth was on account of a variety of factors. Key among these were adverse weather conditions, electricity load shedding, liquidity challenges faced by businesses and households which were partly due to the delayed payments for goods and services supplied to the Government and exchange rate volatility. These factors had an adverse effect on both aggregate demand and supply.

The overall financial performance and condition of the banking sector was rated *satisfactory* as at end-December 2019. This was on account of *satisfactory* capital adequacy, earnings performance, and liquidity positions. The performance of the non-bank financial institutions sector was rated *fair* as regulatory capital, liquidity management and sensitivity to market risk were *satisfactory* while earnings performance was *fair*. However, asset quality continued to be a source of supervisory concern for institutions under the regulatory ambit of the Bank, particularly non-bank financial institutions.

With regard to the payment system, all the 14 banks offering ATM card services were operational on the National Financial Switch in 2019. In addition, on October 1, 2019, a total of 13 banks started using the point of sale functionality.

The Bank made significant progress in the implementation of the 2016-2019 Strategic Plan, which came to an end on 31st December 2019. Overall, the Bank achieved a completion rate of 86%. The inadvertent six-month delay and other operational challenges contributed to this outturn. The Bank formulated a successor Strategic Plan for the period 2020-2023 taking into account lessons from the previous Plan. The 2020-2023 Strategic Plan, which will be implemented effective January 2020, focuses on financial stability and financial inclusion. The theme for the Plan, ***"Building an Inclusive and Resilient Financial Sector,"*** aptly captures this focus. The motivation for this was the need to strengthen the financial stability function of the Bank, having built a firm basis for price stability. Another factor taken into account in formulating the Plan was the observation that the overall risk profile of the Bank had generally improved from the previous year, largely on account of risk action plans that were implemented to mitigate identified risks. Furthermore, the Bank continued to test contingency arrangements for financial market infrastructures and other prioritized processes against business disruptions.

In 2020, the Bank will begin to implement the 2020-2023 Strategic Plan and continue to deliver on its mandate of maintaining price and financial system stability.

DR DENNY H. KALYALYA
GOVERNOR

Statement on Corporate Governance

Statement on Corporate Governance

The Bank of Zambia Board of Directors (Board), established under the Constitution of Zambia (Amendment) Act, remain committed to upholding the tenets of good corporate governance, which include accountability, transparency and integrity in its governance processes and procedures.

The Board is vested with all the powers of the Bank and is responsible for formulating policy. The Act provides for eight Board members who include the Governor, six Non-Executive Directors (NEDs) and an ex-officio member, being the Secretary to the Treasury. The Governor is the Chairperson of the Board. The Board has three standing committees that meet once every quarter namely, Audit and Finance; Appointments and Remuneration; and Governance and Risk. Their roles and functions are clearly defined in the Committee Charters and their membership is composed entirely of NEDs. To facilitate consultations and ensure transparency on monetary policy communication, the Board has delegated the approval of the Bank's bi-annual Monetary Policy Statement to the Monetary Policy Advisory Committee.[1]

In 2019, four statutory, five special Board and one Non-Executive Directors' meetings were held. Some of the key resolutions passed by the Board included the compulsory liquidations of Intermarket Banking Corporation, Zampost Microfinance Limited and Pan African Building Society Limited.

The Bank continues to support various humanitarian, community, educational, environmental, sporting and health-related activities as part of its corporate social responsibility. In 2019, the Bank disbursed K394, 501.40 towards these activities.

Donation of 60 desks to Chipilepile Community School in Chisamba in June 2019

Director - Board Services Ms Namwandi Ndhlovu handing over a borehole which the Bank donated to St. Clare Girls Secondary School in Mungule area.

[2]The Monetary Policy Advisory Committee membership includes external experts from selected Universities and other institutions, the Ministry of Finance, a Non-Executive Board member, the Governor and Deputy Governors.

1.0 Developments in the Global Economy

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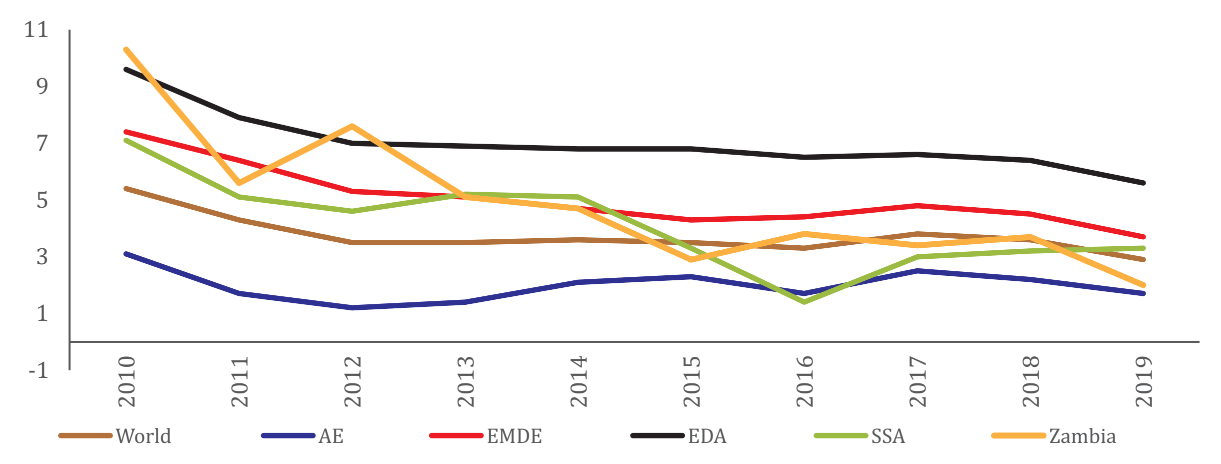
Overview of the Global Economy

The global economy is estimated to have expanded at a slower pace of 2.9% in 2019 compared to 3.6% in 2018 (Chart 1.1). This mainly reflected the effect of trade tensions that dampened growth in the United States (US) and China as well as weak manufacturing activity in advanced economies. Further, lower growth in key emerging market economies as a result of idiosyncratic factors, weak investment and exports, rising geopolitical tensions, increased social unrest and weather-related disasters also weighed on global economic activity. Nonetheless, the global economy stabilized towards the end of 2019, supported by the easing of monetary and fiscal policies. In addition, there was an improvement in commodity prices and financial market sentiments on account of optimism associated with the anticipated signing of the US-China Phase One Trade Deal in January 2020[3].

Chart1.1: Summary of World GDP Growth (Percent)



Source: International Monetary Fund (IMF)

Table 1.1: World Real GDP and Inflation, 2017-2019 (Annual Percentage change)

	Real GDP			Inflation		
	2017	2018	2019*	2017	2018	2019*
World	**3.8**	**3.6**	**2.9**	**n/a**	**n/a**	**n/a**
Advanced Economies	**2.4**	**2.2**	**1.7**	**1.7**	**2.0**	**1.5**
United States	2.2	2.9	2.3	2.1	2.4	1.8
Euro Area	2.4	1.9	1.2	1.5	1.8	1.2
United Kingdom	1.8	1.4	1.3	2.5	2.6	1.8
Emerging Markets & Developing Countries	**4.7**	**4.5**	**3.7**	**4.3**	**4.9**	**4.7**
China	6.9	6.6	6.1	1.6	2.2	2.8
Sub-Saharan Africa	**2.9**	**3.2**	**3.3**	**12.6**	**9.1**	**11.5**
South Africa	1.3	0.8	0.4	5.3	4.6	4.1
Nigeria	0.8	1.9	2.3	16.5	12.1	11.4
Democratic Republic of Congo	3.4	4.0	4.3	41.5	23.0	4.7
Zambia	3.5	4.0	2.0	6.6	7.5	9.1

Source: IMF WEO January 2020 update, Focus Economics, Trading Economics, Zambia Statistics Agency, Ministry of Finance
* Preliminary numbers

[3]The US and China Trade Agreement was to include tariff reductions on Chinese imports in exchange for China's commitment to protect intellectual property rights, increased transparency about foreign exchange policy, and purchase of additional US manufactured, energy, and agriculture goods.

Advanced Economies

Growth in advanced economies declined to 1.7% in 2019 from 2.2% in 2018. The decline was mainly due to weaker-than-expected trade and manufacturing activity in the US as a result of trade policy uncertainty that continued to weigh on investment and business confidence. In addition, the dissipating effects of fiscal stimulus efforts and the return to a neutral monetary policy stance also weighed on economic activity in the US. In the Euro Area and other advanced economies, growth slowed down due to trade tensions as well as weak investment and exports. In addition, subdued demand in German industrial sector due to automobile emission standards and political unrest in France affected growth. Brexit-related uncertainties also weighed on sentiments and economic activity in the UK, with negative spill overs for its trading partners in Europe. However, strong consumer sentiment as well as tight labour markets and the resilient services sector continued to support growth in advanced economies.

Emerging Markets and Developing Economies

In emerging markets and developing economies (EMDEs), real GDP growth declined to 3.7% in 2019 from 4.5% in 2018. Many EMDEs were affected by various idiosyncratic factors including weak industrial production, decelerating investment, heightened policy uncertainty, geopolitical tensions, slowing global trade flows, generally weaker commodity prices and extreme weather events. Resilient consumption demand and a shift to more accommodative monetary policy provided support to growth. In China, real GDP growth declined to 6.1% in 2019 from 6.6% in 2018, reflecting weak domestic demand and heightened trade tensions, which weighed on investor sentiments.

Sub-Saharan Africa

Growth in the sub-Saharan Africa (SSA) region picked up slightly to 3.3% in 2019 from 3.2% in 2018 largely due to expanded growth in Nigeria on the back of buoyant domestic consumption and a rise in bank lending to the private sector. Economic activity in other major economies, however, moderated largely affected by weaker commodity prices and external demand, political instability and extreme weather events. In South Africa, weak consumer and business confidence on account of deteriorating public finances, structural constraints as well as delays in implementing structural policy reforms dented economic growth, with the economy growing only by an estimated 0.4% from 0.8% in 2018. In the Democratic Republic of Congo, declining metal prices stifled mining activity while the Ebola outbreak persisted and weighed on growth.

Inflation

Inflation in advanced and EMDEs declined to 1.5% and 4.7% in 2019 from 2.0% and 4.9% in 2018, respectively on account of weak aggregate demand. However, inflation in SSA rose to 11.5% from 9.1% mainly due to depreciating currencies and weather related events which affected food prices.

Commodity Prices

Commodity prices generally declined in 2019. The average copper price decreased to US$6,010.2/mt from US$6,530.0/mt in 2018 largely reflecting subdued global growth and trade tensions. Crude oil prices also declined to US$63.2/barrel from US$69.2/barrel in 2018 due to weakening demand and excess supply. However, agricultural commodity prices generally increased on account of poor weather conditions that reduced supply. Prices for wheat increased to US$211.3/mt from US$203.9/mt in 2018, while maize prices rose to US$170.4/mt from US$164.4 /mt. The prices for soya beans, however, fell to US$ 368.4/mt from US$394.3/mt.

2.0 Domestic Macroeconomic Developments

2.0 Domestic Macroeconomic Developments

Government's macroeconomic objectives in 2019 were, among others, to:

a) Achieve real GDP growth rate of at least 4.0%;
b) Sustain single digit inflation within the range of 6 - 8%;
c) Limit the fiscal deficit to no more than 6.5% of GDP; and
d) Raise international reserves to at least 3 months of import cover.

Preliminary data indicate that real GDP growth in 2019 was lower than the target largely due to adverse weather conditions that had a dampening effect on the agriculture and energy sectors. With regard to inflation, the target could not be attained mainly on account of escalating food prices, upward adjustments in fuel prices, and the depreciation of the Kwacha. International reserves remained below the target mainly due to higher external debt service payments. With regard to fiscal performance, preliminary estimates indicate that the cash fiscal deficit exceeded the target largely due to higher than programmed spending on capital projects, external debt service and the Farmer Input Support Programme.

2.1 MONETARY POLICY AND OUTCOMES

Monetary Policy Stance

In the first half of 2019, monetary policy focused on maintaining inflation within the target range of 6-8%. However, the focus of monetary policy shifted towards the second half to bringing inflation back to the target range in the medium-term as inflation breached the upper bound of the range in May, and projections indicated that it would persist above the target range. Consequently, the Bank of Zambia tightened monetary policy by raising the Policy Rate by 50 basis points to 10.25% in May and by a further 125 basis points to 11.50% in November. In addition, the overnight lending rate (OLF) was raised to 18.0% from 15.75% in May and to 28.0% in November. Further, the statutory reserve ratio was adjusted upwards to 9.0% in December from 5.0%. For maximum effect, the compliance requirement for statutory reserves was changed to daily from weekly. These measures were intended to address emerging exchange rate pressures that contribute to inflation.

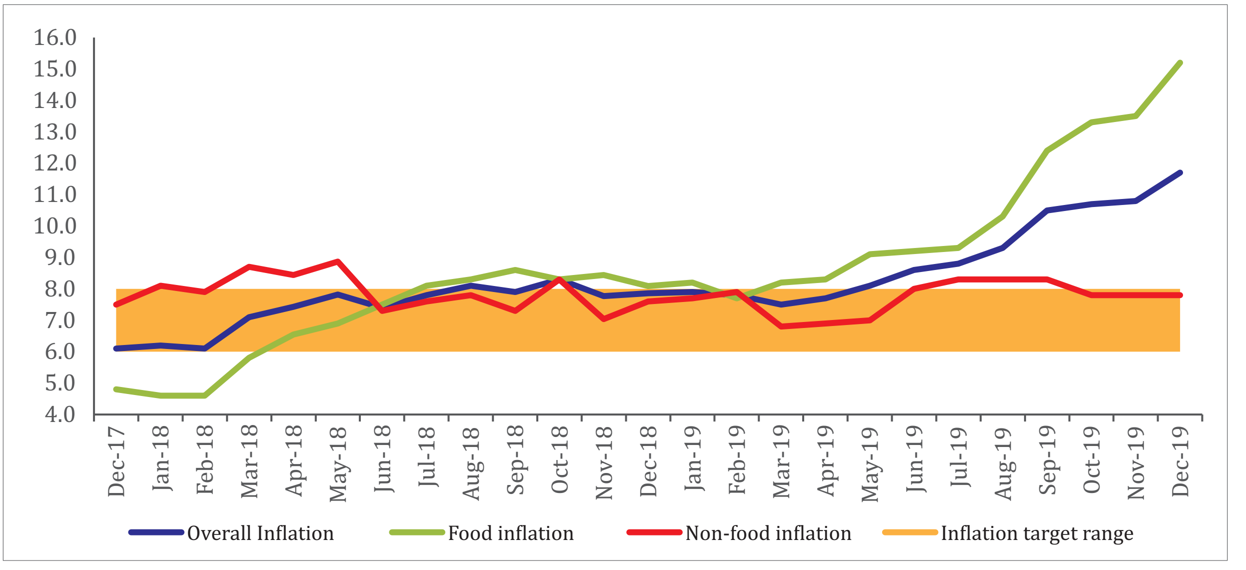
However, the effectiveness of monetary policy implementation continued to be constrained by persistent higher than programmed fiscal deficits, high debt levels and debt service, high domestic financing requirements, and the accumulation of domestic arrears.

Inflation

Annual overall inflation remained above the 6-8% target range for most part of 2019, after breaching the upper bound in May. Inflation averaged 9.1% in 2019 compared to 7.5% in 2018. In December 2019, annual inflation was 11.7%, up from 7.9% in December 2018 (Chart 2.1).

Inflationary pressures in 2019 were mainly attributed to reduced crop production, particularly maize grain, due to the drought that characterised the 2018/2019 agricultural season. In addition, the pass-through from the depreciation of the Kwacha and the upward adjustment in fuel prices contributed to inflationary pressures. Annual food inflation rose to an average of 10.4% from 7.1% in 2018. At end-December 2019, annual food inflation accelerated to 15.2% from 8.0% in December 2018. However, average annual non-food inflation was little changed at 7.7% and ended the year at 7.8% from 7.6% in December 2018.

Chart 2.1: Inflation, Annual Change (Percent), Dec 2017 – Dec 2019



Source: Central Statistical Office

Money Market Liquidity and Interbank Rate

In 2019, liquidity conditions in the money market were tight, evidenced by Kwacha withdrawal through net Government revenue, the upward adjustment in the statutory reserve ratio to 9.0% from 5.0% and currency demand (Table 2.1). In response to the tight liquidity conditions, commercial banks did not wholly roll over maturing securities. Further, the Bank of Zambia provided liquidity to the market through net foreign exchange purchases[4].

Table 2.1 Liquidity Influences (K' billion), 2017 - 2019

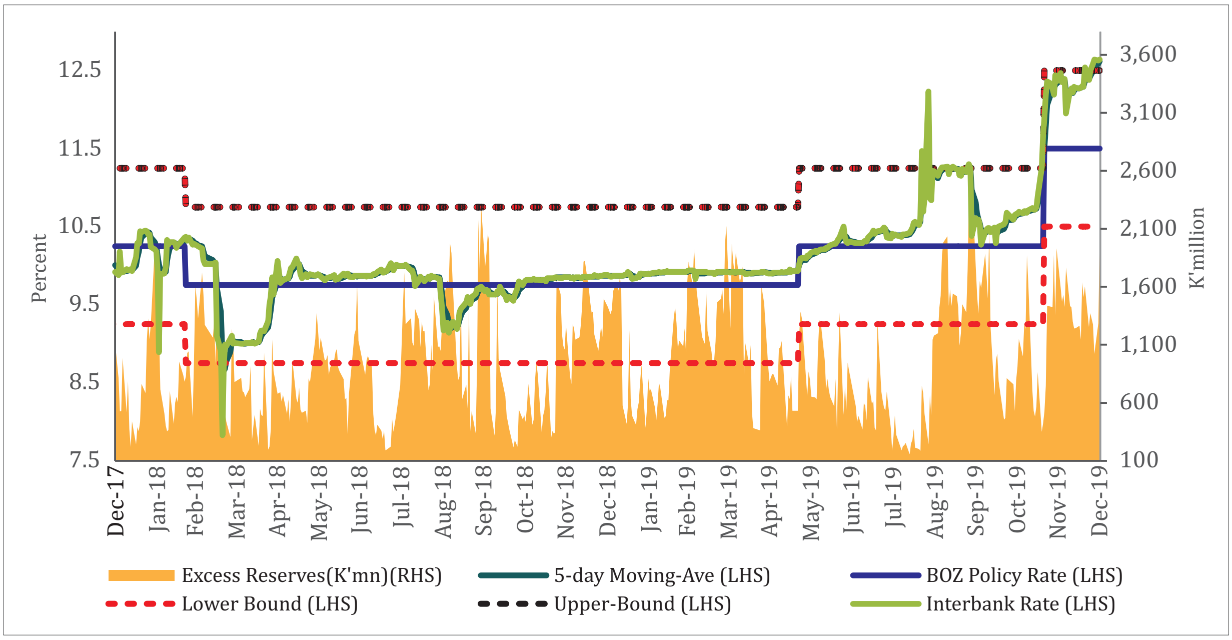
	2017	2018	2019
Opening balance	**1.14**	**1.37**	**1.42**
Net Government spending/(revenue)	4.10	1.58	-11.86
Net BoZ Foreign exchange Purchases/(sales)	3.44	3.85	7.32
Currency in Circulation	0.10	-0.70	-0.39
Statutory Reserve Deposits	-3.95	-7.96	-1.70
Overnight Lending Facility (OLF)	-0.34	-4.10	0.65
Net Government Securities Maturities/(sales)	-2.62	5.66	5.73
Open market operations	0.04	0.54	-0.01
Miscellaneous	0.00	0.00	0.00
Closing balance	**1.37**	**1.42**	**2.02**

Source: Bank of Zambia

The overnight interbank rate rose to 12.64% at end-December 2019 from 9.88% at end-December 2018 and was consistently around the upper bound of the Policy Rate Corridor in the fourth quarter, reflecting the tightness in liquidity conditions (Chart 2.2).

[4]The Bank of Zambia purchased US$628.0 million directly from the market for international reserves accumulation and sold US$99.0 million for market support. Total purchases including mineral royalties were US$913.0 million.

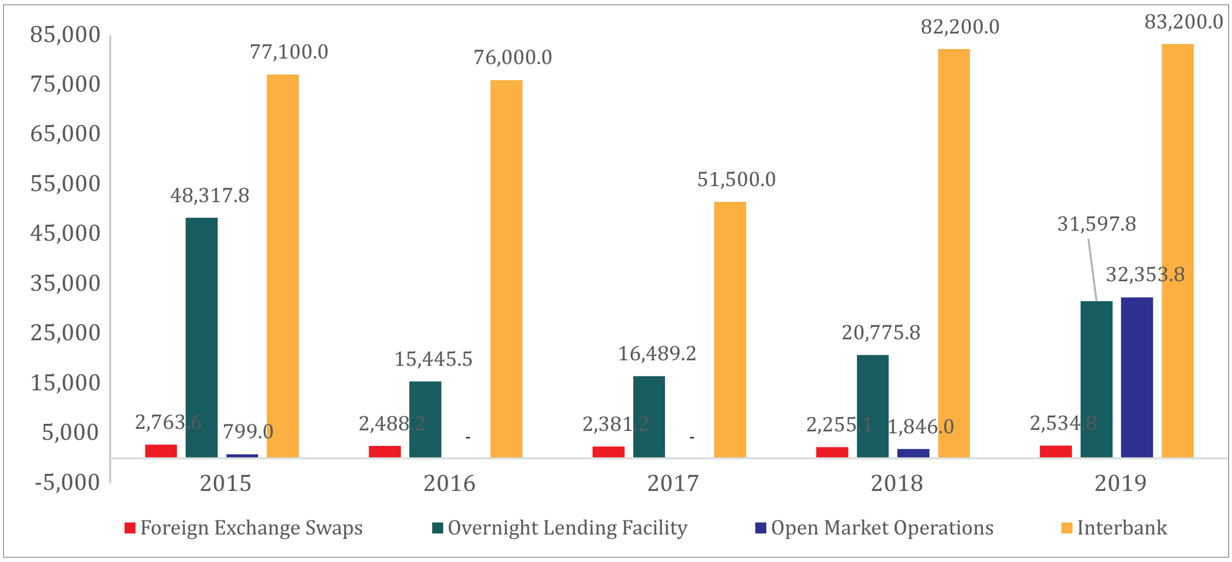
Chart 2.2: Market Liquidity and Interbank rate, Dec 2017 – Dec 2019



Source: Bank of Zambia

Given the tight liquidity conditions, the volume of funds traded in the interbank money market remained high, at K83,200.0 million (Chart 2.3). Similarly, the amount of funds accessed by commercial banks from the OLF window and through foreign exchange swaps to meet their liquidity obligations increased in 2019 to K31,597.8 million and K2,534.8 million from K20,775.8 million from K2,255.1 million, respectively in 2018.

Chart 2.3: Interbank Money Market Trading Activity (K' million), 2015 – 2019

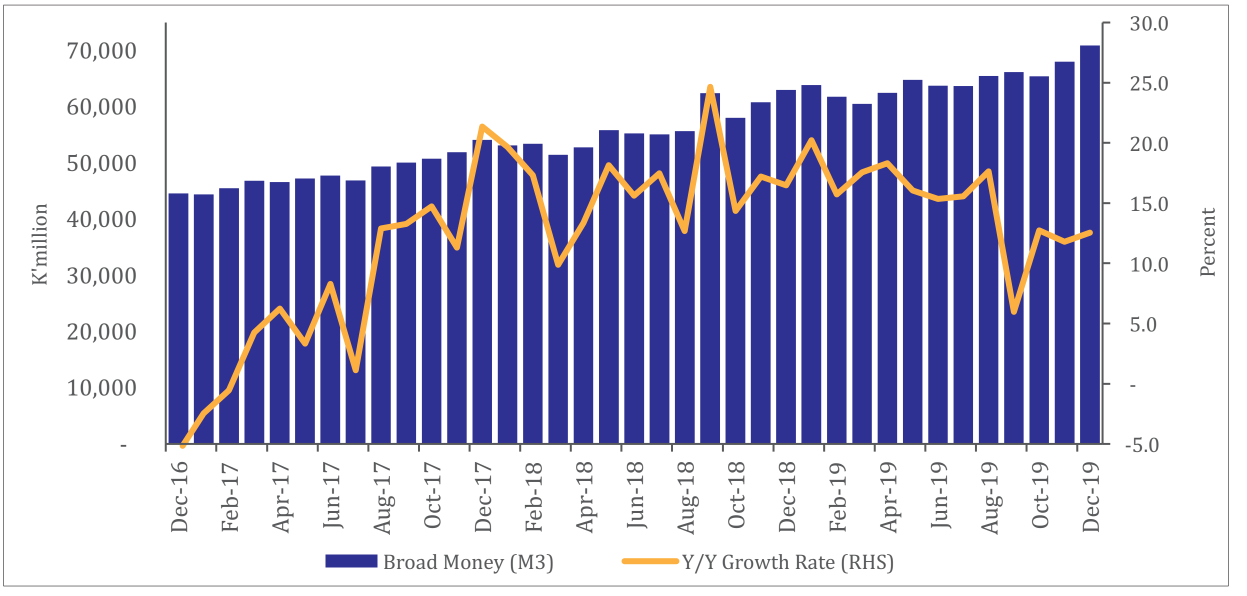


Source: Bank of Zambia

Broad Money

Annual broad money (M3) growth slowed down to 12.5% in December 2019 from 16.5% in December 2018 (Chart 2.4 and Table 2.2). The stock rose to K70,900.2 million from K62,997.1 million. The lower growth was mainly due to the contraction in net foreign assets attributed to the decline in foreign currency placements abroad by the banking sector as foreign currency deposits slowed down.

Chart 2.4: Annual Broad Money Growth (Percent), Dec 2016 – Dec 2019



Source: Bank of Zambia.

Table 2.2: Sources of Growth in Broad Money (Percent), 2017 – 2019

Description	2017	2018	2019	Contributions to change in M3 (2019)
Broad Money (M3)	21.4	16.4	12.5	12.5
Of which				
Net Foreign Assets	0.4	12.8	-2.3	-0.9
Net Domestic Assets	41.6	18.9	22.2	13.4
Gross Domestic Credit	26.3	14.9	16.8	19.0
Gross Claims on Gov't	50.8	12.8	17.2	10.3
Public Enterprises	85.3	18.4	48.4	0.4
Private Enterprises	2.2	14.9	23.3	7.0
Households	10.2	19.3	8.4	1.7
NBFIs	1.9	89.8	-59.8	-0.5

Source: Bank of Zambia.
NBFIs: Non-Bank Financial Institutions

Domestic Credit

Domestic credit[5] growth picked up to 16.8% in 2019 from 15.0% in 2018 (Table 2.3 and Chart 2.5). The growth was mainly driven by the increase in lending to Government, which contributed 9.2 percentage points to overall annual credit growth. Excluding lending to Government, domestic credit growth slowed down to 16.4% from 17.5%, explained by slower growth in credit to households, which moderated to 8.4% from 19.4% as credit conditions tightened.

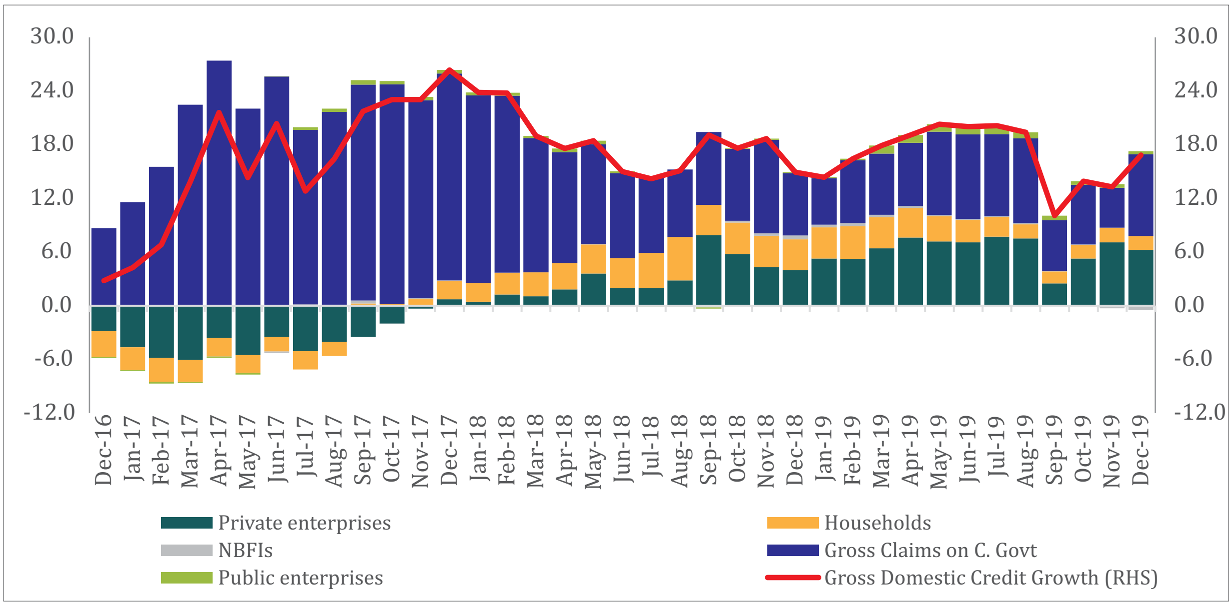
[5]Total domestic credit includes lending by the Bank of Zambia, Commercial banks, and other depository corporations in both Kwacha and foreign currency.

Table 2.3: Developments in Domestic Credit, 2017 – 2019

Description	2017			2018			2019		
	K' million	% Change	Contribution	K' million	% Change	Contribution	K' million	% Change	Contribution
Domestic Credit	61,813.9	26.3	26.3	71,080.0	15.0	15.0	83,034.9	16.8	16.8
Government	33,588.0	50.7	23.1	37,925.8	12.9	7.0	44,444.9	17.2	9.2
Public Enterprises	412.5	85.3	0.5	488.6	18.4	0.1	725.0	48.4	0.3
Private Enterprises	16,521.0	2.2	0.9	18,982.2	14.9	4.6	23,409.7	23.3	6.2
Households	11,003.5	10.2	2.5	13,134.9	19.4	4.0	14,234.6	8.4	1.5
NBFIs	289.0	1.9	0.0	548.6	89.8	0.5	220.7	-59.8	-0.5
Domestic Credit Excl. Government	28,225.9	5.9	3.2	33,154.2	17.5	8.0	38,590.0	16.4	7.6

Source: Bank of Zambia

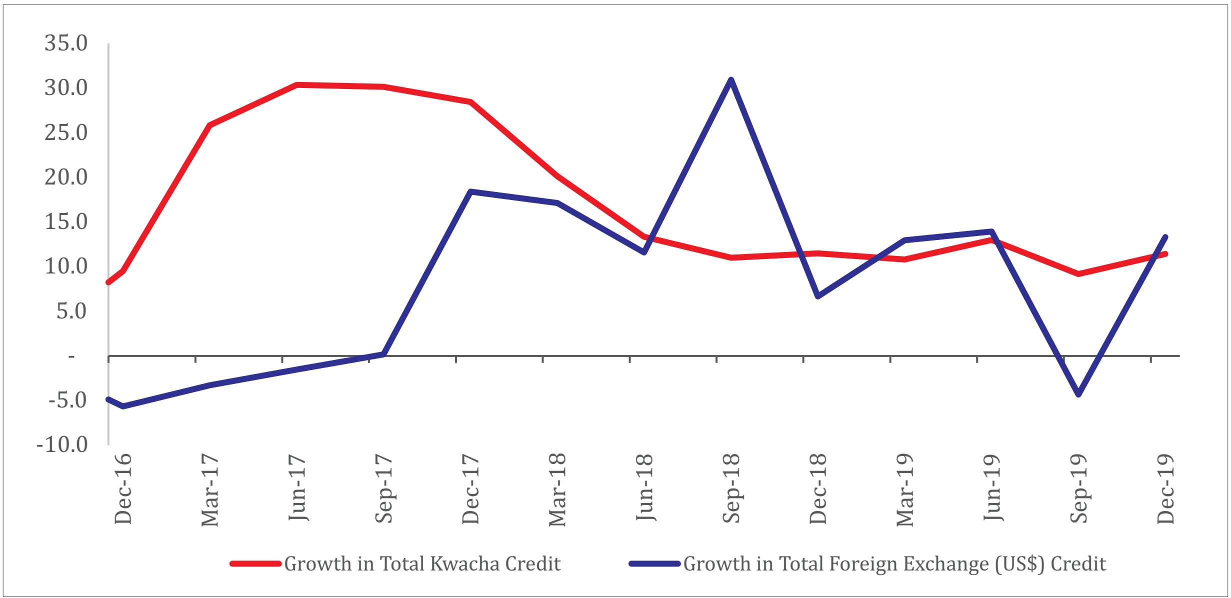
Chart 2.5: Contribution to Y/Y Gross Credit Growth, (Percentage) Dec 2016 – Dec 2019



Source: Bank of Zambia

Analysis of total domestic credit by currency shows that foreign currency denominated credit grew faster, at 13.3% (6.7% in 2018) as firms increased utilisation of foreign exchange credit lines to finance their operations, while Kwacha denominated credit increased by 11.4% (11.5% in 2018) as shown in Chart 2.6.

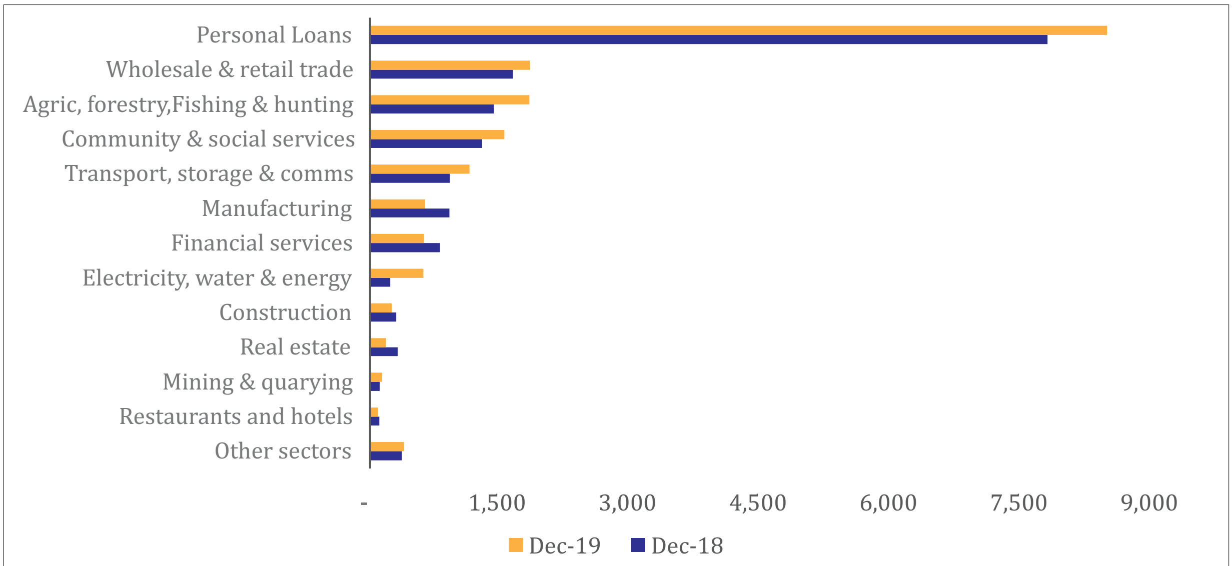
Chart 2.6: Growth in Credit by Currency, Year-on-Year (Percent), Dec 2016 – Dec 2019



Source: Bank of Zambia

With respect to commercial bank loans and advances, households continued to account for the largest proportion of Kwacha denominated loans, at 47.8%, as at end-December 2019 (Chart 2.7) as commercial banks continued to prioritise lending to the sector in order to grow their retail portfolios.

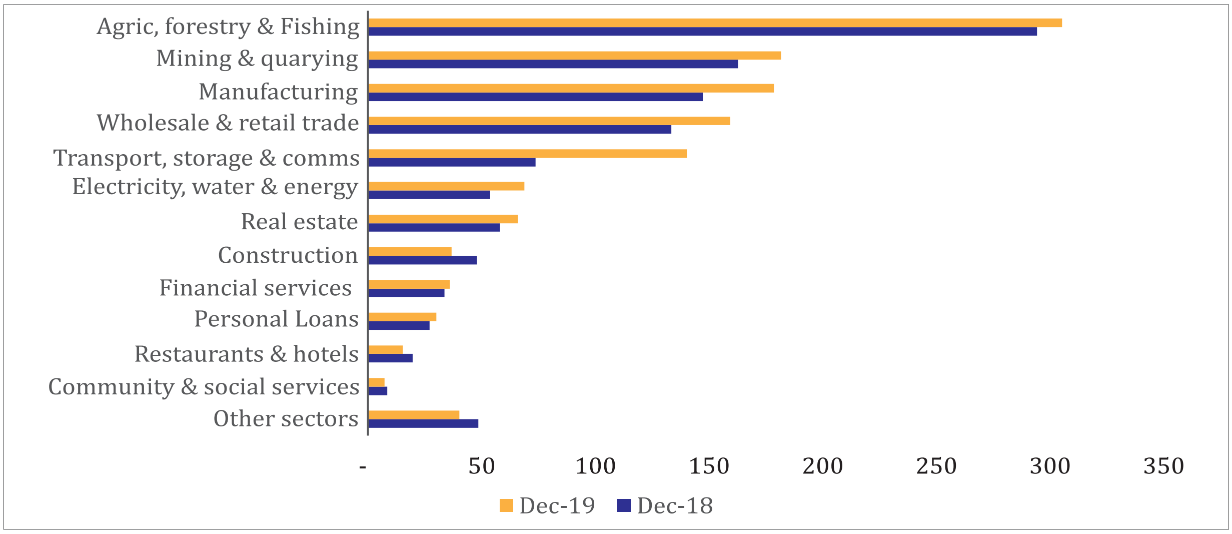
Chart 2.7: Distribution of Commercial Bank Kwacha Denominated Loans (K' million), 2018 - 2019



Source: Bank of Zambia

With respect to foreign currency denominated loans, the agriculture sector continued to account for the largest share, at 24.1%, as at end-December 2019, followed by mining and manufacturing (Chart 2.8). Lending to these sectors was also higher than in 2018 due to increased utilisation of foreign exchange credit lines by the private sector to finance operations.

Chart 2.8: Distribution of Commercial Bank Foreign Currency Loans (US$' 000), 2018-2019

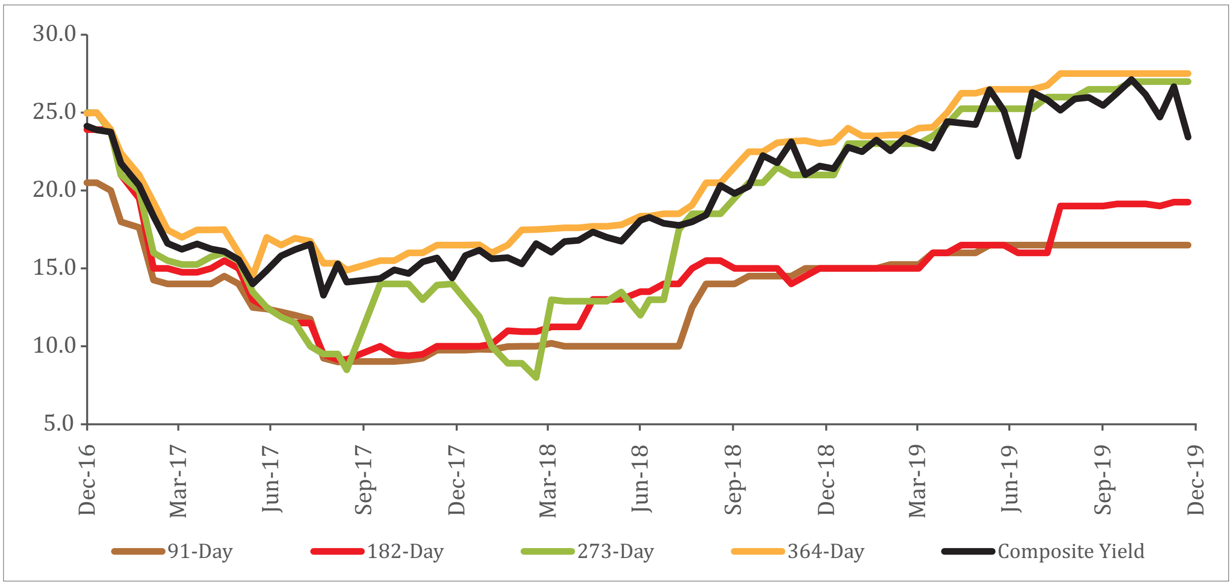


Source: Bank of Zambia

Interest Rates

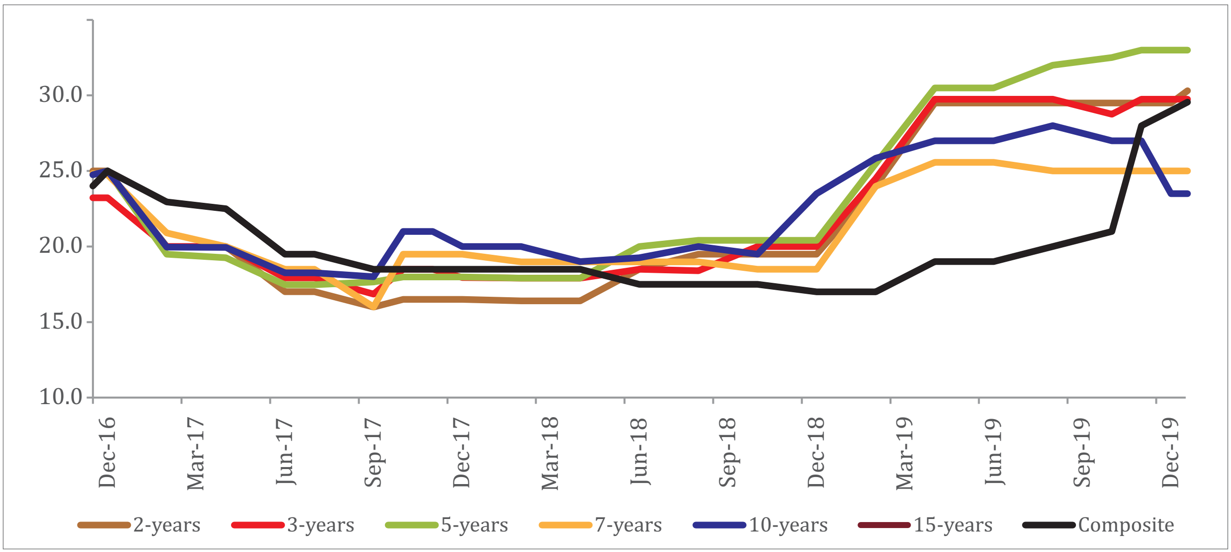
Interest rates remained high in 2019, largely reflecting high Government financing requirements and tight liquidity conditions. The weighted average composite yield rates for Treasury bills and Government bonds rose to 24.4% from 18.3% and 28.7% from 18.9% in 2018, respectively (Charts 2.9 and 2.10). Further, commercial banks' nominal average lending rate (ALR) increased to 28.0% in December 2019 from 23.6% in December 2018 (Chart 2.11). The 30-day deposit rate for amounts exceeding K20,000 closed the year at 6.8%, up from 5.3% in December 2018.

Chart 2.9: Treasury Bills Weighted Average Yield Rates (Percent), Dec 2016 – Dec 2019



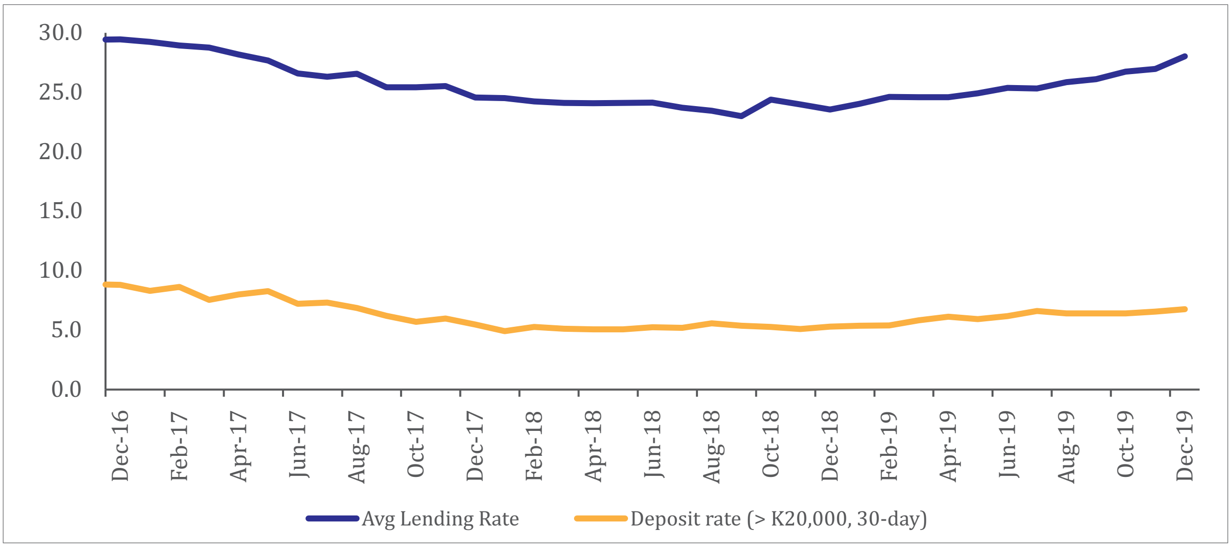
Source: Bank of Zambia

Chart 2.10: Government Bond Yield Rates (Percent), Dec 2016 – Dec 2019



Source: Bank of Zambia

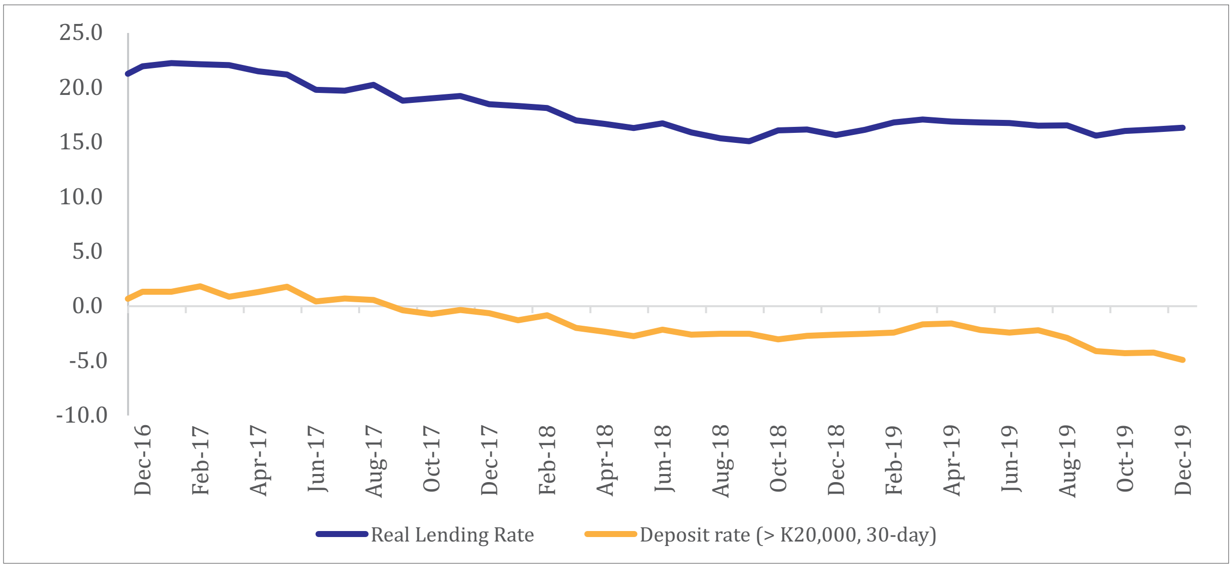
Chart 2.11: Nominal Lending and Savings Rates (Percent), Dec 2016 – Dec 2019



Source: Bank of Zambia

In real terms, the ALR rose to 16.3% in December 2019 from 15.7% in December 2018 (Chart 2.12). This was on account of a higher rise in the nominal lending rate than inflation. The real average 30-day deposit rate for amounts above K20,000 declined to -4.9% in December 2019 from -2.6% in December 2018.

