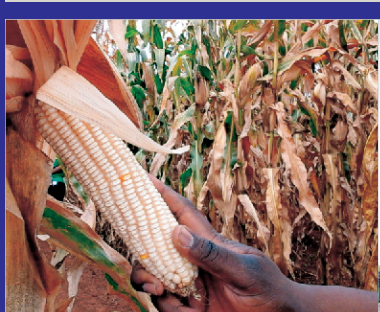
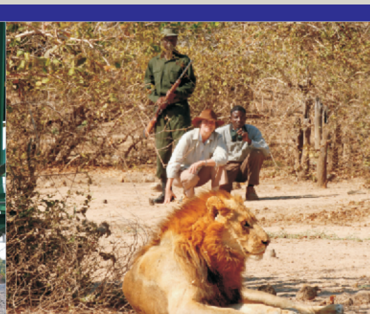
BANK OF ZAMBIA ANNUAL REPORT 2017

Bank Of Zambia

# ANNUAL REPORT 2017





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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



## REGISTERED OFFICES


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

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


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NON-EXECUTIVE DIRECTOR



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

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**MR. EVANS LUNETA**
DIRECTOR -
PROCUREMENT AND
MAINTENANCE SERVICES



*Commenced acting in November 2017


## Governor's Overview

# GOVERNOR'S OVERVIEW

**This Report reviews global and domestic macroeconomic developments as well as the role the Bank of Zambia (hereafter, the Bank or BoZ) played in 2017 in fulfilling its mandate of price and financial system stability. In addition, the Report presents the financial statements of the Bank for the year ended 31st December 2017 as well as statistical Annexures.**

The conduct of monetary policy by the Bank in 2017 was oriented towards keeping inflation low and stable. The target set by the Minister of Finance in his 2017 Budget address was to keep inflation at no more than 9.0%[2]. In line with this objective, the Bank kept inflation within a range of 6-8%.

Annual inflation declined further to 6.1% in December 2017 from 7.5% in December 2016 from a peak of 22.9% in February 2016. The slowdown in inflation in 2017 was partly attributed to the lagged effects of the significant tightening of monetary policy in 2015 and 2016. In addition, increased supply of food items, especially maize grain and cereals contributed to the slowdown in inflation. Further, the relative stability of the Kwacha against other major trading partner currencies contributed to moderation of prices of imported items. Over the year, the Kwacha appreciated by 7.5% against the US dollar, driven mainly net supply of foreign exchange by mining companies and foreign investors in Government securities.

With inflation trending downwards and projections consistently indicating that inflation would remain well anchored within the 6-8% range, the Bank progressively eased the stance of monetary policy to support growth and minimise risks to financial system stability. By November 2017 the Bank reduced the Policy Rate to 10.25% from 15.5% in 2016 and lowered the statutory reserve ratio (SRR) to 8.0% from 18.0. The Overnight Lending Facility(OLF) was set at 600 basis points above the Policy Rate from 1,000 basis points.

In order to strengthen the monetary policy framework, the Bank narrowed the Policy Rate corridor to +/-1 percentage points from +/-2 percentage points. The significant reduction in the SRR was to provide a firm basis for the Policy Rate as a key signal for monetary policy implementation. Following an improvement in market liquidity resulting from the easing of monetary policy, the overnight interbank rate trended downwards and closed the year at 9.94%, well within the Policy Rate corridor, down from 15.78% in December 2016.

Broad money grew by 21.4%, driven mainly by expansion in credit to Government. Credit to private enterprises only increased marginally, following a pick-up of foreign currency denominated loans. Lending rates on foreign currency denominated loans were judged to be relatively lower than those for Kwacha loans. Despite a slight reduction, commercial banks' lending rates remained elevated, and thus too high to stimulate significant private sector credit growth.

Non-performing loans at 12.4%, also remained above the prudential threshold of 10.0% of risk weighted capital. Consequently, commercial banks continued to lock up funds in risk free Government securities. This was in spite of yield rates on Government securities continuing to trend downwards, due largely to eased liquidity conditions. The stock of Government securities grew by 46.7% following the rise in Government domestic financing requirements, mainly on

[2] 2017 Budget Address by Minister of Finance, Honourable Felix Mutati, MP

account of lower than programmed external financing. Preliminary data indicate that the fiscal deficit, at 6.1% of GDP in 2017 was below the target of 7.0%, reflecting constrained expenditure due to lower than programmed revenues and grants. However, the fiscal deficit for 2017 is likely to be revised upwards to above 7.0%. This follows the reconciliation of debt data which indicates a higher than projected draw-down of foreign loans to finance capital expenditures.

In spite of the rise in non-performing loans, the overall performance of the financial system, particularly the banking sector, remained satisfactory in 2017. This was largely on account of a strong capital adequacy position as well as satisfactory earnings performance and liquidity position.

The external sector performance in 2017 was favourable. An overall balance of payments surplus of US $85.5 million was recorded against a deficit of US $180.9 million in 2016, mainly on account of improvements in the financial account. The financial account surplus grew by 29.2% driven mainly by higher inflows in form of foreign direct investment. The current account deficit, however, widened largely on account of a rise in income payments in form of reinvested earnings which more than offset the favourable export performance. Growth in export earnings was driven mainly by higher copper exports following a rise in both realised prices and export volumes. Imports of goods, grew, albeit at a slower pace than exports, supported by a relatively strong Kwacha. The current account deficit was financed mostly by the financial account surplus that resulted from foreign direct investments and portfolio inflows.

Owing to the favourable external sector performance, the Bank made net purchases of foreign exchange amounting to US $381.5 million in 2017. The gross international reserves, however, declined to US$2.1 billion in 2017 from US$2.4 billion in 2016, mainly on account of external debt service. At US$2.1 billion in 2017, gross international reserves were equivalent to 2.9 months of import cover.

Global economic growth was stronger, at 3.7%, up from 3.2% in 2016, reflecting improvements in demand, higher commodity prices, accommodative monetary conditions in advanced economies, and improved trade and manufacturing output in Asia. In Sub-Saharan Africa, growth averaged 3.4%, up from 1.4%, attributed to the rise in commodity prices and improvements in electricity supply. Inflation in most Sub-Saharan African countries declined due to the pass-through effects of domestic currency appreciations, low food prices, and a pickup in electricity supply.

Economic activity in Zambia in 2017 picked up with preliminary data indicating that growth was healthier at 4.1%, up from 3.8% in 2016. The increase in growth was on account of strong performance in agriculture, manufacturing, accommodation and food services, transportation and storage, and electricity supply.

The Bank continued to implement the Strategic Plan covering the period 2016-2019 under the theme "**Excellence in Execution**" and achieved an overall completion rate of 47.5% against a target of 75.5%, representing an effective implementation rate of 62.9%.

Going forward, the Bank will continue to implement forward looking monetary policy and remains committed to achieving its primary objectives of 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 is fully committed to upholding the tenets of good corporate governance, which include accountability, transparency and integrity, in its governance processes and procedures.**

The Bank of Zambia Board of Directors is established under the Constitution of Zambia (Amendment) Act[3]. It is vested with all the powers of the Bank and is responsible for formulating the policy of the Bank[4]. 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 Chief Executive Officer of the Bank and Chairperson of the Board. Currently, there are six Board members.

All four statutory and one special Board meetings were held in 2017, during which significant matters were discussed. The resolutions passed included the revision of the Gender Policy and Procurement Policy.

The Board has three standing committees, namely: Audit and Finance, Appointments and Remuneration, and Governance and Risk. Their roles and functions are clearly defined in the Committee Charters.

The Board also established the Monetary Policy Advisory Committee (MPAC) which is mandated to facilitate consultation, promote transparency and provide advice to the Bank on monetary policy. This Committee approves the Bank's bi-annual Monetary Policy Statement.

The Bank continues to support various humanitarian, community, educational, environmental, sporting and health-related activities as part of its corporate social responsibility. In 2017, the Bank disbursed K461,357 to support various activities which included support to educational institutions, orphanage care, and support to Habitat for Humanity Zambia.



Bank of Zambia donated a motor vehicle to Sefula School of the Visually Impaired, in Mongu

[3]Article 213(3) of Act No 2 of 2016
[4]Bank of Zambia Act No 43 of 1996

# 1.0 *Developments in the Global Economy*

# 1.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

### World Economy

The global economic recovery gathered pace. Preliminary data indicate that the global economy grew by 3.8% in 2017, an increase from 3.2% recorded in 2016 (Table 1.1). The pickup in global economic growth was mainly attributed to improvements in demand, increase in commodity prices, accommodative monetary conditions and subdued inflation in advanced economies. In addition, improved trade and manufacturing output in Asia contributed to this outturn.

Inflation performance was mixed across regions in 2017. In advanced economies, inflation continued to trend upwards due to higher energy prices, sustained recovery in economic activity coupled with increases in wages and the depreciation of the United States (US) dollar. The strengthening of domestic currencies of most countries in Sub-Saharan Africa (SSA) and low food prices due to favourable weather conditions during the 2016/2017 farming season, largely contributed to the decline in inflation in the region (Table 1.2).

External sector performance was varied. Most regions recorded narrowing current account deficits, partly reflecting the improvements in commodity prices resulting from a pickup in global economic activity and demand.

**Table 1.1: World Real GDP, Inflation and Current Account Balances, 2015 - 2017 (Annual Percent change unless otherwise stated)**

| | Real GDP | | | Inflation | | | Current Account Balances (% of GDP) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017* | 2015 | 2016 | 2017* | 2015 | 2016 | 2017* |
| **World** | **3.5** | **3.2** | **3.8** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** |
| **Advanced Economies** | **2.3** | **1.7** | **2.3** | **0.3** | **0.8** | **1.7** | **0.6** | **2.7** | **2.9** |
| United States | 2.9 | 1.5 | 2.3 | 0.7 | 0.1 | 2.1 | -2.6 | -2.4 | -2.6 |
| Euro Area | 2.1 | 1.8 | 2.3 | 0.0 | 0.2 | 1.5 | 3.2 | 3.5 | 3.0 |
| Japan | 1.4 | 0.9 | 1.7 | 0.8 | -0.1 | 0.5 | 3.3 | 3.8 | 4.3 |
| **Commonwealth of Independent States (CIS)** | **-2.0** | **0.4** | **2.1** | **15.5** | **8.3** | **5.1** | **3.0** | **0.0** | **1.3** |
| China | 6.9 | 6.7 | 6.8 | 1.4 | 2.0 | 1.6 | 12.9 | 9.2 | 6.8 |
| Russia | -2.5 | -0.2 | 1.5 | 15.5 | 7.0 | 3.7 | 5.2 | 2.0 | 3.2 |
| Excluding Russia | -0.6 | 1.9 | 3.6 | 15.3 | 11.2 | 11.2 | -2.6 | -3.7 | -1.9 |
| **Middle East and North Africa (MENAP)** | **2.5** | **4.9** | **2.6** | **5.8** | **5.1** | **5.1** | **-4.0** | **-4.1** | **-4.6** |
| **Emerging Markets and Developing Countries** | **4.1** | **4.4** | **4.7** | **4.7** | **4.3** | **4.1** | **-0.1** | **-0.3** | **-0.3** |
| **Sub-Saharan Africa (SSA)** | **3.4** | **1.4** | **3.4** | **7.0** | **11.3** | **11.0** | **-5.9** | **-4.2** | **-3.4** |

**Source**: IMF WEO January 2018 and April 2018 WEO update. * Preliminary numbers

### Advanced Economies

Economic growth in advanced economies picked up to 2.3% in 2017 from 1.7% in 2016. This growth was mainly attributed to the US economic growth of 2.3% in 2017. Growth in the US was mainly driven by improvements in personal consumption expenditures, fixed investments, exports and government spending.

Preliminary data, indicated that growth in the euro area was the strongest in a decade at 2.3% in 2017 compared to 1.8% in 2016 as domestic consumption, fixed investments and exports improved despite earlier concerns of political uncertainties[5]. The United Kingdom registered a lower growth rate of 1.8% in 2017, down from 2.4% in 2016, largely due to the continued uncertainty surrounding Brexit. High energy prices led to a rise in inflation in advanced economies to 1.7% in 2017 from 0.8% in 2016 (Table 1.1).

The current accounts in advanced economies recorded mixed performance with most recording surpluses with the exception of the US, Canada and the United Kingdom. The deficits of these three economies were mainly attributed to weaker export growth. The euro area surplus was attributed to increased economic growth partly supported by a boost in exports.

### Emerging Markets and Developing Economies

Growth in Emerging Markets and Developing Economies (EMDEs) continued to be strong at 4.7% in 2017, up from 4.4% in 2016 (Table 1.1), with Brazil and Russia being the main drivers. China is estimated to have grown by 6.8% in 2017, from 6.7% recorded in 2016 mainly on account of improvements in personal consumption and foreign trade.

Inflation in EMDEs declined to 4.1% in 2017 from 4.3% in 2016 largely due to the continued recovery in oil

[5]In October 2017, the Spanish region of Catalonia voted in a referendum in which it was determined to be an independent territory from Spain, thereby casting significant uncertainities for the future of the euro area economic growth in which Spain is one of the key economies. However, the Catalonia independence did not hold as the Spanish Government declared it illegal.

prices that supported the currencies of oil exporters. Countries like Brazil and Russia had previously recorded significant currency depreciations.

The current account deficits narrowed in most emerging market economies in 2017 largely reflecting a general rebound in commodity prices, which contributed to the strengthening of their currencies (Table 1.1). The US dollar depreciated to a 14-year low in 2017, resulting in large portfolio inflows to emerging markets, thereby further supporting improvements in the current account deficit for emerging economies.

**Sub-Saharan Africa**

Growth in the SSA region, at 3.4% in 2017, was higher than 1.4% recorded in 2016 largely due to the continued rise in commodity prices coupled with a recovery in the agricultural output following favourable rainfall during the 2016/2017 crop season. In addition, in some non-resource rich economies, infrastructure investment contributed to increased economic growth in SSA (Table 1.1 and 1.2).

Inflation in most SSA countries declined due to the pass-through effects of domestic currency appreciations, low food prices and improvements in electricity supply. The external sector of most countries in the SSA region continued to record current account deficits in 2017. However, deficits for most commodity exporting countries narrowed due to improved global market prices and demand (Table 1.2).

**Table 1.2: Selected African Countries GDP, Inflation and Current Account Balance, 2015 - 2017 (Annual Percent change unless otherwise stated)**

| | Real GDP | | | Inflation (end period) | | | Current Account Positions (% of GDP) | | |
|---|---|---|---|---|---|---|---|---|---|
| **Countries** | **2015** | **2016** | **2017*** | **2015** | **2016** | **2017*** | **2015** | **2016** | **2017*** |
| Angola | 3.0 | -0.7 | 2.2 | 14.3 | 32.4 | 31.7 | -8.5 | -5.1 | -4.8 |
| Kenya | 5.6 | 5.8 | 4.9 | 8.0 | 6.3 | 4.5 | -6.8 | -5.2 | -6.1 |
| Nigeria | 2.7 | -1.6 | 0.8 | 9.6 | 15.7 | 15.4 | -3.1 | 0.7 | 1.9 |
| South Africa | 1.3 | 0.3 | 0.9 | 5.2 | 6.3 | 5.2 | -4.3 | -3.3 | -2.9 |
| Tanzania | 7.0 | 7.0 | 6.6 | 6.8 | 5.2 | 5.3 | -8.8 | -5.6 | -5.6 |
| Uganda | 4.8 | 2.3 | 3.5 | 8.5 | 5.5 | 3.3 | -9.4 | -4.3 | -5.6 |
| Zambia | 2.9 | 3.8 | 4.1 | 21.1 | 7.5 | 6.1 | -4.6 | -4.5 | -4.9 |
| **Sub-Saharan Africa** | **3.4** | **1.4** | **3.4** | **7.0** | **11.3** | **11.0** | **-5.9** | **-4.2** | **-3.4** |

**Source**: Trading Economics, World Bank, IMF WEO October 2017 and January 2018 WEO update, Central Statistical Office and Bank of Zambia
*Preliminary

**Commodity Prices**

The average price of copper rose by 26.7% to US$6,170.0/ton in 2017 from US$4,871.3/ton recorded in 2016. The crude oil prices also rose to US$53.1/barrel in 2017 on average from US$41.2/barrel in 2016. This was mainly attributed to supply cuts by OPEC and non-OPEC members, geopolitical tensions in the Middle East and a pickup in global economic activity. Generally, agriculture commodity prices declined in 2017 due to favourable weather conditions. In particular, maize prices, at US$154.5/mt in 2017, were lower than US$159.2/mt recorded in 2016. However, wheat prices rose to US $174.2/mt from US$166.6/mt over the same period mainly attributed to constraints in supply following unfavourable weather conditions in the US, which resulted in lower yields.

# 2.0 *Macroeconomic Developments in Zambia*

# 2.0 MACROECONOMIC DEVELOPMENTS IN ZAMBIA

**Overview**

In 2017, Government's major macroeconomic objectives were to:

a) Achieve real Gross Domestic Product (GDP) growth of at least 3.4%;
b) Attain an end-year inflation rate of no more than 9.0%;
c) Contain domestic borrowing to no more than 2.0% of GDP; and
d) Increase international reserves to at least 3 months of import cover.

Broadly, macroeconomic performance improved in 2017 with the achievement of low and stable inflation, relative stability in the exchange rate and improved economic growth. In addition, lending interest rates declined but remained high. The fiscal deficit was lower than programmed, reflecting constrained Government spending due to lower than programmed revenue and grants.

## 2.1 MONETARY DEVELOPMENTS AND INFLATION

**Monetary Policy Stance**

Monetary policy in 2017 continued to focus on maintaining inflation in single digits with an end-year target of 9.0%. Inflation trended downwards since March 2016 following the significant tightening of monetary policy in November 2015 and the relatively tight stance maintained throughout 2016. With inflation falling well within the target of 9.0% and projections consistently pointing to low inflation, the Bank eased the monetary policy stance four times during the year to support economic growth and minimise risks to financial system stability.

The Bank reduced the Policy Rate to 10.25% by November 2017 from 15.5% in 2016 and lowered the statutory reserve ratio (SRR) to 8.0% in November 2017 from 18.0% in 2016. The Overnight Lending Facility (OLF) rate was set at 600 basis points above the policy rate from 1,000 basis points in 2016. In addition, the Bank narrowed the policy rate corridor to +/- 1 percentage points from +/- 2 percentage points to strengthen the monetary policy framework. The SRR was reduced to provide a firm basis for the Policy Rate as the key signal of the monetary policy stance.

**Challenges to Monetary Policy Implementation**

In 2017, the Bank continued to face challenges in the implementation of monetary policy and the strengthening of the transmission mechanism. Government's increased reliance on borrowing from the domestic market to finance the fiscal deficit kept Government securities yield rates elevated, and constrained access to and expansion of private sector credit which is critical to stimulate economic growth. Structural challenges which include the underdeveloped financial market characterised by low secondary market trading in Government securities, limited financial inclusion, illiquid and thin capital market, as well as money market segmentation also continued to limit the effectiveness of monetary policy. In this regard, the concentration of liquidity in a few banks negatively impacts the efficient functioning of the interbank market and the transmission mechanism of monetary policy.

**Market Liquidity, and Policy and Interbank Rates**

In 2017, money market liquidity conditions eased as evidenced by the increase in the aggregate current account balance of banks to K2.7 billion from K1.1 billion in 2016 (Table 2.1). Money market liquidity rose mainly due to net Government spending and BoZ foreign exchange purchases[6] for international reserves accumulation.

[6]The Bank of Zambia purchased US$475.58 million from the market for international reserves buildup and sold US$73.00 million for market support.

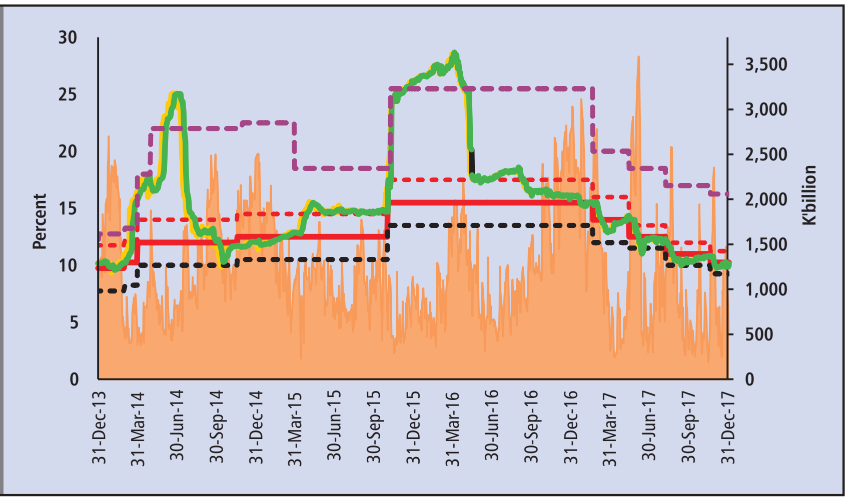
**Table 2.1 Liquidity Influence (K' Billion), 2015 - 2017**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| **Opening balance** | **1.12** | **2.45** | **1.14** |
| Net Govt spending | 6.86 | 6.01 | 4.10 |
| BoZ FX influence | -4.22 | 7.65 | 3.44 |
| CIC | -0.72 | -0.39 | 0.10 |
| SR deposits | -1.95 | -4.31 | -3.95 |
| OLF | -0.06 | -7.54 | -0.34 |
| Net Govt Sec Influence | 1.70 | 1.74 | -2.62 |
| Open market operations | 1.89 | 0.25 | 0.04 |
| Miscellaneous | 10.60 | 0.03 | 0.00 |
| **Closing balance** | **2.45** | **1.14** | **2.72** |

**Source**: Bank of Zambia
Note: FX=foreign exchange; CIC=currency in circulation, SR=statutory reserves, OLF=Overnight Lending Facility

Following the easing of monetary policy and improvement in market liquidity, the overnight interbank rate declined but remained within the Policy Rate corridor. The interbank rate closed the year at 9.94%, down from a high of 15.78% at end-December 2016 (Chart 2.1).

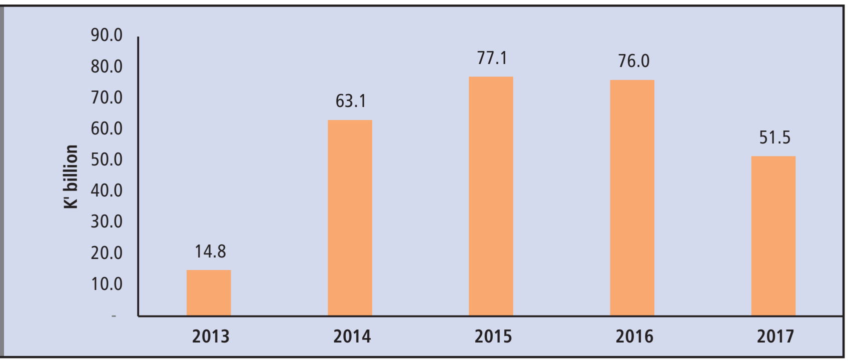
**CHART 2.1: Market Liquidity, and Monetary Policy and Interbank rates, Dec. 2013 – Dec. 2017**




**Source**: Bank of Zambia

Consistent with the increase in money market liquidity, the volume of funds traded in the interbank market declined to K51.5 billion from K76.0 billion in 2016 (Chart 2.2). Despite the increase in market liquidity, some commercial banks that mismatched their liquidity positions and had limited credit lines increased their access of funds on the OLF. Total funds accessed on OLF increased to K16.6 billion compared to K15.9 billion in 2016. Further, commercial banks' demand for foreign exchange swap contracts marginally declined, with the outstanding swaps falling to K2.4 billion from K2.5 billion in 2016.

**CHART 2.2: Interbank Money Market Trading Activity, (K'billion) 2013 - 2017**



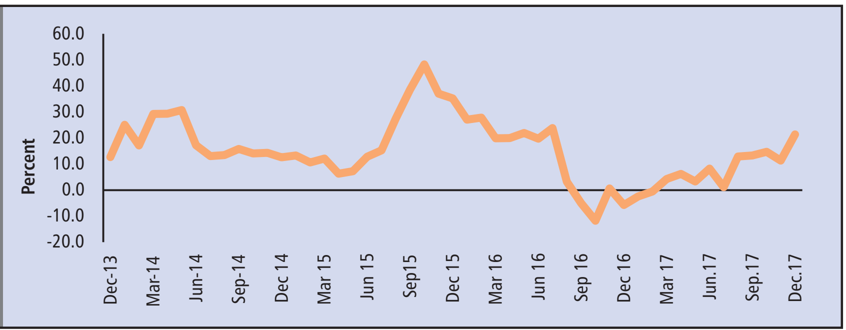

**Source**: Bank of Zambia

### Broad Money

Broad money (M3)[7] expanded by 21.4% to K54.1 billion against a contraction of 5.7% in 2016 (Chart 2.3 and Table 2.2). The growth in broad money was mainly on account of an expansion in domestic credit.

[7]Broad money includes foreign currency deposits

CHART 2.3: Annual Broad Money Growth (Percent), Dec. 2013 – Dec. 2017




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

**Table 2.2: Sources of Growth in Broad Money (%), 2015 - 2017**

| Description | 2015 | 2016 | 2017 | Contributions to change in M3 (2017) |
|---|---|---|---|---|
| Broad Money (M3) | 35.2 | -5.7 | 21.4 | 21.4 |
| Of which | | | | |
| Net Foreign Assets | 88.3 | -24.0 | 1.5 | 0.9 |
| Net Domestic Assets | -24.1 | 44.9 | 50.2 | 20.5 |
| Domestic Credit | 26.4 | 2.8 | 26.3 | 28.9 |
| Net Claims on Gov't. | 19.1 | 22.6 | 50.7 | 25.4 |
| Public Enterprises | 23.1 | -22.0 | 85.3 | 0.4 |
| Private Enterprises | 45.3 | -7.7 | 2.2 | 0.8 |
| Households | 10.5 | -12.0 | 10.2 | 2.3 |
| NBFIs | 36.4 | 3.1 | 1.9 | 0.0 |

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

## Domestic Credit

Domestic credit[8] expanded by 26.3% to K61.8 billion in 2017 compared to 2.8% in 2016, driven by an increase in lending to Government which contributed 23.1 percentage points to overall annual credit growth (Table 2.3). Excluding lending to Government, domestic credit grew at a much slower rate of 5.9% in 2017 against a contraction of 9.4% in the preceding year. The increase in credit to the non-government sector was partly attributed to a pickup in risk appetite by financial institutions and a greater demand for loans.

**Table 2.3: Developments in Domestic Credit, 2015 - 2017**

| | 2015 | | | 2016 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | K' mn* | % Change | % Share | K' mn | % Change | % Share | K' mn | % Change | % Share |
| Domestic Credit | 47,614.0 | 21.2 | 100 | 48,945.9 | 2.8 | 100.0 | 61,813.9 | 26.3 | 100.0 |
| Government | 18,181.7 | 10.2 | 38.2 | 22,287.5 | 22.6 | 45.5 | 33,588.0 | 50.7 | 54.3 |
| Public Enterprises | 285.2 | 23.1 | 0.6 | 222.6 | -21.9 | 0.5 | 412.5 | 85.3 | 0.7 |
| Private Enterprises | 17,524.5 | 45.3 | 36.8 | 16,168.5 | -7.7 | 33.0 | 16,521.0 | 2.2 | 26.7 |
| Households | 11,347.4 | 10.5 | 23.8 | 9,983.7 | -12.0 | 20.4 | 11,003.5 | 10.2 | 17.0 |
| NBFIs | 275.2 | 36.4 | 0.6 | 283.7 | 3.1 | 0.6 | 289.0 | 1.9 | 0.5 |

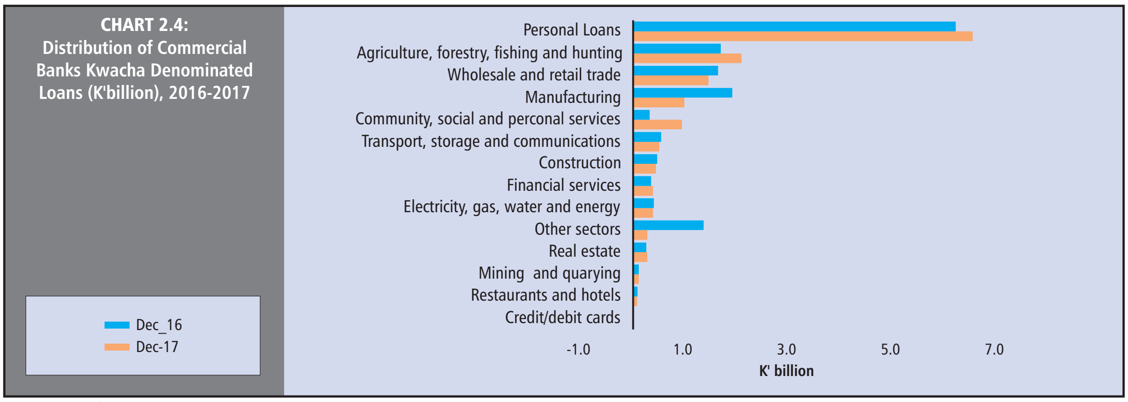
**Source**: Bank of Zambia
*K'mn: Kwacha million

Commercial banks' lending[9] by industry registered positive growth driven mainly by the agriculture, food and fisheries, wholesale and retail trade and electricity, gas and water industries, and households. Foreign currency denominated credit expanded by 20.9% while Kwacha denominated credit contracted further by 5.7% (Charts 2.4 and 2.5). Corporates preferred to borrow in foreign currency at relatively lower rates than Kwacha denominated loans whose rates remained elevated.

[8]Total domestic credit includes lending by the Bank of Zambia, Commercial banks, and other Depository corporations in both Kwacha and foreign currency.
[9]Total claims of commercial banks, excluding lending by the Bank of Zambia and other non-bank financial institutions.

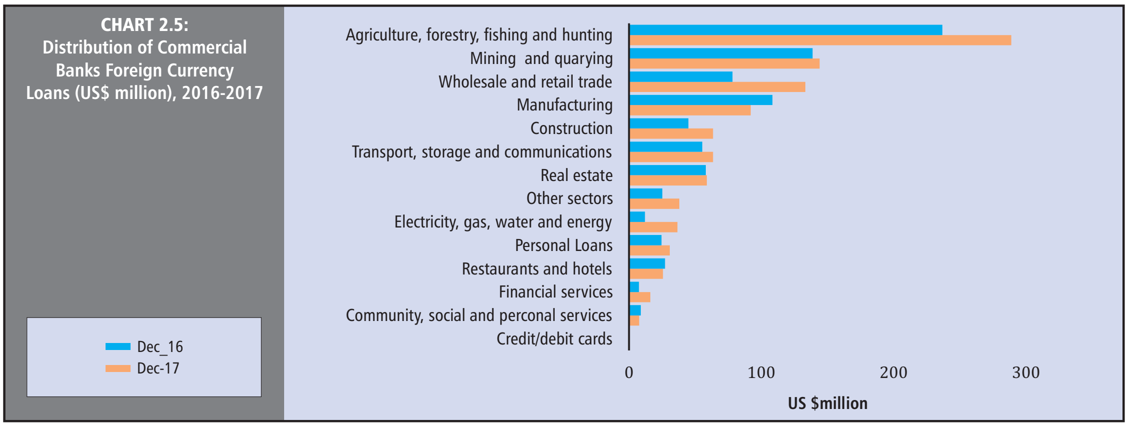


**CHART 2.4: Distribution of Commercial Banks Kwacha Denominated Loans (K'billion), 2016-2017**




**Source**: Bank of Zambia

**CHART 2.5: Distribution of Commercial Banks Foreign Currency Loans (US$ million), 2016-2017**



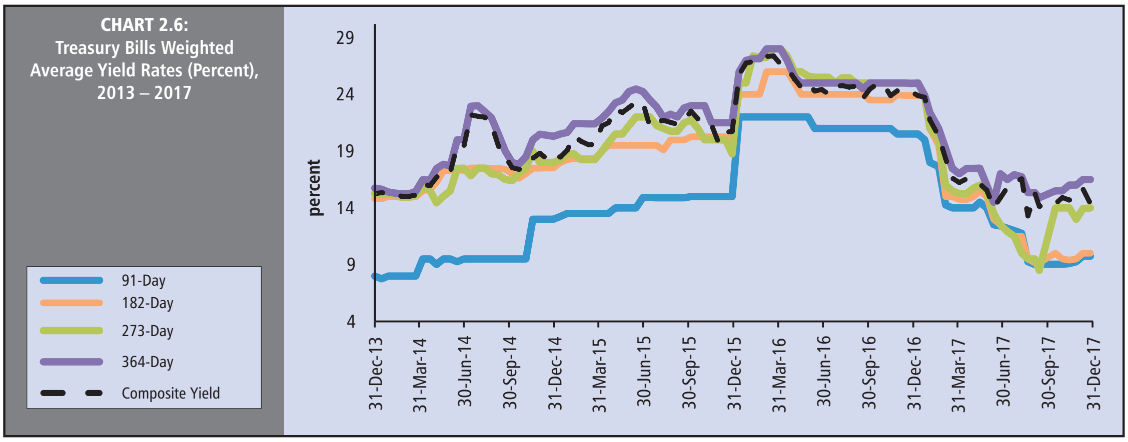

**Source**: Bank of Zambia

## Interest Rates

### Yield Rates on Government Securities

In 2017, yield rates on Government securities continued to trend downwards until the last quarter of the year. This was largely on account of eased liquidity conditions. The weighted average composite yield rate for Treasury bills fell by 8.6 percentage points to a period average of 16.6% from 25.2% in 2016 (Chart 2.6). Yield rates on the 91- and 182-day Treasury bills declined by 8.6 and 10.7 percentage points to a period average of 12.7% and 13.6%, respectively. Yield rates on the 273- and 364-day Treasury bills also fell by 11.0 and 8.2 percentage points to a period average of 14.8% and 17.5%, respectively.

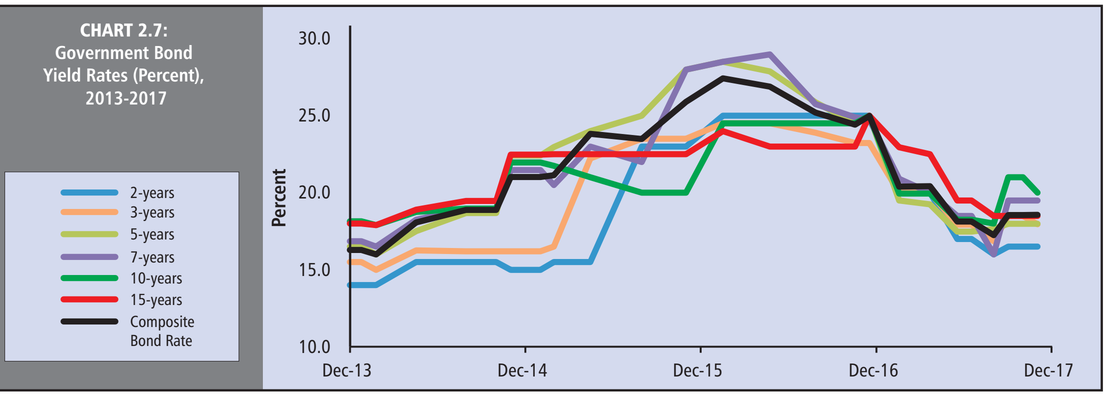
**CHART 2.6: Treasury Bills Weighted Average Yield Rates (Percent), 2013 – 2017**




**Source**: Bank of Zambia

The composite bond yield rate also decreased to a period average of 18.8% from 25.8% in 2016 (Chart 2.7). The weighted average yield rates on the 2-, 3- and 5- year bond rates fell by 7.6, 5.4 and 8.2 percentage points to 17.4%, 18.5% and 18.2%, respectively. Correspondingly, the 7-,10- and 15-year bond rates also declined by 7.5, 5.1 and 3.8 percentage points to a period average of 19.1%, 19.6% and 19.8%, respectively.

**CHART 2.7:**
**Government Bond Yield Rates (Percent), 2013-2017**

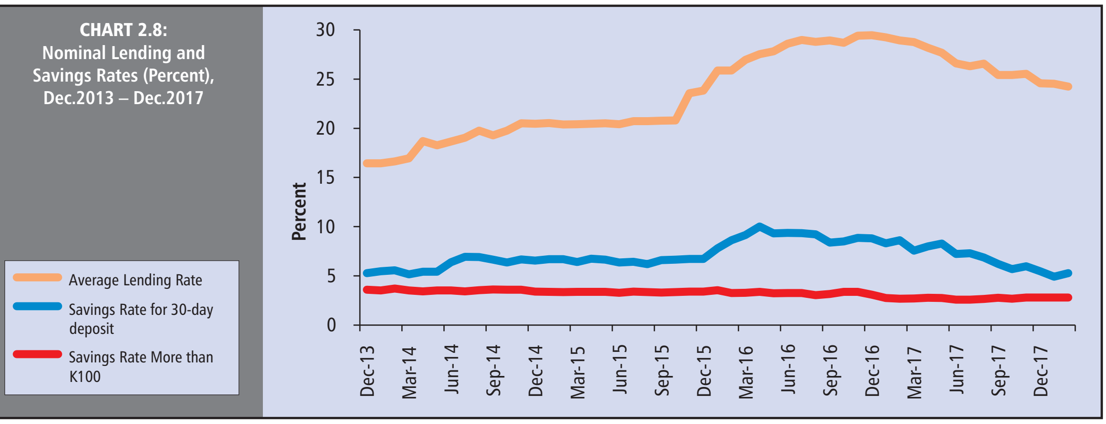



**Source**: Bank of Zambia

### Commercial Banks Interest Rates

Commercial banks nominal average lending rate (ALR) declined by 4.8 percentage points to 24.6% in December 2017 from 29.4% in December 2016 (Chart 2.8). The fall in the ALR reflected, in part, easing liquidity conditions following the sustained easing of the monetary policy stance by the Bank of Zambia in 2017. The 30-day deposit rate for amounts exceeding K20,000 fell to 5.5% in December 2017 from 8.8% recorded in December 2016. The average savings rate (ASR) for amounts above K100 declined further to 2.8% at end-December 2017 from 3.1% recorded at end-December 2016. However, both nominal and real lending rates remained high reflecting the elevated nature of Government securities yield rates.

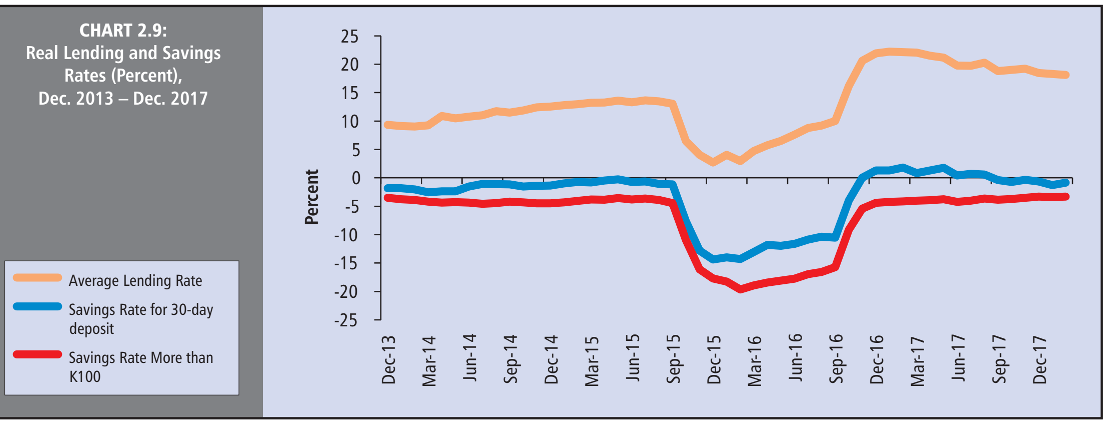
**CHART 2.8:**
**Nominal Lending and Savings Rates (Percent), Dec.2013 – Dec.2017**




**Source**: Bank of Zambia

The real ALR fell to 18.5% in December 2017 from 21.9% in December 2016, following the decline in nominal interest rates which more than offset the effects of the slowdown in inflation (Chart 2.9). The real average 30-day deposit rate for amounts above K20,000 also fell to -0.6% from 1.3%, while the real ASR for amounts exceeding K100 rose to -3.3% from -4.4% during the same period.

**CHART 2.9:**
**Real Lending and Savings Rates (Percent), Dec. 2013 – Dec. 2017**



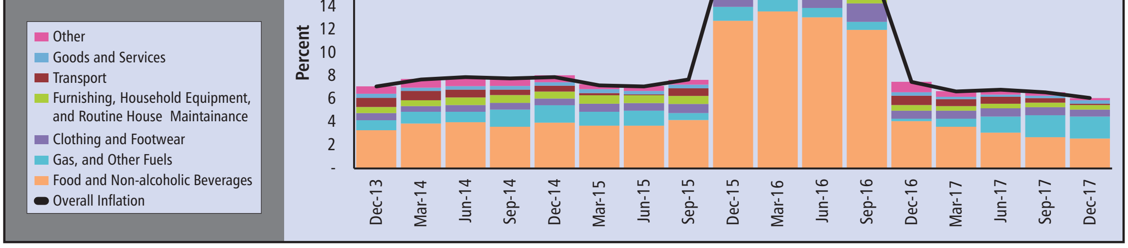

**Source**: Bank of Zambia

### Inflation

Annual overall inflation declined to 6.1% in December 2017 from 7.5% recorded in December 2016 (Chart 2.10). The slowdown in inflation was largely due to increased supply of some food items particularly maize and cereal products which resulted in the downward pressure on food prices.

In addition, the relative stability of the Kwacha against the US dollar contributed to the moderation of prices of imported food items. The upward adjustments in both fuel prices and electricity tariffs, however, dampened the decline in inflation.

**CHART 2.10: Contribution to Annual Inflation Developments (Percent), Dec. 2013 – Dec. 2017**




**Source:** Bank of Zambia

## 2.2 FINANCIAL MARKETS

### Government Securities Market

### Market Bidding Behaviour

Generally, investors bidding behaviour continued to be characterised by the preference for longer dated securities (Table 2.4). The majority of the investors in Treasury bills preferred the 364-day tenor which offered a relatively higher yield. In the Government bonds market, investors preferred the 10- and 15-year dated bonds in order to lock-in at relatively higher rates in anticipation of a fall in interest rates in future (Table 2.4).



**Table 2.4. Government Securities Transactions, 2015 - 2017**

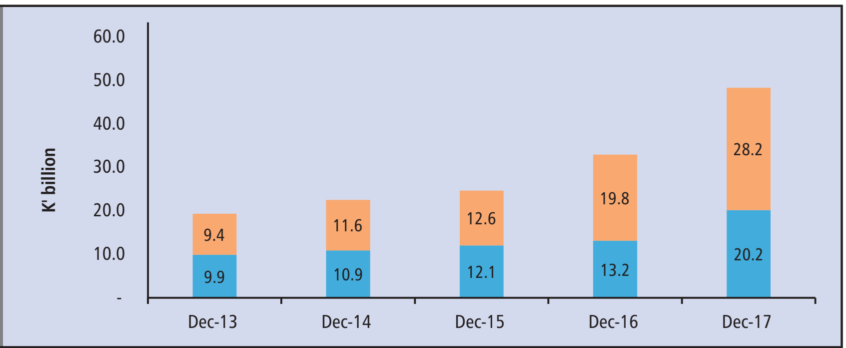
| | 2015 | | | 2016 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount Offered (K bn) | Bid Amount (K' bn) | Subscription Rate (%) | Amount Offered (K bn) | Bid Amount (K' bn) | Subscription Rate (%) | Amount Offered (K bn | Bid Amount (K' bn) | Subscription Rate (%) |
| 91-day bills | 2.3 | 0.7 | 31.5 | 1.4 | 1.1 | 83.1 | 1.8 | 1.7 | 94.4 |
| 182-day bills | 5.5 | 2.3 | 42.0 | 3.3 | 2.6 | 80.0 | 3.9 | 3.7 | 94.9 |
| 273-day bills | 5.9 | 2.4 | 41.4 | 4.4 | 3.6 | 82.0 | 5.9 | 4.9 | 83.1 |
| 364-day bills | 9.8 | 9.8 | 101.0 | 8.2 | 8.3 | 100.5 | 11.7 | 19.0 | 162.4 |
| **TOTAL** | **23.4** | **15.3** | **65.4** | **17.3** | **15.6** | **90.6** | **23.3** | **29.3** | **108.5** |
| 2-year bond | 0.3 | 0.2 | 55.4 | 0.3 | 0.3 | 84.2 | 0.4 | 0.8 | 200.0 |
| 3-year bond | 1.1 | 0.6 | 54.6 | 1.1 | 1.1 | 100.8 | 1.2 | 2.7 | 225.0 |
| 5-year bond | 1.5 | 1.8 | 118.6 | 1.6 | 3.8 | 244.7 | 1.9 | 4.5 | 236.8 |
| 7-year bond | 0.3 | 0.2 | 65.0 | 0.3 | 1.5 | 482.5 | 0.6 | 0.9 | 150.0 |
| 10-year bond | 0.6 | 0.3 | 53.4 | 0.6 | 1.6 | 275.6 | 1.1 | 2.9 | 263.6 |
| 15-year bond | 0.2 | 0.2 | 90.7 | 0.2 | 0.9 | 599.9 | 0.7 | 2.0 | 285.7 |
| **TOTAL** | **4.0** | **3.2** | **81.2** | **4.0** | **9.1** | **227.5** | **5.9** | **13.8** | **210.3** |

**Source**: Bank of Zambia
K'bn: Kwacha billion

### Stock of Government Securities

Following the rise in domestic financing requirements, a total of K27.4 billion was realised through Government securities auctions against total maturities of K17.0 billion leading to a surplus of K10.4 billion in 2017. The outstanding stock of Government securities, at end-December 2017, was K48.3 billion, up from K32.9 billion at end-December 2016, representing a year-on-year growth of 46.7% (Chart 2.11). The increase in the outstanding stock was attributed largely to the growth in the stock of Treasury bills and Government bonds by 53.3% and 42.2% to K20.2 billion and K28.2 billion, respectively. The increase in the funds raised was due to increased borrowing requirements and the rise in subscription rates on Government securities auctions in 2017. The improved subscription rates were driven mainly by easing liquidity conditions and the rise in demand from non-resident investors.

