BANK OF ZAMBIA ANNUAL REPORT 2018

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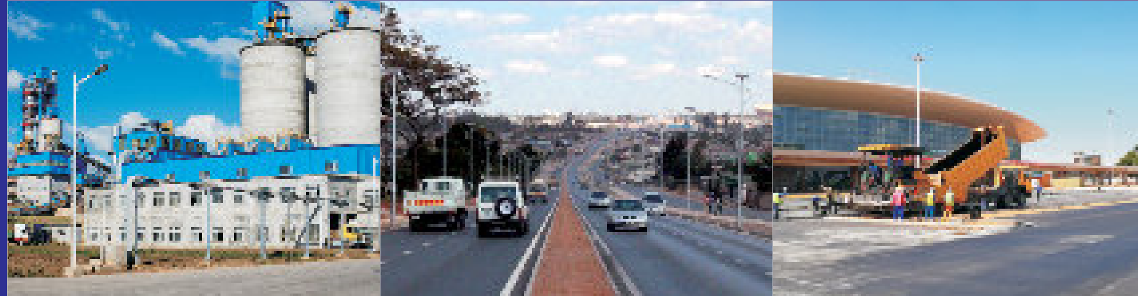
Bank Of Zambia

ANNUAL REPORT 2018



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Bank *of* Zambia

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

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Fax: + 260 971 270090/0963884820
E-mail: info@boz.zm
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Bank of Zambia, Buteko Avenue,
P. O. Box 71511, Ndola, Zambia
Tel: + 260 212 399600
Fax: + 260 971 270120/0963 885580
E-mail: info@boz.zm
Website: www.boz.zm

BOARD OF DIRECTORS[1]

Dr. Denny H. Kalyalya has been Governor of the Bank of Zambia and Chairperson of the Board of Directors since February 2015. Prior to this appointment, he served as Executive Director at the World Bank Group (WBG) from 2012 to 2014 and as Alternate Executive Director from 2010 to 2012, representing Africa Group 1 Constituency comprising 22 countries. Dr. Kalyalya also served as Deputy Governor – Operations at the Bank of Zambia from 2002 to 2010 and as Director – Economics from 1998 to 2002.

He holds a PhD in Economics from the University of Massachusetts/Amherst, USA (UMASS) which he obtained in 1993 on a Fulbright Hays Scholarship. He also holds a Master of Arts degree in Economics from UMASS. In addition, he holds a Master of Arts in Economics and a Bachelor of Arts in Economics from the University of Zambia (UNZA).

Prof. Hellicy C. Ng'ambi is a full professor of business leadership. She is currently the Vice Chancellor at Mulungushi University and Kwame Nkrumah University.

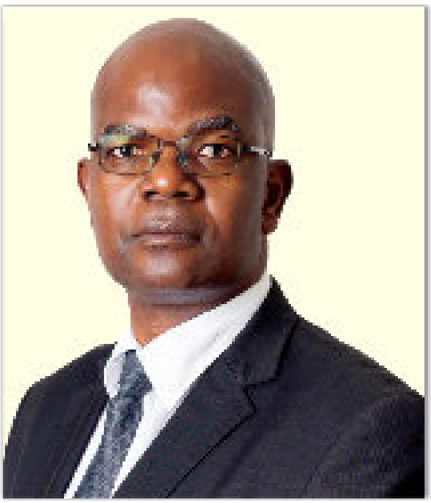
She has worked in various management positions in institutions of higher learning such as the University of Botswana, University of South Florida and University of South Africa. She was previously Principal and Managing Director of the Academy of Business Management in Botswana, a private university college she founded. She is also one of the pioneers of the Thabo Mbeki African Leadership Institute.

She was the winner of the CEO Africa's most influential women of the year in government and business Awards for two consecutive years and the 2017 Continental Lifetime Achiever Award. She has authored, edited and published several articles in journals and book chapters and books.

Prof. Ng'ambi holds a Doctorate in Business Leadership, a Master of Science in Management, a Master of Business Administration, a Bachelor of Arts Degree in Economics, Chartered Institute of Marketing Certificate, International Teachers' Programme Certificate, and an American Council on Education certificate. She is a certified change management expert.