Chart 2.12: Real Lending and Savings Rates (Percent), Dec 2016 – Dec 2019



Source: Bank of Zambia

2.2 FINANCIAL MARKETS

Government Securities Market

Demand for Government securities remained subdued in 2019 due to tight liquidity conditions. Both Treasury bills and Government bonds were undersubscribed. The subscription rate for Government bonds fell to 37.8% from 83.8%, while that for Treasury bills, though higher at 84.0% compared to 74.2%, still fell short of the amount on offer (Table 2.4). Demand was concentrated at the shorter end of the yield curve due to expectations of further rises in yield rates.

Table 2.4. Government Securities Transactions, 2017-2019

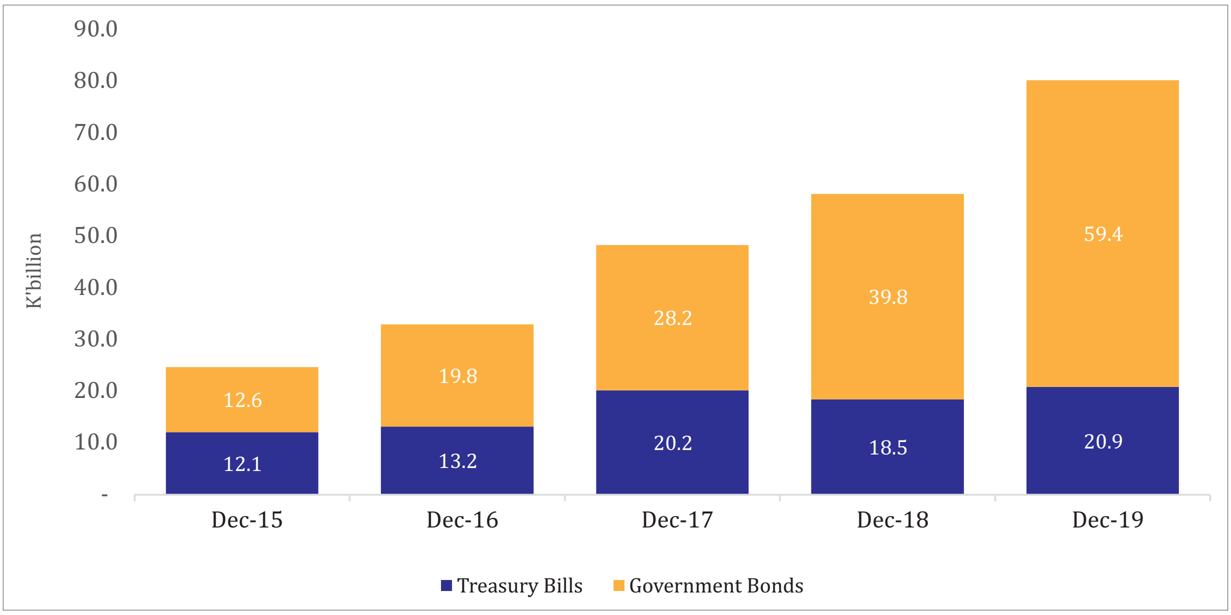
	2017			2018			2019		
	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount Offered (K bn	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount Offered (K bn	Bid Amount (K' bn)	Subscription Rate (Percent)
91-day bills	1.8	1.7	94.4	2.0	1.2	63.5	2.1	1.5	74.4
182-day bills	3.9	3.7	94.9	4.2	1.3	31.2	4.5	1.9	41.1
273-day bills	5.9	4.9	83.1	6.2	1.9	29.8	6.7	5.0	7.2
364-day bills	11.7	19.0	162.4	12.4	13.9	112.7	13.3	17.6	10.7
TOTAL	**23.3**	**29.3**	**108.5**	**24.7**	**18.3**	**74.2**	**26.6**	**26.0**	**84.0**
2-year bond	0.4	0.8	200.0	0.6	0.4	65.1	1.1	1.7	103.6
3-year bond	1.2	2.7	225.0	2.1	0.7	34.7	2.5	1.3	4.0
5-year bond	1.9	4.5	236.8	2.7	1.6	59.9	2.8	3.4	58.4
7-year bond	0.6	0.9	150.0	0.9	0.8	84.7	1.0	0.1	5.4
10-year bond	1.1	2.9	263.6	2.7	2.3	86.6	2.8	0.2	8.4
15-year bond	0.7	2.0	285.7	0.9	2.5	273.1	0.8	0.1	5.6
TOTAL	**5.9**	13.8	**210.3**	**9.9**	**8.3**	**83.8**	**11.0**	**6.8**	**37.8**

Source: Bank of Zambia

In 2019, a total of K21.7 billion was raised through Government securities auctions against maturities of K21.9 billion resulting in a deficit of K0.2 billion[6](Chart 2.13). However, the stock of Government securities rose to K80.2 billion (face value) from K58.4 billion (face value) at end-December 2018 due to private placements[7] in order to meet Government financing needs.

[6]The outstanding stock of Government securities was K19.8 billion below the domestic debt limit of K100.0 billion
[7]A private placement is a sale of Government securities to selected investors or institutions outside the auction.

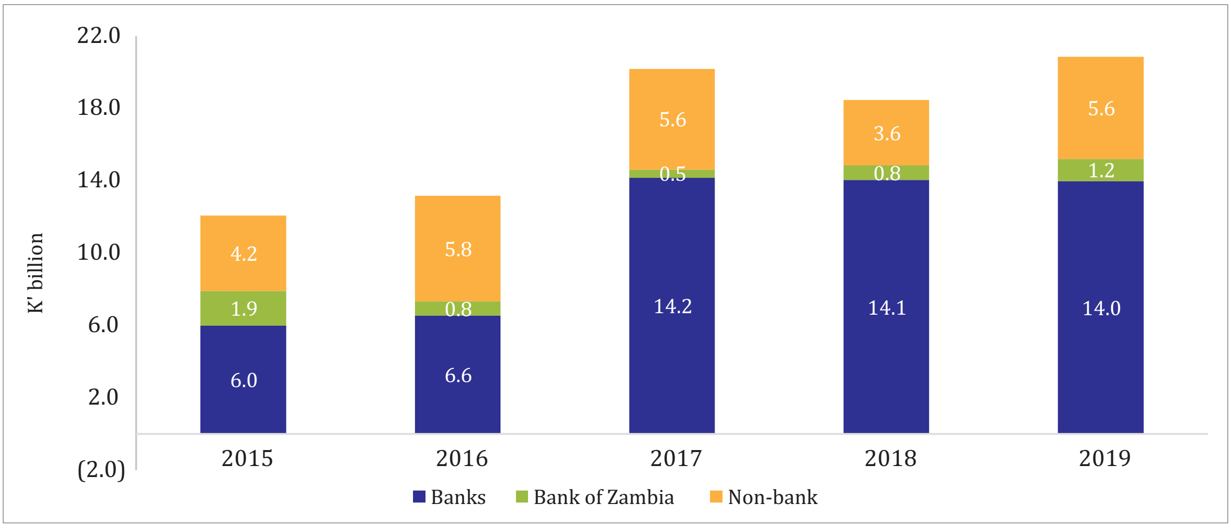
Chart 2.13: Stock of Government Securities, (K' billion) 2015 - 2019



Source: Bank of Zambia

Commercial banks held the largest stock of Treasury bills, accounting for 67.0%, followed by non-bank financial institutions (27.1%), and Bank of Zambia (5.9%) as shown in Chart 2.14.

Chart 2.14: Treasury Bills Holdings, (K' billion) 2015 - 2019

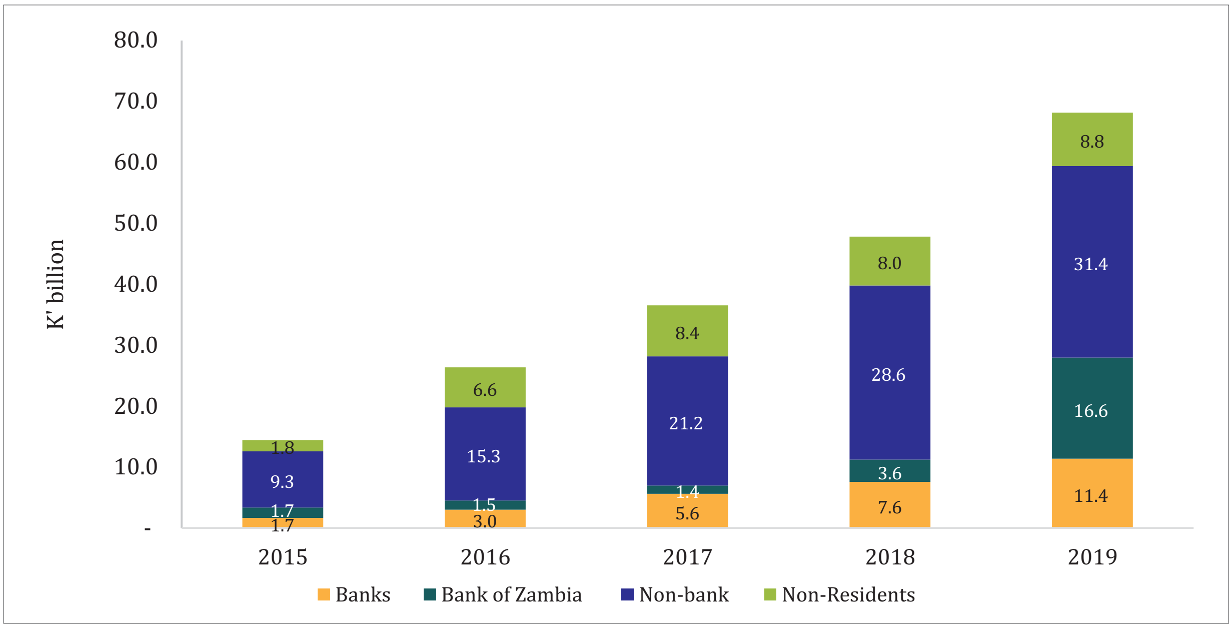


Source: Bank of Zambia

In terms of Government bonds holdings, non-bank financial institutions, mostly pension funds, continued to hold the bulk of Government bonds, mainly to match their long-term liabilities. They held 52.9% of the outstanding bonds, followed by Bank of Zambia, at 28.0% (Chart 2.15). The Bank of Zambia holdings rose to K16.6 billion from K3.6 billion following the securitisation of the bridge loan by Government and the purchase of Government bonds in the secondary market for the Back Stop Facility.[8] Government securities holdings by non-resident investors marginally rose to K8.8 billion from K8.1 billion in 2018.

[8]The Bank Stop Repo Facility is meant to support market marking in a Primary Dealership System.

Chart 2.15: Government Bond Holdings (K' billion), 2015 – 2019



Source: Bank of Zambia

Foreign Exchange Market

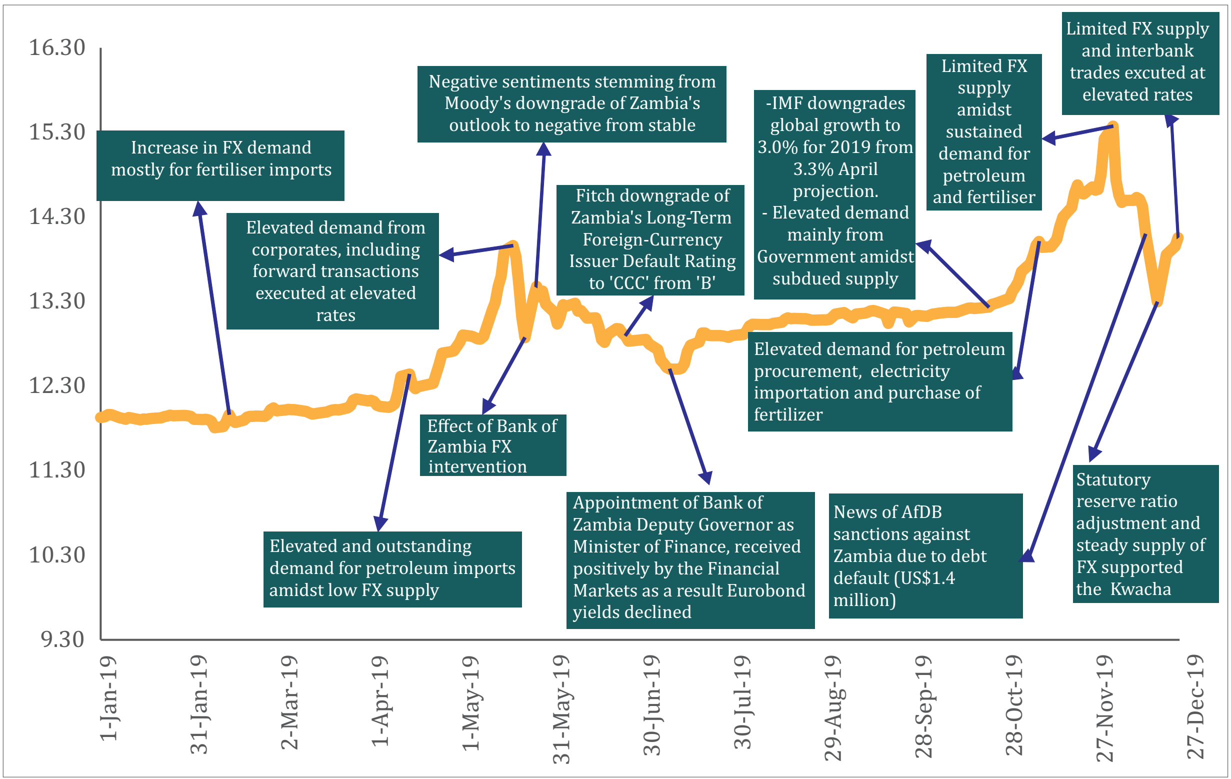
The Kwacha depreciated against major trading partner currencies on account of subdued supply of foreign exchange amidst escalating demand for the importation of petroleum products, electricity and agricultural inputs. In addition, adverse market sentiments associated with Zambia's credit rating downgrades[9] weighed on the Kwacha (Chart 2.16).

Against the US dollar, the Kwacha depreciated by 23.4% to an annual average of K12.92 (Chart 2.17). The Kwacha also depreciated against the Euro, British pound sterling and the South African rand by 18.2%, 17.1% and 13.1% to annual averages of K16.49, K14.46 and K0.89, respectively. In real terms, the Kwacha depreciated by 9.4% against a basket of major trading partner currencies in 2019. The real effective exchange rate (REER)[10] index increased to an average of 123.6 in 2019 from 113.0 in 2018, mostly reflecting the rise in the nominal effective exchange rate (NEER) by 16.9% (Chart 2.18).

[9] In May, Moody's downgraded Zambia's credit rating to Caa2 from Caa1 and changed the outlook to negative from stable, citing intensifying external vulnerability and liquidity risks. Similarly, Fitch and Standard and Poors downgraded Zambia's debt by two notches to CCC and CCC+ in June and August, respectively, citing similar reasons as Moody's.

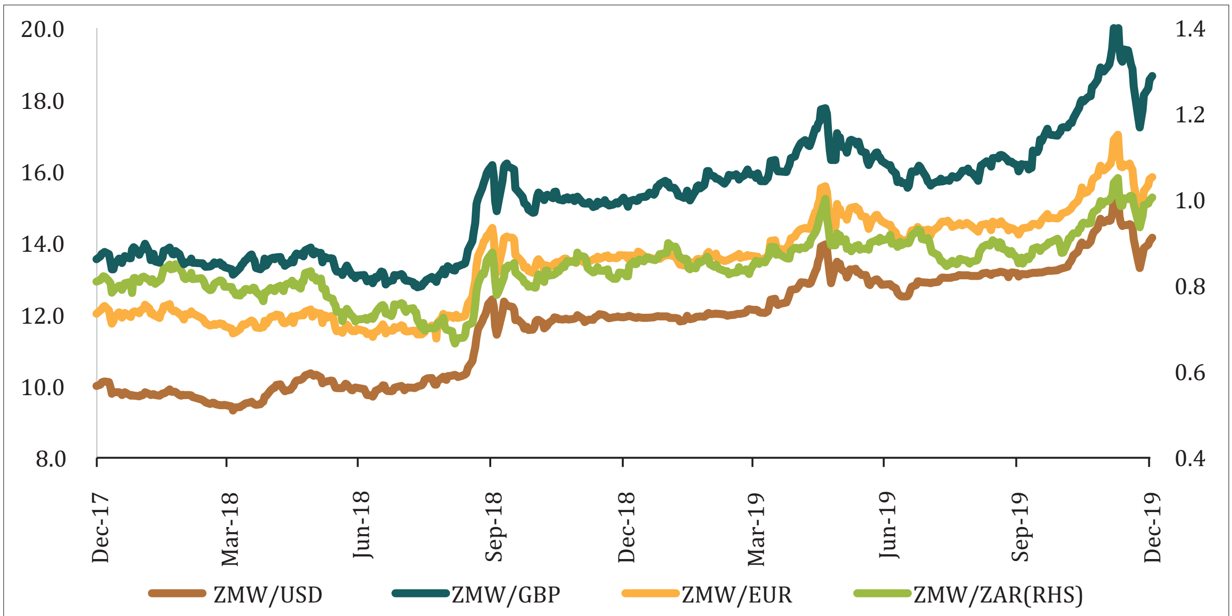
[10] An increase in the REER index indicates a depreciation and a gain in Zambia's competitiveness and vice-versa.

Chart 2.16: Exchange Rate Developments – Key Events in 2019



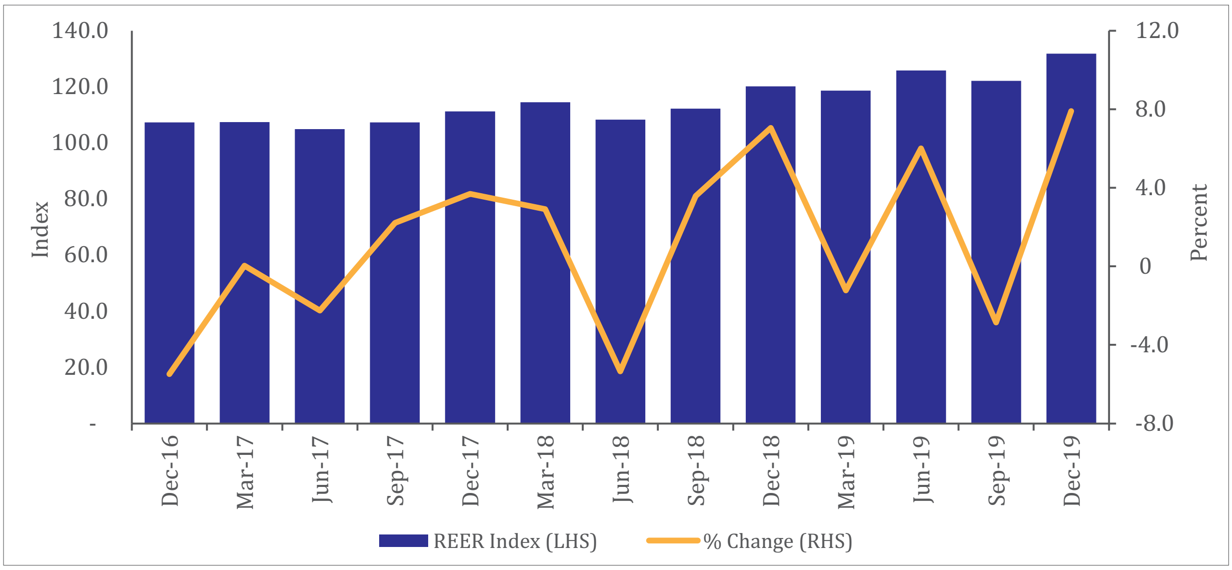
Source: Bank of Zambia

Chart 2.17: Exchange Rate of Kwacha against Major Currencies, 2017- 2019



Source: Bank of Zambia

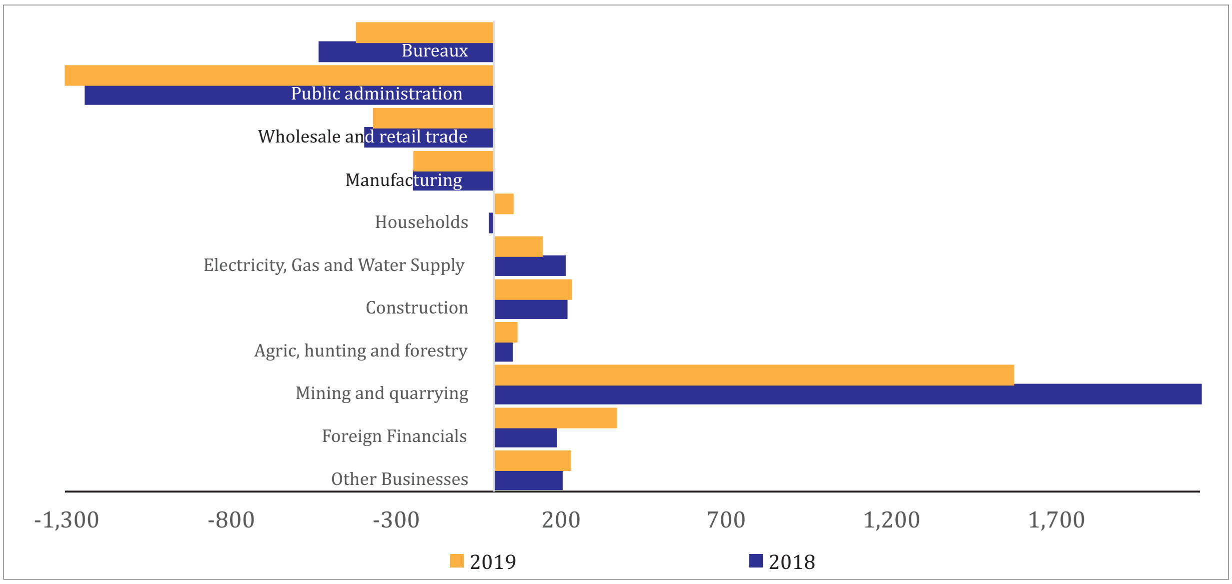
Chart 2.18: Real Effective Exchange Rate Index, Dec 2016 – Dec 2019



Source: Bank of Zambia

The net supply of foreign exchange reduced to US$866.8 million from US$995.7 million in 2018 (Chart 2.19). The decline was mainly attributed to reduced inflows from the mining sector. The mining sector nevertheless remained the major supplier of foreign exchange (US$1,577.3 million) followed by foreign financial institutions (US$372.6 million) and construction (US$236.9 million) sectors. On the demand side, the public (Government), bureaux, as well as wholesale and retail trade sectors were major buyers of foreign exchange at US$1,336.0 million, US$417.6 million and US$ 366.7 million, respectively.

Chart 2.19: Net Demand and Supply of Foreign Exchange by Sector, (US$ million), 2018 - 2019

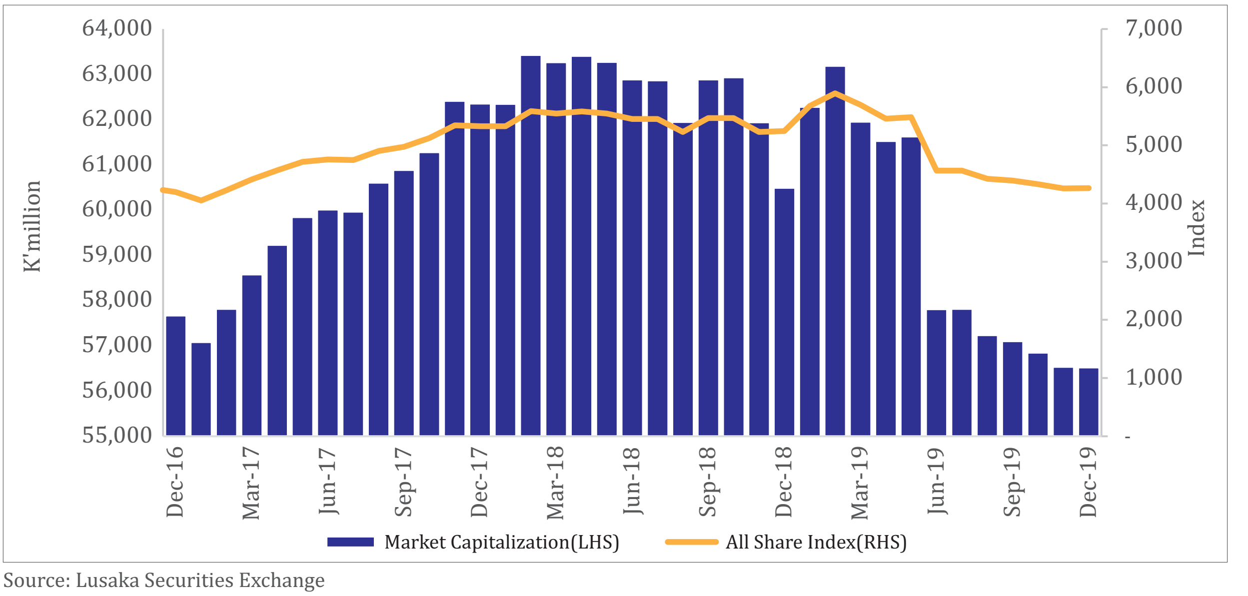


Source: Bank of Zambia

Capital Markets

Trading activity at the Lusaka Securities Exchange (LuSE) was subdued in 2019. The LuSE All-Share index (LASI) fell by 18.7% to 4,264.51 while market capitalisation declined by 6.6% to K56,516.1 million (Chart 2.20). The drop in the LASI was mainly due to the fall in share prices for some companies mostly attributed to reduced economic activity and increased operating costs associated with electricity load shedding, upward adjustment in fuel prices and the depreciation of the Kwacha. Further, the Exchange recorded a net outflow of US$0.1 million in 2019.

Chart 2.20: Indicators of Capital Market Activity, Dec 2016 - Dec 2019



Source: Lusaka Securities Exchange

2.3 BALANCE OF PAYMENTS

According to preliminary data, the overall balance of payments (BoP) deficit narrowed to US$102.5 million in 2019 from US$387.8 million in 2018 driven by a surplus on the current account (Table 2.5).

Table 2.5: Balance of Payments, [US $' million, f.o.b], 2017-2019

	2017r	2018r	2019*
A. Current Account, n.i.e.	**-435.0**	**-341.5**	**241.6**
Balance on goods	960.2	513.9	728.8
Goods: exports	8,215.5	9,029.4	7,228.1
of Which Copper	6,118.6	6,658.4	4,994.5
Cobalt	124.8	116.7	42.7
NTEs	1,752.8	2,036.1	1,919.4
Gold	156.1	148.0	196.4
Goods: imports	7,255.4	8,515.5	6,499.2
Balance on Services	-609.3	-724.3	-520.1
Services: credit	864.9	953.2	1,013.7
of Which Transportation	48.8	53.8	44.5
Travel	652.6	742.2	819.2
Services: debit	1,474.3	1,677.5	1,533.8
of Which Transportation	841.3	957.4	817.2
Travel	223.3	279.3	298.4
Insurance & Pension Services	121.5	117.4	109.0
Balance on Primary Income	-1,144.7	-407.0	-298.0
Primary income: credit	73.1	28.4	41.8
Primary income: debit	1,217.9	435.4	339.8
Balance on Secondary Income	358.8	275.92	330.9
Secondary income, n.i.e.: credit	448.5	373.96	417.83
Secondary income: debit	89.7	98.0	86.9
B. Capital Account, n.i.e.	**58.4**	**66.18**	**96.57**
Capital account, n.i.e.: credit	58.4	66.2	96.6
C. Financial Account, n.i.e.	**-364.2**	**99.9**	**463.8**
Direct investment: assets	-72.0	45.3	706.0

Table 2.5: Balance of Payments, [US $' million, f.o.b], 2017-2019

	2017r	2018r	2019*
Direct investment: liabilities, n.i.e.	1,107.5	408.44	481.40
Portfolio investment: assets	43.9	5.4	0.0
Equity and investment fund shares	0.0	0.0	0.0
Debt securities	43.9	5.4	0.0
Portfolio investment: liabilities, n.i.e.	278.6	-232.7	-159.0
Equity and investment fund shares	-2.5	-5.4	1.2
Debt securities	281.2	-227.4	-160.2
Financial derivatives: net	-68.2	-32.0	-85.5
Financial derivatives: assets	79.1	-1.5	-41.6
Financial derivatives: liabilities	147.3	30.5	43.9
Other investment: assets	1,763.7	1,591.4	667.9
Other debt instruments	1,763.7	1,591.4	667.9
Central bank	-235.0	-56.5	0.0
Deposit-taking corporations, except C/bank	150.0	236.3	-314.9
Other sectors	1,848.7	1,411.6	982.8
Non-financial corps, h/holds & NPISHs	1,848.7	1,411.6	982.8
Other investment: liabilities, n.i.e.	645.3	1,334.5	512.3
Other debt instruments	645.3	1,334.5	512.3
Deposit-taking corporations, except c/bank	-3.7	105.9	-19.5
General government	745.7	1,526.2	1,127.3
Other sectors	-96.7	-297.5	-595.5
Non-financial corps, h/holds & NPISHs	-96.7	-297.5	-595.5
D. Net Errors and Omissions	**30.7**	**-12.6**	**13.1**
E. Overall Balance	**-18.3**	**387.8**	**102.5**
F. Reserves and Related Items	**18.3**	**-387.8**	**-102.5**
Reserve assets	-55.3	-449.2	-146.7
Credit and loans from the IMF	-73.6	-61.4	-44.2
Exceptional financing	0.0	0.0	0.0

Source: Bank of Zambia
f.o.b = Free on Board
(*) Preliminary
(r) Revised

Current Account

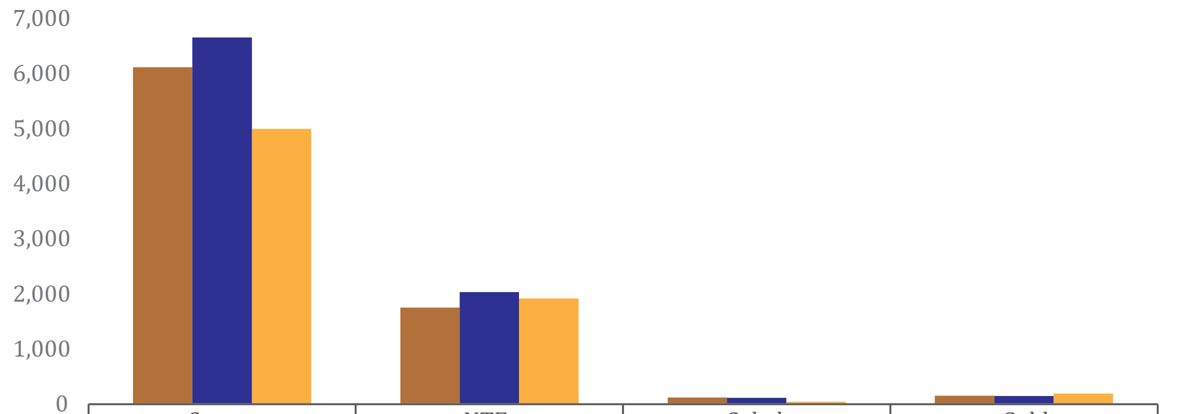
The current account recorded a surplus of US$241.6 million in 2019 (1.0% of GDP) against a deficit of US$341.5 million in 2018 (1.3% of GDP). This was largely on account of a higher contraction in imports of goods relative to exports as well as a decline in imports of services.

Merchandise imports declined by 23.7% to US$6,499.2 million while merchandise export earnings fell by 19.9% to US$7,228.1 million. This resulted in the widening of the balance on goods surplus to US$728.8 million from US$513.9 million in 2018. The slowdown in economic activity and the depreciation of the Kwacha accounted for the fall in imports. There was a notable fall in imports of copper ores and concentrates attributed to the imposition of the 5.0% import duty. Other commodities that substantially fell included industrial boilers and equipment, motor vehicles, electrical machinery and equipment, chemicals as well as fertiliser. Imports of services, at US$1,533.8 million, were 8.6% lower than recorded in 2018. This was driven largely by the reduction in payments for transportation as import volumes declined.

The decline in export earnings was driven largely by lower copper exports which fell by 25.0% to US$4,994.5 million (Chart 2.21) following a decrease in both export volumes and realized prices. Copper export volumes declined by 20.4% to 836,233.9 mt (Table 2.6) due to the fall in imports of copper ores and concentrates, temporary shutdown of the smelter for refurbishment and low mineral ore grades at some major mining

companies. The average realised copper prices declined to US$5,972.6 per metric tonne from US$6,385.8 per metric tonne, reflecting subdued global growth and trade tensions. Similarly, cobalt earnings declined by 63.4% to US$42.7 million as both export volumes and average realised prices declined. This followed a shutdown of operations by a major producer due to challenges in sourcing raw materials. Gold export earnings however, rose due to higher production and realised prices (Chart 2.21).

Chart 2.21: Export Earnings (US $ million), 2017 - 2019



	Copper	NTEs	Cobalt	Gold
2017	6,118.6	1,752.8	124.8	156.1
2018	6,658.4	2,036.1	116.7	148.0
2019	4,994.5	1,919.4	42.7	196.4

Source: Bank of Zambia

Table 2.6: Realised Prices and Export Volumes

	2017	2018	2019
Realised Prices			
Copper (US$/mt)	6,007.8	6,385.8	5,972.6
Cobalt (US$/mt)	53,278.2	67,382.0	33,575.7
Gold (US$/ounce)	1,134.3	1,173.9	1,421.7
Export Volumes			
Copper (mt)	1,023,859.7	1, 045 987.1	836, 233.9
Cobalt (mt)	2,648.9	1, 766.2	1,271.3
Gold (ounces)	137,572.0	126, 064.0	138,135.0

Source: Bank of Zambia

Further, non-traditional export (NTEs) earnings declined to US$1,919.4 million in 2019 from US$2,036.1 million in 2018. The decrease was mainly on account of supply constraints relating to high operating costs and the impact of the drought in the 2018/2019 farming season which adversely affected export volumes of selected products (Table 2.7).

Table 2.7: Major Non-Traditional Exports (US$ million) (fob), 2017-2019

Commodity/ Product	2017	2018	2019	% Change
Gemstones	6.6	10.7	149.5	1,292.1
Sulphuric Acid	72.6	171.3	148.8	-13.1
Industrial Boilers and Equipment	79.9	126.6	139.3	10.0
Cane Sugar	137.0	124.8	141.8	13.7
Gasoil/Petroleum Oils	7.9	9.6	7.6	-20.9
Cement & Lime	74.5	113.6	168.8	48.5
Electricity	69.4	83.1	68.7	-17.4
Raw hides, Skins & Leather	9.1	5.4	4.6	-14.2
Burley Tobacco	88.5	104.6	70.2	-32.9
Copper Wire	85.3	78.9	50.9	-35.4
Maize & Maize Seed	97.7	44.4	36.4	-18.0
Electrical Cables	20.0	21.2	16.5	-22.2
Cotton Lint	38.4	49.2	53.2	8.2
Soap	45.9	53.1	55.1	3.7
Fresh Fruits & Vegetables	14.7	13.0	8.9	-31.6
Manganese Ores/Concentrates	31.3	27.0	18.3	-32.1
Fresh Flowers	10.9	10.1	8.5	-15.8

Source: Bank of Zambia
(*) fob = free on board

Capital and Financial Accounts

The capital account surplus increased to US$96.6 million from US$66.2 million in 2018, while the financial account deficit expanded to US$453.8 million from US$99.9 million. The outturn in the financial account was on account of higher loan repayments to non-resident parent companies by the private sector, particularly the mining sector.

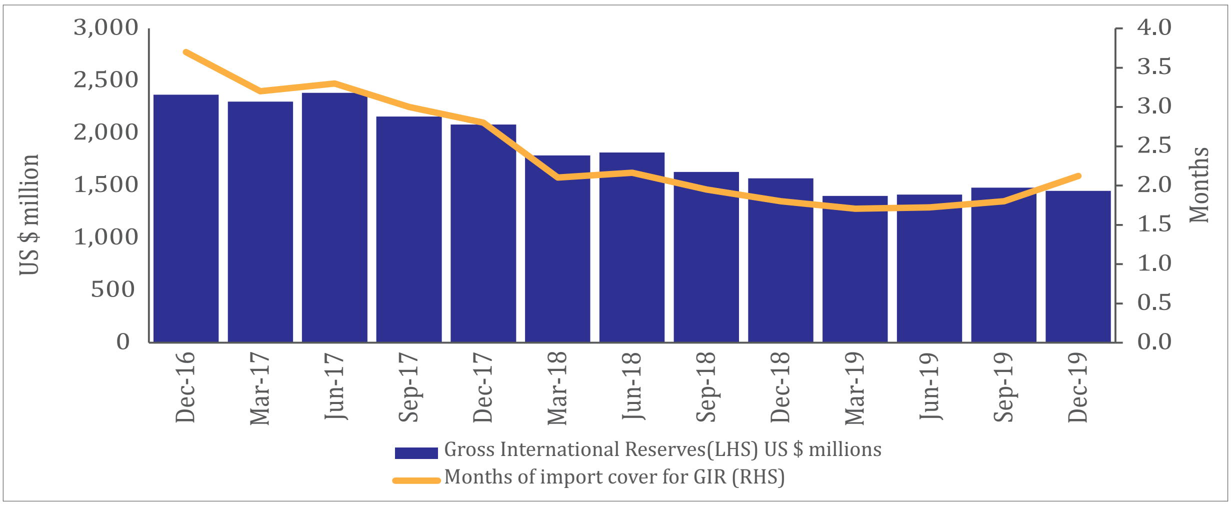
The combined surplus on the current and capital accounts was insufficient to cover net outflows from the financial account resulting in a drawdown of international reserves.

Gross International Reserves

The gross international reserves (GIR) stood at US$1.4 billion (equivalent to 2.1 months of import cover[11]) at end-December 2019, down from US$1.6 billion (1.8 months of import cover) at end-December 2018 as shown in Chart 2.22. Government debt service payments amounting to US$1.2 billion largely accounted for the decline in reserves. The reduction was moderated by the US$815.0 million net purchases by the Bank of Zambia, of which US$285.0 million were mineral royalty receipts. In 2018, net purchases were US$510.0 million while US$164.0 million were mineral royalties.

[11] Following the downward revision of the projections for imports of goods and services in November 2019 on account of subdued domestic economic activity, the months of import cover were revised upwards.

Chart 2.22: Gross International Reserves, Dec 2016 - Dec 2019



Source: Bank of Zambia

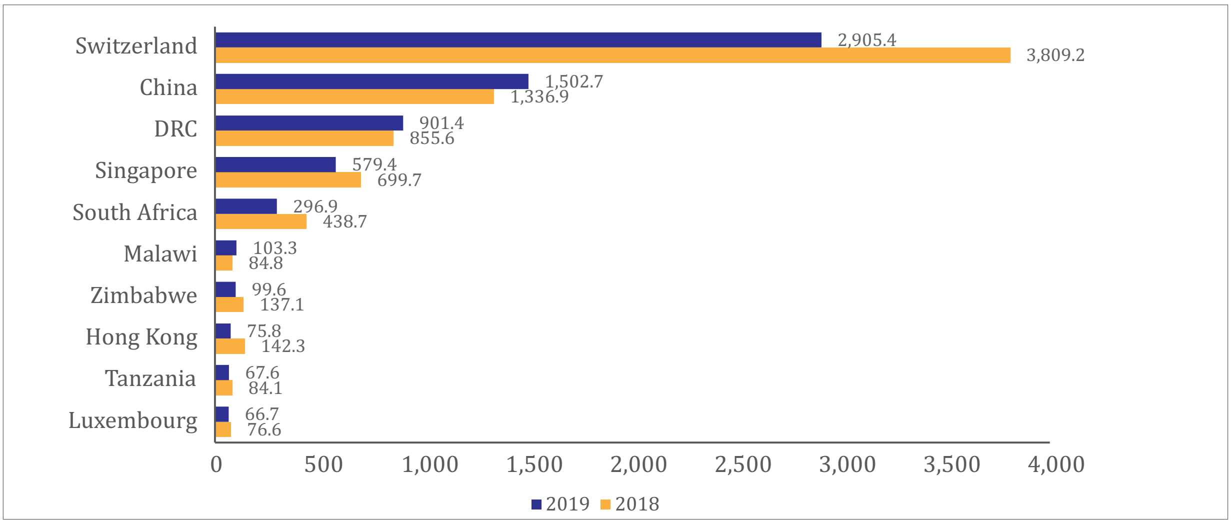
Direction of Trade

Major export markets

Zambia's major export markets remained broadly unchanged in 2019. Switzerland[12], China, Democratic Republic of Congo (DRC), Singapore and South Africa continued to be the top five export destinations, accounting for 88.0% of total exports, up from 78.7% in 2018 (Chart 2.23). Copper was the major export commodity to these destinations, accounting for the highest proportion of earnings from Switzerland, China and Singapore. Various non-traditional exports accounted for the bulk of export earnings from the DRC and South Africa.

The main export commodities to the DRC included salt, sulphur, lime and cement (19.7%); inorganic chemicals and compounds of precious metals (18.0%); sugars and sugar confectionery (7.3%); nuclear reactors and boilers[13] (7.2%); beverages, spirits and vinegar (6.8%); and soap (5.3%). Motor vehicles and vehicle accessories (24.6%); nuclear reactors and boilers (13.8%); fertilisers (9.0%); plastics and articles thereof (8.6%); articles of iron and steel (7.8%) and electrical machinery and equipment (7.6%) accounted for the majority of export earnings from South Africa.

Chart 2.23: Direction of Exports by Country (US$ million), 2018-2019



Source: Bank of Zambia

[12]Large metal traders based in Switzerland purchase copper and cobalt from Zambian mining companies off gate and sell the commodities to other foreign markets.

[13]These mainly included Parts of pumps for liquids; Self-propelled front-end shovel loaders; Centrifugal pumps for liquids, nes; Tower cranes; Parts of machines having individual functions, nes; Self-propelled coal or rock cutters and tunnelling machinery

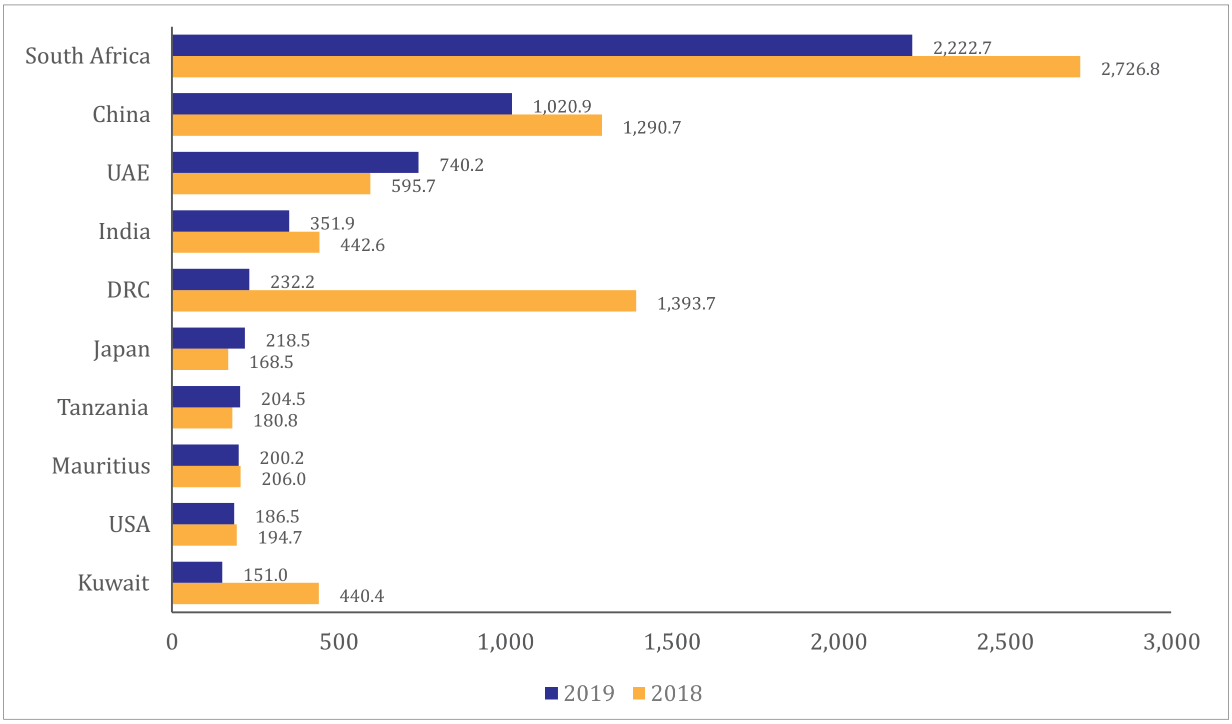
Major Source Countries for Imports

The major source countries for Zambia's imports were South Africa, China, United Arab Emirates, India and DRC that collectively accounted for 63.3% of total imports in 2019, down from 68.2% in 2018 (Chart 2.24). Challenges in the mining sector led to a decline in copper and cobalt concentrate imports while the decline in economic activity negatively impacted aggregate demand and subsequently a broad-based reduction in other imports.