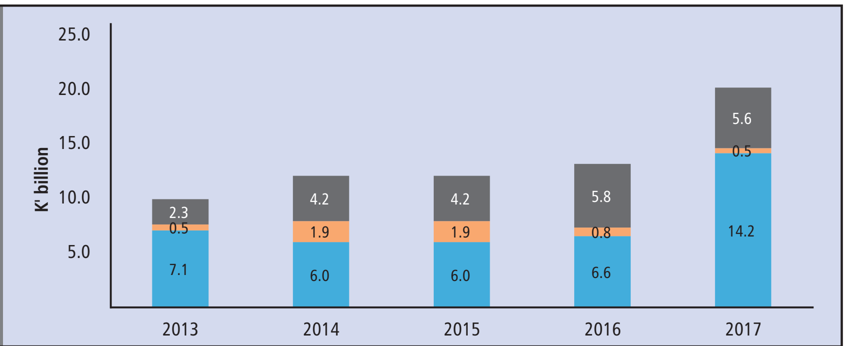
**CHART 2.11: Stock of Government Securities, (K'Billions) Dec. 2013 – Dec. 2017**




**Source:** Bank of Zambia

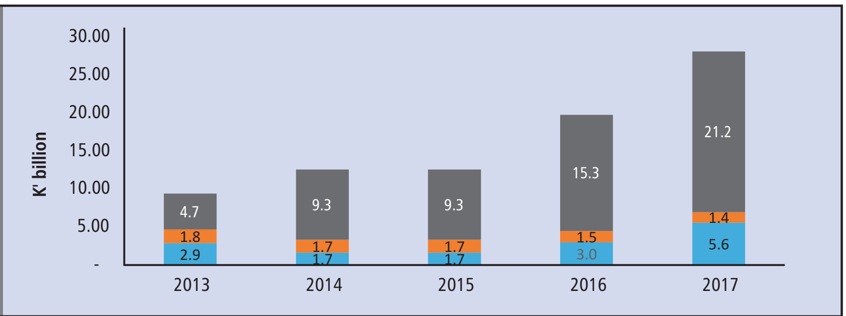
In terms of holdings by category, commercial banks continued to hold the largest stock of Treasury bills accounting for 70.2%, followed by non-bank financial institutions, at 27.5% (Chart 2.12). With regard to Government bonds, the bulk continued to be held by non-bank financial institutions, especially pension funds. Of the total outstanding stock of Government bonds, non-bank financial institutions and commercial banks held 75.2% and 19.9%, respectively (Chart 2.13).

**CHART 2.12: Treasury Bills Holdings, (K' Billions), 2013-2017**




**Source:** Bank of Zambia

**CHART 2.13: Government Bond Holdings, 2013-2017**

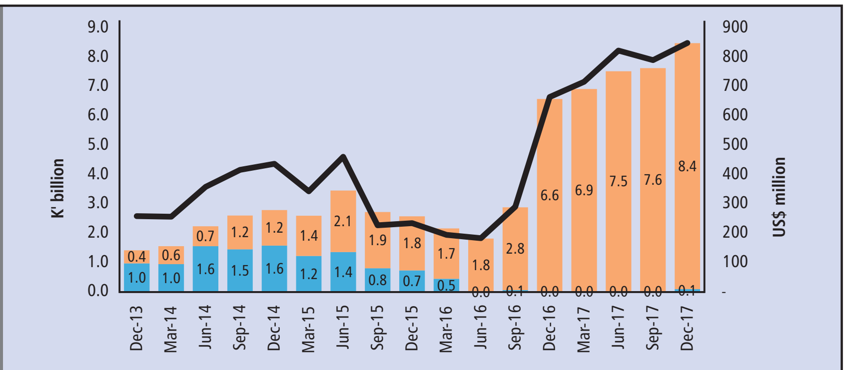



**Source:** Bank of Zambia

### Non-resident Holdings of Government Securities

The appetite for Government securities by non-resident investors increased as evidenced by a 28.0% rise in their holdings to K8.4 billion largely on account of attractive yield rates and relative stability in the exchange rate (Chart 2.14). This was despite negative sentiments attributed to delays in securing an IMF programme.

**CHART 2.14: Non-Resident Investors Government Securities Holdings, Dec. 2013-Dec. 2017**




**Source:** Bank of Zambia

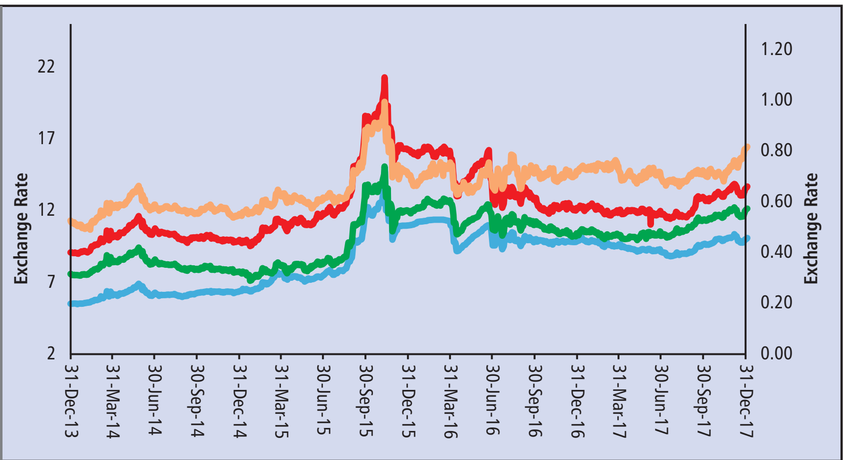
### Foreign Exchange Market

#### Nominal Exchange Rate

The nominal exchange rate of the Kwacha against the major trading partner currencies strengthened in 2017 with the exception of the South African rand. The relative strong performance of the Kwacha was underpinned by net supply of foreign exchange and the rebound in copper prices on the international market.

The Kwacha appreciated by 7.5% against the US dollar to an average of K9.5349/US$ in 2017 from K10.3122/US$ in 2016 (Chart 2.15). With regard to the Pound Sterling and the euro, the Kwacha appreciated by 12.3% and 5.6% to an average of K12.2831/£ and K10.7713/€, respectively. In contrast, the Kwacha weakened by 2.1% percent against the South African rand to an average of K0.7163/ZAR in 2017. Foreign exchange supply to the market rose to US$ 1,069.5 million in 2017 from US$ 913.0 million in 2016. The major suppliers of foreign exchange continued to be mining companies and foreign financial institutions.

**CHART 2.15:**
**Exchange Rate of Kwacha against Major Currencies, Dec. 2013-Dec. 2017**

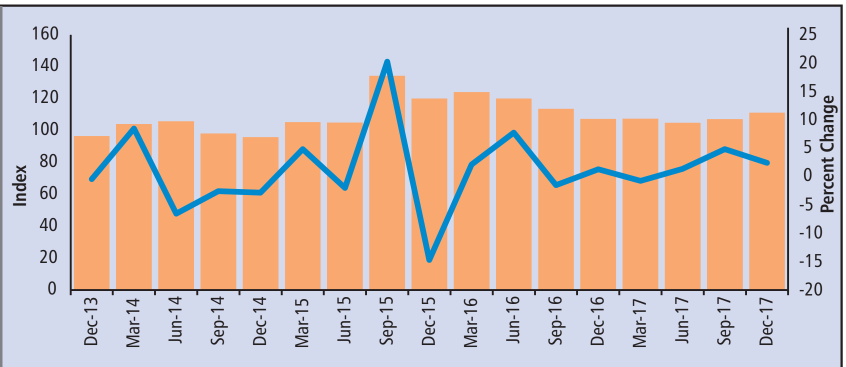



**Source:** Bank of Zambia

#### Real Effective Exchange Rate

The Kwacha appreciated by 6.9% in real terms against a basket of major trading partner currencies in 2017. The real effective exchange rate (REER) index fell to an average of 106.4 in 2017 from 114.2 in 2016 (Chart 2.16). This appreciation was mainly attributed to a 3.3% decrease in the nominal effective exchange rate (NEER), to which the Swiss franc and Pound Sterling contributed -2.8 and -0.9 percentage points, respectively. Despite the decline in the REER index, Zambia's exports remained competitive as the index continued to be above 100.

**CHART 2.16:**
**Real Effective Exchange Rate Index, Dec. 2013 – Dec. 2017**



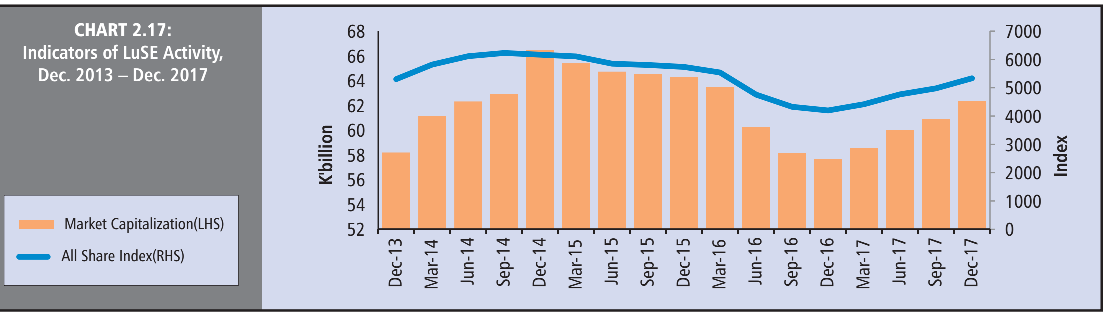

**Source:** Bank of Zambia

#### Capital Markets

Trading activity at the Lusaka Securities Exchange (LuSE) significantly improved in 2017 compared to 2016. The LuSE All-Share index increased by 27.0% in 2017 to 5,327.58 (Chart 2.17). Similarly, market capitalization rose by 8.0% to K62,350 million. The increase in the All-Share index was largely attributed to the rise in shares of selected companies in the manufacturing, energy and banking sectors due to improved profitability. Despite the overall improvement, LuSE recorded a net outflow of funds from equity securities amounting to US$2.5 million compared to a net inflow of US$2.9 million in 2016. The net outflow of funds recorded in 2017 was attributed to foreign portfolio investors that sold their shares at a profit.



**CHART 2.17: Indicators of LuSE Activity, Dec. 2013 – Dec. 2017**




**Source:** Bank of Zambia

## 2.3 BALANCE OF PAYMENTS

Preliminary data show that Zambia recorded an overall balance of payments (BoP) surplus of US$85.5 million in 2017 from a deficit of US$180.9 million in 2016 (Table 2.5). This outturn was mainly due to the favourable performance in the financial account.

### Current Account

The current account deficit widened to US$1,006.4 million (4.5% of GDP) from US$953.8 million (4.9% of GDP) mainly due to a deterioration in the balance on primary and services accounts. The balance on primary income widened mainly on account of an increase in reinvested earnings due to non-resident investors. Likewise, an increase in payments to non-resident transporters mainly accounted for the deterioration in the services account. However, the balance on goods and secondary income accounts improved.

**Table 2.5: Balance of Payments, [US $' million], 2015 - 2017***

| | 2015 | 2016r | 2017** |
|---|---|---|---|
| **A. Current Account, n.i.e.** | **-830.7** | **-953.8** | **-1,006.4** |
| Balance on goods | -74.3 | -3.7 | 364.1 |
| Goods: exports (fob) | 7,362.0 | 6,534.8 | 8,215.5 |
| of Which Copper | 5,233.6 | 4,399.1 | 6,118.6 |
| Cobalt | 70.7 | 112.9 | 124.8 |
| NTEs | 1,848.6 | 1,770.2 | 1,752.8 |
| Gold | 151.8 | 191.2 | 156.1 |
| Goods: imports | 7,436.2 | 6,538.5 | 7,851.5 |
| Balance on Services | -570.9 | -508.0 | -659.8 |
| Services: credit | 861.5 | 885.2 | 864.9 |
| of Which Transportation | 43.7 | 38.3 | 48.8 |
| Travel | 660.1 | 682.6 | 652.6 |
| Services: debit | 1,432.4 | 1,393.3 | 1,524.7 |
| of Which Transportation | 825.3 | 769.1 | 888.4 |
| Travel | 234.5 | 247.4 | 223.3 |
| Insurance & Pension Services | 113.7 | 112.8 | 124.9 |
| Balance on Primary Income | -412.1 | -654.0 | -1,069.5 |
| Primary income: credit | 8.3 | 70.2 | 10.0 |
| Primary income: debit | 420.3 | 724.1 | 1,079.5 |
| Balance on Secondary Income | 226.6 | 211.9 | 358.8 |
| Secondary income, n.i.e.: credit | 268.8 | 246.4 | 448.5 |
| Secondary income: debit | 42.2 | 34.5 | 89.7 |
| **B. Capital Account, n.i.e.** | **81.0** | **55.0** | **58.4** |
| Capital account, n.i.e.: credit | 81.0 | 55.0 | 58.4 |
| **C. Financial Account, n.i.e.** | **-245.5** | **-782.9** | **-1,011.5** |
| Direct investment: assets | 125.1 | 176.7 | -206.0 |
| Direct investment: liabilities, n.i.e. | 1,304.9 | 662.9 | 865.9 |
| Portfolio investment: assets | -14.9 | -27.0 | 43.9 |
| Equity and investment fund shares | -14.9 | -27.0 | 0.0 |
| Debt securities | 0.0 | 0.0 | 43.9 |
| Portfolio investment: liabilities, n.i.e. | 1,207.0 | 389.7 | 236.8 |
| Equity and investment fund shares | 0.2 | 3.0 | -2.5 |
| Debt securities | 1,206.8 | 386.7 | 239.3 |
| Financial derivatives: net | 18.1 | -15.3 | -68.2 |
| Financial derivatives: assets | 4.4 | -8.8 | 79.1 |
| Financial derivatives: liabilities | -13.7 | 6.5 | 147.3 |

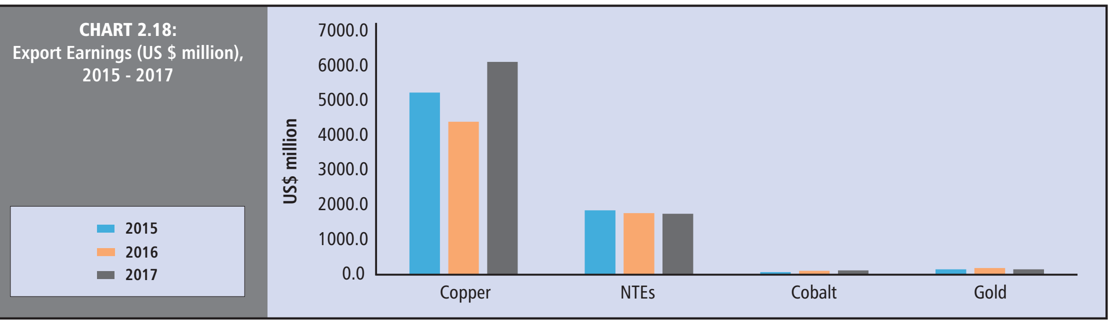
**Table 2.5: Balance of Payments, [US $' million], 2015 - 2017*...Cont'**

| | 2015 | 2016r | 2017** |
|---|---|---|---|
| Other investment: assets | 3,280.3 | 857.1 | 970.9 |
| Other debt instruments | 3,280.3 | 857.1 | 970.9 |
| Central bank | 223.2 | -284.9 | -235.0 |
| Deposit-taking corporations, except the central bank | 532.1 | 235.6 | 146.4 |
| Other sectors | 2,525.0 | 906.4 | 1,059.5 |
| Non-financial corporations, households, and NPISHs | 2,525.0 | 906.4 | 1,059.5 |
| Other investment: liabilities, n.i.e. | 1,142.1 | 721.7 | 649.3 |
| Other debt instruments | 1,142.1 | 721.7 | 649.3 |
| Deposit-taking corporations, except the central bank | 195.2 | 169.4 | 0.4 |
| General government | 823.0 | 161.1 | 745.7 |
| Other sectors | 123.9 | 391.2 | -96.7 |
| Non-financial corporations, households, and NPISHs | 123.9 | 391.2 | -96.7 |
| **D. Net Errors and Omissions** | **110.9** | **-65.0** | **21.9** |
| **E. Overall Balance** | **393.3** | **180.9** | **-85.5** |
| **F. Reserves and Related Items** | **-393.3** | **-180.9** | **85.5** |
| Reserve assets | -446.1 | -249.7 | -11.9 |
| Credit and loans from the IMF | -52.8 | -68.8 | -73.6 |
| Exceptional financing | 0.0 | 0.0 | 0.0 |

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

The balance on goods improved with the country recording a surplus of US$364.1 million from a deficit of US$3.7 million in 2016 due a higher increase in export earnings relative to imports. Export earnings grew by 25.7% to US$8,215.5 million driven largely by higher copper export earnings (Chart 2.18). Copper earnings rose by 39.1% to US$6,118.6 million largely due to an increase in copper prices on the international market and higher export volumes. The average realized price for copper at US$5,976.1 per mt, was 27.4% higher than US$4,689.0 per mt in 2016. Copper export volumes grew by 9.2% to 1,023,859.1 mt from 937,985.0 mt in 2016.

**CHART 2.18: Export Earnings (US $ million), 2015 - 2017**




Increased copper exports contributed to growth in export earnings in 2017

Cobalt earnings at US$124.8 million in 2017, were 10.5% higher than US$112.9 million recorded in 2016. This was driven by an increase in the average realised price, which more than doubled to US$46,616.3 per mt from US$22,666.0 per mt despite export volumes declining to 2,676.4 mt from 4,981.8 mt. In contrast, gold and non-traditional export (NTEs) earnings declined. Gold earnings fell by 18.4% to US$156.1 million on account of the reduction in the average realised price and export volumes. Further, NTEs marginally declined to US$1,752.8 million from US$1,770.2 million in 2016 (Table 2.6) mainly on account of a reduction in earnings from selected products including maize grain, maize seed and cotton lint.

**Table 2.6: Major Non-Traditional Exports (c.i.f*) (US$ million), 2015 - 2016**

| Commodity/ Product | 2015 | 2016 | 2017 | Percent Change |
|---|---|---|---|---|
| Gemstones | 111.3 | 21.8 | 101.8 | 368.1 |
| Sulphuric Acid | 57.3 | 42.2 | 72.6 | 72.2 |
| Industrial Boilers and Equipment | 95.7 | 117.2 | 79.9 | -31.8 |
| Cane Sugar | 146.6 | 119.7 | 137.0 | 14.5 |
| Gasoil/Petroleum Oils | 12.3 | 9.4 | 7.9 | -15.9 |
| Cement & Lime | 65.1 | 70.9 | 74.5 | 5.1 |
| Electricity | 39.0 | 18.7 | 54.7 | 192.2 |
| Raw hides, Skins & Leather | 12.5 | 11.4 | 9.1 | -20.7 |
| Sulphur | 19.6 | 2.7 | 0.0 | -99.9 |
| Burley Tobacco | 106.4 | 89.3 | 88.5 | -1.0 |
| Copper Wire | 58.6 | 68.8 | 85.3 | 24.0 |
| Scrap of precious metals | 49.1 | 0.2 | 0.4 | 100.3 |
| Maize & Maize Seed | 215.9 | 189.6 | 97.7 | -48.5 |
| Electrical Cables | 20.7 | 15.8 | 20.0 | 27.0 |
| Cotton Lint | 54.1 | 57.2 | 38.4 | -32.9 |
| Soap | 51.4 | 44.8 | 45.9 | 2.5 |
| Fresh Fruits & Vegetables | 12.5 | 14.3 | 14.7 | 2.9 |
| Manganese Ores/Concentrates | 1.5 | 8.0 | 31.3 | 291.9 |
| Wheat & Meslin | 12.0 | 6.3 | 0.4 | -93.2 |
| Fresh Flowers | 13.3 | 10.2 | 10.9 | 6.2 |

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

The value of imports grew by 20.1% to US$8,723.8 million in 2017 largely due to higher imports of food, fertilizer, chemicals, iron and steel, and industrial boilers and equipment. The relative stability in the exchange rate and higher demand for intermediate inputs contributed to an increase in imports.



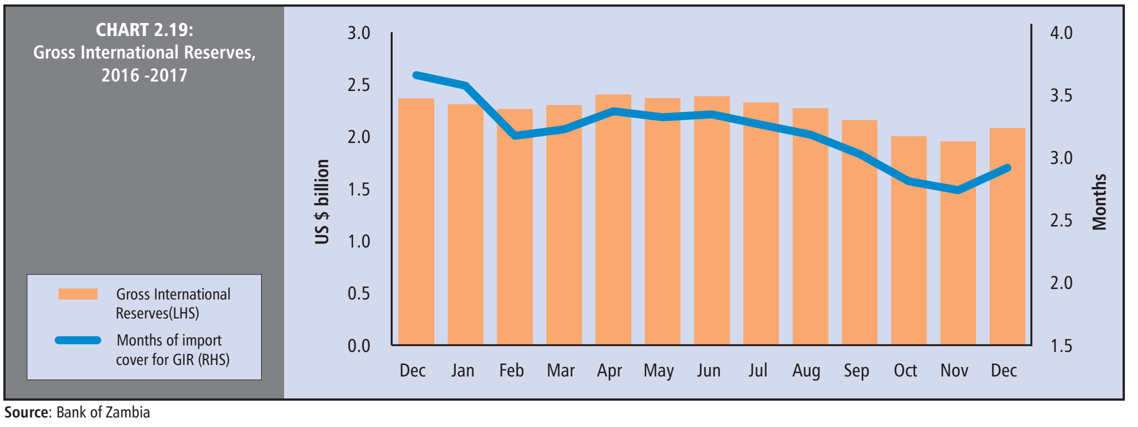
### Capital and Financial Accounts

The financial account surplus grew by 29.2% to US$1,011.5 million due to an increase in inflows in form of foreign direct investment. The capital account surplus marginally increased to US$58.4 million from US$55.0 million in 2016. The current account deficit was mainly financed by the financial account surplus and a drawdown in reserves.

### Gross International Reserves

The level of gross international reserves (GIR) declined to US$2.1 billion, equivalent to 2.9 months of imports cover, as at end-December 2017 from US$2.4 billion in 2016 (Chart 2.19). The payments for external debt service mainly accounted for the decline in reserves. The decline in GIR was moderated by the Bank of Zambia net foreign exchange purchases from the market amounting to US$402.6 million.

**CHART 2.19: Gross International Reserves, 2016 -2017**




**Source**: Bank of Zambia

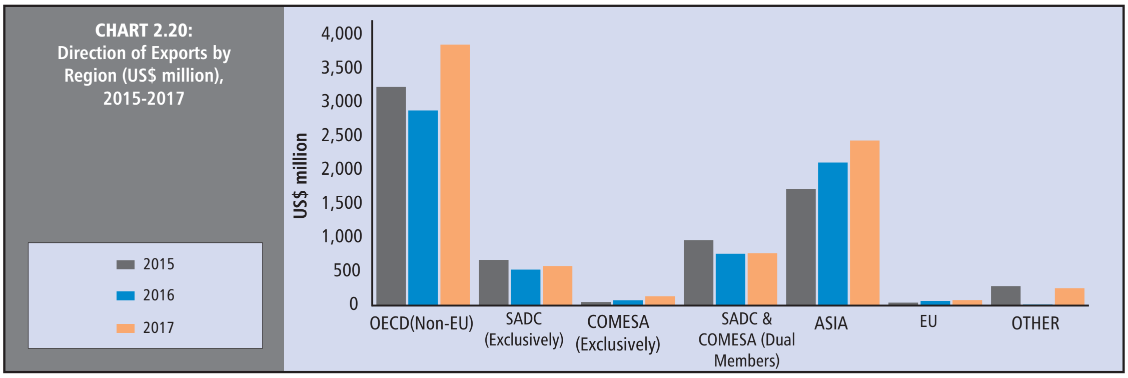
**Direction of Trade**

**Major Export Markets by Region**

Zambia recorded an increase in merchandise exports to all regions in 2017. The largest proportion of Zambia's exports was to Non-European Union Organization for Economic Cooperation and Development (Non-EU OECD) followed by Asia, Southern African Development Community (SADC) and Common Market for Southern and East Africa (COMESA) dual members and to SADC exclusively. The Non-EU OECD accounted for 47.4% of total exports. This was mainly explained by a 33.7% increase in exports to the non-EU OECD region to US$3,862.6 million following a rebound in copper exports to Switzerland[10] (Chart 3.18). Asia ranked second receiving 30.0% of the country's total exports, with exports to this region rising by 15.4% to US$2,443.5 million, on account of an increase in copper exports to China. The remaining regions collectively accounted for 22.6% of Zambia's total exports amounting to US$1,836.7 million.

The SADC and COMESA dual members region ranked third with exports to the region increasing by 0.9% to US$774.3 million. This followed the higher exports of inorganic chemicals, compounds of precious metals and sugar to Democratic Republic of Congo. In fourth position was SADC exclusively with exports rising by 9.6% to US$585.2 million. COMESA exclusively and the EU were in the fifth and sixth positions, with exports to these destinations rising by 72.4% and 17.7% to US$138.2 million and US$81.1 million, respectively (Chart 2.20).

**CHART 2.20: Direction of Exports by Region (US$ million), 2015-2017**



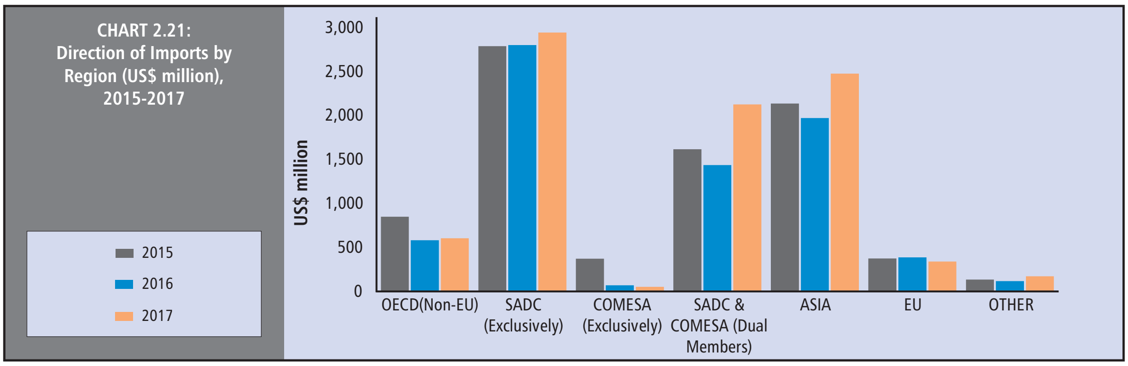

**Source**: Bank of Zambia

**Major Sources of Imports by Region**

The major source of Zambia's imports was SADC exclusively which maintained the top position, accounting for 33.8% of the country's total imports, with imports from the region rising by 5.1% to US$2,945.8 million (Chart 2.21). This outturn was explained by higher imports of machinery and plastic products from South Africa as well as an increase in imports of fertilizer from Mozambique. Asia was in second place, accounting for 28.4% of Zambia's imports. Imports from this region rose by 25.6% to US$2,477.6 million, due to higher imports of mineral fuels and organic chemicals from the United Arab Emirates.

The SADC and COMESA dual members ranked third, collectively accounting for 24.4% of Zambia's total imports following a 48.0% rise in imports to US$2,128.9 million from this region. The increase was explained by higher imports of copper ores and inorganic chemicals from Congo (DR). The Non-EU OECD was fourth accounting for 6.9% of Zambia's total imports following a 3.7% growth in imports from the region to US$605.6 million. The EU and COMESA exclusively were in fifth and sixth positions with imports from these regions amounting to US$339.3 million and US$52.6 million, respectively.

**CHART 2.21: Direction of Imports by Region (US$ million), 2015-2017**




**Source**: Bank of Zambia

[10] Large metal traders based in Switzerland purchase copper and cobalt from Zambia destined for other export markets.

## 2.4 EXTERNAL DEBT

### Government External Debt Stock

As at end-December 2017, preliminary data indicate that the external debt stock of Government increased by 26.5% to US$8,790.28 million (Table 2.7). The increase was on account of new disbursements mainly from commercial and export creditors. The public external debt as a ratio of GDP was recorded at 34.0% compared to 33.6% in 2016.

The composition of total Government external debt stock was: 77.4% owed to commercial, Export and Supplier creditors, 18.4% owed to multilateral creditors and 4.2% owed to bilateral creditors (Table 2.7).

**Table 2.7: Government External Debt Stock by Creditor (Percent), 2015 - 2017**

| | 2015 | | 2016 | | 2017* | |
|---|---|---|---|---|---|---|
| Creditor | US $'million | Percent share | US $'million | Percent share | US $'million | Percent share |
| **Bilateral** | **450.00** | **6.7** | **458.70** | **6.6** | **373.82** | **4.2** |
| Paris Club | 195.32 | 2.9 | 219.90 | 3.2 | 127.60 | 1.4 |
| Non Paris Club | 254.68 | 3.8 | 238.80 | 3.4 | 246.21 | 2.8 |
| **Multilateral** | **1,503.97** | **22.4** | **1,560.40** | **22.5** | **1,614.85** | **18.4** |
| IMF | 256.82 | 3.8 | 182.10 | 2.6 | 125.3 | 1.4 |
| World Bank Group | 695.79 | 10.4 | 747.50 | 10.6 | 892.42 | 10.1 |
| African Development Bank Group | 351.86 | 5.2 | 376.50 | 5.4 | 433.24 | 4.9 |
| **Others** | **199.50** | **3.0** | **254.40** | **3.7** | **373.82** | **4.2** |
| **Export/Suppliers/Commercial Debt** | **4,750.40** | **70.9** | **4,928.00** | **70.9** | **6,801.61** | **77.4** |
| **Total Govt. Debt** | **6,704.37** | **100** | **6,947.1** | **100** | **8,790.28** | **100** |

**Source**: BoZ/Ministry of Finance
* Preliminary

### Government External Debt Service

Preliminary data indicate that Government external debt service increased by 14.0% to US$666.7 million in 2017 from US$585.0 million. Debt service constituted principal maturities during the year amounting to US$162.3 million while interest and other charges were US$504.4 million (Table 2.8).

**Table 2.8: Zambia's Official External Debt Service by Creditor (US $'million), 2015 - 2017**

| Creditor | 2015 | 2016 | 2017 |
|---|---|---|---|
| **Bilateral** | **-** | **39.7** | **65.1** |
| Paris Club | - | 1.0 | 6.5 |
| Other | - | 38.7 | 58.6 |
| **Multilateral** | **92.5** | **102.9** | **100.1** |
| World Bank Group | 3.2 | 7.6 | 14.0 |
| IMF | 52.8 | 69.1 | 69.2 |
| ECU/EIB | - | 0.4 | 1.5 |
| Other | 36.5 | 25.8 | 15.4 |
| **Suppliers/Bank(commercial)/Export** | **289.2** | **442.4** | **501.5** |
| **Total** | **381.7** | **585.0** | **666.7** |

**Source**: Bank of Zambia

### Private and Parastatal Non-Guaranteed External Debt Stock

The total external debt owed by the private sector and the non-guaranteed parastatal sector increased with preliminary data showing a 3.2% rise to US$8,343.5 million at end-December 2017 (Table 2.9). The increase was mainly attributed to disbursements to the mining sector.

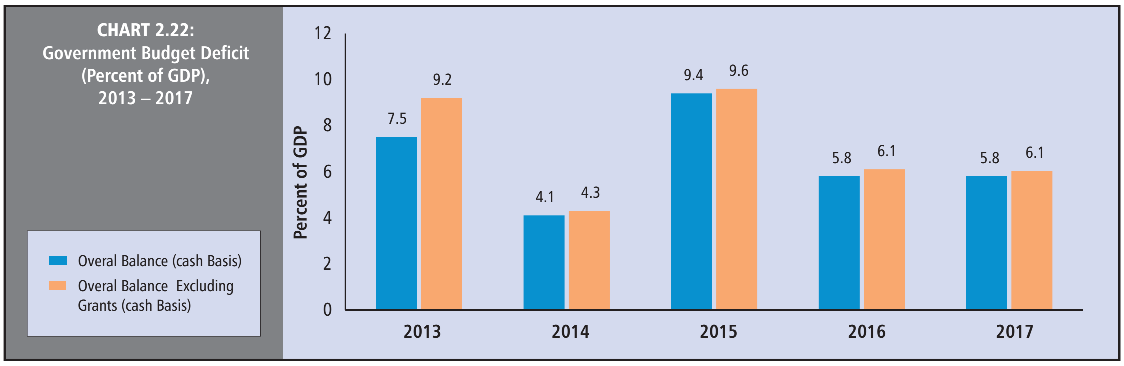
**Table 2.9: Private and Non-Guaranteed Parastatal External Debt Stock, 2015 - 2017**

| | 2015 | | 2016 | | 2017* | |
|---|---|---|---|---|---|---|
| Creditor | US $'million | Percent Share | US $'million | Percent Share | US $'million | % Share |
| **Private** | **7,259.8** | **89.8** | **8,548.0** | **92.8** | **7,619.0** | **90.5** |
| Multilateral | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial Institutions | 2,798.2 | 38.5 | 1,297.8 | 15.1 | 1,077.4 | 14.1 |
| Parent Company | 4,461.6 | 61.5 | 7,250.2 | 84.8 | 6,541.7 | 85.9 |
| Other | 452.2 | 9.0 | 158.7 | 2.0 | 158.7 | 1.9 |
| **Parastatal** | **629.8** | **12.5** | **663.3** | **8.2** | **642.1** | **7.6** |
| **Total Private and Non-Guaranteed Parastatal Debt** | **5,019.6** | **100.0** | **8,081.8** | **100.0** | **8,419.7** | **100.0** |

**Source**: Bank of Zambia
*Preliminary

## 2.5 FISCAL SECTOR DEVELOPMENTS

Preliminary data indicate that the fiscal deficit for 2017, excluding grants, was recorded at 6.1%[11] of GDP and was below the target of 7.0% (Chart 2.22). This largely reflected constrained spending due to lower than programmed revenues and grants.




**Source**: Bank of Zambia

### Revenue and Grants

Total revenue and grants in 2017, at K43.0 billion, were 1.0% lower than the target of K45.3 billion. This outturn was largely attributed to lower collections in income tax, international trade taxes and non-tax revenue (Table 2.10). Domestic revenue accounted for 99.0% of the total revenue while grants only accounted for 1.0%. As a percentage of GDP, total revenue and grants, at 17.6%, were 0.9% lower than the target.

### Tax Revenue

Total tax revenue, at K36.5 billion, was 0.4% above the target of K35.4 billion. As a percentage of GDP, tax revenue was 14.9%, which was above the target of 14.5%. This outturn was mainly due to improved VAT collections, mineral royalty as well as toll gate fees. VAT collections were higher mainly due to the implementation of administrative measures such as withholding VAT mechanism, where tax is collected at source. In addition, the implementation of tax amnesty further contributed to an increase in tax revenue. Nonetheless, trade taxes underperformed mainly due to relatively low economic activity.




Implementation of administrative measures and tax amnesty by the Zambia Revenue Authority contributed to increased tax revenue

### Non-Tax Revenue

Non-tax revenue, at K6.1 billion, was 0.6% below the target of K7.5 billion largely on account of lower than programmed collections from licences, user fees and fines, farmer input recoveries and grants. However, mineral royalty exceeded the target by 0.2% mainly due to higher production and rising copper prices on the international market.

[11]However, the fiscal deficit for 2017 is likely to be revised upwards to above 7.0%. This follows the reconciliation of debt data which indicates a higher than projected draw-down of foreign loans to finance capital expenditures.

### Grants

Total foreign grants, at K466.6 million were 80.5% lower than the programmed target of K2,396.5 million.

**Table 2.10: Central Government Revenue and Grants, 2015 - 2017**

| | 2015 | | 2016 | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Target | | Preliminary | |
| | K'bn | % of GDP | K'bn | % of GDP | K'bn | % of GDP | K'bn | % of GDP |
| **Revenue and Grants** | **34.4** | **18.7** | **39.4** | **18.5** | **45.3** | **18.5** | **43.0** | **17.6** |
| **Domestic Revenue** | **34.1** | **18.5** | **38.9** | **18.2** | **43.0** | **17.5** | **42.6** | **17.4** |
| **Tax Revenue** | **26.4** | **14.4** | **28.0** | **13.2** | **35.4** | **14.5** | **36.5** | **14.9** |
| Income Tax | 12.9 | 7.0 | 14.9 | 7.0 | 17.8 | 7.2 | 1.6.4 | 6.7 |
| Personal Tax | 7.4 | 4.1 | 7.9 | 3.8 | 9.8 | 4.0 | 8.7 | 3.5 |
| Company Tax | 2.9 | 1.6 | 3.2 | 1.9 | 4.9 | 2.0 | 4.5 | 1.8 |
| Other Income Tax | 2.6 | 1.4 | 3.2 | 1.3 | 3.0 | 1.3 | 3.3 | 1.3 |
| Excise Taxes | 3.3 | 1.8 | 3.7 | 1.5 | 4.7 | 1.9 | 3.2 | 1.3 |
| Domestic VAT | 1.7 | 0.9 | 1.5 | 0.0 | 0.8 | 0.3 | 5.6 | 2.3 |
| **International Trade Taxes** | **5.2** | **2.8** | **6.1** | **2.4** | **8.1** | **3.3** | **6.1** | **2.5** |
| Import Duties | 1.9 | 1.0 | 2.5 | 0.9 | 3.4 | 1.4 | 2.9 | 1.2 |
| Import VAT | 6.7 | 3.6 | 8.4 | 3.7 | 8.7 | 3.6 | 8.3 | 3.4 |
| Export Duties | 0.0 | 0.0 | 3.6 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Non-tax Revenue** | **7.6** | **4.1** | **10.9** | **5.1** | **7.5** | **3.1** | **6.1** | **2.5** |
| Fees and Charges | 2.5 | 1.2 | 7.4 | 1.1 | 4.1 | 1.7 | 3.4 | 1.4 |
| Dividends and Interest | 0.6 | 0.3 | 0.6 | 2.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Extraction Royalty | 3.7 | 2.0 | 2.9 | 1.4 | 1.8 | 0.8 | 2.4 | 1.0 |
| **Grants** | **0.4** | **0.2** | **0.5** | **0.2** | **2.4** | **1.0** | **0.4** | **0.2** |

**Source**: Ministry of Finance

### Total Expenditure

Total expenditure (excluding amortisation), at K57.4 billion, representing 23.4% of GDP, was 1.7% below the programmed level of K61.6 billion (Chart 2.23). Total expenditure including amortisation stood at K59.6 billion in 2017 against a target of K64.7 billion. This was largely on account of lower than programmed revenues and grants.

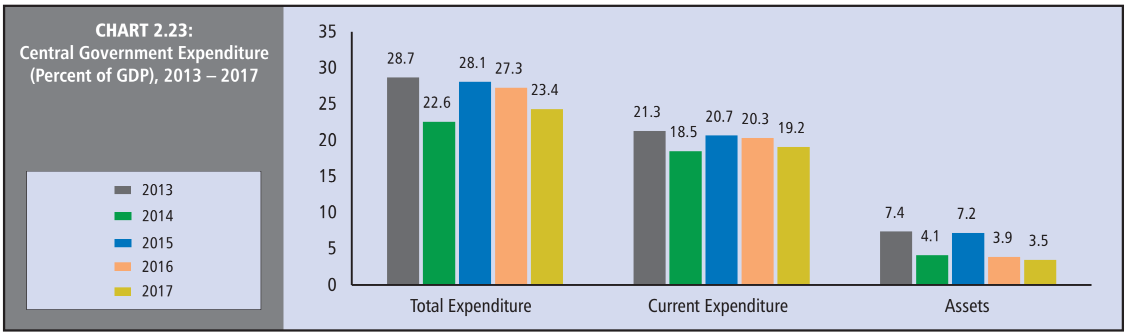


**CHART 2.23: Central Government Expenditure (Percent of GDP), 2013 – 2017**

**Source**: Bank of Zambia

### Current Expenditure

In 2017, total current expenditure, at K47.0 billion, was 0.3% below the target of K47.7 billion (Table 2.11). This was due to constrained expenditure on account of reduced external financing.

**Table 2.11: Central Government Expenditures, 2014 - 2017**

| | 2015 | | 2016 | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Projection | | Preliminary | |
| | K'bn | % of GDP | K'bn | % of GDP | K'bn | % of GDP | K'bn | % of GDP |
| **Total Expenditure (excl. amortisation)** | **51.7** | **28.1** | **58.5** | **27.4** | **64.7** | **26.4** | **59.6** | **23.4** |
| **Current Expenditure** | **38.1** | **20.7** | **43.4** | **20.3** | **47.7** | **19.5** | **47.0** | **19.2** |
| Wages and Salaries | 16.1 | 8.8 | 18.8 | 8.8 | 20.0 | 8.2 | 20.0 | 8.2 |
| Use of Goods and Services | 5.1 | 2.8 | 4.8 | 2.2 | 5.6 | 2.3 | 4.8 | 2.0 |
| Interest on Public Debt | 5.2 | 2.8 | 7.4 | 3.5 | 8.4 | 3.4 | 9.8 | 4.0 |
| Domestic Debt | 3.3 | 2.8 | 4.0 | 1.9 | 4.2 | 1.7 | 5.0 | 2.1 |
| Foreign Debt | 2.0 | 1.1 | 3.4 | 1.6 | 4.2 | 1.7 | 4.8 | 2.0 |
| Grants & Other Payments | 9.0 | 4.9 | 10.9 | 5.1 | 10.2 | 4.2 | 9.2 | 3.7 |
| Social Benefits | 0.8 | 0.5 | 0.5 | 0.2 | 2.4 | 1.0 | 1.9 | 0.8 |
| Other Expenses | 1.9 | 1.0 | 0.9 | 0.4 | 1.0 | 0.4 | 1.1 | 0.4 |
| Liabilities | 0.4 | 0.2 | 0.1 | 0.1 | 2.1 | 0.9 | 2.0 | 0.8 |
| **Assets** | **13.2** | **7.2** | **8.4** | **3.9** | **11.8** | **4.8** | **8.6** | **3.5** |
| Non-Financial Assets | 12.8 | 7.0 | 8.1 | 3.8 | 11.6 | 4.7 | 8.3 | 3.4 |
| Financial Assets | 0.4 | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 |

**Source**: Ministry of Finance
K'bn: Kwacha billion

### Assets

Total expenditure on assets in 2017, at K8.6 billion, was 27.1% below the target of K11.8 billion. The lower expenditure was partly attributed to lower than programmed expenditure on non-financial assets due to constrained external financing.

### Deficit Financing

Total budget financing of K15.0 billion in 2017 was below the target of K16.3 billion (Table 2.12) and the deficit was financed mainly through domestic borrowing.

**Table 2.12: Budget Deficit Financing, 2015 - 2017**

| | 2015 | | 2016 | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Projection | | Preliminary | |
| | K'bn | % of GDP | K'bn | % of GDP | K'bn | % of GDP | K'bn | % of GDP |
| **Total Financing** | **18.3** | **9.9** | **12.5** | **5.9** | **16.2** | **6.6** | **15.0** | **6.1** |
| **Domestic** | **1.7** | **0.9** | **6.6** | **3.1** | **3.0** | **1.2** | **11.9** | **4.9** |
| Bridge loan | - | - | 5.8 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Com. Banks | - | - | 0.4 | 0.2 | 0.0 | 0.0 | 0.2 | 0.1 |
| Carry-over funds | - | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation | - | - | -4.7 | -2.2 | -0.8 | -0.3 | -0.5 | -0.2 |
| **External** | **15.2** | **8.2** | **4.2** | **2.0** | **13.2** | **5.4** | **3.1** | **1.3** |
| Programme Loans | 10.0 | 5.5 | 0.0 | 0.0 | 8.0 | 3.3 | 1.3 | 0.5 |
| Project Loans | 5.2 | 2.8 | 4.8 | 2.2 | 7.5 | 3.0 | 3.6 | 1.5 |
| Amortisation | -1.0 | -0.6 | -2.0 | -0.9 | -2.2 | -0.9 | -1.8 | -0.7 |

**Source**: Ministry of Finance
Dash (-) means not available
K'bn: Kwacha billion

## 2.6 REAL SECTOR DEVELOPMENTS

### National Output

The economy continued to register positive growth in 2017, with real GDP growth estimated at 4.1% compared to 3.8% in 2016 (Table 2.13). The increase in growth was on account of strong performance in agriculture, manufacturing, accommodation and food services, transportation and storage, and electricity supply. However, some sectors such as information and communications, arts and entertainment, and water supply contracted, while others slowed down.

In terms of contribution to the 4.1% growth, agriculture, forestry and fishing had the highest contribution accounting for 1.21 percentage points, followed by construction and education which accounted for 0.7 and 0.5 percentage points, respectively.



**Table 2.13: Real GDP Growth, 2015 - 2017**

| Kind of Economic Activity | 2015 | 2016 | 2017* |
|---|---|---|---|
| Agriculture, Forestry and Fishing | -7.7 | 3.7 | 16.5 |
| Mining and Quarrying | 0.2 | 7.3 | 3.0 |
| Manufacturing | 5.6 | 1.9 | 4.4 |
| Electricity, Gas, steam and air | -1.5 | -13.6 | 18.5 |
| Water supply, sewerage, waste management | -6.7 | -4.1 | -3.7 |
| Construction | 18.0 | 10.2 | 6.4 |
| Wholesale and Retail Trade | 1.4 | -0.1 | 0.7 |
| Accommodation and food services | 0.2 | 1.2 | 6.0 |
| Transportation and Storage | 0.6 | -2.2 | 7.8 |
| Information and communications | 2.5 | 17.4 | -13.2 |
| Financial Institutions & Insurance | 12.1 | -2.4 | 0.7 |
| Real Estate & Business Services | 3.1 | 3.2 | 2.9 |
| Public administration and defence; social security | 2.0 | 9.7 | 2.8 |
| Education | 0.5 | 4.7 | 6.7 |
| Human health and social work activities | 2.9 | 1.6 | 17.4 |
| Arts, entertainment and recreation | 3.8 | 0.5 | -4.0 |
| Other service activities | 3.1 | 3.2 | 2.8 |
| **Growth in Real GDP (%)** | **2.9** | **3.8** | **4.1** |

**Source**: Central Statistical Office/ Ministry of Finance
*Preliminary estimates

## Agriculture, Forestry and Fisheries

The agriculture sector in 2017 grew by 16.5% compared to 3.7% in 2016. The output for most major crops increased during the 2016/2017 crop season as the country received good rainfall, despite the outbreak of the fall army worms. Maize output is estimated to have increased to an all-time high of 3,606,549 mt, 25.5% higher than the 2,795,483 mt achieved in the previous season. Production of other crops such as rice, cassava, soyabeans, groundnuts, burley tobacco, sorghum and millet also increased (Table 2.14).

**Table 2.14: Comparative National Crop Production Estimates: (mt )2014 - 2017**

| Crop | 2014/15 | 2015/16 | 2016/17 | Growth (Percent) |
|---|---|---|---|---|
| Maize | 2,618,221 | 2,873,052 | 3,606,549 | 25.3 |
| Cassava | 952,847 | 854,393 | 923,795 | 8.1 |
| Seed cotton | 103,889 | 111,902 | 89,293 | -20.2 |
| Sorghum | 8,123 | 14,107 | 17,337 | 22.9 |
| Rice | 25,514 | 26,675 | 38,423 | 44.0 |
| Millet | 31,967 | 29,973 | 32,566 | 8.7 |
| Groundnuts | 111,429 | 131,562 | 168,699 | 28.2 |
| Soya beans | 226,323 | 267,490 | 351,416 | 31.4 |
| Mixed Beans | 50,398 | 45,351 | 45,938 | 1.3 |
| Sweet Potatoes | 118,330 | 231,882 | 206,676 | -10.9 |
| Virginia Tobacco (kg) | 19,811 | 12,540 | 12,079 | -3.7 |
| Burley Tobacco (kg) | 6,083 | 6,476 | 8,416 | 29.9 |

**Source**: Ministry of Agriculture and Livestock

Maize output increased to an all time high of 3.6 million metric tones in 2017



### Mining and Quarrying

The mining and quarrying sector continued to register positive growth in 2017, albeit at a slower pace. The sector grew by 3.0% compared to 7.3% in 2016 (Table 2.13). The positive growth was explained by the increase in copper production by 3.5% to 797,266 mt in 2017 from 770,598 mt in 2016. This was on account of the improvement in electricity supply, favourable export prices on the international market, as well as the continued ramp-up in production by some mines. Similarly, production of coal rose by 23.6% to 70,808 mt. However, production of emeralds decreased to 4,345.8 Kg from 7,671.4Kg in 2016 on account of low mineral content.

### Manufacturing

The manufacturing sector posted positive growth, at 4.4% in 2017 against a growth of 1.9% in 2016 (Table 2.13). The growth in the sector was supported by improvement in electricity supply, a pickup in mining activity and a better agricultural harvest.

### Accommodation and Food Services

The accommodation and food services sector grew by 6.0% in 2017 from 1.2% in 2016. This was supported by the continued hosting of international meetings and conferences as well as tourist arrivals. International passenger arrivals at the four international airports increased to 720,791 from 667,725 in 2016. However, tourist visits to the country's major national parks declined by 12.3% to 94,227 (Table 2.15).

**Table 2.15: Tourist Arrivals at Major National Parks, 2015 - 2017**

| National Park | 2015 | 2016 | 2017 | Percent Change |
|---|---|---|---|---|
| Kafue | 12,950 | 11,347 | 9,733 | -14.2 |
| Lower Zambezi | 9,011 | 12,143 | 9,368 | -22.9 |
| Mosi-o-Tunya | 23,083 | 20,303 | 21,945 | 8.1 |
| South Luangwa | 43,113 | 46,510 | 38,331 | -17.6 |
| Lusaka National Park | 0 | 17,161 | 14,850 | -13.5 |
| **Total** | **88,157** | **107,464** | **94,227** | **-12.3** |

**Source**: Zambia Wildlife Authority

### Transportation and Storage

The transportation and storage sector recorded positive growth of 7.8% against a contraction of 2.2% in 2016. Growth in the sector was aided by the general improvement in economic activities in the country. In addition, the strong performance of the transportation sector was supported by the entrance of Mahogany Air on the domestic market, as well as increased frequencies by Proflight and Rwandair, which contributed to the rise in passenger movements.

### Construction

Growth of the construction sector slowed down to 6.4% in 2017 from 10.2% in 2016 (Table 2.13). This was on account of a continued slowdown in various infrastructure development projects by Government.

### Information and Communications

The information and communications sector shrunk by 13.2% in 2017, against a growth of 17.4% in 2016 (Table 2.13). This was explained partly by lower traffic on international incoming and outgoing calls, as well as domestic outgoing calls, as mobile internet usage increased (Table 2.16).

**Table 2.16 Usage of selected Information and communication services**

| | 2015 | 2016 | 2017 | Percent Change |
|---|---|---|---|---|
| Mobile Subscription | 11,557,725 | 12,017,034 | 13,438,539 | 11.8 |
| Fixed Internet Subscription | 38,316 | 35,919 | 32,842 | -8.6 |
| Mobile Internet Usage | 6,057,229 | 5,156,365 | 7,723,855 | 49.8 |
| Domestic Outgoing Traffic - Minutes | 8,503,205,912 | 1,500,328,930 | 9,967,432,124 | -13.3 |
| Domestic Incoming Traffic - Minutes | 1,619,999,818 | 1,089,330,526 | 1,614,112,062 | 48.2 |
| International Incoming Traffic - Minutes | 84,742,385 | 72,816,296 | 61,088,178 | -16.1 |
| International Outgoing Traffic - Minutes | 83,564,544 | 86,757,866 | 43,146,291 | -50.3 |
| SMS/MMS Traffic | 1,408,979,862 | 7,070,191,769 | 7,228,443,842 | 2.2 |

**Source**: ZICTA

### Electricity, Gas, Steam and Air

The electricity, gas, steam and air sector grew by 18.5% against a contraction of 13.6% in 2016. The improvement in water levels which supported higher generation of electricity to 12,227.8 GWh in 2017 from 10,720.3 GWh in 2016, largely explained this growth (Table 2.13).

Electricity generation grew owing to improved water levels in 2017

### Wholesale and Retail Trade

The wholesale and retail trade sector grew by 0.7% in 2017 against a contraction of 0.1% in 2016 (Table 2.13). This was driven by the general improvement in the economy, coupled with the easing of monetary conditions.

### Financial Institutions and Insurance Activities

The financial sector registered positive growth of 0.7% in 2017 against a contraction of 2.4% in 2016 (Table 2.13). This was in part explained by eased monetary conditions that boosted activity in the sector.

### Investment Pledges

Zambia remained attractive to investment in 2017. A total of US $17.4 billion was recorded in pledged investments, and 56,897 jobs expected to be created when these projects are fully executed (Table 2.17).

**Table 2.17: Sectoral Investment Pledges and Employment, 2015 - 2017**

| | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|
| **SECTOR** | **Pledges US $' million** | **Jobs** | **Pledges US$' million** | **Jobs** | **Pledges US$' million** | **Jobs** |
| Agriculture | 113.0 | 2,074 | 524.0 | 2,189 | 6,705.0 | 34,154 |
| Construction | 159.0 | 2,210 | 298.0 | 1,371 | 606.0 | 1,740 |
| Health | 57.0 | 152 | 4.0 | 56 | 35.0 | 285 |
| Education | 34.0 | 423 | - | - | 1.3 | 22 |
| Energy | 1,461.0 | 149 | 878.0 | 661 | 8,402.0 | 4,168 |
| Information Communication Technology | 5.0 | 35 | 98.0 | 561 | 259.0 | 152 |
| Manufacturing | 600.0 | 4,479 | 738.0 | 4,492 | 843.0 | 6,704 |
| Mining | 43.0 | 1,636 | 186.0 | 1,224 | 219.0 | 1,669 |
| Real Estate | 528.0 | 4,401 | 301.0 | 2,621 | 102.0 | 4,219 |
| Services | 62.0 | 1,132 | 102.0 | 2,045 | 74.0 | 1,372 |
| Tourism | 228.0 | 2,384 | 178.0 | 655 | 114.0 | 1,120 |
| Transport | 32.0 | 624 | 44.0 | 409 | 43.0 | 1,292 |
| **TOTAL** | **3,213.0** | **9,777** | **3,350.0** | **16,270** | **17,402.0** | **56,897** |

**Source**: Zambia Development Agency


# 3.0 *Financial System Regulation and Supervision*

# 3.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

## 3.1 BANKING SECTOR

### OVERVIEW

The overall financial performance and condition of the banking sector for the year ended 31 December 2017 was satisfactory largely on account of a strong capital adequacy position, satisfactory earnings performance and a satisfactory liquidity position. However, the sector's asset quality deteriorated as reflected by a high level of non-performing loans (Tables 3.1, 3.2 and 3.3).

**Table 3.1: Composite Ratings of Banking Sector Financial Performance and Condition, 2015 - 2017**

| | Number of Banks | | | % of Total Assets | | | % of Total Deposits | | |
|---|---|---|---|---|---|---|---|---|---|
| **Performance Rating** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** |
| Satisfactory | 10 | 10 | 9 | 87.3 | 86.1 | 82.3 | 88.1 | 88.4 | 83.7 |
| Fair | 4 | 6 | 3 | 5.2 | 11.6 | 3.9 | 5.0 | 8.6 | 3.6 |
| Marginal | 3 | 1 | 3 | 5.0 | 0.3 | 8.8 | 3.9 | 1.0 | 7.8 |
| Unsatisfactory | 2 | 1 | 2 | 2.5 | 2.0 | 5.0 | 3.0 | 2.0 | 4.9 |
| **Total** | **19** | **18** | **17** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

**Table 3.2: Component Ratings of the Banking Sector Financial Performance and Condition, 2015 - 2017**

| | Capital Adequacy | | | Asset Quality | | | Earnings | | | Liquidity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Performance Rating** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** |
| Satisfactory | 14 | 11 | 13 | 11 | 8 | 8 | 7 | 7 | 7 | 10 | 14 | 9 |
| Fair | 2 | 3 | 0 | 1 | 4 | 5 | 5 | 6 | 4 | 6 | 2 | 6 |
| Marginal | 0 | 1 | 0 | 5 | 5 | 2 | 5 | 3 | 2 | 2 | 1 | 1 |
| Unsatisfactory | 3 | 3 | 4 | 2 | 1 | 2 | 2 | 2 | 4 | 1 | 1 | 1 |
| **Total** | **19** | **18** | **17** | **19** | **18** | **17** | **19** | **18** | **17** | **19** | **18** | **17** |

**Source**: Bank of Zambia

**Table 3.3: Financial Performance Indicators (%), 2015 - 2017**

| | **2015** | **2016** | **2017** |
|---|---|---|---|
| Primary capital adequacy ratio | 19.1 | 23.4 | 24.5 |
| Total regulatory capital adequacy ratio | 21.0 | 26.2 | 26.5 |
| Net non-performing loans to regulatory capital | 7.2 | 7.6 | 10.8 |
| Gross non-performing loans to total loans | 7.3 | 9.7 | 12.0 |
| Net non-performing loans to total loans | 2.1 | 2.8 | 4.0 |
| Net non-performing loans to net loans | 2.3 | 3.0 | 4.4 |
| Provisions to non-performing loans | 68.4 | 69.6 | 66.5 |
| Earning assets to total assets | 73.8 | 69.2 | 79.5 |
| Net operating income to total assets | 9.6 | 10.8 | 11.0 |
| Non-interest expense to total assets | 6.7 | 7.7 | 7.3 |
| Provision for loan losses to total assets | 0.5 | 0.7 | 0.8 |
| Net interest income to total assets | 5.5 | 6.1 | 6.4 |
| Return on assets | 2.8 | 2.5 | 3.1 |
| Return on equity | 13.1 | 12.3 | 15.4 |
| Efficiency ratio | 71.8 | 81.5 | 65.1 |
| Liquid assets to total assets | 34.8 | 39.1 | 45.9 |
| Liquid assets to deposits and short-term liabilities | 42.7 | 49.0 | 56.5 |

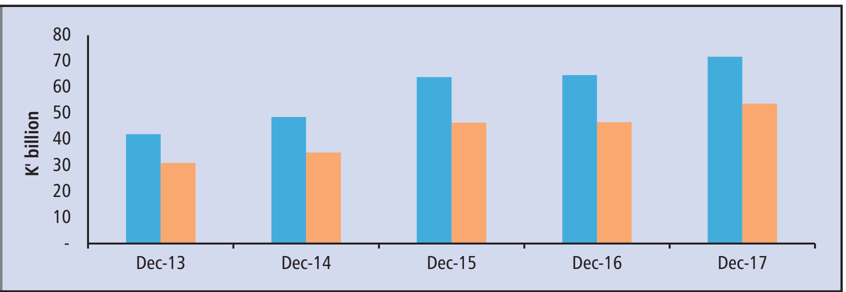
**Source**: Bank of Zambia

### BALANCE SHEET

#### Assets

The banking sector recorded a growth rate of 10.9% in total assets to K71.7 billion at end-December 2017 compared to 1.3% in 2016 (Chart 3.1). The growth in 2017 was largely attributed to accommodative monetary policy that subsequently resulted in improved liquidity. The increase in total assets was mainly noted in investments in Government securities which grew by 91.1% to K19.2 billion and the balances with financial institutions abroad which rose by 12.8% to K14.0 billion. Further, net loans and advances to the private sector grew by 2.9% to K22.3 billion as credit conditions improved, compared to a decline of 12.7% in 2016. Following the reduction of the statutory reserve ratio, commercial bank balances with BoZ declined by 44.8% to K6.5 billion.

CHART 3.1:
Total Assets and Deposit Liabilities, (K' Billion) 2013 – 2017




**Source**: Bank of Zambia

In terms of the balance sheet composition, net loans and advances continued to account for the largest component of total assets at 31.1%. This was followed by investments in Government securities, which constituted 26.7% of total assets, balances with financial institutions abroad at 19.5% and balances with BoZ at 9.0% (Table 3.4a).

**Table 3.4a: Asset Structure (Percent), 2015 - 2017**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Net Loans and advances | 38.9 | 33.6 | 31.1 |
| Balances with Foreign Financial Institutions | 17.8 | 19.2 | 19.5 |
| Balances with Bank of Zambia | 15.4 | 18.1 | 9.0 |
| Investments in Government Securities | 13.9 | 15.5 | 26.7 |
| Other | 14.0 | 13.6 | 13.6 |
| **Total** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

### Liabilities

The banking sector's total liabilities increased by 11.2% to K62.6 billion in 2017 compared to a growth rate of 0.2% in 2016. The increase in total liabilities was largely on account of a rise in deposits by 15.1% to K53.7 billion. This increase was both in core deposits and non-core time deposits.

The composition of liabilities remained largely the same as in the previous year with total deposits accounting for the largest portion at 85.8%, followed by other liabilities at 5.8% and balances due to financial institutions abroad at 4.1% (Table 3.4b). In terms of composition of total deposits, demand deposits constituted 63.9%, followed by time deposits at 27.0% and savings deposits at 9.1%.

**Table 3.4b: Liabilities (Percent), 2015 - 2017**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Deposits | 83.2 | 83.2 | 85.8 |
| Balances Due to Financial Institutions Abroad | 6.1 | 5.9 | 4.1 |
| Other Borrowed Funds | 3.0 | 2.9 | 2.4 |
| Balances Due to Financial Institutions in Zambia | 2.3 | 1.1 | 1.2 |
| Balances Due to Bank of Zambia | 0.0 | 0.2 | 0.5 |
| Other Liabilities | 5.4 | 6.8 | 5.8 |
| **Total** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

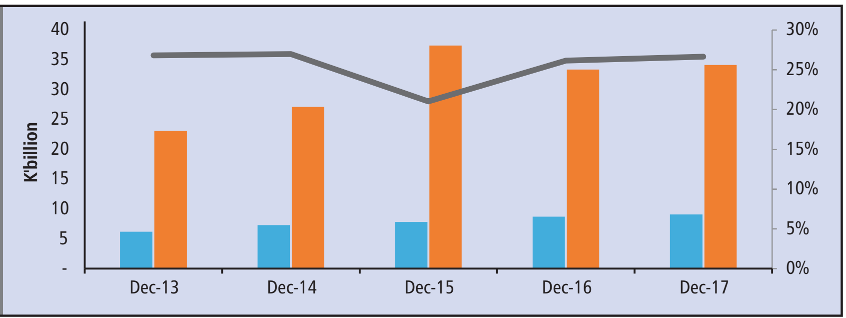
## PERFORMANCE INDICATORS

### Capital Adequacy

The sector remained adequately capitalized and recorded a 3.3% growth in total regulatory capital to K9.0 billion at end-December 2017 from K8.7 billion at the end-December 2016. The increase was largely attributed to new capital injections.

Following the increase in regulatory capital, the sector's primary and total regulatory capital adequacy ratios rose to 24.5% and 26.5%, in 2017 from 23.4%, and 26.2% in 2016, respectively. The capital adequacy ratios were well above the minimum regulatory requirements of 5.0% and 10.0%, respectively (Chart 3.2).

**CHART 3.2: Regulatory Capital, RWA and Capital Adequacy Ratios, 2013 – 2017**




**Source**: Bank of Zambia

In 2017, the ratio of net non-performing loans (NPLs)[12] to regulatory capital deteriorated to 10.8% from 7.6% at end-December 2016 on account of a proportionately higher increase in net NPLs of 51.7% compared to the increase of 3.3% in total regulatory capital. This implied that the amount of capital at risk from net NPLs increased due to inadequate reserves for potential loan losses.

## Asset Quality

Asset quality was rated fair in 2017, largely on account of a decline in the sector's quality of the loan book. This was on account of elevated NPLs and the high cost of credit. The gross NPLs ratio rose to 12.0% at end-December 2017 from 9.7% at the end-December 2016 as a result of an increase in NPLs by 29.0% to K2.9 billion.[13] Besides the migration of performing facilities into non-performing status, the sector also recorded a deterioration of existing NPLs as evidenced by the increase in the proportion of the loans in the loss category (Table 3.5).

**Table 3.5: Gross Loans and Non-Performing Loans, 2015 - 2017**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Gross loans (K' billion) | 26.2 | 23.3 | 24.3 |
| NPLs (K 'billion) | 1.9 | 2.3 | 2.9 |
| Substandard (K' billion) | 0.2 | 0.2 | 0.2 |
| Doubtful (K' billion) | 0.2 | 0.2 | 0.3 |
| Loss (K' billion) | 1.5 | 1.8 | 2.4 |
| NPL ratio (%) | 7.3 | 9.7 | 12.0 |
| Substandard | 0.8 | 1.0 | 0.9 |
| Doubtful | 0.7 | 0.9 | 1.1 |
| Loss | 5.8 | 7.8 | 10.0 |

**Source**: Bank of Zambia

In terms of the sectoral distribution of NPLs, the agriculture, forestry, fishing and hunting sector accounted for the largest proportion at 32.7% (Table 3.6).

**Table 3.6: Sectoral Distribution of NPLs (%), 2015 - 2017**

| Sector | 2015 | 2016 | 2017 |
|---|---|---|---|
| Agriculture, forestry, fishing and hunting | 20.8 | 26.7 | 32.7 |
| Mining and quarrying | 4.5 | 1.9 | 3.0 |
| Manufacturing | 5.1 | 6.6 | 5.1 |
| Electricity, gas, water and energy | 0.7 | 0.5 | 0.6 |
| Construction | 8.8 | 7.1 | 9.3 |
| Wholesale and retail trade | 8.1 | 11.7 | 11.8 |
| Restaurants and hotels | 13.3 | 10.6 | 9.0 |
| Transport, storage and communication | 4.2 | 5.4 | 5.1 |
| Financial services | 0.7 | 2.9 | 1.6 |
| Personal loans | 20.7 | 12.3 | 9.4 |
| Other sectors | 13.1 | 14.4 | 12.3 |
| **Total** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

The restaurants and hotels, and construction sectors continued to be the worst performing as evidenced by the high intra-sector[14] NPL ratio of 86.3% and 29.9%, respectively (Table 3.7). Notwithstanding the high intra-NPL ratios, the share of the restaurants and hotels, and construction sectors in the banking sector's total loans

[12]This is a ratio of non-performing loans which have not yet been provided for
[13]The maximum prudential limit of NPL ratio is 10%
[14]Intra-sector NPLs ratio refers to the proportion of loans within the sector that are non-performing.

and advances remained insignificant at 1.3% (December 2016: 1.4%) and 4.4% (December 2016: 3.9%), respectively.

**Table 3.7: Intra-Sector NPL Ratios (Percent), 2015 - 2017**

| Sector | 2015 | 2016 | 2017 |
|---|---|---|---|
| Agriculture, forestry, fishing and hunting | 8.7 | 15.2 | 26.7 |
| Mining and quarrying | 5.1 | 2.9 | 5.7 |
| Manufacturing | 2.8 | 5.0 | 10.3 |
| Electricity, gas, water and energy | 3.0 | 2.3 | 3.5 |
| Construction | 18.7 | 17.7 | 29.9 |
| Wholesale and retail trade | 5.5 | 11.1 | 15.7 |
| Restaurants and hotels | 65.9 | 74.1 | 86.3 |
| Transport, storage and communication | 6.1 | 11.4 | 13.9 |
| Financial services | 1.9 | 15.5 | 18.6 |
| Personal loans | 5.8 | 4.4 | 17.7 |

**Source**: Bank of Zambia

### Risk-Absorbing Capacity

The capacity to absorb potential loan losses in the banking sector deteriorated due to a proportionately higher increase in NPLs of 29.0% to K2.9 billion compared to the increase in allowances for loan losses (ALLs) of 20.0% to K1.9 billion. As a result, the sector's coverage ratio[15] declined to 66.5% from 71.5% at end-December 2016. Further, the net NPL ratio increased to 4.0% from 3.0% at end-December 2016 (Chart 3.3).

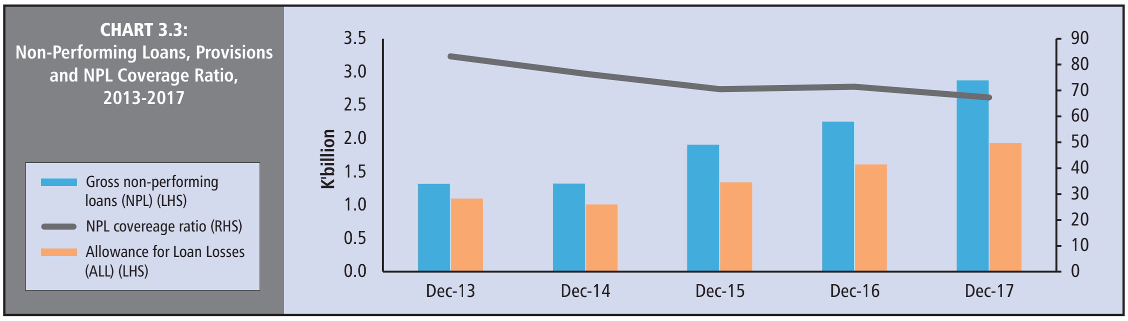



**CHART 3.3: Non-Performing Loans, Provisions and NPL Coverage Ratio, 2013-2017**

**Source**: Bank of Zambia

### Earnings Performance and Profitability

The banking sector's earnings performance was satisfactory as the sector recorded an increase in profit before tax of 32.0% to K2.1 billion in 2017 and a profit after tax of K1.3 billion. The higher profit was mainly on account of an increase in interest income, particularly interest income from Government securities. Net interest income was further boosted by a reduction in interest expense on corporate deposits reflecting a downward trend in funding costs. As a result of higher profits in 2017, the banking sector's return on assets and the return on equity increased to 3.2% and 16.3%, respectively from 2.5% and 12.3%, respectively, in 2016 (Table 3.8).

**Table 3.8: Summarised Income Statement (K' Billion), 2015 - 2017**

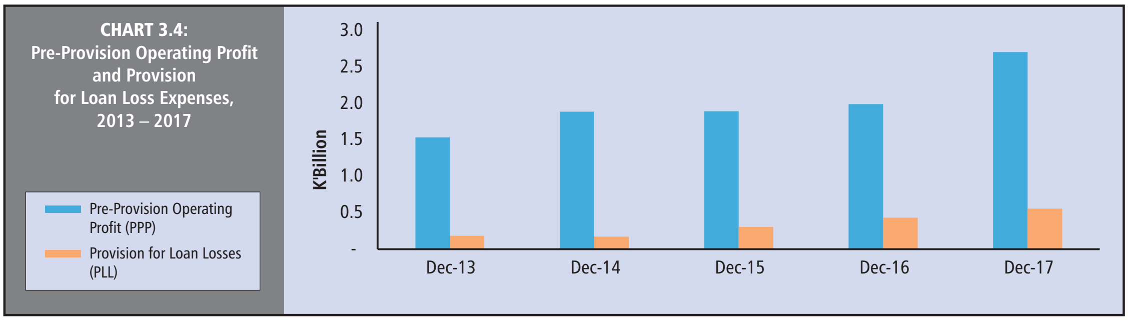
| | 2015 | 2016 | 2017 |
|---|---|---|---|
| **Particulars** | **K' billion** | **K' billion** | **K' billion** |
| Interest Income | 5.4 | 6.6 | 7.2 |
| Interest Expenses | 1.9 | 2.6 | 2.6 |
| **Net Interest Income** | **3.5** | **3.9** | **4.6** |
| Non-Interest Income | 2.7 | 3.0 | 3.2 |
| **Net Operating Income** | **6.2** | **7.0** | **7.9** |
| Non-Interest Expenses | 4.3 | 5.0 | 5.2 |
| **Pre-Provision Operating Profit (PPP)** | **1.9** | **2.0** | **2.6** |
| Loan Loss Provisions | 0.3 | 0.4 | 0.6 |
| **Profit Before Taxation** | **1.6** | **1.6** | **2.1** |
| Taxation | 0.6 | 0.6 | 0.7 |
| Net Profit | 1.0 | 1.0 | 1.3 |

**Source**: Bank of Zambia

[15] NPL Coverage ratio is the proportion of the gross NPLs covered by the provisions for loan losses (PLL) [i.e., PLL/NPLs].

The pre-provision operating profit (PPP) in 2017 for the banking sector rose by 31.3% to K2.6 billion due to increases in net interest income by K0.7 billion and non-interest income by K0.2 billion. The increase in net interest income was as a result of higher incomes resulting from the increased holdings of Government securities by commercial banks. In addition, a decline in interest expense had a positive impact on income. However, the ratio of PPP to loan loss provisions, rose marginally to 4.7 from 4.6 due to the increase in loan loss provisions (Chart 3.4).

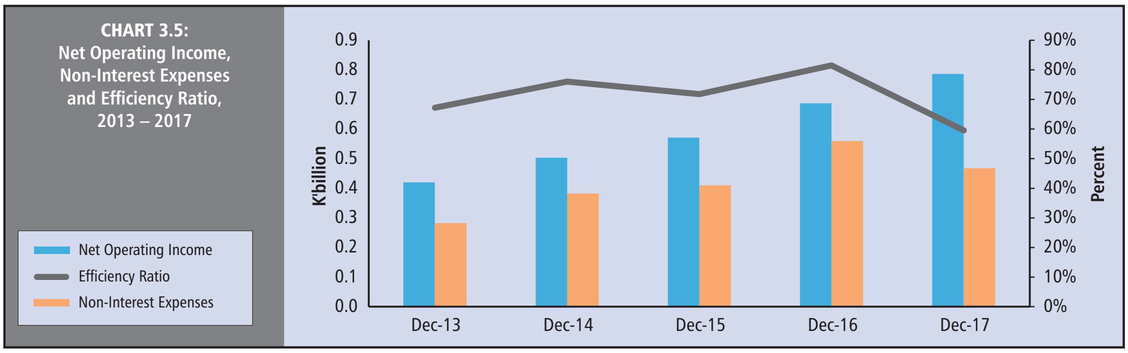
**CHART 3.4:**
**Pre-Provision Operating Profit and Provision for Loan Loss Expenses, 2013 – 2017**




**Source**: Bank of Zambia

The operational efficiency in the banking sector as measured by the efficiency ratio[16] improved to 65.1% in 2017 from 81.5% in 2016 largely due to a 12.8% increase in net operating income (Chart 3.5).

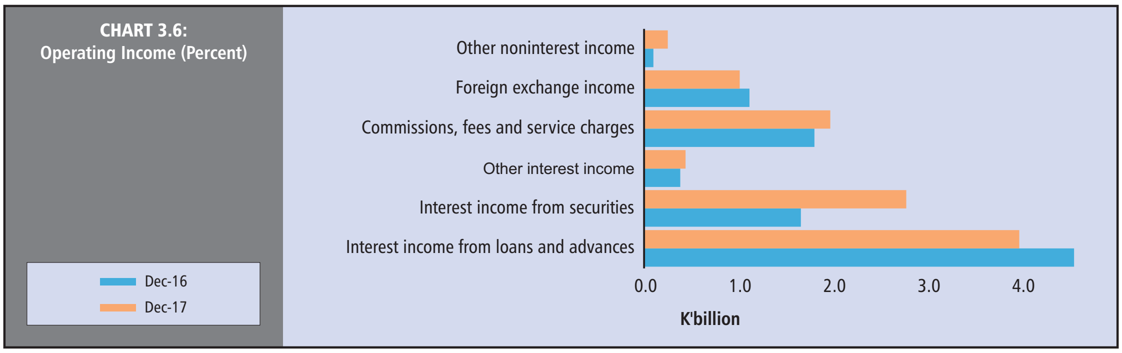
**CHART 3.5:**
**Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2013 – 2017**




**Source**: Bank of Zambia

The principal sources of income for the banking sector continued to be interest income from loans and advances (38.1%), interest income from securities (26.6%), commissions, fees and service charges (18.9%), and foreign exchange income (9.7%) (Chart 3.6).

**CHART 3.6:**
**Operating Income (Percent)**




**Source**: Bank of Zambia

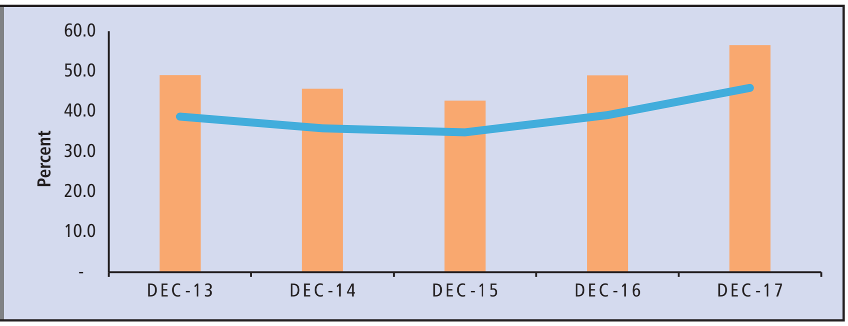
## Liquidity and Funds Management

In 2017, the banking sector's liquidity position improved to satisfactory. Liquid assets rose by 30.1% to K32.9 billion at end-December 2017, largely on account of an increase in Treasury bills holdings. In addition, the easing of monetary policy by the Bank of Zambia, which resulted in the reduction in the required statutory reserve ratio, had a significant positive impact on the banking sector's liquidity conditions. As a result of an increase in liquid assets, both the liquidity ratio and the liquid assets ratio increased to 56.5% and 45.9% from 49.0% and 39.1% at end-December 2016, respectively (Chart 3.7). Consequently, the loan to deposit ratio declined[17] to 45.2% from 50.0% (Chart 3.7).

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

[17] A loan to deposit ratio of 45.2% is an indication that the banking sector still had capacity to fund loan growth from stable deposits

**CHART 3.7:**
**Liquid Assets Ratio and Liquidity Ratio (Percent), 2013 – 2017**




**Source**: Bank of Zambia

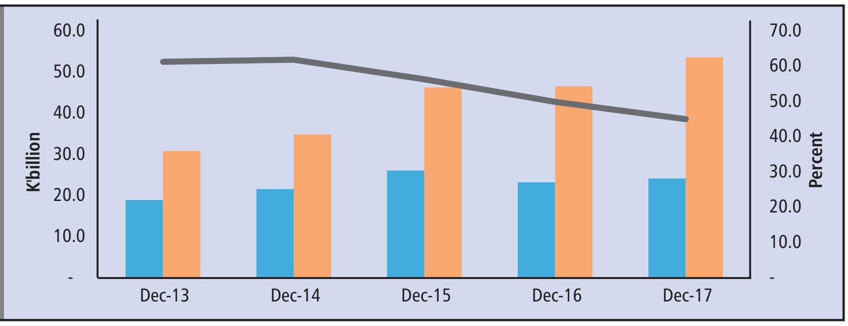
Customer deposits continued to account for the largest share of the sector's total asset funding at 74.9% up from 72.1% at end-December 2016 (Table 3.9).

**Table 3.9: Banking Sector Funding of Assets (percentage of total assets), 2015 - 2017**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Customer deposits | 72.7 | 72.1 | 74.9 |
| Borrowings | 10.4 | 9.0 | 7.3 |
| Shareholders' funds | 12.1 | 13.0 | 12.7 |
| All other liabilities | 4.8 | 5.9 | 5.1 |
| **Total funding** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

**CHART 3.8:**
**Loans, Deposits, and Loan-to-Deposit Ratio, 2013 – 2017**




**Source**: Bank of Zambia

### Market Share

An analysis of market share in the banking sector showed that subsidiaries of foreign banks continued to hold the largest proportion of total assets, loans and deposits. The share pattern is similar with respect to profitability. Local private banks ranked second in profitability while banks partly owned by Government ranked second with regard to total assets, loans and deposits (Table 3.10).

**Table 3.10: Distribution of the Assets, Loans and Deposits by Ownership Type (Percent), 2015 - 2017**

| | 2015 | | | | 2016 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets | Loans | Deposits | PBT | Assets | Loans | Deposits | PBT | Assets | Loans | Deposits | PBT |
| | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent |
| Subsidiaries of foreign banks | 69.9 | 70.3 | 69.3 | 81.5 | 70.8 | 68.1 | 70.4 | 97.2 | 73.4 | 69.2 | 73.6 | 82.3 |
| Banks with Government stake | 16.6 | 17.2 | 17.1 | 15.1 | 16.6 | 19.6 | 17.7 | 8.9 | 18.1 | 20.1 | 18.5 | 3.3 |
| Local private banks | 13.1 | 12.5 | 13.5 | 3.4 | 12.6 | 12.3 | 11.9 | -6.1 | 8.5 | 10.7 | 7.9 | 14.4 |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

**Source**: Bank of Zambia

### Number of Commercial Banks and Branches

The number of operating commercial banks reduced to 17 at end-December 2017 from 18 at end-December 2016 following the acquisition of Finance Bank Zambia Limited by African Banking Corporation Zambia Limited (ABC). Subsequent to the acquisition, ABC rebranded to trade as Atlas Mara. Of the operating commercial banks, eight were subsidiaries of foreign banks[18], seven were locally-owned private banks[19] and two were partially-owned by the Government.

The total number of branches increased to 410 from 408 in 2016 (Table 4.11). Bank branches continued to be concentrated in Lusaka and the Copperbelt Provinces which accounted for 65.3% of the total banking sector branches, followed by Southern Province which accounted for 11.6%. Luapula Province had the lowest branch coverage with only 2.1% of total banking sector branches.

**Table 4.11: Bank Branches, 2015 - 2017**

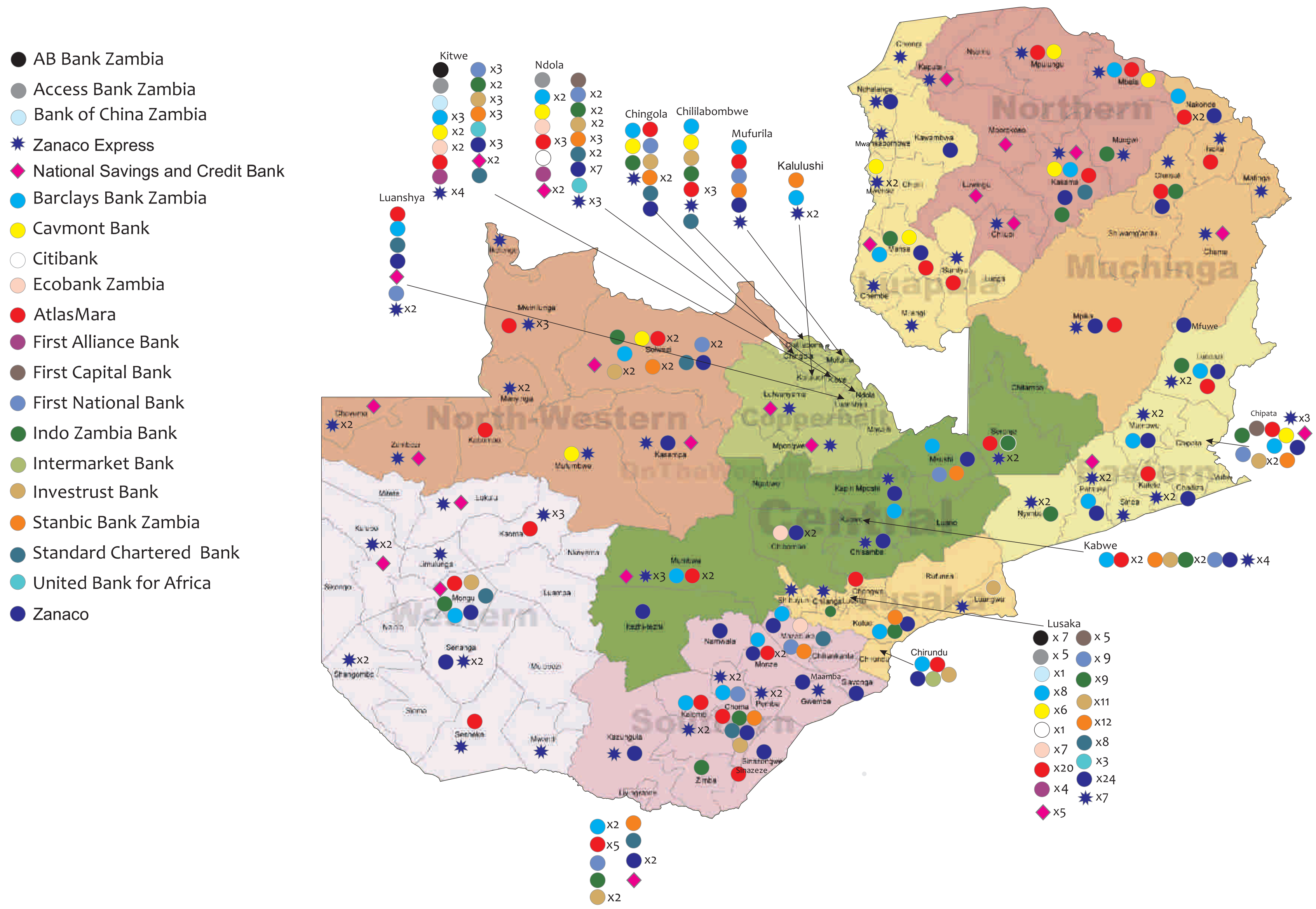
| Bank | No. of Branches | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| AB Bank Zambia | 6 | 7 | 7 |
| Access Bank Zambia | 6 | 6 | 7 |
| Banc ABC Zambia | 20 | 20 | 76 |
| Bank of China Zambia | 2 | 2 | 2 |
| Barclays Bank Zambia | 56 | 56 | 45 |
| Cavmont Bank | 18 | 18 | 20 |
| Citibank | 2 | 2 | 2 |
| Ecobank Zambia | 10 | 10 | 7 |
| First Alliance Bank | 5 | 5 | 5 |
| First Capital Bank | 5 | 5 | 6 |
| First National Bank | 21 | 24 | 43 |
| Indo Zambia Bank | 29 | 32 | 31 |
| Investrust Bank | 25 | 25 | 30 |
| Stanbic Bank Zambia | 24 | 28 | 33 |
| Standard Chartered Bank | 21 | 21 | 23 |
| United Bank for Africa | 4 | 5 | 5 |
| Zanaco | 67 | 68 | 68 |
| **Total** | **391** | **408** | **410** |

**Source**: Bank of Zambia



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

## Commercial Banks Branch network in Zambia in 2017



**REGULATORY POLICY AND LICENSING DEVELOPMENTS**

**Enactment of the Banking and Financial Services Act (Act No.07 of 2017)**

The Banking and Financial Services Act No.7 of 2017 was assented to in 2017. The new Act incorporates recent developments in the banking environment such as key lessons from the global financial crisis of 2008/2009. The new Act also enhances powers of the Bank to effectively execute its supervisory mandate of maintaining financial system stability.

**Restructuring of Intermarket Banking Corporation Zambia Limited**

In 2017, the Bank of Zambia approved the restructuring of Intermarket Banking Corporation (in Possession), which led to the incorporation of a new bank, Zambia Industrial Commercial Bank Limited. The restructuring of Intermarket Banking Corporation meant that some depositors transitioned to the new bank.

**Acquisition of Finance Bank Zambia Plc**

The acquisition of Finance Bank Zambia Plc by ABC was completed in 2017. Subsequently, ABC rebranded to trade as Atlas Mara.

## 3.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

**OVERVIEW**

The overall financial performance and condition of the Non-Bank Financial Institutions (NBFIs) sector was rated fair. Regulatory capital, liquidity management, earnings performance and sensitivity to market risk were rated satisfactory while asset quality was rated unsatisfactory due to a high NPL ratio. Consumer and enterprise-lending microfinance sub-sectors, financial businesses and building societies, accounting for 72.0% of the sector total assets, had satisfactory regulatory capital, asset quality and liquidity management. However, the leasing, savings and credit and development finance sub-sectors reported unsatisfactory regulatory capital and asset quality.

Of the rated NBFIs, 34 were satisfactory, 35 were fair, 17 were marginal, while 7 were unsatisfactory on account of regulatory capital deficiencies (Table 3.12).

**Table 3.12: Performance Ratings and Financial Condition, 2015 - 2017**

| Performance Rating | Licence Type | Number of Institutions | | | Percent of Total Assets for 2017 |
|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | |
| Strong | Deposit-taking | 1 | 2 | 0 | 0.0 |
| | Non-Deposit-taking | 7 | 6 | 0 | 0.0 |
| Satisfactory | Deposit-taking | 5 | 6 | 5 | 46.8 |
| | Non-Deposit-taking | 28 | 28 | 29 | 13.0 |
| Fair | Deposit-taking | 2 | 2 | 5 | 8.9 |
| | Non-Deposit-taking | 32 | 34 | 30 | 2.6 |
| Marginal | Deposit-taking | 1 | 1 | 0 | 0.0 |
| | Non-Deposit-taking | 15 | 23 | 17 | 18.1 |
| Unsatisfactory | Deposit-taking | 6 | 3 | 3 | 8.4 |
| | Non-Deposit-taking | 0 | 2 | 4 | 2.3 |
| **Total** | | **108** | **106** | **93** | **100.0** |

**Source**: Zambia Development Agency

**PERFORMANCE AND CONDITION OF THE SUB-SECTORS**

### 3.2.1 LEASING FINANCE INSTITUTIONS

In 2017, the overall financial condition and performance of the leasing finance sub-sector was rated unsatisfactory. The sub-sector's regulatory capital adequacy, asset quality, and earnings performance were rated unsatisfactory while liquidity management was fair (Table 3.13).

**Table 3.13: Composite Rating for the Leasing Finance Sub-Sector, 2015 - 2017**

| Performance Category | Composite Rating Scale | Number of Leasing Companies | | | Proportion of Industry Assets (Percent) | | |
|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Strong | 1.0 - 1.5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Satisfactory | 1.6 - 2.4 | 1 | 2 | 1 | 22 | 45 | 31 |
| Fair | 2.5 - 3.4 | 4 | 0 | 3 | 75 | 0 | 31 |
| Marginal | 3.5 - 4.4 | 2 | 3 | 1 | 2 | 12 | 21 |
| Unsatisfactory | 4.5 - 5.0 | 2 | 1 | 1 | 1 | 43 | 17 |
| **Total** | | **9** | **6** | **6** | **100** | **100** | **100** |

**Source**: Bank of Zambia

## Balance Sheet

### Assets

Total assets declined by 11.2% to K509.4 million at end-December 2017 from K573.5 million at end-December 2016. The reduction in the sub-sector assets was mainly driven by a decrease of 46.0% and 20.2% in other assets and balances with domestic institutions respectively, during the year under review. The asset structure of the sub-sector at end-December 2017 is shown in Table 3.14.

**Table 3.14: Asset Structure (Percent), 2015 - 2017**

| Asset Class | 2015 | 2016 | 2017 |
|---|---|---|---|
| Loans and advances | 70.1 | 70.9 | 51.2 |
| Investments in Government Securities | 0.0 | 0.0 | 0.0 |
| Balances with Foreign Financial Institutions | 0.0 | 0.0 | 0.0 |
| Balances with Domestic Institutions | 8.6 | 7.6 | 8.2 |
| Other | 21.3 | 21.5 | 40.6 |
| **Total** | **100.0** | **100.0** | **100.0** |

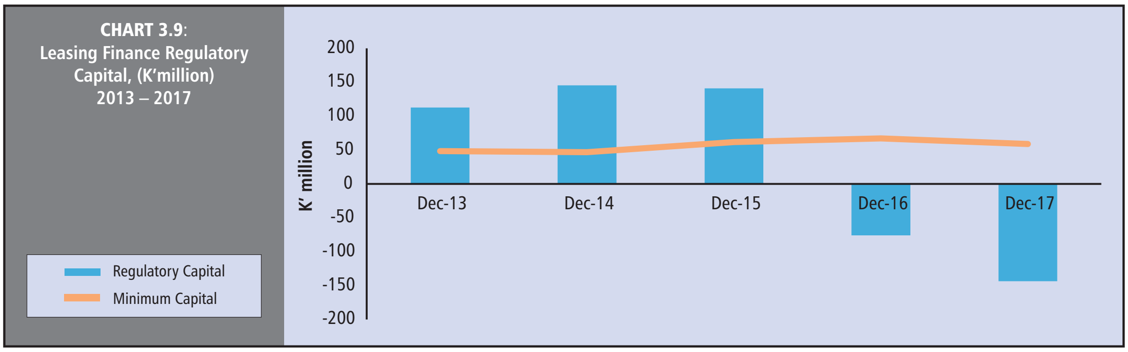
**Source**: Bank of Zambia

Total liabilities rose by 4.8% to K663.6 million at end-December 2017 from K633.2 million at end-December 2016. The increase was largely on account of the rise in other borrowings, particularly the short-term borrowings, which grew by 87.0% to K216.1 million at end-December 2017 from K115.5 million at end-December 2016. The largest funding proportions constituted borrowings maturing in less than a year, borrowing from foreign institutions and shareholder loans at 32.6%, 23.2% and 11.9% respectively.

### Capital Adequacy

The sub-sector's regulatory capital was unsatisfactory at end-December 2017. Regulatory capital was negative K143.6 million (2016: negative K38.6 million), reflecting a capital deficiency of K202.5 million compared to the required minimum amount of K58.9 million. This was mainly due to an after tax loss of K279.5 million for 2017 (Chart 3.9).

**CHART 3.9**: Leasing Finance Regulatory Capital, (K'million) 2013 – 2017




**Source**: Bank of Zambia

### Asset Quality

As at end-December 2017, the asset quality of the sub-sector was unsatisfactory. The ratio of NPLs to total loans was 67.2% as at end-December 2017, up from 50.4% at end-December 2016 and was above the maximum prudential limit of 10.0%. The increase in the ratio was largely attributed to a rise in NPLs in a few institutions. Nevertheless, the NPL coverage ratio rose to 91.3% from 63.3% at end-December 2016 (Chart 3.10), indicating an improvement in loan loss coverage.



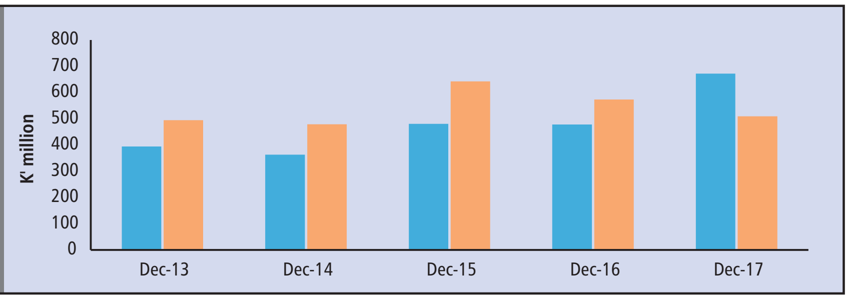



**CHART 3.10:** Leasing Finance Total Assets and Total Loans and Leases(K'million), 2013 – 2017

**Source**: Bank of Zambia

**Earnings Performance**

The earnings performance of the leasing sub-sector was unsatisfactory in 2017. The sub-sector recorded a loss before tax of K276.6 million compared to a loss before tax of K236.1 million in 2016 (Chart 3.11). The increase in the loss was largely due to an increase of 45.8% and 24.4% in non-interest and interest expenses, respectively.