The main products sourced from South Africa included nuclear reactors and boilers; motor vehicles; plastics and articles thereof; salt, sulphur, lime and cement; fertilisers and electrical machinery and equipment, which accounted for 47.7% of total imports from that country.

The major import commodities from China were electrical machinery and equipment; nuclear reactors and boilers; articles of iron and steel; vehicles; iron and steel and plastics and articles thereof. These altogether accounted for 70.6% of imports from China.Ores, slag and ash, as well as inorganic chemicals and compounds of precious metals were the main products imported from the DRC (Table 2.8). Pharmaceutical products; nuclear reactors and boilers and plastics and articles thereof constituted the major products from India at 30.2%, 24.5% and 8.4% respectively. Mineral fuels, oils and products of their distillation were the main imports from the United Arab Emirates.

Chart 2.24: Sources of Imports by Country (US$ million), 2018-2019



Source: Bank of Zambia

Table 2.8: Main Import Products from Major Source Countries (US$ million), 2018 - 2019

Country	Main Products	2018	2019	% Change
South Africa	Nuclear reactors and boilers	440.3	323.1	-26.6
	Vehicles	167.1	212.3	27.0
	Plastics and articles thereof	121.6	146.7	20.6
	Salt, Sulphur, Plastering Material, Lime and Cement	139.5	133.6	-4.3
China	Electrical Machinery	241.5	195.8	-18.9
	Nuclear reactors and boilers	335.0	182.9	-45.4
	Articles of iron and steel	164.6	116.2	-29.4
	Vehicles	173.4	103.3	-40.4
United Arab Emirates	Mineral fuels, oils and products of their distillation	379.0	573.2	51.2
	Organic chemicals	44.6	28.6	-35.9
India	Pharmaceutical products	151.5	106.4	-29.8
	Nuclear reactors and boilers	59.6	86.1	44.4
	Plastics and articles thereof	12.2	29.4	141.3
DRC	Ores, slag and ash	1,269.5	154.5	-87.8
	Inorganic chemicals and compounds of precious metals	111.3	73.2	-34.2
	Copper and articles thereof	5.3	3.1	-41.1

Source: ZSA and BoZ

2.4 EXTERNAL DEBT

Government Debt Stock

As at end-December 2019, preliminary data indicate that the external debt stock of Government increased by 11.5% to US$11,202.8 million (Table 2.9). As a ratio of GDP, Government external debt stood at 50.2% compared to 37.5% in 2018. The increase was on account of new disbursements mainly from commercial and export creditors to support infrastructure development projects.

Commercial, export and supplier credit continued to account for the largest share of the Government external debt stock, at 80.6%, followed by multilateral credit.

Table 2.9: Government External Debt Stock by Creditor, 2017 – 2019

Creditor	2017		2018		2019	
	US $'million	% share	US $'million	% share	US $'million	% share
Bilateral	**373.8**	**4.19**	**332.6**	**3.3**	**272.6**	**2.4**
Paris Club	127.6	1.43	101.3	1.0	48.6	17.8
Non Paris Club	246.2	2.76	231.3	2.3	224.0	82.2
Multilateral	**1,740.1**	**19.52**	**1,871.0**	**18.6**	**1,899.1**	**17.0**
IMF	125.3	1.41	90.0	0.9	17.8	0.9
World Bank Group	892.4	10.01	1,011.7	10.1	1,231.2	64.8
African Development Bank Group	433.2	4.86	499.0	5.0	578.3	30.4
Others	289.2	3.24	270.3	2.7	71.9	3.8
Suppliers/Export/Banks	6,801.6	76.29	7,844.17	78.1	9,031.09	80.6
Total Govt. Debt	**8,915.5**	**100.0**	**10,047.8**	**100.0**	**11,202.8**	**100.0**

Source: BoZ/Ministry of Finance
* Preliminary

Government External Debt Service

Preliminary data indicate that Government external debt service increased to US$1,196.2 million in 2019 from US$974.7 million in 2018 (Table 2.10). Debt service constituted principal maturities of US$710.4 million as well as interest and other charges of US$485.8 million.

Table 2.10: Zambia's Official External Debt Service by Creditor (US $'million), 2017 – 2019

Creditor	2017	2018	2019
Bilateral	**65.1**	**60.4**	**31.8**
Paris Club	6.5	6.5	2.4
Others	58.6	58.6	29.4
Multilateral	**100.1**	**99.7**	**89.2**
World Bank Group	14	17.4	17.0
IMF	69.2	60.7	46.7
ECU/EIB	1.5	1.9	2.9
Others	15.4	19.7	22.6
Suppliers/Bank(commercial)/Export	501.5	814.6	1,075.2
Total	**666.7**	**974.7**	**1,196.2**

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed External Debt Stock

According to preliminary data, the total stock of external private and non-guaranteed parastatal sector debt increased to US$15,049.1 million at end-September 2019 from US$12,141.9 million at end-December 2018 (Table 2.11). The increase reflects expanded coverage of the sector and new disbursements.

Table 2.11: Private and Non-Guaranteed Parastatal External Debt Stock, 2017 – 2019

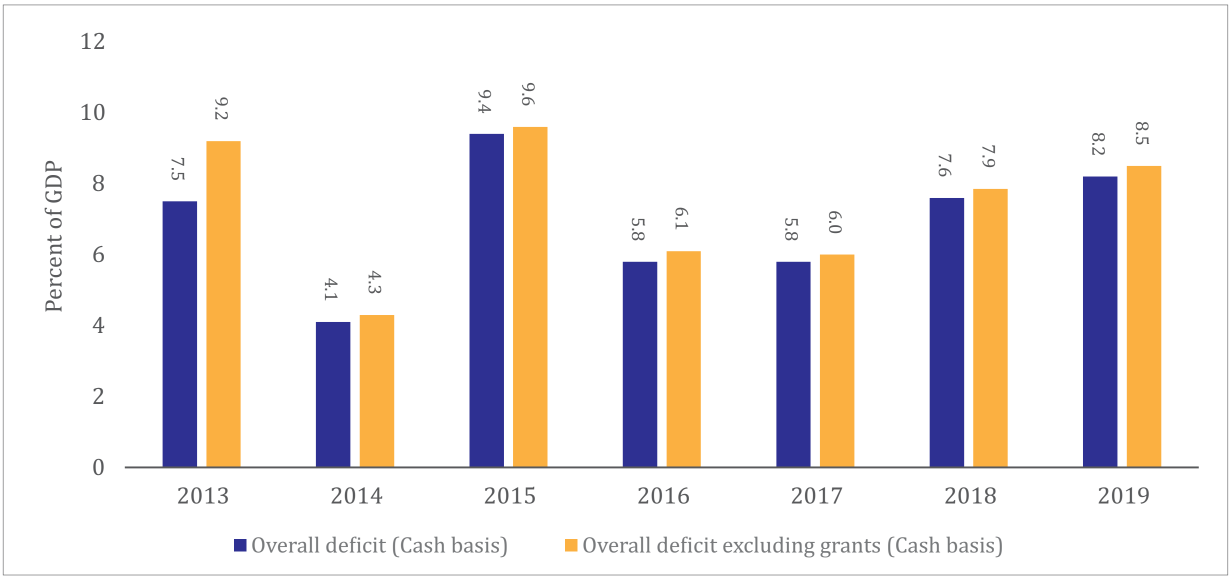
Creditor	2017		2018		2019	
	US $'million	% Share	US $'million	% Share	US $'million	% Share
Private	**11,461.8**	**91.9**	**11,079.4**	**91.2**	**12,444.4**	**82.7**
Multilateral	131.6	1.1	47.0	0.4	41.25	0.3
Financial Institutions	1,491.8	13.0	1,392.8	12.6	1,264.08	10.2
Parent and Related Company	7,819.2	68.2	9,227.7	83.3	10,649.23	85.6
Other	2,019.2	17.6	411.8	3.7	489.82	3.9
Parastatal	**1,012.4**	**8.1**	**1,062.6**	**8.8**	**2,604.7**	**17.3**
Total Private and Non-Guaranteed Parastatal Debt	**12,474.2**	**100**	**12,141.9**	**100**	**15,049.1**	**100**

Source: Bank of Zambia
* Preliminary data as at end-September 2019

2.5 FISCAL SECTOR DEVELOPMENTS

Preliminary data indicate that the fiscal deficit for 2019, at 8.2% of GDP or K23.3 billion (on a cash basis), was higher than the target of 6.5% (Chart 2.25). Excluding grants, the fiscal deficit was 8.5% of GDP. This largely reflected higher spending on capital projects, interest payments and the Farmer Input Support Programme.

Chart 2.25: Government Budget Deficit (Percent of GDP), 2013 – 2019



Source: Ministry of Finance

Kazungula Bridge Project

Revenue and Grants

Total revenue and grants in 2019, at K61.3 billion (19.3% of GDP), were 5.7% higher than the target of K58.0 billion (Table 2.12). This outturn was largely attributed to higher collections of domestic revenue, specifically from value added tax (VAT), income taxes and non-tax revenue. Domestic revenue accounted for 98.6% of the total revenue while grants contributed only 1.4%.

Tax Revenue

Total tax revenues, at K48.4 billion (17.1% of GDP), were 3.6% above the target of K46.7 billion (16.5% of GDP). This outturn was mainly due to continued improvement in VAT collections on account of increased use of electronic platforms and enhancement of other revenue collection methods.

Non-Tax Revenue

Non-tax revenue, at K12.1 billion, was 24.5% above the target of K9.4 billion largely due to higher than programmed collections from dividends, road toll fees as well as fees and fines.

Grants

Total foreign grants, at K838.8 million, were 56.4% lower than the target of K1,924.2 million due to lower than expected disbursement of funds by some donors.

Table 2.12: Central Government Revenue and Grants, 2016 – 2018

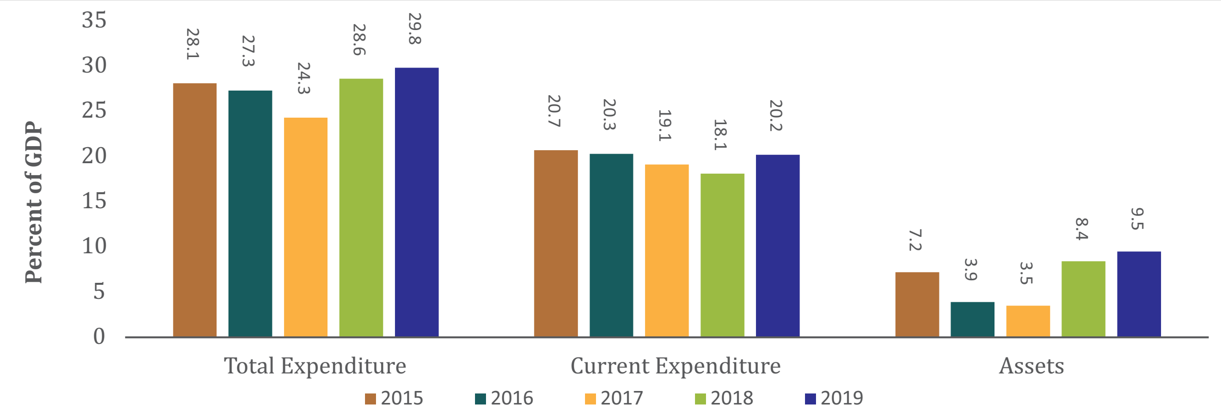
	2017		2018		2019			
					Target		Prel	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	**43.0**	**17.6**	**53.4**	**19.3**	**58.0**	**20.5**	**61.3**	**21.6**
Domestic Revenue	**42.6**	**17.4**	**52.8**	**19.1**	**56.1**	**19.8**	**60.5**	**21.3**
Tax Revenue	**36.5**	**14.9**	**44.2**	**16.0**	**46.7**	**16.5**	**48.4**	**17.1**
Income Tax	6.4	6.7	20.2	7.3	23.3	8.2	23.8	8.4
Personal Tax	8.7	3.5	10.4	3.8	11.4	4.0	11.7	4.1
Company Tax	4.5	1.8	6.0	2.2	7.2	2.5	7.5	2.7
Other Income Tax	3.3	1.3	3.8	1.4	4.6	1.6	4.6	1.4
Excise Taxes	3.2	1.3	3.4	1.2	4.7	1.7	4.0	1.2
Domestic VAT	5.6	2.3	17.3	6.3	3.3	1.2	6.1	2.2
International Trade Taxes	**11.1**	**4.6**	**14.0**	**5.0**	**8.1**	**2.9**	**14.1**	**5.0**
Import Duties	2.9	1.2	3.1	1.1	3.5	1.2	3.5	1.2
Import VAT	8.3	3.4	10.9	3.9	4.6	1.6	10.6	3.8
Export Duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax Revenue	**6.1**	**2.5**	**8.6**	**3.1**	**9.4**	**3.3**	**12.1**	**4.3**
Fees and Charges	3.4	1.4	3.9	1.4	3.9	1.4	5.5	1.9
Dividends and Interest	0.0	0.0	0.1	0.0	0.1	0.0	1.8	0.6
Extraction Royalty	2.4	1.0	3.9	1.4	4.9	1.7	4.3	1.5
Grants	**0.4**	**0.2**	**0.6**	**0.2**	**1.9**	**0.7**	**0.8**	**0.3**
Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	0.0	0.0	17.4	6.3	1.9	0.7	0.8	0.3

Source: Ministry of Finance
Prel: Preliminary

Total Expenditure

Total expenditure excluding amortisation at K84.6 billion (29.8% of GDP), was above the programmed level of K77.4 billion (27.3% of GDP) as shown in Chart 2.26. This was largely on account of higher than programmed expenditures on capital projects, interest payments and the Farmer Input Support Programme. Excluding amortisation, expenditure stood at K94.3 billion in 2019 against a target of K86.8 billion.

Chart 2.26: Total Expenditure, (Percent of GDP), 2015-2019



Source: Ministry of Finance

Current Expenditure

In 2019, total current expenditure, at K57.4 billion, was 2.0% higher than the target of K56.3 billion (Table 2.13). The major categories of expenditure that were higher than programmed included interest payments, as well as transfers and other payments.

Table 2.13: Central Government Expenditure, 2017 – 2019

	2017		2018		2019			
					Proj		Prel	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Expenditure (excluding amortisation)	**59.5**	**24.3**	**73.7**	**26.6**	**77.4**	**27.3**	**84.6**	**29.8**
Current Expenditure	47.0	19.2	50.1	18.1	56.3	19.9	57.4	20.2
Wages and Salaries	20.0	8.2	21.9	7.9	25.2	8.9	23.0	8.1
Use of Goods and Services	4.8	2.0	5.7	2.1	6.1	2.2	4.2	1.5
Interest on Public Debt	9.8	4.0	13.6	4.9	14.2	5.0	18.0	6.4
Domestic Debt	5.0	2.1	7.4	2.7	8.0	2.8	9.0	3.2
Foreign Debt	4.8	2.0	6.2	2.2	6.2	2.2	9.0	3.2
Grants & Other Payments	9.2	3.7	7.4	2.7	8.2	2.9	11.5	4.1
Social Benefits	1.9	0.8	1.0	0.3	1.8	0.6	0.2	0.1
Other Expenses	1.1	0.4	0.6	0.2	0.8	0.3	0.4	0.2
Liabilities	2.0	0.8	0.4	0.2	0.5	0.2	0.2	0.1
Assets	8.6	3.5	23.1	8.4	20.6	7.3	26.9	9.5
Non-Financial Assets	8.3	3.4	23.1	8.3	20.5	7.2	26.9	9.5
Financial Assets	0.3	0.1	0.0	0.0	0.2	0.1	0.0	0.0

Source: Ministry of Finance

Assets

Total expenditure on assets in 2019, at K29.6 billion, was 43.7% above the target of K20.6 billion. The higher expenditure was attributed to higher than programmed disbursements on roads and foreign financed capital projects.

Deficit Financing

Total net budget financing of K24.6 billion in 2019 was 26.8% above the target of K19.4 billion (Table 2.14). The deficit was mainly financed through external borrowing.

Table 2.14: Budget Deficit Financing, 2017 – 2019

	2017		2018		2019			
					Proj		Prel	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Financing	**15.0**	**6.1**	**21.1**	**7.6**	**19.4**	**6.8**	**24.6**	**8.7**
Domestic	**11.9**	**4.9**	**7.1**	**2.6**	**3.5**	**1.2**	**7.6**	**2.7**
Bridge loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Com. Banks	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Carry-over funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	-0.5	-0.2	2.1	-0.8	-0.7	-0.1	-3.0	-1.1
External	**3.1**	**1.3**	**14.0**	**5.1**	**15.9**	**2.2**	**17.1**	**6.0**
Programme Loans	1.3	0.5	0.0	0.0	7.8	0.5	0.0	0.0
Project Loans	3.6	1.5	17.4	6.3	16.8	2.7	23.8	8.4
Amortisation	-1.8	-0.7	-3.4	-1.2	-8.7	-1.1	-6.7	-2.4

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

2.6 REAL SECTOR DEVELOPMENTS

Preliminary data show that real GDP growth declined to 2.0% in 2019 from 4.0% in 2018 (Table 2.15). This mainly reflects the contraction in agriculture, mining output and electricity generation. However, notable positive growth was recorded in the information and communication technology (ICT) and tourism sectors.

Table 2.15: Real GDP Growth (Percent), 2017 – 2019 and Percentage Point Contribution in 2019

Kind of Economic Activity	2017 Growth Rate	2018 Growth Rate	2019* Growth Rate	Contribution to Growth (2019*)
Agriculture, forestry and fishing	9.8	-21.2	-7.3	-0.4
Mining and quarrying	3.0	6.3	-5.3	-0.6
Manufacturing	4.4	4.1	1.9	0.2
Electricity, gas, steam & air conditioning supply	23.6	11.7	-4.2	-0.1
Water supply; sewerage, waste management	-3.7	5.1	-3.1	0.0
Construction	6.4	2.4	0.7	0.1
Wholesale & retail trade; repair of motor vehicles	0.7	3.3	2.7	0.6
Transportation and storage	7.8	7.7	3.1	0.1
Accommodation and food services	6.0	1.7	7.1	0.1
Information and communication technology	-13.2	40.1	21.1	0.9
Financial and insurance services	-6.2	23.5	7.0	0.3
Real estate	2.9	3.3	2.9	0.1
Professional, scientific and technical services	6.1	2.5	-4.0	-0.1
Administrative and support service	6.0	6.1	1.0	0.0
Public administration & defence; social security	2.8	1.6	8.3	0.4
Education	6.7	4.8	1.5	0.1
Human health and social work	17.4	11.0	6.3	0.1
Arts, entertainment and recreation	-4.0	12.2	3.2	0.0
Other services	2.8	3.3	2.9	0.0
Taxes less subsidies on products	3.5	3.8	2.7	0.2
Gross Domestic Product (GDP)	**3.7**	**4.0**	**2.0**	**2.0**

Source: Zambia Statistics Agency and Ministry of Finance
*Preliminary

Agriculture suffered the worst output decline of all the sectors in 2019 on the back of the adverse effect of the drought that affected the Southern and Western parts of Zambia during the 2018/2019 farming season. Annual crop production fell by 9.8% with output of all crops declining except for wheat and mixed beans. Maize output contracted by 16.3% to about 2.0 million metric tonnes in 2019 from 2.4 million metric tonnes in 2018, representing the lowest production since 2016.

Mining output declined by 5.3% in 2019, largely reflecting the fall in copper production by 8.3 percent to 797,065 Mt from 868,908 Mt in 2018[14].The reduction in copper production was mainly due to the temporary shutdown of the smelter for refurbishment and low mineral ore grades at some major mining companies. However,the increase in the production of gemstones and gold moderated the decline in mining output. Gemstones production grew by 17.8% to 23,782 kg while gold output increased by 47.7% to 9,423.9 kg.

Annual electricity generation dropped by 7.6% to 14.8 million MWh on the back of reduced generation, mainly at the Kariba Power Stations, occasioned by significantly low volume of water due to the drought in the 2018/19 rain season[15]. The Kariba North Bank and Kariba North Bank Extension power stations recorded a

[14]The figures include production from small scale mining companies.
[15]Water levels at Lake Kariba continuously declined to the lowest levels witnessed since 1995 causing heavy rationing of water allocated for electricity generation, especially in the second half of the year.

combined annual generation decline of 15.8%. In addition, the temporaryshutdown of one of the units at Maamba Collieries coal fired power plant during the year contributed to lower electricity output.

Lake Kariba

However, notable positive growth was recorded in the information and communication technology (ICT) and tourism sectors. The strong performance of the ICT sector was on account of a sharp increase in the total number of active mobile network subscriptions and a corresponding pick-up in mobile voice call traffic supported by the installation of new communication towers. The mobile penetration rate increased to 99.1% from 91.6% in 2018 while the total number of active internet subscriptions increased to 9.2 million from 8.3 million in 2018. This reflects an increase in internet penetration rate to 52.8 from 49.1 percent.[16] Internet usage continued to pick-up despite the moderation in international traffic as users increasingly prefer internet-based applications like WhatsApp, Skype and Viber to make international voice calls.

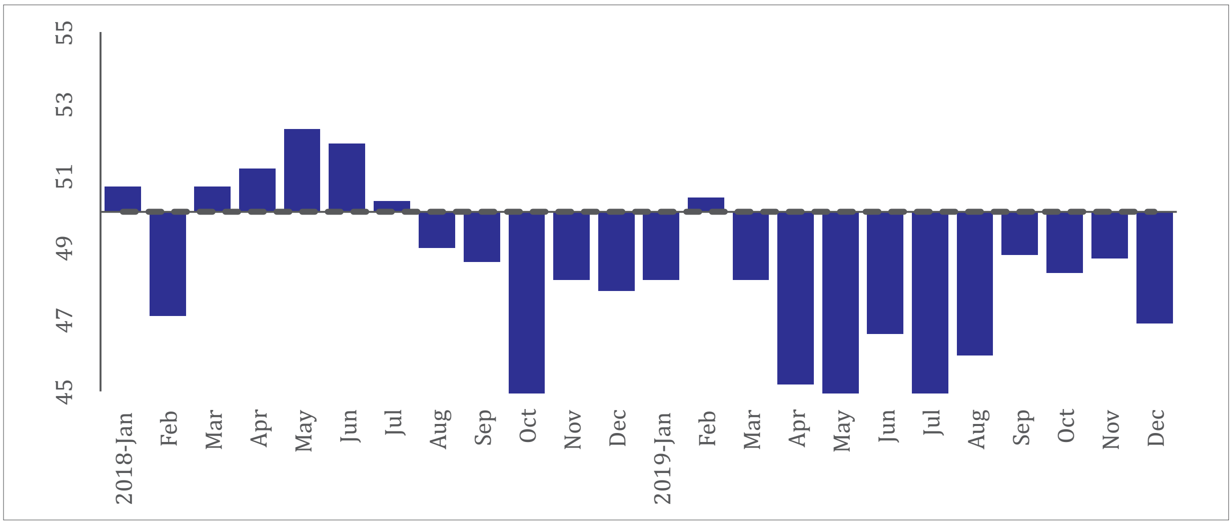
In the tourism sector, international tourist arrivals increased by 12.9% to 1,209,898 in 2019. At Harry Mwanga Nkumbula international airport, international tourist arrivals grew by 9.6%, Kenneth Kaunda by 6.0%, and Simon Mwansa Kapwepwe by 4.5%. Mfuwe, however, recorded a one-third decrease of international arrivals. The annual number of tourist visits to major national parks also decreased by 11.3% to 89,111. Stiff regional competition, narrow range of tourism products and the dismal state of facilities in parks continued to affect tourist visits in 2019.

Real economic activity growth remained positive albeit at a slower pace in the wholesale and retail trade, financial and insurance, construction as well as manufacturing sectors (Table 2.15). The slowdown in the pace of growth in these sectors was mostly attributed to electricity shortages, liquidity challenges, delayed payments for goods and services supplied to Government, exchange rate volatility and subdued aggregate demand. The private sector also continued to experience persistent challenging business environment throughout the year as indicated by the Stanbic Purchasing Manager's Index (PMI)[17] that remained consistently below the 50-mark in 2019 except for February (Chart 2.27).

[16]The scaling up of coverage by ICT service providers of 3G/4G networks and the increased adoption of emerging technologies such as 3G and 4G/LTE explain the increase. Further, the increased roll out of networked devices such as point of sale machines has, in part, influenced the growth of mobile internet uptake.

[17]The PMI is a composite indicator produced by Stanbic Bank Zambia from monthly responses by purchasing executives in approximately 400 private sector companies accurately representing the true structure of the Zambian economy. It is calculated as a weighted average of five sub-components: New orders, output, employment, suppliers' delivery times and stocks of purchases.

Chart 2.27: Purchasing Manager's Index for Zambia, Jan 2018 - Dec 2019



Source: Stanbic Zambia

3. Financial System Regulation and Supervision

3.0 Financial System Regulation and Supervision

3.1 BANKING SECTOR

3.1.1 Structure of the Banking Sector

The number of licensed commercial banks operating in Zambia in 2019 remained unchanged at 18. Of these, nine were subsidiaries of foreign banks, five were locally owned private banks and four were partially owned by the Government of the Republic of Zambia. The subsidiaries of foreign banks continued to dominate the banking sector in terms of total assets, loans, deposits, and profitability (Table 3.1). These were followed by banks partially owned by Government.

Table 3.1: Distribution of Assets, Loans and Deposits by Ownership Type (Percent), 2017 – 2019

	2019				2018				2017			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	73.4	69.2	73.6	82.3	73.0	67.9	72.2	68.3	74.9	71.1	74.0	74.4
Banks with Government stake	18.1	20.1	18.5	3.3	18.2	21.8	19.7	28.1	20.6	22.8	22.1	24.1
Local private banks	8.5	10.7	7.9	14.4	8.7	10.2	8.1	3.6	4.5	6.1	4.0	1.6
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

3.1.2 Overall Financial Condition and Performance

The overall financial performance and condition of the banking sector at end-December 2019 was satisfactory. This rating was on account of satisfactory capital adequacy, earnings performance and liquidity positions (Table 3.2). Asset quality was, however, adversely rated due to the high level of non-performing loans (NPLs).

Table 3.2: Financial Performance Indicators (Percent), 2017 – 2019

Performance Indicator	Benchmark	2017	2018	2019
Primary capital adequacy ratio	5.0* or higher	24.5	20.1	20.1
Total regulatory capital adequacy ratio	10.0* or higher	26.5	22.1	22.2
Net non-performing loans to regulatory capital	10.0* or lower	10.8	4.3	2.3
Gross non-performing loans to total loans	10.0* or lower	12.0	11.0	8.9
Net non-performing loans to total loans	2.5 or lower	4.0	1.5	0.8
Allowance for loan losses to gross non-performing loans	80.0 or higher	66.5	83.8	91.6
Minimum Regulatory Provisions	80.0 or higher	77.7	98.2	98.9
Return on assets	4.0 or higher	3.1	2.8	3.3
Return on equity	20.0 or higher	15.4	15.4	16.5
Efficiency ratio	60.0 or lower	65.1	73.7	70.2
Liquid assets to total assets	25.0 or higher	45.9	45.9	42.1
Liquid assets to deposits and short-term liabilities	Lower than 100%	56.5	57.0	51.5
Loan to deposit ratio	Lower than 100%	45.2	47.3	51.5

Source: Bank of Zambia

Despite the satisfactory overall performance and condition of the sector, the performance of some banks remained a source of supervisory concern mainly on account of exceptionally high NPLs which adversely impacted their earnings performance and capital (Tables 3.3 and 3.4).

Table 3.3: Composite Ratings of Banking Sector Financial Performance and Condition, 2017 - 2019

Performance	Number of Banks			% of Total Assets			% of Total Deposits		
Rating	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Satisfactory	9	10	10	82.3	82.2	84.1	83.7	84.5	86.3
Fair	3	3	4	3.9	6.8	5.3	3.6	5.7	4.4
Marginal	3	3	3	8.8	9.8	9.4	7.8	8.5	8.0
Unsatisfactory	2	1	1	5.0	1.2	1.2	4.9	1.3	1.3
Total	**17**	**17**	**18**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 3.4: Component Ratings of the Banking Sector Financial Performance, 2017 - 2019

Performance	Capital Adequacy			Asset Quality			Earnings			Liquidity		
Rating	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Satisfactory	13	12	12	9	10	8	8	12	11	9	12	10
Fair	0	1	2	2	4	6	3	3	3	6	4	6
Marginal	0	2	1	3	2	3	3	0	0	1	0	1
Unsatisfactory	4	3	3	3	2	1	3	3	4	1	2	1
Total	**17**	**18**	**18**	**17**	**18**	**18**	**17**	**18**	**18**	**17**	**18**	**18**

Source: Bank of Zambia

Total assets increased by 13.4% to K93, 124.3 million at end-December 2019, with notable growth in net loans and advances, as well as balances with the Bank of Zambia (Table 3.5).

The asset structure of the banking sector remained unchanged, with net loans and advances accounting for the largest component of total assets, at 35.0%, followed by investments in Government securities (22.7%) and balances with financial institutions abroad (19.8%) as shown in Table 3.5.

Table 3.5: Asset Structure (K' million and Percent), 2017 – 2019

	2017	**2018**	**2019**	**2019(%)**
Net Loans and advances	22,333,116	26,247,931	32,579,497	35.0
Balances with Foreign Financial Institutions	13,979,852	19,535,839	18,422,872	19.8
Balances with Bank of Zambia	6,469,004	5,126,789	8,298,783	8.9
Investments in Government Securities	19,158,505	20,482,025	21,135,657	22.7
Other	9,771,888	10,706,238	12,687,510	13.6
Total	**71, 710 366**	**82, 098 822**	**93, 124 319**	**100.0**

Source: Bank of Zambia

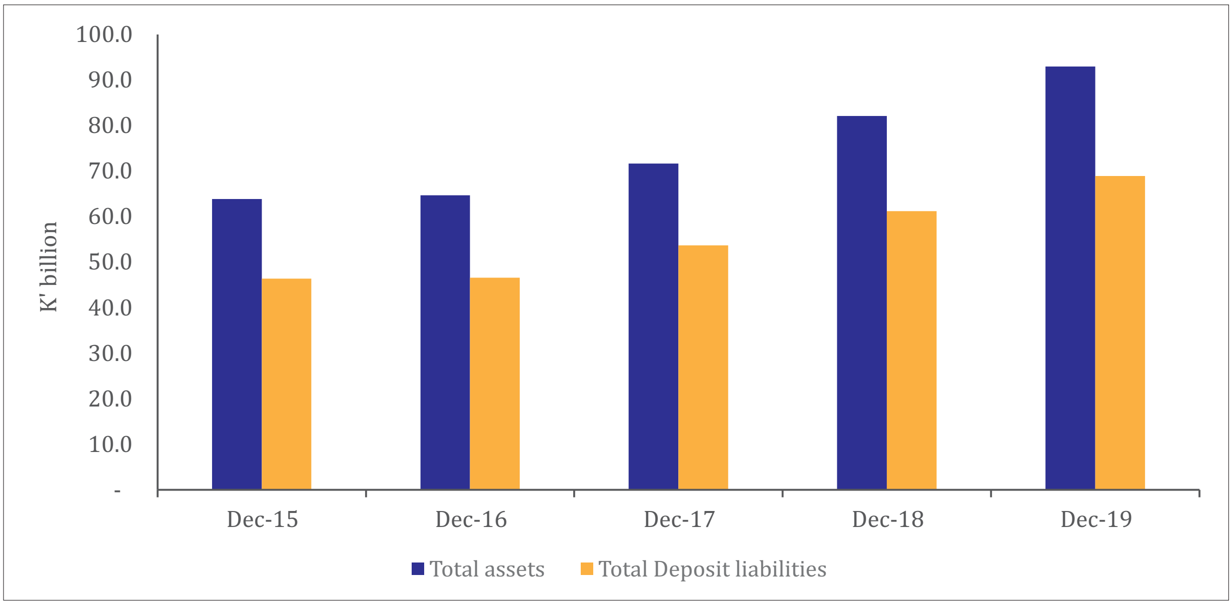
Total liabilities increased by 13.2% to K82, 486.1 million at end-December 2019. This increase was largely attributed to the growth in deposits by 12.6% to K68, 943.4 million, and accounted for 83.6% of total liabilities (Table 3.5). Foreign currency deposits accounted for almost half of the total deposits at 47.4%, and this could be attributed to rising inflation as well as the depreciation of the Kwacha during the period under review. Demand and savings deposits continued to account for the largest share of total deposits, at 71.1%. Further, deposits remained the major source of funding for the banking sector's assets, at 74.0% (Table 3.10).

Table 3.6: Liability Structure (K' million and Percent), 2017 – 2019

	2017	**2018**	**2019**	**2019(%)**
Deposits	53,702,960	61,248,384	68,943,403	74.0
Other Liabilities	3,653,624	4,456,409	5,976,219	6.4
Balances Due to Financial Institutions Abroad	2,585,548	4,745,408	5,049,415	5.4
Other Borrowed Funds	1,531,686	1,622,579	1,649,458	1.8
Balances Due to Financial Institutions in Zambia	744,715	509,853	324,189	0.3
Others	343,028	269,576	543,387	12.1
Total	**62,561,561**	**72,852,200**	**82,486,070**	**100.0**

Source: Bank of Zambia

Chart 3.1: Total Assets and Deposit Liabilities, (K'billion) 2015 – 2019



Source: Bank of Zambia

Table 3.7: Banking Sector Funding of Assets (Percent of total assets), 2017 – 2019

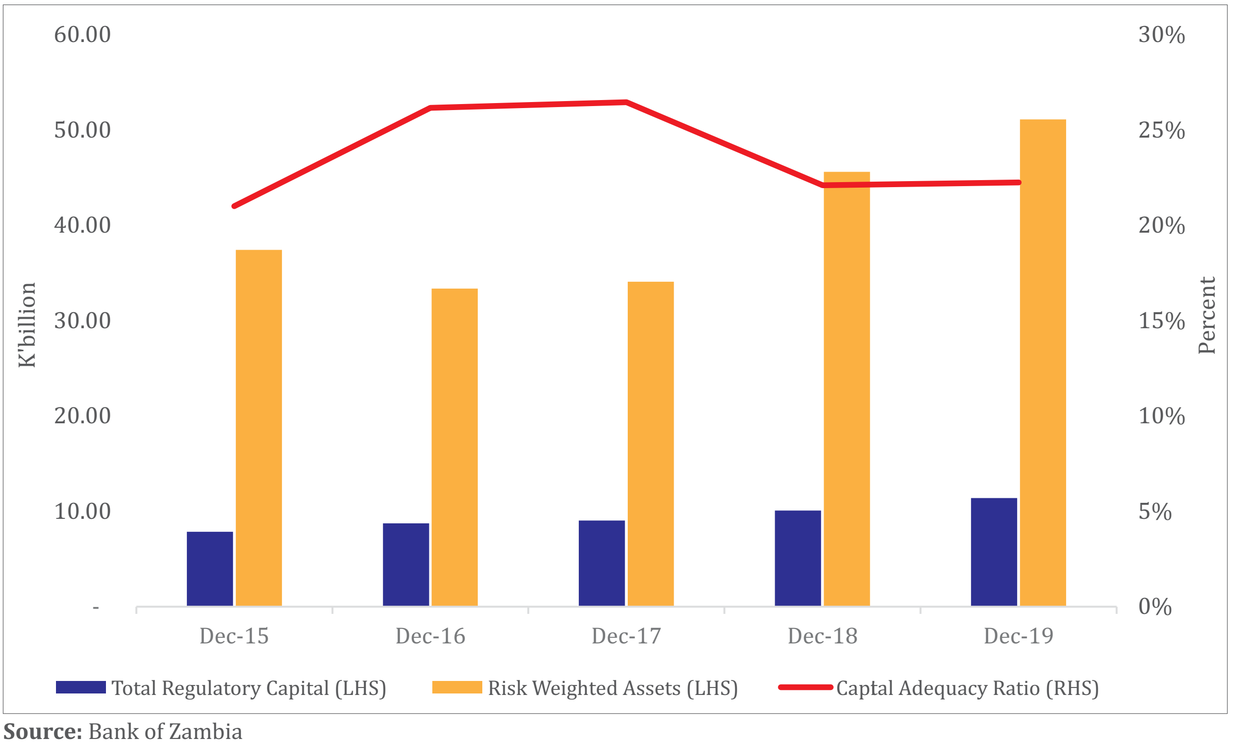
	2017	2018	2019
Customer deposits	74.9	74.6	74.0
Borrowings	7.3	8.7	8.2
Shareholders' funds	12.7	11.3	11.4
Other liabilities	5.1	5.4	6.4
Total funding	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Capital Adequacy

The banking sector remained sufficiently capitalised as the primary and total regulatory capital adequacy ratios, at 20.1% and 22.2%, remained well above the minimum regulatory requirements of 5.0% and 10.0%, respectively (Chart 3.2). Primary and total regulatory capital grew by 12.7% and 13.1% to K10, 327.8 million and K11, 397.8 million, respectively. This was largely attributed to the 33.6% increase in retained earnings to K2,923.1 million. Risk weighted assets (RWA) also increased by 12.4% to K51, 270.9 million. The ratio of net NPLs to total regulatory capital improved to 2.3% from 4.3% at end-December 2018 on account of the increase in total regulatory capital and provisioning for bad loans.

Chart 3.2: Regulatory Capital, RWA and Capital Adequacy Ratios, 2015 - 2019



Source: Bank of Zambia

Asset Quality

Asset quality improved in 2019 evidenced by the decline in the NPL ratio[18] to 8.9% from 11.0% and was rated fair (Table 3.8). However, the NPL ratio remained close to the maximum prudential threshold of 10.0%. The decline in the NPL ratio was due to the increase in gross loans and a decline in sub-standard loans.

Table 3.8: Gross Loans and Non-Performing Loans, 2017 - 2019

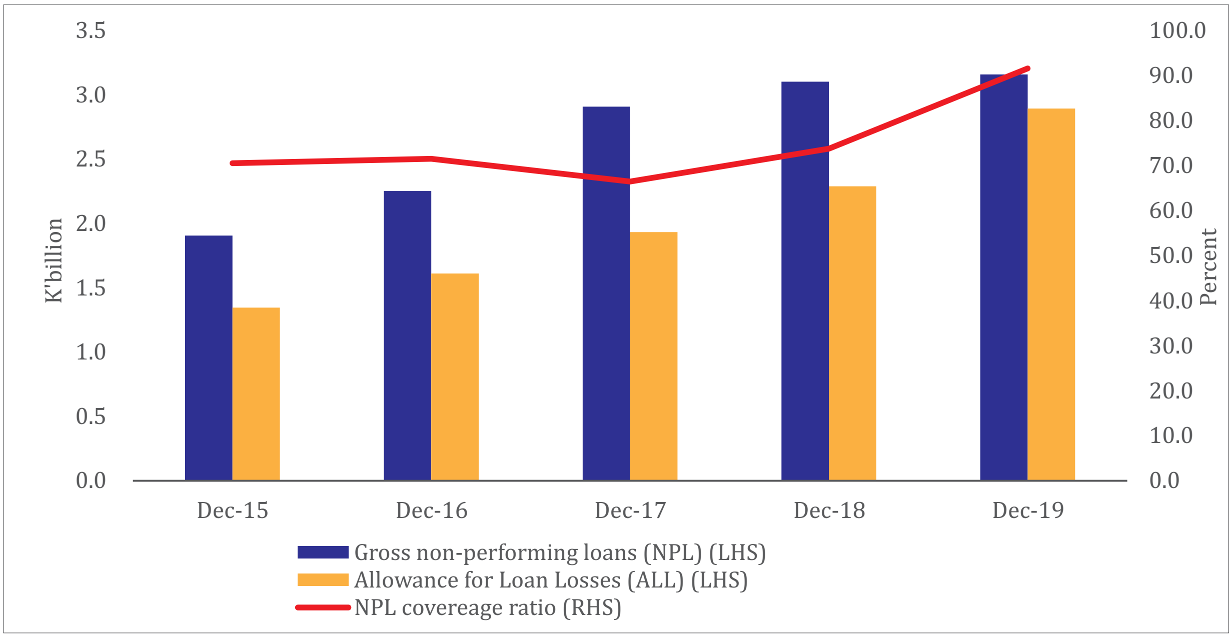
	2017	2018	2019
Gross loans (K' billion)	**24.3**	**29.0**	**35.5**
NPLs (K 'billion)	**2.9**	**3.2**	**3.2**
Substandard (K' billion)	0.2	0.3	0.2
Doubtful (K' billion)	0.3	0.2	0.2
Loss (K' billion)	2.4	2.6	2.8
NPL ratio (%)	**12.0**	**11.0**	**8.9**
Substandard	0.9	1.0	0.4
Doubtful	1.1	0.7	0.6
Loss	10.0	9.0	7.8

Source: Bank of Zambia

The reserves for potential loan losses increased by 5.5% to K2, 893.3 million in 2019 as banks restated their impairments provisions in line with the requirements of IFRS9 (Chart 3.3). Consequently, the NPL coverage ratio rose to 91.6% from 86.4% at end-December 2018.

[18]Gross NPLs to gross loans

Chart 3.3: Non-Performing Loans, Provisions and NPL Coverage Ratio, 2015-2019



Source: Bank of Zambia

With regard to the sectoral distribution of NPLs, the agriculture, forestry, fishing and hunting sector accounted for the largest proportion, at 36.0%. This was largely on account of the drought experienced in some parts of the country during the 2018/2019 farming season that adversely affected agricultural output, and subsequently the ability of the farmers to service their debt (Table 3.10).

Table 3.10: Sectoral Distribution of NPLs (Percent), 2017 – 2019

Sector	2017	2018	2019
Agriculture, forestry, fishing and hunting	32.7	32.4	36.0
Mining and quarrying	3.0	3.0	2.9
Manufacturing	5.1	5.1	12.1
Electricity, gas, water and energy	0.6	0.6	0.0
Construction	9.3	9.4	6.2
Wholesale and retail trade	11.8	11.7	9.9
Restaurants and hotels	9.0	8.9	6.2
Transport, storage and communication	5.1	5.1	2.2
Financial services	1.6	1.6	0.3
Personal loans	9.4	10.3	16.6
Other sectors	12.3	12.1	7.6
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

In terms of intra-sector[19] NPL ratios, the restaurants and hotels, as well as construction sectors, at 72.0% and 26.5%, respectively, continued to be the worst performing (Table 3.11). Notwithstanding the adverse performance of these two sectors, their share in the banking sector's total loans remained minimal, at 0.8% and 2.1%, respectively.

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

Table 3.11: Intra-Sector NPL Ratios (Percent), 2017 – 2019

Sector	2017	2018	2019
Agriculture, forestry, fishing and hunting	26.7	28.3	25.7
Mining and quarrying	5.7	4.8	3.5
Manufacturing	10.3	20.2	12.1
Electricity, gas, water and energy	3.5	2.3	0.3
Construction	29.9	37.9	26.5
Wholesale and retail trade	15.7	15.0	8.9
Restaurants and hotels	86.3	79.4	72.0
Transport, storage and communication	13.9	13.1	2.4
Financial services	18.6	16.2	1.3
Personal loans	17.7	11.2	6.1

Source: Bank of Zambia

Earnings Performance

The earnings performance of the banking sector was satisfactory in 2019. The profit before tax (PBT) increased by 28.2% to K2, 848.7 million on account of a rise in interest income from loans and advances as well as from Government securities (Table 3.12). In addition, the sector's profit after tax increased by 24.2% to K1, 681.1 million. This contributed to the increase in retained earnings.

The return on assets ratio marginally improved to 3.3% from 3.0% while the return on equity ratio rose to 16.5% from 14.8%. This improvement was mostly due to an increase in the sector's net profit.