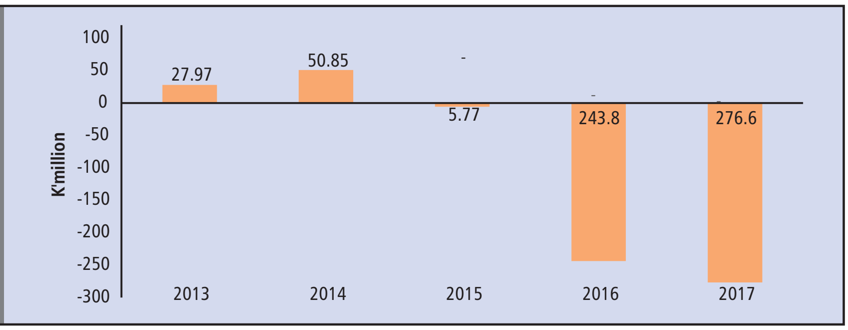



**CHART 3.11:** Leasing Finance Profit before Tax (K 'million), 2013 – 2017

**Source**: Bank of Zambia

**Liquidity**

The liquidity position of the leasing finance sub-sector was satisfactory. The overall liquidity position, as measured by the ratio of liquid assets to total deposits and short-term liabilities, remained broadly unchanged at 28.6% at end-December 2017 (Chart 3.12). The ratio was above the prudential minimum requirement of 15.0%.

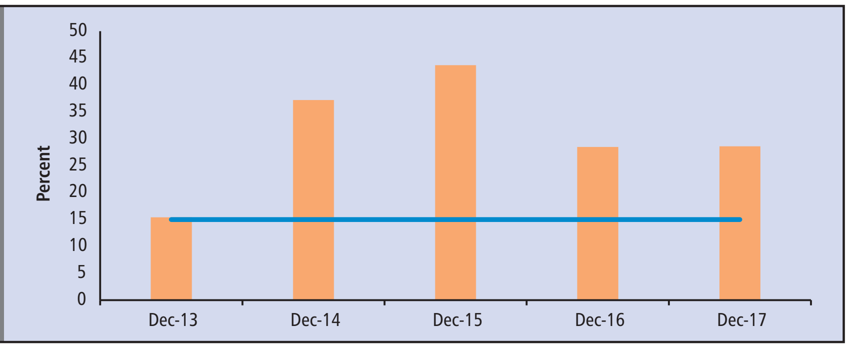



**CHART 3.12:** Leasing Finance Liquidity Trend, (Percent) 2013 – 2017

**Source**: Bank of Zambia

**Foreign Exchange Exposure**

The foreign exchange exposure of the leasing finance sub-sector was unsatisfactory. The overall foreign exchange exposure in the sub-sector, reduced to 35.0% of regulatory capital at end-December 2017 from 44.2% at end-December 2016 but remained above the maximum prudential limit of 25.0%. The unsatisfactory foreign exchange exposure was largely attributed to one institution which accounted for 52.2% of the total assets.

### 3.2.2 BUILDING SOCIETIES

The overall financial performance and condition of the building societies sub-sector was rated fair (Table 3.15). Despite the regulatory capital being rated satisfactory, earnings performance, asset quality, liquidity management and foreign currency exposure were all rated unsatisfactory.

**Table 3.15: Composite Rating for the Building Societies, 2015 - 2017**

| Performance Category | Composite Rating Scale | Number of Building Societies | | | Proportion of Industry Assets (Percent) | | |
|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Strong | | 0 | 0 | 0 | 0 | 0 | 0 |
| Satisfactory | 1.0 - 1.5 | 2 | 2 | 2 | 93 | 75 | 89 |
| Fair | 1.6 - 2.4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Marginal | 2.5 - 3.4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsatisfactory | 3.5 - 4.4 | 1 | 1 | 1 | 7 | 25 | 11 |
| **Total** | **4.5 - 5.0** | **3** | **3** | **3** | **100** | **100** | **100** |

**Source**: Bank of Zambia

## Balance Sheet

### Assets

Total assets grew by 4.9% to K1,084.4 million at end-December 2017 mainly driven by increases of 16.9% and 13.7% in balances with domestic institutions and net loans and advances, respectively. Loans and advances continued to dominate the sub-sector's total assets (Table 3.16).

**Table 3.16: Asset Structure (Percent),2015 - 2017**

| Asset Class | 2015 | 2016 | 2017 |
|---|---|---|---|
| Loans and advances | 78.8 | 54.2 | 58.8 |
| Investments in Government Securities | 6.3 | 0.0 | 0.0 |
| Balances with Foreign Financial Institutions | 0.8 | 0.0 | 0.0 |
| Balances with Domestic Institutions | 14.0 | 12.1 | 13.6 |
| Others | 0.1 | 33.7 | 27.6 |
| **Total** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

### Liabilities

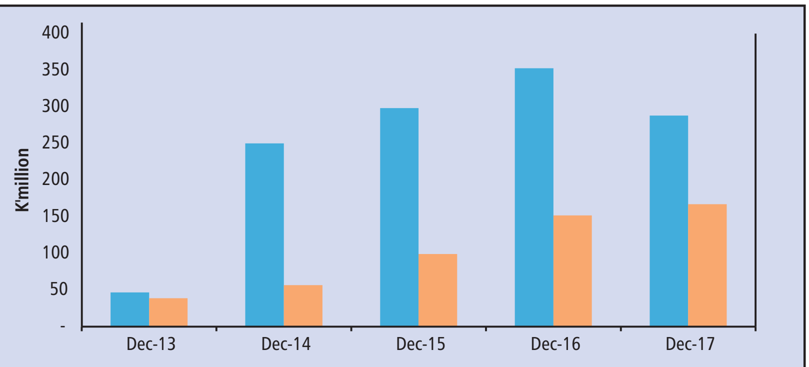
Total liabilities grew by 18.0% to K771.4 million in 2017 mainly on account of a 46.9% increase in balances due to domestic institutions. Deposits, at 62.2%, continued to constitute the largest component of the sector's total liabilities.



### Capital Adequacy

The regulatory capital position of the sub-sector was satisfactory at end-December 2017. The regulatory capital ratio declined to 17.2% from 23.2% at end-December 2016. The ratio was, however above the minimum prudential limit of 10.0%. The decline in the ratio was on account of a 10.1% decline in the sub-sector's regulatory capital arising from a loss after tax of K1.0 million (Chart 3.13).

**CHART 3.13: Building Societies Regulatory Capital, (K'million) 2013 – 2017**




**Source**: Bank of Zambia

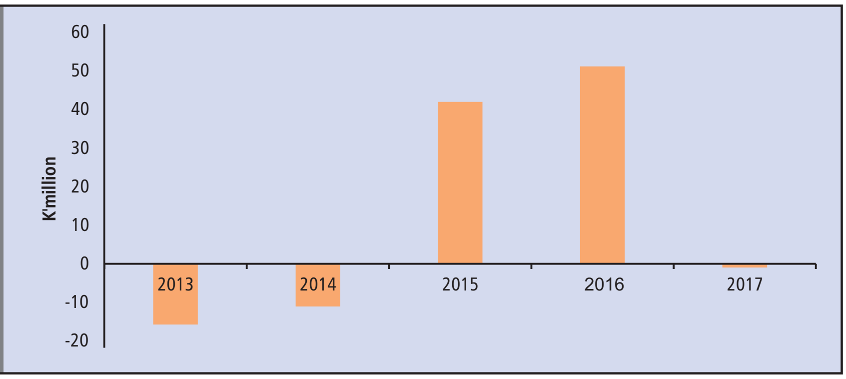
### Asset Quality

As at end-December 2017, the asset quality of the sub-sector was unsatisfactory. The ratio of gross NPLs to total loans remained broadly unchanged at 18.3% at end-December 2017 and was above the prudential maximum limit of 10.0%. However, the NPL coverage ratio, at 76.0%, was adequate and higher than 72.4% at end-December 2016. Earning assets accounted for 71.4% of total assets, out of which mortgages and loans accounted for 82.4%.

### Earnings Performance

In 2017, the earnings performance of the sub-sector was unsatisfactory. The sub-sector recorded a loss before tax of K1.0 million compared to a profit before tax of K51.2 million in 2016. The loss was mainly due to an increase of 25.3% and 21.4% in the interest and non-interest expenses, respectively (Chart 3.14).

**CHART 3.14:**
**Building Societies Profit before Tax, (K'million) 2013– 2017**

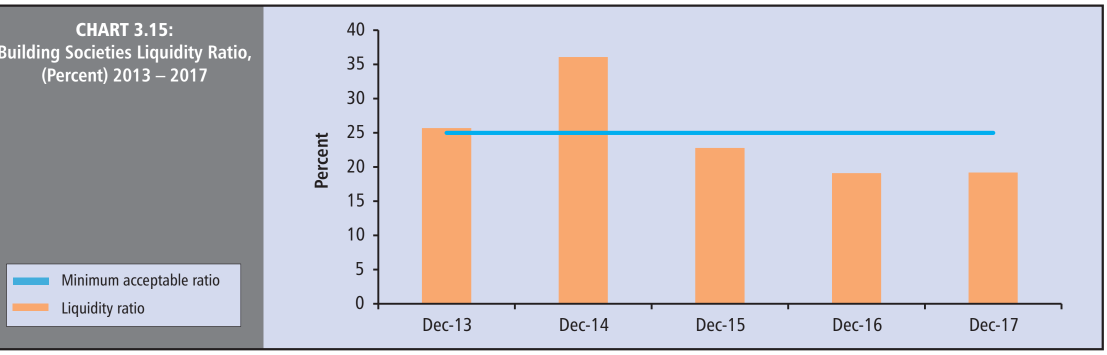



**Source**: Bank of Zambia

### Liquidity

The liquidity position of the building societies sub-sector was rated unsatisfactory. The ratio of liquid assets to total deposits and short-term liabilities remained broadly unchanged at 19.2% at end-December 2017 and was below the prudential minimum ratio of 25.0% (Chart 3.15).

**CHART 3.15:**
**Building Societies Liquidity Ratio, (Percent) 2013 – 2017**




**Source**: Bank of Zambia

## 3.2.3 MICROFINANCE INSTITUTIONS

### 3.2.3.1 ENTERPRISE-LENDING MICROFINANCE INSTITUTIONS

The overall financial condition and performance of the Enterprise-Lending Microfinance Institutions (MFIs)[20] sub-sector was rated fair. The sub-sector's capital, liquidity and asset quality were rated satisfactory while earnings performance was rated unsatisfactory.

### Balance Sheet

### Assets

Total assets rose by 8.0% to K492.7 million as at end-December 2017. The increase in total assets was mainly due to a rise in net loans and advances by 10.6% to K365.2 million. Net loans and advances continued to dominate the sub-sector's asset structure (Table 3.17).

**Table 3.17: Asset Structure of Enterprise Lending MFIs (Percent), 2015 - 2017**

| Asset Class | 2015 | 2016 | 2017 |
|---|---|---|---|
| Loans and advances | 80.4 | 72.4 | 74.1 |
| Investments in Government Securities | 0,5 | 3.3 | 1.2 |
| Balances with Foreign Financial Institutions | 0.0 | 0.0 | 0.0 |
| Balances with Domestic Institutions | 6.0 | 10.0 | 8.9 |
| Other | 13.1 | 14.3 | 15.8 |
| **Total** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

[20]MFIs whose exposure to micro-enterprises constitutes at least 80% of total loans

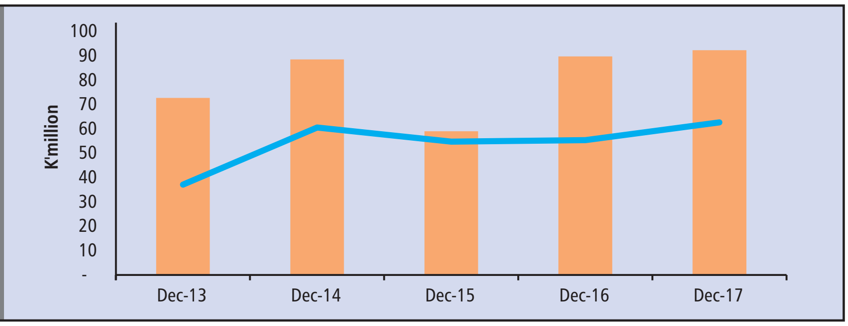
**Liabilities**

Total liabilities grew by 5.6% to K392.3 million as at end-December 2017 from K371.0 million at end-December 2016.This was on account of an increase of 62.3% and 55.9% in the total deposits and borrowed funds, particularly the long term borrowings. Total deposits and balances due to foreign institutions constituted the largest proportions of liabilities at 31.1% and 20.8%, respectively.

**Capital Adequacy**

The capital adequacy was rated satisfactory at 22.1% and was above the minimum prudential capital ratio of 15.0% (Chart 3.16). The ratio, however, trended downwards from 24.3% at end-December 2016. The decline was largely as a result of a 13.1% increase in the sub-sector risk weighted assets. The rise in risk-weighted assets stemmed from an increase in net loans and advances.

Chart 3.16:
Regulatory Capital of the Enterprise-Lending MFI Sub-Sector, (K'million) 2013 – 2017

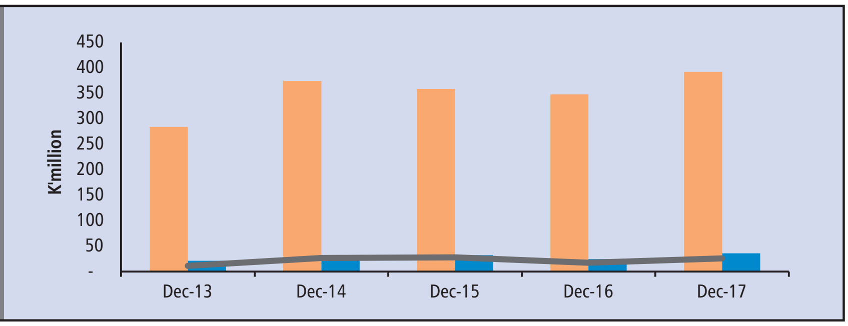



**Source**: Bank of Zambia

**Asset Quality**

Asset quality of the sub-sector was rated fair at end-December 2017. The ratio of NPLs to gross loans stood at 9.1% up from 7.1% at end-December 2016. This was on account of a 44.9% increase in the sub-sector NPLs (Chart 3.17). However, the NPL ratio was below the maximum prudential limit of 10.0%. In addition, the NPL coverage ratio increased to 73.9% from 71.4% at end-December 2016 and was adequate.

CHART 3.17:
Total Loan, Gross Non-Performing Loans and Provision for Non- Performing Loans, (K'million) 2013-2017

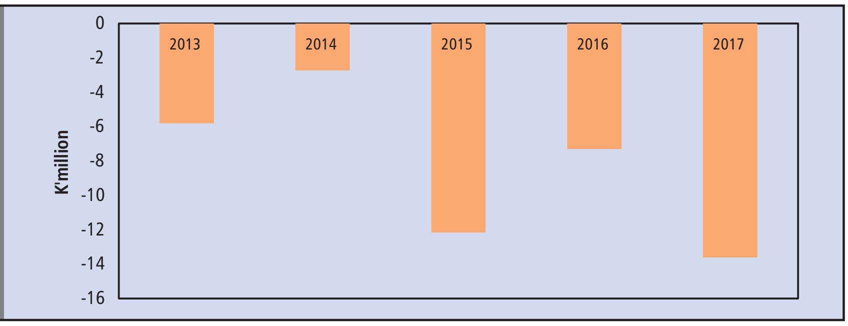



**Source**: Bank of Zambia

**Earnings Performance**

The subsector's earnings performance was rated unsatisfactory in 2017. A loss before tax of K13.6 million was recorded during the year, which was higher than K7.3 million reported in 2016 (Chart 3.18). The increase in the loss before tax was largely attributed to a rise in both interest and non-interest expenses. Non-interest and interest expenses rose to K75.2 million and K180.0 million from K63.1 million and K155.7 million in 2016, respectively.

CHART 3.18:
Profit before Tax, (K'million) 2013-2017




**Source**: Bank of Zambia

### 3.2.3.2 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, asset quality, earnings performance and liquidity management were rated satisfactory.

**Balance Sheet**

**Assets**

The total assets grew by 28.7% to K3, 892.7 million at end-December 2017. The growth was mainly driven by a 30.4% increase in net loans and advances, coupled with a 14.4% increase in balances with other domestic financial institutions. Net loans increased to K3,382.0 million at end-December 2017 from K2,593.2 million at end-December 2016 while balances with domestic institutions increased to K223.7 million from K195.5 million at end-December 2016.

The asset structure of the sub-sector shows that loans and advances continued to dominate (Table 3.18).

**Table 3.18: Asset Structure, (Percent) 2015 - 2017**

| Asset Class | 2015 | 2016 | 2017 |
|---|---|---|---|
| Loans and advances | 86.5 | 85.7 | 86.9 |
| Investments in Government Securities | 0.1 | 0.0 | 0.0 |
| Balances with Foreign Financial Institutions | 0.0 | 0.1 | 0.0 |
| Balances with Domestic Institutions | 3.3 | 6.8 | 5.8 |
| Other | 10.1 | 7.4 | 7.3 |
| **Total** | **100.0** | **100.0** | **100.0** |

**Source**: Bank of Zambia

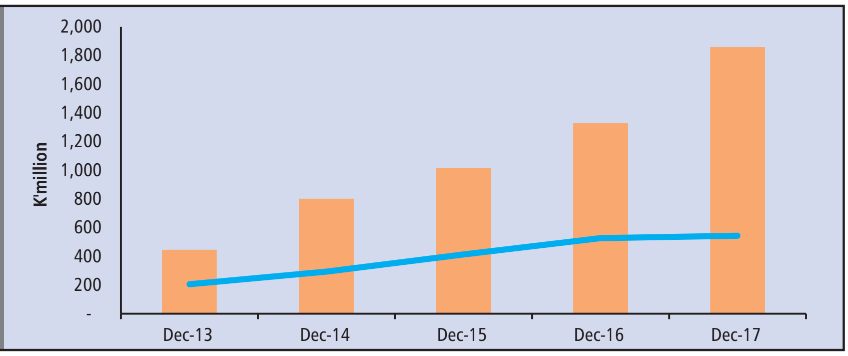
**Liabilities**

Total liabilities rose by 17.8% to K2,774.2 million at end-December 2017. The increase in the liabilities was mainly on account of a rise in deposits and balances due to foreign institutions. Total deposits grew to K547.3 million from K178.7 million at end-December 2016 on account of strong growth in time deposits dominated by institutional investors.

**Capital Adequacy**

The sub-sector's capital adequacy was rated satisfactory. The capital adequacy ratio rose 51.2% at end-December 2017 from 37.7% at end-December 2016, largely arising from a profit after tax of K383.8 million. The ratio was above the minimum required prudential limit of 15.0% (Chart 3.19).

**CHART 3.19: Regulatory Capital, (K'million) 2013-2017**




**Source**: Bank of Zambia

**Asset Quality**

Asset quality of the sub-sector was rated satisfactory. The ratio of gross NPLs to gross loans improved to 9.0% from 10.7% reported at end-December 2016 (Chart 3.20). and was below the maximum prudential limit of 10.0%. In addition, the NPL coverage ratio rose to 81.6% from 75.4% at end-December 2016 and was rated adequate.

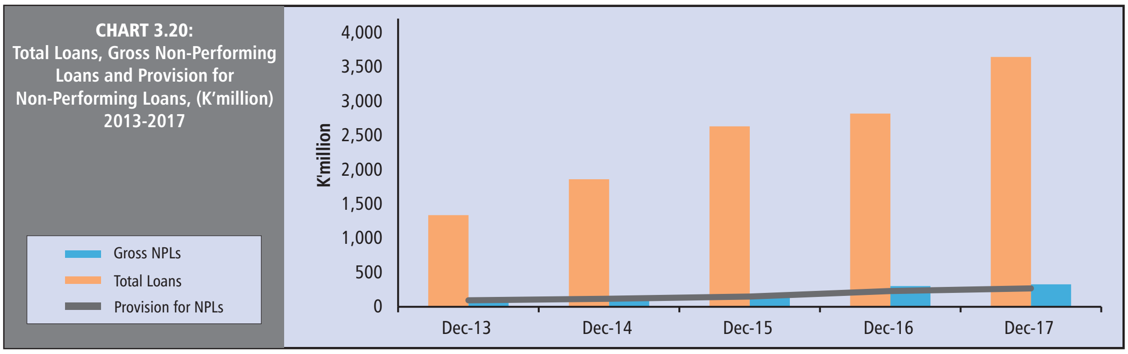



**CHART 3.20:**
Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans, (K'million) 2013-2017

**Source**: Bank of Zambia

### Earnings Performance

In 2017, the earnings performance of the sub-sector was rated satisfactory. The sub-sector recorded a profit before tax of K594.9 million, up from K247.9 million in 2016 (Chart 3.21). The increase in profit before tax was largely attributed to the growth in interest and non-interest income to K1,452.0 million and K221.8 million, respectively. The growth in interest income was attributed largely to a 30.0% increase in net loans.

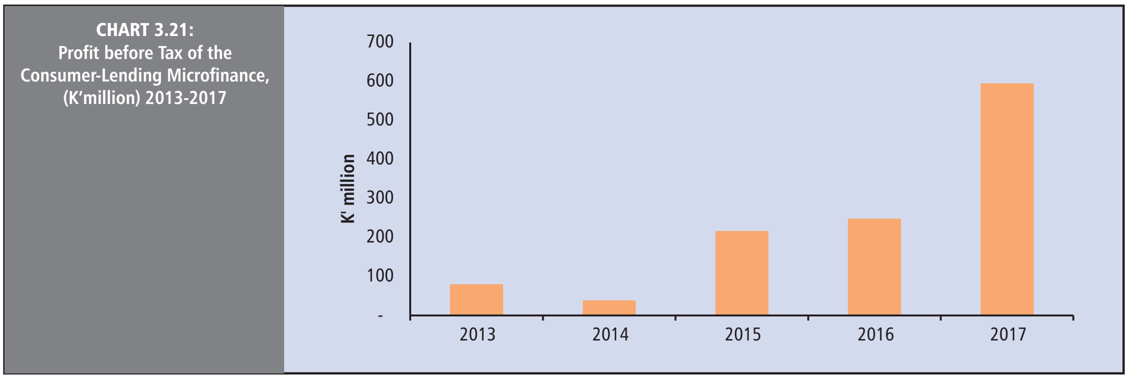



**CHART 3.21:**
Profit before Tax of the Consumer-Lending Microfinance, (K'million) 2013-2017

**Source**: Bank of Zambia



## 3.2.4 BUREAUX DE CHANGE

As at end-December 2017, the bureau de change sub-sector was adequately capitalised. The sub-sector's aggregate capital increased by 24.8% to K62.5 million at end-December 2017 on account of new bureaus that were licensed in 2017.

The volume of total foreign currency purchases increased by 53.8% to US$656.5 million in 2017. The volume of purchases from the public increased by 14.9% to US$200.8 million, while the volume of purchases from the commercial banks increased by 80.9% to US$455.7 million. The volume of total foreign currency sales increased by 51.3% to US$656.8 million in 2017 (Chart 3.22).

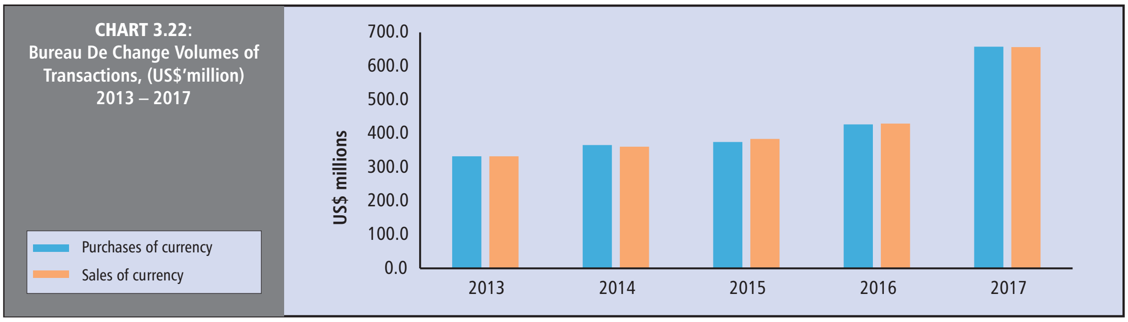


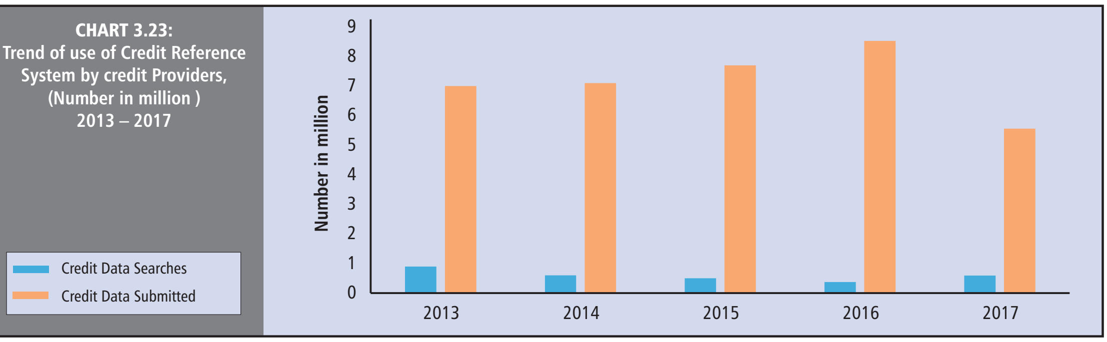

**CHART 3.22:**
Bureau De Change Volumes of Transactions, (US$'million) 2013 – 2017

**Source**: Bank of Zambia

## 3.2.5 CREDIT REFERENCE BUREAU

The number of credit files submitted decreased by 34.8% to 5,559,13 while the number of credit reports generated rose by 59.5% to 597,984 in 2017 (see Chart 3.23). The reduction in number of credit files submitted pointed to non-compliance by credit providers while the rise in the number of credit reports generated was attributed to improvements in credit applications.

**CHART 3.23:**
**Trend of use of Credit Reference System by credit Providers, (Number in million )**
**2013 – 2017**




**Source**: Bank of Zambia

At the end of 2017, the total credit account records on the Credit Reference Bureau Africa Limited (CRBAL) database increased by 14.3 % to 2,784,307. The total number of persons (both natural and corporates) on the CRBAL database increased by 2.3% to 1,504,071. Individuals comprised the larger portion of customers on the CRBAL database at 74.6 % compared to 76.2% in 2016 while corporate persons' records increased to 25.4% compared to 23.9% in 2016.

## 3.2.6 REGULATION AND SUPERVISION

### Licencing

During the year, 11 NBFIs licences were issued comprising eight for bureaux de change and three for MFIs. A total of five licences were revoked, one for a leasing company, one for a building society, two for MFIs and one for a bureau de change. (See Table 3.19). Consequently, the number of licenced NBFIs rose to 128 at end-December 2017 from 122 at end-December 2016 (Table 3.20).

**Table 3.19: Licences Issued and Revoked in 2017**

| | |
|---|---|
| **Licences Issued** | |
| **Bureaux de Change** | **Date Licenced** |
| 1. Wealth Bureau de Change Limited | 17 March 2017 |
| 2. Cross Rate Bureau de Change Limited | 21 April 2017 |
| 3. Wumi Bureau de Change Limited | 21 April 2017 |
| 4. Travelex Bureau de Change Limited | 12 September 2017 |
| 5. Sammic Bureau de Change Limited | 12 September 2017 |
| 6. Forex Master Bureau de Change Limited | 12 September 2017 |
| 7. Dimes Bureau de Change Limited | 12 September 2017 |
| 8. Favour Bureau de Change Limited | 13 November 2017 |
| | |
| **Microfinance Institution** | **Date Licenced** |
| 1. Moneta Finance Limited | 17 March 2017 |
| 2. FMC Finance Limited | 17 March 2017 |
| 3. Innovate Capital Solutions Limited | 17 March 2017 |
| | |
| **Licences Revoked** | **Date Revoked** |
| **Bureaux de Change** | 28 July 2017 |
| 1. Citizen Bureau de Change Ltd | |
| | |
| **Microfinance Institution** | **Date Revoked** |
| 1. Yakubutala Musa Company Limited | 5 June 2017 |
| 2. ZATAC Finance Limited | 6 Nov 2017 |
| | |
| **Leasing Finance Institutions** | Date Revoked |
| 1. Tsusho Capital Limited | 28 April 2017 |
| | |
| **Building Societies** | **Date Revoked** |
| 1. Meanwood Financial Services Limited | 12 May 2017 |

**Source**: Bank of Zambia

**Table 3.20: Structure of NBFIs, 2015 - 2017**

| Type of Institution | Number of Institutions | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| Leasing Finance Institutions | 10 | 8 | 8 |
| Building Societies | 4 | 4 | 3 |
| Bureaux de Change | 74 | 73 | 80 |
| Savings and Credit Institutions | 1 | 1 | 1 |
| Microfinance Institutions | 35 | 34 | 34 |
| Development Finance Institutions | 1 | 1 | 1 |
| Credit Reference Bureaux | 1 | 1 | 1 |
| **Total** | **126** | **122** | **128** |

**Source**: Bank of Zambia

As at end-December 2017, the number of NBFIs branches was 391 up from 352 in 2016 on account of new branches approved. The new branches included 19 for MFIs, 18 for bureaux de change and two for a building society Tables 3.21, 3.22 and 3.23.

**Table 3.21: Approved Bureaux de Change Branches in 2017**

| No. | Name of Institution | No. of Branches | Date Approved |
|---|---|---|---|
| 1. | A-Plus Bureau de Change Limited | 1 | 12 June 2017 |
| 2. | C & A Bureau de Change Limited | 1 | 18 August 2017 |
| 3. | Cross Rate Bureau de Change Limited | 1 | 8 June 2017 |
| 4 | Dilt Bureau de Change Limited | 1 | 8 May 2017 |
| 5. | Dimes Bureau de Change Limited | 1 | 28 December 2017 |
| 6. | Dondou Bureau de Change Limited | 1 | 20 December 2017 |
| 7. | Favour Bureau de Change Limited | 1 | 13 November 2017 |
| 8. | Forex Master Bureau de Change Limited | 2 | 20 October 2017<br>30 October 2017 |
| 9. | Golden Coin Bureau de Change Limited | 4 | 7 April 2017<br>7 April 2017<br>9 June 2017<br>12 June 2017 |
| 10. | Sammic Bureau de Change Limited | 1 | 26 December 2017 |
| 11. | Super Star Bureau de Change Limited | 1 | 20 October 2017 |
| 12. | Travelex Bureau de Change Limited | 1 | 27 September 2017 |
| 13. | Wealth Bureau de Change Limited | 1 | 17 March 2017 |
| 14. | Wumi Bureau de Change Limited | 1 | 26 May 2017 |
| | **Total** | **18** | |

**Source**: Bank of Zambia

**Table 3.22: Building Societies Branches Approved in 2017**

| No. | Name of Institution | No. of Branches | Date Approved |
|---|---|---|---|
| 1 | Zambia National Building Society - Lusaka | 2 | 30 August 2017 |
| | **Total** | **2** | |

**Source**: Bank of Zambia



**Table 3.23: Microfinance Institutions Branches Approved in 2017**

| No. | Name of Institution | No. of Branches | Date Approved |
|---|---|---|---|
| 1. | Agora Microfinance Ltd | 2 | 16 August 2017 |
| 2. | FMC Finance Limited | 1 | 8 Dec 2017 |
| 3. | Izwe Loans Limited | 1 | 11 Dec 2017 |
| 4 | Microfinance Zambia Limited | 2 | 20 Dec 2017 |
| | | | 20 Sept 2017 |
| 5. | Moneta Finance Limited | 3 | 28 April 2017 |
| | | | 28 April 2017 |
| | | | 10 Oct 2017 |
| | | | 17 Feb 2017 |
| 6. | Unity Finance Limited | 3 | 20 June 2017 |
| | | | 19 Oct 2017 |
| 7. | Xtenda Finance Limited | 2 | 1 August 2017 |
| 8. | YesCash Zambia Limited | 5 | 16 Nov 2017 |
| | | | 15 March 2017 |
| | | | 21 April 2017 |
| | | | 8 May 2017 |
| | | | 15 June 2017 |
| | | | 16 Nov 2017 |
| | **Total** | **19** | |

**Source**: Bank of Zambia

## 3.2.7 FINANCIAL INCLUSION

### Financial Education

The Bank continued to undertake financial literacy campaigns. In 2017, the Bank commemorated the Financial Literacy Week and World Savings Day, under the theme 'Know and Plan your Finances to Live a Better Life' which aimed at sensitizing the public to plan for key life events so as to avoid financial stress.

### National Financial Sector Development Policy and National Financial Inclusion Strategy

The Government launched the National Financial Sector Development (FSD) Policy and the National Financial Inclusion Strategy (NFIS) in November 2017. The National FSD Policy provides strategic guidance and an overall framework for developing the financial sector. The primary objective of the NFIS is to achieve universal access to and usage of a broad range of quality and affordable financial products and services.


# 4.0 *Banking, Currency and Payment Systems*

# 4.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

The Bank of Zambia continued to implement the Clean Note Policy and monitor settlements on commercial banks current accounts to ensure that all transactions processed were settled on time. The number of net settlement transactions that were not processed on time due to insufficient funds declined to 99 in 2017 compared to 125 in 2016. The national payment systems performance was generally satisfactory recording high availability levels and improvements in values and volumes of transactions processed.

## 4.1 BANKING

### Commercial Bank Current Accounts

The Bank closely monitored commercial banks' current accounts to ensure that all transactions processed settled on time. The performance of commercial banks was generally satisfactory with most of the transactions having settled on time. All the commercial banks that accessed the intraday credit facility (intraday repo) were able to repay the funds by close of business. Fourteen banks accessed the OLF during the year compared to 13 banks in 2016.

### Banking Services to Government

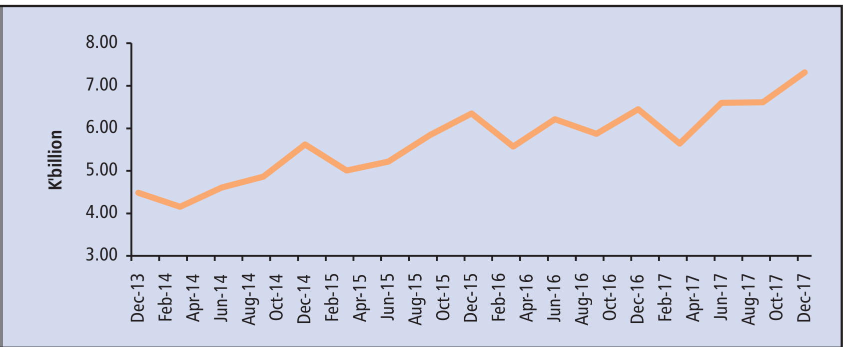
In line with Bank of Zambia's function as a banker to Government, the Bank continued to provide banking services to Government to facilitate receipt of revenue and transfer of funds to Ministries, Provinces and Spending Agencies (MPSAs). The Bank continued to support the Ministry of Finance to include more MPSAs onto the Treasury Single Account (TSA). In 2017, 31 MPSAs were migrated to the TSA compared to nine in 2016, bringing the total number of MPSAs migrated to the TSA since inception to 44.

## 4.2 CURRENCY

### Currency in Circulation

Currency in circulation increased by 13.4% to K7.3 billion in 2017 compared to 1.7% in 2016 (Chart 4.1 and Table 4.1). The bulk of this currency was in banknotes, which accounted for 97.5% (K7.1 billion) while coins constituted 2.5% (K0.2 billion).

**CHART 4.1:**
**Currency in Circulation (K 'billion), Dec. 2013 – Dec. 2017**




**Source**: Bank of Zambia

**Table 4.1: Currency in Circulation, 2015 - 2017**

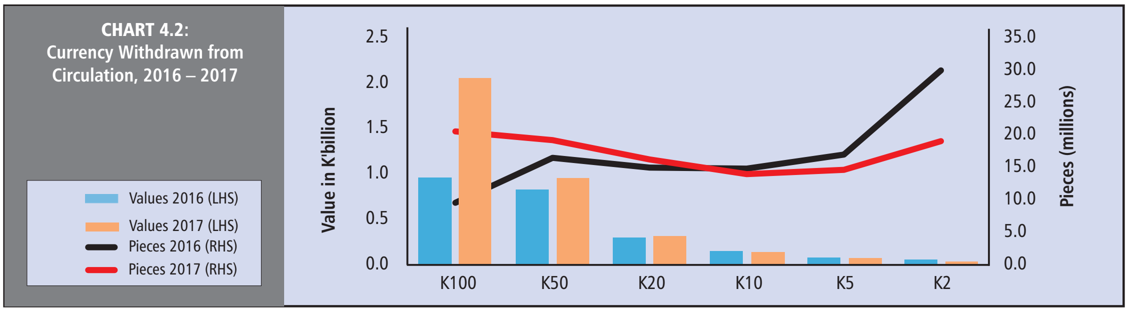
| | Values (ZMW) | | | Pieces | | |
|---|---|---|---|---|---|---|
| **Denomination** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** |
| K100 | 4,228,092,400 | 4,631,055,100 | 5,067,826,250 | 42,280,924 | 46,310,551 | 50,678,263 |
| K50 | 1,401,959,700 | 1,165,800,850 | 1,542,082,350 | 28,039,194 | 23,316,017 | 30,841,647 |
| K20 | 331,886,130 | 278,325,730 | 292,698,310 | 16,594,307 | 13,916,287 | 14,634,916 |
| K10 | 150,765,555 | 126,280,450 | 114,708,430 | 15,076,556 | 12,628,045 | 11,470,843 |
| K5 | 83,994,111 | 77,851,669 | 89,100,491 | 16,798,822 | 15,570,334 | 17,820,098 |
| K2 | 40,210,705 | 38,666,312 | 28,171,396 | 20,105,352 | 19,333,156 | 14,085,698 |
| K1 | 56,908,548 | 73,951,556 | 103,121,024 | 56,908,548 | 73,951,556 | 103,121,024 |
| 50N | 43,426,637 | 48,358,940 | 63,570,027 | 86,853,273 | 96,717,879 | 127,140,054 |
| 10N | 6,636,440 | 7,609,240 | 10,261,272 | 66,364,405 | 76,092,405 | 102,612,720 |
| 5N | 3,239,225 | 3,618,425 | 3,800,360 | 64,784,503 | 72,368,502 | 76,007,203 |
| **Total** | **6,347,119,451** | **6,451,518,271** | **7,315,339,909** | **413,805,883** | **450,204,730** | **548,412,464** |

**Source**: Bank of Zambia

### Currency Management

In line with the Clean Note Policy, the Bank withdrew a total of 103.9 million pieces of unfit banknotes valued at K3.6 billion from circulation in 2017 compared to 103.0 million pieces valued at K2.4 billion in 2016. The bulk of the currency withdrawn was in high value banknotes (K100 and K50) which accounted for 84.0% (Chart 4.2 and Table 4.2).

**CHART 4.2: Currency Withdrawn from Circulation, 2016 – 2017**




**Source**: Bank of Zambia

**Table 4.2: Currency Withdrawn from Circulation, 2015 - 2017**

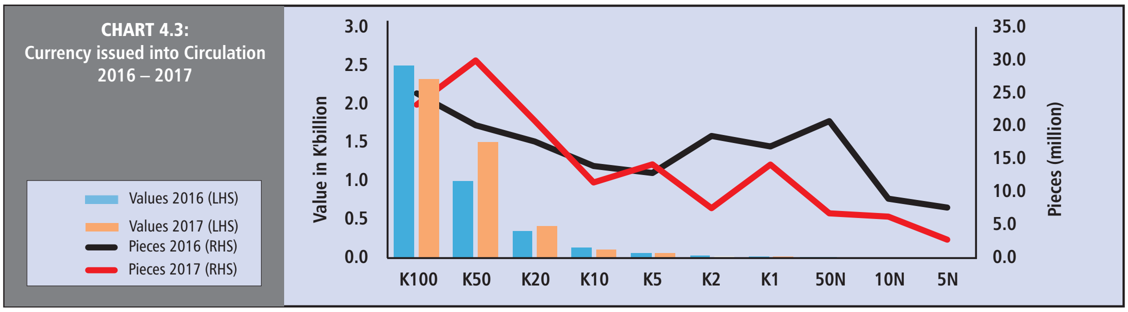
| | Values (ZMW) | | | Pieces | | |
|---|---|---|---|---|---|---|
| **Denomination** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** |
| K100 | 622,716,100 | 959,764,700 | 2,061,198,400 | 6,227,161 | 9,597,647 | 20,611,984 |
| K50 | 675,129,375 | 826,106,525 | 962,254,300 | 13,502,588 | 16,522,131 | 19,245,086 |
| K20 | 394,898,020 | 300,557,370 | 325,185,800 | 19,744,901 | 15,027,869 | 16,259,290 |
| K10 | 217,933,475 | 148,583,665 | 140,024,050 | 21,793,348 | 14,858,367 | 14,002,405 |
| K5 | 87,372,513 | 85,118,758 | 73,303,155 | 17,474,503 | 17,023,752 | 14,660,631 |
| K2 | 61,376,006 | 60,012,838 | 38,212,164 | 30,688,003 | 30,006,419 | 19,106,082 |
| **Total** | **2,059,425,489** | **2,380,143,856** | **3,600,177,869** | **109,430,503** | **103,036,183** | **103,885,478** |

**Source**: Bank of Zambia

The Bank issued 137.9 million pieces of mint banknotes and coins valued at K4.5 billion into circulation in 2017 compared to 163.1 million pieces valued at K4.1 billion in 2016. The highest proportion of currency issued were high value banknotes: K100 (52.2%) and K50 (33.6%). The middle value (K10 and K20) and low value (K2 and K5) banknotes both accounted for 13.8% while coins accounted for 0.4% (Chart 4.3 and Table 4.3).



**CHART 4.3: Currency issued into Circulation 2016 – 2017**




**Source**: Bank of Zambia

**Table 4.3: New Currency Issued, 2015 - 2017**

| | Values (ZMW) | | | Pieces | | |
|---|---|---|---|---|---|---|
| **Denomination** | **2015** | **2016** | **2017** | **2015** | **2016** | **2017** |
| K100 | 2,247,500,000 | 2,505,800,000 | 2,335,400,000 | 22,475,000 | 25,058,000 | 23,354,000 |
| K50 | 692,750,000 | 1,010,500,000 | 1,503,500,000 | 13,855,000 | 20,210,000 | 30,070,000 |
| K20 | 223,060,000 | 354,590,000 | 418,330,000 | 11,153,000 | 17,729,500 | 20,916,500 |
| K10 | 168,130,000 | 140,300,000 | 115,100,000 | 16,813,000 | 14,030,000 | 11,510,000 |
| K5 | 83,297,000 | 64,825,000 | 71,400,000 | 16,659,400 | 12,965,000 | 14,280,000 |
| K2 | 46,899,960 | 37,154,000 | 15,222,000 | 23,449,980 | 18,577,000 | 7,611,000 |
| K1 | 19,293,000 | 16,982,000 | 14,223,000 | 19,293,000 | 16,982,000 | 14,223,000 |
| 50N | 12,211,500 | 10,415,500 | 3,404,000 | 24,423,000 | 20,831,000 | 6,808,000 |
| 10N | 1,637,100 | 905,800 | 631,700 | 16,371,000 | 9,058,000 | 6,317,000 |
| 5N | 159,349 | 384,250 | 140,050 | 3,186,980 | 7,685,000 | 2,801,000 |
| **Total** | **3,494,937,909** | **4,141,856,550** | **4,477,350,750** | **167,679,360** | **163,125,500** | **137,890,500** |

**Source**: Bank of Zambia

A total of 8,845 pieces of counterfeits were detected by the Bank, commercial banks and other Government security agencies in 2017 compared to 1,559 pieces in 2016. The increase in counterfeit notes detected in 2017 compared to 2016 was largely due to enhanced collaboration between the Bank and the security agencies. The Bank and the security agencies conducted sensitisation campaigns to educate the public on how to identify genuine banknotes and issued press releases alerting the public (Table 4.4 and Table 4.5).

**Table 4.4: Counterfeit Notes Detected, 2015 - 2017**

| Denomination | 2015 | 2016 | 2017 |
|---|---|---|---|
| K100 | 314 | 1,064 | 8,535 |
| K50 | 136 | 357 | 218 |
| K20 | 42 | 119 | 73 |
| K10 | 4 | 6 | 8 |
| K5 | 8 | 11 | 11 |
| K2 | - | 2 | 0 |
| **Total** | **504** | **1,559** | **8,845** |

**Source**: Bank of Zambia

**Table 4.5: Counterfeit Notes interception by Organisation, 2017**

| Denomination | Bank of Zambia | Commercial Banks | Drug Enforcement Commission | Zambia Police | Others | Total |
|---|---|---|---|---|---|---|
| K100 | 229 | 1,232 | 4,508 | 2,431 | 135 | 8,535 |
| K50 | 39 | 158 | 10 | 0 | 11 | 218 |
| K20 | 8 | 65 | 0 | 0 | 0 | 73 |
| K10 | 1 | 7 | 0 | 0 | 0 | 8 |
| K5 | 2 | 1 | 8 | 0 | 0 | 11 |
| K2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **279** | **1,463** | **4,526** | **2,431** | **146** | **8,845** |

**Source**: Bank of Zambia

## 4.3 PAYMENT SYSTEMS

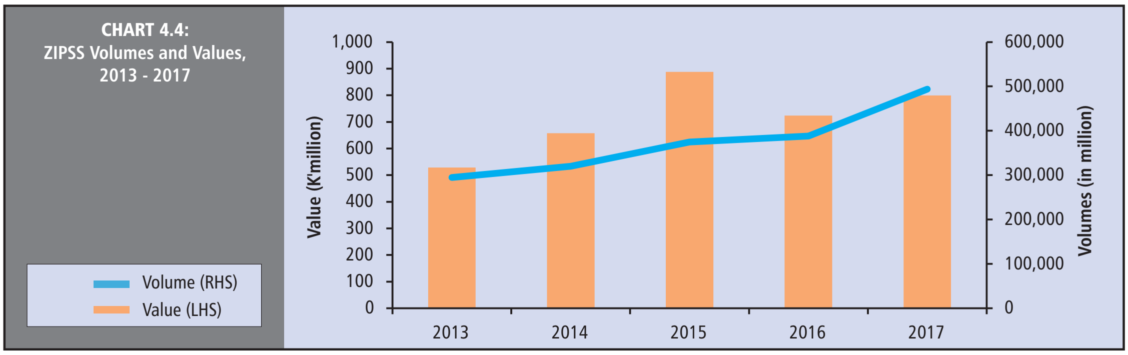
The national payment systems operated satisfactorily in 2017 recording high availability levels and improvements in values and volumes of transactions processed.

### Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) continued to operate satisfactorily in the year under review. The system's availability remained high at 98.3% compared to 97.8% reported in 2016. The downtime recorded was mainly due to network connectivity and application challenges, which were resolved within acceptable timeframes.

The volume of transactions processed on ZIPSS increased by 10.5% to 493,964 transactions in 2017 (Chart 4.4). The upsurge in the volume of processed transactions was mainly due to increased government payments processed through TSA following an increase in the number of ministries and government departments that migrated to the TSA, which stood at 44 at end-December 2017. Similarly, the value of transactions processed on ZIPSS rose by 27.3% to K799.7 billion in 2017 (Chart 4.4).

**CHART 4.4: ZIPSS Volumes and Values, 2013 - 2017**




**Source**: Bank of Zambia

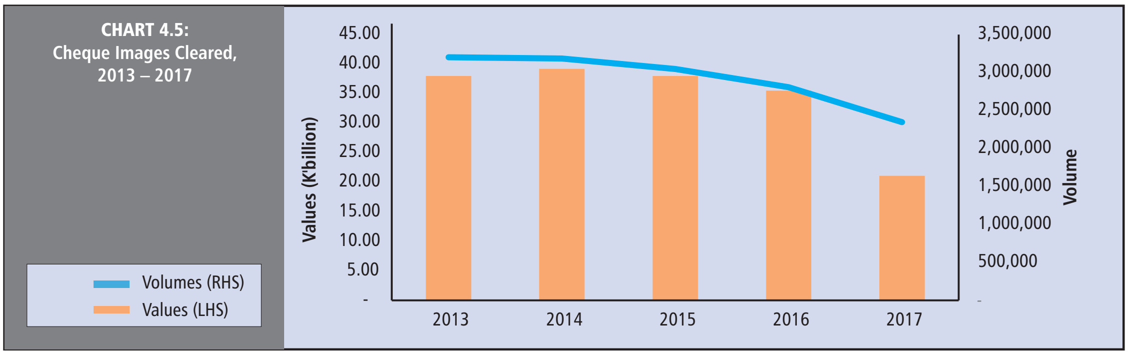
### Cheque Image Clearing System

There was a 16.0% reduction in the volume of cheques cleared to 2,346,707 in 2017. The value of cheques cleared through the Cheque Image Clearing system also decreased by 41.0% to K21.1 billion. The reduction in



the volume and value of cheques cleared in the period was largely due to the downward revision of the item value limits for cheques in July 2017 (Chart 4.5).

**CHART 4.5:**
**Cheque Images Cleared, 2013 – 2017**

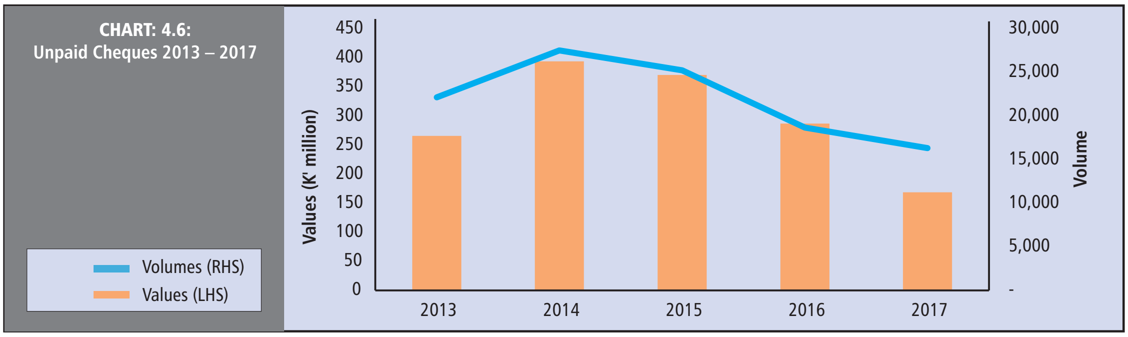



**Source**: Bank of Zambia

### Cheques Returned Unpaid on Account of Insufficient Funds

The volume and value of cheques returned unpaid due to insufficient funds on customers' accounts decreased by 13.0% and 41.0% to 16,342 and K168.80 million in 2017, respectively (Chart 4.6). The decrease in the volume and value of unpaid cheques was largely due to the reduction in the item value limits for cheques and sensitisation campaigns promoting electronic payment methods.

**CHART: 4.6:**
**Unpaid Cheques 2013 – 2017**

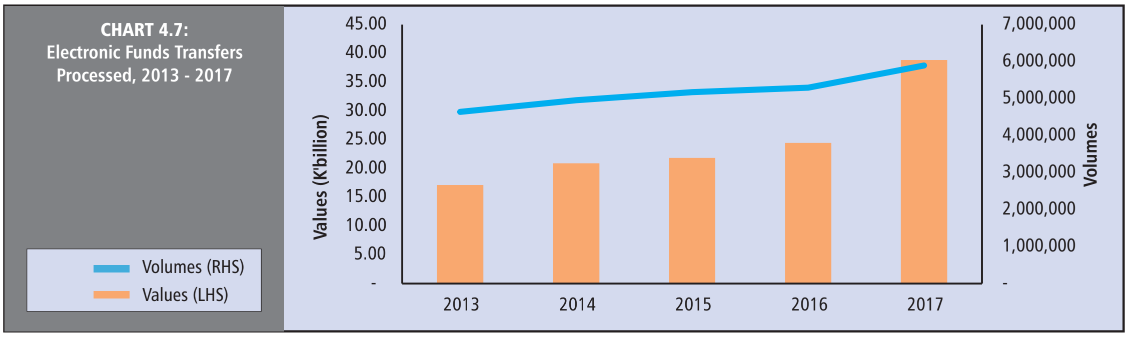



**Source**: Bank of Zambia

### Electronic Funds Transfer Clearing System

The volume of electronic funds transfer (EFT) transactions processed increased by 11.3% to 5,895,397 in 2017. The value of transactions processed on the EFT clearing system increased by 58.9% to K38.9 billion in 2017 (Chart 4.7). The increase in the values and volumes of EFTs processed during 2017 was largely due to the upward revision of the item value limits for EFTs in 2017.

**CHART 4.7:**
**Electronic Funds Transfers Processed, 2013 - 2017**

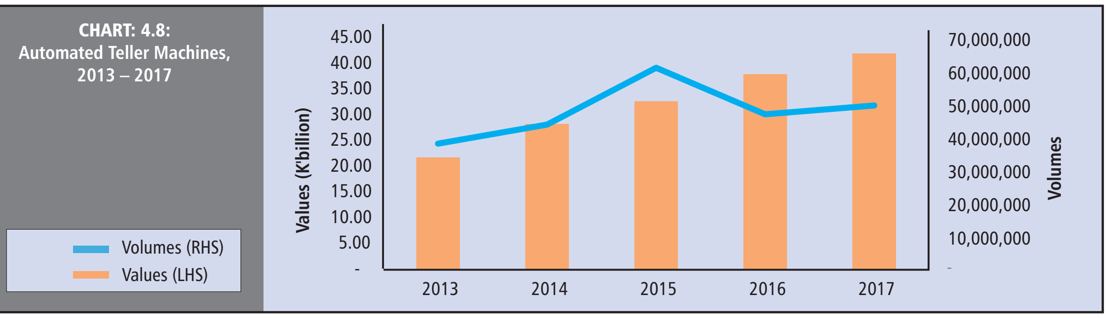



**Source**: Bank of Zambia

### Transactions Processed through the Automated Teller Machines

The volume of transactions processed on the Automated Teller Machines (ATMs) increased by 5.6% to 49,726,226 in 2017 against a decrease of 22.9% in 2016. The value of transactions processed through ATMs increased by 10.6% to K42.1 billion in 2017 compared to 16.1% in 2016 (Chart 4.8). The increase in the value and volume of transactions was partly due to the rise in the number of cards issued to customers by 10.4% to 3,234,637 in 2017. The number of ATMs also increased to 1,066 in 2017 from 1,045 in 2016.

CHART: 4.8:
Automated Teller Machines, 2013 – 2017

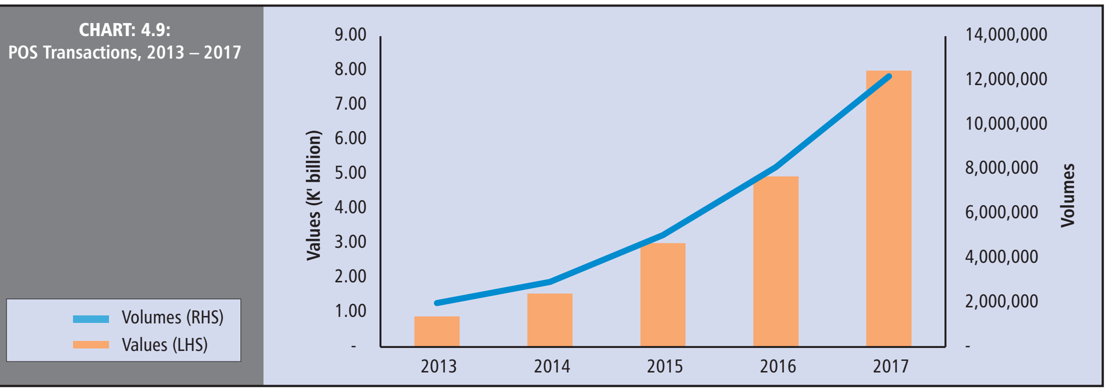



**Source**: Bank of Zambia

**Transactions Processed through Point of Sale Terminals**

The volume of transactions processed on the Point of Sale (PoS) terminals increased by 50.5% to 12,193,060 in 2017. The value of transactions processed through PoS increased by 61.9% to K8.0 billion (Chart 4.9). The significant rise in the value and volume of transactions was mainly due to increased deployment of Point of Sale terminals by commercial banks as well as increased access by farmers using the e-voucher under the Farmer Input Support Programme. The number of PoS terminals rose by 33.8% to 12,522 in 2017.

CHART: 4.9:
POS Transactions, 2013 – 2017



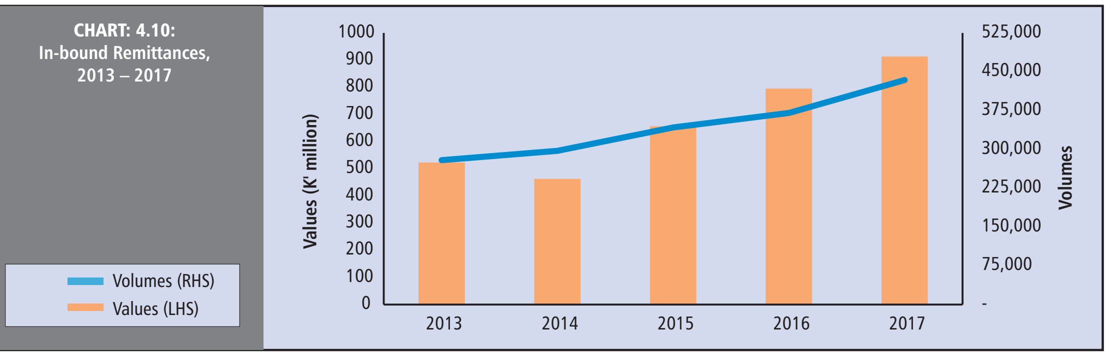

**Source**: Bank of Zambia



**International Remittances**

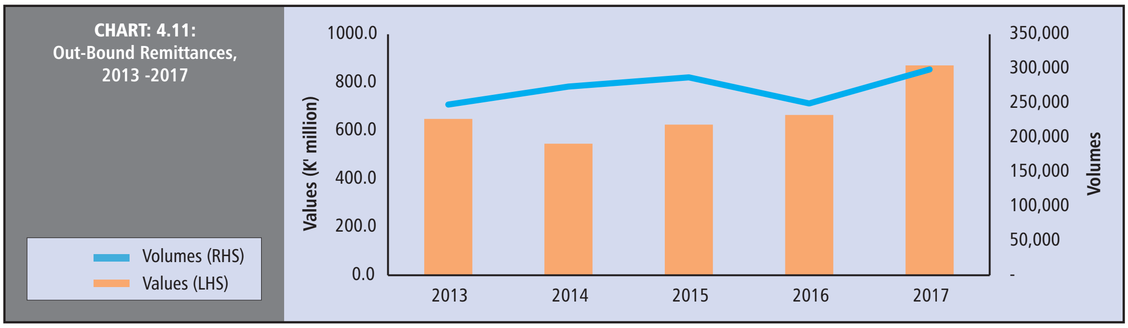
The volume of in-bound international remittances increased by 17.2% to 434,122 in 2017 while the value rose by 14.9% to K913.0 million in 2017 (Chart 4.10). This was largely a result of the increase in remittances by Zambians living abroad. The United States of America, the United Kingdom and Canada dominated the list of source countries.

CHART: 4.10:
In-bound Remittances, 2013 – 2017




**Source**: Bank of Zambia

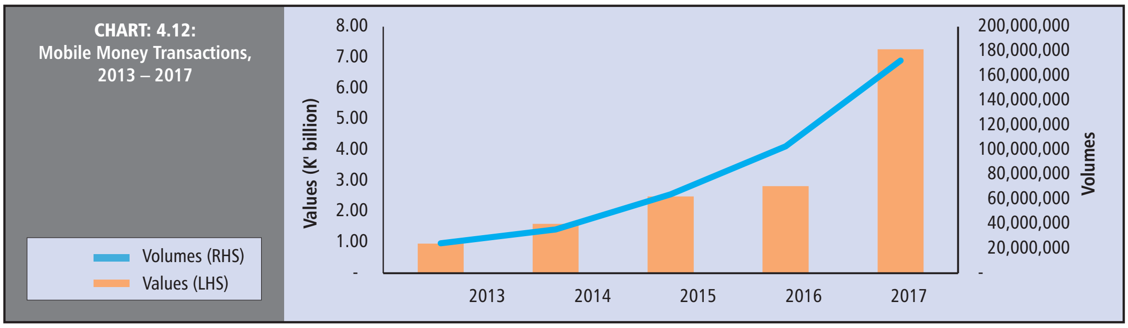
The volume of out-bound international remittances transactions grew by 19.8% to 298,978 in 2017. The value rose by 31.0% to K870.9 million. This was mainly due to an increase in trade remittances to China, Tanzania and South Africa (Chart 4.11).




**Source**: Bank of Zambia

### Mobile Money Transactions

The volume of transactions processed on mobile money platform increased by 67.5 % to 172,429,556 in 2017 whereas the value of transactions more than doubled to K7.3 billion (Chart 4.12). The increase in both value and volume of transactions was due to the rise in the number of users of mobile money for the payment of bills and funds transfers. The number of active users for mobile payments more than doubled to 1,450,533 in 2017. This increase was partly driven by the sensitisation campaigns and the introduction of innovative products that were more appealing to customers of the mobile money operators such as provision of small loans.




**Source**: Bank of Zambia



### Regional Cross Border Payment Systems

In 2017, the volume of payments processed on the SADC Integrated Regional Electronic Settlement System (SIRESS) by Zambian commercial banks contracted by 14.9% to 21,716 while in value terms the system recorded an increase of 4.8% to ZAR5,688.4 million. Further, the value of receipts decreased by 3.5% to ZAR5,432.2 million in 2017 while the volume of transactions increased by 12.7% to 6,948 transactions. On a net basis, Zambia paid out ZAR256.3 million in 2017 compared to net receipt of ZAR204.5 million in 2016. The shift to being a net payer was due to increased usage of the SIRESS by businesses trading with South Africa. For the SADC region, a total of ZAR1,240,084.1 million was processed on the SIRESS in 2017 representing a 13.2% increase from ZAR1,095,923.7 million recorded in 2016.

Under the COMESA Regional Electronic Payments and Settlement System, there was one in-coming payment worth US$245,035.00 from Kenya recorded in 2017 compared to non in 2016. On the contrary, there were no outgoing payments made from Zambia on the platform, as was the case in 2016.

### National Financial Switch

The Bank of Zambia, Zambia Electronic Clearing House Limited (ZECHL) and the Bankers Association of Zambia in conjunction with other stakeholders continued with efforts to implement the National Financial Switch (NFS). In 2017, ZECHL commenced the assessment of the NFS infrastructure against the Payment Card Industry Data Security Standard while the system vendors completed configuration of the NFS to allow for user acceptance tests (UAT) by commercial banks and ZECHL. Some banks made headway in terms of readiness tests for the UAT while most banks lagged behind. It is expected that the banks lagging behind will make significant progress in the first half of 2018.

# 5.0 Strategy and Risk Management

# 5.0 STRATEGY AND RISK MANAGEMENT

**Performance of the Strategic Plan**

The Bank continued to implement the 2016-2019 Strategic Plan under the theme "Excellence in Execution". The Bank achieved an overall completion rate of 47.5% against a target of 75.5%, representing an effective execution rate of 62.9% (Table 5.1).

**Table 5.1: Performance against Strategic Objectives (Percent), as at Q4 - 2017**

| Strategic Objective | Q4 2017 Expected Percent on Target | Q4 2017 Actual Percent on Target | Q4 2017 Effective Execution Rate |
|---|---|---|---|
| (1) To achieve average Inflation of between 6% and 8% over the Strategic Plan period. | 67.4 | 46.4 | 68.9 |
| (2) To strengthen the resilience of the financial sector against economic and financial shocks. | 81.2 | 56.5 | 69.5 |
| (3) Increase formal Financial Inclusion by 16 percentage points in order to contribute to enhanced living standards. | 70.4 | 45.2 | 64.2 |
| (4) To entrench Gender Mainstreaming within the Bank and the financial sector so as to contribute to Gender equality in Zambia. | 92.6 | 62.5 | 67.6 |
| (5) To Develop and strengthen the Bank's Talent Management and Technologies so as to achieve operational efficiency and effectiveness. | 69.8 | 29.8 | 42.7 |
| **Overall Performance** | **75.5** | **47.5** | **62.9** |

**Source**: Bank of Zambia

The best performance was on 'strengthening the resilience of the financial sector against economic and financial shocks' where the Bank recorded an effective completion rate of 69.5%. This was followed by the objective on 'achieving average inflation rate of between 6% and 8%, which recorded an effective completion rate of 68.9% (Table 5.2).

**Table 5.2: The top 5 Performing Strategic Initiatives (Percent), as at End Dec 2017**

| | Strategic Initiative | Effective Completion Rate |
|---|---|---|
| 2.2 | Establish Electronic Bureau de Change Monitoring | 99.2% |
| 5.5 | Embed the principles of performance management system to enhance performance culture | 98.1% |
| 1.3 | Enhance reserves accumulation | 91.0% |
| 1.4 | Deepen the domestic capital, money and foreign exchange markets in order to enhance the transmission of monetary policy | 90.2% |
| 3.3 | Improve formal financial inclusion in rural areas | 76.6% |

**Source**: Bank of Zambia

# 6.0 Human Resource Management

# 6.0 HUMAN RESOURCE MANAGEMENT

### Structure and Staffing

The total number of staff at the Bank as at 31 December 2017, was 535 (334 male, 201 female) against an establishment of 679. This staff complement comprised 237 (44.3%) employees on Permanent and Pensionable Service and 298 (55.7%) on Fixed-Term Employment Contracts (Tables 6.1 and 6.2).

**Table 6.1: Staffing Levels**

| | 2015 | | | 2016 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Functions** | **Estab.** | **Actual** | **Diff** | **Estab.** | **Actual** | **Diff** | **Estab.** | **Actual** | **Diff** |
| Executive | 14 | 9 | -5 | 15 | 11 | -4 | 15 | 10 | -5 |
| **Subtotal** | **14** | **9** | **-5** | **15** | **11** | **-4** | **15** | **10** | **-5** |
| **Core Departments** | | | | | | | | | |
| Bank Supervision | 46 | 27 | -19 | 46 | 30 | -16 | 54 | 42 | -12 |
| Banking, Currency & Payment Systems | 84 | 55 | -29 | 84 | 63 | -21 | 85 | 68 | -17 |
| Economics | 45 | 42 | -3 | 45 | 42 | -3 | 56 | 43 | -13 |
| Financial Markets | 36 | 32 | -4 | 36 | 32 | -4 | 36 | 31 | -5 |
| Non-Banks Financial Institutions Supervision | 38 | 23 | -15 | 38 | 24 | -14 | 43 | 38 | -5 |
| Strategy & Risk Management | 13 | 11 | -2 | 13 | 10 | -3 | 13 | 9 | -4 |
| Balance of Payments Monitoring | 10 | 4 | -6 | 10 | 4 | -6 | 0 | 0 | 0 |
| Financial System Stability | 4 | 4 | 0 | 4 | 4 | 0 | 0 | 0 | 0 |
| Financial Sector Development | 3 | 2 | -1 | 3 | 3 | 0 | 0 | 0 | 0 |
| **Subtotal** | **279** | **200** | **-79** | **279** | **212** | **-67** | **287** | **231** | **-56** |
| **Support Services** | | | | | | | | | |
| Board Services | 19 | 11 | -8 | 19 | 11 | -8 | 21 | 12 | -9 |
| Finance | 36 | 29 | -7 | 36 | 22 | -14 | 37 | 33 | -4 |
| Human Resources | 21 | 18 | -3 | 22 | 19 | -3 | 26 | 21 | -5 |
| Information & Communications Technology | 35 | 33 | -2 | 35 | 31 | -4 | 35 | 31 | -4 |
| Legal Services | 8 | 6 | -2 | 8 | 8 | 0 | 9 | 7 | -2 |
| Internal Audit | 17 | 17 | 0 | 17 | 15 | -2 | 17 | 13 | -4 |
| Procurement & Maintenance Services | 92 | 73 | -19 | 92 | 70 | -22 | 85 | 76 | -9 |
| Security | 91 | 88 | -3 | 91 | 63 | -28 | 85 | 45 | -40 |
| Subtotal | 319 | 275 | -44 | 320 | 239 | -81 | 315 | 238 | -77 |
| Regional Office | 62 | 58 | -4 | 62 | 62 | 0 | 62 | 56 | -6 |
| **Subtotal** | **62** | **58** | **-4** | **62** | **62** | **0** | **62** | **56** | **-6** |
| **TOTAL** | **674** | **542** | **-132** | **676** | **524** | **-152** | **679** | **535** | **-144** |

**Source**: Bank of Zambia

**Table 6.2: Distribution of Staff in 2017**

| **Location** | **Permanent & Pensionable** | | **Sub Total** | **Fixed Term Contract** | | **Sub Total** | **Grand Total** |
|---|---|---|---|---|---|---|---|
| | **M** | **F** | | **M** | **F** | | |
| Head-office | 118 | 60 | 178 | 148 | 105 | 253 | 431 |
| Regional office | 38 | 21 | 59 | 28 | 17 | 45 | 104 |
| **Overall** | **156** | **81** | **237** | **176** | **122** | **298** | **535** |

**Source**: Bank of Zambia

### Staff Movements

Fifty-four employees were recruited (Table 6.3) while 44 separated from the Bank (Table 6.4). The separations were due to dismissals, deaths, expiry of contracts, resignations, statutory early retirements and voluntary early separations.



**Table 6.3: Staff Recruitments in 2017**

| Department | Number |
|---|---|
| Bank Supervision | 6 |
| Banking, Currency & Payment Systems | 11 |
| Board Services | 0 |
| Economics | 2 |
| Executive | 1 |
| Finance | 9 |
| Financial Markets | 1 |
| Information & Communications Technology | 4 |
| Non-Bank Financial Institutions Supervision | 8 |
| Procurement & Maintenance Services | 8 |
| Regional Office | 4 |
| **Total** | **54** |

**Source**: Bank of Zambia

**Table 6.4: Staff Separations in 2017**

| Mode of Separation | Number |
|---|---|
| Dismissals | 2 |
| Deaths | 1 |
| Expiry of Contracts | 17 |
| Resignations | 6 |
| Statutory Early Retirements | 11 |
| Voluntary Early Separation Scheme | 7 |
| **Total** | **44** |

**Source**: Bank of Zambia

## Staff Welfare

A harmonious industrial relations climate continued to prevail at the Bank in 2017.

### Medical Services

The Bank through its Clinic and selected medical service providers continued to offer medical services to its employees and their immediate families. The Bank organised screening services and health awareness programmes under its employee welfare programme.

### 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 are pursuing various programmes to upgrade their qualifications as highlighted in Table 6.5.

**Table 6.5: Number of Students Pursuing Study Programmes: 2015 - 2017**

| Programme | YEAR | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| PhD/DBA | 5 | 5 | 5 |
| Masters Qualifications; MBA, LLM, MSc | 3 | 3 | 3 |
| Bachelor's Degrees in Laws, Banking & Financial Services, Public Administration & Computing | 1 | 0 | 0 |
| Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants | 3 | 3 | 3 |
| **TOTAL** | **15** | **11** | **11** |

**Source**: Bank of Zambia

# 7.0 *Financial Statements for the year ended 31 December 2017*

# BANK OF ZAMBIA

## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017

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**BANK OF ZAMBIA**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Bank of Zambia Act, No. 43 of 1996. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its 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 61 to 106 were approved by the Board of Directors on **5 April 2018** and signed on their behalf by:

**Governor**

**Director**

2.

**Grant Thorton**
5th Floor Mukuba
Pension House
Dedan Kimathi Road
P. O. Box 30885
Lusaka, Zambia

T +260 (211) 227722-8
F +260 (211) 223774
E gtlusaka.mailbox@zm.gt.com

**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 2017, 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 2017, 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 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 judgment, 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.

**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.
- 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 2017 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.

Grant Thornton

**Chartered Accountants**

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

**Lusaka**
**Date 5April 2018**



## Statement of comprehensive income
*for the year ended 31 December 2017*

| | Note | 2017<br>K000 | 2016<br>K'000 |
|---|---|---|---|
| Interest income | 5 | **1,753,163** | 1,209,235 |
| Interest expense | 5 | **(116,599)** | (50,703) |
| **Net interest income** | | **1,636,564** | 1,158,532 |
| Fee and commission income | 6 | **203,228** | 217,782 |
| Fee and commission expense | 6 | **(3,828)** | (3,006) |
| **Net fee and commission income** | | **199,400** | 214,776 |
| Net income from foreign exchange transactions | 7 | **32,185** | 222,743 |
| Other gains/(losses) | | **193,762** | (1,849,317) |
| **Net income from foreign exchange transactions and other gains/(losses)** | | **225,947** | (1,626,574) |
| Net income | | **2,061,911** | (253,266) |
| Net impairment credit on financial assets | 8 | **41,966** | 199 |
| Employee benefits | 9 | **(408,707)** | (380,733) |
| Depreciation and amortisation | 23, 24 | **(34,642)** | (29,770) |
| Operating expenses | 10 | **(355,811)** | (246,711) |
| **Net expense** | | **(757,194)** | (657,015) |
| **Profit/(loss) for the year** | | **1,304,717** | (910,281) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of defined benefit obligation | 35 | **-** | - |
| **Total comprehensive income/(loss) for the year** | | **1,304,717** | (910,281) |



The notes on pages 65 to 106 are an integral part of these financial statements.



## Statement of Financial Position

*for the year ended 31 December 2017*

| | Note | 2017 K'000 | Restated 2016 K'000 |
|---|---|---|---|
| **Assets** | | | |
| Domestic cash in hand | | **2,942** | 3,428 |
| Foreign currency cash and bank accounts | 12 | **20,776,662** | 23,289,524 |
| Items in course of settlement | 13 | **397** | 1,455 |
| Held-for-trading financial assets | 14 | **89,543** | 88,986 |
| Loans and advances | 15 | **7,903,221** | 6,769,671 |
| Held-to-maturity financial assets | 16 | **2,047,827** | 2,025,109 |
| Other assets | 18 | **17,883** | 16,647 |
| Available-for-sale investments | 20 | **29,950** | 27,509 |
| IMF funds recoverable from Government of the Republic of Zambia | 21 | **3,367,166** | 3,001,875 |
| IMF subscriptions | 22,33 | **12,533,602** | 13,312,392 |
| Property, plant and equipment | 23 | **451,234** | 444,875 |
| Intangible assets | 24 | **1,697** | 5,330 |
| **Total assets** | | **47,222,124** | 48,986,801 |
| **Liabilities** | | | |
| Deposits from the Government of the Republic of Zambia | 26 | **3,070,560** | 1,616,403 |
| Deposits from financial institutions | 27 | **6,582,976** | 11,742,136 |
| Foreign currency liabilities to other institutions | 28 | **184,423** | 39,861 |
| Other deposits | 29 | **167,902** | 51,857 |
| Notes and coins in circulation | 30 | **7,417,862** | 6,554,140 |
| Other liabilities | 31 | **291,457** | 179,295 |
| Provisions | 32 | **836,333** | 666,425 |
| Domestic currency liabilities to IMF | 22,33 | **12,533,602** | 13,312,392 |
| Foreign currency liabilities to IMF | 34 | **1,365,718** | 1,793,950 |
| SDR allocation | 36 | **6,655,654** | 6,233,618 |
| **Total liabilities** | | **39,106,487** | 42,190,077 |
| **Equity** | | | |
| Capital | 37 | **500,020** | 500,020 |
| General reserve fund | 38 | **1,798,905** | 1,798,905 |
| Property revaluation reserve | 38 | **230,570** | 235,507 |
| Retained earnings | 38 | **5,586,142** | 4,262,292 |
| **Total equity** | | **8,115,637** | 6,796,724 |
| **Total liabilities and equity** | | **47,222,124** | 48,986,801 |

The financial statements on pages 61 to 106 were approved for issue by the Board of Directors on **5 April 2018** and signed on its behalf by:

**Governor**

**Director**



## Statement of Changes in Equity
*for the year ended 31 December 2017*

| | 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 2016 | | 500,020 | 386,635 | 240,893 | 10,768,372 | 11,895,920 |
| Profit for the year | | - | - | - | (910,281) | (910,281) |
| Transfer to general reserve fund | 38 | | | | | |
| As previously reported | | - | 1,412 | - | (1,412) | - |
| Prior year adjustment | | - | 1,410,858 | - | (1,410,858) | - |
| As restated | | - | 1,412,270 | - | (1,412,270) | - |
| Other comprehensive income: | | | | | | |
| Actuarial gain on defined benefit plan | | - | - | - | - | - |
| Amortisation of revaluation surplus relating to properties | | - | - | (5,386) | 5,386 | - |
| Total comprehensive income | | - | 1,412,270 | (5,386) | (2,317,165) | (910,281) |
| ***Transactions with owners:*** | | | | | | |
| Dividend paid to shareholders | | - | - | - | (4,236,667) | (4,236,667) |
| Unwinding of fair value adjustment | | - | - | - | 47,753 | 47,753 |
| Total transactions with owners | | - | - | - | (4,188,915) | (4,188,915) |
| **Balance at 1 January 2017** | | 500,020 | 1,798,905 | 235,507 | 4,262,292 | 6,796,724 |
| Profit for the year | | - | - | - | 1,304,717 | 1,304,717 |
| Transfer to general reserve fund | | - | - | - | - | - |
| Other comprehensive income: | | | | | | |
| Actuarial gain on defined benefit plan | | - | - | - | - | - |
| Amortisation of revaluation surplus relating to properties | | - | - | (4,937) | 4,937 | - |
| Total comprehensive income | | - | - | (4,937) | 1,309,654 | 1,304,717 |
| ***Transactions with owners:*** | | | | | | |
| Dividend paid to shareholders | | - | - | - | - | - |
| Amortised cost adjustment on the capitalization bond | | - | - | - | 14,197 | 14,197 |
| Total transactions with owners | | - | - | - | 14,197 | 14,197 |
| **Balance at 31 December 2017** | | 500,020 | 1,798,905 | 230,570 | 5,586,142 | 8,115,637 |

The notes on page 65 to 106 are an integral part of these financial statements.

## Statement of Cash Flows

*for the year ended 31 December 2017*

| | Note | 2017 K'000 | 2016 K'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 1,304,717 | (910,281) |
| | | | |
| Adjustment for: | | | |
| - Depreciation/amortisation | 23, 24 | 34,642 | 29,770 |
| - Dividend income | | (2,563) | (2,343) |
| - (Profit)/Loss on disposal of property, plant and equipment | | (733) | (255) |
| - Impairment effect on other assets | 8 | - | - |
| - Impairment effect on amounts due from closed banks | 8 | (18,441) | (199) |
| - Impairment effect on loans and advances | 8 | (23,525) | - |
| - Effects of exchange-rate changes on cash and cash equivalents | | 326,820 | 6,036,133 |
| - Provisions made during the year | 32 | 177,063 | 83,984 |
| | | 1,797,980 | 5,236,809 |
| | | | |
| **Changes in operating assets and liabilities** | | | |
| Change in items in course of settlement | | 1,058 | 1,034 |
| Change in held for trading financial assets | | (557) | 485,115 |
| Change in loans and advances | | (1,110,025) | (4,061,839) |
| Change in held-to-maturity financial assets | | (22,718) | (19,601) |
| Change in other assets | | (1,236) | (1,763) |
| Change in amounts due from closed banks | | 18,441 | 199 |
| Change in available-for-sale investments | | (2,441) | - |
| Change in IMF funds receivable from Government of the Republic of Zambia | | (365,291) | 464,459 |
| Change in IMF subscription | | 778,790 | (8,217,886) |
| Change in deposits from the Government of the Republic of Zambia | | 1,454,157 | (1,278,927) |
| Change in deposits from financial institutions | | (5,159,160) | 2,094,230 |
| Change in foreign currency liabilities to other institutions | | 144,562 | (116,025) |
| Change in other deposits | | 116,045 | 17,173 |
| Change in other liabilities | | 112,162 | (40,379) |
| Change in domestic currency liabilities to IMF | | (778,790) | 8,217,886 |
| Change in foreign currency liabilities to IMF | | (428,232) | (1,028,492) |
| Change in notes and coins in circulation | | 863,722 | 104,344 |
| Change in SDR allocation | | 422,036 | (911,512) |
| | | (2,159,497) | 944,825 |
| Dividends received | | 2,563 | 2,343 |
| Claims paid/reversed | 32 | (7,155) | - |
| Readjusted fair value on capitalization bond | | 14,197 | 47,753 |
| Dividends paid to shareholders | | - | (4,236,668) |
| **Net cash outflow from operating activities** | | (2,149,892) | (3,241,747) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | 23, 24 | (38,364) | (61,279) |
| Proceeds from sale of property, plant and equipment | | 1,728 | 265 |
| **Net cash used in investing activities** | | (36,636) | (61,014) |
| | | | |
| **Net change in cash and cash equivalents** | | (2,186,528) | (3,302,761) |
| Cash and cash equivalents at the beginning of the year | | 23,292,952 | 32,631,846 |
| Effects of exchange-rate changes on cash and cash equivalents | | (326,820) | (6,036,133) |
| | | | |
| **Cash and cash equivalents at the end of the year** | | 20,779,604 | 23,292,952 |
| | | | |
| Cash and cash equivalents at the end of the year comprises: | | | |
| Domestic cash in hand | | 2,942 | 3,428 |
| Foreign currency cash and bank accounts | | 20,776,662 | 23,289,524 |
| | | | |
| Cash and cash equivalents excluding effects of exchange rate changes | | 20,779,604 | 23,292,952 |

## Notes to the financial statements

*for the year ended 31 December 2017*

**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 5 April 2018.

**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 and revised standards that are effective for annual periods beginning on or after 1 January 2017**

The Bank has not adopted any new standards or amendments that have a significant impact on the Bank's results or financial position.

The standards and amendments that are effective for the first time in 2017 (for entities with a 31 December 2017 year end) and could be applicable to the Bank are:

- Annual Improvements to IFRSs' 2014 - 2016 cycle;
- Classification and measurement of share-based payment transactions (Amendments to IFRS 2)
- ‘Disclosure Initiative' (Amendments to IAS 7)

These amendments do not have a significant impact on amounts recognised in prior periods and will not affect current or future periods.

**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, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Bank's financial statements.

**IFRS 9 'Financial Instruments’**

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Bank's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the Bank's trade receivables and investments in debt-type assets currently classified as Available For Sale (AFS) and Held To Maturity (HTM), unless classified as at fair value through profit or loss in accordance with the new criteria

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**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** *(Continued)*

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Bank makes an irrevocable designation to present them in other comprehensive income.
- if the Bank continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Bank's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

**IFRS 15 'Revenue from Contracts with Customers'**
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 introduces new guidance that will require the Bank to evaluate the separability of multiple elements based on whether they are 'distinct'. A promised good or service is 'distinct' if both:
- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (i.e. the Bank does not provide a significant service integrating, modifying or customising it).

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative stand-alone selling prices.

The Bank is currently in the process of reviewing all its contracts to ascertain how the new requirements will impact the identification of distinct goods or services and the allocation of consideration to them.

The standard allows adoption using either retrospectively in full to each prior reporting period or modified retrospective with application only to contracts that are not complete at the date of initial application.

**IFRS 16 'Leases'**
IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Bank is in the process of:
- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

**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.

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2. Principal accounting policies** *(Continued)*

**d) Interest income and expense** *(Continued)*

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

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability
Interest income and expense presented in the statement of comprehensive income include:
- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

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

**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.

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

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

**i) Financial instruments**

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

**j) Financial assets**

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2. Principal accounting policies** *(Continued)*

**j) Financial assets** *(Continued)*

**(a) Classification**

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

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

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

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

A financial asset is classified as held for trading if:

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

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

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

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

*Held-to-maturity*

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

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

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

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

*Available-for-sale investment*

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

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2. Principal accounting policies** *(Continued)*

**(a) Classification** *(Continued)*

*Loans and receivables*

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

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

**(b) Recognition and measurement**

*Held-to-maturity investments*

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

*(i) Available-for-sale*

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

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

**(c) Derecognition**

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

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

**(d) Impairment of financial assets**

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

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

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2. Principal accounting policies** *(Continued)*

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

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

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

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

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

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

**(k) Financial liabilities**

**(a) Classification**



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

*Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

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

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

The Banks has not classified any financial liabilities as FVTPL.

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

**2. Principal accounting policies** *(Continued)*

**l) 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.

**m) Derecognition of financial liabilities**

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

**n) Determination of fair value**

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

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

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

The Bank does not hold positions with its financial instruments.

**o) Offsetting**

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

**p) 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.

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2. Significant accounting policies** *(Continued)*

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

**(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.

**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:

| | **2017** | 2016 |
|---|---|---|
| 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.

**(iv) 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.

**(v) 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.

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2 Principal accounting policies** *(Continued)*

**q) 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.

**(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.

***r)*** **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.

**s) 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. Membership, with the exception of expatriate employees is compulsory.

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**2 Principal accounting policies** (Continued)

**s) Employee benefits** *(Continued)*

**(ii) Defined benefit plan**

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

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

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

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.

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

## 2. Principal accounting policies *(Continued)*

### t) 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.

### u) 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.

### v) 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.

### w) Currency in circulation

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

### x) 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.

### y) 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.

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

**2. Principal accounting policies** *(Continued)*

**y) Sale and repurchase agreements** *(Continued)*

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 to be 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 Impairment losses on loans and advances**

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

**4. Risk management policies**

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

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

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

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



## 4. Risk management policies *(Continued)*

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

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

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

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

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

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

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

iv) Adequate internal controls. Improved internal control structures and culture emphasizing the highest level of ethical conduct have been implemented to ensure safe and sound practices.

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

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

| **Financial assets** | **Held for trading** | **Held to maturity** | **Loans and receivables** | **Available -for-sale** | **Total** |
|---|---|---|---|---|---|
| **At 31 December 2017** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** |
| Domestic cash in hand | 2,942 | - | - | - | 2,942 |
| Foreign currency cash and bank accounts | 20,776,662 | - | - | - | 20,776,662 |
| Items in course of settlement | - | - | 397 | - | 397 |
| Held-for-trading financial assets | 89,543 | - | - | - | 89,543 |
| Loans and advances | - | - | 7,903,221 | - | 7,903,221 |
| Held to maturity financial assets | - | 2,047,827 | | | 2,047,827 |
| Available-for- sale investments | - | - | - | 29,950 | 29,950 |
| IMF funds recoverable from the Government of the Republic of Zambia | - | - | 3,367,166 | - | 3,367,166 |
| IMF Subscriptions | - | - | 12,533,602 | - | 12,533,602 |
| | 20,869,147 | 2,047,827 | 23,804,386 | 29,950 | 46,751,310 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 4. Risk management policies *(Continued)*

**Financial instruments by category**

| **Financial assets** | **Held for trading** | **Held to maturity** | **Loans and receivables** | **Available -for-sale** | **Total** |
|---|---|---|---|---|---|
| **At 31 December 2016** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** |
| Domestic cash in hand | 3,428 | - | - | - | 3,428 |
| Foreign currency cash and bank accounts | 23,289,524 | - | - | - | 23,289,524 |
| Items in course of settlement | - | - | 1,455 | - | 1,455 |
| Held-for-trading financial assets | 88,986 | - | - | - | 88,986 |
| Loans and advances | - | - | 6,769,971 | - | 6,769,971 |
| Held to maturity financial assets | - | 2,025,109 | | | 2,025,109 |
| Available-for- sale investments | - | - | - | 27,509 | 27,509 |
| IMF funds recoverable from the Government of the Republic of Zambia | - | - | 3,001,875 | - | 3,001,875 |
| IMF Subscriptions | - | - | 13,312,392 | - | 13,312,392 |
| | 23,381,938 | 2,025,109 | 23,085,693 | 27,509 | 48,520,249 |

| **Financial liabilities** | **Financial liabilities at amortised cost** |
|---|---|
| | **K'000** |
| **At 31 December 2017** | |
| Deposits from the Government of the Republic of Zambia | 3,070,560 |
| Deposits from financial institutions | 6,582,976 |
| Foreign currency liabilities to other institutions | 184,423 |
| Other deposits | 167,902 |
| Notes and coins in circulation | 7,417,862 |
| Other liabilities | 291,457 |
| Domestic currency liabilities to the IMF | 12,533,602 |
| Foreign currency liabilities to the IMF | 1,365,718 |
| SDR allocation | 6,655,654 |
| | 38,270,154 |

| **Financial liabilities** | **Financial liabilities at amortised cost** |
|---|---|
| | **K'000** |
| **At 31 December 2016** | |
| Deposits from the Government of the Republic of Zambia | 1,616,403 |
| Deposits from financial institutions | 11,742,136 |
| Foreign currency liabilities to other institutions | 39,861 |
| Other deposits | 51,857 |
| Other liabilities | 6,554,140 |
| Domestic currency liabilities to the IMF | 179,295 |
| Foreign currency liabilities to the IMF | 13,312,392 |
| Notes and coins in circulation | 1,793,950 |
| SDR allocation | 6,233,918 |
| | 41,523,952 |

### (b) 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.

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

**4. Risk management policies** (Continued)

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

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

| Counterparty | Rating agency | | | BoZ Minimum Acceptable Rating |
|---|---|---|---|---|
| | Moody's | S&P | Fitch | |
| Federal Reserve Bank | Aaa | AA+u | AAA | A- |
| Citi Bank New York | A1 | A+ | A+ | A- |
| Bank of New York Mellon (BNY) | A1 | A | AA- | A- |
| Deutsche Bundesbank | Aaa | AAAu | AAA | A- |
| Bank of England (BOE) | Aa2 | AAu | AA | A- |
| South African Reserve Bank | Baa3 | BB | BB+ | A- |
| Bank of Mauritius | Baa1 | N/A | N/A | A- |
| World Bank | Aaa | AA+u | AAA | A- |
| Bank for International Settlement | Aaa | AAAu | AAA | A- |

**Exposure to credit risk**

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

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 *(Continued)*
*for the year ended 31 December 2017*

### 4 Risk management policies *(Continued)*

**(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.

| Financial Asset | Ratings - 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | A1 | Aa1 | Baa1 | Baa2 | Total |
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| Cash balances | 3,258,456 | 141,556 | 12,962 | 2,985 | 249 | 3,416,208 |
| Deposits | 10,665,867 | - | - | - | - | 10,665,867 |
| Securities | 3,601,009 | - | - | - | - | 3,601,009 |
| Special drawing rights | 3,093,578 | - | - | - | - | 3,093,578 |
| Total | 20,618,910 | 141,556 | 12,962 | 2,985 | 249 | 20,776,662 |

| Financial Asset | Ratings - 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | A1 | Aa1 | Baa1 | Baa2 | Total |
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| Cash balances | 3,027,755 | 11,183 | 28,638 | 2,937 | 6 | 3,070,519 |
| Deposits | 13,151,370 | - | - | - | - | 13,151,370 |
| Securities | 3,529,723 | - | - | - | - | 3,529,723 |
| Special drawing rights | 3,537,912 | - | - | - | - | 3,537,912 |
| Total | 23,246,760 | 11,183 | 28,638 | 2,937 | 6 | 23,289,524 |



**(iii) Staff loans and advances**

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

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

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

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

| Loans and advances (Note 15) | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Against neither past due nor impaired | | |
| - Property | 11,502 | 10,789 |
| - Gratuity and leave days | 46,795 | 43,945 |
| - Motor vehicles | 19,896 | 16,667 |
| | 78,193 | 71,401 |

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.



4 **Risk management policies** *(Continued)*

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

**Exposure to credit risk** *(Continued)*

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

| **Loans and advances (Note 15)** | **2017 K'000** | **2016 K'000** |
|---|---|---|
| Carrying amount | | |
| - Staff loans | 89,608 | 87,882 |
| - Staff advances | 1,545 | 1,831 |
| | 91,153 | 89,713 |
| Concentration by nature | | |
| - House loans | 11,502 | 10,789 |
| - Multi-purpose loans | 50,703 | 53,583 |
| - Motor vehicle loans | 19,896 | 16,677 |
| - Other advances | 1,545 | 4,386 |
| - Personal loans | 5,084 | 4,278 |
| - Other | 2,423 | - |
| | 91,153 | 89,713 |

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

Government has a rating of B stable from S & P and advances to them are considered low risk. Advances extended to commercial banks were fully collaterised. As at 31 December 2016. None of these amounts were impaired.

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

**(v) Impaired loans and investment debt securities**

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

As shown in Note 19 amounts due from closed banks of K105.7 million (2016: K124.4 million) were also fully provided for. No collateral was held against these assets.

**(vi) Allowances for impairment**

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

**(vii) Write-off policy**

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

4. **Risk management policies** *(Continued)*

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

**Exposure to credit risk** *(Continued)*

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.