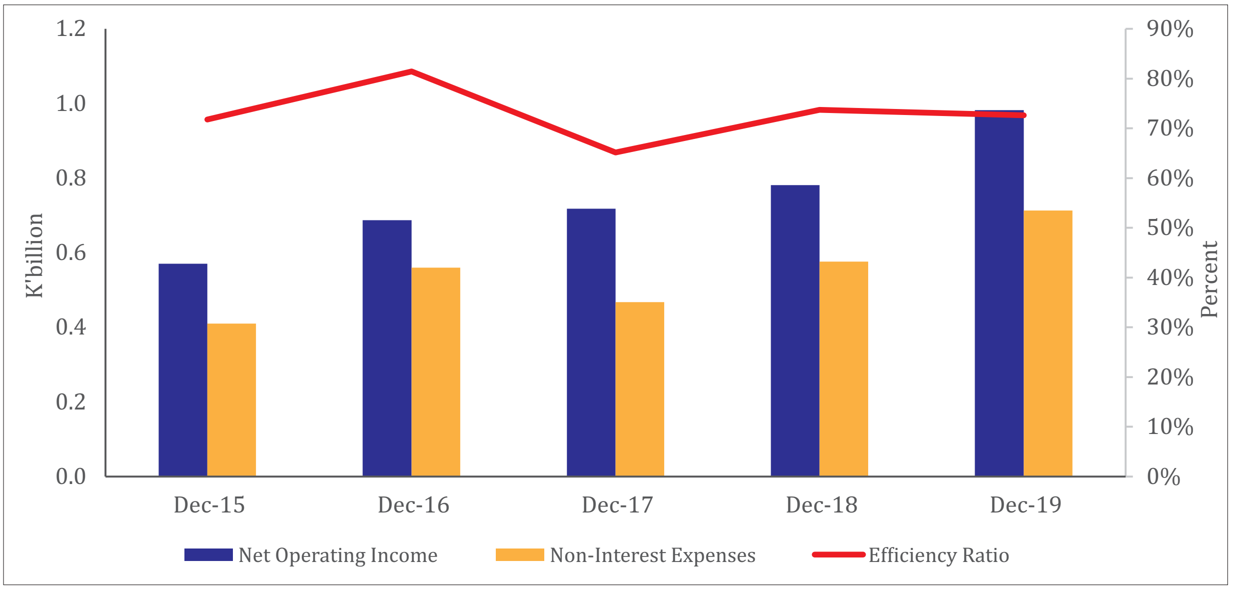
Table 3.12: Summarised Income Statement, (K'billion) 2017 - 2019

Particulars	2017 K' Billion	2018 K' Billion	2019 K' Billion
Interest Income	7.2	7.5	9.7
Interest Expenses	2.6	2.0	3.2
Net Interest Income	4.6	5.5	6.6
Non-Interest Income	3.2	3.6	3.7
Net Operating Income	7.9	9.0	10.2
Non-Interest Expenses	5.2	6.1	6.7
Pre-Provision Operating Profit (PPP)	2.6	2.9	3.4
Loan Loss Provisions	0.6	0.7	0.6
Profit Before Taxation	2.1	2.2	2.9
Taxation	0.7	0.9	1.2
Net Profit	1.3	1.4	1.7

Source: Bank of Zambia

Overhead costs in the banking sector remained high, at 70.2%, relative to the maximum prudential threshold of 60.0% (Chart 3.4).

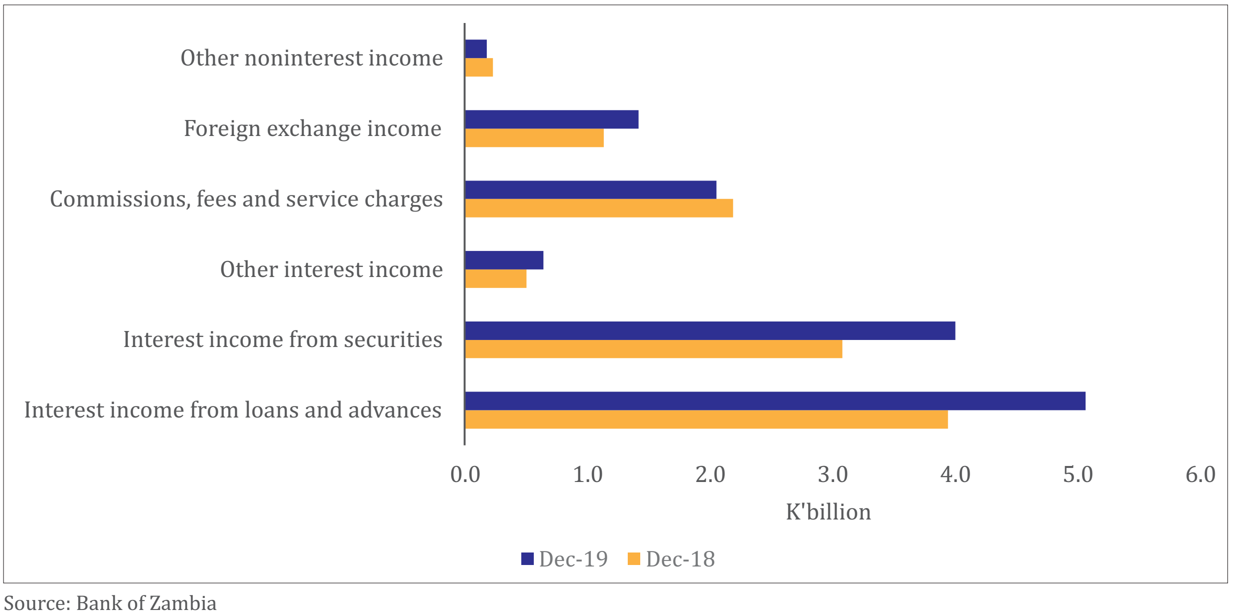
Chart 3.4: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2015 – 2019



Source: Bank of Zambia

The principal sources of income for the banking sector continued to be interest on loans and advances (37.9%) as well as Government securities (29.9%) as shown in Chart 3.5. However, income from commissions, fees and service charges declined partly due to the prohibition of unwarranted charges and fees.

Chart 3.5: Principal Sources of Income (Percent), 2018 - 2019

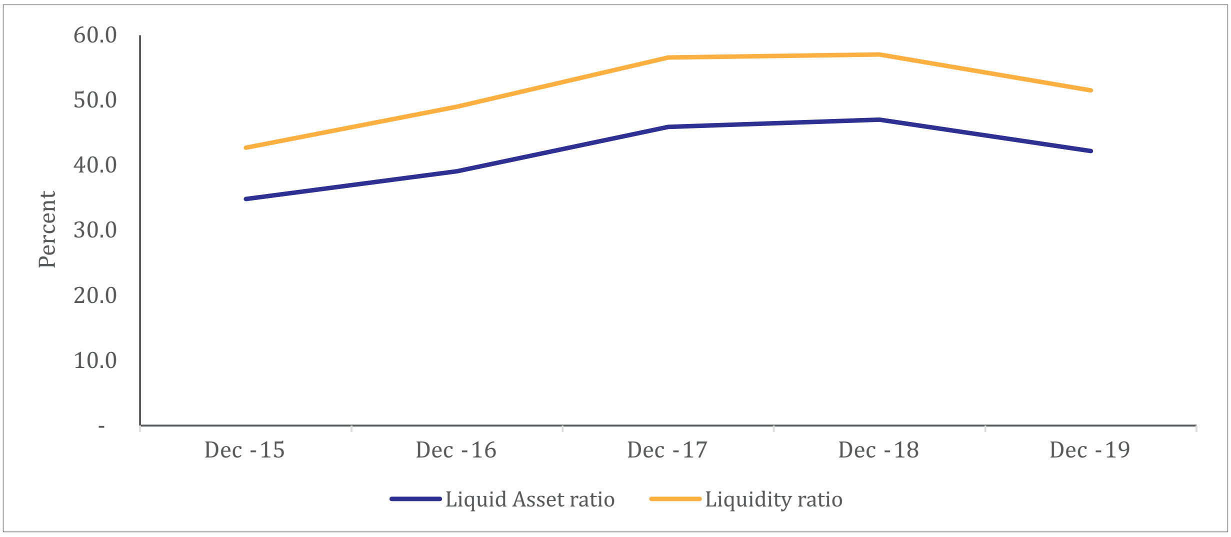


Source: Bank of Zambia

Liquidity

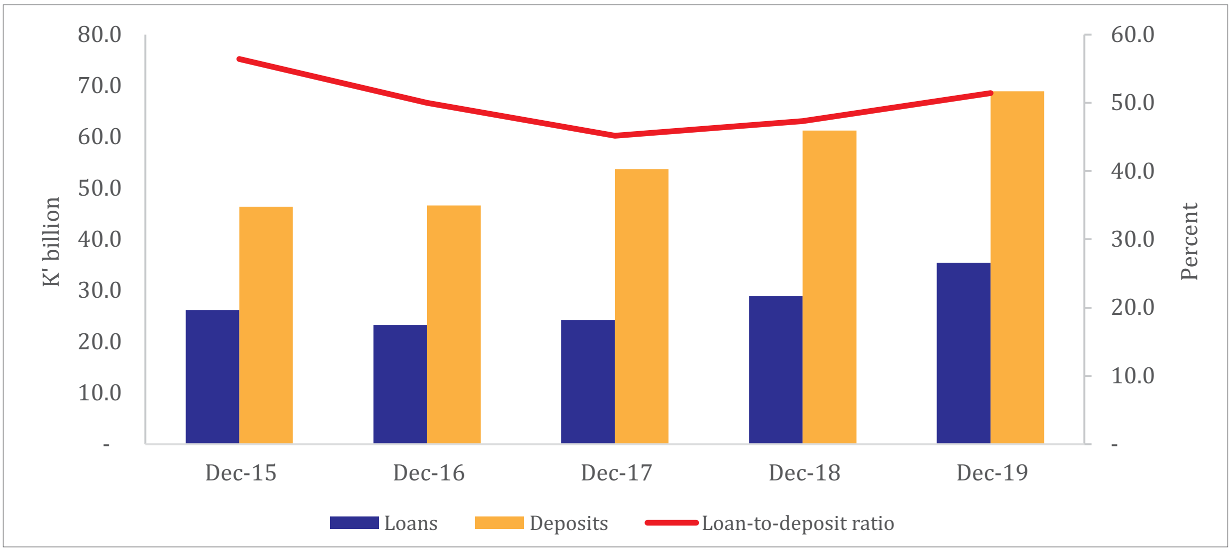
The liquidity position of the banking sector remained satisfactory in 2019. The ratio of liquid assets to total deposits and short-term liabilities (liquidity ratio), at 51.5% was well above the minimum prudential threshold of 25.0% (Chart 3.7). Similarly, the ratio of liquid assets to total assets, at 42.1%, was 17.1 percentage points above the minimum prudential threshold, while the loan to deposit ratio was below the maximum prudential benchmark of 100.0% at 51.5%.

Chart 3.6: Liquid Assets Ratio and Liquidity Ratio (Percent), 2015 – 2019



Source: Bank of Zambia

Chart 3.7: Loans, Deposits, and Loan-to-Deposit Ratio, 2015 – 2019



Source: Bank of Zambia

3.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

3.2.1 Structure of the Non-Bank Financial Institutions Sector

The number of licensed non-bank financial institutions (NBFIs) reduced to 119 in 2019 from 129 in 2018 (Table 3.13) as 12 licenses were cancelled and two issued (Tables 3.14 and 3.15). The number of building societies reduced to one from three following the merger of one building society with a microfinance institution and the placement of the other under liquidation by the Bank of Zambia.

Table 3.13: Structure of NBFIs, 2017 – 2019

Type of Institution	Number of Institutions		
	2017	2018	2019
Leasing Finance Institutions	8	8	7
Building Societies	3	3	1
Enterprise Lending Microfinance Institutions	7	8	7
Consumer Lending Microfinance Institutions	27	27	26
Bureaux de Change	80	80	75
Credit Reference Bureaux	1	1	1
Savings and Credit Institutions	1	1	1
Development Finance Institutions	1	1	1
Total	**128**	**129**	**119**

Source: Bank of Zambia

Table 3.14: Licences Issued in 2019

Institution Licensed	Date Licensed
Bureaux de Change	
Pamoo Bureau de Change Limited	29 January 2019
Microfinance Institutions	
Fair Choice Microfinance	23 May 2019

3.2.2 Performance and Condition of the NBFIs Sector

The overall financial performance and condition of the Non-Bank Financial Institutions (NBFIs) sector was assessed to be fair as at December 31 2019. Of the 93 [20] assessed institutions, 31 were rated satisfactory, 35 were rated fair, 19 were rated marginal while eight were rated unsatisfactory (Tables 3.16 and 3.17).

The regulatory capital, liquidity management and sensitivity to market risk for the sector were rated satisfactory while earnings performance was rated fair. However, asset quality was rated unsatisfactory as the NPL ratio, at 22.4%, exceeded the prudential limit of 10.0%.

Table 3.15: Licences Revoked/Cancelled in 2019

	Bureaux de Change	Date revoked
1.	V & M Bureau de Change Limited	25 January 2019
2.	Runnymede Bureau de Change Limited	25 January 2019
3.	Nichwana Bureau de Change Limited	25 January 2019
4.	Gobena Bureau de Change Limited	25 January 2019
5.	Roseco Bureau de Change Limited	25 January 2019
6.	Walk Tall Bureau de Change Limited	9 September 2019
	Microfinance Institutions	
1.	JMAAC Financial Services Limited	27 September 2019
2.	Innovate Financial Solutions Limited	11 July 2019
3.	Zampost Microfinance Limited	16 October 2019
	Building Societies	
1.	Finance Building Society	27 July 2019
2.	Pan African Building Society	16 October 2019
	Leasing Finance	
1.	Leasing Finance Zambia Limited	15 May 2019

[20] Out of 119 licenced institutions, 26 were not assessed mainly due to suspension and license cancellation.

Table 3.16: Financial Performance Indicators of the NBFI Sector, 2017 - 2019

Indicator (%)	Benchmark	2017	2018	2019
Primary capital adequacy ratio	5.0 or higher	24.2	22.4	22.5
Total regulatory capital adequacy ratio	10.0 or higher	33.5	29.3	23.2
Net NPLs to regulatory capital	10.0 or lower	9.1	12.6	19.0
Gross non-performing loans to total loans	10.0 or lower	18.5	17.6	22.4
Net non-performing loans to total loans	2.5 or lower	3.8	4.4	4.6
Provisions to non-performing loans	80.0 or higher	80.2	75.0	79.3
Earning assets to total assets	80.0 or higher	79.3	79.4	79.1
Net operating income to total assets	10.0 or higher	17.8	20.0	18.7
Non-interest expense to total assets	60.0 or lower	16.1	18.9	20.3
Return on assets	4.0 or higher	6.7	2.7	3.1
Return on equity	20.0 or higher	10.6	29.1	15.1
Efficiency ratio	60.0 or lower	74.7	86.4	86.9
Liquid assets to total assets	15.0 or higher	15.3	14.1	17.3
Liquid assets to deposits and short-term liabilities	15.0 or higher	25.9	23.6	27.4

Table 3.17: Performance Ratings and Financial Condition of the NBFI Sector, 2017 – 2019

Performance Rating	Licence Type	Number of Institutions			% of Total Assets for 2019
		2017	2018	2019	
Strong	Deposit-taking	0	0	0	0.0
	Non-Deposit-taking	0	0	0	0.0
Satisfactory	Deposit-taking	5	3	2	34.0
	Non-Deposit-taking	29	29	29	18.2
Fair	Deposit-taking	5	6	5	7.6
	Non-Deposit-taking	30	32	30	0.8
Marginal	Deposit-taking	0	2	3	17.1
	Non-Deposit-taking	17	21	16	2.0
Unsatisfactory	Deposit-taking	3	3	1	6.3
	Non-Deposit-taking	4	6	7	13.9
Total		**93**	**102**	**93**	**100**

Source: Bank of Zambia

Leasing Finance Institutions

The overall financial condition and performance of the leasing and financial businesses sub-sector for the year ended 31 December 2019 was rated marginal on account of unsatisfactory asset quality, earnings performance and sensitivity to market risk. Regulatory capital and liquidity were satisfactory while asset quality, earnings performance and sensitivity to market risk were rated unsatisfactory (Table 3.18).

Table 3.18: Composite Rating for the Leasing Finance Sub-Sector, 2017 – 2019

Creditor	Number of Leasing Companies			Proportion of Sub-Sector Assets (%)		
Performance Category	2017	2018	2019	2017	2018	2019
Strong	0	0	0	0	0	0
Satisfactory	1	1	2	31	16	52
Fair	3	2	2	31	49	11
Marginal	1	3	1	21	35	24
Unsatisfactory	1	0	1	17	0	13
Total	**6**	**6**	**6**	**100**	**100**	**100**

Source: Bank of Zambia

The total assets and liabilities of the sub-sector decreased by 30.9% and 21.7% to K337.4 million and K272.7 million, respectively. This followed the absorption of one leasing institution by a commercial bank. Most of the assets continued to be held in loans and advances (Table 3.19).

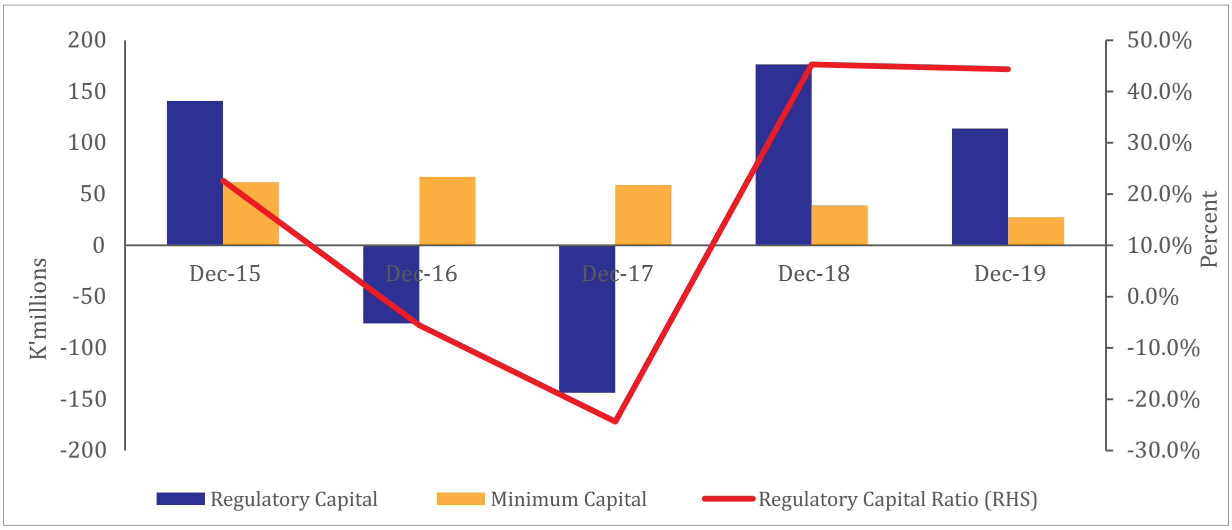
Table 3.19: Asset Structure (K' million and Percent)

Asset Class	2017 (K'm)	2018 (K'm)	2019 (K'm)	2019 (%)
Net loans and advances	260.9	285.4	208.6	61.8
Investments in Government Securities	0.0	9.6	2.5	0.8
Balances with Domestic Institutions	43.8	36.9	46.2	13.7
Other	204.7	156.2	80.1	23.8
Total	**509.4**	**488.1**	**337.4**	**100.0**

Source: Bank of Zambia

The regulatory capital of the leasing sub-sector was satisfactory as at end-December 2019 despite a marginal decrease in the capital adequacy ratio to 44.3% from 45.3% in 2018 (Chart 3.8). The regulatory capital ratio remained above the prudential minimum of 15.0%.

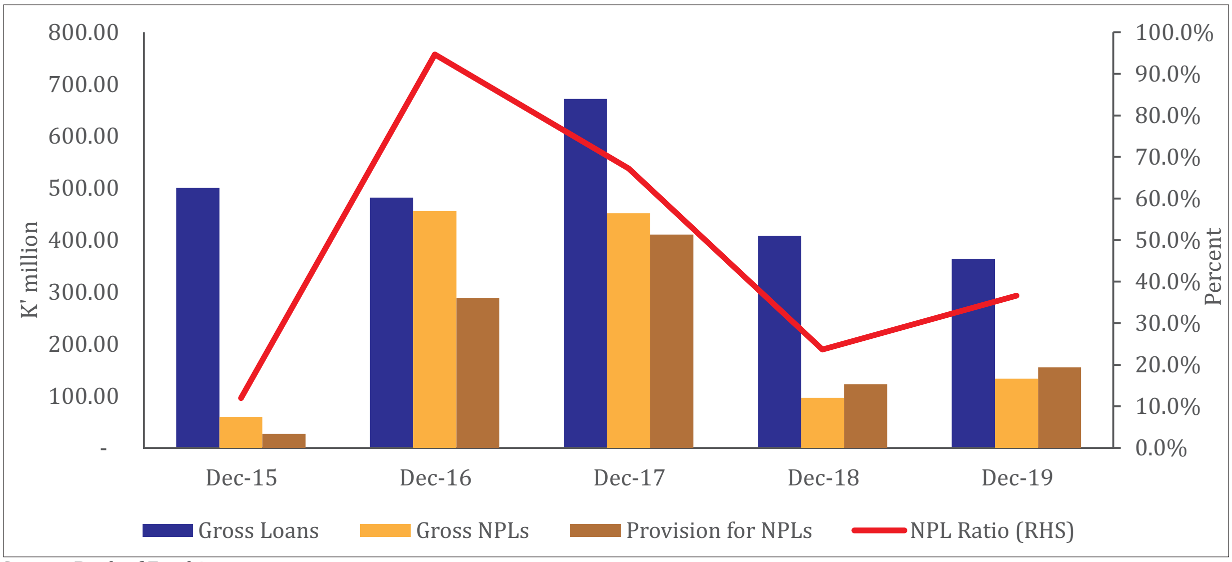
Chart 3.8: Leasing Finance Regulatory Capital (K' million), 2015 – 2019



Source: Bank of Zambia

The asset quality of the leasing sub-sector remained unsatisfactory as the NPL ratio increased further to 36.6% in 2019 from 23.7% in 2018 and remained above the maximum prudential limit of 10.0% (Chart 3.9). The deterioration in the mobile credit portfolio[21] largely accounted for the increase in the NPL ratio. Nonetheless, the NPL coverage ratio, at 116.3%, was satisfactory despite decreasing from 126.9% at end-December 2018.

Chart 3.9: Leasing Finance Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans, 2015 – 2019

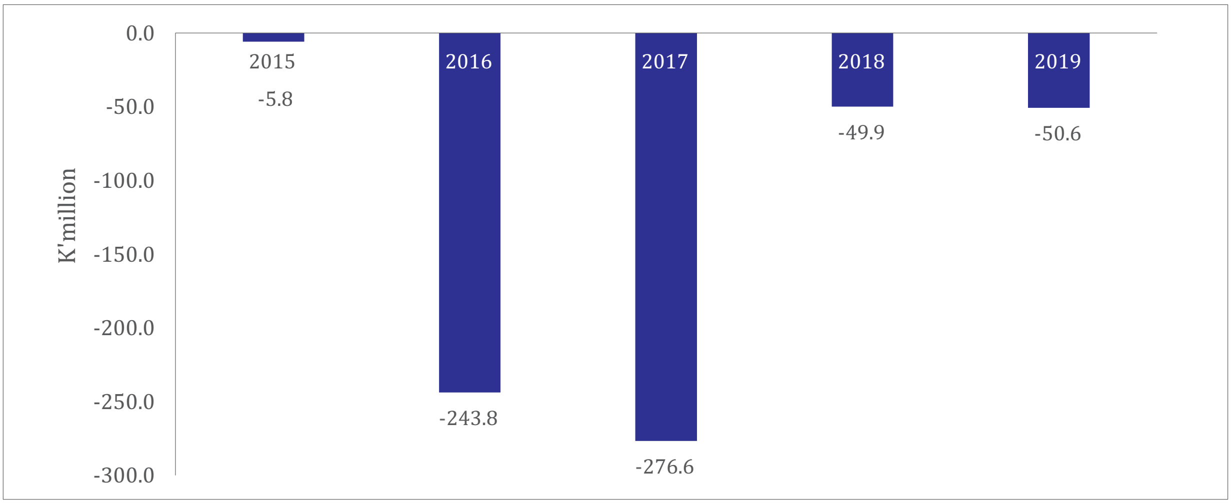


Source: Bank of Zambia

[21]The mobile credit portfolio refers to the unsecured loans accessed via the mobile credit providers.

Earnings performance of the sub-sector was rated unsatisfactory in 2019 due to a decrease in interest income, coupled with an increase in non-interest expenses. The reduction in the interest income followed a decrease in loans and advances. Consequently, a loss before tax of K50.6 million was recorded (Chart 3.10).

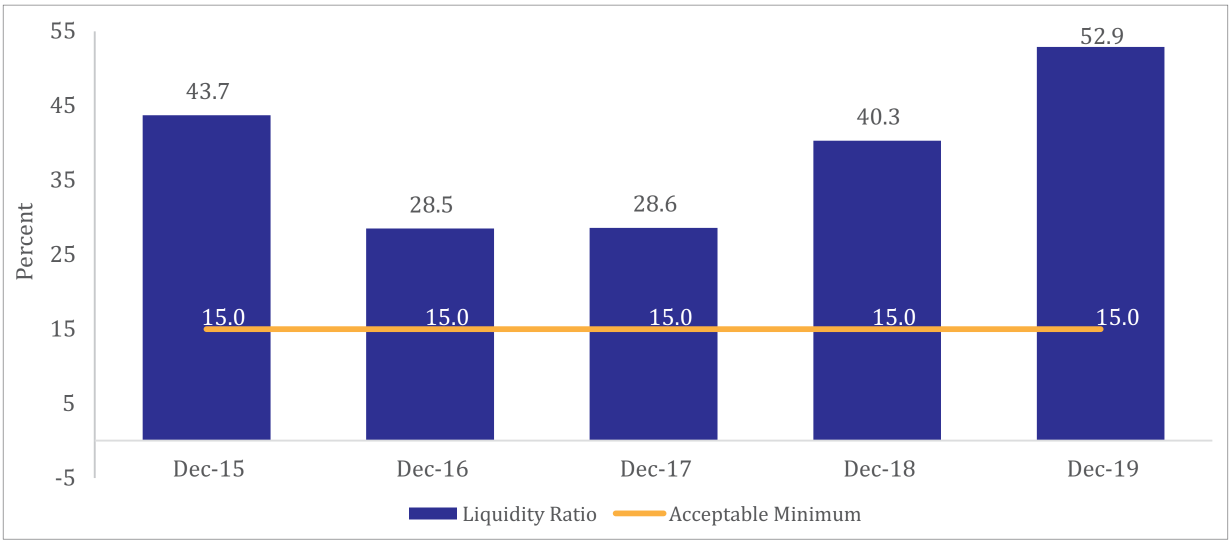
Chart 3.10: Leasing Finance Profit before Tax (K' million), 2015 – 2019



Source: Bank of Zambia

The liquidity position of the leasing sub-sector was satisfactory as current liabilities decreased. The ratio of liquid assets to total deposits and short-term liabilities increased to 52.9% in 2019 from 40.3% in 2018, and was significantly above the prudential minimum requirement of 15.0% (Chart 3.11).

Chart 3.11: Leasing Finance Liquidity Trend, (Percent) 2015 – 2019



Source: Bank of Zambia

The foreign exchange exposure of the leasing finance sub-sector remained unsatisfactory as the ratio of overall foreign exchange exposure to regulatory capital remained unchanged at 40.6%. The ratio was above the maximum prudential limit of 25.0%. A few institutions that continued to hold foreign denominated shareholder loans accounted for this unsatisfactory performanceThe Bank issued supervisory guidance to the respective institutions to regularize their foreign exchange exposures.

Enterprise-Lending Microfinance Institutions

The overall financial performance and condition of the enterprise-lending microfinance institutions (MFIs)[22] sub-sector was fair. The capital adequacy, earnings performance, sensitivity to market risk and liquidity position of the sub-sector were rated satisfactory, while asset quality was unsatisfactory.

[22]These are MFIs whose percentage of loans to micro and small-scale enterprises constitutes not less than 80% of the total loan portfolio.

Total assets increased by 40.3% to K921.4 million from K656.5 million at end-December 2018. The growth was driven by increases across all asset classes, predominantly loans and advances and balances held with domestic institutions. Loans and advances continued to constitute the largest proportion of the sub-sector total assets (Table 3.20).

Table 3.20: Asset Structure (K' million and Percent), 2017 - 2019

Asset Class	2017 (K'm)	2018 (K'm)	2019 (K'm)	2019 (Percent)
Loans and advances	365.2	454.4	635.6	69.0
Investments in Government Securities	6.0	1.5	13.7	1.5
Balances with Domestic Institutions	43.8	67.0	97.3	10.5
Other	77.7	133.6	174.8	19.0
Total	**492.7**	**656.5**	**921.4**	**100.0**

Source: Bank of Zambia

Total liabilities of the sub-sector increased by 26.9% to K705.0 million largely attributed to a rise in other borrowed funds, particularly those with tenures of more than one year and subordinated debt. Deposits continued to account for the largest component of liabilities (Table 3.21).

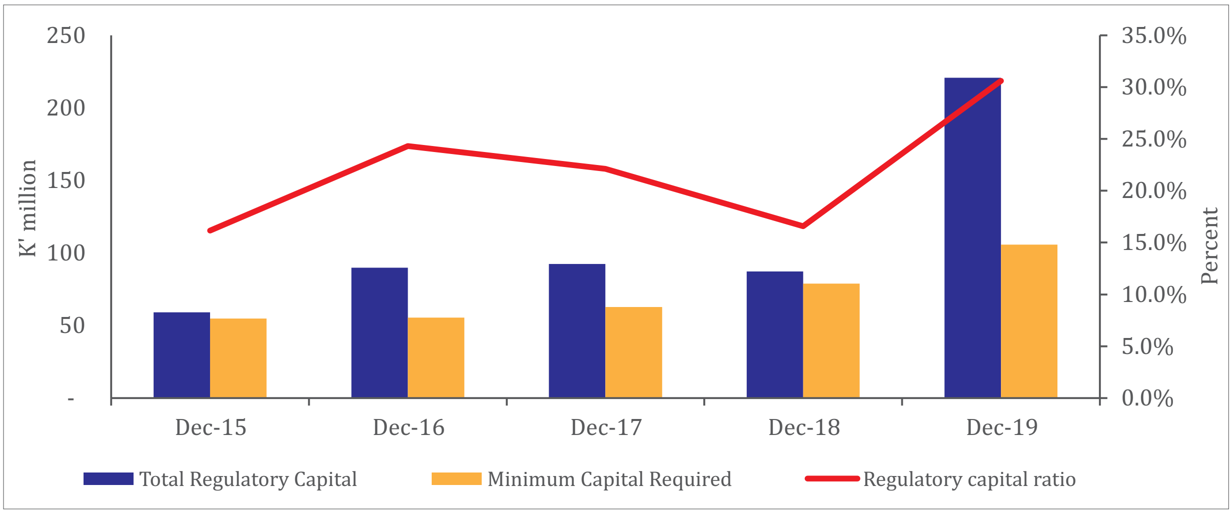
Table 3.21: Liability Structure (K' million and Percent), 2017 - 2019

Liability Class	2017 (K'm)	2018 (K'm)	2019 (K'm)	2019 (Percent)
Deposits	153.1	201.7	220.7	31.3
Balances due to Domestic Institutions	4.6	18.2	3.4	0.5
Balances due to Foreign Institutions	102.3	169.2	162.8	23.1
Other Borrowed Funds	69.5	81.9	155.6	22.1
Other Liabilities	62.9	84.5	162.5	23.0
Total	**392.4**	**555.5**	**705.0**	**100.0**

Source: Bank of Zambia

The regulatory capital position of the sub-sector was rated satisfactory as the regulatory capital ratio increased to 30.6% from 16.6%, well above the minimum regulatory capital ratio of 15.0% (Chart 3.12). The increase in the ratio was mainly attributed to a rise in profitability.

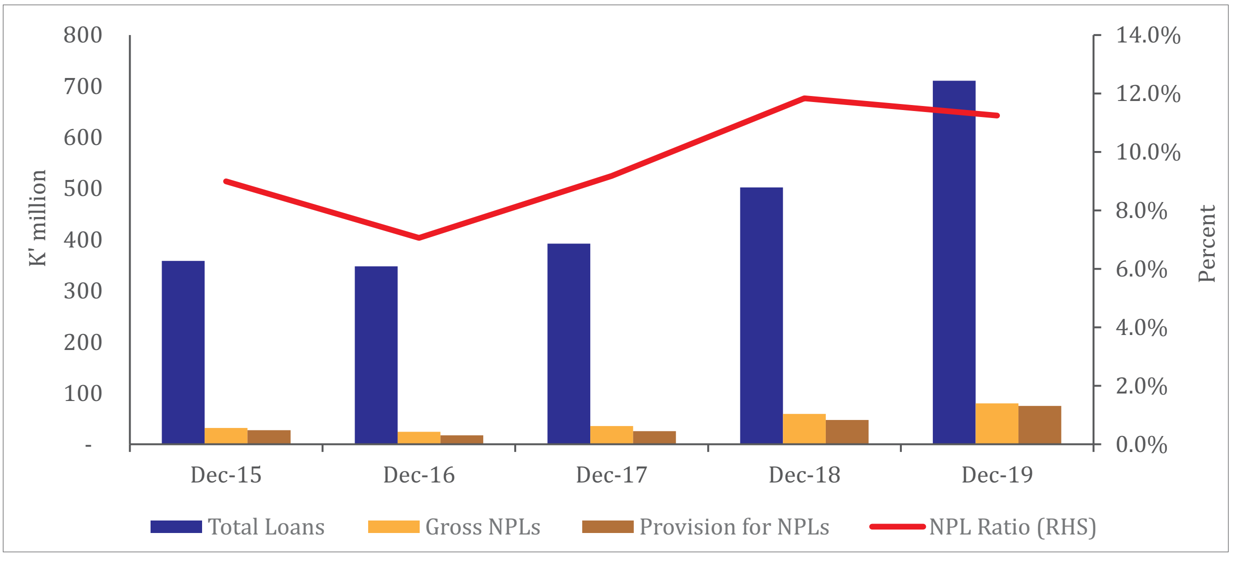
Chart 3.12: Regulatory Capital of the Enterprise-Lending MFI Sub-Sector, 2015 – 2019



Source: Bank of Zambia

Asset quality of the enterprise-lending MFIs sub-sector was unsatisfactory at end-December 2019 as the NPL ratio, at 11.2%, remained above the maximum prudential limit of 10.0%. The NPL coverage ratio increased to 93.7% from 80.3% at end-December 2018 and was considered adequate (Chart 3.13).

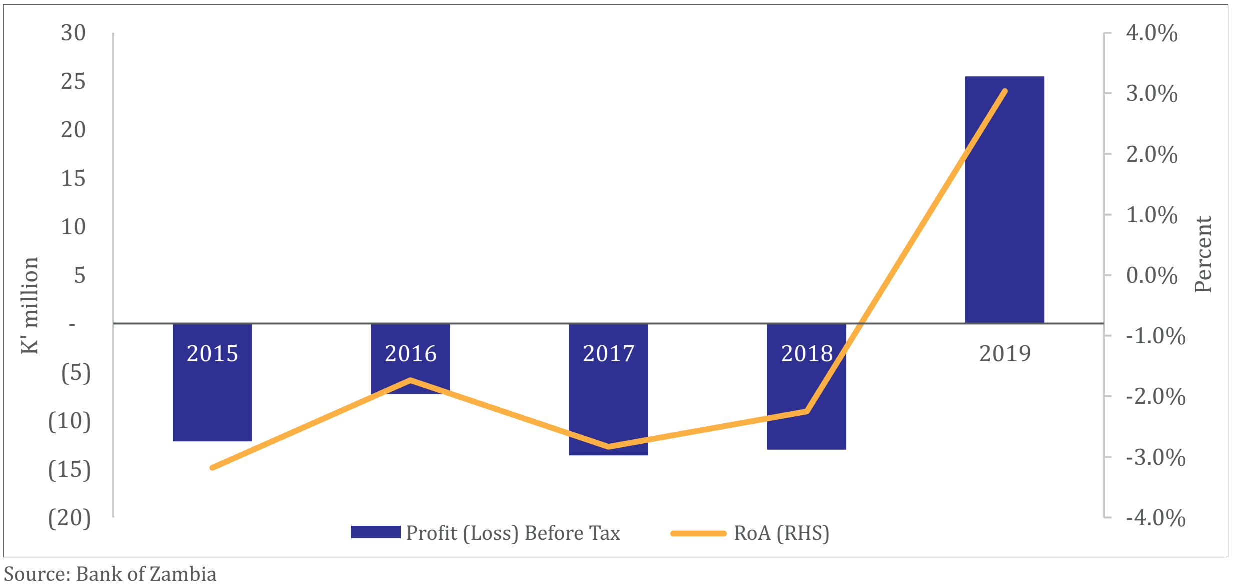
Chart 3.13: Total Loans, Gross Non-Performing Loans and Provision for Non- Performing Loans, 2015-2019



Source: Bank of Zambia

The earnings performance of the enterprise-lending MFIs was rated satisfactory. The sub-sector reported a profit before tax of K25.5 million against a loss before tax of K13.0 million in 2018 (Chart 3.14). This was mostl attributed to a 50.2% rise in total interest income to K377.0 million following an increase in gross loans.

Chart 3.14: Profit before Tax, 2015 - 2019



Source: Bank of Zambia

The sub-sector's overall foreign exchange exposure was satisfactory at end-December2019. Despite the overall foreign exchange exposure increasing to 18.6% from 8.1% at end-December-2018, it remained below the statutory limit of 25.0%.

Consumer-Lending Microfinance Institutions

The overall financial performance and condition of the consumer-lending MFIs sub-sector was rated satisfactory. The sub-sector's capital adequacy position, earnings performance and liquidity management were satisfactory while asset quality was unsatisfactory.

Total assets increased by 13.4% to K5,880.9 million, driven by increases in net loans and advances and balances held with domestic financial institutions. Loans and advances continued to constitute the largest proportion of the sub-sector total assets, at 86.0% (Table 3.22).

Table 3.22: Asset Structure of the Consumer Lending MFIs, (K' million and Percent), 2017 - 2019

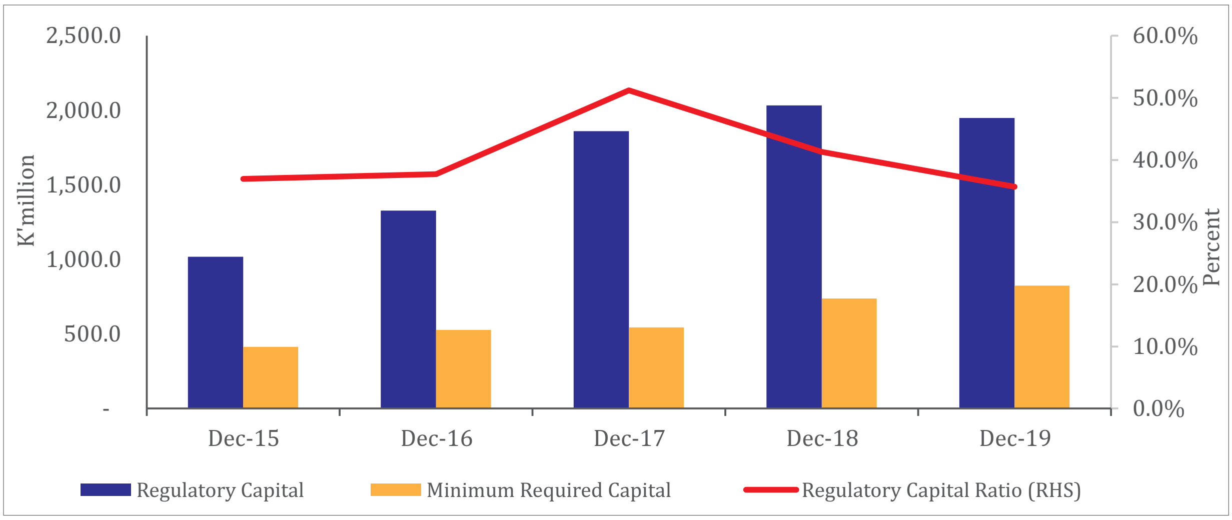
Asset Class	2017 (K'm)	2018 (K'm)	2019 (K'm)	2019 (%)
Loans and advances	3,382.0	4,576.3	5,055.6	86.0
Balances with Domestic Institutions	226.8	261.5	344.9	5.8
Other	283.9	349.4	480.4	8.2
Total	**3,892.7**	**5,187.2**	**5,880.9**	**100.0**

Source: Bank of Zambia

Total liabilities increased by 5.9% to K3,938.0 million, driven by a rise in balances due to foreign institutions as they sought funding from foreign sources.

The regulatory capital of the consumer-lending MFIs subsector was rated satisfactory. Despite decreasing to 35.1% at end-December 2019, the regulatory capital ratio was still well above the minimum regulatory limit of 15.0% (Chart 3.15). The decrease in the ratio was on account of a decline in regulatory capital following a reduction in profit after tax.

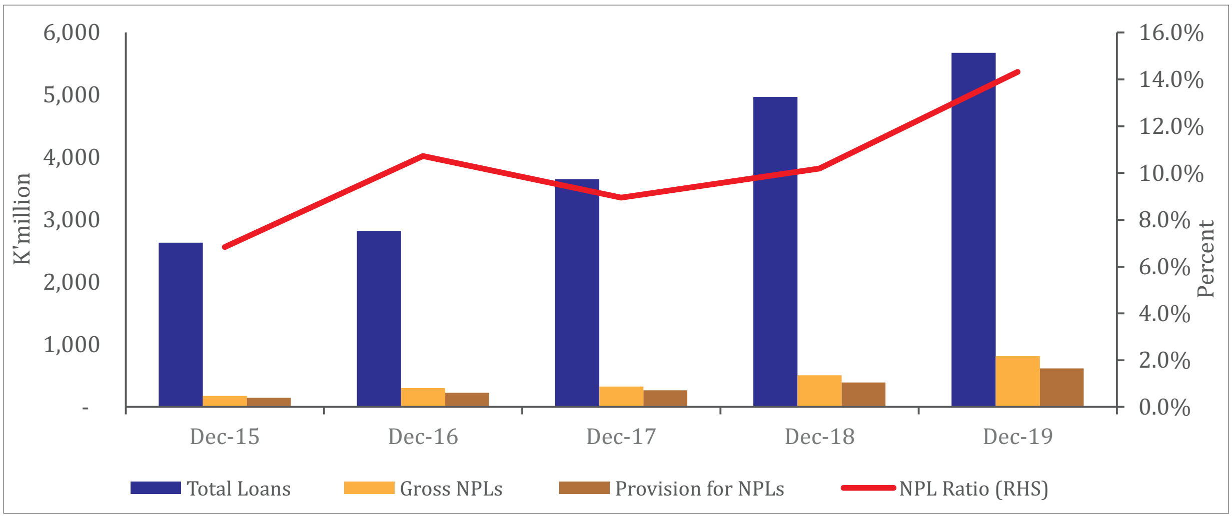
Chart 3.15: Regulatory Capital of the Consumer Lending MFIs, 2015-2019



Source: Bank of Zambia

The asset quality of the consumer-lending MFIs sub-sector was rated unsatisfactory. The NPL ratio increased to 14.3% at end-December 2018 from 10.2% at end-December 2018 and remained above the prudential limit of 10% (Chart 3.16). The increase was due to increased NPLs largely attributed to delays by the Government to remit loan repayments for loans advanced to civil servants.

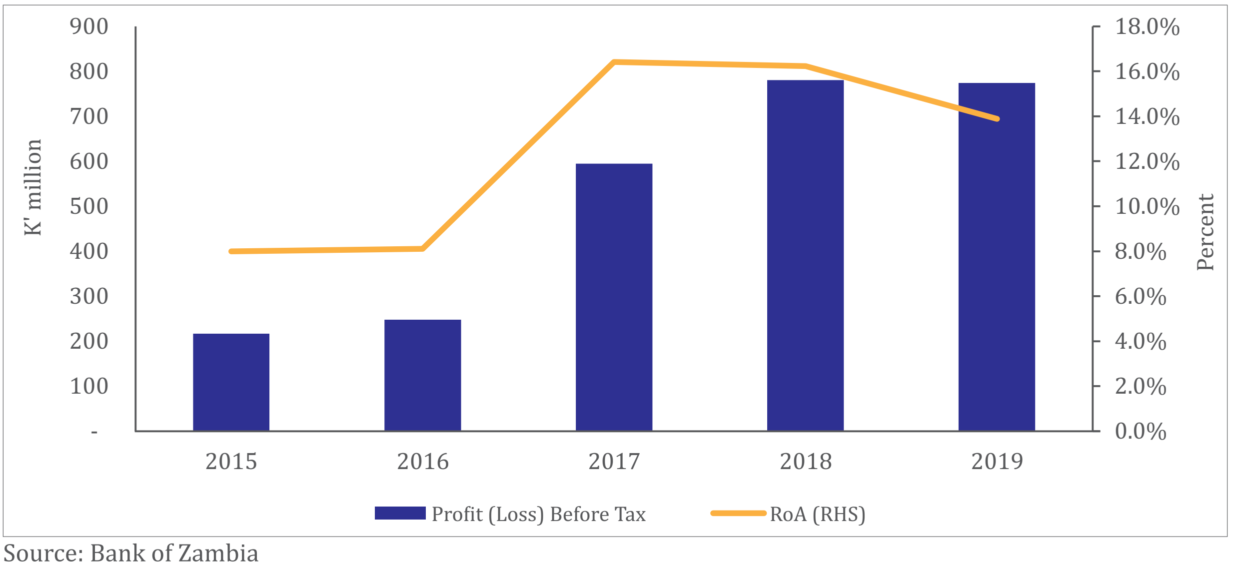
Chart 3.16: Total Loans, Gross NPLs, Provision for NPLs and NPL Ratio, 2015-2019



Source: Bank of Zambia

The earnings performance of the consumer-lending MFIs sub-sector was rated satisfactory. Profit before tax, however, reduced marginally to K774.5 million from K780.7 million in 2018, largely attributed to increases in interest and non-interest expenses (Chart 3.17).

Chart 3.17: Profit before Tax of the Consumer-Lending Microfinance, 2015-2019



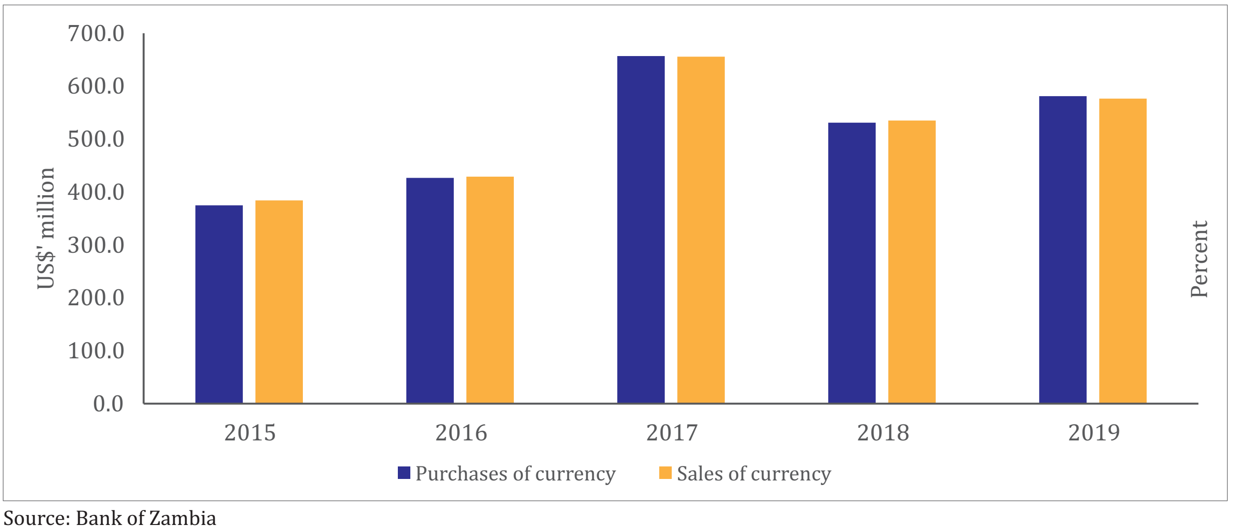
Source: Bank of Zambia

At end-December 2019, the overall foreign exchange exposure of the sub-sector remained satisfactory, at 1.8% (6.0% in 2018).