**Concentration of risks of financial assets with credit risk exposure**

| 31 December 2017 | Financial Institutions K'000 | Government K'000 | Individuals K'000 | Others K'000 | Total K'000 |
|---|---|---|---|---|---|
| Foreign currency cash and bank accounts | 20,776,662 | - | - | - | 20,776,662 |
| Items in course of settlement | 397 | - | - | - | 397 |
| Held-for-trading financial assets | 89,543 | - | - | - | 89,543 |
| Loans and advances | 115,830 | 7,696,238 | 91,153 | - | 7,903,221 |
| Held-to-maturity financial assets | - | 2,047,827 | - | - | 2,047,827 |
| Available-for-sale investments | 27,950 | - | - | - | 27,950 |
| IMF funds recoverable from Government of the Republic of Zambia | - | 3,367,166 | - | - | 3,367,166 |
| IMF subscriptions | 12,533,602 | - | - | - | 12,533,602 |
| | 33,543,984 | 13,111,231 | 91,153 | - | 46,746,368 |

| **31 December 2016** | **Financial Institutions K'000** | **Government K'000** | **Individuals K'000** | **Others K'000** | **Total K'000** |
|---|---|---|---|---|---|
| Foreign currency cash and bank accounts | 23,289,524 | - | - | - | 23,289,524 |
| Items in course of settlement | 1,455 | - | - | - | 1,455 |
| Held-for-trading financial assets | 88,986 | - | | | 88,986 |
| Loans and advances | 161,306 | 6,518,653 | 89,712 | - | 6,769,671 |
| Held-to-maturity financial assets | - | 2,025,109 | - | - | 2,025,109 |
| Available-for-sale investments | 27,509 | - | - | - | 27,509 |
| IMF funds recoverable from Government of the Republic of Zambia | - | 3,001,875 | - | - | 3,001,875 |
| IMF subscriptions | 13,312,392 | - | - | - | 13,312,392 |
| **Total** | 36,881,172 | 11,545,637 | 89,712 | - | 48,516,521 |

**(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.



## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

**4. Risk management policies** *(Continued)*

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

**(c) Liquidity risk** *(Continued)*

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2017.

| | 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 2017** | | | | | | |
| Non-derivative liabilities | | | | | | |
| Deposits from the GRZ | 3,070,560 | - | - | - | - | 3,070,560 |
| Deposits from financial institutions | 6,582,976 | - | - | - | - | 6,582,976 |
| Foreign currency liabilities to other institutions | 184,423 | - | - | - | - | 184,423 |
| Other deposits | 167,902 | - | - | - | - | 167,902 |
| Notes and coins in circulation | 7,417,862 | - | - | - | - | 7,417,862 |
| Other liabilities | | - | 291,457 | - | - | 291,457 |
| Domestic currency liabilities to IMF | 12,533,602 | - | - | - | - | 12,533,602 |
| Foreign currency liabilities to IMF | 1,365,718 | - | - | - | - | 1,365,718 |
| SDR allocation | - | - | - | - | - | - |
| **Total non-derivative liabilities** | 31,323,043 | - | 291,457 | - | - | 31,614,500 |
| **Assets held for managing liquidity risk** | | | | | | |
| Domestic cash in hand | 2,942 | - | - | - | - | 2,942 |
| Foreign currency cash and bank accounts | 16,897,626 | 5,531 | 3,928,371 | - | - | 20,831,528 |
| Held-for-trading financial assets | - | 98,497 | - | - | - | 98,497 |
| Held-to-maturity financial assets | - | - | 44,750 | 2,207,860 | - | 2,252,610 |
| Loans and advances | 206,683 | 8,465,862 | - | - | - | 8,672,545 |
| IMF funds recoverable from the Government of the Republic of Zambia | 3,367,166 | - | - | - | - | 3,367,166 |
| IMF Subscription | 12,533,602 | - | - | - | - | 12,533,602 |
| Total assets held for managing liquidity risk | 33,008,019 | 8,569,890 | 3,973,121 | 2,207,860 | - | 47,758,890 |
| **Net exposure** | 1,684,976 | 8,569,890 | 3,681,664 | 2,207,860 | - | 16,144,390 |



## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

4. **Risk management policies** *(Continued)*

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

**(c) Liquidity risk** *(Continued)*

| **31 December 2016** | **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** |
|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | | |
| Deposits from the GRZ | 1,616,403 | - | - | - | - | 1,616,403 |
| Deposits from financial institutions | 11,742,136 | - | - | - | - | 11,742,136 |
| Foreign currency liabilities to other institutions | 39,861 | - | - | - | - | 39,861 |
| Other deposits | 51,857 | - | - | - | - | 51,857 |
| Notes and coins in circulation | 6,554,140 | - | - | - | - | 6,554,140 |
| Other liabilities | | - | 179,295 | - | - | 179,295 |
| Domestic currency liabilities to IMF | 13,312,392 | - | - | - | - | 13,312,392 |
| Foreign currency liabilities to IMF | - | - | 1,793,950 | - | - | 1,793,950 |
| SDR allocation | - | - | - | - | 6,233,618 | 6,233,618 |
| Total non-derivative liabilities | 33,316,789 | - | 1,973,245 | - | 6,233,618 | 41,523,652 |
| **Assets held for managing liquidity risk** | | | | | | |
| Domestic cash in hand | 3,428 | - | - | - | - | 3,428 |
| Foreign currency cash and bank accounts | 22,928,802 | 5,453 | 4,081,590 | - | - | 27,015,845 |
| Held-for-trading financial assets | - | - | 24,920 | 2,320,221 | - | 2,345,141 |
| Held-to-maturity financial assets | - | 103,224 | - | - | - | 103,224 |
| Loans and advances | 291,181 | 7,301,637 | 130,000 | 130,000 | - | 7,852,818 |
| IMF funds recoverable from the Government of the Republic of Zambia | 3,001,875 | - | - | - | - | 3,001,875 |
| IMF Subscription | 13,312,392 | - | - | - | - | 13,312,392 |
| Total assets held for managing liquidity risk | 39,537,678 | 7,410,314 | 4,236,510 | 2,450,221 | - | 53,634,723 |
| Net exposure | 6,220,889 | 7,410,314 | 2,263,265 | 2,450,221 | (6,233,618) | 12,111,071 |

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 *managed* through the Investment Committee. The major thrust of the strategy has been to achieve a sufficiently diversified portfolio of foreign currency investments to reduce currency risk and induce adequate returns.

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

4. **Risk management policies** *(Continued)*

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

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure expressed in Kwacha as at 31 December 2017 was as shown in the table below:

| **At 31 December 2017** | **USD** | **GBP** | **EUR** | **SDR** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| Foreign currency assets | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **Kwacha** |
| Foreign currency cash and bank accounts | 15,256,136 | 792,293 | 1,586 | 3,093,578 | 1,633,069 | 20,776,662 |
| IMF Subscriptions | - | - | - | 12,533,602 | - | 12,533,602 |
| **Total foreign currency assets** | 15,256,136 | 792,293 | 1,586 | 15,627,180 | 1,633,069 | 33,310,264 |
| Foreign currency liabilities | | | | | | |
| Foreign currency liabilities to other institutions | 145,526 | 3,8897 | - | - | - | 185,408 |
| Foreign currency liabilities to IMF | - | - | - | 1,365,718 | - | 1,365,718 |
| SDR allocation | - | - | - | 6,655,653 | - | 6,655,654 |
| Total foreign currency liabilities | 145,526 | 38,897 | - | 8,021,371 | - | 8,205,795 |
| Net exposure | 15,110,610 | 753,396 | 1,586 | 7,605,809 | 1,633,069 | 25,104,469 |

| **At 31 December 2016** | **USD** | **GBP** | **EUR** | **SDR** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** |
| **Foreign currency assets** | | | | | | |
| Foreign currency cash and bank accounts | 17,000,156 | 1,259,049 | 816 | 3,537,912 | 1,491,591 | 23,289,524 |
| IMF Subscriptions | - | - | - | 13,312,392 | - | 13,312,392 |
| Total foreign currency assets | 17,000,156 | 1,259,049 | 816 | 16,850,304 | 1,491,591 | 36,601,916 |
| **Foreign currency liabilities** | | | | | | |
| Foreign currency liabilities to other institutions | 15,513 | 24,348 | - | - | - | 39,861 |
| Foreign currency liabilities to IMF | - | - | - | 1,793,950 | - | 1,793,950 |
| SDR allocation | - | - | - | 6,233,618 | - | 6,233,618 |
| Total foreign currency liabilities | 15,513 | 24,348 | - | 8,027,568 | - | 8,067,429 |
| Net exposure | 16,984,643 | 1,234,701 | 816 | 8,822,736 | 1,491,591 | 28,534,487 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

4. **Risk management policies** *(Continued)*

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

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

| | Spot rate | |
|---|---|---|
| | **2017 K'000** | **2016 K'000** |
| SDR 1 | 14.19 | 13.29 |
| GBP 1 | 13.42 | 12.15 |
| EUR 1 | 11.92 | 10.36 |
| USD 1 | 9.99 | 9.92 |

**Foreign currency sensitivity**

The following table illustrates the impact of a 12% (2016: 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 2017** | | |
| SDR | (912,697) | (912,697) |
| USD | (1,813,273) | (1,813,273) |
| EUR | (190) | (190) |
| GBP | (90,408) | (90,408) |
| 31 December 2016 | | |
| SDR | (1,058,728) | (1,058,728) |
| USD | (2,038,157) | (2,038,157) |
| EUR | (97) | (97) |
| GBP | (148,164) | (148,164) |

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

**(f) Exposure to interest rate risk**

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

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors approves levels of borrowing and lending that are appropriate for the Bank to meet its objective of maintaining price stability at reasonable cost. The Bank benchmarks its overall foreign exchange portfolio duration against BofA Merrill Lynch 0 – 3 Year U.S Treasury Index. The portfolio duration closed the month of December 2017 at 1.35 years against the benchmark of 1.36 years. This implies that had interest rates changed by 100 basis points, the portfolio was expected to change by 1.35% while the benchmark would change by 1.36%.

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.

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

**4. Risk management policies** *(Continued)*

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

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

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

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.

| At 31 December 2017 | 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 | - | - | - | 2,942 | 2,942 |
| Foreign currency cash and bank accounts | 20,771,760 | - | - | 4,902 | 20,776,662 |
| Items in course of settlement | - | - | - | 397 | 397 |
| Loans and advances | - | 89,608 | 7,812,068 | 1,545 | 7,903,221 |
| Held-to-maturity financial assets | - | - | 2,047,827 | - | 2,047,827 |
| Available-for-sale investments | - | - | 26,400 | 3,550 | 29,950 |
| IMF funds receivable from Government | - | - | - | 3,367,166 | 3,367,166 |
| IMF Subscriptions | - | - | - | 12,533,602 | 12,533,602 |
| **Total financial assets** | 20,771,760 | 89,608 | 9,886,295 | 15,914,104 | 46,661,767 |
| **Liabilities** | | | | | |
| Deposits from the GRZ | - | - | - | 3,070,560 | 3,070,560 |
| Deposits from financial institutions | - | - | - | 6,582,976 | 6,582,976 |
| Foreign currency liabilities to other institutions | - | - | - | 184,423 | 184,423 |
| Other deposits | 167,902 | - | - | - | 167,902 |
| Notes and coins in circulation | - | - | - | 7,417,862 | 7,417,862 |
| Other liabilities | - | - | - | 291,457 | 291,457 |
| Domestic currency liabilities to IMF | - | - | - | 12,533,602 | 12,533,602 |
| Foreign currency liabilities to IMF | - | - | - | 1,365,718 | 1,365,718 |
| SDR allocation | - | - | - | - | - |
| **Total financial liabilities** | 167,902 | - | - | 31,446,598 | 31,614,500 |
| **Net exposure at 31 December 2017** | 20,603,858 | 89,608 | 9,886,295 | (15,532,494) | 15,047,267 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 4. Risk management policies *(Continued)*

#### *(f)* Exposure to interest rate risk *(Continued)*

| At 31 December 2016 | 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 | - | - | - | 3,428 | 3,428 |
| Foreign currency cash and bank accounts | 23,284,941 | - | - | 4,583 | 23,289,524 |
| Items in course of settlement | 1,455 | - | - | - | 1,455 |
| Held-for-trading financial assets | 88,986 | - | - | - | 88,986 |
| Loans and advances | 161,306 | 87,882 | 6,181,605 | 338,878 | 6,769,671 |
| Held-to-maturity financial assets | - | 664,833 | 1,360,276 | - | 2,025,109 |
| Available-for-sale investments | - | - | 23,959 | 3,550 | 27,509 |
| IMF funds receivable from Government | - | - | - | 3,001,875 | 3,001,875 |
| IMF Subscriptions | - | - | - | 13,312,392 | 13,312,392 |
| **Total financial assets** | 23,536,688 | 752,715 | 7,565,840 | 16,664,706 | 48,519,949 |
| **Liabilities** | | | | | |
| Deposits from the GRZ | - | - | - | 1,616,403 | 1,616,403 |
| Deposits from financial institutions | - | - | - | 11,742,136 | 11,742,136 |
| Foreign currency liabilities to other institutions | - | - | - | 39,861 | 39,861 |
| Other deposits | 51,857 | - | - | - | 51,857 |
| Notes and coins in circulation | - | - | - | 6,554,140 | 6,554,140 |
| Other liabilities | - | - | - | 179,295 | 179,295 |
| Domestic currency liabilities to IMF | - | - | - | 13,312,392 | 13,312,392 |
| Foreign currency liabilities to IMF | - | - | - | 1,793,920 | 1,793,920 |
| SDR allocation | - | - | - | 6,233,618 | 6,233,618 |
| **Total financial liabilities** | 51,857 | - | - | 41,471,765 | 41,523,622 |
| **Net exposure at 31 December 2016** | 23,484,831 | 752,715 | 7,565,840 | (24,807,059) | 6,996,327 |

#### (g) Fair values

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

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

### 4. Risk management policies *(Continued)*

#### (g) Fair values *(Continued)*

| | Carrying amount 2017 K'000 | Fair value 2017 K'000 | Carrying Amount 2016 K'000 | Fair value 2016 K'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Domestic cash in hand | 2,942 | 2942 | 3,428 | 3,428 |
| Foreign currency cash and bank accounts | 20,776,662 | 20,776,662 | 23,289,524 | 23,289,524 |
| Items in course of settlement | 397 | 397 | 1,455 | 1,455 |
| Held-for-trading financial assets | 89,543 | 89,543 | 88,986 | 88,986 |
| Loans and advances | 7,903,221 | 7,903,221 | 6,769,671 | 6,769,671 |
| Held-to-maturity financial assets | 2,047,827 | 2,047,827 | 2,025,109 | 2,025,109 |
| Available-for-sale investments | 29,950 | 29,950 | 27,509 | 27,509 |
| IMF funds receivable from GRZ | 3,367,166 | 3,367,166 | 3,001,875 | 3,001,875 |
| IMF Subscriptions | 12,533,602 | 12,533,602 | 13,312,392 | 13,312,392 |
| **Total financial assets** | 46,751,310 | 46,751,310 | 48,519,949 | 48,519,949 |
| **Liabilities** | | | | |
| Deposits from the GRZ | 3,070,560 | 3,070,560 | 1,616,403 | 1,616,403 |
| Deposits from financial institutions | 6,582,976 | 6,582,976 | 11,742,136 | 11,742,136 |
| Foreign currency liabilities to other institutions | 184,423 | 184,423 | 39,861 | 39,861 |
| Other deposits | 167,902 | 167,902 | 51,857 | 51,857 |
| Notes and coins in circulation | 7,417,862 | 7,417,862 | 6,554,140 | 6,554,140 |
| Other liabilities | 291,457 | 291,457 | 179,295 | 179,295 |
| Domestic currency liabilities to IMF | 12,533,602 | 12,533,602 | 13,312,392 | 13,312,392 |
| Foreign currency liabilities to IMF | 1,365,718 | 1,365,718 | 1,793,950 | 1,793,950 |
| SDR allocation | 6,655,654 | 6,655,654 | 6,233,618 | 6,233,618 |
| **Total financial liabilities** | 38,270,154 | 38,270,154 | 41,523,652 | 41,523,652 |

**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.

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.

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 4. Risk management policies *(Continued)*

**(g) Fair values** *(Continued)*
**Fair value hierarchy** *(Continued)*

| 31 December 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Held for trading financial assets | - | 89,543 | - | 89,543 |
| Available-for-sale financial instruments | - | - | 29,950 | 29,950 |
| | - | 89,543 | 29,950 | 119,493 |
| **31 December 2016** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Held for trading financial assets | - | 88,986 | - | 88,986 |
| Available-for-sale financial instruments | - | - | 27,509 | 27,509 |
| | - | 88,986 | 27,509 | 116,495 |

At 31 December 2017, the Bank did not have financial liabilities measured at fair value (2016: nil).

**(h) Management of capital**

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

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

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

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

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

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

| Capital | Notes | 2017 K'000 | 2016 K'000 |
|---|---|---|---|
| Retained earnings | 37 | 500,020 | 500,020 |
| General reserve fund | 38 | 5,586,142 | 4,262,292 |
| Property revaluation reserve | 38 | 1,798,905 | 1,798,905 |
| Total | 38 | 230,570 | 235,507 |
| | | 8,115,637 | 6,796,724 |

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 *(Continued)*
*for the year ended 31 December 2017*

### 5. Interest income

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Interest on loans and receivables | 1,283,752 | 823,724 |
| Interest on held-to-maturity Government securities | 267,695 | 263,796 |
| Interest on foreign currency investments and deposits | 201,716 | 121,715 |
| **Total interest income** | 1,753,163 | 1,209,235 |

**Interest expense**

| | 2017 K'000 | 2016 K000 |
|---|---|---|
| Interest arising on open market operations | 112,572 | 45,279 |
| Interest arising on staff savings | 4,027 | 5,424 |
| **Total interest expense** | 116,599 | 50,703 |

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

### 6. Fee and commission income

| | 2017 K'000 | 2016 K000 |
|---|---|---|
| Fees and commission income on transactions with the GRZ | 96,694 | 108,064 |
| Supervision fees | 93,192 | 86,712 |
| Licences and registration fees | 9,505 | 8,357 |
| Penalties | 2,665 | 13,493 |
| Other | 1,172 | 1,156 |
| Fees and commission income | 203,228 | 217,782 |
| **Fee and commission expense** | | |
| Arising on foreign exchange transactions | 3,828 | 3,006 |

### 7. Other gains and losses

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Net realised foreign exchange gains | 494,970 | 4,181,822 |
| Other income | 20,291 | 819 |
| Dividend on available-for-sale investments | 2,563 | 2,343 |
| Rental income | 1,707 | 1,568 |
| Gain on disposal of property, plant and equipment | 1,051 | 265 |
| Net unrealised foreign exchange gains/(losses) | (326,820) | (6,036,134) |
| | 193,762 | (1,849,317) |

The sharp fall in respect of net realised foreign exchange gains recorded during the year compared to 2016 was mainly on account of reduced margins after depletion of stock bought at favourable exchange rates. The modest net unrealised losses compared to 2016, on the other hand, arose after a stable performance of the Kwacha against major foreign currencies during the year. The Kwacha depreciated marginally by about 0.81% from K9.91 per US dollars as at 31st December 2016 to close at K9.99 on 31st December 2017.



## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 8. Impairment of financial assets

| | **Amounts** due from closed banks **(Note 19)** **K'000** | Other assets **(Note 18)** **K'000** | Loans and advances **(Note 15)** **K'000** | Total **K'000** |
|---|---|---|---|---|
| At 1 January 2016 | 124,357 | 910 | 23,525 | 148,792 |
| Impairment loss for the year | | | | |
| - Charge for the year | - | - | - | - |
| - Reversal during the year | (199) | - | - | (199) |
| Balance at 31 December 2016 | 124,158 | 910 | 23,525 | 148,593 |
| At 1 January 2017 | 124,158 | 910 | 23,525 | 148,593 |
| Impairment loss for the year | | | | |
| - Charge for the year | - | - | - | - |
| - Reversal during the year | (18,441) | - | (23,525) | (41,966) |
| Balance at 31 December 2017 | 105,717 | 910 | - | 106,627 |

### 9. Employee benefits

| | **2017** **K'000** | **2016** **K'000** |
|---|---|---|
| Wages and salaries | 205,818 | 188,138 |
| Other employee costs | 183,077 | 167,135 |
| Employer's pension contributions | 16,782 | 17,022 |
| Employer's NAPSA contributions | 5,589 | 6,052 |
| Staff loan benefit (Note 15) | (2,559) | 2,386 |
| | 408,707 | 380,733 |

### 10. Operating expenses

| | **2017** **K'000** | **2016** **K'000** |
|---|---|---|
| Administrative expenses | 312,512 | 169,034 |
| Expenses for bank note production | 21,927 | 55,676 |
| Repairs and maintenance | 21,370 | 21,954 |
| Sundry banking office expenses | 2 | 47 |
| | 355,811 | 246,711 |

### 11. Income tax

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 12. Foreign currency cash and bank accounts

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Deposits with non-resident banks | 10,664,778 | 13,149,585 |
| Current account balances with non-resident banks | 3,871,147 | 3,515,675 |
| Clearing correspondent accounts with other central banks | 3,142,257 | 3,081,651 |
| Special Drawing Rights (“SDRs”) | 3,093,578 | 3,537,912 |
| Foreign currency cash with banking office | 4,902 | 4,701 |
| | 20,776,662 | 23,289,524 |

### 13. Items in course of settlement

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

### 14. Held-for-trading financial assets

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

### 15. Loans and advances

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Staff loans | 79,434 | 75,149 |
| Staff loans benefit at market value | 10,174 | 12,733 |
| Total staff loans | 89,608 | 87,882 |
| Budgetary advances to the Government | 7,474,994 | 6,205,130 |
| Capitalisation bond | 221,244 | 337,047 |
| Credit to banks | 115,830 | 161,306 |
| Staff advances | 1,545 | 1,831 |
| | 7,903,221 | 6,793,196 |
| Specific allowances for impairment (Note 8) | - | (23,525) |
| Total loans and advances | 7,903,221 | 6,769,671 |

**a) Staff loans**
**Movement in staff loans benefit**

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Balance at 1 January | 12,733 | 10,347 |
| Current year fair value adjustment of new loans | (5,118) | 4,772 |
| | 7,615 | 15,119 |
| Amortised to statement of comprehensive income (Note 9) | 2,559 | (2,386) |
| Balance at 31 December | 10,174 | 12,733 |

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

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



## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 15. Loans and advances *(Continued)*

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

| | 2017 K'000 | 2016 K'000 |
|---|---:|---:|
| House loans | 10% | 10% |
| Personal loans | 10% | 10% |
| Multi-purpose loans | 12.5% | 12.5% |

**b) Recapitalisation bond**

The capitalisation bond of K221.2 million represents a series of equity bonds authorised by the GRZ for the purpose of financing the outstanding called up capital of the Bank. Details are as illustrated below:

| | 2017 K'000 | 2016 K'000 |
|---|---:|---:|
| Total Capitalisation bond | 260,000 | 390,000 |
| Amortised cost adjustment | (52,953) | (100,706) |
| | 207,047 | 289,294 |
| Unwinding of fair value adjustment | 14,197 | 47,753 |
| Capitalisation bond after adjustments | 221,244 | 337,047 |

As a way of financing the outstanding called up capital of **K490.0 million** in Bank of Zambia, GRZ agreed to issue a series of bonds in accordance with terms and conditions as stated below:

The series of bonds were designated as "GRZ Equity injection bonds, Series 2013A", and were authorised by the Public Finance Act in the aggregate sum **of K490.0 million** for the purpose of financing the outstanding called up authorised capital of the Bank and for paying costs related to the issuance of the Series 2013A bonds.

In January 2015, the 2013A bonds dates of delivery were revised by the issuer as per table below with a resulting impact of a fair value adjustment of K50.9 million.

| Order | 2013A serial bonds | Principal amount due | Old maturity date | New maturity date |
|---|---:|---:|---:|---:|
| 1 | 2015 | 100,000 | 30 June 2014 | 16 January 2015 |
| 2 | 2016 | 130,000 | 30 June 2015 | 31 January 2017 |
| 3 | 2017 | 130,000 | 30 June 2016 | 30 June 2018 |
| 4 | 2018 | 130,000 | 30 June 2017 | 30 June 2019 |

The first instalment was paid on 16 January 2015 while the second was settled on 31 January 2017. The remaining two instalments are awaited as scheduled.

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

### 16. Held-to-maturity financial assets

| | 2017 K'000 | 2016 K'000 |
|---|---:|---:|
| GRZ consolidated securities (Note 17) | 1,791,618 | 1,797,186 |
| Other GRZ securities | 215,527 | 203,003 |
| Staff savings treasury bills | 40,682 | 24,920 |
| | 2,047,827 | 2,025,109 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 17. The GRZ consolidated securities

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| 6% GRZ consolidated bond | 1,154,597 | 1,154,273 |
| 364 days Treasury Bills | 637,021 | 642,913 |
| | 1,791,618 | 1,797,186 |

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

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

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

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

The Treasury Bills are measured at amortised cost at an effective interest rate of 12.58%. The Treasury Bills are renewable in the short term and the rolled over values will reflect fair values. However, where objective evidence of impairment exists, a measurement of the impairment loss will be determined and recorded in profit or loss.

### 18. Other Assets

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Prepayments | 10,269 | 10,330 |
| Sundry receivables | 6,034 | 5,516 |
| Stationery and office consumables | 2,490 | 1,711 |
| | 18,793 | 17,557 |
| Specific allowances for impairment (Note 8) | (910) | (910) |
| | 17,883 | 16,647 |

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

### 19. Amounts due from closed banks

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Advances | 105,717 | 124,158 |
| Specific allowances for impairment (Note 8) | (105,717) | (124,158) |
| | - | - |

### 20. Available-for-sale investments

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Zambia Electronic Clearing House Limited | 3,550 | 3,550 |
| African Export Import Bank | 26,400 | 23,959 |
| | 29,950 | 27,509 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**20. Available –for-sale investments** *(Continued)*

**Zambia Electronic Clearing House Limited**

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution of K3.550 million, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered to be an available-for-sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of K0.032 million (2016: K0.034 million) are included in administrative expenses.

**Africa Export Import Bank**

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

The investment in AEIB includes dividend equivalent to K2.441 million received in 2017, which was converted into equity. This was in line with AEIB's call for equity increase to strengthen its capital and enable improved pursuance of its mandate.

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---:|---:|
| Poverty Reduction and Growth Facility (PRGF)* | 3,346,413 | 2,998,514 |
| Accrued charges - SDR Allocation | 20,753 | 3,361 |
| | 3,367,166 | 3,001,875 |

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.



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

This represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 34).

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

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

**22. IMF subscriptions**

The IMF subscription represents membership quota amounting to SDR 489,100,000 (2016: SDR 489,100,000) assigned to the GRZ by the IMF and forms the basis for the GRZ's financial and organisational relationship with the IMF. The financial liability relating to the IMF subscription is reflected under Note 34. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability have the same value.

The movement on IMF subscription is on account of currency valuation adjustments between 2017 and 2016. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.



## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 23. Property, plant and equipment

| | Leasehold buildings K'000 | Furniture, Fittings, computer, 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 January 2016** | 269,378 | 149,750 | 39,093 | 68,912 | 527,133 |
| Additions | 320 | 3,742 | 3,094 | 54,123 | 61,279 |
| Transfers | 2,360 | 62,045 | - | (64,405) | - |
| Disposals | - | - | - | - | - |
| **31 December 2016** | 272,058 | 215,537 | 42,187 | 58,630 | 588,412 |
| Additions | - | 11,518 | 6,534 | 20,312 | 38,364 |
| Transfers | 11,567 | 5,049 | 2,370 | (19,879) | (893) |
| Disposals | (319) | (4,922) | (3,336) | - | (8,577) |
| **31 December 2017** | 283,306 | 227,182 | 47,755 | 59,063 | 617,306 |
| **Accumulated depreciation** | | | | | |
| **At 1 January 2016** | 11,197 | 87,700 | 21,948 | - | 120,845 |
| Charge for the year | 5,406 | 11,605 | 5,681 | - | 22,692 |
| Disposals | - | - | - | - | - |
| **At 31 December 2016** | 16,603 | 99,305 | 27,629 | - | 143,537 |
| Charge for the year | 5,519 | 19,810 | 4,787 | | 30,116 |
| Disposals | - | (4,756) | (2,825) | - | (7,581) |
| **At 31 December 2017** | 22,122 | 114,359 | 29,591 | - | 166,072 |
| Carrying amounts | | | | | |
| **At 31 December 2017** | 261,184 | 112,823 | 18,164 | 59,063 | 451,234 |
| **At 31 December 2016** | 255,455 | 116,232 | 14,558 | 58,630 | 444,875 |

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

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair values were based on the market comparable approach that reflects recent transaction prices for similar properties. The valuation techniques are consistent with those applied in the past. The carrying amount of the revalued properties if carried under cost model would be **ZMW139.6 million** (2016: ZMW144.8 million)

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 24. Intangible assets

| | Purchased Software K'000 |
|---|---|
| **Cost** | |
| **At 1 January 2016** | 52,751 |
| Disposals | (10) |
| At 31 December 2016 | 52,741 |
| **At 1 January 2017** | 52,741 |
| Additions | - |
| Transfer from work-in-progress (Note 23) | 893 |
| **At 31 December 2017** | 53,634 |
| **Amortisation and impairment** | |
| **At 1 January 2016** | 40,333 |
| Amortisation charge for the year | 7,078 |
| At 31 December 2016 | 47,411 |
| Amortisation charge for the year | 4,526 |
| **At 31 December 2017** | 51,937 |
| **Carrying amounts** | |
| **At 31 December 2017** | 1,697 |
| At 31 December 2016 | 5,330 |

### 25. Capital expenditure commitments

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Authorised by the directors and contracted for | 118,111 | 105,489 |

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

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Statutory minimum reserve requirements | 4,809,583 | 9,023,254 |
| Commercial bank current accounts | 1,372,020 | 2,717,522 |
| Term deposits from financial institutions | 400,978 | 965 |
| Deposits from other international financial institutions | 361 | 361 |
| Deposits from other central banks | 34 | 34 |
| | 6,582,976 | 11,742,136 |

The deposits except for term deposits are non-interest bearing and are payable on demand. Term deposits from financial institutions arise from open market operations (OMO). These are short term instruments with maximum maturity of up to 90 days and are used as a means of implementing monetary policy. The instruments bear interest at rates fixed in advance for periods up to maturity. No collateral was provided against any deposits at 31 December 2017.

## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

### 28. Foreign currency liabilities to other institutions

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

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Donor funds | 184,423 | 39,861 |

### 29. Other deposits

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

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Staff savings, deposits and clearing accounts | 167,902 | 51,857 |

### 30. Notes and coins in circulation

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Bank notes issued by denomination | | |
| K100 | 5,067,826 | 4,263,092 |
| K50 | 1,542,082 | 1,416,960 |
| K20 | 292,698 | 336,886 |
| K10 | 114,709 | 151,086 |
| K5 | 89,100 | 84,174 |
| K2 | 28,172 | 40,206 |
| Unrebased notes | 102,297 | 102,395 |
| Bank notes issued | 7,236,884 | 6,394,799 |
| Coins issued | 180,978 | 159,341 |
| | 7,417,862 | 6,554,140 |

### 31. Other liabilities

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Accounts payable | 151,942 | 149,749 |
| Accrued expenses payable | 139,515 | 29,546 |
| | 291,457 | 179,295 |

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

### 32. Provisions

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Balance at 1 January | 666,425 | 582,441 |
| Provisions made during the year | 177,063 | 83,984 |
| Payments made during the year | (7,155) | - |
| **Balance at 31 December** | 836,333 | 666,425 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**32. Provisions** *(Continued)*

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

**33. Domestic currency liabilities to IMF**

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| International Monetary Fund: | | |
| Securities account | 12,500,069 | 13,278,844 |
| No. 1 account | 33,281 | 33,281 |
| No. 2 account | 252 | 267 |
| | 12,533,602 | 13,312,392 |

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 2017 and 2016, as advised by the IMF.

**34. Foreign currency liabilities to IMF**

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Due to the International Monetary Fund: | | |
| - Poverty Reduction and Growth Facility (PRGF) (a) | 1,344,965 | 1,790,589 |
| - Charges on SDR allocation (b) | 20,753 | 3,361 |
| | 1,365,718 | 1,793,950 |

**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 and exchange rate movements during the year.

**b)** The charges on the SDR allocation are levied by the IMF and repaid quarterly with full recovery from the Government of the Republic of Zambia.

**35. Employee benefits**

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

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Fair value of plan assets | 477,700 | 470,881 |
| Present value of defined benefit obligations | (440,520) | (276,648) |
| Impact of asset ceiling | (37,180) | (194,233) |
| Recognised asset for defined benefit obligations | - | - |

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

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| Net asset at 1 January | | - |
| Remeasurements recognised in other comprehensive income | - | - |
| Net asset at 31 December | - | - |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**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 payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Pensions in payment are increased at the discretion of the Trustees of the plan.

Contributions to the defined benefit fund are charged against income based upon actuarial advice. The employer is currently contributing at a rate of 15% of members' total basic salaries. Any deficits are funded to ensure the on-going financial soundness of the fund.

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

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

**(a)** Asset volatility

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

**(b)** Changes in bond yields

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

**(c)** Life expectancy

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

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 3 February 2018 in respect of results as at 31 December 2017.

**Remeasurements to be recognised in other comprehensive income:**

| | 2017 K'000 | 2016 K'000 |
|---|---:|---:|
| Charge due to impact of asset ceiling | 37,180 | 139,482 |
| Return on plan assets (excluding amounts in net interest) | 63,704 | 58,880 |
| Experience (gains)/losses | 2,733 | (5,420) |
| Gain from change in financial assumptions | 135,527 | (87,015) |
| Gain from change in demographic assumptions | (239,144) | (105,927) |
| Remeasurements | - | - |

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 sponsor will not enjoy any break in contributions and should, therefore, not recognise an actuarial asset in its books. The asset stays in the fund to improve members' benefits. The most significant changes resulting in the gains highlighted above are change in retirement age from 55 years to 60 years for normal retirement and change in discount rate from 25.0% in 2016 to 18.5% in 2017.



## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

### 35. Employee benefits *(Continued)*

**Plan assets comprise:**

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Investment properties | 267,542 | 260,160 |
| Equity securities | 112,196 | 149,142 |
| Treasury bills and corporate bonds | 18,757 | 41,164 |
| Other assets | 52,972 | 19,365 |
| GRZ bonds | 26,233 | 1,050 |
| Total plan assets | 477,700 | 470,881 |
| **Movement in the present value of the defined benefit obligations over the period** | | |
| Defined benefit obligations at 1 January | 276,648 | 422,596 |
| Interest cost | 64,564 | 96,215 |
| Current service cost | 9,102 | 5,985 |
| Experience (gains)/losses | 2,733 | (5,420) |
| Benefits paid by the plan | (53,364) | (49,786) |
| Gains from change in financial assumptions | 135,527 | (87,015) |
| Gains from change in demographic assumptions | - | (105,927) |
| Defined benefit obligations at 31 December | 435,210 | 276,648 |
| **Movement in the present value of plan assets** | | |
| Fair value of plan assets at 1 January | 470,881 | 465,645 |
| Interest income on plan assets | 114,046 | 101,780 |
| Employee contributions | 5,309 | 5,248 |
| Employer contributions | 16,925 | 16,543 |
| Administration expenses | (12,392) | (9,669) |
| Benefits paid by the plan | (53,364) | (49,786) |
| Return on plan assets, excluding interest | (63,704) | (58,880) |
| Fair value of plan assets at 31 December | 477,700 | 470,881 |

**Actuarial assumptions**

Principle actuarial assumptions at the reporting date were:

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Future pension increase | 8.0% | 8.0% |
| Salary increase (p.a) | 10.0% | 14.0% |
| Discount rate (p.a) | 18.5% | 25.0% |
| Expected return on plan assets | 18.5% | 25.0% |
| Inflation rate | 8.0% | 12.0% |

Average life expectancy at normal retirement age 60

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Male | 18.3 | 18.3 |
| Female | 20.5 | 20.5 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

### 35. Employee benefits *(Continued)*

**Sensitivity of the defined benefit obligation to actuarial assumptions**

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

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Discount rate | | |
| - increase by 1% | -36,647 | -26,103 |
| - decrease by 1% | +42,291 | +29,376 |
| Salary | | |
| - increase by 1% | +16,441 | +11,749 |
| - decrease by 1% | -15,222 | -11,106 |
| Future pension | | |
| - increase by 1% | +27,718 | +18,726 |
| - decrease by 1% | -24,582 | -16,833 |
| Life expectancy | | |
| - increase by 1% | -5,286 | -5,071 |
| - decrease by 1% | +4,625 | +4,437 |

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.



### 36. SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 469,137,515, 2016: 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 ZMW14.187 per SDR (2016: ZMW13.287)

### 37. Capital

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Authorised capital | 500,020 | 500,020 |
| Issued and fully paid up capital | 500,020 | 500,020 |

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

### 38. Reserves

*General reserve fund*

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

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

**Notes to the financial statements** *(Continued)*
*for the year ended 31 December 2017*

**38. Reserves** *(Continued)*

*General reserve fund (Continued)*

**(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 **K130.5 million** to the general reserve fund and declaration of **K1,174.3 million** as dividend to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2017 financial year.



*Prior year adjustment*

The directors approved the transfer from retained earnings to the general reserve fund of K1,412.27 million in line with the Bank of Zambia Act No. 43 of 1996, for the financial year ended 31 December 2016. However, an incorrect figure of K1,412 thousand was instead transferred. The prior year adjustment relates to the correction of the amount transferred to reflect the correct amount that was approved by the Board.

**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 2016 were:
- provision of banking services including holding the principal accounts of GRZ;
- provision and issue of notes and coins;
- holding and maintaining the register of Government securities;
- implementation of monetary policy; and
- supervision of financial institutions.

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

## Notes to the financial statements *(Continued)*
*for the year ended 31 December 2017*

**39. Related party transactions** *(Continued)*

**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:

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Interest on held-to-maturity GRZ securities | 267,695 | 263,796 |
| Interest on advances to GRZ | 1,259,752 | 778,580 |
| Fees and commission income on transactions with GRZ | 96,694 | 108,064 |
| Profit on foreign exchange transactions with GRZ | 26,629 | 177,612 |
| Total | 1,650,770 | 1,328,052 |

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

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

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| GRZ - year end balances | | |
| Deposits from GRZ Institutions | (3,070,560) | (1,616,403) |
| Holdings of GRZ securities | 2,047,828 | 2,025,109 |
| Budgetary advances to the Government | 7,474,994 | 6,205,130 |

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

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

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

**Transactions and balances with directors and key management personnel**

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

| | 2017 K'000 | 2016 K'000 |
|---|---|---|
| Directors' fees | 830 | 861 |
| Remuneration for key management personnel | | |
| - Salaries and allowances | 31,404 | 30,593 |
| - Pension contributions | 1,734 | 1,650 |
| | 33,968 | 33,104 |
| *Loans and advances to key management personnel* | | |
| Balance at 31 December | 5,659 | 4,587 |

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.



## Notes to the financial statements *(Continued)*

*for the year ended 31 December 2017*

### 39. Related party transactions *(Continued)*

**Transactions and balances with directors and key management personnel** *(Continued)*

| | 2017<br>K'000 | 2016<br>K'000 |
|---|---|---|
| **b)** Post-employment pension benefits | 12,632 | 4,931 |

### 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

There have been no significant events subsequent to 31 December 2017 to be disclosed.

# 8.0 2017 Annual Statistical Annexures

# 8.0 2017 ANNUAL STATISTICAL ANNEXURES

**Depository Corporations Survey (K' million), Dec 2016 - Dec 2017** **Table 1**

| | Dec-16 | Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET FOREIGN ASSETS | 26,386.94 | 25,415.36 | 24,952.90 | 26,150.91 | 25,359.94 | 24,640.61 | 23,867.79 | 22,898.97 | 24,457.59 | 24,437.30 | 24,905.29 | 24,802.17 | 26,772.37 |
| CLAIMS ON NONRESIDENTS | 32,987.62 | 32,067.03 | 31,626.86 | 33,265.92 | 32,443.93 | 32,055.70 | 31,292.99 | 29,198.98 | 31,194.87 | 30,568.65 | 30,253.08 | 30,445.27 | 32,458.67 |
| LIABILITIES TO NONRESIDENTS | -6,600.68 | -6,651.66 | -6,673.96 | -7,115.02 | -7,083.99 | -7,415.09 | -7,425.20 | -6,300.02 | -6,737.28 | -6,131.35 | -5,347.80 | -5,643.10 | -5,686.30 |
| DOMESTIC CLAIMS | 41,339.31 | 42,415.90 | 42,767.03 | 44,401.59 | 43,766.23 | 45,124.93 | 46,227.24 | 46,569.79 | 47,848.33 | 51,106.45 | 51,540.23 | 53,749.64 | 53,576.76 |
| NET CLAIMS ON CENTRAL GOVERNMENT | 14,606.41 | 15,853.17 | 16,752.34 | 18,543.37 | 18,052.74 | 19,517.61 | 19,943.46 | 20,428.75 | 22,040.44 | 24,051.11 | 24,569.11 | 25,613.91 | 25,315.08 |
| CLAIMS ON CENTRAL GOVERNMENT | 22,287.50 | 23,456.78 | 24,789.89 | 26,316.02 | 27,892.22 | 28,467.05 | 29,290.38 | 29,714.36 | 30,263.93 | 31,910.83 | 32,588.31 | 32,418.39 | 33,588.00 |
| LIABILITIES TO CENTRAL GOVERNMENT | -7,681.09 | -7,603.61 | -8,037.54 | -7,772.64 | -9,839.48 | -8,949.44 | -9,346.92 | 9,285.60 | -8,223.50 | -7,859.72 | -8,019.19 | -6,804.48 | -8,272.92 |
| CLAIMS ON OTHER SECTORS | 26,732.90 | 26,562.73 | 26,014.69 | 25,858.21 | 25,713.49 | 25,607.31 | 26,283.78 | 26,141.04 | 25,807.89 | 27,055.33 | 26,971.11 | 28,135.73 | 28,261.69 |
| CLAIMS ON OTHER FINANCIAL CORPORATIONS | 283.67 | 270.69 | 280.14 | 261.40 | 250.49 | 242.45 | 276.81 | 327.06 | 319.93 | 413.64 | 190.35 | 297.65 | 288.97 |
| CLAIMS ON STATE AND LOCAL GOVERNMENT | 74.46 | 53.82 | 59.23 | 48.45 | 60.50 | 57.46 | 55.74 | 55.39 | 49.04 | 42.18 | 42.11 | 35.82 | 35.75 |
| CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS | 222.57 | 223.47 | 192.22 | 200.20 | 197.04 | 190.75 | 258.07 | 374.40 | 391.62 | 488.45 | 414.47 | 414.04 | 412.47 |
| CLAIMS ON PRIVATE SECTOR | 26,152.21 | 26,014.76 | 25,483.09 | 25,348.17 | 25,205.46 | 25,116.66 | 25,693.17 | 25,384.19 | 25,047.31 | 26,111.06 | 26,324.18 | 27,388.22 | 27,524.49 |
| BROAD MONEY LIABILITIES | 44,567.12 | 44,402.43 | 45,515.41 | 46,846.78 | 46,578.92 | 47,255.65 | 47,788.30 | 46,892.35 | 49,393.70 | 50,083.71 | 50,754.79 | 51,903.09 | 54,084.94 |
| CURRENCY OUTSIDE DEPOSITORY CORPORATIONS | 4,781.56 | 4,450.02 | 4,290.31 | 4,355.69 | 4,454.46 | 4,551.28 | 4,963.56 | 4,938.12 | 4,987.69 | 5,242.19 | 5,243.27 | 5,159.94 | 5,669.38 |
| TRANSFERABLE DEPOSITS | 24,510.40 | 23,663.23 | 24,015.29 | 24,023.44 | 23,367.18 | 23,334.13 | 23,844.50 | 23,232.89 | 24,812.54 | 24,698.56 | 25,794.02 | 26,916.48 | 28,393.45 |
| OTHER DEPOSITS | 15,275.16 | 16,289.18 | 17,209.81 | 18,467.64 | 18,757.28 | 19,370.24 | 18,980.24 | 18,721.33 | 19,593.47 | 20,142.96 | 19,717.50 | 19,826.67 | 20,022.10 |
| SECURITIES OTHER THAN SHARES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| DEPOSITS EXCLUDED FROM BROAD MONEY | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 |
| SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| LOANS | 2,766.50 | 2,716.84 | 2,688.03 | 2,445.05 | 2,387.62 | 2,440.72 | 2,437.38 | 2,423.03 | 2,332.34 | 2,407.01 | 2,582.10 | 2,631.90 | 2,588.63 |
| FINANCIAL DERIVATIVES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| INSURANCE TECHNICAL RESERVES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SHARES AND OTHER EQUITY | 16,138.93 | 15,794.22 | 15,555.59 | 16,065.60 | 15,833.15 | 15,997.67 | 15,953.86 | 15,948.21 | 16,567.80 | 17,501.31 | 18,046.40 | 18,339.74 | 18,569.20 |
| OTHER ITEMS (NET) | 4,206.97 | 4,871.05 | 3,914.17 | 5,148.34 | 4,279.75 | 4,024.77 | 3,868.77 | 4,158.44 | 3,965.35 | 5,504.98 | 5,015.49 | 5,630.37 | 5,059.63 |
| IFS Vertical Check | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

**Source:** Bank of Zambia

Central Bank Survey (K' million) Dec 2015 - Dec 2017

Table 2

| | Dec-15 | Dec-16 | Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET FOREIGN ASSETS | 27,666.96 | 19,722.16 | 19,235.58 | 17,972.36 | 18,575.35 | 18,855.93 | 18,618.47 | 18,485.74 | 17,586.18 | 17,626.49 | 17,517.44 | 16,702.08 | 16,517.08 | 17,494.18 |
| CLAIMS ON NONRESIDENTS | 27,835.57 | 19,772.59 | 19,287.06 | 18,022.47 | 18,602.42 | 18,882.78 | 18,645.50 | 18,603.81 | 17,701.31 | 17,653.28 | 17,614.32 | 16,730.22 | 16,545.41 | 17,651.97 |
| LIABILITIES TO NONRESIDENTS | -168.61 | -50.43 | -51.49 | -50.11 | 27.07 | -26.85 | -27.03 | -118.07 | -115.13 | -26.79 | -96.88 | -28.14 | -28.33 | -157.79 |
| CLAIMS ON OTHER DEPOSITORY CORPORATIONS | 420.90 | 290.32 | 289.95 | 290.47 | 313.40 | 192.78 | 342.77 | 349.78 | 379.79 | 371.74 | 216.48 | -58.56 | 1,860.55 | 3,444.97 |
| NET CLAIMS ON CENTRAL GOVERNMENT | 5,699.35 | 9,940.39 | 10,059.21 | 9,122.59 | 8,928.95 | 6,801.84 | 8,141.40 | 7,837.60 | 8,414.61 | 8,947.93 | 9,449.56 | 10,163.96 | 11,415.49 | 10,121.90 |
| CLAIMS ON CENTRAL GOVERNMENT | 8,678.73 | 11,546.50 | 11,791.01 | 11,643.55 | 11,846.77 | 11,912.01 | 12,031.89 | 12,140.58 | 12,202.38 | 12,431.00 | 12,730.15 | 12,936.55 | 12,954.67 | 13,175.74 |
| LIABILITIES TO CENTRAL GOVERNMENT | -2,979.38 | -1,606.12 | -1,731.80 | -2,520.96 | 2,917.82 | -5,110.17 | -3,890.48 | -4,302.98 | -3,787.77 | -3,483.07 | -3,280.59 | -2,772.60 | -1,539.18 | -3,053.84 |
| CLAIMS ON OTHER SECTORS | 121.82 | 92.02 | 89.27 | 88.43 | 89.28 | 87.47 | 85.04 | 86.22 | 85.43 | 84.76 | 87.02 | 87.40 | 86.71 | 87.25 |
| CLAIMS ON OTHER FINANCIAL CORPORATIONS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CLAIMS ON STATE AND LOCAL GOVERNMENT | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CLAIMS ON PRIVATE SECTOR | 121.82 | 92.02 | 89.27 | 88.43 | 89.28 | 87.47 | 85.04 | 86.22 | 85.43 | 84.76 | 87.02 | 87.40 | 86.71 | 87.25 |
| MONETARY BASE | 16,247.88 | 18,324.28 | 17,445.75 | 16,081.44 | 16,554.00 | 15,292.31 | 15,769.03 | 16,472.81 | 15,549.44 | 15,975.41 | 16,042.72 | 13,944.36 | 15,951.31 | 17,342.84 |
| CURRENCY IN CIRCULATION | 6,446.21 | 6,550.71 | 5,834.31 | 5,675.90 | 5,741.32 | 5,872.41 | 6,143.05 | 6,693.76 | 6,444.72 | 6,576.62 | 6,713.20 | 6,851.73 | 6,820.83 | 7,414.92 |
| LIABILITIES TO OTHER DEPOSITORY CORPORATIONS | 9,774.39 | 11,741.74 | 11,575.95 | 10,373.75 | 10,778.08 | 9,392.17 | 9,589.66 | 9,742.40 | 9,075.15 | 9,367.66 | 9,274.87 | 7,058.54 | 9,092.68 | 9,888.05 |
| LIABILITIES TO OTHER SECTORS | 27.27 | 31.83 | 35.49 | 31.78 | 34.61 | 27.73 | 36.32 | 36.65 | 29.56 | 31.13 | 54.65 | 34.10 | 37.80 | 39.87 |
| OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10.63 | 8.51 | 9.78 | 15.50 | 7.75 | 0.00 |
| DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| DEPOSITS ExCLUDED IN BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| DEPOSITS EXCLUDED FROM BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| LOANS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FINANCIAL DERIVATIVES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SHARES AND OTHER EQUITY | 12,068.10 | 6,885.82 | 7,004.57 | 6,515.67 | 6,906.99 | 6,524.81 | 6,551.94 | 6,476.56 | 6,280.14 | 6,723.09 | 7,578.14 | 8,114.50 | 8,313.59 | 8,272.62 |
| OTHER ITEMS (NET) | 5,593.05 | 4,834.78 | 5,223.69 | 4,876.74 | 4,445.99 | 4,120.90 | 4,866.72 | 3,809.97 | 4,625.80 | 4,323.92 | 3,639.87 | 4,820.52 | 5,607.18 | 5,532.85 |
| IFS Vertical Check | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

**Source:** Bank of Zambia

**Other Depository Corporations (K' million),** **Table 3**

| | Dec-16 | Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET FOREIGN ASSETS | 6,664.78 | 6,179.79 | 6,980.54 | 7,575.56 | 6,504.01 | 6,022.13 | 5,382.05 | 5,312.79 | 6,831.10 | 6,919.86 | 8,203.20 | 8,285.10 | 9,278.19 |
| CLAIMS ON NONRESIDENTS | 13,215.03 | 12,779.96 | 13,604.39 | 14,663.51 | 13,561.14 | 13,410.19 | 12,689.18 | 11,497.68 | 13,541.59 | 12,954.34 | 13,522.86 | 13,899.86 | 14,806.70 |
| LIABILITIES TO NONRESIDENTS | -6,550.24 | -6,600.18 | -6,623.85 | -7,087.94 | -7,057.13 | -7,388.06 | -7,307.13 | -6,184.89 | -6,710.49 | -6,034.48 | -5,319.66 | -5,614.77 | -5,528.51 |
| CLAIMS ON CENTRAL BANK | 14,092.42 | 13,592.91 | 12,856.41 | 12,184.34 | 11,131.42 | 11,923.23 | 10,903.82 | 10,760.18 | 10,760.02 | 9,383.39 | 8,780.88 | 9,879.76 | 8,920.76 |
| CURRENCY | 1,769.15 | 1,384.29 | 1,385.59 | 1,385.63 | 1,417.95 | 1,591.77 | 1,730.19 | 1,506.60 | 1,588.93 | 1,471.00 | 1,608.46 | 1,660.90 | 1,745.54 |
| RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES | 12,323.27 | 12,208.62 | 11,470.82 | 10,798.71 | 9,713.48 | 10,331.46 | 9,173.62 | 9,253.57 | 9,171.09 | 7,912.39 | 7,172.43 | 8,218.86 | 7,175.22 |
| OTHER CLAIMS ON CENTRAL BANK | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NET CLAIMS ON CENTRAL GOVERNMENT | 4,666.02 | 5,793.96 | 7,629.76 | 9,614.42 | 11,250.90 | 11,376.21 | 12,105.86 | 12,014.15 | 13,092.51 | 14,601.55 | 14,405.16 | 14,198.42 | 15,193.18 |
| CLAIMS ON CENTRAL GOVERNMENT | 10,740.99 | 11,665.78 | 13,146.34 | 14,469.25 | 15,980.22 | 16,435.17 | 17,149.80 | 17,511.98 | 17,832.94 | 19,180.68 | 19,651.75 | 19,463.72 | 20,412.26 |
| LIABILITIES TO CENTRAL GOVERNMENT | -6,074.97 | -5,871.82 | -5,516.59 | -4,854.82 | -4,729.31 | -5,058.96 | -5,043.94 | -5,497.84 | -4,740.43 | -4,579.12 | -5,246.60 | -5,265.30 | -5,219.09 |
| CLAIMS ON OTHER SECTORS | 26,640.88 | 26,473.46 | 25,926.25 | 25,768.93 | 25,626.01 | 25,522.27 | 26,197.57 | 26,055.61 | 25,723.13 | 26,968.31 | 26,883.72 | 28,049.03 | 28,174.44 |
| CLAIMS ON OTHER FINANCIAL CORPORATIONS | 283.67 | 270.69 | 280.14 | 261.40 | 250.49 | 242.45 | 276.81 | 327.06 | 319.93 | 413.64 | 190.35 | 297.65 | 288.97 |
| CLAIMS ON STATE AND LOCAL GOVERNMENT | 74.46 | 53.82 | 59.23 | 48.45 | 60.50 | 57.46 | 55.74 | 55.39 | 49.04 | 42.18 | 42.11 | 35.82 | 35.75 |
| CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS | 222.57 | 223.47 | 192.22 | 200.20 | 197.04 | 190.75 | 258.07 | 374.40 | 391.62 | 488.45 | 414.47 | 414.04 | 412.47 |
| CLAIMS ON PRIVATE SECTOR | 26,060.19 | 25,925.49 | 25,394.66 | 25,258.89 | 25,117.99 | 25,031.62 | 25,606.95 | 25,298.77 | 24,962.55 | 26,024.04 | 26,236.78 | 27,301.52 | 27,437.24 |
| LIABILITIES TO CENTRAL BANK | 176.76 | 297.54 | 374.83 | 158.76 | 386.03 | 138.92 | 249.94 | 101.29 | 124.09 | 116.65 | 216.44 | 131.26 | 339.06 |
| TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY | 24,478.57 | 23,627.74 | 23,983.50 | 23,988.84 | 23,339.45 | 23,297.81 | 23,807.85 | 23,203.34 | 24,781.40 | 24,643.91 | 25,759.92 | 26,878.69 | 28,353.58 |
| OTHER DEPOSITS INCLUDED IN BROAD MONEY | 15,275.16 | 16,289.18 | 17,209.81 | 18,467.64 | 18,757.28 | 19,370.24 | 18,980.24 | 18,721.33 | 19,593.47 | 20,142.97 | 19,717.50 | 19,826.68 | 20,022.11 |
| SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| DEPOSITS EXCLUDED FROM BROAD MONEY | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 | 46.73 |
| SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| LOANS | 2,766.50 | 2,716.84 | 2,688.03 | 2,445.05 | 2,387.62 | 2,440.72 | 2,437.38 | 2,423.03 | 2,332.34 | 2,407.01 | 2,582.10 | 2,631.90 | 2,588.63 |
| FINANCIAL DERIVATIVES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| INSURANCE TECHNICAL RESERVES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SHARES AND OTHER EQUITY | 9,253.11 | 8,789.65 | 9,039.93 | 9,158.61 | 9,308.33 | 9,445.72 | 9,477.30 | 9,668.07 | 9,844.71 | 9,923.16 | 9,931.91 | 10,026.14 | 10,296.58 |
| OTHER ITEMS (NET) | 67.27 | 272.43 | 50.12 | 877.63 | 286.90 | 103.71 | -410.14 | -21.07 | -316.00 | 592.69 | 18.36 | 870.91 | -80.14 |
| IFS Vertical Check | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

**Source:** Bank of Zambia

Sources of Liquidity (K' million), Dec 2015 - Dec 2017

Table 4

| | | Government Transactions | | | | | Foreign | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Domestic. | Other Govt | Total Govt | Exchange | Other BOZ | Non- bank | Non-bank | primary |
| End of period. | Monthly | Revenue | Expenditure. | interest. | Transactions | Infuence. | influence. | influence. | Bond influence | T.B influence. | influence. |
| 2015 | January | -2,962,217 | 0 | 16,969 | 3,459,758 | 514,509 | -672,106 | 130,807 | 0 | 0 | -26,789 |
| | February | -2,240,507 | 0 | 97,271 | 2,570,645 | 427,409 | -324,526 | 19,168 | 0 | 0 | 122,051 |
| | March | -2,326,073 | 0 | 168,129 | 3,467,771 | 1,309,827 | -353,000 | 212,216 | 0 | 0 | 1,169,043 |
| | April | -2,849,431 | 0 | 10,076 | 2,632,391 | -206,965 | 5,064 | 119,587 | 0 | 0 | -82,314 |
| | May | -2,322,715 | 0 | 165,923 | 3,259,229 | 1,102,437 | 1,884 | 224,673 | 0 | 0 | 1,328,994 |
| | June | -2,975,614 | 0 | 11,415 | 3,016,917 | 52,719 | 7,062 | -290,416 | 0 | 0 | -230,635 |
| | July | -3,153,466 | 0 | 35,725 | 4,088,873 | 971,132 | 3,093 | -365,996 | 0 | 0 | 608,229 |
| | August | -2,513,083 | 0 | 146,215 | 3,294,590 | 927,722 | 2,950 | -93,307 | 0 | 0 | 837,365 |
| | September | -2,681,578 | 0 | 138,866 | 3,796,852 | 1,254,140 | -1,661,098 | 213,737 | 0 | 0 | -193,221 |
| | October | -3,286,644 | 0 | 10,778 | 5,045,449 | 1,769,583 | -1,236,839 | -360,705 | 0 | 0 | 172,039 |
| | November | -2,745,224 | 0 | 205,373 | 3,284,598 | 744,748 | -3,294,742 | 951,999 | 0 | 0 | -1,597,995 |
| | December | -3,238,826 | 0 | 11,377 | 4,327,357 | 1,099,909 | -168,438 | -511,301 | 0 | 0 | 420,170 |
| | | | | | | | | | | | |
| 2016 | January | (3,833.1) | 0.0 | 11.1 | 2,715.3 | (1,106.7) | (108.6) | (12.4) | 0.0 | 0.0 | (1,227.7) |
| | February | (2,874.2) | 0.0 | 64.7 | 2,582.1 | (227.4) | 4.7 | 261.0 | 0.0 | 0.0 | 38.2 |
| | March | (2,637.7) | 0.0 | 0.0 | 2,975.6 | 337.9 | 17.2 | (328.4) | 0.0 | 0.0 | 26.8 |
| | April | -3,697.8 | 0.0 | 7.5 | 3,946.6 | 256.3 | 461.2 | 35.1 | 0.0 | 0.0 | 752.7 |
| | May | -2,489.6 | 0.0 | 202.5 | 3,151.5 | 864.4 | -158.0 | 26.7 | 0.0 | 0.0 | 733.2 |
| | June | -3,193.1 | 0.0 | 10.1 | 3,252.0 | 68.9 | -293.3 | 215.3 | 0.0 | 0.0 | -9.0 |
| | July | -3,174.4 | 0.0 | 6.7 | 3,215.3 | 47.7 | 177.8 | -598.7 | 0.0 | 0.0 | -373.1 |
| | August | -2,458.9 | 0.0 | 161.9 | 2,736.3 | 439.3 | 736.6 | -65.3 | 0.0 | 0.0 | 1,110.6 |
| | September | -2,813.3 | 0.0 | 148.9 | 2,001.5 | -662.9 | 242.2 | -12.2 | 0.0 | 0.0 | -432.9 |
| | October | 3,154.2 | 3.0 | 3.0 | -3,408.4 | -248.2 | 235.5 | -12.5 | 0.0 | 0.0 | -25.1 |
| | November | -2,563.9 | 0.0 | 252.3 | 4,454.4 | 2,142.8 | 1,235.9 | 0.7 | 0.0 | 0.0 | 3,379.3 |
| | December | -3,216.1 | 0.0 | 3.2 | 5,495.3 | 2,282.4 | -1.4 | -0.4 | 0.0 | 0.0 | 2,280.7 |
| | | | | | | | | | | | |
| 2017 | January | -1,100 | 0 | 37 | 969 | -74 | -43 | -10 | 0.0 | 0.0 | -220 |
| | February | -881 | 0 | 55 | 879 | 59 | 11 | 20 | 0.0 | 0.0 | 142 |
| | March | -854 | 0 | 35 | 925 | 119 | 41 | 4 | 0.0 | 0.0 | 270 |
| | April | -1,103 | 0 | 57 | 859 | -178 | 68 | 6 | 0.0 | 0.0 | -292 |
| | May | (819.7) | 0.0 | 46.7 | 1,092.3 | 330.3 | (28.4) | 14.8 | 0.0 | 0.0 | 636.1 |
| | June | (783.9) | 0.0 | 23.8 | 1,718.2 | 77.8 | 50.2 | 10.4 | 0.0 | 0.0 | 1,096.4 |
| | July | (1,159.6) | 0.0 | 50.7 | 1,203.6 | 108.4 | (108.1) | (46.0) | 0.0 | 0.0 | 48.9 |
| | August | (967.3) | 0.0 | 50.2 | 999.3 | 90.6 | (15.1) | 38.9 | 0.0 | 0.0 | 196.7 |
| | September | (1,047.2) | 0.0 | 37.1 | 1,091.9 | 96.2 | (67.2) | (4.4) | 0.0 | 0.0 | 106.5 |
| | October | (1,220.0) | 0.0 | 46.9 | 1,327.8 | 164.7 | (197.2) | (0.2) | 0.0 | 0.0 | 122.0 |
| | November | (872.6) | 0.0 | 50.4 | 1,985.1 | 171.8 | (48.3) | (49.6) | 0.0 | 0.0 | 1,236.7 |
| | December | (1,120.2) | 0.0 | 47.0 | 1,726.7 | 671.8 | (334.7) | 16.7 | 0.0 | 0.0 | 1,007.2 |

**Source:** Bank of Zambia

Uses Of Liquidity (K' million), 2015 - 2017

Table 5

| End of period | Monthly | Total primary influence | Net currency change | Net Bank Tbs influence. | Net change in statutory reserves | Others | Errors and Omissions | Change in current a/c bal. of banks. |
|---|---|---|---|---|---|---|---|---|
| 2015 | January | -26,789.4 | 164,256.4 | -355,308.3 | -205,311.1 | 58,550.7 | 0.5 | -364,601.2 |
| | February | 122,051.0 | 526,579.0 | 121,743.5 | -201,143.2 | -931,565.7 | 2.0 | -362,333.4 |
| | March | 1,169,043.2 | -14,226.2 | -1,165,832.3 | -82,531.2 | -386,749.7 | 0.2 | -480,296.0 |
| | April | -82,313.8 | -27,627.6 | 209,647.4 | -1,064,451.3 | 1,011,274.5 | -0.4 | 46,528.8 |
| | May | 1,328,994.3 | 112,931.3 | -209,207.8 | -383,211.8 | -439,816.3 | -1.4 | 409,688.3 |
| | June | -230,635.2 | -113,790.5 | -110,459.3 | -331,874.9 | 4,341.3 | 1.7 | -782,416.9 |
| | July | 608,229.3 | -191,061.4 | 746,077.4 | -137,232.9 | -508,793.8 | 2.1 | 517,220.7 |
| | August | 837,365.5 | -65,527.1 | -280,837.4 | -385,020.7 | 10,204.3 | -0.2 | 116,184.4 |
| | September | -193,221.0 | -52,738.1 | -18,207.5 | -182,346.6 | 327,626.4 | 0.5 | -118,886.3 |
| | October | 172,039.1 | -527,813.6 | 75,828.5 | -334,741.9 | 597,531.3 | -0.8 | -17,157.4 |
| | November | -1,597,994.8 | 282,944.7 | 296,196.0 | -127,568.6 | 438,370.5 | -0.6 | -708,052.8 |
| | December | 420,169.6 | -191,295.2 | 841,080.2 | -584,139.7 | 24,674.6 | -0.3 | 510,489.2 |
| | | | | | | | | |
| 2016 | January | -1,228 | 932.3 | -214.0 | -226.1 | 579.8 | 0.2 | -155.4 |
| | February | 38.2 | 395.6 | 16.2 | 66.0 | 63.2 | 0.0 | 579.2 |
| | March | 26.8 | -412.2 | 792.6 | -589.1 | 138.9 | 0.0 | -43.0 |
| | April | 753 | 79.4 | 169.1 | -472.3 | -262.0 | -0.8 | 266.1 |
| | May | 734 | -118.4 | 59.5 | -217.7 | -1,390.8 | -2.0 | -935.7 |
| | June | -9 | -590.2 | -3.5 | -386.9 | 716.9 | 1.0 | -271.7 |
| | July | -373 | -590.2 | 387.5 | 0.0 | -229.6 | 8.0 | -797.5 |
| | August | 1,111 | 250.6 | 2,137.4 | -209.7 | -1,083.6 | 0.0 | 2,205.2 |
| | September | -620 | 408.0 | 2,443.4 | -176.4 | -69.2 | 8.0 | 1,993.6 |
| | October | -25 | 42.6 | -887.4 | -130.6 | 986.7 | 0.0 | -13.9 |
| | November | 3,379 | 23.1 | -503.4 | -581.6 | -1,815.0 | 0.0 | 502.3 |
| | December | 2,281 | -636.2 | -482.1 | -396.6 | -1,308.3 | 0.0 | -542.6 |
| | | | | | | | | |
| 2017 | January | 162 | -117.5 | -118.6 | 21.0 | 155.5 | 0.0 | 102.0 |
| | February | 187 | 30.4 | 32.8 | 205.1 | -151.8 | 0.0 | 303.1 |
| | March | 88 | -410.2 | -161.8 | -18.3 | 26.6 | 0.0 | -475.6 |
| | April | 760 | -23.0 | 231.3 | -71.8 | 101.2 | 0.0 | 997.9 |
| | May | 349.0 | -78.8 | 177.0 | 19.5 | -317.3 | 0.0 | 149.4 |
| | June | 259.8 | -100.2 | -231.0 | -8.8 | -151.7 | 0.0 | -231.9 |
| | July | (550.9) | -150.2 | 1,877.9 | -420.6 | 154.1 | 0.0 | 910.3 |
| | August | 101.5 | 80.0 | 37.3 | 64.0 | -231.8 | 0.0 | 50.9 |
| | September | 598.4 | -110.9 | 701.9 | -131.5 | 134.0 | 0.0 | 1,191.8 |
| | October | 86.1 | -135.9 | 190.0 | 106.8 | 26.8 | 0.0 | 273.8 |
| | November | 1,140.4 | 65.2 | 26.0 | -1,011.5 | -64.1 | 0.0 | 156.0 |
| | December | 1,147.4 | -92.3 | -148.4 | 59.2 | -168.8 | 0.0 | 797.1 |

**Source:** Bank of Zambia

**Commercial Banks' Liquidity and Operating Ratios, 2009 - 2017** **Table 6**

| Year | End of period | Core liquid assets (a) | Minimum required | Other liquid assets (b) | Total | Advances plus bills of exchange as percentage of total deposits |
|---|---|---|---|---|---|---|
| 2009 | December | 60.5 | 9.0 | 53.6 | 114.1 | 64.3 |
| 2010 | December | 57.1 | 9.0 | 55.1 | 112.2 | 56.5 |
| 2011 | December | 60.5 | 9.0 | 46.5 | 107.0 | 61.5 |
| 2012 | December | 53.0 | 9.0 | 67.8 | 120.8 | 90.5 |
| 2013 | December | 49.5 | 6.0 | 49.1 | 98.6 | 61.4 |
| 2014 | December | 71.1 | 6.0 | 49.1 | 120.3 | 62.0 |
| | | | | | | |
| 2015 | January | 72.1 | 6.0 | 51.0 | 123.1 | 60.7 |
| | February | 71.8 | 6.0 | 50.5 | 122.4 | 61.1 |
| | March | 70.4 | 6.0 | 49.3 | 119.7 | 61.1 |
| | April | 75.6 | 6.0 | 51.8 | 127.5 | 63.2 |
| | May | 75.6 | 6.0 | 51.2 | 126.8 | 61.6 |
| | June | 72.9 | 6.0 | 52.9 | 125.7 | 63.3 |
| | July | 14.1 | 6.0 | 51.4 | 65.4 | 63.6 |
| | August | 65.8 | 6.0 | 48.3 | 114.2 | 58.5 |
| | September | 77.8 | 6.0 | 46.1 | 124.0 | 57.6 |
| | October | 80.7 | 6.0 | 43.8 | 124.6 | 55.0 |
| | November | 87.0 | 6.0 | 42.1 | 129.1 | 55.7 |
| | December | 92.6 | 6.0 | 43.3 | 135.9 | 56.4 |
| | | | | | | |
| 2016 | January | 16.8 | 6.0 | 41.2 | 58.0 | 57.7 |
| | February | 78.4 | 6.0 | 42.8 | 121.2 | 57.9 |
| | March | 85.6 | 6.0 | 42.6 | 128.3 | 58.4 |
| | April | 87.0 | 6.0 | 43.7 | 130.7 | 57.3 |
| | May | 87.2 | 6.0 | 42.1 | 129.4 | 56.9 |
| | June | 80.0 | 6.0 | 42.6 | 122.5 | 57.6 |
| | July | 83.7 | 6.0 | 41.3 | 125.0 | 56.9 |
| | August | 63.6 | 6.0 | 42.6 | 106.2 | 56.6 |
| | September | 68.6 | 6.0 | 43.0 | 111.6 | 54.3 |
| | October | 103.2 | 6.0 | 43.7 | 146.9 | 55.1 |
| | November | 98.4 | 6.0 | 44.8 | 143.2 | 51.8 |
| | December | 74.8 | 6.0 | 47.3 | 122.1 | 50.1 |
| | | | | | | |
| 2017 | January | 82.2 | 6.0 | 48.9 | 131.1 | 49.7 |
| | February | 100.3 | 6.0 | 48.7 | 149.0 | 48.1 |
| | March | 86.1 | 6.0 | 48.7 | 134.9 | 46.5 |
| | April | 89.0 | 6.0 | 48.9 | 137.9 | 46.9 |
| | May | 64.4 | 6.0 | 50.6 | 114.9 | 45.5 |
| | June | 64.4 | 6.0 | 50.4 | 114.7 | 46.7 |
| | July | 91.6 | 6.0 | 52.4 | 143.9 | 47.4 |
| | August | 88.3 | 6.0 | 50.2 | 138.5 | 45.6 |
| | September | 90.6 | 6.0 | 51.6 | 142.2 | 47.0 |
| | October | 94.8 | 6.0 | 51.0 | 145.8 | 46.1 |
| | November | 99.0 | 6.0 | 49.4 | 148.4 | 47.0 |
| | December | 106.2 | 6.0 | 49.2 | 155.3 | 45.2 |

**Source:** Bank of Zambia

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

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

Banking System Claims On Government (K' million), 2008 - 2017

Table 7

| | | Bank of Zambia Net Claims | | | | | Commercial Banks Net Claims | | | | | (a+b) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Period | Treasury | GRZ | GRZ | Loans & | (a) | Treasury | GRZ | Loans & | | (b) | TOTAL |
| | End Month | Bills | Stock | Position (3) | Advances | Total | Bills | Securities | Advances | Deposits | Total | CLAIMS |
| 2008 | December | 84,155 | 1,304,103 | -1,436,747 | 0 | -48,489 | 1,738,268 | 1,346,047 | -4,968 | -635,652 | 2,443,695 | 2,395,206 |
| 2009 | December | 455,929 | 1,309,951 | -2,362,568 | 0 | -596,688 | 2,417,231 | 1,656,371 | 31,182 | -537,930 | 3,566,854 | 2,970,166 |
| 2010 | December | 625,812 | 188,983 | -2,369,565 | 0 | -1,554,770 | 2,307,851 | 1,901,191 | 269,535 | -479,455 | 4,019,602 | 2,349,954 |
| 2011 | December | 655,064 | 1,310,989 | -4,154,662 | 213,000 | -1,975,608 | 4,090,179 | 2,694,134 | 441,975 | -823,616 | 6,402,671 | 4,427,063 |
| 2012 | December | 537,014 | 1,310,989 | -3,535,450 | 637,000 | -1,050,447 | 4,394,320 | 2,726,082 | 10,136 | -1,150,580 | 5,979,958 | 4,929,512 |
| 2013 | December | 625,775 | 1,800,989 | -3,595,676 | 1,830,539 | 661,628 | 6,566,195 | 2,653,511 | 120,598 | -1,158,763 | 8,181,540 | 8,843,168 |
| 2014 | December | 710,826 | 1,714,918 | -4,739,630 | 1,397,539 | -916,347 | 6,572,940 | 2,362,441 | 661,321 | -1,573,725 | 8,022,977 | 7,106,630 |
| 2015 | December | 1,277,346 | 1,650,173 | -2,607,813 | 1,997,539 | 2,317,245 | 6,184,432 | 1,568,434 | 457,566 | -1,539,557 | 6,670,875 | 8,988,120 |
| 2016 | January | 1,121,835 | 1,489,339 | -3,439,765 | 1,997,546 | 1,168,955 | 5,053,719 | 1,500,345 | 469,811 | -1,394,082 | | |
| | February | 957,715 | 1,444,323 | -1,613,787 | 1,997,540 | 2,785,792 | 4,686,619 | 1,443,653 | 470,611 | -813,755 | 5,629,794 | 6,798,749 |
| | March | 900,970 | 1,444,323 | -1,381,818 | 1,071,600 | 2,035,075 | 5,099,797 | 1,476,754 | 468,415 | -1,142,627 | 5,787,129 | 8,572,921 |
| | April | 724,248 | 1,444,323 | -1,943,353 | 1,814,002 | 2,039,220 | 4,644,970 | 1,597,703 | 448,429 | -1,282,845 | 5,902,339 | 7,937,414 |
| | May | 652,407 | 1,444,323 | -1,960,125 | 2,586,015 | 2,722,620 | 4,594,730 | 1,844,184 | 741,239 | -1,561,770 | 5,408,257 | 7,447,477 |
| | June | 664,845 | 1,444,323 | -1,571,531 | 2,721,015 | 3,258,652 | 4,934,451 | 1,822,452 | 740,257 | -1,258,766 | 5,618,383 | 8,341,003 |
| | July | 655,466 | 1,444,323 | -1,722,150 | 5,321,015 | 5,698,654 | 4,692,281 | 1,770,125 | 726,350 | -935,571 | 6,238,395 | 9,497,047 |
| | August | 655,466 | 1,444,323 | -1,174,998 | 5,321,015 | 6,245,806 | 4,736,525 | 1,801,004 | 719,947 | -618,343 | 6,253,185 | 11,951,839 |
| | September | 648,184 | 1,444,323 | -2,099,881 | 5,321,015 | 5,313,642 | 4,622,724 | 1,904,953 | 727,362 | -1,196,583 | 6,639,133 | 12,884,940 |
| | October | 648,184 | 1,444,323 | -1,542,396 | 5,321,015 | 5,871,126 | 4,619,419 | 1,856,030 | 846,758 | -896,635 | 6,058,457 | 11,372,098 |
| | November | 647,468 | 1,444,323 | -2,494,390 | 5,321,015 | 4,918,416 | 4,942,188 | 2,196,271 | 834,479 | -1,095,530 | 6,425,571 | 12,296,697 |
| | December | 647,468 | 1,444,323 | -1,454,843 | 5,321,015 | 5,957,963 | 5,471,395 | 2,249,459 | 819,317 | -1,762,939 | 6,877,408 | 11,795,824 |
| | | | | | | | | | | | 6,777,232 | 12,735,195 |
| 2017 | January | 647,468 | 1,444,323 | -2,154,691 | 5,321,032 | 5,258,132 | 5,471,395 | 2,249,459 | 815,451 | -1,317,548 | | |
| | February | 629,182 | 1,314,323 | -1,193,938 | 5,321,015 | 6,070,582 | 7,577,534 | 2,174,704 | 813,878 | -1,324,221 | | |
| | March | 142,212 | 1,292,448 | -2,592,747 | 5,321,015 | 4,162,928 | 9,293,325 | 2,731,099 | 828,939 | -1,213,304 | 7,218,756 | 12,476,888 |
| | April | 514,590 | 1,314,323 | -4,817,787 | 5,321,015 | 2,332,140 | 9,754,453 | 2,851,161 | 973,151 | -1,164,823 | 9,241,895 | 15,312,478 |
| | May | 534,890 | 1,314,323 | -2,766,491 | 5,321,015 | 4,403,737 | 9,559,622 | 2,658,382 | 957,769 | -1,387,937 | 11,640,059 | 15,802,988 |
| | June | 296,810 | 1,314,325 | -3,948,580 | 5,321,015 | 2,983,570 | 11,159,372 | 2,584,524 | 932,026 | -1,342,808 | 12,413,941 | 14,746,082 |
| | July | 116,376 | 1,314,325 | -4,077,779 | 5,321,015 | 2,673,937 | 11,451,834 | 2,909,810 | 930,291 | -1,811,915 | 11,787,835 | 16,191,572 |
| | August | 625,775 | 1,314,323 | -3,366,392 | 5,321,015 | 3,894,721 | 11,758,641 | 2,985,571 | 902,682 | -1,454,005 | 13,333,113 | 16,316,683 |
| | September | 761,976 | 1,309,956 | -1,627,438 | 5,321,015 | 5,765,509 | 13,172,302 | 3,787,870 | 905,744 | -1,439,466 | 13,480,020 | 16,153,958 |
| | October | 761,976 | 1,309,956 | -3,125,966 | 5,321,015 | 4,266,981 | 13,172,302 | 3,787,870 | 902,171 | -1,323,839 | 14,192,890 | 18,087,610 |
| | November | 774,836 | 1,314,325 | -2,321,896 | 5,321,015 | 5,088,280 | 11,348,072 | 3,591,417 | 902,171 | -1,323,839 | 16,426,451 | 22,191,960 |
| | December | 625,775 | 1,314,325 | -2,733,231 | 5,321,015 | 4,527,884 | 12,035,101 | 4,348,929 | 902,171 | -1,418,161 | 16,538,504 | 20,805,485 |

**Source:** Bank of Zambia

Currency in Circulation (K' million), 2008 - 2017

Table 8

| | | Issued | | | At banks | | | Outside banks | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Notes | Coin | Total | Notes | coin | Total | Notes | Coin |
| 2008 | December | 1,934 | 1,934 | 0 | 315 | 315 | 0 | 1,619 | 1,619 | 0 |
| 2009 | December | 2,001 | 2,001 | 0 | 407 | 407 | 0 | 1,594 | 1,594 | 0 |
| 2010 | December | 2,750 | 2,750 | 0 | 506 | 506 | 0 | 2,244 | 2,244 | 0 |
| 2011 | December | 3,408 | 3,408 | 0 | 598 | 598 | 0 | 2,810 | 2,810 | 0 |
| 2012 | December | 3,843 | 3,843 | 0 | 801 | 801 | 0 | 3,042 | 3,042 | 0 |
| 2013 | December | 4,601 | 4,551 | 50 | 1,130 | 1,094 | 36 | 3,471 | 3,457 | 14 |
| | | | | | | | | | | |
| 2015 | January | 5,552 | 5,435 | 118 | 1,448 | 1,444 | 4 | 4,104 | 3,991 | 113 |
| | February | 5,049 | 4,938 | 112 | 1,195 | 1,189 | 6 | 3,855 | 3,749 | 106 |
| | March | 5,113 | 5,000 | 114 | 1,280 | 1,275 | 6 | 3,833 | 3,725 | 108 |
| | April | 5,175 | 5,060 | 115 | 1,249 | 1,198 | 51 | 3,926 | 3,862 | 65 |
| | May | 5,106 | 4,987 | 118 | 1,119 | 1,113 | 6 | 3,986 | 3,874 | 112 |
| | June | 5,324 | 5,205 | 119 | 1,207 | 1,201 | 6 | 4,117 | 4,004 | 113 |
| | July | 5,727 | 5,632 | 95 | 1,355 | 1,349 | 6 | 4,372 | 4,283 | 89 |
| | August | 5,813 | 5,714 | 99 | 1,242 | 1,236 | 6 | 4,571 | 4,478 | 93 |
| | September | 5,944 | 5,823 | 121 | 1,349 | 1,346 | 4 | 4,595 | 4,478 | 117 |
| | October | 6,490 | 6,366 | 124 | 1,297 | 1,294 | 3 | 5,192 | 5,072 | 121 |
| | November | 6,234 | 6,107 | 128 | 1,369 | 1,364 | 5 | 4,866 | 4,743 | 123 |
| | December | 6,450 | 6,318 | 132 | 1,699 | 1,693 | 6 | 4,751 | 4,625 | 126 |
| | | | | | | | | | | |
| 2016 | January | 5,558 | 5,422 | 136 | 1,419 | 1,411 | 8 | 4,139 | 4,011 | 128 |
| | February | 5,165 | 5,026 | 139 | 1,216 | 1,211 | 6 | 3,948 | 3,815 | 133 |
| | March | 5,574 | 5,433 | 141 | 1,564 | 1,556 | 8 | 4,010 | 3,877 | 133 |
| | April | 5,500 | 5,358 | 142 | 1,343 | 1,332 | 11 | 4,157 | 4,026 | 131 |
| | May | 5,621 | 5,477 | 144 | 1,349 | 1,335 | 14 | 4,273 | 4,142 | 130 |
| | June | 6,216 | 6,069 | 147 | 1,427 | 1,415 | 12 | 4,789 | 4,654 | 135 |
| | July | 6,503 | 6,353 | 150 | 1,393 | 1,377 | 16 | 5,109 | 4,976 | 134 |
| | August | 6,274 | 6,122 | 152 | 1,351 | 1,339 | 12 | 4,923 | 4,784 | 140 |
| | September | 5,870 | 5,716 | 154 | 1,361 | 1,348 | 13 | 4,509 | 4,368 | 141 |
| | October | 5,829 | 5,672 | 157 | 1,300 | 1,287 | 13 | 4,529 | 4,385 | 144 |
| | November | 5,791 | 5,633 | 159 | 1,181 | 1,169 | 12 | 4,610 | 4,464 | 147 |
| | December | 6,452 | 6,292 | 159 | 1,714 | 1,706 | 8 | 4,737 | 4,587 | 151 |
| | | | | | | | | | | |
| 2017 | January | 5,737 | 5,575 | 162 | 1,341 | 1,329 | 12 | 4,396 | 4,247 | 149 |
| | February | 5,579 | 5,413 | 165 | 1,359 | 1,346 | 13 | 4,220 | 4,067 | 153 |
| | March | 5,644 | 5,478 | 166 | 1,359 | 1,347 | 12 | 4,284 | 4,131 | 154 |
| | April | 5,776 | 5,608 | 167 | 1,382 | 1,367 | 15 | 4,394 | 4,241 | 153 |
| | May | 6,044 | 5,874 | 169 | 1,556 | 1,541 | 15 | 4,488 | 4,333 | 154 |
| | June | 6,597 | 6,432 | 165 | 1,686 | 1,674 | 12 | 4,911 | 4,759 | 152 |
| | July | 6,349 | 6,182 | 167 | 1,460 | 1,447 | 12 | 4,889 | 4,735 | 154 |
| | August | 6,479 | 6,309 | 171 | 1,536 | 1,524 | 13 | 4,943 | 4,785 | 158 |
| | September | 6,615 | 6,441 | 174 | 1,422 | 1,409 | 13 | 5,193 | 5,032 | 161 |
| | October | 6,753 | 6,577 | 176 | 1,548 | 1,535 | 12 | 5,206 | 5,042 | 164 |
| | November | 6,722 | 6,543 | 179 | 1,602 | 1,589 | 12 | 5,120 | 4,954 | 166 |
| | December | 7,315 | 7,135 | 181 | 1,716 | 1,702 | 13 | 5,600 | 5,432 | 167 |

**Source:** Bank of Zambia

**Commercial Banks' Deposits By Institution- Domestic Currency (K'millions), 2015 - 2017** **Table 9A**

| | End of Period | Government | Statutory Bodies | Parastatal Bodies | Private corporations and partnerships | Individuals and households | Other Fin. institutions | Non-resident | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2015 | January | 2,099 | 1,582 | 1,384 | 9,340 | 5,765 | 3,601 | 316 | 24,087 |
| | February | 1,879 | 1,777 | 969 | 9,410 | 6,006 | 3,234 | 307 | 23,582 |
| | March | 1,635 | 1,416 | 1,005 | 9,015 | 6,001 | 3,432 | 279 | 22,782 |
| | April | 1,613 | 1,978 | 929 | 8,865 | 5,995 | 3,109 | 287 | 22,777 |
| | May | 1,673 | 1,816 | 746 | 9,374 | 5,989 | 3,195 | 304 | 23,097 |
| | June | 1,513 | 1,867 | 713 | 9,061 | 6,175 | 3,109 | 321 | 22,757 |
| | July | 1,746 | 1,729 | 694 | 9,025 | 6,338 | 3,176 | 321 | 23,029 |
| | August | 1,594 | 1,823 | 762 | 9,928 | 6,143 | 3,009 | 305 | 23,564 |
| | September | 1,461 | 1,860 | 791 | 9,046 | 6,168 | 3,184 | 335 | 22,843 |
| | October | 1,698 | 1,818 | 695 | 9,345 | 6,253 | 3,483 | 364 | 23,656 |
| | November | 1,685 | 2,007 | 741 | 9,192 | 6,126 | 3,225 | 331 | 23,305 |
| | December | 1,975 | 1,397 | 1,232 | 9,339 | 6,361 | 3,092 | 299 | 23,695 |
| | | | | | | | | | |
| 2016 | January | 1,791 | 1,925 | 566 | 8,643 | 6,277 | 3,509 | 273 | 22,983 |
| | February | 1,252 | 1,890 | 578 | 8,764 | 6,526 | 3,322 | 242 | 22,575 |
| | March | 1,488 | 2,036 | 782 | 8,567 | 6,182 | 3,604 | 224 | 22,882 |
| | April | 1,647 | 1,968 | 278 | 8,892 | 6,610 | 3,253 | 159 | 22,807 |
| | May | 1,900 | 1,917 | 408 | 9,065 | 7,106 | 2,499 | 197 | 23,092 |
| | June | 1,646 | 2,308 | 244 | 8,373 | 7,114 | 3,199 | 163 | 23,048 |
| | July | 1,361 | 2,106 | 269 | 8,283 | 7,415 | 3,591 | 201 | 23,225 |
| | August | 934 | 2,104 | 765 | 8,487 | 7,231 | 3,401 | 233 | 23,153 |
| | September | 1,474 | 1,905 | 1,814 | 7,763 | 7,183 | 3,178 | 236 | 23,554 |
| | October | 1,164 | 1,863 | 684 | 8,311 | 7,804 | 3,637 | 266 | 23,728 |
| | November | 1,436 | 1,830 | 764 | 9,000 | 7,340 | 3,902 | 270 | 24,542 |
| | December | 2,220 | 2,738 | 599 | 7,768 | 8,136 | 4,169 | 223 | 25,853 |
| | | | | | | | | | |
| 2017 | January | 1,632 | 2,980 | 545 | 6,788 | 8,094 | 4,010 | 349 | 24,399 |
| | February | 1,694 | 2,434 | 608 | 8,292 | 7,083 | 6,230 | 259 | 26,601 |
| | March | 1,655 | 1,845 | 1,070 | 8,599 | 8,627 | 4,740 | 266 | 26,802 |
| | April | 1,498 | 2,077 | 662 | 8,157 | 8,874 | 5,130 | 288 | 26,685 |
| | May | 1,742 | 1,990 | 753 | 8,609 | 9,037 | 5,419 | 347 | 27,896 |
| | June | 1,698 | 2,113 | 821 | 8,196 | 8,577 | 6,082 | 280 | 27,768 |
| | July | 2,315 | 2,172 | 931 | 8,480 | 9,192 | 5,313 | 413 | 28,815 |
| | August | 1,946 | 1,769 | 910 | 8,829 | 9,686 | 5,428 | 362 | 28,930 |
| | September | 1,983 | 1,703 | 857 | 8,336 | 9,820 | 6,177 | 784 | 29,659 |
| | October | 1,943 | 2,211 | 879 | 8,803 | 9,249 | 6,344 | 380 | 29,809 |
| | November | 1,972 | 1,856 | 938 | 9,010 | 9,423 | 6,113 | 329 | 29,641 |
| | December | 2,250 | 1,353 | 1,102 | 9,953 | 9,591 | 5,659 | 365 | 30,273 |

**Source:** Bank of Zambia

Commercial Banks' Deposits By Institution - Foreign Currency (K' millions), 2015 - 2017

Table 9B

| | End of Period | Government | Statutory Bodies | Parastatal Bodies | Private corporations and partnerships | Individuals and households | Other Fin. institutions | Non-resident | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2015 | January | 232 | 31 | 297 | 7,634 | 1,475 | 708 | 620 | 11,554 |
| | February | 346 | 119 | 429 | 8,055 | 1,658 | 676 | 696 | 12,522 |
| | March | 221 | 77 | 532 | 9,820 | 1,460 | 1,000 | 914 | 14,436 |
| | April | 194 | 87 | 506 | 9,216 | 1,426 | 883 | 734 | 13,627 |
| | May | 191 | 63 | 503 | 9,720 | 1,482 | 971 | 739 | 14,047 |
| | June | 197 | 138 | 449 | 8,927 | 1,562 | 1,163 | 654 | 13,526 |
| | July | 164 | 86 | 403 | 9,210 | 1,552 | 1,229 | 761 | 13,694 |
| | August | 168 | 90 | 488 | 12,788 | 1,814 | 1,287 | 965 | 18,146 |
| | September | 523 | 121 | 511 | 16,331 | 2,695 | 1,386 | 1,383 | 23,944 |
| | October | 308 | 112 | 972 | 17,378 | 3,049 | 1,351 | 1,397 | 26,006 |
| | November | 803 | 131 | 754 | 15,126 | 2,208 | 1,305 | 1,090 | 22,658 |
| | December | 373 | 101 | 522 | 15,219 | 2,677 | 1,276 | 887 | 22,715 |
| | | | | | | | | | |
| 2016 | January | 337 | 105 | 690 | 14,542.8 | 2,775.0 | 3,517 | 1,360.2 | 23,328 |
| | February | 303 | 218 | 520 | 15,427 | 2,767 | 2,991 | 1,069 | 23,294 |
| | March | 545 | 117 | 393 | 14,618 | 2,794 | 2,851 | 890 | 22,208 |
| | April | 323 | 98 | 1,192 | 13,099 | 2,693 | 2,349 | 816 | 20,569 |
| | May | 316 | 101 | 915 | 15,936 | 2,961 | 1,164 | 1,136 | 22,529 |
| | June | 504 | 89 | 778 | 12,984 | 2,746 | 2,422 | 1,112 | 20,635 |
| | July | 556 | 88 | 557 | 14,624 | 2,497 | 2,499 | 1,293 | 22,114 |
| | August | 469 | 81 | 1,090 | 11,179 | 2,476 | 2,607 | 2,621 | 20,523 |
| | September | 406 | 88 | 579 | 12,277 | 2,841 | 2,521 | 3,124 | 21,835 |
| | October | 495 | 91 | 427 | 11,813 | 2,722 | 2,551 | 2,227 | 20,325 |
| | November | 845 | 112 | 377 | 13,210 | 2,917 | 2,562 | 2,015 | 22,037 |
| | December | 611 | 88 | 320 | 12,282 | 2,538 | 2,619 | 2,548 | 21,007 |
| | | | | | | | | | |
| 2017 | January | 578 | 98 | 426 | 12,840 | 2,931 | 2,863 | 2,757 | 22,494 |
| | February | 611 | 380 | 550 | 11,651 | 2,752 | 2,503 | 2,649 | 21,096 |
| | March | 687 | 281 | 551 | 12,133 | 2,688 | 2,246 | 3,612 | 22,198 |
| | April | 666 | 123 | 503 | 12,254 | 2,592 | 2,142 | 3,558 | 21,839 |
| | May | 689 | 243 | 559 | 11,785 | 2,505 | 2,107 | 3,574 | 21,461 |
| | June | 809 | 49 | 608 | 11,775 | 2,764 | 2,064 | 3,647 | 21,716 |
| | July | 547 | 140 | 539 | 10,911 | 2,426 | 2,184 | 2,746 | 19,494 |
| | August | 480 | 177 | 643 | 12,208 | 2,434 | 2,262 | 2,911 | 21,116 |
| | September | 315 | 188 | 595 | 12,553 | 2,146 | 2,347 | 2,578 | 20,721 |
| | October | 395 | 380 | 631 | 12,851 | 2,406 | 2,319 | 2,179 | 21,162 |
| | November | 533 | 486 | 768 | 13,382 | 2,610 | 2,525 | 2,403 | 22,706 |
| | December | 848 | 491 | 646 | 14,202 | 2,701 | 2,364 | 2,389 | 23,641 |

**Source:** Bank of Zambia

**Commmercial Banks Loans and Advances - Local Currency (K' million), Dec 2014 - Dec 2017** | **Table 10A**

| Sector | Dec-14 | Dec-15 | Dec-16 | Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture, forestry,Fishing and hunting | 3,597 | 4,535 | 4,035 | 4,053 | 4,041 | 4,160 | 4,231 | 4,350 | 4,537 | 4,589 | 4,838 | 4,650 | 5,005 | 5,028 | 4,968 |
| Mining and quarying | 1,083 | 1,673 | 1,483 | 1,400 | 1,452 | 1,465 | 1,337 | 1,270 | 1,474 | 1,316 | 1,233 | 1,508 | 1,542 | 1,830 | 1,543 |
| Manufacturing | 2,499 | 3,539 | 2,983 | 2,874 | 2,868 | 2,662 | 2,673 | 2,548 | 2,464 | 2,449 | 2,145 | 1,669 | 1,862 | 2,000 | 1,907 |
| Electricity, gas, water and energy | 469 | 435 | 516 | 455 | 393 | 520 | 510 | 503 | 511 | 603 | 616 | 611 | 614 | 659 | 748 |
| Construction | 743 | 898 | 907 | 905 | 877 | 843 | 820 | 835 | 870 | 833 | 805 | 848 | 873 | 902 | 1,073 |
| Wholesale and retail trade | 1,699 | 2,833 | 2,412 | 2,387 | 2,384 | 2,282 | 2,244 | 2,012 | 2,352 | 2,465 | 2,487 | 2,436 | 2,304 | 2,729 | 2,781 |
| Restaurants and hotels | 355 | 424 | 376 | 368 | 327 | 314 | 304 | 313 | 325 | 318 | 295 | 298 | 300 | 310 | 359 |
| Transport, storage and communications | 1,220 | 1,334 | 1,087 | 1,073 | 1,048 | 1,075 | 1,047 | 1,040 | 1,038 | 1,177 | 1,230 | 1,295 | 1,217 | 1,276 | 1,139 |
| Financial services | 540 | 703 | 420 | 520 | 537 | 548 | 524 | 512 | 540 | 656 | 608 | 1,020 | 581 | 577 | 544 |
| Community, social and perconal services | 462 | 446 | 407 | 404 | 343 | 890 | 881 | 1,012 | 991 | 990 | 972 | 988 | 954 | 939 | 1,013 |
| Real estate | 501 | 755 | 829 | 816 | 848 | 914 | 887 | 879 | 849 | 809 | 802 | 837 | 869 | 874 | 859 |
| Credit/debit cards | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other sectors | 8,554 | 8,676 | 8,062 | 8,098 | 7,876 | 7,151 | 7,257 | 7,241 | 7,199 | 6,756 | 6,827 | 7,575 | 7,459 | 7,558 | 7,499 |
| **TOTALS** | **21,722** | **26,253** | **23,517** | **23,353** | **22,994** | **22,824** | **22,716** | **22,526** | **23,152** | **22,962** | **22,860** | **23,734** | **23,579** | **24,683** | **24,434** |