Bureaux de Change

The bureau de change sub-sector was adequately capitalised at end-December 2019. Foreign currency purchases increased by 9.5% to US$581.4 million, mostly from the public (Chart 3.18). Foreign currency sales also increased by 7.8% to US$576.6 million. The average buying and selling rates were K12.80/US$ and K12.99/US$ in 2019, up from K10.40/US$ and K10.57/US$ in 2018, respectively.

Chart 3.18: Bureau de Change Volume of Transactions, (US$ million), 2015 – 2019



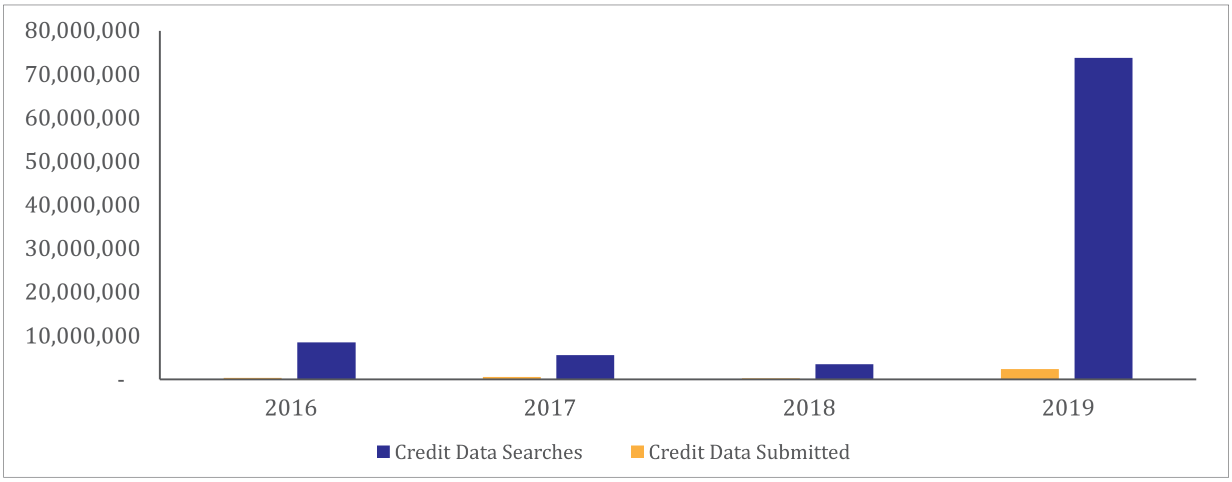
Source: Bank of Zambia

Credit Reference Bureau

In 2019, the number of credit files submitted to the credit reference bureau increased to 70,334,866 from 10,530,825 (Chart 3.19). The number of credit reports searched also increased to 2,063,732 from 926,181.

The significant increase was on account of the commencement of submissions and searches by a mobile credit provider that accounted for 80.0% and 64.0% of total submissions and data searches, respectively. Excluding the mobile credit provider, the number of credit files submitted and credit reports searched were 14,066,973 and 742,943, respectively.

Chart 3.19: Trend of use of Credit Reference System by Financial Service Providers, 2016 - 2019



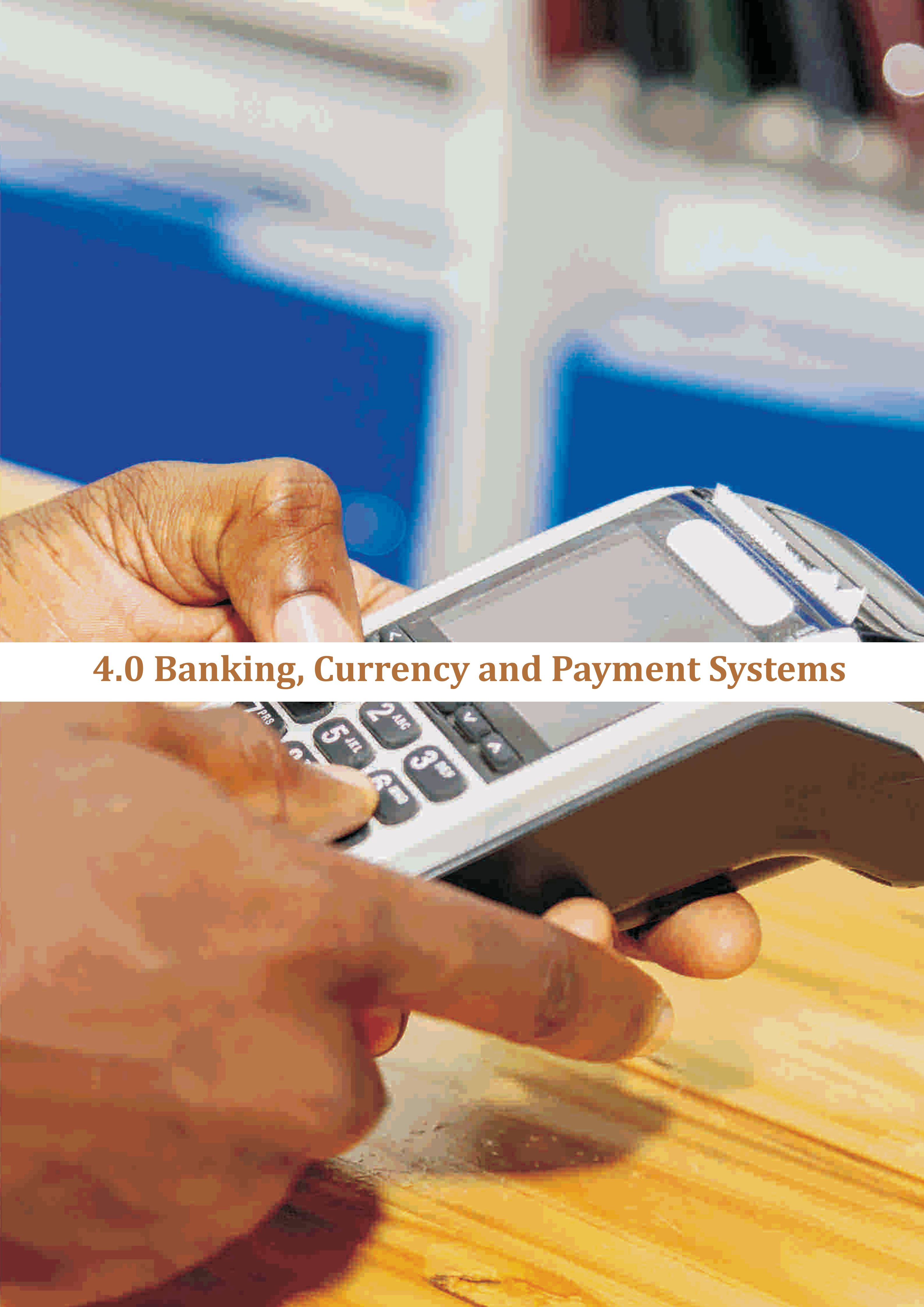
Source: Credit Reference Bureau Africa/TransUnion

Further, progress was made towards reaching critical mass in credit information, evidenced by the increase in credit account records on the credit reference bureau database by 140.0% to 7,910,162. Individuals (natural persons) continued to account for the largest share of customers, at 81.0%. Further, the total number of persons (natural and corporates) on the database increased to 2,061,700 from 1,566,287 in 2018.

3.3 CONSUMER PROTECTION AND MARKET CONDUCT

The Bank of Zambia received 67 written complaints from the banking sector in 2019. Most of the complaints related to loan administration such as extending loan tenures, high interest rates and wrong deductions as well as disputed ATM transactions.

From the non-bank sector, 42 complaints were received in 2019 compared to 126 in 2018. Most of the complaints related to penal interest charges, delays in complaint resolution by financial service providers and compulsory requirement for customers to use insurance service providers recommended by financial service providers. The reduction in the number of complaints received and processed was mainly attributed to the supervisory actions taken by the Bank of Zambia against seven NBFIs following on-site examinations.



4.0 Banking, Currency and Payment Systems

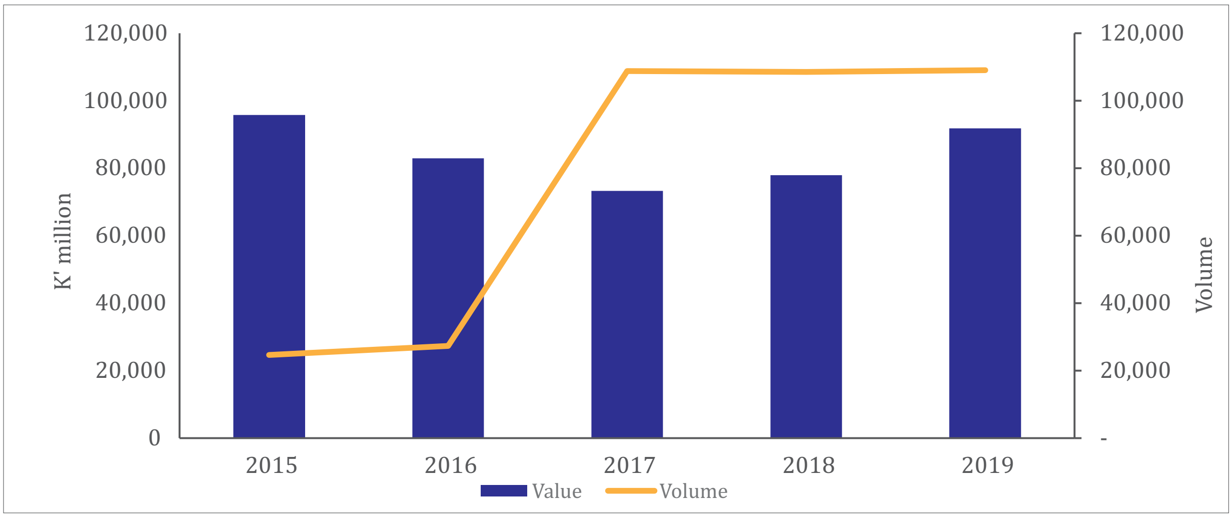
4.0Banking, Currency and Payment Systems

In 2019, the Bank continued to perform its function of providing banking services to the Government and commercial banks, overseeing the national payment system, as well as supplying clean banknotes and withdrawing soiled notes.

4.1 BANKING SERVICES

The Bank facilitated receipt of revenue and transmission of payments to Government suppliers of goods and services and funding of line Ministries, Provinces and Spending Agencies (MPSAs). The value of transactions processed through the Treasury Single Account (TSA) in 2019 increased to K91, 834.89 million from K77, 958.92 million in 2018 (Chart 4.1). Similarly, the volume of transactions increased to 109,082 from 108,604.

Chart 4.1: Treasury Single Account Transactions, 2015 - 2019



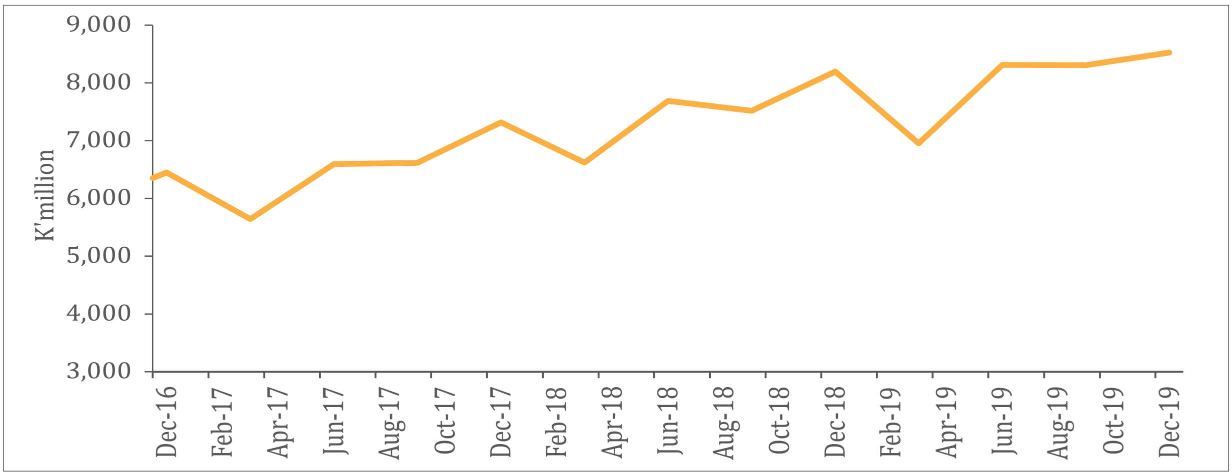
Source: Bank of Zambia

In 2019, 13 commercial banks accessed the Intraday Loan Facility (ILF) compared to 14 in 2018 while 11 commercial banks utilised the Overnight Lending Facility (OLF) window. In addition, all commercial bank transactions settled on time.

4.2 CURRENCY MANAGEMENT

Currency in circulation, at K8,526.6 million in 2019, was 4.1% higher than the previous year (Chart 4.2 and Table 4.1). Banknotes continued to account for the largest share, at 97.8% (K8,342.5 million).

Chart 4.2: Currency in Circulation (K 'million), Dec 2016 – Dec 2019



Source: Bank of Zambia

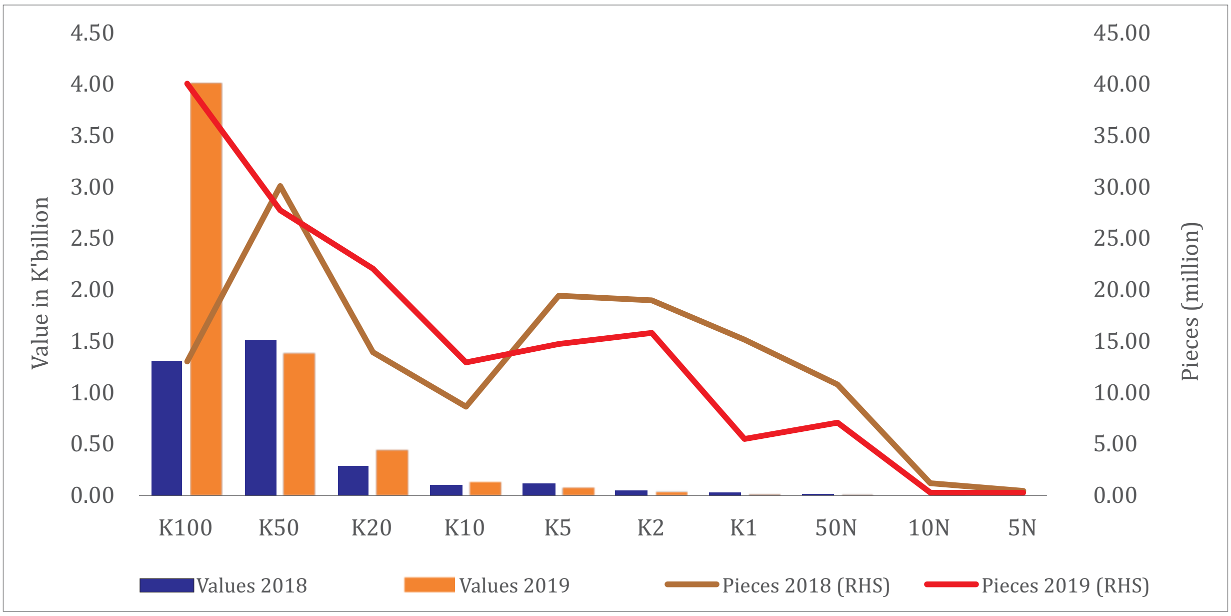
Table 4.1: Currency in Circulation, 2017 – 2019

	Values (ZMW)			Pieces		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
K100	5,067,826,250	5,266,779,300	5,814,103,200	50,678,263	52,667,793	58,141,032
K50	1,542,082,350	2,159,563,300	1,980,858,350	30,841,647	43,191,266	39,617,167
K20	292,698,310	281,913,660	295,299,360	14,634,916	14,095,683	14,764,968
K10	114,708,430	108,725,660	130,650,780	11,470,843	10,872,566	13,065,078
K5	89,100,491	120,835,505	90,101,670	17,820,098	24,167,101	18,020,334
K2	28,171,396	49,173,344	31,447,319	14,085,698	24,586,672	15,723,660
K1	103,121,024	132,235,024	109,494,990	103,121,024	132,235,024	109,494,990
50N	63,570,027	63,123,927	62,246,428	127,140,054	126,247,854	124,492,856
10N	10,261,272	8,452,672	8,685,472	102,612,720	84,526,724	86,854,724
5N	3,800,360	3,722,859	3,723,059	76,007,203	74,457,189	74,461,189
Total	**7,315,339,909**	**8,194,525,25**	**8,526,610,629**	**548,412,464**	**587,047,871**	**554,635,997**

Source: Bank of Zambia

The Bank issued 145.3 million pieces of mint banknotes and coins valued at K6,063.3 million into circulation in 2019 (Chart 4.3 and Table 4.2). This was higher than the 130.9 million pieces valued at K3,315.3 million issued in 2018. The highest proportion of currency issued was in high value notes: K100 (65.9%) and K50 (22.8%). The middle value (K10 and K20) and low value (K2 and K5) banknotes both accounted for 11.1% while coins accounted for 0.1% of the total currency issued.

Chart 4.3: Currency issued into Circulation, 2018 – 2019



Source: Bank of Zambia

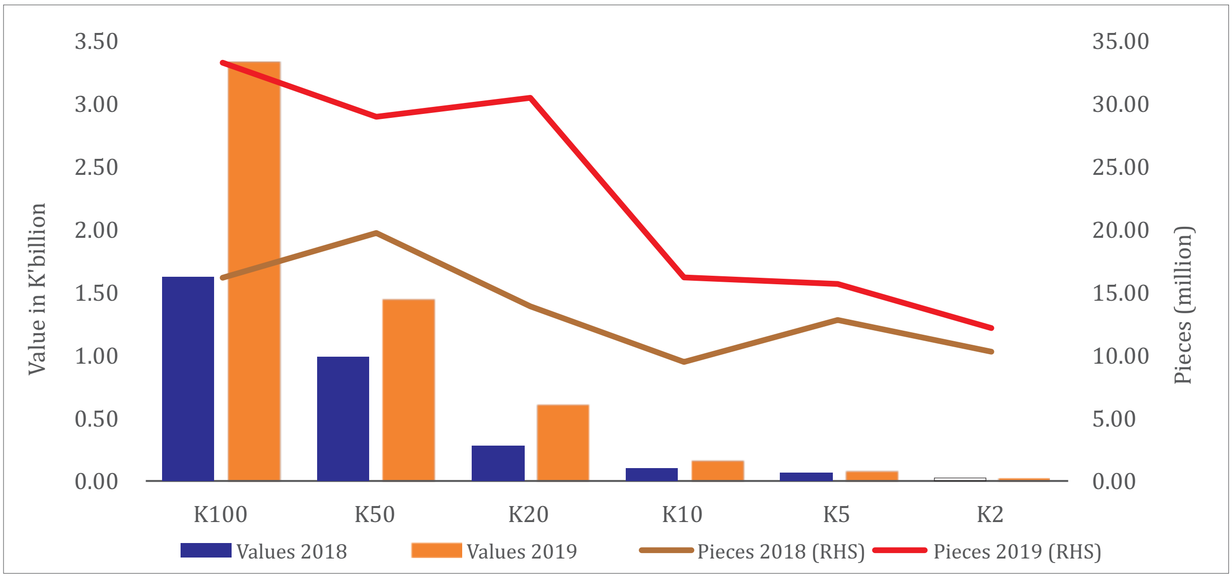
Table 4.2: Currency Issued into Circulation, 2017 - 2019

	Values (ZMW)			Pieces		
	2017	2018	2019	2017	2018	2019
K100	2,335,400,000	1,296,800,000	3,997,600,000	23,354,000	12,968,000	39,976,000
K50	1,503,500,000	1,500,750,000	1,383,900,000	30,070,000	30,015,000	27,678,000
K20	418,330,000	277,140,000	439,570,000	20,916,500	13,857,000	21,978,500
K10	115,100,000	85,490,000	128,630,000	11,510,000	8,549,000	12,863,000
K5	71,400,000	96,745,000	73,280,000	14,280,000	19,349,000	14,656,000
K2	15,222,000	37,804,000	31,446,000	7,611,000	18,902,000	15,723,000
K1	14,223,000	15,071,000	5,419,000	14,223,000	15,071,000	5,419,000
50N	3,404,000	5,359,000	3,502,000	6,808,000	10,718,000	7,004,000
10N	631,700	110,900	2,100	6,317,000	1,109,000	21,000
5N	140,050	7,600	200	2,801,000	352,000	4,000
Total	**4,477,350,750**	**3,315,287,500**	**6,063,349,300**	**137,890,500**	**130,890,000**	**145,322,500**

Source: Bank of Zambia

A total of 138.4 million pieces of unfit notes valued at K5,644.7 million were withdrawn from circulation in 2019 (Chart 4.4 and Table 4.3). This was higher than the 82.3 million pieces valued at K3,057.2 million withdrawn in 2018.

Chart 4.4: Currency Withdrawn from Circulation, 2018 – 2019



Source: Bank of Zambia

Table 4.3: Currency Withdrawn from Circulation, 2017 – 2019

	Values (ZMW)			Pieces		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
K100	2,061,198,400	1,615,045,300	3,323,418,900	20,611,984	16,150,453	33,234,189
K50	962,254,300	985,543,200	1,447,743,250	19,245,086	19,710,864	28,954,865
K20	325,185,800	277,468,600	609,074,120	16,259,290	13,873,430	30,453,706
K10	140,024,050	94,645,000	161,855,000	14,002,405	9,464,500	16,185,500
K5	73,303,155	63,968,500	78,286,305	14,660,631	12,793,700	15,657,261
K2	38,212,164	20,551,000	24,294,000	19,106,082	10,275,500	12,147,000
Total	**3,600,177,869**	**3,057,221,600**	**5,644,671,575**	**103,885,478**	**82,268,447**	**136,632,521**

Source: Bank of Zambia

The number of counterfeit notes detected by the Bank of Zambia, commercial banks and other Government Security Agencies in 2019 reduced to 20,698 pieces from 33,485 pieces in 2018. The Bank and Security Agencies continued to sensitise the public on the identification of genuine banknotes (Table 4.4 and Table 4.5).

Table 4.4: Counterfeit Notes Detected, 2017 – 2019

Denomination	2017	2018	2019
K100	8,535	32,778	19,888
K50	218	227	586
K20	73	461	199
K10	8	10	22
K5	11	9	3
Total	**8,845**	**33,485**	**20,698**

Source: Bank of Zambia

Table 4.5: Counterfeit Notes intercepted by Organisation, 2019

Denomination	Bank of Zambia	Commercial Banks	Drug Enforcement Commission & Zambia Police	Others	Total
K100	98	1,755	18,009	26	19,888
K50	50	309	225	2	586
K20	51	143	4	1	199
K10	3	19	0	0	22
K5	0	3	0	0	3
Total	**202**	**2,229**	**18,238**	**29**	**20,698**

Source: Bank of Zambia

4.3 PAYMENT SYSTEMS

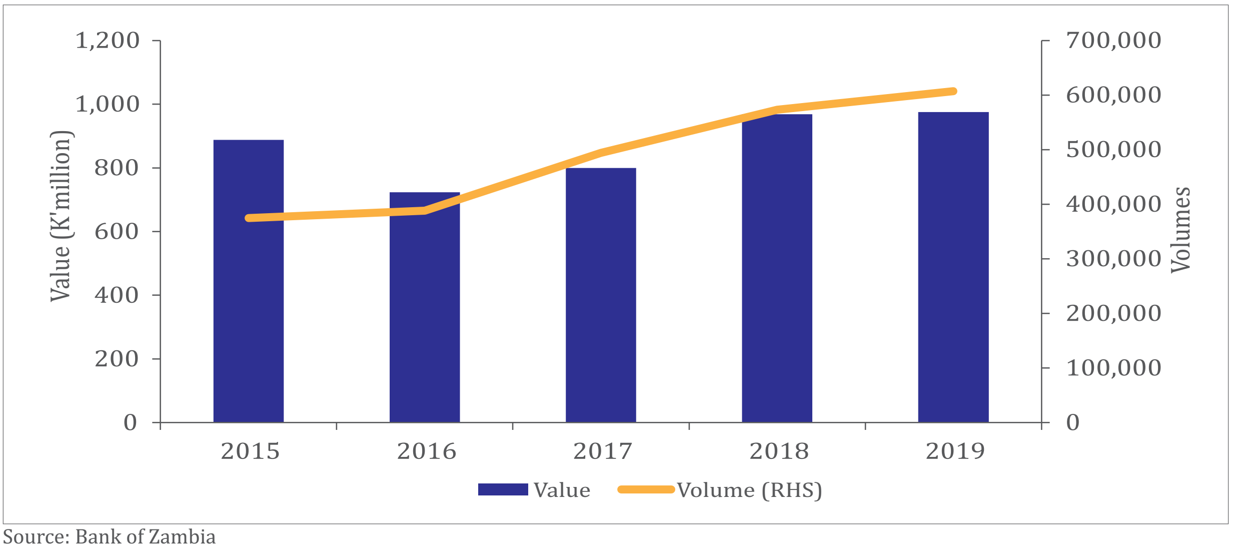
The national payment systems operated satisfactorily in 2019, recording high availability levels and improvements in values and volumes of transactions processed.

Zambia Interbank Payment and Settlement System

The availability of the Zambia Interbank Payment and Settlement System (ZIPSS) remained high, at 98.7%. The system, however, experienced minimal downtime mainly due to network connectivity and application challenges, which were resolved within acceptable timeframes.

The value of transactions processed on ZIPSS rose by 0.7% to K975, 282.9 million while the volume of transactions increased by 5.9% to 607,114 in 2019 (Chart 4.5). The rise in both volumes and values was mainly due to the increase in Government securities transactions.

Chart 4.5: ZIPSS Volumes and Values, 2015 – 2019

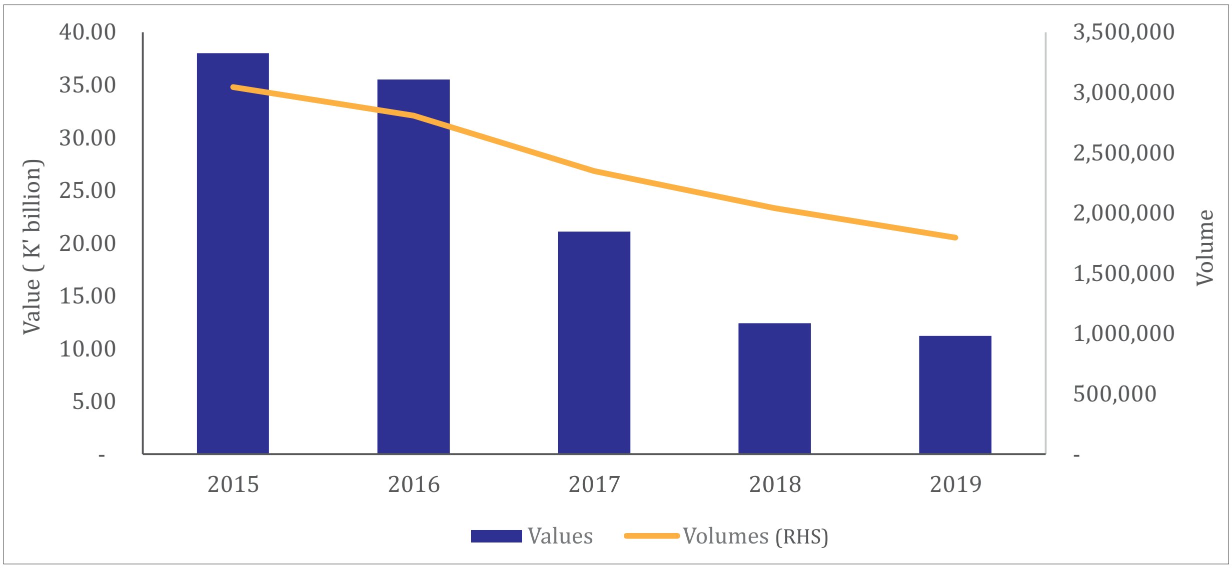


Source: Bank of Zambia

Cheque Image Clearing System

The volume and value of cheques cleared continued to decline as the utilisation of electronic payment methods increased. The volume of cheques cleared reduced by 12.0% to 1,794,631 in 2019 (Chart 4.6). The value of cheques cleared also decreased by 10.0% to K11.2 billion in 2019.

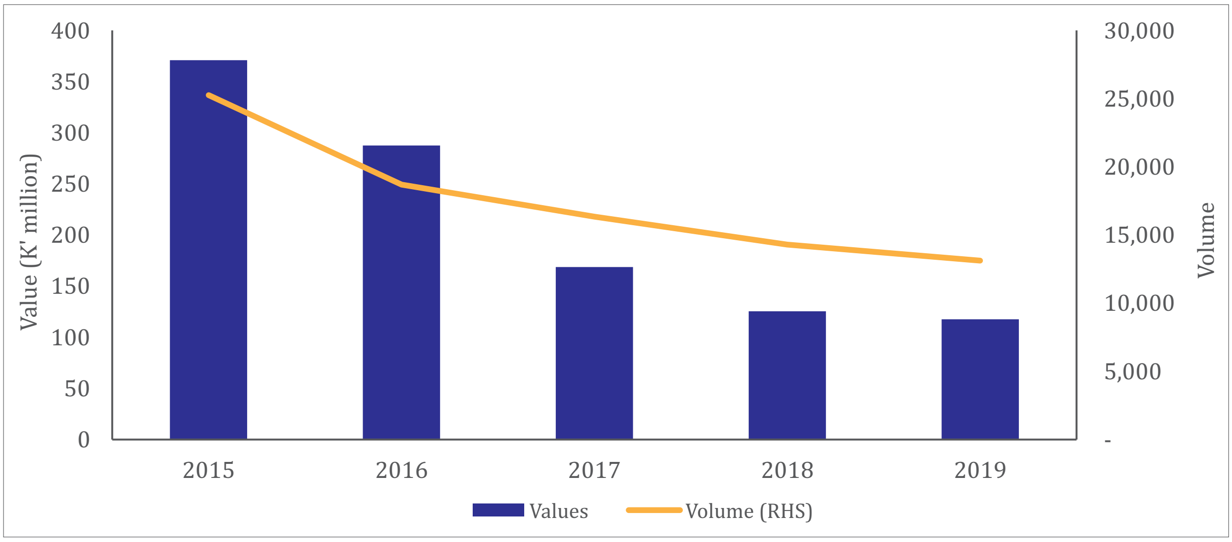
Chart 4.6: Cheque Images Cleared, 2015 – 2019



Source: Bank of Zambia

The volume and value of cheques returned unpaid due to insufficient funds decreased by 8.0% and 6% to 13,122 and K117.5 million in 2019, respectively (Chart 4.7). The decrease was partly attributed to the reduction in the usage of cheques.

Chart: 4.7: Unpaid Cheques, 2015 – 2019

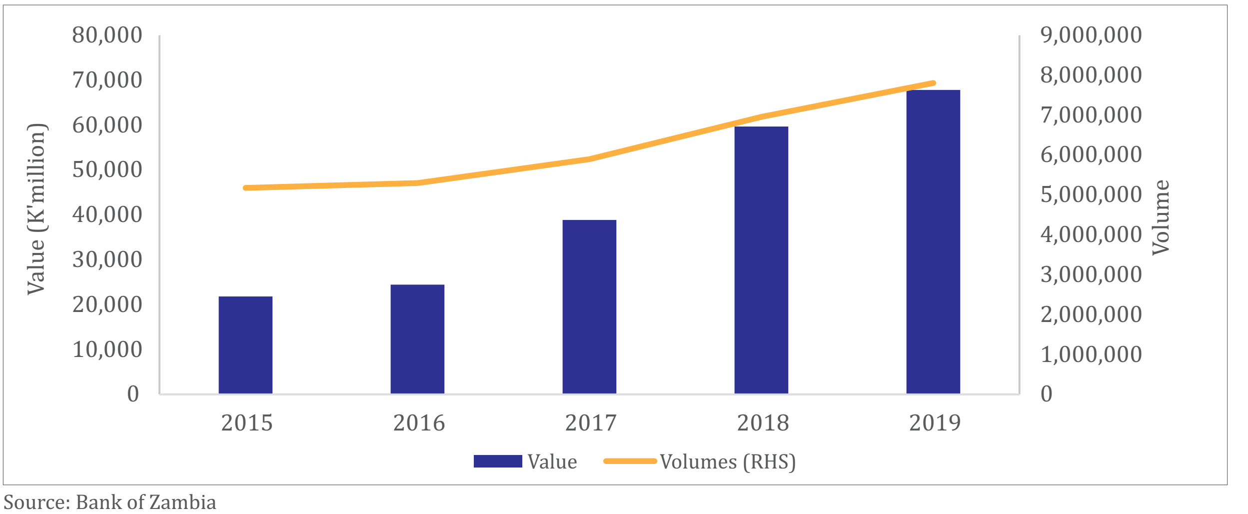


Source: Bank of Zambia

Electronic Funds Transfer Clearing System

The volume of transactions processed on the Electronic Funds Transfer (EFT) payment stream increased by 12% to 7,800,720 in 2019 while the value of transactions processed increased by 14% to K67,812.9 million in 2019 (2018; K59,689.0 million) (Chart 4.8). The increase in EFT transactions was partly attributed to the promotion of digital financial services as a means of payment.

Chart 4.8: Electronic Funds Transfers Processed, 2015 – 2019

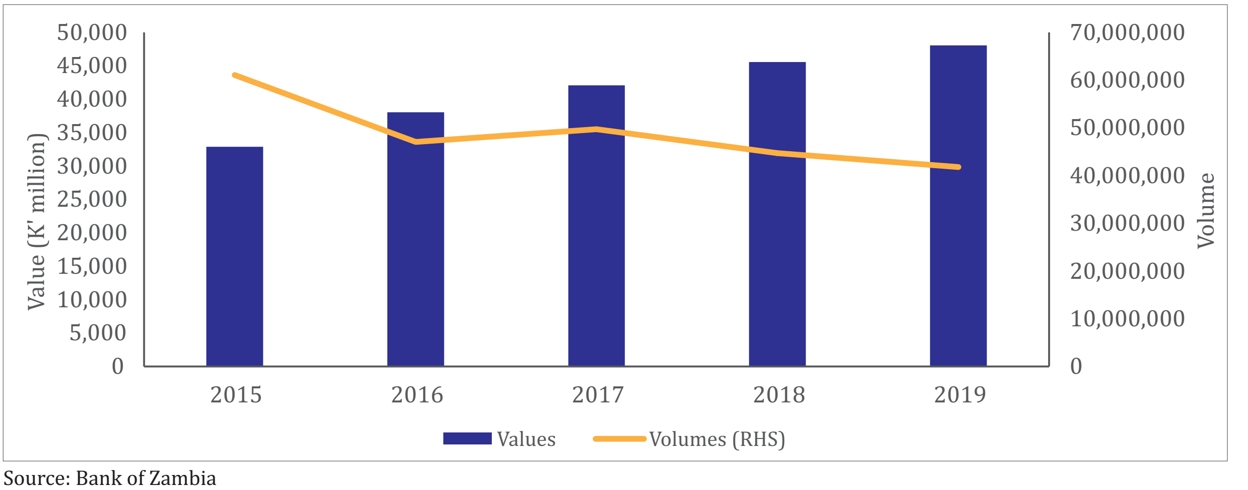


Source: Bank of Zambia

Automated Teller Machines

The volume of transactions processed through Automated Teller Machines (ATMs) decreased by 7% to 41,773,995 in 2019 (Chart 4.9). However, the value of transactions processed through ATMs increased by 5% t K48, 054.9 million in 2019. The decrease in the volume of transactions was partly due to the rise in the use of Point of Sale (PoS) for payment.

Chart: 4.9:Automated Teller Machines, 2015 – 2019



Source: Bank of Zambia

The number of ATMs decreased to 1,006 in 2019 from 1,104 in 2018. However, the distribution of ATMs across the country remained virtually unchanged (Table 4.6).

Table 4.6 Nationwide Deployment of ATMs by Province, 2018 - 2019

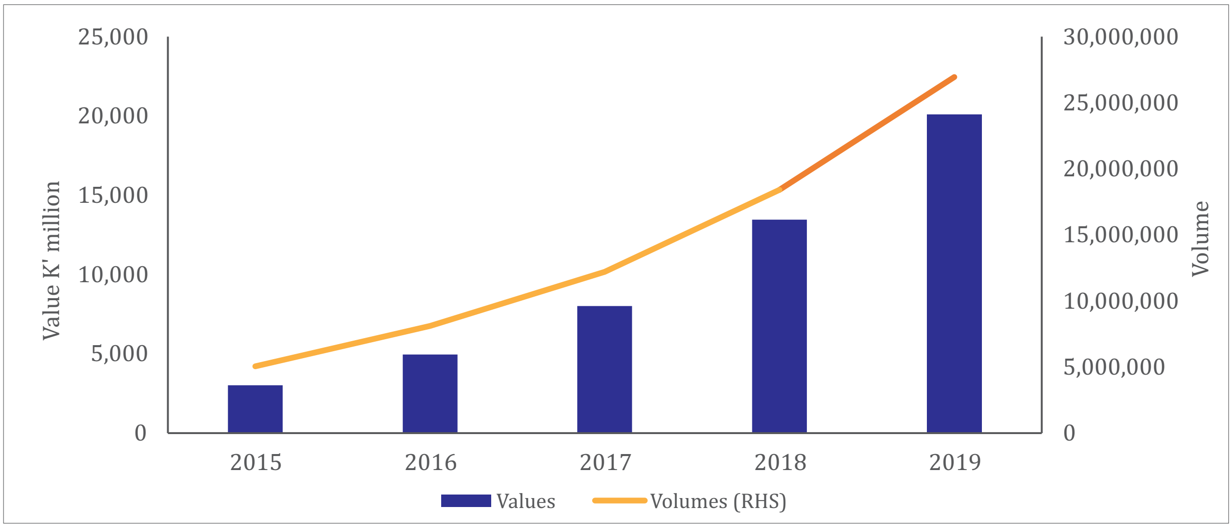
Province	2018	2019
Lusaka	492	466
Copperbelt	273	230
Southern	85	76
North-western	64	61
Central	55	47
Eastern	53	45
Northern	24	22
Luapula	20	21
Western	17	19
Muchinga	21	19
Total	**1,104**	**1,006**

Source: Bank of Zambia

Point of Sale Terminals

The volume of transactions processed on the Point of Sale (PoS) terminals increased by 46.0% to 26,942,944 in 2019 (Chart 4.10). The value of transactions processed also increased by 49.0% to K20, 094.8 million. The significant rise in the use of the PoS was mainly due to the promotion of digital financial services and increased number of terminals. The number of PoS terminals increased to 17,795 from 13,090 in 2018. However, the distribution of PoS terminals across the country was largely unchanged (Table 4.7). In terms of payments processed by card type, debit cards recorded the highest increase in both volume and value at 47.9% and 51.8%, respectively.

Chart: 4.10: POS Terminals, 2015 – 2019



Source: Bank of Zambia

Table 4.7 Nationwide Deployment of POS Terminals by Province, 2018 - 2019

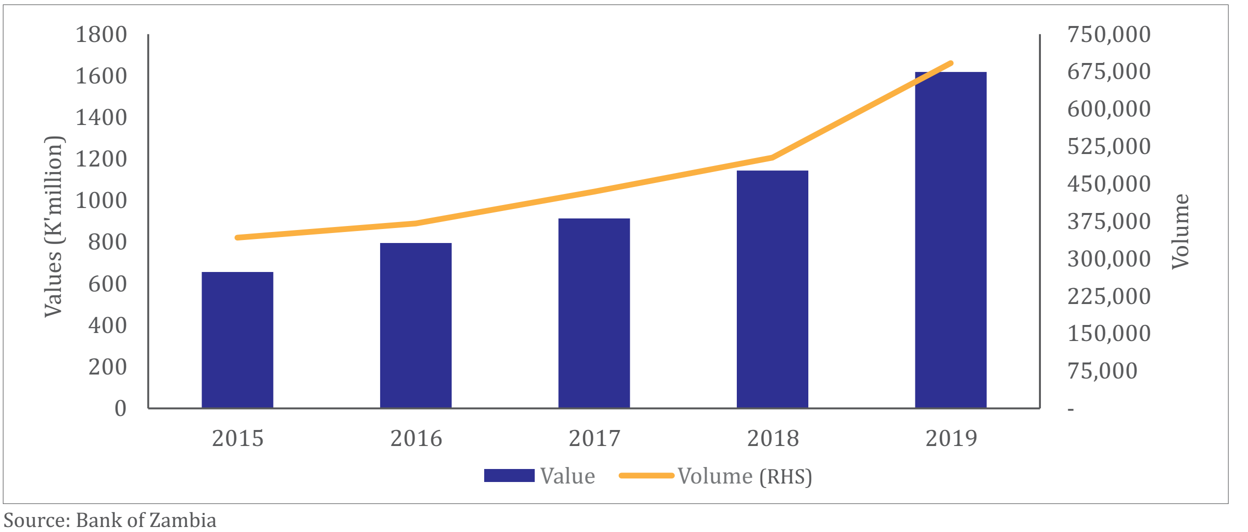
Province	2018	2019
Lusaka	6,528	8,829
Copperbelt	2354	3,392
Southern	1,412	1,636
Eastern	905	1,024
Central	808	971
North-western	346	643
Northern	240	366
Muchinga	157	330
Luapula	179	316
Western	161	288
Total	**13,090**	**17,795**

Source: Bank of Zambia

International Remittances

In-bound international remittances increased by 38.0 % to 691,617 in 2019 while the value increased by 41.0% to K1,617.5 million (Chart 4.11). The increase in the value partly reflects the depreciation of the Kwacha. The US, United Kingdom, Canada and Australia were the main source countries.

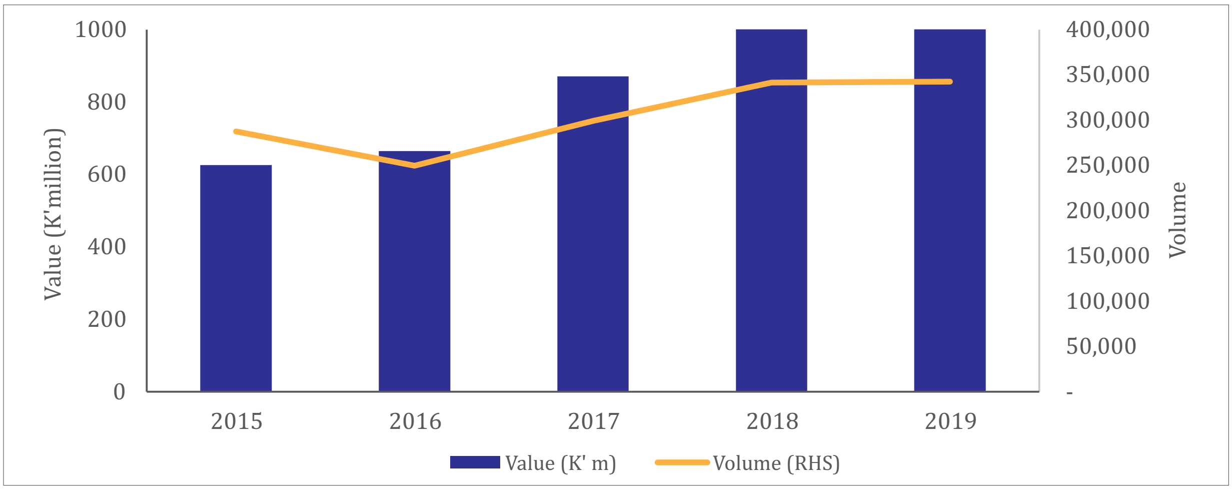
Chart: 4.11: Inbound Remittances, 2015 – 2019



Source: Bank of Zambia

The volume of out-bound international remittances marginally increased by 0.3% to 342,433 in 2019 while the value rose by 9.0% to K1,096.0 million (Chart 4.12). Most of the remittances were to China, Tanzania, South Africa and the Democratic Republic of Congo.

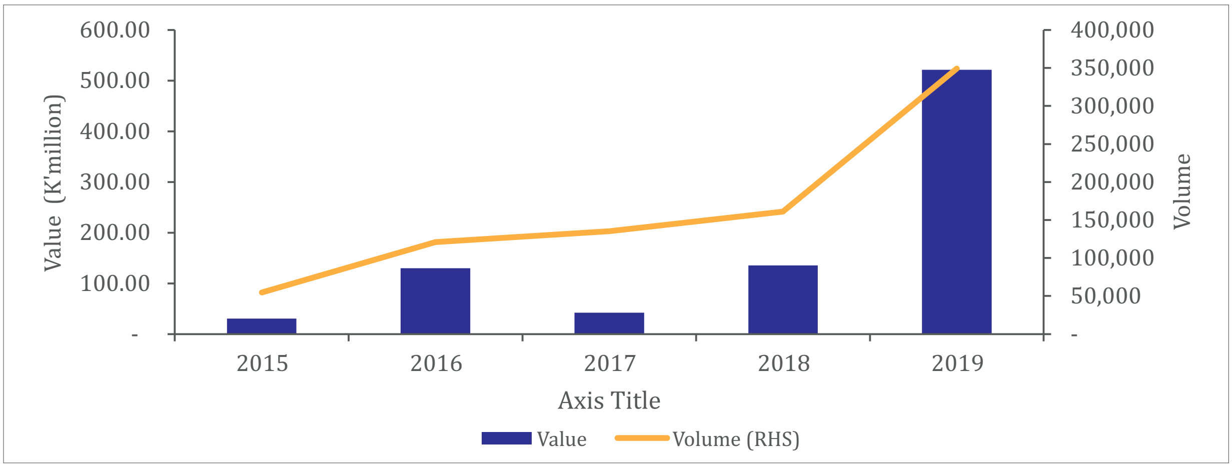
Chart: 4.12 Outbound Remittances, 2015 – 2019



Source: Bank of Zambia

The net inflows of international remittances increased to K521.5 million in 2019 from K135.5 million in 2018 (Chart 4.13).