**Source:** Bank of Zambia

Commercial Banks Loans and Advances - Foreign Currency (US $' 000), Dec 2014 - Dec 2017 — Table 10B

| Sector | Dec-14 | Dec-15 | Dec-16 | Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture, forestry,Fishing and hunting | 284,835 | 239,758 | 236,845 | 244,950 | 249,807 | 258,417 | 264,694 | 271,109 | 267,704 | 269,120 | 271,910 | 268,886 | 287,462 | 277,859 | 288,809 |
| Mining and quarying | 140,808 | 139,509 | 138,696 | 132,369 | 139,788 | 138,066 | 129,583 | 122,492 | 124,434 | 115,187 | 105,360 | 145,133 | 143,603 | 167,930 | 143,992 |
| Manufacturing | 195,556 | 145,441 | 108,383 | 106,556 | 115,288 | 112,632 | 115,275 | 108,193 | 122,630 | 118,772 | 117,595 | 79,632 | 91,193 | 113,316 | 92,005 |
| Electricity, gas, water and energy | 33,002 | 19,479 | 12,137 | 12,163 | 12,075 | 17,808 | 17,813 | 19,002 | 17,205 | 31,221 | 30,940 | 29,979 | 29,206 | 27,060 | 36,620 |
| Construction | 28,578 | 31,160 | 44,867 | 45,258 | 44,855 | 41,144 | 41,299 | 43,203 | 46,952 | 46,206 | 42,368 | 43,574 | 43,722 | 46,656 | 63,602 |
| Wholesale and retail trade | 73,493 | 95,183 | 78,271 | 80,927 | 78,248 | 73,759 | 80,609 | 73,043 | 91,930 | 91,189 | 92,310 | 93,815 | 95,049 | 132,255 | 133,201 |
| Restaurants and hotels | 35,489 | 28,316 | 27,203 | 27,057 | 24,078 | 22,921 | 22,648 | 23,941 | 22,040 | 21,531 | 21,039 | 20,959 | 20,692 | 20,822 | 25,671 |
| Transport, storage and communications | 95,448 | 62,039 | 55,406 | 56,607 | 56,957 | 58,761 | 57,272 | 56,225 | 57,979 | 57,160 | 61,052 | 64,999 | 60,145 | 62,435 | 63,593 |
| Financial services | 16,878 | 11,652 | 7,479 | 8,009 | 7,739 | 7,470 | 6,940 | 6,862 | 7,746 | 11,846 | 9,473 | 29,221 | 15,345 | 14,976 | 16,154 |
| Community, social and perconal services | 7,338 | 7,824 | 9,011 | 9,386 | 6,304 | 6,270 | 4,062 | 3,962 | 4,018 | 4,217 | 4,556 | 6,172 | 4,466 | 6,258 | 7,723 |
| Real estate | 39,966 | 47,051 | 57,979 | 57,460 | 61,544 | 65,722 | 64,401 | 65,284 | 63,836 | 59,367 | 59,235 | 59,187 | 59,680 | 59,126 | 58,773 |
| Other sectors | 28,718 | 50,604 | 49,796 | 52,349 | 50,878 | 54,079 | 59,896 | 57,511 | 56,472 | 55,780 | 60,254 | 62,234 | 65,781 | 66,326 | 68,851 |
| **TOTALS** | **980,110** | **878,016** | **826,073** | **833,092** | **847,559** | **857,046** | **864,492** | **852,054** | **882,945** | **881,595** | **876,091** | **903,792** | **916,344** | **995,019** | **998,994** |

**Source:** Bank of Zambia

Structure Of Interest Rates (Percent Per Year), 2010 - 2017 Table 11

| | End of | BoZ[1] | Weighted Interbank | Penalty[2] | Treasury bill rates | | | | Government bond rates | | | | | | Commercial bank rate | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | period | Policy Rate | rate | rate | 91 days | 182 days | 273 days | 364 days | 24 months | 3 year | 5 year | 7 year | 10 year | 15 year | Savings | 90 day |
| 2010 | December | 19.4 | 6.2 | 31.2 | 7.5 | 8.0 | 8.2 | 9.6 | 8.9 | 8.0 | 13.0 | 14.0 | 15.0 | 15.5 | 4.7 | 7.4 |
| 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 | January | 15.5 | 26.4 | 39.8 | 20.3 | 23.1 | 23.4 | 25.1 | 23.0 | 23.5 | 28.0 | 28.0 | 20.0 | 22.5 | 3.5 | 9.8 |
| | February | 15.5 | 27.0 | 39.8 | 22.0 | 24.0 | 27.3 | 27.1 | 24.0 | 24.0 | 28.2 | 28.2 | 22.3 | 23.3 | 3.3 | 9.9 |
| | March | 15.5 | 27.2 | 39.8 | 22.0 | 25.0 | 27.6 | 27.6 | 25.0 | 24.5 | 28.5 | 28.5 | 24.5 | 24.0 | 3.3 | 10.9 |
| | April | 15.5 | 27.3 | 39.8 | 22.0 | 26.0 | 27.6 | 27.4 | 25.0 | 24.5 | 28.5 | 28.5 | 24.5 | 24.0 | 3.4 | 11.9 |
| | May | 15.5 | 20.7 | 39.8 | 22.0 | 24.5 | 26.0 | 25.3 | 25.0 | 24.5 | 28.3 | 28.6 | 24.5 | 23.8 | 3.2 | 11.3 |
| | June | 15.5 | 17.7 | 39.8 | 21.5 | 24.0 | 25.5 | 25.0 | 25.0 | 24.5 | 27.9 | 29.0 | 24.5 | 23.0 | 3.3 | 10.9 |
| | July | 15.5 | 17.8 | 39.8 | 21.0 | 24.0 | 25.4 | 25.0 | 25.0 | 24.5 | 27.9 | 29.0 | 24.5 | 23.0 | 3.2 | 11.0 |
| | August | 15.5 | 18.2 | 39.8 | 21.0 | 24.0 | 25.3 | 25.0 | 25.0 | 24.5 | 27.9 | 29.0 | 24.5 | 23.0 | 3.0 | 10.6 |
| | September | 15.5 | 17.6 | 39.8 | 21.0 | 24.0 | 25.0 | 24.8 | 25.0 | 23.9 | 25.9 | 25.8 | 24.5 | 23.0 | 3.2 | 10.6 |
| | October | 15.5 | 16.7 | 39.8 | 21.0 | 23.5 | 25.0 | 25.0 | 25.0 | 23.9 | 25.9 | 25.8 | 24.5 | 23.0 | 3.4 | 10.9 |
| | November | 15.5 | 16.5 | 39.8 | 20.9 | 23.6 | 25.0 | 25.0 | 25.0 | 23.6 | 25.2 | 25.3 | 24.5 | 23.0 | 3.4 | 10.8 |
| | 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 | January | 15.5 | 15.9 | 39.8 | 20.4 | 23.9 | 24.7 | 224.7 | 25.0 | 23.2 | 25.0 | 24.8 | 25.0 | 25.0 | 2.8 | 10.9 |
| | February | 14.0 | 15.3 | 39.8 | 17.9 | 20.6 | 20.7 | 22.1 | 23.8 | 22.4 | 23.6 | 23.8 | 23.7 | 24.5 | 2.7 | 11.2 |
| | March | 14.0 | 14.1 | 39.8 | 14.8 | 15.9 | 16.6 | 18.9 | 20.0 | 20.0 | 19.5 | 20.9 | 20.0 | 23.0 | 2.7 | 10.5 |
| | April | 14.0 | 13.0 | 39.8 | 14.0 | 14.7 | 15.3 | 17.2 | 20.0 | 20.0 | 19.4 | 20.7 | 19.9 | 22.8 | 2.8 | 10.4 |
| | May | 12.5 | 13.9 | 39.8 | 14.2 | 15.3 | 15.9 | 17.5 | 20.0 | 20.0 | 19.3 | 20.0 | 19.9 | 22.5 | 2.7 | 10.1 |
| | June | 12.5 | 12.9 | 39.8 | 13.1 | 13.7 | 14.1 | 15.6 | 19.4 | 19.6 | 18.9 | 19.7 | 19.6 | 21.9 | 2.6 | 8.7 |
| | July | 12.5 | 12.3 | 39.8 | 12.2 | 12.0 | 12.0 | 16.7 | 17.0 | 17.9 | 17.5 | 18.5 | 18.3 | 19.5 | 2.6 | 8.6 |
| | August | 11.0 | 12.0 | 39.8 | 11.2 | 11.0 | 10.3 | 16.4 | 17.0 | 17.9 | 17.5 | 18.5 | 18.3 | 19.5 | 2.7 | 8.0 |
| | September | 11.0 | 10.5 | 39.8 | 9.1 | 9.2 | 9.1 | 15.2 | 16.0 | 16.9 | 17.7 | 16.0 | 18.0 | 18.5 | 2.8 | 7.4 |
| | October | 11.0 | 10.5 | 39.8 | 9.0 | 9.6 | 11.3 | 15.7 | 16.0 | 16.9 | 17.7 | 16.0 | 18.0 | 18.5 | 2.7 | 6.9 |
| | November | 10.3 | 11.0 | 39.8 | 9.1 | 9.5 | 14.0 | 15.8 | 16.5 | 18.5 | 18.0 | 19.5 | 21.0 | 18.5 | 2.8 | 6.7 |
| | 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 |

**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), 2008 - 2017** **Table 12**

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | December | 26.9 | 12.8 | 3.5 | 4.8 | 2.6 | 2.8 | 3.5 | 5.1 | 6.5 | 6.6 | 6.6 |
| 2009 | December | 29.2 | 4.2 | 3.6 | 4.7 | 2.9 | 3.5 | 4.0 | 5.6 | 7.4 | 7.4 | 7.6 |
| 2010 | December | 26.4 | 6.2 | 3.6 | 4.7 | 2.9 | 3.5 | 4.0 | 5.6 | 7.4 | 7.4 | 7.6 |
| 2011 | December | 24.0 | 10.2 | 3.7 | 4.3 | 2.7 | 3.5 | 4.0 | 5.3 | 6.8 | 7.0 | 6.8 |
| 2012 | 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 |
| 2015 | January | 20.9 | 11.9 | 2.7 | 3.6 | 2.0 | 4.4 | 3.5 | 6.9 | 7.8 | 9.1 | 10.1 |
| | February | 20.6 | 12.5 | 2.7 | 3.6 | 2.0 | 4.4 | 3.5 | 6.3 | 7.6 | 9.1 | 10.1 |
| | March | 19.7 | 10.8 | 2.4 | 3.4 | 2.2 | 5.1 | 3.9 | 6.4 | 7.9 | 9.3 | 10.4 |
| | April | 20.6 | 14.6 | 2.4 | 3.4 | 2.0 | 5.3 | 3.9 | 6.4 | 8.0 | 9.2 | 10.5 |
| | May | 20.6 | 14.6 | 2.2 | 3.2 | 2.2 | 5.4 | 3.9 | 6.8 | 7.5 | 8.9 | 10.5 |
| | June | 20.6 | 14.6 | 2.5 | 3.5 | 2.0 | 5.4 | 4.1 | 6.4 | 7.8 | 8.8 | 10.5 |
| | July | 20.7 | 14.7 | 2.5 | 3.5 | 2.0 | 4.0 | 4.1 | 6.3 | 7.6 | 9.0 | 10.4 |
| | August | 20.7 | 14.5 | 2.4 | 3.3 | 1.8 | 3.5 | 3.5 | 6.0 | 7.1 | 8.5 | 10.3 |
| | September | 20.8 | 14.7 | 2.4 | 3.3 | 1.9 | 3.6 | 3.5 | 6.8 | 7.1 | 7.9 | 10.3 |
| | October | 20.7 | 14.7 | 2.5 | 3.4 | 1.9 | 4.1 | 4.2 | 6.3 | 7.6 | 8.4 | 10.5 |
| | November | 23.2 | 24.7 | 2.6 | 3.5 | 2.1 | 4.7 | 4.9 | 7.2 | 8.3 | 9.6 | 10.8 |
| | December | 25.8 | 26.1 | 2.5 | 3.3 | 1.9 | 4.0 | 4.2 | 7.2 | 7.9 | 9.2 | 10.8 |
| 2016 | January | 25.8 | 26.4 | 1.3 | 2.6 | 2.0 | 6.1 | 6.6 | 7.8 | 9.4 | 9.8 | 11.0 |
| | February | 26.0 | 27.0 | 1.3 | 2.6 | 2.0 | 6.5 | 6.5 | 8.6 | 9.8 | 9.9 | 11.5 |
| | March | 26.5 | 27.2 | 1.2 | 2.6 | 2.3 | 8.6 | 8.6 | 9.1 | 10.7 | 10.9 | 12.7 |
| | April | 27.5 | 27.3 | 1.3 | 2.7 | 2.4 | 8.5 | 8.8 | 10.0 | 11.6 | 11.9 | 13.1 |
| | May | 28.0 | 20.7 | 1.3 | 2.5 | 2.2 | 6.9 | 7.2 | 9.3 | 11.2 | 11.3 | 13.1 |
| | June | 28.6 | 17.7 | 1.2 | 2.6 | 2.3 | 7.0 | 7.6 | 9.4 | 10.8 | 10.9 | 12.9 |
| | July | 29.0 | 17.8 | 1.2 | 2.6 | 2.2 | 7.0 | 7.7 | 9.3 | 10.7 | 11.0 | 13.0 |
| | August | 28.8 | 18.2 | 1.2 | 2.4 | 2.3 | 6.8 | 7.4 | 9.2 | 10.9 | 10.6 | 13.3 |
| | September | 28.9 | 17.6 | 1.4 | 2.5 | 2.3 | 6.2 | 6.7 | 8.4 | 10.3 | 10.6 | 12.6 |
| | October | 28.7 | 16.7 | 1.5 | 2.8 | 2.5 | 6.4 | 7.0 | 8.5 | 10.4 | 10.9 | 12.5 |
| | November | 29.4 | 16.5 | 1.5 | 2.8 | 2.5 | 6.6 | 7.0 | 9.1 | 10.7 | 10.8 | 12.7 |
| | December | 29.5 | 16.2 | 1.4 | 2.4 | 2.4 | 6.3 | 6.7 | 8.7 | 10.4 | 10.8 | 12.7 |
| 2017 | January | 29.2 | 15.9 | 1.4 | 2.0 | 2.3 | 6.1 | 6.6 | 8.3 | 10.3 | 10.9 | 12.9 |
| | February | 28.9 | 15.3 | 1.3 | 1.9 | 2.4 | 6.1 | 6.6 | 8.6 | 10.6 | 11.2 | 12.5 |
| | March | 28.8 | 14.1 | 1.2 | 2.0 | 2.2 | 5.1 | 5.2 | 7.6 | 9.5 | 10.5 | 11.6 |
| | April | 28.2 | 13.0 | 1.3 | 2.0 | 2.0 | 4.8 | 5.5 | 8.0 | 9.3 | 10.4 | 11.5 |
| | May | 27.7 | 13.9 | 1.3 | 2.0 | 2.0 | 5.1 | 5.9 | 8.3 | 9.3 | 10.1 | 11.7 |
| | June | 26.6 | 12.9 | 1.1 | 1.9 | 2.1 | 4.6 | 4.5 | 7.2 | 8.4 | 8.7 | 11.0 |
| | July | 26.3 | 12.3 | 1.2 | 2.0 | 2.2 | 4.8 | 4.5 | 7.3 | 8.4 | 8.6 | 10.4 |
| | August | 26.6 | 12.0 | 1.2 | 2.0 | 2.2 | 4.8 | 4.8 | 6.9 | 7.7 | 8.0 | 9.8 |
| | September | 25.4 | 10.5 | 1.2 | 1.9 | 2.1 | 4.9 | 5.2 | 6.2 | 6.8 | 7.4 | 9.4 |
| | October | 25.4 | 10.5 | 1.2 | 1.9 | 1.8 | 4.0 | 4.1 | 5.7 | 6.2 | 6.9 | 8.8 |
| | November | 25.5 | 11.0 | 1.1 | 1.9 | 1.9 | 3.8 | 4.4 | 6.0 | 6.0 | 6.7 | 8.6 |
| | December | 24.6 | 10.1 | 1.1 | 1.9 | 2.0 | 3.3 | 3.5 | 5.5 | 6.2 | 6.9 | 8.6 |

**Source:** Bank of Zambia

**Kwacha/US Dollar Exchange Rates, 2010 - 2017** **Table 13**

| | Period | Bank of Zambia | | | RatesBureau Rates | | |
|---|---|---|---|---|---|---|---|
| | Monthly Average | Buying | Selling | Mid | Buying | Selling | Mid |
| 2010 | December | 4,725.74 | 4,745.74 | 4,735.74 | 4,716.25 | 4,813.31 | 4,764.78 |
| 2011 | December | 5,107.29 | 5,127.29 | 5,117.29 | 5,068.71 | 5,153.52 | 5,111.11 |
| 2012 | December | 5,198.47 | 5,228.97 | 5,208.46 | 5,243.33 | 5,323.62 | 5,283.47 |
| 2013 | December | 5.52 | 5.53 | 5.54 | 5.06 | 5.12 | 5.09 |
| 2014 | December | 6.33 | 6.35 | 6.34 | 6.32 | 6.42 | 6.37 |
| 2015 | December | 10.83 | 10.85 | 10.84 | 10.60 | 10.82 | 10.71 |
| | | | | | | | |
| 2016 | January | 11.12 | 11.14 | 11.13 | 11.08 | 11.25 | 11.17 |
| | February | 11.32 | 11.34 | 11.33 | 11.28 | 11.44 | 11.36 |
| | March | 11.33 | 11.35 | 11.34 | 11.26 | 11.42 | 11.34 |
| | April | 9.73 | 9.75 | 9.74 | 9.62 | 9.80 | 9.71 |
| | May | 10.04 | 10.07 | 10.05 | 10.03 | 10.18 | 10.10 |
| | June | 10.68 | 10.73 | 10.70 | 10.73 | 10.70 | 10.71 |
| | July | 9.88 | 9.93 | 9.90 | 10.04 | 10.20 | 10.12 |
| | August | 9.99 | 10.04 | 10.01 | 10.06 | 10.19 | 9.94 |
| | September | 9.96 | 10.00 | 9.98 | 9.98 | 10.11 | 10.17 |
| | October | 9.86 | 9.91 | 9.88 | 9.89 | 10.06 | 9.97 |
| | November | 9.80 | 9.84 | 9.82 | 9.77 | 9.94 | 9.86 |
| | December | 9.81 | 9.86 | 9.84 | 9.79 | 9.96 | 9.88 |
| | | | | | | | |
| 2017 | January | 9.91 | 9.95 | 9.93 | 9.90 | 10.05 | 9.97 |
| | February | 9.74 | 9.78 | 9.76 | 9.82 | 9.97 | 9.89 |
| | March | 9.58 | 9.63 | 9.60 | 9.63 | 9.79 | 9.71 |
| | April | 9.42 | 9.47 | 9.44 | 9.52 | 9.68 | 9.60 |
| | May | 9.24 | 9.29 | 9.26 | 9.25 | 9.41 | 9.21 |
| | June | 9.23 | 9.28 | 9.25 | 9.21 | 9.36 | 9.28 |
| | July | 8.92 | 8.96 | 8.94 | 8.96 | 9.12 | 9.04 |
| | August | 9.00 | 9.05 | 9.02 | 8.97 | 9.12 | 9.05 |
| | September | 9.37 | 9.42 | 9.39 | 9.30 | 9.46 | 9.38 |
| | October | 9.73 | 9.78 | 9.76 | 9.68 | 9.84 | 9.76 |
| | November | 10.02 | 10.07 | 10.04 | 9.97 | 10.13 | 10.05 |
| | December | 10.00 | 10.05 | 10.03 | 10.00 | 10.17 | 10.09 |

**Source:** Bank of Zambia

Note: In July 2003, the Bank of Zambia established a broad-based foreign exchange trading system as the new 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, 2015 - 2017

Table 14

| 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 |
| 2015 | | | | | | | | | | | | | | | | |
| January | 6.4 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 9.8 | 9.8 | 9.8 | 7.2 | 7.5 | 7.5 | 0.6 | 0.6 | 0.6 |
| February | 6.7 | 6.8 | 6.8 | 6.8 | 6.7 | 6.8 | 6.7 | 10.3 | 10.4 | 10.3 | 7.6 | 7.7 | 7.7 | 0.6 | 0.6 | 0.6 |
| March | 7.3 | 7.4 | 7.3 | 7.3 | 7.3 | 7.3 | 7.3 | 11.0 | 11.0 | 11.0 | 7.9 | 8.0 | 8.0 | 0.6 | 0.6 | 0.6 |
| April | 7.3 | 7.5 | 7.4 | 7.5 | 7.4 | 7.4 | 7.4 | 11.2 | 11.2 | 11.2 | 8.1 | 8.1 | 8.1 | 0.6 | 0.6 | 0.6 |
| May | 7.1 | 7.4 | 7.3 | 9.5 | 9.5 | 9.5 | 9.5 | 11.2 | 14.6 | 14.5 | 10.5 | 10.5 | 10.5 | 0.7 | 0.7 | 0.7 |
| June | 7.3 | 7.4 | 7.3 | 7.4 | 7.3 | 7.3 | 7.3 | 11.4 | 11.4 | 11.4 | 8.2 | 8.2 | 8.2 | 0.6 | 0.6 | 0.6 |
| July | 7.6 | 7.7 | 7.6 | 7.7 | 7.6 | 7.7 | 7.6 | 11.9 | 11.9 | 11.9 | 8.4 | 8.4 | 8.4 | 0.6 | 0.6 | 0.6 |
| August | 8.0 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 12.6 | 12.6 | 12.6 | 9.0 | 9.0 | 9.0 | 0.6 | 0.6 | 0.6 |
| September | 10.1 | 10.3 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 15.6 | 15.7 | 15.6 | 11.4 | 11.5 | 11.4 | 0.7 | 0.7 | 0.7 |
| October | 11.9 | 12.1 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 18.4 | 18.5 | 18.4 | 13.5 | 13.5 | 13.5 | 0.9 | 0.9 | 0.9 |
| November | 11.9 | 12.3 | 12.1 | 12.2 | 12.2 | 12.2 | 12.2 | 18.5 | 18.5 | 18.5 | 13.0 | 13.1 | 13.0 | 0.9 | 0.9 | 0.9 |
| December | 10.9 | 10.9 | 10.9 | 10.9 | 10.8 | 10.8 | 10.8 | 16.2 | 16.3 | 16.2 | 11.8 | 11.8 | 11.8 | 0.7 | 0.7 | 0.7 |
| 2016 | | | | | | | | | | | | | | | | |
| January | 11.1 | 11.2 | 11.2 | 11.2 | 11.1 | 11.1 | 11.1 | 16.0 | 16.0 | 16.0 | 12.1 | 12.1 | 12.1 | 0.7 | 0.7 | 0.7 |
| February | 11.3 | 11.4 | 11.3 | 11.4 | 11.3 | 11.3 | 11.3 | 16.2 | 16.2 | 16.2 | 12.6 | 12.6 | 12.6 | 0.7 | 0.7 | 0.7 |
| March | 11.4 | 11.3 | 11.4 | 11.3 | 11.3 | 11.4 | 11.3 | 16.1 | 16.2 | 16.1 | 12.6 | 12.6 | 12.6 | 0.7 | 0.7 | 0.7 |
| April | 9.8 | 9.7 | 9.8 | 9.8 | 9.7 | 9.8 | 9.7 | 13.9 | 14.0 | 13.9 | 11.0 | 11.1 | 11.1 | 0.7 | 0.7 | 0.7 |
| May | 10.0 | 10.1 | 10.0 | 10.1 | 10.0 | 10.1 | 10.1 | 14.6 | 14.6 | 14.6 | 11.3 | 11.4 | 11.4 | 0.7 | 0.7 | 0.7 |
| June | 10.6 | 10.8 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 15.2 | 15.3 | 15.2 | 12.0 | 12.1 | 12.0 | 0.7 | 0.7 | 0.7 |
| July | 9.8 | 9.9 | 9.9 | 9.9 | 9.9 | 9.9 | 9.9 | 13.0 | 13.1 | 13.0 | 11.1 | 11.2 | 11.2 | 0.7 | 0.7 | 0.7 |
| August | 9.9 | 10.0 | 10.0 | 10.1 | 10.0 | 10.0 | 10.0 | 13.1 | 13.2 | 13.1 | 11.2 | 11.3 | 11.2 | 0.7 | 0.7 | 0.7 |
| September | 9.9 | 10.0 | 9.9 | 10.0 | 10.0 | 10.0 | 10.0 | 13.1 | 13.1 | 13.1 | 11.2 | 11.2 | 11.2 | 0.7 | 0.7 | 0.7 |
| October | 9.8 | 9.9 | 9.9 | 9.9 | 9.9 | 9.9 | 9.9 | 12.2 | 12.2 | 12.2 | 10.9 | 10.9 | 10.9 | 0.7 | 0.7 | 0.7 |
| November | 9.7 | 9.9 | 9.8 | 9.9 | 9.8 | 9.8 | 9.8 | 12.2 | 12.2 | 12.2 | 10.6 | 10.6 | 10.6 | 0.7 | 0.7 | 0.7 |
| December | 9.3 | 9.9 | 9.6 | 9.8 | 9.8 | 9.9 | 9.8 | 12.3 | 12.3 | 12.3 | 10.4 | 10.4 | 10.4 | 0.7 | 0.7 | 0.7 |
| 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 |

**Source:** Bank of Zambia

## Foreign Exchange Transactions, 2008 - 2017

Table 15

| Period | | 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 |
| 2008 | December | 0.0 | 104.6 | 8.2 | 67.5 | 84.6 | 2.1 | 6.0 | 5692.7 |
| 2009 | December | 0.0 | 53.2 | 171.5 | 28.0 | 69.8 | 2.6 | 87.1 | 1949.2 |
| 2010 | December | 0.0 | 54.0 | 103.4 | 11.0 | 24.8 | 43.9 | 99.9 | 2118.7 |
| 2011 | December | 0.0 | 40.4 | 28.3 | 0.0 | 92.8 | 3.2 | 134.3 | 2347.0 |
| 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 | January | 0.0 | 41.3 | 9.0 | 41.2 | 57.4 | 8.7 | 17.0 | 2902.6 |
| | February | 0.0 | 64.1 | 11.6 | 71.2 | 32.0 | 102.1 | 4.8 | 2773.8 |
| | March | 0.0 | 47.4 | 1.1 | 95.0 | 56.1 | 53.6 | 25.9 | 2598.8 |
| | April | 0.0 | 45.8 | 12.5 | 36.4 | 32.3 | -67.5 | 0.0 | 2569.0 |
| | May | 0.0 | 48.0 | 4.6 | -82.8 | 54.7 | -26.9 | -0.5 | 2457.2 |
| | June | 0.0 | 104.9 | 8.7 | -27.0 | 104.2 | 36.2 | 0.0 | 2403.8 |
| | July | 0.0 | 41.6 | 4.7 | -41.0 | 33.5 | 41.3 | 107.1 | 2228.3 |
| | August | 0.0 | 44.3 | 2.7 | 72.5 | 21.4 | 75.7 | 2.7 | 2247.7 |
| | September | 0.0 | 25.2 | 22.2 | 23.0 | 17.9 | 33.0 | 3.4 | 2264.4 |
| | October | 0.0 | 39.4 | 7.6 | 22.5 | 59.5 | 81.0 | 2.9 | 2198.2 |
| | November | 0.0 | 40.4 | 7.9 | 118.2 | 38.4 | -28.9 | -0.5 | 2300.4 |
| | December | 0.0 | 69.4 | 12.8 | 57.3 | 46.1 | 28.3 | 7.8 | 2366.0 |
| | | | | | | | | | |
| 2017 | January | 0.0 | 48.5 | 11.6 | -24.0 | 36.1 | 79.8 | 23.8 | 2310.5 |
| | February | 0.0 | 27.5 | 8.5 | 8.9 | 40.7 | 33.8 | 0.4 | 2262.6 |
| | March | 0.0 | 37.3 | 12.6 | 7.1 | 50.5 | 65.1 | -92.5 | 2282.4 |
| | April | 0.0 | 74.7 | 1.0 | 118.0 | 23.9 | 65.9 | 1.1 | 2403.9 |
| | May | 0.0 | 23.7 | 10.7 | -45.5 | -70.0 | 36.3 | 8.2 | 2369.4 |
| | June | 0.0 | 43.3 | 17.9 | -25.0 | 35.8 | 25.1 | 8.6 | 2386.1 |
| | July | 0.0 | 34.6 | 2.6 | -110.5 | 65.5 | 125.6 | 16.2 | 2326.6 |
| | August | 0.0 | 18.1 | 13.6 | -4.0 | 64.9 | 20.4 | 6.1 | 2271.0 |
| | September | 0.0 | 30.9 | 6.7 | 30.0 | 30.4 | 66.5 | 26.2 | 2155.4 |
| | October | 0.0 | 21.6 | 6.7 | -31.0 | 44.3 | 96.1 | 11.6 | 2014.2 |
| | November | 0.0 | 26.2 | 4.0 | 0.0 | 33.4 | 46.2 | 1.7 | 1965.2 |
| | December | 9.7 | 55.3 | 14.4 | 115.6 | 20.2 | 46.1 | 1.5 | 2092.5 |

**Source:** Bank of Zambia

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

Table 16

| | Consumer Prices Food and Non – Food ( 2009=100) | | | Annual Inflation | | | Month on Month Inflation Rates | | |
|---|---|---|---|---|---|---|---|---|---|
| Monthly | Total | Food | Non Food | Total | Food | Non Food | Total | Food | Non Food |
| 2015 | | | | | | | | | |
| January | 146.8 | 141.3 | 153.1 | 7.7 | 7.4 | 8.0 | 0.7 | 0.7 | 0.7 |
| February | 147.1 | 142.4 | 152.6 | 7.4 | 7.6 | 7.3 | 0.3 | 0.8 | -0.3 |
| March | 148.6 | 143.8 | 154.2 | 7.2 | 7.2 | 7.1 | 1.0 | 1.0 | 1.1 |
| April | 149.7 | 144.6 | 155.5 | 7.2 | 7.1 | 7.3 | 0.7 | 6.0 | 0.8 |
| May | 150.6 | 145.8 | 156.2 | 6.9 | 7.2 | 6.7 | 0.6 | 0.8 | 0.4 |
| June | 151.5 | 146.4 | 157.7 | 7.1 | 7.1 | 7.0 | 0.6 | 0.2 | 1.0 |
| July | 152.6 | 147.0 | 159.2 | 7.1 | 7.8 | 6.2 | 0.8 | 0.6 | 1.0 |
| August | 153.9 | 148.2 | 160.6 | 7.3 | 7.8 | 6.9 | 0.9 | 0.8 | 0.9 |
| September | 155.0 | 149.0 | 162.0 | 7.7 | 8.1 | 7.3 | 0.7 | 0.5 | 0.9 |
| October | 164.7 | 160.0 | 170.0 | 14.3 | 16.2 | 12.4 | 6.2 | 7.4 | 5.0 |
| November | 172.9 | 170.9 | 175.2 | 19.5 | 23.4 | 15.5 | 5.0 | 6.8 | 3.1 |
| December | 176.5 | 175.1 | 178.1 | 21.1 | 24.8 | 17.1 | 2.1 | 2.5 | 1.6 |
| **2016** | | | | | | | | | |
| January | 178.7 | 177.9 | 179.7 | 21.8 | 25.9 | 17.4 | 1.3 | 1.6 | 0.9 |
| February | 180.8 | 179.9 | 181.8 | 22.9 | 26.4 | 19.1 | 1.2 | 1.2 | 1.2 |
| March | 181.7 | 181.5 | 181.9 | 22.2 | 26.2 | 17.9 | 0.5 | 0.9 | 0.0 |
| April | 182.2 | 183.0 | 181.4 | 21.8 | 26.5 | 16.7 | 0.3 | 0.8 | -0.3 |
| May | 182.7 | 183.4 | 181.8 | 21.3 | 25.8 | 16.5 | 0.2 | 0.2 | 0.3 |
| June | 183.3 | 183.0 | 183.6 | 21.0 | 25.3 | 16.5 | 0.3 | -0.2 | 1.0 |
| July | 183.4 | 183.4 | 183.5 | 20.2 | 24.8 | 15.3 | 0.1 | 0.2 | -0.1 |
| August | 184.1 | 183.9 | 184.9 | 19.6 | 24.1 | 14.8 | 0.4 | 0.3 | 0.4 |
| September | 184.2 | 183.9 | 183.6 | 18.9 | 23.4 | 14.0 | 0.1 | 0.0 | 0.2 |
| October | 185.2 | 185.0 | 185.3 | 12.5 | 15.6 | 9.0 | 0.5 | 0.6 | 0.4 |
| November | 188.0 | 186.6 | 189.6 | 8.8 | 9.2 | 8.3 | 1.5 | 0.8 | 2.3 |
| December | 189.6 | 188.7 | 190.8 | 7.5 | 7.8 | 7.1 | 0.9 | 1.1 | 0.6 |
| **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 |

**Source:** Central Statistical Office

Treasury Bill Transactions (K' million), 2008 - 2017

Table 17

| | Period | Treasury Bills Tender Sales | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 91 Days | 182 Days | 273 Days | 364 Days | Total Sales | Settlement value | Maturites | Off-Tender Sales | Re-discounts | Outstanding Bills |
| 2008 | December | 46,560.0 | 40,277.0 | 21,149.0 | 899,796.1 | 1,007,782.1 | 227,808.7 | 969,121.9 | 0.0 | 0.0 | 3,249,255.1 |
| 2009 | December | 102,184.0 | 105,042.0 | 98,063.0 | 916,244.6 | 1,221,533.6 | 474,266.9 | 408,194.0 | 0.0 | 0.0 | 4,423,113.6 |
| 2010 | December | 108,714.0 | 131,846.0 | 134,845.0 | 306,995.0 | 682,400.0 | 644,989.3 | 424,009.0 | 0.0 | 0.0 | 4,533,570.6 |
| 2011 | December | 87,065.0 | 110,015.0 | 164,723.0 | 335,239.0 | 697,042.0 | 638,117.7 | 471,047.0 | 0.0 | 0.0 | 6,919,518.1 |
| 2012 | December | 53,037.0 | 167,296.0 | 172,174.5 | 374,891.7 | 767,399.2 | 0.0 | 0.0 | 0.0 | 0.0 | 6,840,829.8 |
| 2013 | December | 16,400.0 | 484,705.0 | 318,190.0 | 923,695.0 | 1,742,990.0 | 1,552,661.7 | 548,794.7 | 15,850.5 | 0.0 | 9,525,976.4 |
| 2014 | December | 144,610.0 | 173,153.0 | 102,920.0 | 579,915.0 | 1,000,598.0 | 871,680.8 | 710,943.0 | 0.0 | 0.0 | 10,809,484.4 |
| 2015 | December | 11,265.0 | 112,952.0 | 179,295.0 | 261,361.0 | 564,873.0 | 146,913.0 | 969,945.0 | 0.0 | 0.0 | 12,090,096.5 |
| | | | | | | | | | | | |
| 2016 | January | 14,570.0 | 23,318.0 | 40,200.0 | 696,939.0 | 775,027.0 | 616,185.6 | 903,555.0 | 0.0 | 0.0 | 11,872,902.5 |
| | February | 14,161.0 | 26,634.0 | 169,828.3 | 545,759.0 | 756,382.4 | 1,084,406.1 | 812,670.0 | 0.0 | 0.0 | 11,886,036.5 |
| | March | 10,961.0 | 160,897.0 | 223,300.0 | 341,339.0 | 736,497.0 | 604,678.2 | 1,502,825.0 | 0.0 | 0.0 | 11,997,811.5 |
| | April | 49,326.0 | 196,102.0 | 125,250.0 | 312,935.0 | 683,613.0 | 570,064.6 | 728,489.0 | 0.0 | 0.0 | 10,687,467.5 |
| | May | 100,855.0 | 191,578.0 | 245,036.3 | 486,265.2 | 1,023,734.5 | 859,766.8 | 886,515.0 | 0.0 | 0.0 | 10,600,726.0 |
| | June | 97,344.0 | 316,192.0 | 345,159.0 | 474,765.0 | 1,233,460.0 | 1,044,692.7 | 841,216.0 | 0.0 | 0.0 | 10,591,229.0 |
| | July | 105,936.0 | 299,653.0 | 195,921.0 | 514,073.0 | 1,115,583.0 | 953,106.3 | 714,125.6 | 0.0 | 0.0 | 10,653,007.0 |
| | August | 56,809.0 | 205,541.0 | 226,592.0 | 592,222.0 | 1,081,164.0 | 901,937.5 | 1,143,693.0 | 0.0 | 0.0 | 10,464,391.0 |
| | September | 161,502.0 | 140,573.0 | 383,550.0 | 687,275.0 | 1,372,900.0 | 1,152,621.5 | 991,192.0 | 0.0 | 0.0 | 10,492,372.0 |
| | October | 84,522.0 | 141,058.0 | 285,010.0 | 1,351,360.0 | 1,861,950.0 | 1,528,467.0 | 1,088,396.0 | 0.0 | 0.0 | 11,196,878.0 |
| | November | 99,040.0 | 273,022.0 | 441,495.0 | 631,100.0 | 1,444,657.0 | 1,215,654.9 | 542,342.0 | 0.0 | 0.0 | 11,843,924.0 |
| | December | 291,690.0 | 480,261.0 | 555,388.8 | 1,128,459.0 | 2,455,798.8 | 2,077,945.7 | 762,489.0 | 0.0 | 0.0 | 13,174,213.5 |
| | | | | | | | | | | | |
| 2017 | January | 197,405.0 | 616,994.0 | 474,614.0 | 865,335.0 | 2,154,348.0 | 1,837,622.7 | 807,822.0 | 0.0 | 0.0 | 14,830,489.5 |
| | February | 143,165.0 | 298,931.0 | 613,470.0 | 1,483,220.0 | 2,538,786.0 | 2,159,509.3 | 751,300.0 | 0.0 | 0.0 | 16,262,283.2 |
| | March | 92,442.0 | 235,507.0 | 400,940.0 | 1,711,343.0 | 2,440,232.0 | 2,112,458.2 | 481,912.0 | 0.0 | 0.0 | 17,430,754.2 |
| | April | 45,194.0 | 259,294.0 | 453,023.0 | 1,230,781.0 | 1,988,292.0 | 1,742,471.3 | 453,993.0 | 0.0 | 0.0 | 18,907,705.2 |
| | May | 112,580.0 | 200,974.0 | 174,850.0 | 337,081.0 | 825,485.0 | 738,772.3 | 759,287.2 | 0.0 | 0.0 | 18,604,146.0 |
| | June | 164,026.4 | 696,642.0 | 613,557.0 | 1,862,731.0 | 3,336,956.4 | 2,979,719.3 | 1,264,552.0 | 0.0 | 0.0 | 19,812,521.0 |
| | July | 64,806.0 | 128,099.0 | 24,345.0 | 1,302,000.0 | 1,519,250.0 | 1,321,605.1 | 821,541.0 | 0.0 | 0.0 | 19,879,295.0 |
| | August | 139,464.0 | 180,513.0 | 112,331.0 | 1,432,592.0 | 1,864,900.0 | 1,054,921.1 | 1,485,092.6 | 0.0 | 0.0 | 20,585,010.0 |
| | September | 39,696.0 | 8,650.0 | 108,578.0 | 1,937,890.0 | 2,094,814.0 | 922,782.0 | 1,833,582.1 | 0.0 | 0.0 | 21,053,482.0 |
| | October | 136,537.0 | 36,816.0 | 127,295.0 | 1,601,195.0 | 1,901,843.0 | 1,646,903.5 | 2,140,055.4 | 0.0 | 0.0 | 19,452,167.6 |
| | November | 26,756.0 | 112,940.0 | 382,720.0 | 1,279,436.0 | 1,801,852.0 | 1,584,558.5 | 919,390.0 | 0.0 | 0.0 | 19,968,004.2 |
| | December | 125,831.0 | 95,430.0 | 305,845.0 | 1,270,172.0 | 1,797,278.0 | 1,581,365.6 | 1,229,304.0 | 0.0 | 0.0 | 20,193,512.4 |

**Source:** Bank of Zambia

## GRZ Bonds Outstanding (K'million), 2015 - 2017

Table 18

| End of period | | By Holder | | Total |
|---|---|---|---|---|
| | | Commercial banks1 | Others2 | Outstanding |
| 2015 | January | 2,304,466.0 | 6,674,496.9 | 8,978,962.9 |
| | February | 2,332,038.2 | 7,161,926.4 | 9,493,964.6 |
| | March | 2,235,103.3 | 7,083,369.2 | 9,318,472.4 |
| | April | 2,177,495.8 | 7,083,122.2 | 9,260,618.0 |
| | May | 2,099,763.5 | 7,673,553.4 | 9,773,316.9 |
| | June | 2,134,561.6 | 7,446,751.2 | 9,581,312.8 |
| | July | 2,149,415.5 | 7,301,869.9 | 9,451,285.4 |
| | August | 2,164,087.5 | 7,249,248.2 | 9,413,335.7 |
| | September | 1,613,901.5 | 7,850,466.6 | 9,464,368.0 |
| | October | 1,603,097.9 | 7,595,341.1 | 9,198,439.0 |
| | November | 1,582,814.4 | 7,512,864.7 | 9,095,679.1 |
| | December | 1,568,433.9 | 7,503,337.9 | 9,071,771.8 |
| 2016 | January | 1,566,673.7 | 7,424,906.7 | 8,991,580.4 |
| | February | 1,541,693.9 | 7,507,726.2 | 9,049,420.1 |
| | March | 1,583,399.9 | 7,411,945.9 | 8,995,345.8 |
| | April | 1,658,141.6 | 7,258,030.8 | 8,916,172.4 |
| | May | 1,911,750.3 | 7,844,070.2 | 9,755,820.5 |
| | June | 1,907,902.9 | 8,129,239.9 | 10,037,142.8 |
| | July | 1,879,579.9 | 7,341,118.1 | 9,220,698.0 |
| | August | 2,044,064.4 | 8,223,115.1 | 10,267,179.5 |
| | September | 1,971,061.2 | 8,175,996.1 | 10,147,057.2 |
| | October | 1,944,347.7 | 8,149,636.6 | 10,093,984.3 |
| | November | 2,275,544.8 | 9,603,869.3 | 11,879,414.1 |
| | December | 2,554,542.6 | 10,466,890.2 | 13,021,432.8 |
| 2017 | January | 2,525,606.0 | 10,639,719.1 | 13,165,325.0 |
| | February | 3,008,189.2 | 11,383,057.6 | 14,391,246.8 |
| | March | 3,048,046.2 | 11,279,983.0 | 14,328,029.2 |
| | April | 3,224,990.9 | 12,807,990.3 | 16,032,981.2 |
| | May | 2,889,612.5 | 12,221,336.4 | 15,110,948.9 |
| | June | 3,092,957.6 | 11,475,268.2 | 14,568,225.8 |
| | July | 3,211,202.4 | 13,477,026.7 | 16,688,229.1 |
| | August | 3,109,866.3 | 12,595,094.5 | 15,704,960.8 |
| | September | 3,787,869.9 | 12,643,645.5 | 16,431,515.4 |
| | October | 4,243,043.8 | 15,352,280.0 | 19,595,323.8 |
| | November | 4,103,870.9 | 15,352,282.0 | 19,456,152.9 |
| | December | 4,760,033.9 | 14,657,981.0 | 19,418,014.9 |

**Source:** Bank of Zambia

Note: (1) Commercial banks holdings of GRZ ordinary Bonds excludes ZANACO Bond of K250.0 billion.
(2) Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds

## METAL PRODUCTION AND EXPORTS (METRIC TONNES), 2008 - 2017

Table 19

| End of period | | Copper | | Cobalt | |
|---|---|---|---|---|---|
| | | Exports | Production | Exports | Production |
| 2008 | | 584,288 | 600,033 | 4,608 | 4,613 |
| 2009 | | 675,384 | 697,860 | 5,868 | 5,879 |
| 2010 | | 829,728 | 852,566 | 8,641 | 8,648 |
| 2011 | | 832,216 | 833,450 | 7,831 | 7,702 |
| 2012 | | 903,137 | 824,977 | 10,029 | 5,435 |
| 2013 | | 976,306 | 997,823 | 5,881 | 5,919 |
| 2014 | | 1,146,315 | 708,259 | 4,562 | n/a |
| 2015 | | 1,022,097 | 710,860 | 2,979 | n/a |
| 2016 | January | 88,014.7 | 64,181 | 374 | n/a |
| | February | 73,222.4 | 55,650 | 197 | n/a |
| | March | 72,106.6 | 63,324 | 560 | n/a |
| | April | 66,804.0 | 59,611 | 643 | n/a |
| | May | 82,730.1 | 61,074 | 377 | n/a |
| | June | 83,612.0 | 69,537 | 289 | n/a |
| | July | 80,496.9 | 70,501 | 238 | n/a |
| | August | 65,908.3 | 65,852 | 409 | n/a |
| | September | 67,593.1 | 65,052 | 495 | n/a |
| | October | 86,452.1 | 61,739 | 715 | n/a |
| | November | 79,906.1 | 68,382 | 472 | n/a |
| | December | 80,105.1 | 63,547 | 509 | n/a |
| | **Total** | **926,951** | **768,449** | **5,276** | n/a |
| 2017 | January | 84,484.8 | 57,157 | 331 | n/a |
| | February | 87,125.1 | 53,390 | 264 | n/a |
| | March | 88,066.1 | 56,100 | 571 | n/a |
| | April | 87,307.1 | 66,267 | 298 | n/a |
| | May | 82,402.0 | 61,510 | 165 | n/a |
| | June | 83,718.9 | 69,238 | 189 | n/a |
| | July | 78,604.2 | 70,419 | 224 | n/a |
| | August | 86,819.7 | 71,023 | 330 | n/a |
| | September | 61,997.8 | 66,918 | 193 | n/a |
| | October | 77,712.7 | 72,741 | 198 | n/a |
| | November | 101,154.0 | 68,717 | 244 | n/a |
| | December | 100,030.6 | 73,251 | 232 | n/a |
| | **Total** | **1,019,423** | **786,731** | **3,240** | n/a |

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

**REGISTERED OFFICES**

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

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