Chart: 4.13 Net Flows of Remittances, 2015 – 2019

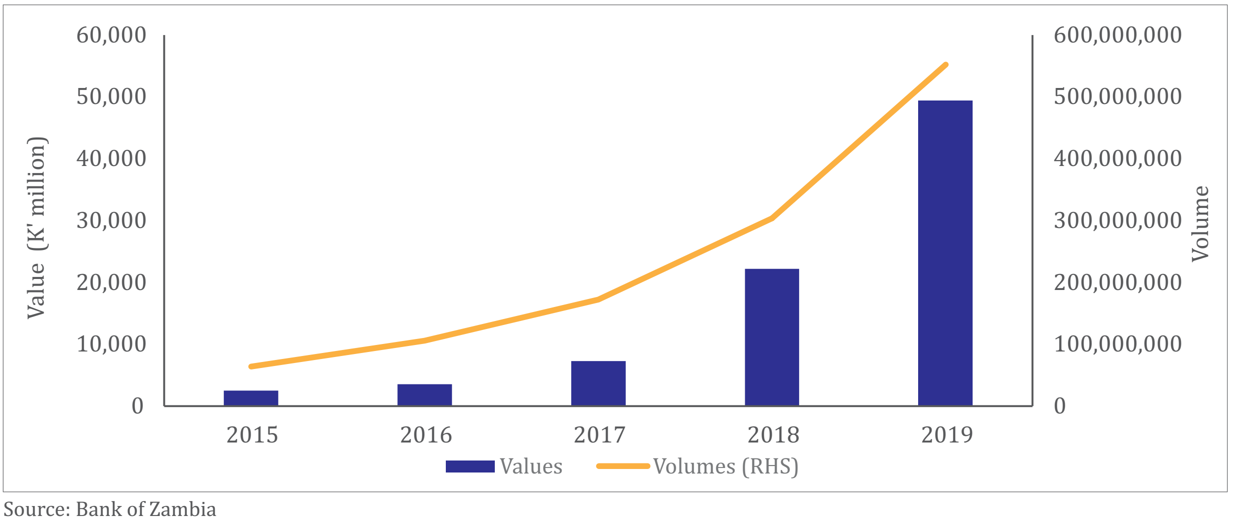


Source: Bank of Zambia

Mobile Money Transactions

The volume of transactions processed on mobile money platforms increased by 81.0% to 552,475,284 in 2019 (Chart 4.14). The value of transactions also grew by 119.0% to K49,353.1 million in 2019. The increase in mobile money transactions was mainly as a result of the promotion of electronic payment methods and the new products introduced by mobile money service providers. The number of active mobile money wallets also increased by 41.0% to 4,852,040 and the number of active agent outlets increased by 104.0% to 73,121.

Chart: 4.14 Mobile Money Transactions, 2015 – 2019



Source: Bank of Zambia

4.4 Regional Cross Border Payment Systems

In 2019, the value of payments processed on the SADC Integrated Regional Electronic Settlement System (SIRESS) by Zambian commercial banks increased by 20.0% to ZAR6,818.8 million while the volume grew by 13.0% to 17,330 (Table 4.8).

Table 4.8 Regional Cross Border Payment Systems, 2015 - 2019

	Values (ZAR' million)			Volumes		
Year	Payments (Zambia)	Receipts (Zambia)	SIRESS Overall (Zambia)	Payments (Zambia)	Receipts (Zambia)	SIRESS Overall (Zambia)
2015	3,759.4	3,829.2	984,234.6	15,410	5,029	264,601
2016	5,425.8	5,630.3	1,095,923.7	25,525	6,166	275,883
2017	5,688.4	5,432.1	1,240,084.1	21,716	6,946	313,790
2018	5,723.9	5,716.0	1,272,358.5	20,008	6,942	348,620
2019	6,818.8	6,884.7	1,228,662.1	17,330	6,368	347,850

Source: Bank of Zambia

On the other hand, the volume of transactions processed on the COMESA Regional Electronic Payments and Settlement System (REPSS) decreased to 85 as utilization of the facility remained low. The value of receipts, however, increased to US$14.7 million in 2019 from US$11.1 million in 2018. There were no payments made from Zambia on the platform as was the case in 2018.

4.5 National Financial Switch

All the 14 banks offering ATM card services were operational on the National Financial Switch (NFS) in 2019. A total of 6,934,643 ATM transactions with a value of K4,694.0 million were processed on the NFS compared to 777,225 with a total value of K491.0 million in 2018. With regard to the Point of Sale (PoS) functionality, 13 banks started using the switch on October 1, 2019 and a total of 413,573 transactions with a value of K148.0 million were processed by December 31, 2019.

5.0 Strategy and Risk Management

5.0 Strategy and Risk Management

5.1 Performance of the 2016-2019 Strategic Plan

The implementation of the 2016-2019 Strategic Plan ended on December 31, 2019. The Bank made significant progress in the implementation of the strategic objectives. The Bank achieved an overall completion rate of 86% (Table 5.1).

Table 5.1: Performance against Strategic Objectives, as at end - 2019

	Strategic Objective	2019 Expected Percent on Target [Percent]	2019 Actual Percent on Target [Percent]
1	Strengthen Monetary Policy Formulation and implementation so as to achieve and maintain low and stable inflation.	100	77.9
2	To strengthen the resilience of the financial sector against economic and financial shocks.	100	86.7
3	Increase formal financial inclusion by 16 percentage points in order to contribute to enhanced living standards.	100	91.6
4	To entrench gender mainstreaming within the Bank and the financial sector so as to contribute to gender equality in Zambia.	100	97.3
5	To develop and strengthen the Bank's talent management and technologies so as to achieve operational efficiency and effectiveness.	100	80.5
	Overall Performance 2016-2019	**100**	**86.0**
	Overall Performance 2012-2015	**100**	**85.1**

Specifically, the following strategic objectives were achieved in 2019:

Table 5.2: Status of Implementation of Strategic Objectives

Strategic Objective		Status
1	Strengthen Monetary Policy Formulation and implementation so as to achieve and maintain low and stable inflation.	Triggers for open market operations in managing the operating instrument (overnight interbank rate) intended to enhance monetary policy implementation was introduced.
2	Strengthen the resilience of the financial sector against economic and financial shocks.	The Bureau de Change Monitoring System was operationalized.
3	Increase formal financial inclusion by 16 percentage points in order to contribute to enhanced living standards	Regulatory and supervisory function reviewed to cater for market conduct and consumer protection, and process of establishing a separate Consumer Protection and Market Conduct Unit commenced.
4	Entrench gender mainstreaming within the Bank and the financial sector so as to contribute to gender equality in Zambia.	Gender Policy and Strategy formulated; capacity-building programmes for both Bank of Zambia and financial service providers conducted and Female and Male Operated Small and Medium Enterprises (FAMOS- Check) rolled out to seven commercial banks and eight non-bank financial institutions; and a framework for collecting sex-disaggregated data developed.
5	Develop and strengthen the Bank's talent management and technologies.	Automated Performance Management System rolled out to staff and Green Policy and Strategy formulated.

5.2 The 2020-2023 Strategic Plan

The Bank formulated the Strategic Plan for the period 2020-2023 under the theme "Building an Inclusive and Resilient Financial sector". The Bank made a conscious decision to focus on two focus areas namely, financial stability and financial inclusion. This stemmed from the observation that while the Bank had made significant progress in building a firm basis for price stability, a lot more work was needed to strengthen its financial stability objective. The two focus areas are underpinned by six strategic initiatives as outlined below:

Financial Stability

- Strengthen Microprudential Regulation and Supervision;
- Strengthen Macroprudential Regulation and Supervision;
- Develop and Strengthen Financial Market Infrastructures and Oversight; and
- Enhance Data Collection, Management and Application.

Financial Inclusion

- Formulate a Financial Inclusion Strategy for the Bank; and
- Mainstream Gender in the Financial Sector

5.3 Enterprise Risk Management

The Bank's overall risk profile generally improved from the previous year largely on account of risk action plans that were implemented to mitigate identified risks. In addition, the Bank continued to test contingency arrangements for financial market infrastructures and other prioritized processes against business disruptions.

6.0 Human Resource Management

6.0Human Resource Management

Structure and Staffing

The total number of staff in employment as at end-December 2019 stood at 536 (321 male and 215 female) against an establishment of 684. This staff complement comprised 355 (66%) on Fixed-Term Employment Contract and 181 (34%) employees on Permanent and Pensionable Service (Tables 6.1 and 6.2).

Table 6.1: Staffing Levels

Functions	2017			2018			2019		
	Estab.	Actual	Diff	Estab.	Actual	Diff	Estab.	Actual	Diff
Executive	15	10	-5	15	12	-3	15	11	-4
Subtotal	**15**	**10**	**-5**	**15**	**12**	**-3**	**15**	**11**	**-4**
Core Departments									
Bank Supervision	54	42	-12	54	44	-10	54	39	-15
Banking, Currency & Payment Systems	85	68	-17	85	72	-13	94	68	-26
Economics	56	43	-13	56	41	-15	55	46	-9
Financial Markets	36	31	-5	36	32	-4	37	36	-1
Non-Banks Financial Institutions Supervision	43	38	-5	43	36	-7	43	37	-6
Strategy & Risk Management	13	9	-4	13	10	-3	13	12	-1
Subtotal	**287**	**231**	**-56**	**287**	**235**	**-52**	**296**	**238**	**-58**
Support Services									
Board Services	21	12	-9	21	15	-6	21	18	-3
Finance	37	33	-4	37	34	-3	37	30	-7
Human Resources	26	21	-5	26	19	-7	26	19	-7
Information & Communications Technology	35	31	-4	35	30	-5	34	29	-5
Legal Services	9	7	-2	9	7	-2	9	9	0
Internal Audit	17	13	-4	17	16	-1	17	16	-1
Procurement & Maintenance Services	85	76	-9	85	71	-14	83	74	-9
Security	85	45	-40	85	40	-45	85	36	-49
Subtotal	315	238	-77	315	232	-83	312	231	-81
Regional Office	62	56	-6	62	54	-8	61	56	-5
Subtotal	**62**	**56**	**-6**	**62**	**54**	**-8**	**61**	**56**	**-5**
TOTAL	**679**	**535**	**-144**	**679**	**533**	**-146**	**684**	**536**	**-148**

Source: Bank of Zambia

Table 6.2: Distribution of Staff by Location, Gender and Employment Type

Office	Permanent & Pensionable		Fixed Term Contract		Sub Total		Total
	M	F	M	F	M	F	
Lusaka	103	56	189	132	292	188	480
Ndola	13	9	17	17	30	26	56
Overall	**116**	**65**	**206**	**149**	**322**	**214**	**536**

Source: Bank of Zambia

Staff Movements

In 2019, the Bank recruited 35 employees (Table 6.3), while 32 separated from the Bank (Table 6.4). The separations were due to deaths, expiry of contracts, dismissals, medical discharge, resignations, statutory normal retirements and voluntary separations.

Table 6.3: Staff Recruitments in 2019

Department	Number
Banking, Currency & Payment Systems	1
Board Secretariat	5
Economics	7
Financial Markets	3
Human Resources	1
Information and Communication Technology	3
Internal Audit	2
Legal Services	2
Procurement and Maintenance Services	6
Regional Office	5
Total	**35**

Source: Bank of Zambia

Table 6.4: Staff Separations in 2019

Mode of Separation	Number
Deaths	2
Expiry of Contract	2
Dismissal	2
Medical Discharge	1
Resignation	1
Statutory Normal Retirement	14
Voluntary Early Separation	10
Total	**32**

Source: Bank of Zambia

Staff Welfare

The industrial relations climate remained cordial in 2019 despite the non-conclusion of the negotiations for the 2018-2020 Collective Agreement. Further, the Bank continued to offer medical services to its employees and their immediate families. As part of the employee welfare programme, the Bank organised a number of health awareness programmes during the year.

Capacity Building Programmes

The Bank continued to provide capacity building programmes through relevant workshops and seminars both locally and abroad. In addition, some members of staff were on various programmes to upgrade their qualifications (Table 6.5).

Table 6.5: Number of Students Pursuing Study Programmes: 2017 – 2019

Programme	2017	2018	2019
PhD/DBA	5	5	8
Masters Degrees	3	0	0
Bachelor's Degrees	0	0	0
Professional Qualifications	3	2	2
TOTAL	**11**	**7**	**10**

Source: Bank of Zambia

7.0 Financial Statements for the Year Ended 31 December 2019

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 72 to 126 were approved by the Board of Directors on 6 March 2020 and signed on their behalf by:

....

Governor

....

Director

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF BANK OF ZAMBIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank of Zambia, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Bank of Zambia as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Description of matter	Description of matter
Classification, measurement and impairment of financial assets When applying the international financial reporting standards, the directors are required to review the classifications of assets and align the classifications to the requirements of the reporting standards. The directors also reviewed the fair valuations and impairment models. Due to the complex and subjective judgements required in estimating the timing and valuation of impairment and in estimating the fair value of assets, this was considered a key audit matter.	Classification, measurement and impairment of financial assets When applying the international financial reporting standards, the directors are required to review the classifications of assets and align the classifications to the requirements of the reporting standards. The directors also reviewed the fair valuations and impairment models. In considering the reasonableness of the impairment provision, we reviewed the assumptions used in impairment calculations. We further assessed their recoverability through testing of current year and subsequent receipts. Based on the procedures performed, we are satisfied that the impairment provision is reasonable and the financial assets were properly classified and valued.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 management.

- Conclude on appropriateness of management's 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 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 OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BANK OF ZAMBIA

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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
In our opinion, the financial statements of Bank of Zambia as of 31 December 2019 have been properly prepared in accordance with the Bank of Zambia Act No 43 of 1996, and the accounting and other records and registers have been properly kept in accordance with the Act.

Chartered Accountants

Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm

Lusaka

Date: 6 March 2020

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

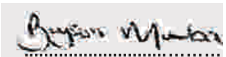
	Note	2019 K'000	2018 K'000
Interest income	5	1,517,627	1,067,041
Interest expense	5	(8,010)	(34,345)
Net interest income		**1,509,617**	**1,032,696**
Fee and commission income	6	193,836	203,595
Fee and commission expense	6	(6,809)	(5,089)
Net fee and commission income		**187,027**	**198,506**
Net income from foreign exchange transactions		85,616	91,714
Other gains	7	1,914,019	2,723,879
		1,999,635	2,815,593
Total operating income		**3,696,279**	**4,046,795**
Net impairment reversal on financial assets	8	1,724	6,262
Personnel expenses	9	(494,637)	(456,730)
Depreciation and amortisation	23,24	(42,943)	(30,800)
Operating expenses	10	(274,908)	(241,073)
Net expense		(810,764)	(722,341)
Profit for the year		**2,885,515**	**3,324,454**
Other comprehensive income			
Dividend converted to shares in Afreximbank	20	4,025	3,156
Fair value and exchange rate adjustment on equity investment in Afreximbank	20	54,349	26,626
Gain on revaluation of property	23	-	129,849
Total other comprehensive income		58,374	159,631
Total comprehensive income for the year		**2,943,889**	**3,484,085**

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2019

	Note	2019 K'000	2018 K'000
Assets			
Domestic cash in hand		4,920	4,700
Foreign currency cash and bank accounts	12	20,469,918	18,756,737
Items in course of settlement	13	208	237
Domestic financial assets at FVOCI	14	89,533	89,543
Loans and advances	15	662,361	7,038,575
Domestic financial assets at amortised cost	16,17	14,011,260	3,994,085
Other assets	18	57,855	62,904
Defined benefit surplus	35	-	-
Equity investments at FVOCI	20	196,407	138,032
IMF funds receivable from Government	21	4,854,175	4,042,313
IMF Subscriptions	22,33	17,242,617	13,748,378
Property, plant and equipment	23	594,231	610,199
Intangible assets	24	12,293	2,166
Total assets		**58,195,778**	**48,487,869**
Liabilities			
Deposits from the Government of the Republic of Zambia	26	2,342,487	1,840,715
Deposits from financial institutions	27	8,366,209	5,222,163
Foreign currency liabilities to other institutions	28	32,229	26,689
Other deposits	29	134,916	76,041
Notes and coins in circulation	30	8,627,031	8,297,047
Other liabilities	31	108,294	179,839
Provisions	32	160,558	46,159
Domestic currency liabilities to IMF	22,33	17,242,617	13,748,378
Foreign currency liabilities to IMF	34	237,625	729,444
SDR allocation	36	9,151,771	7,779,942
Total liabilities		**46,403,737**	**37,946,417**
Equity			
Capital	37	500,020	500,020
General reserve fund	38	2,261,822	1,929,377
Property revaluation reserves	38	340,161	354,584
Retained earnings	38	8,690,038	7,757,471
Total equity		**11,792,041**	**10,541,452**
Total liabilities and equity		**58,195,778**	**48,487,869**

The financial statements on pages 72 to 126 were approved for issue by the Board of Directors on 6 March 2020 and signed on its behalf by:

....
Governor



....
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital K'000	General reserve fund K'000	Property revaluation reserve K'000	Retained earnings K'000	Total Equity K'000
Balance at 1 January 2018		500,020	1,798,905	230,570	5,586,142	8,115,637
Changes on initial application of IFRS 9						
Impairment on other assets		-	-	-	(1,028)	(1,028)
Fair value adjustment on equity investment in Afreximbank		-	-	-	78,300	78,300
Profit for the year		-	-	-	3,324,454	3,324,454
Transfer to general reserve fund		-	130,472	-	(130,472)	-
Other comprehensive income:		-	-	129,849	29,782	159,631
Amortisation of revaluation surplus relating to properties		-	-	(5,835)	5,835	-
Total comprehensive income		-	130,472	124,014	3,306,871	3,561,357
Transactions with owners:						
Dividend paid to shareholders		-	-	-	(1,174,298)	(1,174,298)
'Unwinding of fair value adjustment on repayment of capitalization bond		-	-	-	38,756	38,756
Total transactions with owners		-	-	-	(1,135,542)	(1,135,542)
Balance at 31 December 2018		**500,020**	**1,929,377**	**354,584**	**7,757,471**	**10,541,452**
- Profit for the year		-	-	-	2,885,515	2,885,515
Other comprehensive income						
-Dividend and fair value adjustment on Afrexim		-	-	-	58,374	58,374
- Transfer from retained earnings		-	332,445	-	(332,445)	-
- Amortisation of revaluation surplus relating to properties		-	-	(14,423)	14,423	-
Total comprehensive income		-	332,445	(14,423)	2,625,867	2,943,889
Transactions with owners:						
Dividend to Government		-	-	-	(1,693,300)	(1,693,300)
Total transactions with owners		-	-	-	(1,693,300)	(1,693,300)
Balance at 31 December 2019		**500,020**	**2,261,822**	**340,161**	**8,690,038**	**11,792,041**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 K'000	2018 K'000
Cash flows from operating activities			
Profit for the year		2,885,515	3,324,454
Adjustment for:			
- Depreciation/amortisation	23,24	42,943	30,798
- Dividends received		(49)	(1)
- Gain on disposal of plant and equipment		(818)	(115)
- Impairment loss on other assets		(1,724)	(214)
- Impairment loss on amounts due from closed banks			(6,048)
- Effects of exchange rate changes on cash and cash equivalents		1,410,366	(1,298,749)
- Provisions made during the year		114,399	1,006
		4,450,632	2,051,133
Changes in operating assets and liabilities			
Change in items in course of settlement		29	160
Change in held for trading financial assets		10	-
Change in loans and advances		6,376,214	864,646
Change in held to maturity financial assets		(10,017,175)	(1,946,258)
Change in other assets		6,793	(44,807)
Change in amounts due from closed banks		-	6,048
Change in IMF funds receivable from Government		(811,862)	(675,147)
Change in IMF subscription		(3,494,239)	(1,214,776)
Change in deposits from the Government of the Republic of Zambia		501,772	(1,229,845)
Change in deposits from financial institutions		3,144,046	(1,360,813)
Change in foreign currency liabilities to other institutions		5,540	(157,734)
Change in other deposits		58,875	(91,861)
Change in other liabilities		(71,545)	(111,618)
Change in domestic currency liabilities to IMF		3,494,239	1,214,776
Change in foreign currency liabilities to IMF		(491,819)	(636,274)
Change in notes and coins in circulation		329,984	879,185
Change in SDR allocation		1,371,828	1,124,288
		4,853,322	(1,328,899)
Provisions paid		-	(791,180)
Unwinding of fair value adjustment on repayment of capitalisation bond		-	38,756
Fair value adjustment on equity investment in Afreximbank on initial application of IFRS9		-	(1,028)
Dividends received		49	1
Dividends paid to shareholders		(1,693,300)	(1,174,297)
Net cash generated from operating activities		**3,160,071**	**(3,256,647)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	23,24	(37,122)	(60,393)
Proceeds from sale of property, plant and equipment		819	123
Net cash out flows from investing activities		**(36,303)**	**(60,270)**
Net change in cash and cash equivalents		3,123,768	(3,316,976)
Cash and cash equivalents at the beginning of year		18,761,436	20,779,604
Effects of exchange rate changes on cash and cash equivalents		(1,410,366)	1,298,749
Cash and cash equivalents at the end of the year		**20,474,838**	**18,761,436**
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		4,920	4,700
Foreign currency cash and bank accounts		20,469,918	18,756,737
Cash and Cash equivalents excluding effects of exchange rates		**20,474,838**	**18,761,437**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Principal activity

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

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

The Board of Directors approved these financial statements for issue on 6 March 2020

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 values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

(a) New Standards effective 1 January 2019

IFRS 16 'Leases'
IFRS 16 supersedes IAS 17 accounting for Leases. Leases will be recorded in the statement of financial position in the form of the right-of-use asset and the lease liability.

The Bank has applied the available transition relief under the modified retrospective approach as follows:

! Applied the short-term leases exemptions to leases with a lease term that is less than 12 months and leases of small value;
! Applied the use of hindsight in determining such as the lease term if the contract contains options to extend or terminate the lease.

An impact assessment of adopting IFRS 16 in applying the transitional reliefs under IFRS 16 and the full impact on the 2019 statement of financial position was conducted and the assessment indicate that:

! The Bank is a lessor in most of its leasing arrangements mainly involving the leasing of property. Lessor accounting remains largely unchanged from IAS 17 and accounting for rentals will continue as currently done;

! The assets for which the Bank is a leasee and which IFRS 16 may require to be recognised on the statement of financial position do not qualify for as "right of use" and the amounts are immaterial. These involve management fees paid for renting of limited space within established business operations to carry out specified Bank business.

! After applying the transition relief option which permits an explicit recognition and measurement exemption for leases of small value or those for which the term ends within 12 months or fewer of the date of initial application and account for those leases as short-term leases the Bank has assessed that there are currently no leases for which a right-of-use asset would be required to be recognised on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(Continued)*

(a) New Standards effective 1 January 2019 *(Continued)*

IFRS 16 'Leases' *(Continued)*

Based on the assessment, IFRS 16 has no impact on the financial position for the year ended 31 December 2019.

Other standards and amendments that are effective for the first time in 2019 and could be applicable to the Bank are:

! IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9);

! IAS 28 long-term interest in Associates and Joint Ventures (Amendments to IAS 28);

! Annual Improvements to IFRS 2015-2017 Cycle; and

! Plant Amendment, Curtailment or Settlement (Amendments to IAS 19).

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

(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. None of these Standards or amendments to existing Standards have been adopted early by the Bank.

Standards and amendments that are note yet effective and have not been adopted early by the Bank include:

! Definition of a Business (Amendments to IFRS 3);
! Definition of Material (Amendments to IAS 1 and IAS 8);
! Conceptual framework for Financing Reporting.

IAS 23 Amendment - Borrowing Costs
The amendments provides guidance on general borrowing costs. The standard states that if any specific borrowing remains outstanding after the qualifying asset if ready for use, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendments had no impact as the Bank finances its operations from internally generated funds.

Amendment to IFRS 3 Business Combinations
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations in order to help entities determine whether an acquired set of activities and assets is a business or not. An entity shall apply the amendments to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after 1 January, 2020. The amendments will have no impact on the Bank.

Amendments to IAS 1 and IAS 8
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Changes and Estimates. The amendment was to align the definition of 'material' across the standards. The new definition of material is contained in IAS 1. The amendments are effective for annual periods beginning on or after 1 January 2020.

Amendments to the Conceptual Framework for Financial Reporting
The Conceptual Framework is not a standard itself but provides as general guidance on IFRS. Main improvements in the revised Conceptual Framework include the introduction of concepts for measurement, presentation, disclosures and guidance for derecognition of assets and liabilities. These amendments are effective for annual periods beginning on or after January 1 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(Continued)*

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

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

(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. 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' using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

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

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

Interest income and expense presented in the statement of comprehensive income include:
- Interest on financial assets and liabilities at amortised cost calculated on an effective interest basis; and
- Interest on 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.

(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.

(f) Dividend income

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

(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 transactions and balances

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(continued)*

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 o 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 o the instrument.

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.

(i) Classification

IFRS 9 contains new classification and measurement conditions for financial assets, based on the business model for managing such assets as well as their cash flow characteristics. It introduces three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

Assessment of applicable business model

The Bank assesses the business model for newly originated or newly 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;
- For asset backed securities to assess underlying assets to determine if they are classified as SPPI.

(ii) Subsequent measurement

Subsequent measurement, gains, and losses applicable from 1 January 2018 in respect of financial assets are as follows:

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.

No financial assets were designated at FVTPL during the period. This was due to the fact that no financial assets were found to have been managed with performance evaluated solely on the basis of fair value changes, in accordance with the Bank's documented risk management or investment strategy.

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.

(iii) Classification

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

- GRZ consolidated bond;
- Other GRZ securities;
- Staff savings securities; and
- Loans and receivables, which include budgetary advances to Government, credit to banks and staff loans.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(continued)*

(i) Financial instruments *(continued)*

(i) Classification *(continued)*

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income 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 OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Bank has designated its foreign reserves portfolio and domestic securities used in monetary policy operation at FVOCI.

The Bank has classified its foreign reserves portfolio at FVOCI because most investments are held for their contractual cash flows, however, whenever necessary the Bank could potentially sell its holdings for re-balancing or liquidity needs. Therefore, the Bank considers that FVOCI gives the most appropriate reflection of the business model for managing the Bank's foreign reserves portfolio.

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.

The Bank has irrevocably designated at FVOCI, equity investments in Afrexinbank and Zambia Electronic Clearing House Limited (ZECHL). The Bank chose this classification alternative because both investments were made for strategic purposes rather than with a view to profit on subsequent sale. There are no plans to dispose off these investments in the short or medium term.

The fair value of these investments was K142.058 million as at 31 December 2019. In line with the agreement, no dividend is expected from ZECHL. However, K4.025 million was recognised as a dividend that was converted into additional shares in Afreximbank.

(iv) Derecognition

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

The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

(v) Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(Continued)*

(i) Financial instruments *(continued)*

(v) Impairment *(continued)*

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and

- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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 and including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- 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'. The Bank minimum credit rating for counterparties and instruments shall be "A- or A3" assigned by at least two internationally recognized credit rating agencies.

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 ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECL
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(Continued)*

(i) Financial instruments *(continued)*

Financial liabilities

(vi) Classification

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

! Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

! The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

! It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Banks has not classified any financial liabilities as FVTPL.

(vii) Derecognition of financial liabilities

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

(j) Other financial liabilities

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

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

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal accounting policies *(Continued)*

(k) Determination of fair value *(continued)*

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.

(l) Offsetting

The Bank offsets financial assets and liabilities and presents the net amount in the statement of financial position whe 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 o 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.

(m) Property, plant and equipment

(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. The Bank obtains an independent valuation of properties every five years.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Principal accounting policies *(Continued)*

(m) Property, plant and equipment *(Continued)*

(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 to write off the depreciable amount of the various assets over the period of their expected useful lives.

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

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

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

	2019	2018
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.

(v) 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.

(vi) 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.

(n) Intangible assets - computer software

(i) Intangible assets acquired separately

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Principal accounting policies *(Continued)*

(m) Property, plant and equipment *(Continued)*

(ii) Internally-generated intangible assets

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

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

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

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

(o) Impairment of non-financial assets

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

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

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

(p) 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.

The Bank contributes to the Statutory Pension Scheme in Zambia, namely National Pension Scheme Authority (NAPSA) where the Bank pays an amount equal to the employees' contributions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Principal accounting policies *(Continued)*

(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 benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets.

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

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

(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.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Principal accounting policies *(Continued)*

(p) Employee benefits *(Continued)*

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

(q) Cash and cash equivalents

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

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

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

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

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

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

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

(s) 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Principal accounting policies (Continued)

(u) 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.

(v) 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.

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 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 Realised foreign exchange revaluation gains

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

3.2 Defined benefits obligations

Whereas the directors relied on a qualified Actuary to determine the present value of the retirement benefit obligations the assumptions and judgements used by the Actuary were considered by the directors and deemed reasonable in the light of the prevailing and anticipated future economic conditions. See also note 35.

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 behavior (e.g. The likelihood of default and the resulting losses).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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;
! Choosing appropriate models and assumptions for measuring of ECL;

3.4 Fair Value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) 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 but this is not always 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

3.5 Useful lives of depreciatable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

4 Risk management policies

(a) Overview and risk management framework

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

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

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

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

The Audit 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 emphasizing the highest level of ethical conduct have been implemented to ensure safe and sound practices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

(v) Correction of deficiencies. The Bank has implemented a transparent system of reporting control weaknesses and following up on corrective measures.

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

Financial instruments by category

Financial assets	**FVOCI**	**Amorised cost**	**Loans and receivables**	**Equity FVOCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**
At 31 December 2019					
Domestic cash in hand	4,920	-	-	-	4,920
Foreign currency cash and bank accounts	20,469,918	-	-	-	20,469,918
Items in course of settlement	-	-	208	-	208
Domestic financial assets held at FVOCI	89,533	-	-	-	89,533
Loans and advances	-	-	662,361	-	662,361
Domestic assets at amortised cost	-	14,011,260			14,011,260
Equity investments at FVOCI	-	-	-	196,407	196,407
IMF funds recoverable from the Government of the Republic of Zambia	-	-	4,854,175	-	4,854,175
IMF Subscriptions	-	-	17,242,617	-	17,242,617
	20,564,371	14,011,260	22,759,361	196,407	57,531,399
At 31 December 2018					
Domestic cash in hand	4,700	-	-	-	4,700
Foreign currency cash and bank accounts	18,756,737	-	-	-	18,756,737
Items in course of settlement	-	-	237	-	237
Domestic financial assets held at FVOCI	89,543	-	-	-	89,543
Loans and advances	-	-	7,038,575	-	7,038,575
Domestic assets at amortised cost	-	3,994,086			3,994,086
Equity investments at FVOCI	-	-	-	138,032	138,032
IMF funds recoverable from the Government of the Republic of Zambia	-	-	4,042,313	-	4,042,313
IMF Subscriptions	-	-	13,748,378	-	13,748,378
	18,850,980	3,994,086	24,829,503	138,032	47,812,601

Financial liabilities at amortised cost

	2019
At 31 December 2019	**K'000**
Deposits from the Government of the Republic of Zambia	2,342,487
Deposits from financial institutions	8,366,209
Foreign currency liabilities to other institutions	32,229
Other deposits	134,916
Other liabilities	8,627,031
Domestic currency liabilities to the IMF	108,294
Foreign currency liabilities to the IMF	17,242,617
Notes and coins in circulation	237,625
SDR allocation	9,151,771
	46,243,179

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

Financial liabilities

At 31 December 2018	**2018**
	K'000
Deposits from the Government of the Republic of Zambia	1,840,715
Deposits from financial institutions	5,222,163
Foreign currency liabilities to other institutions	26,689
Other deposits	76,041
Other liabilities	8,297,047
Domestic currency liabilities to the IMF	179,839
Foreign currency liabilities to the IMF	13,748,378
Notes and coins in circulation	729,444
SDR allocation	7,779,942
	37,900,258

(a) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(a) Credit risk *(Continued)*

Counterparty ratings

Counterparty	Rating Agency			BoZ Minimum Acceptable Rating
	Moody's	S&P	Fitch	
Federal Reserve Bank	Aaa	AA+	AAA	A-
Citi Bank New York	A3	BBB+	A	A-
Bank of New York Mellon (BNY)	Aa2	AA-	AA	A-
Deutsche Bundesbank	Aaa	AAA	AAA	A-
Bank of England (BOE)	Aa2	AA	AA	A-
South African Reserve Bank	Baa3	BBB	BBB-	A-
Bank of Mauritius	Baa1	N/A	N/A	A-
World Bank	Aaa	AAA	AAA	A-
Bank for International Settlement	N/A	N/A	N/A	A-

Exposure to credit risk

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

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

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

(i) GRZ bonds and Treasury Bills

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

(ii) Fixed term deposits

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(a) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

Neither past due nor impaired - Institutional credit risk exposure analysis

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

Ratings - 2019

Financial Asset	Aaa	A1	Aa1	Baa1	Baa2	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Cash balances	3,017,469	86,842	3,188	484	869	3,108,852
Deposits	9,354,729	-	-	-	-	9,354,729
Securities	5,328,380	-	-	-	-	5,328,380
Special drawing rights	2,677,957	-	-	-	-	2,677,957
Total	20,378,535	86,842	3,188	484	869	20,469,918

Ratings - 2018

Financial Asset	Aaa	A1	Aa1	Baa1	Baa2	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Cash balances	1,278,150	33,645	37,017	3,643	718	1,353,173
Deposits	10,221,295	-	-	-	-	10,221,295
Securities	4,324,948	-	-	-	-	4,324,948
Special drawing rights	2,857,321	-	-	-	-	2,857,321
Total	18,681,714	33,645	37,017	3,643	718	18,756,737

(iii) Staff loans and advances

The credit risk on staff housing loans is mitigated by security over property and mortgage protection insurance. The credit risk on staff car loans is mitigated by security over motor vehicles as the Bank is absolute owner and by car protection insurance. The risk on other staff loans is mitigated by loans being backed by salaries.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(a) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(iii) Staff loans and advances *(Continued)*

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

Loans and advances (Note 15)	2019 K'000	2018 K'000
Against neither past due nor impaired		
- Property	7,737	10,636
- Gratuity and leave days	67,276	30,944
- Motor vehicles	23,565	14,253
	98,578	55,833

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

All staff loans are neither past due nor impaired.

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

Loans and advances (Note 15)	2019 K'000	2018 K'000
Carrying amount		
- Staff loans	95,651	96,888
- Staff advances	1,224	1,350
	96,875	98,238
Concentration by nature		
- House loans	7,737	12,248
- Multi-purpose loans	55,594	55,699
- Motor vehicle loans	23,565	20,932
- Other advances	1,224	1,350
- Personal loans	5,802	5,167
- Other	2,953	2,841
	96,875	98,237

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

Government has a rating of CCC positive from S & P and advances to them are considered low risk. Advances extended to commercial banks were fully collaterised. As at 31 December 2019, all amounts were neither past due nor impaired.

The Bank's FVOCI investment in treasury bills, held at amortised cost instruments, IMF subscriptions and other assets where government is the counterparty are all neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(a) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(v) Collateral and other credit enhancements

The Bank employees a range of policies to mitigate credit risk. The most common of these are insurance and accepting collateral for funds advanced.

Lending to commercial banks is secured and some loans extended to staff are secured against residential property and motor vehicles. Amounts due from government through debt securities or bridging loans 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.

(vi) Impaired loans and investment debt securities

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

As shown in Note 19 amounts due from closed banks of K99.7 million (2018: K99.7 million) were also fully provided for. No collateral was held against these assets.

(vii) Allowances for impairment

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

(viii) 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 credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the nature of the Bank's counterparties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(a) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

Concentration of risks of financial assets with credit risk exposure

31 December 2019	**Financial Institutions** K'000	**Government K'000**	**Individuals K'000**	**Others K'000**	**Total K'000**
Foreign currency cash and bank accounts	20,469,918				20,469,918
Items in course of settlement	208				208
Domestic financial assets at FVOCI	89,533				89,533
Loans and advances	532,080	33,406	96,875		662,361
Domestic financial assets at amortised cost	196,407	14,011,260			14,011,260
Equity investments at FVOCI					196,407
IMF funds recoverable from Government of the Republic of Zambia	-	4,854,175			4,854,175
IMF subscriptions	17,242,617	-	-	-	17,242,617
	38,530,763	18,898,841	96,875	-	57,526,479
31 December 2018					
Foreign currency cash and bank accounts	18,756,737				18,756,737
Items in course of settlement	237				237
Domestic financial assets at FVOCI	89,543				89,543
Loans and advances	28,104	6,912,233	98,238		7,038,575
Domestic financial assets at amortised cost	-	3,994,085			3,994,085
Equity investments at FVOCI	138,032				138,032
IMF funds recoverable from Government of the Republic of Zambia		4,042,313			4,042,313
IMF subscriptions	-				
	13,748,378	-	-	-	13,748,378
	32,761,031	14,948,631	98,238	-	47,807,900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(c) Liquidity risk

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

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

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

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2018.

Financial assets and liabilities held for managing liquidity risk

	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Due after 5 years K'000	Total K'000
31 December 2019						
Non-derivative liabilities						
Notes and coins in circulation	8,627,031	-	-	-	-	8,627,031
Foreign currency liabilities to other institutions	32,229	-	-	-	-	32,229
Foreign currency liabilities to IMF	237,625	-	-	-	-	237,625
Domestic currency liabilities to IMF	17,242,617	-	-	-	-	17,242,617
Deposits from the Government	2,342,487	-	-	-	-	2,342,487
Deposits from financial institutions	8,366,209	-	-	-	-	8,366,209
Other deposits	134,916	-	-	-	-	134,916
Other liabilities	-	-	108,294	-	-	108,294
Total non derivative liabilities	**36,983,114**	**-**	**108,294**	**-**	**-**	**37,091,408**
Assets held for managing liquidity risk						
Domestic cash in hand	4,920	-			-	4,920
Foreign currency cash and bank accounts	16,636,541	6,139	3,827,238	-	-	20,469,918
Financial Assets held at amortised cost	-	-	-	14,011,260	-	14,011,260
Financial Assets held at FVOCI	-	89,533	-	-	-	89,533
Loans and advances	628,955	33,406	-	-		662,361
IMF funds recoverable from the Government of the Republic of Zambia	4,854,175					4,854,175
IMF Subscription	17,242,617	-	-	-	-	17,242,617
	39,367,208	**129,078**	**3,827,238**	**14,011,260**	**-**	**57,334,784**
Net exposure	**(2,384,094)**	**(129,078)**	**(3,718,944)**	**(14,011,260)**	**-**	**(20,243,376)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(c) Liquidity risk *(Continued)*

Financial assets and liabilities held for managing liquidity risk *(Continued)*

	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Due after 5 years K'000	Total K'000
31 December 2018						
Non-derivative liabilities						
Deposits from the GRZ	1,840,715	-	-	-	-	1,840,715
Deposits from financial institutions	5,222,163	-	-	-	-	5,222,163
Foreign currency liabilities to other institutions	26,689	-	-	-	-	26,689
Other deposits	76,041	-	-	-	-	76,041
Notes and coins in circulation	8,297,047	-	-	-	-	8,297,047
Other liabilities		-	179,839	-	-	179,839
Domestic currency liabilities to IMF	13,748,377	-	-	-	-	13,748,377
Foreign currency liabilities to IMF	729,444	-	-	-	-	729,444
SDR allocation	-	-	-	-	-	-
Total non-derivative liabilities	**29,940,476**	**-**	**179,839**	**-**	**-**	**30,120,315**
Assets held for managing liquidity risk						
Domestic cash in hand	4,700	-	-	-	-	4,700
Foreign currency cash and bank accounts	16,667,617	4,631	2,084,490	-	-	18,756,738
Financial assets held at FVOCI	-	89,543	-	-	-	89,543
Financial assets held at amortised cost	-	-	-	3,994,085	-	3,994,085
Loans and advances	126,342	6,912,233	-	-	-	7,038,575
IMF funds recoverable from the Government of the Republic of Zambia	4,042,313	-	-	-	-	4,042,313
IMF Subscription	13,748,378	-	-	-	-	13,748,378
Total assets held for managing liquidity risk	34,589,350	7,006,407	2,084,490	3,994,085	-	47,674,332
Net exposure	(4,648,874)	(7,006,407)	(1,904,651)	(3,994,085)	-	(17,554,017)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(c) Liquidity risk *(Continued)*

Assets held for managing liquidity risk

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

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

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

(d) Market risk

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

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

(e) Exposure to currency risk

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

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, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure expressed in Kwacha as at 31 December 2019 was as shown in the table below:

At 31 December 2019	USD K'000	GBP K'000	EUR K'000	SDR K'000	Other K'000	Total Kwacha
Foreign currency assets						
Foreign currency cash and bank accounts	14,742,106	856,617	215	2,677,957	2,193,023	20,469,918
IMF Subscriptions	-	-	-	17,242,617	-	17,242,617
Total foreign currency assets	14,742,106	856,617	215	19,920,574	2,193,023	37,712,535
Foreign currency liabilities						
Foreign currency liabilities to other institutions	27,931	2,691	1,607	-	-	32,229
Foreign currency liabilities to IMF	-	-	-	237,625	-	237,625
SDR allocation	-	-	-	9,151,771	-	9,151,771
Total foreign currency liabilities	27,931	2,691	1,607	9,389,396	-	9,421,625
Net exposure	**14,714,175**	**853,926**	**(1,392)**	**10,531,178**	**2,193,023**	**28,290,910**

At 31 December 2018						
Foreign currency assets						
Foreign currency cash and bank accounts	13,207,652	877,400	313	2,857,322	1,814,049	18,756,736
IMF Subscriptions	-	-	-	13,748,378	-	13,748,378
Total foreign currency assets	13,207,652	877,400	313	16,605,700	1,814,049	32,505,114
Foreign currency liabilities						
Foreign currency liabilities to other institutions	23,272	2,026	1,390	-	-	26,688
Foreign currency liabilities to IMF	-	-	-	729,444	-	729,444
SDR allocation	-	-	-	7,779,942	-	7,779,942
Total foreign currency liabilities	23,272	2,026	1,390	8,509,386	-	8,536,074
Net exposure	13,184,380	875,374	(1,077)	8,096,314	1,814,049	23,969,040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

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

	2019	2018
	K'000	K'000
SDR 1	19.51	16.58
GBP 1	18.51	15.14
EUR 1	15.78	13.66
USD 1	14.11	11.92

Foreign currency sensitivity

The following table illustrates the impact of a 12% (2018: 12%) strengthening of the Kwacha against the relevant foreign currencies. 12% is based on long-term observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in thousands of Kwacha

	Equity K'000	**Profit or (loss) K'000**
31 December 2019		
SDR	1,263,741	1,263,741
USD	1,765,701	1,765,701
EUR	(167)	(167)
GBP	102,471	102,471
31 December 2018		
SDR	(971,558)	(971,558)
USD	(1,582,126)	(1,581,655)
EUR	(129)	(129)
GBP	(105,045)	(105,045)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

At 31 December 2019	Less than 3 months K'000	Between 3 months and one year K'000	Over 1 year K'000	Non-interest bearing K'000	Total K'000
Assets					
Domestic cash in hand	-	-	-	4,920	4,920
Foreign currency cash and bank accounts	20,463,779	-	-	6,139	20,469,918
Items in course of settlement	-	-	-	208	208
Loans and advances	-	95,650	565,486	1,224	662,360
Domestic financial assets at FVOCI	-	-	89,533	-	89,533
Domestic financial assets at amortised cost	-	-	14,011,260	-	14,011,260
Equity investments at FVOCI	-	-	192,857	3,550	196,407
Other assets				57,856	57,855
IMF funds receivable from Government	-	-	-	4,854,175	4,854,175
IMF Subscriptions	-	-	-	17,242,617	17,242,617
Total financial assets	20,463,779	95,650	14,859,136	22,170,689	57,589,253
Liabilities					
Deposits from the GRZ	-	-	-	2,342,487	2,342,487
Deposits from financial institutions	-	-	-	8,366,209	8,366,209
Foreign currency liabilities to other institutions	-	-	-	32,229	32,229
Other deposits	134,916	-	-	-	134,916
Notes and coins in circulation	-	-	-	8,627,031	8,627,031
Other liabilities	-	-	-	108,294	108,294
Domestic currency liabilities to IMF	-	-	-	17,242,617	17,242,617
Foreign currency liabilities to IMF	-	-	-	237,625	237,625
SDR allocation	-	-	-	-	-
Total financial liabilities	134,916	-	-	36,956,492	37,091,408
Net exposure at 31 December 2019	20,328,863	95,650	14,859,136	(14,785,803)	20,497,845

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

	Less than 3 months K'000	Between 3 months and one year K'000	Over 1 year K'000	Non-interest bearing K'000	Total K'000
At 31 December 2018					
Assets					
Domestic cash in hand	-	-	-	4,700	4,700
Foreign currency cash and bank accounts	18,752,107	-	-	4,631	18,756,738
Items in course of settlement	-	-	-	237	237
Loans and advances	-	96,887	6,940,337	1,350	7,038,574
Domestic financial assets at FVOCI	-	-	89,543	-	89,543
Domestic financial assets at amortised cost	-	-	3,994,085	-	3,994,085
Equity investments at FVOCI	-	-	134,482	3,550	138,032
Other assets				62,903	62,903
IMF funds receivable from Government	-	-	-	4,042,313	4,042,313
IMF Subscriptions	-	-	-	13,748,377	13,748,377
Total financial assets	**18,752,107**	**96,887**	**11,158,447**	**17,868,061**	**47,875,502**
Liabilities					
Deposits from the GRZ	-	-	-	1,840,715	1,840,715
Deposits from financial institutions	-	-	-	5,222,163	5,222,163
Foreign currency liabilities to other institutions	-	-	-	26,689	26,689
Other deposits	76,041	-	-	-	76,041
Notes and coins in circulation	-	-	-	8,297,047	8,297,047
Other liabilities	-	-	-	179,839	179,839
Domestic currency liabilities to IMF	-	-	-	13,748,378	13,748,378
Foreign currency liabilities to IMF	-	-	-	729,444	729,444
Total financial liabilities	76,041	-	-	30,044,275	30,120,316
Net exposure at 31 December 2018	18,676,066	96,887	11,158,447	(12,176,214)	17,755,186

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

(f) 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.

	Carrying amount 2019 K'000	Fair value 2019 K'000	Carrying Amount 2018 K'000	Fair value 2018 K'000
Assets				
Domestic cash in hand	4,920	4,920	4,700	4,700
Foreign currency cash and bank accounts	20,469,918	20,469,918	18,756,737	18,756,737
Items in course of settlement	208	208	237	237
Domestic financial assets at FVOCI	89,533	89,533	89,543	89,543
Loans and advances	662,361	662,361	7,038,575	7,038,575
Domestic financial assets at amortised cost	14,011,260	14,011,260	3,994,085	3,994,085
Equity investments at FVOCI	196,407	196,407	138,032	138,032
IMF funds receivable from GRZ	4,854,175	4,854,175	4,042,313	4,042,313
IMF Subscriptions	17,242,617	17,242,617	13,748,378	13,748,378
Total financial assets	57,531,399	57,531,399	47,812,600	47,812,600
Liabilities				
Deposits from the GRZ	2,342,487	2,342,487	1,840,715	1,840,715
Deposits from financial institutions	8,366,209	8,366,209	5,222,163	5,222,163
Foreign currency liabilities to other institutions	32,229	32,229	26,689	26,689
Other deposits	134,916	134,916	76,041	76,041
Notes and coins in circulation	8,627,031	8,627,031	8,297,047	8,297,047
Other liabilities	108,294	108,294	179,839	179,839
Domestic currency liabilities to IMF	17,242,617	17,242,617	13,748,378	13,748,378
Foreign currency liabilities to IMF	237,625	237,625	729,444	729,444
SDR allocation	9,151,771	9,151,771	7,779,942	7,779,942
Total financial liabilities	46,243,179	46,243,179	37,900,258	37,900,258

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. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(f) Fair values

Fair value hierarchy

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

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

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	-	89,533	-	89,533
Equity investment at FVOCI	-	196,407	-	196,407
	-	**285,940**	**-**	**285,940**
31 December 2018				
Financial assets at FVOCI	-	89,543	-	89,543
Equity investment at FVOCI	-	138,032	-	138,032
	-	227,575	-	227,575

At 31 December 2019, the Bank did not have financial liabilities measured at fair value (2018: nil).

(g) **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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Risk management policies

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

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

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

	Notes	2019 K'000	2018 K'000
Capital	37	500,020	500,020
Retained earnings	38	8,690,038	7,757,471
General reserve fund	38	2,261,822	1,929,377
Property revaluation reserve	38	340,161	354,584
Total		11,792,041	10,541,452

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 2019

		2019	2018
5	**Interest income**	**K'000**	**K'000**
	Interest on loans and receivables	327,556	443,620
	Interest on Government securities	851,625	337,952
	Interest on foreign currency investments and deposits	338,446	285,469
	Total interest income	1,517,627	1,067,041
	Interest expense		
	Interest arising on open market operations	-	29,503
	Interest arising on staff savings	8,010	4,842
	Total interest expense	8,010	34,345

There was no interest expense incurred on Open Market Operation activity during the year.

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

		2019	2018
6	**Fee and commission income**	**K'000**	**K000**
	Fees and commission income on transactions with the GRZ	60,458	84,323
	Supervision fees	118,578	102,414
	Licences and registration fees	963	1,140
	Penalties	2,560	4,250
	Other	11,277	11,468
	Total fees and commission income	193,836	203,595
	Fee and commission expense		
	Arising on foreign exchange transactions	6,809	5,089

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7 Other gains and losses

	2019 K'000	2018 K'000
Net realised foreign exchange gains	3,303,584	626,088
Other income	17,567	796,566
Dividend on equity investments at FVOCI	49	1
Rental income	2,366	2,360
Gain on disposal of property, plant and equipment	819	115
Net unrealised foreign exchange gains/(losses)	(1,410,366)	1,298,749
	1,914,019	2,723,879

The increase in net realised foreign exchange gains is as a result of the depreciation of the local currency against major currencies. In 2019, the kwacha depreciated against the US dollar by 18% from K11.92 in December 2018 to K14.11 in December 2019. The decrease in other income is due to a reversal of provisions against legal cases of K790.2 million followin disposal of court proceedings in favour of the Bank.

8 Impairment of financial assets

	Amounts due from closed banks (Note 19) K'000	Other assets (Note 18) K'000	Total K'000
At 1 January 2018	105,717	910	106,627
Changes on initial application of IFRS 9	-	1,028	1,028
Restated balance at 1 January 2018	105,717	1,938	107,655
Reversal during the year	(6,048)	(214)	(6,262)
Balance at 31 December 2018	99,669	1,724	101,393
At 1 January 2019	99,669	1,724	101,393
Reversal during the year	-	(1,724)	(1,724)
Balance at 31 December 2019	99,669	-	99,669

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9 Employee benefits

	2019 K'000	2018 K'000
Wages and salaries	242,110	224,121
Other employee costs	227,927	213,206
Employer's NAPSA contributions	6,880	6,942
Employer's pension contributions	15,990	15,627
Employer's NHI contributions	389	-
Staff loan benefit (Note 15)	1,341	(3,166)
	494,637	456,730

10 Operating expenses

	2019 K'000	2018 K'000
Administrative expenses	168,471	130,558
Expenses for bank note production	82,239	90,840
Repairs and maintenance	24,190	19,658
Sundry banking office expenses	8	17
	274,908	241,073

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

	2019 K'000	2018 K'000
Deposits with non-resident banks	9,360,107	10,031,557
Current account balances with non-resident banks	3,827,237	2,080,846
Clearing correspondent accounts with other central banks	4,598,478	3,782,382
Special Drawing Rights ("SDRs")	2,677,957	2,857,321
Foreign currency cash with banking office	6,139	4,631
	20,469,918	18,756,737

13 Items in course of settlement

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

14. Domestic financial assets at Fair Value through other Comprehensive Income (FVOCI)

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Loans and advances

	2019	2018
	K'000	K'000
Staff loans	82,500	87,844
Staff loans benefit at market value	13,151	9,044
Total staff loans	95,651	96,888
Budgetary advances to the Government	33,406	6,912,233
Credit to banks	532,080	28,104
Staff advances	1,224	1,350
Total loans and advances	662,361	7,038,575

The significant reduction in Budgetary advances to Governemnt was a result of the conversion of 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 (note17).

a) Staff loans

Movement in staff loans benefit

	2019	2018
	K'000	K'000
Balance at 1 January	9,044	10,174
Current year fair value adjustment of new loans	5,448	(4,296)
	14,492	5,878
Amortised to statement of comprehensive income (Note 9)	(1,341)	3,166
Balance at 31 December	13,151	9,044

Loans and advances to staff were made at concessionary rates. Credit quality is enhanced by insurance and collateral demanded. Collateral is generally in the form of property, motor vehicle or retirement benefits.

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

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

	2019	2018
	K'000	K'000
House loans	10%	10%
Personal loans	10%	10%
Multi-purpose loans	12.5%	12.5%

16. Domestic financial assets at amortised cost

	2019	2018
	K'000	K'000
GRZ consolidated securities (Note 17)	9,356,741	1,762,954
Other GRZ securities	4,614,160	2,194,392
Staff savings treasury bills	40,359	36,739
	14,011,260	3,994,085

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. The GRZ consolidated securities

	2019 K'000	2018 K'000
GRZ consolidated bond	8,324,625	1,120,968
364 days Treasury Bills	1,032,116	641,987
	9,356,741	1,762,955

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, which 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 24 September 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 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.

18. Other assets

	2019 K'000	2018 K'000
Prepayments	48,513	55,062
Sundry receivables	3,583	5,902
Stationery and office consumables	5,759	3,664
	57,855	64,628
Specific allowances for impairment (Note 8)	-	(1,724)
	57,855	62,904

19. Amounts due from closed banks

	2019	2018
Advances	99,669	99,669
Specific allowances for impairment (Note 8)	(99,669)	(99,669)
	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. Equity investments at FVOCI

	2019	2018
	K'000	K'000
Zambia Electronic Clearing House Limited	3,550	3,550
African Export Import Bank	192,857	134,482
	196,407	138,032

The Bank designates equity investments at FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payment is established. Dividends that are converted to shares are recorded in OCI.

a) Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution of K3.550 million, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered an equity investment at FVOCI. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of K0.021 million (2018: K0.111 million) are included in administrative expenses.

b) Africa Export Import Bank

The Bank of Zambia holds an investment in the equity of Africa Export Import Bank. ("AFREXIM"). AFREXIM is a grouping of regional central banks and financial institutions designed to facilitate intra and extra African trade. AFREXIM is a financial instrument classified as an equity investment at FVOCI.

The investment in AREXIM includes dividend equivalent to K4.025 million received in 2019, which was converted into equity. This was in line with AFREXIM's call for equity increase to strengthen its capital and enable improved pursuance of its mandate.

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

	2019	2018
	K'000	K'000
Poverty Reduction and Growth Facility (PRGF)*	4,649,978	3,952,950
Accrued charges - SDR Allocation	204,197	89,363
	4,854,175	4,042,313

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.

This represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 34). The increase 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 7January 2010 as the Fund's main tool for providing support to Low Income Countries (LICs). Financing under the ECF carries a zero interest rate through 2013, with a grace period of 5½ years, and a final maturity of 10 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

22. IMF subscriptions

The IMF subscription represents membership quota amounting to SDR 489,100,000 (2018: SDR 489,100,000) assigned to the GRZ by the IMF and forms the basis for the GRZ's financial and organisational relationship with the IMF. The financial liability relating to the IMF subscription is reflected under Note 33. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability have the same value.

The movement on IMF subscription is on account of currency valuation adjustments between 2019 and 2018. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23. Property, plant and equipment

	Leasehold buildings K'000	Furniture, Fittings, computers, plant, machinery and equipment K'000	Motor vehicles, bullion truck and escort vehicles K'000	Capital work-in progress K'000	Total K'000
Cost or valuation					
At 1 Janauary 2018	283,306	227,182	47,755	59,063	617,306
Additions	-	7,592	-	52,801	60,393
Transfers	2,842	7,578	-	(11,094)	(674)
Revaluation	102,148	-	-	-	102,148
Disposals	-	(3,952)	(97)	-	(4,049)
31 December 2018	388,296	238,400	47,658	100,770	775,124
Additions	14	1,520	7,989	27,152	36,675
Transfers	4,454	24,741	3,270	(43,880)	(11,415)
Disposals	-	(1,752)	(2,974)	-	(4,726)
31 December 2019	392,764	262,909	55,943	84,042	795,658
Accumulated depreciation					
At 1 January 2018	22,122	114,359	29,591	-	166,072
Charge for the year	5,668	19,341	5,586	-	30,595
Transfer to Reserves	(27,701)	-	-	-	(27,701)
Disposals	-	(3,944)	(97)	-	(4,041)
At 31 December 2018	89	129,756	35,080	-	164,925
Charge for the year	14,567	21,263	5,397	-	41,227
Disposals	-	(1,751)	(2,974)	-	(4,725)
At 31 December 2019	14,656	149,268	37,503	-	201,427
Carrying amounts					
At 31 December 2019	378,108	113,641	18,440	84,042	594,231
At 31 December 2018	388,207	108,644	12,578	100,770	610,199

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

23. Property, plant and equipment *(Continued)*

(a) The fair value measurement of the leasehold 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 simila 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 ZMW21.2 million (2018: ZMW17.1 million)

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

24. Intangible assets

	Purchased Software K'000
Cost	
At 1 January 2018	53,634
Disposals	-
Transfer from work-in-progress	674
Additions	54,308
At 1 January 2019	54,308
Additions	428
Transfer from work-in-progress (Note 23)	11,415
At 31 December 2019	66,151
Amortisation and impairment	
At 1 January 2018	51,937
Amortisation charge for the year	205
At 1 January 2019	52,142
Amortisation charge for the year	1,716
At 31 December 2019	53,858
Carrying amounts	
At 31 December 2019	12,293
At 31 December 2018	2,166

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

25. Capital expenditure commitments

	2019 K'000	2018 K'000
Authorised by the directors and contracted for	60,726	69,483

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

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

27. Deposits from financial institutions

	2019 K'000	2018 K'000
Statutory minimum reserve requirements	6,345,226	3,774,128
Commercial bank current accounts	2,016,584	1,433,410
Term deposits from financial institutions	1,340	1,142
Deposits from other international financial institutions	3,025	13,449
Deposits from other central banks	34	34
	8,366,209	5,222,163

The deposits except for term deposits are non-interest bearing and are payable on demand. Term deposits from financial institutions arise from Open Market Operations (OMO). These are short-term instruments with maximum maturity of up to 90 days and are used as a means of implementing monetary policy. The instruments bear interest at rates fixed in advance for periods up to maturity.

28. Foreign currency liabilities to other institutions

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.

	2019 K'000	2018 K'000
Donor funds	32,229	26,689

29. Other deposits

	2019 K'000	2018 K'000
Staff savings, deposits and clearing accounts	134,916	76,041

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 2019

30. Notes and coins in circulation

	2019 K'000	2018 K'000
Bank notes issued by denomination		
K100	5,814,103	5,266,779
K50	1,980,858	2,159,563
K20	295,299	281,914
10	130,651	108,726
K5	90,102	120,836
K2	31,447	49,172
Unrebased notes	100,196	102,297
Bank notes issued	8,442,656	8,089,287
Coins issued	184,375	207,760
	8,627,031	8,297,047

31. Other liabilities

	2019 K'000	2018 K'000
Accounts payable	77,861	64,020
Accrued expenses payable	30,433	115,819
	108,294	179,839

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

32. Provisions

	2019 K'000	2018 K'000
Balance at 1 January	46,159	836,333
Provisions made during the year	114,399	1,006
Payments and reversals made during the year	-	(791,180)
Balance at 31 December	160,558	46,159

The provisions are in respect of IFRS 9 impairment assessment on Former staff debtors and various claims brought against the Bank in the courts of law on which it is probable that a financial outflow will be required to settle the claims. There were no payments and reversals made during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

33. Domestic currency liabilities to IMF

	2019 K'000	2018 K'000
International Monetary Fund:		
Securities account	17,196,486	13,711,596
No. 1 account	45,785	36,506
No. 2 account	346	276
	17,242,617	13,748,378

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 2019 and 2018, as advised by the IMF.

34. Foreign currency liabilities to IMF

	2019 K'000	2018 K'000
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	251,288	743,136
- Charges on SDR allocation (b)	(13,663)	(13,692)
	237,625	729,444

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. The balance has reduced on account of repayments.

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

a) Accounting actuarial valuation recognised in the statement of financial position are determined as follows:

	2019 K'000	2018 K'000	Restated 2018 K'000
Fair value of plan assets	409,554	438,549	455,474
Present value of defined benefit obligations	(281,787)	(427,497)	(427,497)
Impact of asset ceiling	(127,767)	_(11,052)	(27,977)
Pension (surplus) / deficit	-	-	-

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

	2019 K'000	Restated 2018 K'000
Net asset at 1 January		-
Remeasurements recognised in other comprehensive income	-	-
Net asset at 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35. Employee benefits (Continued)

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

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

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

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

The plan 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. Moreover, there is less than 27% of plan assets invested in Government bonds which have different maturity periods, hence a change in government bond yield rates may have a more impact on the plan if it differs from the employer's opportunity cost of benefit provision.

(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 Company 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 Company.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method after every three years. However, the directors retain discretion to alter the timing of reviews to enable provision of reasonable estimates and more relevant information that achieves the fairest presentation. The latest actuarial review and valuation was carried out by Quantum Consultants and Actuaries on 6 March 2020 in respect of results as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35. Employee benefits (Continued)

Remeasurements to be recognised in other comprehensive income:

	2019 K'000	2018 K'000	Restated 2018 K'000
Charge due to impact of asset ceiling	127,767	11,052	27,977
Return on plan assets (excluding amounts in net interest)	37,811	79,942	27,133
Experience (gains)/losses	40,898	(16,731)	(10,640)
Gain from change in financial assumptions	(173,319)	(30,865)	(30,865)
Gain from change in demographic assumptions	-	(43,398)	-
Remeasurements	33,157	-	13,605

The charge due to impact of asset ceiling arises due to the fact that even though the fund recorded an actuarial surplus, the Bank as the sponsor will not enjoy any break in contributions and should, therefore, not recognise an actuarial asset in its books. The asset remains in the fund to improve members' benefits. The most significant change resulting in the gains highlighted above is the change in discount rate from 17.0% in 2018 to 29.0% in 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35. Employee benefits *(Continued)*

Plan assets comprise:

	2019 K'000	2018 K'000	Restated 2018 K'000
Investment properties and equity	251,498	237,448	251,332
Treasury bills	11,446	33,746	33,746
Fixed assets and corporate bonds	27,096	25,767	25,772
Other assets	11,328	31,045	34,081
GRZ bonds	108,186	110,543	110,543
Total plan assets	409,554	438,549	455,474
Movement in the present value of the defined benefit obligations over the period			
Defined benefit obligations at 1 January	427,497	440,520	440,520
Interest cost	72,674	82,975	80,514
Current service cost	4,757	8,506	8,506
Experience (gains)/losses	40,898	(16,731)	(10,640)
Benefits paid by the plan	(90,720)	(56,908)	(55,229)
Gains from change in Demographic assumptions	-	-	(5,309)
Gains from change in financial assumptions	(173,319)	(30,865)	(30,865)
Defined benefit obligations at 31 December	281,787	427,497	427,497
Movement in the present value of plan assets			
Fair value of plan assets at 1 January	455,474	447,700	445,877
Interest income on plan assets	75,852	85,282	79,543
Contributions	21,075	21,989	21,989
Administration expenses	(10,206)	(9,573)	(9,573)
Benefits paid by the plan	(40,405)	(56,908)	(55,229)
Return on plan assets, excluding interest	(92,236)	(79,941)	(27,133)
Fair value of plan assets at 31 December	409,554	408,549	455,474

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35. Employee benefits *(Continued)*

Actuarial assumptions	**2019 K'000**	**2018 K'000**
Principal actuarial assumptions at the reporting date were:		
Future pension increase	10.0%	6.0%
Salary increase (p.a)	12.0%	7.5%
Discount rate (p.a)	29.0%	17.0%
Expected return on plan assets	29.0%	17.0%
Inflation rate	8.0%	8.0%
Average life expectancy at normal retirement age 60		
	2019 K'000	**2018 K'000**
Male	18.3	18.3
Female	20.5	20.5

Sensitivity of the defined benefit obligation to actuarial assumptions

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

	2019 K'000	**2018 K'000**
Discount rate		
- increase by 1%	-14,223	-34,045
- decrease by 1%	+16,012	+39,069
Salary		
- increase by 1%	+6,331	+14,761
- decrease by 1%	-6,014	-13,745
Future pension		
- increase by 1%	+11,421	+26,190
- decrease by 1%	-10,311	-23,293
Life expectancy		
- increase by 1%	-3,562	-5,214
- decrease by 1%	+3,225	+4,652

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35. Employee benefits *(Continued)*

b) Statutory actuarial valuation for funding purposes

The statutory actuarial valuation of the Kwacha Pension Trust Fund was performed as at 31 December, 2018 to compl with the requirements of the Pension Scheme Regulations Act ("the Act") and as required in the terms of the Trust Dee and Rules of the Fund. The statutory actuarial valuation 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 valuation revealed a funding deficit of K 223.9 million as at 31 December 2018.

Statutory acturial valuation as at 31 December 2018	
	K'000s
Value on fund assets	455,474
Accrued (post service) liabilities	
- current pensioners and dependants	(208,765)
- in service members	(461,532)
- deferred pensioners	(9,023)
Total accrued (post service) liabilities	(679,320)
Actuarial surplus/(deficit)	(223,846)
Funding level	67.0%

The difference between the statutory actuarial valuation and the accounting actuarial valuation is mainly attributed to the discount rate used in determining the cash flows. For purposes of the accounting acturial valuation, IAS 19 determines the discount rate to use that is based on high- quality corporate bond yields. This approach places a lower value on pension scheme liabilities whereas the statutory actuarial valuation assumes a net of administration expense discount rate. The discount rate used by the statutory actuarial valuation of 2018 was 12.5% while the discount rate used for the accounting actuarial valuation of 2019 was 29%.

36. SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 469,136,513 (2018: SDR 469,137,515.) The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF except in 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 ZMW19.5077 per SDR (2018: ZMW16.584)

37. Capital

	2019 K'000	2018 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(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 K288.6 million to the general reserve fund and declaration of a dividend K2,597.0 million to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2019 financial year.

39. Related party transactions

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

In the context of the Bank, related party transactions include any transactions entered into with any of the following:
- The Government of the Republic of Zambia;
- Government bodies;
- Kwacha Pension Trust Fund;
- Zambia Electronic Clearing House;
- Members of the Board of Directors including the Governor;
- Key management personnel;
- Close family members of key management personnel including the members of the Board of Directors.

The main services during the year to 31 December 2018 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

39. Related party transactions *(Continued)*

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

Transactions and balances with the GRZ

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

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

	2019 K'000	2018 K'000
Interest on GRZ securities at FVOCI	851,625	337,952
Interest on advances to GRZ	279,688	411,466
Fees and commission income on transactions with GRZ	60,458	84,323
Profit on foreign exchange transactions with GRZ	85,989	82,247
Total	1,277,760	915,988

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

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

	2019 K'000	2018 K'000
GRZ - year end balances		
Deposits from GRZ Institutions	(2,342,487)	(1,840,715)
Holdings of GRZ securities	14,001,260	3,994,085
Budgetary advances to the Government	33,406	6,912,233

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

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

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

Transactions and balances with directors and key management personnel

a) Short-term benefits

	2019 K'000	2018 K'000
Directors' fees	2,169	1,230
Remuneration for key management personnel		
- Salaries and allowances	36,510	39,959
- Pension contributions	1,930	1,794
	38,440	41,753
Loans and advances to key management personnel		
Balance at 31 December	5,675	3,924

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

39. Related party transactions *(Continued)*

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

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

	2019 K'000	2018 K'000
b. Post-employment pension benefits	7,722	6,659

40. 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.

41. Events after the reporting date
The court case of Zambia Union of Financial Institutions and Allied Workers (ZUFIAW) against Bank of Zambia (BOZ) which was before the High Court Industrial Relations Division has been resolved in favour of ZUFIAW. The High Court has directed the Bank to award all eligeable employees a salary increase effective 1 August 2018 and 1 August 2019. The percentages of the increament are to be agreed by the parties which percentages are to be no less than 7%. The eligible employees are to be awarded interest on the sums due. The amounts to be paid were fully provided for.

8.0 2019 Statistical Annexures

2019 STATISTICAL ANNEXURES

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Depository Corporations Survey (K'Millions), Dec 2018 - Dec 2019 **Table 1**

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
NET FOREIGN ASSETS	24,809.9	24,813.7	22,296.4	20,081.8	20,619.4	22,124.2	21,731.8	22,003.8	22,657.3	23,553.3	21,552.6	22,563.5	24,248.5
CLAIMS ON NONRESIDENTS	39,324.6	39,437.9	34,950.2	34,468.6	35,834.7	37,271.7	36,551.9	37,485.7	38,726.0	38,986.7	36,796.7	38,717.7	40,449.3
LIABILITIES TO NONRESIDENTS	-14,514.8	-14,624.2	-12,653.8	-14,386.8	-15,215.3	-15,147.5	-14,820.1	-15,481.9	-16,068.7	-15,433.4	-15,244.2	-16,154.3	-16,200.8
DOMESTIC CLAIMS	62,219.3	61,755.7	64,685.0	63,861.9	65,794.3	66,735.8	65,211.1	65,091.9	66,180.4	67,677.6	69,088.7	72,035.3	73,134.0
NET CLAIMS ON CENTRAL GOVERNMENT	28,997.7	28,055.7	30,744.1	29,036.0	29,755.6	30,162.6	29,140.8	28,761.0	29,736.0	31,086.9	31,324.2	32,554.2	34,460.7
CLAIMS ON CENTRAL GOVERNMENT	37,925.8	37,125.6	39,253.7	38,371.0	38,988.4	40,455.8	40,615.9	40,270.2	40,593.6	40,691.4	42,036.8	41,947.5	44,444.9
LIABILITIES TO CENTRAL GOVERNMENT	-8,928.1	-9,069.9	-8,509.7	-9,335.0	-9,232.7	-10,293.2	-11,475.2	-11,509.2	-10,857.7	-9,604.5	-10,712.6	-9,393.3	-9,984.2
CLAIMS ON OTHER SECTORS	33,221.5	33,700.1	33,940.9	34,825.8	36,038.6	36,573.2	36,070.3	36,330.9	36,444.4	36,590.8	37,764.5	39,481.1	38,673.3
CLAIMS ON OTHER FINANCIAL CORPORATIONS	548.6	468.5	480.7	424.7	373.7	354.8	314.5	335.0	359.6	344.8	330.0	242.6	220.7
CLAIMS ON STATE AND LOCAL GOVERNMENT	67.3	70.4	71.1	67.1	70.3	69.6	66.5	66.6	68.5	68.4	64.7	63.3	83.3
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	488.6	457.7	459.7	910.4	952.0	937.1	928.7	920.2	800.7	745.6	738.4	796.1	725.0
CLAIMS ON PRIVATE SECTOR	32,117.1	32,703.5	32,929.4	33,423.6	34,642.5	35,211.7	34,760.7	35,009.0	35,215.6	35,432.0	36,631.5	38,379.2	37,644.3
BROAD MONEY LIABILITIES	62,997.1	63,875.1	61,793.1	60,511.1	62,466.6	64,801.1	63,736.2	63,668.6	65,473.0	66,160.0	65,431.8	68,000.8	70,900.1
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	6,500.3	5,789.9	5,428.4	5,649.1	5,869.3	6,371.0	6,775.6	6,964.7	7,205.3	6,816.1	6,613.7	6,829.7	6,791.1
TRANSFERABLE DEPOSITS	34,886.2	34,809.2	33,918.4	33,146.5	34,171.0	35,925.6	34,633.3	33,687.8	35,105.9	35,000.5	34,308.8	35,993.4	38,261.5
OTHER DEPOSITS	21,610.5	23,276.0	22,446.3	21,715.5	22,426.3	22,504.5	22,327.3	23,016.1	23,161.9	24,343.4	24,509.3	25,177.7	25,847.5
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	2,423.2	2,520.8	2,539.4	2,585.1	2,578.6	2,620.1	2,534.2	2,533.1	2,388.1	2,498.4	2,377.6	2,553.6	2,476.6
FINANCIAL DERIVATIVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00.0	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	22,543.5	0.0	0.0
SHARES AND OTHER EQUITY	20,590.9	19,141.5	21,483.5	21,824.5	20,752.4	21,342.4	21,093.0	21,367.0	21,703.6	22,091.3	252.2	24,037.9	23,449.2
OTHER ITEMS (NET)	981.9	995.8	1,129.2	-1,013.3	579.8	60.3	-456.7	-509.3	-763.2	445.0		-29.7	520.4
IFS Vertical Check	0												

Central Bank Survey (K'Millions), Dec 2018 - Dec 2019 **Table 2**

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
NET FOREIGN ASSETS	10,256.1	8,991.2	8,867.3	8,606.2	8,292.3	9,180.4	9,381.1	9,568.3	10,234.6	10,816.4	10,108.8	10,470.3	11,197.2
CLAIMS ON NONRESIDENTS	18,827.1	17,582.7	17,526.3	17,312.0	17,333.1	18,334.5	18,203.7	18,301.2	19,065.0	19,674.3	19,115.8	20,375.5	20,640.8
LIABILITIES TO NONRESIDENTS	-8,570.9	-8,591.4	-8,659.0	-8,705.9	-9,040.9	-9,154.2	-8,822.6	-8,732.9	-8,830.4	-8,857.9	-9,007.0	-9,905.2	-9,443.6
CLAIMS ON OTHER DEPOSITORY CORPORATIONS	131.4	113.4	126.6	126.6	67.4	155.2	1,876.2	796.6	258.3	633.9	356.9	367.9	372.0
NET CLAIMS ON CENTRAL GOVERNMENT	13,203.6	11,110.3	13,632.4	13,473.0	12,984.8	12,752.7	11,992.7	12,281.4	13,112.2	13,478.5	13,223.5	15,144.2	16,677.9
CLAIMS ON CENTRAL GOVERNMENT	15,044.4	13,134.6	15,133.3	15,246.7	15,478.0	15,872.3	15,878.9	15,717.0	15,749.2	16,019.4	16,192.3	16,592.6	19,017.5
LIABILITIES TO CENTRAL GOVERNMENT	-1,840.8	-2,024.3	-1,501.0	-1,773.7	-2,493.2	-3,119.6	-3,886.2	-3,435.5	-2,637.0	-2,540.9	-2,968.8	-1,448.4	-2,339.6
CLAIMS ON OTHER SECTORS	93.6	95.5	95.4	95.7	95.3	95.1	95.4	94.8	96.1	98.6	99.8	100.7	98.2
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	93.6	95.5	95.4	95.7	95.3	95.1	95.4	94.8	96.1	98.6	99.8	100.7	98.2
MONETARY BASE	13,556.6	11,831.3	12,085.3	13,253.5	11,901.5	12,119.6	13,248.0	12,742.3	13,719.8	14,703.6	13,427.0	14,359.5	17,053.0
CURRENCY IN CIRCULATION	8,292.3	7,305.6	6,947.9	7,052.2	7,430.2	7,763.5	8,406.8	8,579.1	8,745.8	8,404.3	8,326.7	8,251.8	8,622.1
LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	5,208.7	4,461.0	5,076.2	6,139.8	4,421.9	4,304.6	4,779.8	4,092.6	4,920.4	6,248.3	5,048.6	6,061.2	8,363.1
LIABILITIES TO OTHER SECTORS	55.6	64.7	61.1	61.4	49.3	51.5	61.3	70.6	53.6	51.0	51.7	46.5	67.7
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	7.5	8.3	6.7	5.0	17.8	9.9	0.0
DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1
DEPOSITS ExCLUDED IN BROAD MONEY	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1
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	10,248.3	8,704.2	10,869.6	10,999.3	9,844.3	10,274.3	10,075.2	10,181.5	10,392.4	10,548.1	10,832.1	12,119.1	11,736.4
OTHER ITEMS (NET)	-120.2	-225.0	-233.1	-1,951.3	-306.0	-210.4	14.8	-190.8	-417.7	-229.3	-487.9	-405.5	-444.0
IFS Vertical Check													

Other Depository Corporations Survey (K'Millions), Dec 2018 - Dec 2019 **Table 3**

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
NET FOREIGN ASSETS	14,553.7	15,822.4	13,429.1	11,475.6	12,327.1	12,943.9	12,350.7	12,435.4	12,422.7	12,736.9	11,443.8	12,093.1	13,051.3
CLAIMS ON NONRESIDENTS	20,497.6	21,855.2	17,423.9	17,156.6	18,501.5	18,937.2	18,348.2	19,184.5	19,661.0	19,312.4	17,680.9	18,342.2	19,808.5
LIABILITIES TO NONRESIDENTS	-5,943.8	-6,032.8	-3,994.8	-5,681.0	-6,174.4	-5,993.3	-5,997.5	-6,749.1	-7,238.3	-6,575.5	-6,237.1	-6,249.1	-6,757.3
CLAIMS ON CENTRAL BANK	7,744.4	6,833.4	7,293.9	8,306.6	6,786.9	6,379.8	7,235.8	6,699.9	7,675.9	8,759.4	7,665.8	8,529.3	11,022.5
CURRENCY	1,792.0	1,515.7	1,519.6	1,403.1	1,561.0	1,392.4	1,631.2	1,614.4	1,540.5	1,588.2	1,713.0	1,422.1	1,831.0
RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES	5,952.4	5,317.7	5,774.3	6,903.4	5,225.9	4,987.4	5,604.6	5,085.5	6,135.4	7,171.2	5,952.8	7,107.2	9,191.6
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	15,794.2	16,945.3	17,111.7	15,563.0	16,770.9	17,409.8	17,148.0	16,479.5	16,623.8	17,608.4	18,100.7	17,410.0	17,782.8
CLAIMS ON CENTRAL GOVERNMENT	22,881.4	23,991.0	24,120.4	23,124.3	23,510.4	24,583.5	24,737.0	24,553.2	24,844.5	24,672.0	25,844.5	25,354.9	25,427.4
LIABILITIES TO CENTRAL GOVERNMENT	-7,087.2	-7,045.7	-7,008.7	-7,561.4	-6,739.5	-7,173.6	-7,589.0	-8,073.7	-8,220.7	-7,063.6	-7,743.8	-7,944.9	-7,644.7
CLAIMS ON OTHER SECTORS	33,128.0	33,604.6	33,845.5	34,730.2	35,943.3	36,478.1	35,975.0	36,236.0	36,348.4	36,492.1	37,664.7	39,380.5	38,575.1
CLAIMS ON OTHER FINANCIAL CORPORATIONS	548.6	468.5	480.7	424.7	373.7	354.8	314.5	335.0	359.6	344.8	330.0	242.6	220.7
CLAIMS ON STATE AND LOCAL GOVERNMENT	67.3	70.4	71.1	67.1	70.3	69.6	66.5	66.6	68.5	68.4	64.7	63.3	83.3
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	488.6	457.7	459.7	910.4	952.0	937.1	928.7	920.2	800.7	745.6	738.4	796.1	725.0
CLAIMS ON PRIVATE SECTOR	32,023.5	32,608.0	32,834.0	33,327.9	34,547.3	35,116.6	34,665.3	34,914.2	35,119.5	35,333.4	36,531.7	38,278.6	37,546.1
LIABILITIES TO CENTRAL BANK	360.2	103.0	126.6	207.4	111.4	179.6	1,531.6	806.5	342.8	795.6	800.8	667.5	638.7
TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY	34,830.6	34,744.5	33,857.3	33,085.1	34,121.7	35,874.0	34,571.9	33,617.2	35,052.2	34,949.5	34,257.1	35,946.9	38,193.8
OTHER DEPOSITS INCLUDED IN BROAD MONEY	21,610.5	23,276.0	22,446.4	21,715.6	22,426.4	22,504.6	22,327.3	23,016.2	23,161.9	24,343.5	24,509.3	25,177.7	25,847.5
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	2,423.2	2,520.8	2,539.4	2,585.1	2,578.6	2,620.1	2,534.2	2,533.1	2,388.1	2,498.4	2,377.6	2,553.6	2,476.6
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	10,342.6	10,437.3	10,613.9	10,825.2	10,908.1	11,068.1	11,017.8	11,185.5	11,311.2	11,543.2	11,711.5	11,918.7	11,712.9
OTHER ITEMS (NET)	1,617.0	2,087.9	2,060.4	1,620.8	1,645.8	929.1	690.4	656.2	778.3	1,430.4	1,182.5	1,112.2	1,526.1
IFS Vertical Check	0												

Source: Bank of Zambia

Banking System Claims on Government (K' Millions), Dec 2010 - Dec 2019 Table 4

		Net Bank of Zambia Claims					Net Commercial Banks Claims					(a+b)
	Period End Month	Treasury Bills	GRZ Stock	GRZ Position (3)	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	(b) Total	TOTAL CLAIMS
2010	December	625.8	189.0	-2,369.6	0.0	-1,554.8	2,307.9	1,901.2	269.5	-479.5	4,019.6	2,350.0
2011	December	655.1	1,311.0	-4,154.7	213.0	-1,975.6	4,090.2	2,694.1	442.0	-823.6	6,402.7	4,427.1
2012	December	537.0	1,311.0	-3,535.4	637.0	-1,050.4	4,394.3	2,726.1	10.1	-1,150.6	5,980.0	4,929.5
2013	December	625.8	1,801.0	-3,595.7	1,830.5	661.6	6,566.2	2,653.5	120.6	-1,158.8	8,181.5	8,843.2
2014	December	710.8	1,714.9	-4,739.6	1,397.5	-916.3	6,572.9	2,362.4	661.3	-1,573.7	8,023.0	7,106.6
2015	December	1,277.3	1,650.2	-2,607.8	1,997.5	2,317.2	6,184.4	1,568.4	457.6	-1,539.6	6,670.9	8,988.1
2016	December	647.5	1,444.3	-1,454.8	5,321.0	5,958.0	5,471.4	2,249.5	819.3	-1,762.9	6,777.2	12,735.2
2017	December	625.8	1,314.3	-2,733.2	5,321.0	4,527.9	12,035.1	4,348.9	844.4	-1,631.3	15,597.1	20,125.0
2018	January	765.7	1,314.3	-3,173.8	4,406.7	4,227.2	11,966.3	4,692.3	839.3	-1,570.6	15,927.3	20,154.4
	February	692.6	1,314.3	-3,234.7	4,406.7	4,093.2	12,345.9	4,368.5	880.6	-1,361.1	16,233.8	20,327.0
	March	542.3	1,314.3	-2,168.2	4,406.7	5,009.4	12,298.1	4,894.5	919.6	-1,546.8	16,565.4	21,574.8
	April	1,031.1	1,314.3	-2,831.1	4,406.7	3,921.1	12,030.1	5,407.0	873.3	-1,486.3	16,824.0	20,745.1
	May	771.2	1,314.3	-2,933.9	4,406.7	3,558.3	12,571.5	5,361.2	839.6	-1,685.6	17,086.7	20,644.9
	June	657.9	1,314.3	-1,517.7	4,406.7	4,861.3	11,927.8	5,403.4	1,058.4	-1,509.1	16,880.4	21,741.7
	July	966.6	1,394.2	-3,522.5	4,406.7	3,245.1	11,029.4	5,443.9	1,066.1	-1,245.3	16,294.2	19,539.2
	August	625.8	1,314.3	-1,440.0	4,406.7	4,906.9	11,215.5	5,541.9	1,040.8	-1,420.6	16,377.6	21,284.5
	September	761.8	2,879.6	-664.2	4,406.7	7,383.9	10,492.7	5,520.1	1,154.0	-1,596.1	15,570.7	22,954.6
	October	1,174.0	3,137.6	-2,686.1	4,406.7	6,032.1	10,785.0	5,270.7	1,257.2	-1,947.1	15,365.8	21,397.9
	November	625.8	3,193.9	-1,589.3	4,406.7	6,637.0	13,098.8	5,955.5	1,576.1	-1,396.0	19,234.4	25,871.4
	December	642.9	3,960.5	-1,302.5	4,406.7	7,707.6	12,117.4	6,202.4	1,576.1	-1,396.0	18,500.0	26,207.6
2019	January	762.2	2,028.3	-1,912.5	4,406.7	5,284.7	11,854.8	6,190.6	2,665.2	-1,374.1	19,336.6	24,621.3
	February	625.8	2,016.6	-1,275.5	4,406.7	5,773.6	11,971.0	5,626.0	2,285.3	-1,213.2	18,669.2	24,442.8
	March	701.2	3,137.6	-933.0	4,406.7	7,312.5	11,214.5	5,837.8	2,253.4	-1,142.2	18,163.6	25,476.0
	April	791.3	3,137.6	-819.6	4,406.7	7,515.9	10,566.4	5,811.5	2,462.3	-1,113.5	17,726.7	25,242.6
	May	804.6	3,137.6	-1,992.7	4,406.7	6,356.1	11,182.4	5,846.6	2,446.2	-1,034.3	18,440.9	24,797.0
	June	2,110.7	3,194.0	-2,889.4	4,406.7	6,822.0	10,581.3	5,769.4	2,346.2	-1,185.9	17,511.1	24,333.1
	July	1,402.1	3,181.6	-2,771.6	4,406.7	6,218.8	10,962.5	5,709.2	2,317.8	-1,538.9	17,450.5	23,669.3
	August	1,010.5	7,551.3	-1,878.9	0.0	6,682.9	11,438.0	5,937.2	2,523.1	-1,327.3	18,571.0	25,253.9
	September	960.6	11,657.6	-868.9	0.0	11,749.3	11,667.2	5,974.5	2,507.7	-1,411.2	18,738.3	30,487.6
	October	1,126.0	11,646.0	-2,193.9	0.0	10,578.1	11,991.5	9,679.2	2,583.7	-1,694.8	22,559.6	33,137.7
	November	885.7	10,330.4	-366.1	0.0	10,850.0	12,802.4	6,955.9	2,712.7	-1,713.6	20,757.4	31,805.7
	December	1,401.6	10,281.6	-2,468.1	0.0	9,215.1	11,028.5	8,274.8	2,507.7	-1,454.9	20,356.2	29,312.6

Source: Bank of Zambia

Currency in Circulation (K' Million), Dec 2012 - Dec 2019 **Table 5**

		Issued			At banks			Outside banks		
		Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
2012	December	3,842.9	3,842.9	0.0	800.8	800.8	0.0	3,042.1	3,042.1	0.0
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	January	6,637.7	6,454.1	183.5	1,489.6	1,475.1	14.6	5,148.0	4,979.1	169.0
	February	6,328.7	6,143.3	185.4	1,407.7	1,391.7	16.0	4,921.0	4,751.6	169.4
	March	6,622.1	6,437.2	184.9	1,435.6	1,421.1	14.6	5,186.4	5,016.1	170.3
	April	6,706.1	6,521.9	184.2	1,368.7	1,354.6	14.1	5,337.4	5,167.3	170.1
	May	7,185.1	6,999.6	185.5	1,437.9	1,423.9	14.0	5,747.2	5,575.7	171.5
	June	7,687.3	7,498.5	188.8	1,568.6	1,555.2	13.3	6,118.8	5,943.3	175.4
	July	7,576.4	7,378.4	198.0	1,809.8	1,796.5	13.3	5,766.6	5,581.9	184.7
	August	7,626.8	7,425.0	201.9	1,586.1	1,572.6	13.5	6,040.8	5,852.4	188.4
	September	7,518.2	7,315.6	202.6	1,353.9	1,338.8	15.1	6,164.3	5,976.9	187.5
	October	7,850.7	7,646.0	204.8	1,538.9	1,523.4	15.5	6,311.8	6,122.6	189.2
	November	7,593.8	7,388.0	205.8	1,468.1	1,452.4	15.7	6,125.7	5,935.6	190.0
	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	January	7,208.7	7,000.4	208.3	1,453.9	1,435.7	18.2	5,754.8	5,564.8	190.1
	February	6,853.9	6,672.2	181.7	1,477.0	1,458.5	18.4	5,376.9	5,213.7	163.2
	March	6,955.6	6,775.4	180.2	1,362.2	1,344.1	18.1	5,593.4	5,431.3	162.1
	April	7,334.8	7,156.1	178.7	1,527.6	1,511.5	16.1	5,807.3	5,644.6	162.6
	May	7,666.7	7,489.2	177.5	1,356.7	1,343.6	13.1	6,310.0	6,145.5	164.4
	June	8,312.1	8,133.6	178.5	1,595.9	1,584.7	11.3	6,716.2	6,549.0	167.2
	July	8,484.5	8,304.6	179.8	1,564.8	1,554.1	10.7	6,919.7	6,750.6	169.1
	August	8,649.4	8,468.0	181.4	1,487.6	1,473.9	13.7	7,161.8	6,994.1	167.7
	September	8,308.4	8,126.6	181.8	1,532.2	1,520.4	11.8	6,776.2	6,606.2	169.9
	October	8,230.0	8,047.4	182.6	1,661.7	1,650.4	11.3	6,568.3	6,397.0	171.3
	November	8,156.3	7,972.4	183.9	1,373.4	1,361.6	11.8	6,782.9	6,610.8	172.1
	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

Source: Bank of Zambia

Commercial Banks' Deposits by Institution-Domestic Currency (K' Million), Jan 2017 - Dec 2019 **Table 6A**

		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Other Fin. institutions	Total
2017	January	1,632.3	2,980.4	545.3	6,788.0	8,093.9	4,010.4	4,010.4	24,399.4
	February	1,694.5	2,433.8	608.4	8,291.8	7,083.2	6,230.0	6,230.0	26,600.7
	March	1,655.3	1,845.0	1,070.4	8,599.2	8,626.8	4,739.9	4,739.9	26,802.3
	April	1,497.6	2,077.4	661.7	8,156.5	8,873.6	5,130.2	5,130.2	26,685.1
	May	1,742.1	1,989.9	752.9	8,609.0	9,036.9	5,418.9	5,418.9	27,896.2
	June	1,698.2	2,113.3	821.3	8,196.4	8,577.0	6,081.8	6,081.8	27,768.1
	July	2,315.4	2,171.7	930.6	8,480.3	9,191.7	5,312.7	5,312.7	28,815.0
	August	1,945.9	1,769.1	909.7	8,828.8	9,685.6	5,428.3	5,428.3	28,930.0
	September	1,982.6	1,702.8	856.7	8,336.2	9,820.3	6,177.0	6,177.0	29,659.2
	October	1,942.7	2,210.7	879.4	8,803.3	9,248.7	6,344.0	6,344.0	29,809.0
	November	1,971.6	1,856.1	938.1	9,009.6	9,423.1	6,113.0	6,113.0	29,640.6
	December	2,250.4	1,352.6	1,102.4	9,952.9	9,591.0	5,658.6	5,658.6	30,273.3
2018	January	2,148.0	1,363.2	1,285.7	9,400.6	9,571.1	6,205.4	6,205.4	30,343.2
	February	1,964.3	1,280.6	1,174.4	9,424.5	9,182.4	5,773.4	5,773.4	29,160.7
	March	2,131.5	1,720.6	1,020.7	9,144.0	9,118.2	5,952.3	5,952.3	29,408.4
	April	1,969.8	1,600.9	1,082.5	9,560.6	9,501.0	5,551.4	5,551.4	29,502.6
	May	2,075.8	1,724.2	996.3	10,477.8	9,815.3	5,808.8	5,808.8	31,092.6
	June	2,045.3	3,097.1	813.0	10,299.8	8,388.3	5,706.5	5,706.5	30,526.1
	July	1,868.8	2,022.4	800.8	11,412.9	9,273.1	5,490.1	5,490.1	31,034.8
	August	2,617.3	1,860.8	828.5	11,811.6	9,304.8	5,170.6	5,170.6	31,916.4
	September	2,444.6	1,648.0	1,128.8	11,639.6	9,930.0	5,532.3	5,532.3	32,459.0
	October	2,845.0	2,340.4	798.0	10,049.0	9,850.3	5,125.0	5,125.0	31,155.6
	November	2,053.8	2,650.6	843.5	11,161.4	10,296.9	5,107.8	5,107.8	32,189.6
	December	1,871.5	2,766.0	834.2	11,540.5	10,328.0	5,474.9	5,474.9	32,897.0
2019	January	1,913.4	2,661.5	931.0	11,159.0	10,187.6	5,237.5	5,237.5	32,176.1
	February	1,940.9	2,719.9	893.8	11,271.8	10,143.9	5,492.5	5,492.5	32,550.7
	March	2,040.2	3,174.3	859.6	11,409.4	9,822.9	4,847.3	4,847.3	32,226.1
	April	2,171.2	2,594.4	972.0	11,603.1	10,258.5	4,751.8	4,751.8	32,532.9
	May	2,372.2	2,861.2	1,303.4	12,166.9	9,237.5	5,157.9	5,157.9	33,211.1
	June	2,222.6	2,842.3	994.5	11,615.6	9,305.2	5,676.5	5,676.5	32,754.0
	July	2,466.6	2,789.1	906.2	11,525.1	9,414.4	6,322.5	6,322.5	33,530.7
	August	2,130.1	3,358.5	873.1	11,237.3	9,690.4	6,456.3	6,456.3	33,864.2
	September	2,159.8	2,854.6	939.2	11,649.3	9,615.6	6,497.4	6,497.4	33,796.1
	October	2,815.0	3,228.4	953.9	11,703.7	9,655.3	6,429.1	6,429.1	34,878.7
	November	2,745.2	3,208.5	802.7	11,775.0	9,880.7	6,377.4	6,377.4	34,855.1
	December	2,577.4	3,359.0	809.4	12,684.7	10,145.4	6,789.9	6,789.9	36,438.8

Source: Bank of Zambia

Commercial Banks' Deposits by Institution-Foreign Currency (K' Million), Jan 2017 - Dec 2019 **Table 6B**

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2017	January	578	98	425.9	12,840.5	2,931.5	2,862.5	2,756.9	22,493.8
	February	611	380	550.3	11,650.7	2,752.4	2,503.3	2,649.2	21,096.3
	March	687	281	550.6	12,132.8	2,688.3	2,246.4	3,611.8	22,198.2
	April	666	123	503.0	12,254.1	2,591.6	2,142.3	3,558.5	21,838.9
	May	689	243	558.9	11,785.0	2,505.0	2,107.0	3,573.8	21,461.4
	June	809	49	608.1	11,775.5	2,764.3	2,064.2	3,646.7	21,716.3
	July	547	140	539.1	10,911.1	2,426.3	2,184.1	2,746.2	19,493.7
	August	480	177	642.8	12,208.1	2,434.3	2,262.4	2,911.1	21,115.6
	September	315	188	595.2	12,552.7	2,146.0	2,346.6	2,577.6	20,720.7
	October	395	380	631.0	12,851.0	2,405.7	2,319.2	2,179.1	21,161.6
	November	533	486	767.6	13,381.5	2,610.2	2,525.0	2,402.6	22,706.4
	December	848	491	645.9	14,202.0	2,701.3	2,363.7	2,389.0	23,640.9
2018	January	917	430	678.5	13,281.9	3,043.0	2,381.1	2,395.2	23,126.6
	February	645	210	582.8	14,475.2	3,307.8	2,592.8	2,555.9	24,369.0
	March	648	187	413.2	13,248.3	3,130.8	2,323.6	2,704.2	22,654.9
	April	770	170	529.7	13,679.8	3,206.6	2,834.7	2,457.0	23,648.2
	May	734	192	418.8	15,015.9	3,112.1	2,801.7	2,827.6	25,102.4
	June	850	326	381.3	14,406.2	4,522.1	2,920.5	2,424.6	25,830.1
	July	839	339	368.7	14,043.8	3,099.3	2,941.6	1,836.7	23,468.5
	August	744	474	427.2	13,836.4	3,187.3	3,282.6	1,907.3	23,859.6
	September	942	715	473.2	17,385.4	3,962.0	3,965.0	2,445.3	29,888.3
	October	881	880	402.3	15,342.3	4,214.1	3,927.0	1,929.4	27,575.7
	November	978	721	549.7	16,497.8	3,910.0	4,074.1	885.2	27,616.5
	December	1,266	593	602.0	17,482.7	3,953.4	3,966.8	698.6	28,562.6
2019	January	1,318	510	488.1	19,878.4	3,916.1	4,014.4	442.9	30,568.0
	February	1,034	567	653.3	17,698.8	3,759.7	4,255.5	535.3	28,503.1
	March	1,075	669	323.1	17,093.2	3,919.2	4,134.5	2,428.9	29,642.9
	April	1,300	674	566.2	17,660.9	4,100.4	3,978.4	2,421.3	30,701.0
	May	1,129	1,026	324.3	18,497.5	4,373.1	4,080.6	2,409.7	31,840.5
	June	1,204	1,122	474.8	17,765.1	4,290.0	3,998.2	2,184.3	31,039.0
	July	1,329	1,320	480.0	16,618.4	4,393.8	4,156.0	1,759.5	30,056.6
	August	1,235	1,299	370.4	18,502.9	4,377.0	3,860.1	2,040.7	31,684.8
	September	1,104.2	608	521.6	18,618.4	4,419.2	4,039.8	2,171.5	31,482.7
	October	1,141.3	640	462.6	17,471.3	4,642.9	3,980.6	2,119.3	30,458.3
	November	1,249.9	821	663.2	18,807.1	5,144.1	4,265.1	1,577.9	32,528.5
	December	1,678.6	530	558.7	19,630.4	4,947.4	4,480.2	890.3	32,715.8

Source: Bank of Zambia

Commercial Banks' Loans and Advances - Local Currency (K' Million), Dec 2017 - Dec 2019 — **Table 7A**

Sector	Dec-17	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Agriculture, forestry,Fishing and hunting	4,967.7	4,932.9	5,259.1	5,321.2	5,390.5	5,583.5	5,876.5	5,669.0	5,643.3	5,573.6	5,541.1	5,595.9	5,860.0	5,851.3
Mining and quarying	1,542.5	2,047.5	2,150.1	2,190.3	2,452.6	2,684.3	2,672.0	2,160.9	2,272.9	2,243.1	2,446.0	2,375.0	2,532.2	2,650.7
Manufacturing	1,907.1	2,668.8	2,743.1	2,747.7	2,831.4	3,079.2	3,438.5	3,495.9	3,458.1	3,375.3	3,189.8	3,478.8	3,568.3	3,181.4
Electricity, gas, water and energy	748.0	874.3	1,038.5	1,084.6	1,268.1	1,321.6	1,437.5	1,412.9	1,421.5	1,455.6	1,496.5	1,665.7	1,548.5	1,544.7
Construction	1,073.4	873.5	797.7	796.4	742.4	847.0	813.3	777.1	718.6	699.3	693.8	669.9	784.3	767.6
Wholesale and retail trade	2,781.1	3,232.1	3,437.4	3,143.8	3,333.4	3,356.1	3,303.0	3,484.4	3,280.3	3,350.8	3,609.6	4,309.0	4,559.5	4,080.1
Restaurants and hotels	358.6	367.8	373.6	380.5	355.1	380.1	383.6	357.0	377.3	324.3	369.6	325.1	343.5	337.7
Transport, storage and communications	1,139.2	1,795.5	2,268.2	2,306.6	2,363.4	2,438.1	2,504.7	2,557.1	2,960.1	2,989.7	2,970.0	3,011.3	3,185.5	3,119.7
Financial services	544.5	1,205.4	1,071.5	1,151.5	1,077.2	1,014.1	835.0	860.8	865.0	913.5	818.0	806.8	772.1	733.6
Community, social and perconal services	1,013.3	1,392.1	1,574.1	1,210.4	1,409.7	1,629.7	1,571.2	1,542.4	1,541.0	1,735.2	1,797.7	1,700.7	1,934.6	2,340.6
Real estate	859.4	1,008.0	1,020.2	861.1	895.9	1,025.7	1,092.6	1,073.7	1,101.1	1,100.7	998.5	1,081.9	1,213.4	1,152.2
Credit/debit cards	0.1	0.2	0.2	0.5	0.2	1.3	1.0	1.5	0.2	0.3	0.2	0.2	0.2	0.2
Other sectors	7,498.5	8,736.5	8,809.8	9,062.5	9,006.7	9,259.2	9,254.0	9,283.4	9,246.8	9,457.7	9,397.9	9,499.9	9,812.3	9,857.0
TOTALS	**24,434.2**	**29,134.7**	**30,543.4**	**30,257.1**	**31,126.4**	**32,619.9**	**33,182.8**	**32,676.1**	**32,886.2**	**33,219.2**	**33,328.7**	**34,520.3**	**36,114.4**	**35,616.7**

Source: Bank of Zambia

Commercial Banks' Loans and Advances - Foreign Currency (US $' Millions), Dec 2017 - Dec 2019 **Table 7B**

Sector	Dec-17	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Agriculture, forestry,Fishing and hunting	288.8	294.4	318.5	320.4	323.9	326.3	334.5	327.3	323.7	321.7	319.4	308.2	307.4	305.4
Mining and quarying	144.0	162.7	171.8	169.6	190.0	199.2	191.7	156.8	165.8	159.8	159.3	167.0	163.9	178.6
Manufacturing	92.0	147.4	156.9	155.3	163.0	177.3	186.7	184.3	185.6	185.8	179.0	191.2	182.7	181.7
Electricity, gas, water and energy	36.6	53.8	53.2	51.5	70.5	67.8	75.8	74.8	73.7	62.9	60.5	65.9	67.1	66.0
Construction	63.6	48.0	43.9	44.2	38.7	42.2	39.9	39.5	32.5	32.2	33.8	31.1	36.6	36.8
Wholesale and retail trade	133.2	133.4	129.3	127.1	127.7	127.4	119.8	114.9	108.0	112.7	134.6	178.1	188.2	159.3
Restaurants and hotels	25.7	19.7	19.8	19.8	17.1	18.1	17.6	16.9	18.9	15.1	18.4	15.2	15.2	15.4
Transport, storage and communications	63.6	73.8	111.6	115.1	115.2	115.2	114.0	114.5	142.5	145.0	141.8	140.9	140.9	140.3
Financial services	16.2	33.7	26.5	29.6	28.7	25.1	14.1	12.8	10.6	10.9	9.4	8.6	8.3	7.3
Community, social and perconal services	7.7	8.5	8.4	13.7	12.3	13.9	14.0	15.5	14.0	30.7	32.7	30.2	35.0	36.1
Real estate	58.8	58.1	59.3	58.1	60.8	69.1	68.3	67.4	71.9	68.9	60.8	68.7	70.3	68.8
Other sectors	68.9	48.6	50.2	54.0	52.8	48.3	47.2	47.8	40.8	49.4	43.3	45.0	63.9	70.3
TOTALS	**999.0**	**1,082.0**	**1,149.4**	**1,158.6**	**1,200.7**	**1,230.1**	**1,223.7**	**1,172.5**	**1,188.0**	**1,195.1**	**1,193.0**	**1,250.2**	**1,279.5**	**1,265.8**

Source: Bank of Zambia

Structure of Interest Rates (Percent per Year), Dec 2011 - Dec 2019 — **Table 8**

	End of period	BoZ[1] Policy Rate	Weighted Interbank rate	Penalty[2] rate	Treasury bill rates: 91 days	182 days	273 days	364 days	Government bond rates: 24 months	3 year	5 year	7 year	10 year	15 year	Commercial bank rate: Savings	90 day
2011	December	16.6	10.2	35.5	7.0	9.5	11.4	13.5	14.7	15.1	15.4	15.0	15.9	16.2	4.3	5.3
2012	December	9.3	8.8	33.2	9.4	12.4	11.4	12.1	11.0	12.8	13.5	14.5	16.5	16.6	4.3	5.3
2013	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	January	10.3	10.1	39.8	9.8	10.0	13.0	16.5	16.5	18.0	18.0	19.5	20.0	18.5	2.8	6.7
	February	9.8	10.3	39.8	9.9	10.3	10.2	16.3	16.5	18.0	18.0	19.5	20.0	18.5	2.8	6.9
	March	9.8	9.6	39.8	10.0	11.0	8.5	17.3	16.4	17.9	17.9	19.0	20.0	18.5	2.8	6.7
	April	9.8	9.1	39.8	10.1	11.2	12.1	17.5	16.4	17.9	17.9	19.0	19.8	18.5	2.8	6.6
	May	9.8	9.7	39.8	10.0	12.6	12.9	17.7	16.4	17.9	17.9	19.0	19.0	18.5	2.8	6.6
	June	9.8	9.9	39.8	10.0	13.1	13.0	17.9	16.8	18.0	18.3	19.0	19.1	18.3	3.0	6.5
	July	9.8	9.9	39.8	10.0	13.8	13.0	18.4	18.5	18.5	20.0	19.0	19.3	17.5	3.0	6.6
	August	9.8	10.0	39.8	11.8	14.7	16.3	19.1	18.9	18.5	20.2	19.0	19.6	17.5	3.0	6.6
	September	9.8	10.0	39.8	13.6	15.2	18.3	20.4	19.4	18.4	20.4	19.0	19.9	17.5	3.0	6.8
	October	9.8	9.8	39.8	14.2	15.0	19.9	21.9	19.5	19.0	20.4	18.8	19.8	17.5	3.0	6.9
	November	9.8	9.8	39.8	14.5	14.6	21.1	23.0	19.5	20.0	20.4	18.5	19.5	17.5	3.0	7.2
	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	January	9.8	9.9	39.8	15.0	15.0	23.0	24.0	19.5	20.0	20.4	18.5	23.5	17.0	3.0	7.6
	February	9.8	9.9	39.8	15.0	15.0	23.0	23.5	24.0	24.5	25.5	24.0	25.9	17.0	3.1	7.4
	March	9.8	9.9	39.8	15.3	15.0	23.0	24.0	24.0	24.5	25.5	24.0	25.9	17.0	3.1	8.2
	April	9.8	9.9	39.8	16.0	16.0	24.3	25.0	29.5	29.8	30.5	25.6	27.0	19.0	3.1	8.3
	May	10.3	9.9	39.8	16.0	16.5	25.3	26.3	29.5	29.8	30.5	25.6	27.0	19.0	3.1	8.3
	June	10.3	10.3	39.8	16.5	16.5	25.3	26.5	29.5	29.8	30.5	25.6	27.0	19.0	3.1	8.2
	July	10.3	10.3	39.8	16.5	16.0	25.3	26.5	29.5	29.8	30.5	25.6	27.0	19.0	3.0	8.2
	August	10.3	10.7	39.8	16.5	19.0	26.0	27.5	29.5	29.8	32.0	25.0	28.0	20.0	3.0	8.3
	September	10.3	11.2	39.8	16.5	19.0	26.5	27.5	29.5	29.8	32.0	25.0	28.0	20.0	3.0	8.4
	October	10.3	10.6	39.8	16.5	19.1	27.0	27.5	29.5	28.8	32.5	25.0	27.0	21.0	3.0	8.7
	November	11.5	10.9	39.8	16.5	19.0	27.0	27.5	29.5	29.8	33.0	25.0	27.0	28.0	3.0	8.8
	December	11.5	12.5	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

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 2011 - Dec 2019 | **Table 9**

	End of Period	Average Lending Rates	Weighted interbank rate	Savings Rates: less than K100	Savings Rates: more than K100	Deposits over K20,000: 24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2011	December	24.0	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2012	December	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2013	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	January	29.2	15.9	2.0	2.8	2.3	6.1	6.6	8.3	10.3	10.9	12.9
	February	28.9	15.3	1.9	2.7	2.4	6.1	6.6	8.6	10.6	11.2	12.5
	March	28.8	14.1	2.0	2.7	2.2	5.1	5.2	7.6	9.5	10.5	11.6
	April	28.2	13.0	2.0	2.8	2.0	4.8	5.5	8.0	9.3	10.4	11.5
	May	27.7	13.9	2.0	2.7	2.0	5.1	5.9	8.3	9.3	10.1	11.7
	June	26.6	12.9	1.9	2.6	2.1	4.6	4.5	7.2	8.4	8.7	11.0
	July	26.3	12.3	2.0	2.6	2.2	4.8	4.5	7.3	8.4	8.6	10.4
	August	26.6	12.0	2.0	2.7	2.2	4.8	4.8	6.9	7.7	8.0	9.8
	September	25.4	10.5	1.9	2.8	2.1	4.9	5.2	6.2	6.8	7.4	9.4
	October	25.4	10.5	1.9	2.7	1.8	4.0	4.1	5.7	6.2	6.9	8.8
	November	25.5	11.0	1.9	2.8	1.9	3.8	4.4	6.0	6.0	6.7	8.6
	December	24.6	10.1	1.9	2.8	2.0	3.3	3.5	5.5	6.2	6.9	8.6
2018	January	24.5	10.1	1.9	2.8	2.0	3.4	3.0	4.9	5.9	6.7	8.3
	February	24.3	10.3	1.9	2.8	2.2	3.7	3.5	5.3	6.1	6.9	8.3
	March	24.1	9.6	1.9	2.8	2.2	3.9	3.3	5.1	6.0	6.7	8.1
	April	24.1	9.1	1.9	2.8	2.2	3.8	3.3	5.1	6.0	6.6	8.0
	May	23.9	9.7	1.9	2.8	2.2	3.5	3.3	5.1	5.8	6.6	8.0
	June	24.1	9.9	1.9	3.0	2.3	3.6	3.4	5.2	6.1	6.5	8.1
	July	23.7	9.9	1.9	3.0	2.3	3.6	3.5	5.2	6.0	6.6	8.2
	August	23.5	10.0	1.9	3.0	2.3	3.6	3.5	5.6	5.8	6.6	8.2
	September	23.0	10.0	1.9	3.0	2.3	3.6	3.5	5.4	6.0	6.8	8.3
	October	24.4	9.8	1.9	3.0	2.3	3.4	3.3	5.3	6.0	6.9	8.5
	November	24.0	9.8	1.9	3.0	2.3	3.5	3.3	5.1	6.2	7.2	8.6
	December	23.6	9.8	1.9	3.0	2.3	3.5	3.3	5.3	6.6	7.6	9.1
2019	January	24.0	9.9	1.9	3.0	2.4	3.8	3.7	5.4	6.9	7.6	9.0
	February	24.6	9.9	1.9	3.1	2.0	2.9	2.9	5.4	6.6	7.4	8.9
	March	24.6	9.9	1.8	3.1	2.4	3.3	3.2	5.8	7.4	8.2	9.8
	April	24.6	9.9	1.7	3.1	2.3	3.5	3.4	6.1	7.4	8.3	9.8
	May	24.9	9.9	1.7	3.1	2.5	3.4	3.3	5.9	7.5	8.3	10.0
	June	25.4	10.3	1.7	3.1	2.8	3.8	3.6	6.2	7.4	8.2	10.1
	July	25.3	10.3	1.7	3.0	2.8	3.9	3.8	6.6	7.6	8.2	10.0
	August	25.8	10.7	1.7	3.0	2.7	3.9	3.7	6.4	7.7	8.3	10.1
	September	26.1	11.2	1.7	3.0	2.6	3.7	3.5	6.4	7.7	8.4	9.9
	October	26.7	10.6	1.7	3.0	2.6	3.4	3.3	6.4	8.0	8.7	10.0
	November	27.5	10.7	1.7	3.0	2.6	3.5	3.3	6.5	8.2	8.8	10.2
	December	28.0	10.7	1.7	3.0	2.6	3.4	3.3	6.8	8.4	8.8	10.1

Source: Bank of Zambia

Kwacha/US Dollar Exchange Rates, Dec 2011 - Dec 2019 **Table 10**

	Period	Bank of Zambia			Bureau Rates		
	Monthly Average	Buying	Selling	Mid	Buying	Selling	Mid
2011	December	5.1	5.1	5.1	5.1	5.2	5.1
2012	December	5.2	5.2	5.2	5.2	5.3	5.3
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	January	9.8	9.9	9.9	9.8	10.0	9.9
	February	9.8	9.8	9.8	9.8	9.9	9.8
	March	9.6	9.6	9.6	9.7	9.8	9.7
	April	9.5	9.5	9.5	9.5	9.6	9.6
	May	10.1	10.1	10.1	10.0	10.1	10.1
	June	10.0	10.1	10.0	10.0	10.2	10.1
	July	9.9	9.9	9.9	9.8	10.0	9.9
	August	10.1	10.1	10.1	10.0	10.2	10.1
	September	10.9	10.9	10.9	10.6	10.7	10.7
	October	11.9	11.9	11.9	11.9	12.1	11.6
	November	11.8	11.9	11.8	11.7	11.9	11.8
	December	11.9	11.9	11.9	11.8	12.0	11.8
2019	January	11.9	12.0	11.9	11.8	12.0	11.9
	February	11.9	11.9	11.9	11.8	12.0	11.9
	March	12.0	12.0	12.0	11.9	12.1	12.0
	April	12.3	12.3	12.3	12.2	12.3	12.2
	May	13.2	13.3	13.2	13.2	13.3	13.2
	June	13.0	13.1	13.1	13.0	13.2	13.1
	July	12.7	12.8	12.7	12.7	12.9	12.8
	August	13.0	13.1	13.0	12.9	13.1	13.0
	September	13.1	13.2	13.1	13.0	13.2	13.1
	October	13.2	13.2	13.2	13.1	13.3	13.2
	November	14.0	14.0	14.0	13.7	13.9	13.8
	December	14.4	14.4	14.4	14.3	14.6	14.5

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, Jan 2017 - Dec 2019 — Table 11

Date	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
2017																
January	9.8	10.0	9.9	10.0	9.9	10.0	9.9	12.2	12.3	12.2	10.5	10.6	10.6	0.7	0.7	0.7
February	9.7	9.8	9.8	9.8	9.7	9.8	9.8	12.1	12.2	12.2	10.4	10.4	10.4	0.7	0.7	0.7
March	9.5	9.7	9.6	9.6	9.6	9.6	9.6	11.8	11.9	11.9	10.2	10.3	10.3	0.7	0.7	0.7
April	9.4	9.5	9.5	9.5	9.4	9.5	9.4	11.9	12.0	11.9	10.1	10.1	10.1	0.7	0.7	0.7
May	9.2	9.3	9.3	9.3	9.2	9.3	9.3	11.9	12.0	12.0	10.2	10.2	10.2	0.7	0.7	0.7
June	9.2	9.3	9.3	9.3	9.2	9.3	9.3	11.8	11.8	11.8	10.3	10.4	10.4	0.7	0.7	0.7
July	8.9	9.0	8.9	9.0	8.9	9.0	8.9	11.6	11.6	11.6	10.3	10.3	10.3	0.7	0.7	0.7
August	9.0	9.1	9.0	9.0	9.0	9.0	9.0	11.7	11.7	11.7	10.6	10.7	10.7	0.7	0.7	0.7
September	9.3	9.5	9.4	9.4	9.4	9.4	9.4	12.5	12.6	12.5	11.2	11.2	11.2	0.7	0.7	0.7
October	9.7	9.9	9.8	9.8	9.7	9.8	9.8	12.9	12.9	12.9	11.4	11.5	11.5	0.7	0.7	0.7
November	10.0	10.2	10.1	10.1	10.0	10.1	10.0	13.2	13.3	13.3	11.8	11.8	11.8	0.7	0.7	0.7
December	9.9	10.1	10.0	10.1	10.0	10.1	10.0	13.4	13.5	13.4	11.8	11.9	11.9	0.8	0.8	0.8
2018																
January	9.8	9.9	9.9	9.9	9.8	9.9	9.9	13.6	13.7	13.6	12.0	12.1	12.0	0.8	0.8	0.8
February	9.7	9.9	9.8	9.8	9.8	9.8	9.8	13.6	13.7	13.7	12.1	12.1	12.1	0.8	0.8	0.8
March	9.5	9.7	9.6	9.6	9.6	9.6	9.6	13.4	13.4	13.4	11.8	11.9	11.8	0.8	0.8	0.8
April	9.4	9.6	9.5	9.6	9.5	9.5	9.5	13.4	13.4	13.4	11.7	11.7	11.7	0.8	0.8	0.8
May	10.0	10.2	10.1	10.1	10.1	10.1	10.4	13.6	13.7	13.6	11.9	12.0	11.9	0.8	0.8	0.8
June	10.0	10.1	10.0	10.1	10.0	10.1	10.0	13.3	13.4	13.3	11.7	11.8	11.7	0.8	0.8	0.8
July	9.8	10.0	9.9	9.9	9.9	9.9	9.9	13.0	13.1	13.0	11.5	11.6	11.6	0.7	0.7	0.7
August	10.0	10.2	10.1	10.1	10.1	10.1	10.1	13.0	13.0	13.0	11.6	11.7	11.6	0.7	0.7	0.7
September	10.8	11.0	10.9	11.0	10.9	11.0	11.1	14.3	14.3	14.3	12.7	12.8	12.8	0.7	0.7	0.7
October	11.9	12.0	11.9	11.9	11.9	11.9	11.9	15.5	15.5	15.5	13.7	13.7	13.7	0.8	0.8	0.8
November	11.7	11.9	11.8	11.9	11.8	11.9	11.8	15.2	15.3	15.3	13.4	13.5	13.5	0.8	0.8	0.8
December	11.8	12.0	11.9	12.0	11.9	11.9	11.9	15.1	15.1	15.1	13.5	13.7	13.6	0.8	0.8	0.8
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

Source: Bank of Zambia

Foreign Exchange Transactions (US $ Million), Dec 2012 - Dec 2019 **Table 12**

		Bank of Zambia Inflows			Bank of Zambia Outflows				Gross
			Other	Donor		Other	GRZ Debt	GRZ	International
Period		Mines	Non-GRZ	Inflows	Dealing	Non-GRZ	Servicing	Other Uses	Reserves
2012	December	0.0	45.6	74.2	171.0	12.3	18.4	191.5	3069.0
2013	December	0.0	39.7	20.0	46.0	23.1	25.3	0.1	2708.8
2014	December	0.9	40.1	4.0	0.0	44.9	4.6	1.5	3103.2
2015	December	0.0	60.6	24.5	50.0	49.8	25.5	50.0	2973.4
2016	December	0.0	69.4	12.8	57.3	46.1	28.3	7.8	2366.0
2017	December	9.7	55.3	14.4	115.6	20.2	46.1	1.5	2092.5
2018	January	0.0	38.6	8.2	4.0	9.8	160.7	58.0	1890.6
	February	0.0	30.7	9.1	-10.0	78.9	18.8	0.0	1842.8
	March	0.0	25.9	6.7	-20.0	28.2	117.6	-20.0	1762.9
	April	0.0	34.0	13.0	-114.0	23.2	153.3	-6.1	1753.6
	May	0.0	50.3	17.4	0.0	58.7	36.3	0.4	1726.1
	June	23.3	35.7	23.9	-52.0	26.3	41.3	2.4	1791.0
	July	0.0	57.4	9.7	-52.0	11.6	151.1	0.7	1745.9
	August	0.0	20.8	7.4	-38.0	22.8	85.7	3.5	1700.5
	September	0.0	47.8	2.3	0.0	21.0	1.6	9.5	1605.6
	October	0.0	48.5	5.4	-29.0	17.2	90.2	7.4	1573.6
	November	0.0	52.2	2.5	0.0	17.0	27.6	0.7	1583.0
	December	0.0	44.8	8.5	0.0	11.5	74.9	2.6	1544.2
2019	January	0.0	54.9	6.5	0.0	10.7	164.8	0.6	1429.6
	February	0.0	53.8	1.8	-10.0	28.1	49.5	9.3	1410.6
	March	0.0	60.9	3.1	-93.0	-20.1	171.4	-0.4	1375.8
	April	0.0	21.5	5.8	-41.0	16.3	144.0	0.9	1318.1
	May	0.0	61.7	28.8	-23.0	12.1	59.1	0.2	1358.9
	June	0.0	50.5	8.0	-76.0	4.5	95.3	3.9	1389.6
	July	0.0	96.3	9.1	-144.4	71.0	187.0	1.7	1380.3
	August	0.0	36.4	5.5	-104.2	14.6	90.4	3.0	1418.8
	September	0.0	57.4	7.9	-62.5	11.7	63.5	2.4	1455.4
	October	0.0	46.2	8.5	-43.5	22.8	113.4	19.9	1397.8
	November	0.0	41.7	7.0	46.5	13.2	33.9	1.7	1351.6
	December	0.0	116.0	7.9	3.0	16.4	23.9	7.3	1424.8

Source: Bank of Zambia

Percentage Changes in the Consumer Price Indices (2009 weights - Base 2009 = 100), Jan 2017 - Dec 2019 Table 13

	Consumer Prices indices (2009=100)			Annual Inflation rates			Month on Month Inflation Rates		
Monthly	**Total**	**Food**	**Non Food**	**Total**	**Food**	**Non Food**	**Total**	**Food**	**Non Food**
2017									
January	191.3	191.0	191.6	7.0	7.4	6.7	0.9	1.2	0.5
February	193.1	193.3	192.9	6.8	7.4	6.1	1.0	1.2	0.7
March	193.8	193.7	193.8	6.7	6.7	6.6	0.3	0.2	0.5
April	194.5	194.1	194.9	6.7	6.1	7.5	0.4	0.2	0.6
May	194.6	194.2	195.1	6.5	5.9	7.3	0.1	0.1	0.1
June	195.8	193.6	198.4	6.8	5.8	8.0	0.6	-0.3	1.7
July	195.6	193.1	198.4	6.6	5.3	8.1	-0.1	-0.2	0.0
August	195.8	193.3	198.5	6.3	5.1	7.7	0.1	0.1	0.1
September	196.3	193.1	200.1	6.6	5.0	8.4	0.3	-0.1	0.8
October	197.1	194.1	200.6	6.4	4.9	8.2	0.4	0.5	0.2
November	199.8	195.6	201.7	6.3	4.8	7.9	1.4	0.8	2.0
December	201.2	197.8	205.1	6.1	4.8	7.5	0.7	1.1	0.2
2018									
January	203.2	199.7	207.1	6.2	4.6	8.1	1.0	1.0	1.0
February	204.9	202.1	208.1	6.1	4.6	7.9	0.9	1.2	0.5
March	207.6	204.9	210.8	7.1	5.8	8.7	1.3	1.4	1.3
April	208.9	206.8	211.4	7.4	6.5	8.4	0.6	0.9	0.3
May	209.8	207.6	212.4	7.8	6.9	8.9	0.4	0.4	0.5
June	210.4	208.2	212.8	7.4	7.5	7.3	0.2	0.3	0.2
July	210.9	208.8	213.4	7.8	8.1	7.6	0.3	0.3	0.3
August	211.5	209.4	214.0	8.1	8.3	7.8	0.3	0.3	0.3
September	211.9	209.6	214.6	7.9	8.6	7.3	0.2	0.1	0.3
October	213.4	210.1	217.3	8.3	8.3	8.3	0.7	0.3	1.2
November	215.4	212.1	219.1	7.8	8.4	7.0	0.9	1.0	0.8
December	217.0	213.8	220.7	7.9	8.1	7.6	0.8	0.8	0.7
2019									
January	219.3	216.0	223.0	7.9	8.2	7.7	1.1	1.1	1.0
February	220.9	217.7	224.5	7.8	7.7	7.9	0.7	0.8	0.7
March	223.3	221.7	225.1	7.5	8.2	6.8	1.1	1.9	0.2
April	224.9	224.0	225.9	7.7	8.3	6.9	0.7	1.0	0.4
May	226.8	226.5	227.3	8.1	9.1	7.0	0.9	1.1	0.6
June	228.5	227.4	229.8	8.6	9.2	8.0	0.7	0.4	1.2
July	229.6	228.3	231.1	8.8	9.3	8.3	0.5	0.4	0.5
August	231.3	231.0	231.6	9.3	10.3	8.3	0.7	1.2	0.2
September	234.1	235.6	232.4	10.5	12.4	8.3	1.2	2.0	0.3
October	236.3	238.1	234.2	10.7	13.3	7.8	0.9	1.1	0.8
November	238.6	240.8	236.2	10.8	13.5	7.8	1.0	1.1	0.9
December	242.4	246.4	237.9	11.7	15.2	7.8	1.6	2.3	0.7

Source: Central Statistical Office

Treasurity Bill Transactions (K' Million), Dec 2011 - Dec 2019

Table 14

		Treasury Bills Tender Sales					Settlement		Special Taps &		Total
	Period	91 Days	182 Days	273 Days	364 Days	Total Sales	value	Maturites	Off-Tender Sales	Re-discounts	Outstanding Bills
2011	December	87.1	110.0	164.7	335.2	697.0	638.1	471.0	0.0	0.0	6,919.5
2012	December	53.0	167.3	172.2	374.9	767.4	0.0	0.0	0.0	0.0	6,840.8
2013	December	16.4	484.7	318.2	923.7	1,743.0	1,552.7	548.8	15.9	0.0	9,526.0
2014	December	144.6	173.2	102.9	579.9	1,000.6	871.7	710.9	0.0	0.0	10,809.5
2015	December	11.3	113.0	179.3	261.4	564.9	146.9	969.9	0.0	0.0	12,090.1
2016	December	291.7	480.3	555.4	1,128.5	2,455.8	2,077.9	762.5	0.0	0.0	13,174.2
2017	December	125.8	95.4	305.8	1,270.2	1,797.3	1,581.4	1,229.3	0.0	0.0	20,193.5
2018	January	41.9	14.0	146.0	1,716.6	1,918.5	1,661.6	993.4	0.0	0.0	20,545.8
	February	116.7	88.0	1.7	1,906.1	2,112.5	1,839.5	1,663.7	0.0	0.0	20,781.4
	March	286.7	322.7	111.2	2,301.8	3,022.4	2,646.4	2,453.2	0.0	0.0	20,287.5
	April	16.6	58.5	4.5	524.7	604.2	522.0	212.5	0.0	0.0	20,458.2
	May	18.7	68.3	0.0	744.9	831.9	715.6	875.2	0.0	0.0	20,278.6
	June	54.0	5.0	12.7	640.5	712.3	611.7	1,340.2	0.0	0.0	19,221.2
	July	26.7	33.2	0.2	973.3	1,033.3	879.4	1,316.0	0.0	0.0	18,694.7
	August	168.6	333.4	622.9	1,255.7	2,380.6	2,072.4	2,575.2	0.0	0.0	18,273.9
	September	109.3	163.5	262.8	1,657.1	2,192.7	1,857.3	2,054.6	0.0	0.0	17,469.0
	October	133.5	3.2	159.5	615.6	911.8	772.9	811.0	0.0	0.0	17,794.6
	November	65.9	1.7	73.2	906.4	1,047.1	1,133.8	1,078.7	0.0	0.0	17,466.1
	December	208.1	217.9	408.2	1,504.9	2,339.2	2,090.0	336.0	0.0	0.0	17,515.5
2019	January	188.6	75.6	418.8	1,276.8	1,959.7	1,645.1	1,749.7	0.0	0.0	18,440.0
	February	144.7	5.8	650.1	1,472.0	2,272.6	1,892.1	2,087.0	0.0	0.0	18,549.2
	March	93.1	61.1	615.3	1,808.9	2,578.4	2,134.0	2,617.8	0.0	0.0	18,220.6
	April	31.3	34.6	205.9	460.7	732.5	606.9	527.8	0.0	0.0	18,057.1
	May	177.1	217.9	433.4	1,383.6	2,212.0	1,832.8	746.5	0.0	0.0	19,243.6
	June	73.7	64.0	71.4	1,753.7	1,962.7	1,577.0	858.4	0.0	0.0	20,093.5
	July	99.2	12.5	90.8	908.8	1,111.3	902.1	1,048.9	0.0	0.0	19,635.0
	August	205.4	82.3	156.0	1,264.1	1,707.7	1,396.3	1,320.0	0.0	0.0	19,675.1
	September	138.4	327.3	656.0	1,657.3	2,779.0	2,280.0	1,660.5	0.0	0.0	19,836.9
	October	12.1	145.7	388.5	1,099.2	1,645.5	1,331.2	650.3	0.0	0.0	20,773.8
	November	214.5	356.4	612.3	1,578.9	2,762.1	2,280.0	1,124.3	0.0	0.0	21,764.5
	December	74.9	157.6	279.3	1,125.1	1,636.9	1,331.1	1,704.7	0.0	0.0	21,167.2

Source: Bank of Zambia

GRZ Bonds Outstanding (K' Million), Jan 2017 - Dec 2019 Table 15

End of period		By Holder		Total
		Commercial banks	Others[1]	Outstanding
2017	January	2,525.6	10,639.7	13,165.3
	February	3,008.2	11,383.1	14,391.2
	March	3,048.0	11,280.0	14,328.0
	April	3,225.0	12,808.0	16,033.0
	May	2,889.6	12,221.3	15,110.9
	June	3,093.0	11,475.3	14,568.2
	July	3,211.2	13,477.0	16,688.2
	August	3,109.9	12,595.1	15,705.0
	September	3,787.9	12,643.6	16,431.5
	October	4,243.0	15,352.3	19,595.3
	November	4,103.9	15,352.3	19,456.2
	December	4,760.0	14,658.0	19,418.0
2018	January	4,791.7	14,631.7	19,423.4
	February	5,490.0	15,397.3	20,887.3
	March	5,011.5	15,875.8	20,887.3
	April	5,839.5	16,719.1	22,558.6
	May	5,785.9	16,645.9	22,431.8
	June	5,929.8	16,502.0	22,431.8
	July	6,283.4	17,606.1	23,889.4
	August	6,289.0	20,016.4	26,305.4
	September	5,943.0	21,195.5	27,138.5
	October	5,939.3	21,938.2	27,877.5
	November	5,955.5	22,630.0	28,585.4
	December	5,886.1	23,317.9	29,204.0
2019	January	6,190.6	22,131.7	28,322.3
	February	5,626.0	23,208.1	28,834.1
	March	5,837.8	23,077.7	28,915.5
	April	5,811.5	22,505.0	28,316.4
	May	5,846.6	23,402.5	29,249.1
	June	5,769.4	22,393.8	28,163.2
	July	5,709.2	22,928.3	28,637.5
	August	5,937.2	23,303.7	29,240.9
	September	5,974.5	23,884.6	29,859.1
	October	9,679.2	20,971.6	30,650.9
	November	6,955.9	32,365.7	39,321.6
	December	8,274.8	26,941.3	35,216.1

Source: Bank of Zambia
Note:(1) Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds

Metal Production and Exports (metric tonnes), 2011-2019 **Table 16**

End of period		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		1,019,423.0	786,731.4	2,648.9	n/a
2018	January	646,312.4	65,670.4	1,287.3	n/a
	February	657,069.1	64,022.1	1,050.6	n/a
	March	604,228.2	70,336.7	887.7	n/a
	April	529,315.3	63,657.5	905.2	n/a
	May	498,423.3	69,861.7	1,698.5	n/a
	June	613,459.6	77,370.5	1,218.6	n/a
	July	573,619.7	76,444.2	1,103.0	n/a
	August	568,183.7	69,734.9	878.3	n/a
	September	486,836.1	73,951.5	886.9	n/a
	October	482,398.1	77,359.3	453.0	n/a
	November	469,583.8	69,783.2	681.2	n/a
	December	550,048.0	72,896.8	850.6	n/a
	Total	**6,679,477.3**	**851,088.9**	**11,900.9**	**n/a**
2019	January	552,194.5	66,532.2	186.0	n/a
	February	417,359.3	68,890.3	145.4	n/a
	March	462,348.9	70,669.2	0.0	n/a
	April	458,388.2	62,362.2	0.0	n/a
	May	457,362.6	62,101.8	0.0	n/a
	June	404,517.6	65,404.5	0.0	n/a
	July	348,916.7	64,026.9	0.0	n/a
	August	365,492.5	64,638.4	0.0	n/a
	September	299,318.6	66,399.3	0.0	n/a
	October	401,121.8	70,370.5	226.4	n/a
	November	387,933.0	66,062.3	3,044.2	n/a
	December	439,518.1	70,060.5	666.5	n/a
	Total	**4,994,471.7**	**797,517.9**	**4,268.6**	**n/a**

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

Table 17: Major Export Destinations for Zambia's Exports

COUNTRY	2015	2016	2017	2018	2019
Total	**6990.4**	**6477.1**	**8142.9**	**9067.6**	**7029.5**
Switzerland	3073.9	2585.7	3633.4	3809.2	2905.4
China	1003.4	1210.0	1330.0	1336.9	1502.7
Congo DR	575.5	428.9	535.4	855.6	901.4
Singapore	521.1	369.8	495.3	699.7	579.4
South Africa	527.1	383.4	453.6	438.7	296.9
Malawi	107.7	122.5	99.7	84.8	103.3
Zimbabwe	267.7	227.1	133.9	137.1	99.6
Hong Kong	92.5	101.9	145.5	142.3	75.8
Tanzania	47.8	91.1	89.1	84.1	67.6
Luxembourg	5.4	14.7	52.2	76.6	66.7
Kenya	40.3	38.9	72.5	60.1	63.3
India	22.8	70.6	175.9	185.9	54.9
United Arab Emirates	70.7	363.0	293.8	236.5	47.6
Namibia	27.0	13.6	21.4	30.9	37.1
United Kingdom	66.0	240.0	184.5	352.9	32.6
Burundi	4.0	11.7	24.3	20.4	22.7
Mozambique	41.0	20.4	17.6	12.4	17.8
Rwanda	3.7	26.7	33.6	19.4	13.3
Germany	23.2	32.2	9.5	17.6	11.9
Netherlands	9.3	13.1	10.4	5.9	8.0
Belgium	2.2	6.5	5.1	5.7	5.7
USA	2.3	2.2	4.0	12.5	5.0
France	1.3	0.4	0.7	1.5	2.3
Australia	207.9	0.7	0.9	7.3	1.0
Swaziland	8.4	7.0	4.1	5.3	1.0
Sweden	3.5	2.0	0.6	1.4	0.6
Malaysia	0.0	0.0	0.2	0.9	0.5
Madagascar	0.0	0.2	0.1	0.3	0.3
Saudi Arabia	0.6	0.1	0.0	0.0	0.2
Pakistan	0.0	0.0	0.0	0.0	0.2
Korea, Republic Of	9.9	4.8	4.0	1.8	0.1
Egypt	1.0	0.1	0.0	0.0	0.1
Republic Of Thailand	23.8	0.2	0.1	0.1	0.1
Philippines	1.8	0.0	0.1	0.2	0.0
Sudan	0.0	0.1	0.6	0.8	0.0
Botswana	27.4	20.1	0.0	0.0	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0
Other	170.2	67.4	310.6	422.7	104.8

Source: Zambia Statistics Agency

Table 18: Major Source Countries for Zambia's Imports

COUNTRY	2015	2016	2017	2018	2019
Total	8280.2	7374.5	8723.8	9461.7	7221.3
South Africa	2567.6	2408.3	2456.4	2726.8	2222.7
China	725.1	600.4	1120.6	1290.7	1020.9
United Arab Emirates	192.3	257.4	418.8	595.7	740.2
India	371.7	316.7	246.2	442.6	351.9
Congo DR	1022.5	987.9	1804.4	1393.7	232.2
Japan	185.0	125.0	129.2	168.5	218.5
Tanzania	47.9	162.8	165.2	180.8	204.5
Mauritius	466.3	344.5	217.5	206.0	200.2
USA	140.9	113.6	108.5	194.7	186.5
Kuwait	434.6	551.6	466.7	440.4	151.0
United Kingdom	196.3	124.9	141.8	185.5	130.7
Germany	71.7	60.3	70.0	107.5	113.2
Namibia	99.8	94.5	125.9	104.2	105.6
Mozambique	60.0	119.9	180.0	135.7	82.3
Sweden	63.0	62.9	53.6	89.5	67.5
Zimbabwe	90.6	76.0	74.4	74.2	61.8
Italy	31.0	39.9	14.5	19.4	58.7
Netherlands	63.8	48.1	58.6	50.2	56.7
Singapore	140.7	48.9	28.6	33.1	55.4
Hong Kong	71.1	39.0	49.3	73.3	55.1
Finland	44.4	73.6	39.7	56.0	51.2
Australia	53.4	45.6	52.5	50.5	44.2
Kenya	343.6	51.7	35.5	50.2	42.3
Belgium	35.6	63.0	58.0	44.1	40.8
Malaysia	10.8	19.8	13.1	15.7	40.6
Israel	5.5	7.5	3.8	90.1	30.2
France	57.2	42.3	25.2	44.2	28.5
Denmark	27.4	25.4	34.8	30.6	28.4
Korea, Republic of (South)	49.5	34.5	39.1	45.7	27.5
Canada	28.7	17.0	20.2	22.6	25.2
Switzerland	89.1	39.5	45.4	50.6	24.0
Malawi	17.6	18.4	14.9	13.3	21.2
Spain	14.0	7.1	13.1	23.4	20.9
Swaziland	19.1	11.2	17.1	13.9	19.3
Botswana	16.1	16.6	17.9	23.6	17.2
Republic of Thailand	8.8	10.8	9.8	12.4	16.9
Egypt	27.6	12.0	13.6	14.4	15.8
Indonesia	4.1	3.4	10.8	7.7	13.0
Brazil	19.9	8.1	12.3	11.0	11.8
Taiwan, Province of China	14.3	7.4	11.6	13.9	9.9
Pakistan	5.2	5.4	14.2	7.9	6.7
Lebanon	26.9	5.3	2.8	3.8	6.2
Other	319.6	266.3	288.1	303.7	364.1

Source: Zambia Statistics Agency

Bank *of* Zambia