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

BOARD OF DIRECTORS

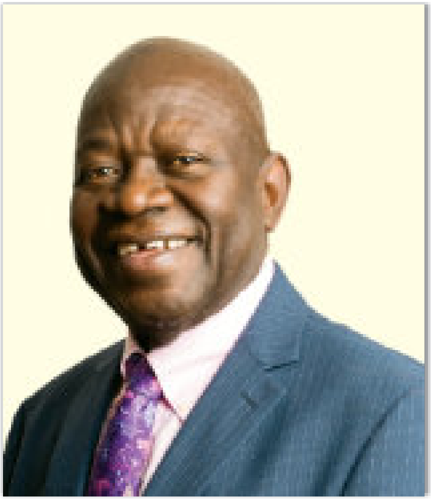


Mr. Bryson Mumba is a corporate governance, financial and business management expert. He is currently the Executive Dean – School of Business, Economics and Management at the University of Lusaka. Mr. Mumba started his career at Zambia Consolidated Copper Mines (ZCCM) in 1985. Other institutions he has worked for include Deloitte & Touche (UK and Zambia), University of Abertay (Dundee, Scotland), Institute of Development Management (Botswana), Public Enterprise Evaluation Agency (Botswana), National Road Fund Agency (Zambia) and Zambia Daily Mail Limited.

He served as an external member of the Bank of Zambia's Audit and Finance Board Committee from 2016 to 2018 and has served on several other boards and committees.

Mr. Mumba is a Fellow of the Association of Chartered Certified Accountants (ACCA), the Zambia Institute of Chartered Accountants (ZICA) and the Institute of Directors (IoD), Zambia.

He holds a Master of Business Administration from Edinburgh Business School at Heriot Watt University, a Master of Accountancy from the University of Dundee, a Bachelor of Science in Computer Studies from Loughborough University of Technology, a post graduate diploma in Teaching/Lecturing Methodology from University of Lusaka, a Diploma in Corporate Governance from ACCA and a Postgraduate Certificate in Business Research Methods from Heriot Watt University. He is currently pursuing a PhD in Accounting and Finance from University of Lusaka.



Mr. Mwila Lumbwe is a director at Investment and Management Solutions Limited, a consultancy firm offering investment advisory services to clients considering inward investment in Zambia and the SADC region.

His expertise has been applied in different sectors at various board and management positions in organisations including Zambia Revenue Authority, Zambia National Commercial Bank, Standard Chartered Bank and the Commission of Enquiry on the Zambia National Building Society. He has carried out forensic investigations, served as Liquidation Manager of Credit Africa Bank Zambia Limited and National Home Stores, and was the Receiver of Kapiri Glass Products Limited.

Mr. Lumbwe was one of the team leaders on the ZCCM/GRZ negotiating team that presided over the privatisation of the mining industry in Zambia and led the privatisation of the trade sector. He served as financial advisor to the Attorney General in the dissolution of the Central African Power Corporation. He further served as the Managing Partner of Ernst & Young Zambia, which he established. Prior to this, he was a Partner at KPMG Zambia and UK.

He is a Fellow of the Association of the Chartered Certified Accountants and the Zambia Institute of Chartered Accountants.

BOARD OF DIRECTORS

Dr. Andrew Mwaba is an economist in International Development and Finance. He is an expert in policy review and strategy and has experience in resources and people management. He has broad international exposure in business in Africa and beyond.

Dr. Mwaba worked at the African Development Bank for over 30 years where he held various management portfolios. He began as a young professional and rose through the ranks to Principal Economist, Advisor to the Vice-President, Head Economist, Division Manager and finally as Country Manager in Malawi. He has authored, supervised and published several research papers and articles in journals.

He holds a Doctorate Degree in Development Studies from the University of Manchester, a Master of Science Degree in Agricultural Economics and Agribusiness Management from Ohio State University, a Master of Public Administration (Economic Policy Management) from Columbia University and a Bachelor of Arts Degree in Economics from the University of Zambia.

Ms. Namucana C. Musiwa is a Human Resource Management Practitioner and is the founder and Chief Executive Officer of Career Prospects Limited, a Human Resources Development Practice and Management firm. She is Chairperson of the ZIHRM Women's Network and is serving as Chairperson of the University of Zambia Caretaker Committee of Council.

Ms. Musiwa's career spans over 30 years, having worked in various capacities in organisations such as Boart Longyear Zambia Limited, Prince Construction Company Limited and the International Labour Organization.

In May 2009, she was elected President of the Zambia Institute of Human Resource Management (ZIHRM), the first woman to hold the position. She served as external member of the Bank of Zambia's Appointment and Remuneration Board Committee from 2016 to 2018. She was the first Board Chairperson of the Zambia Qualifications Authority.

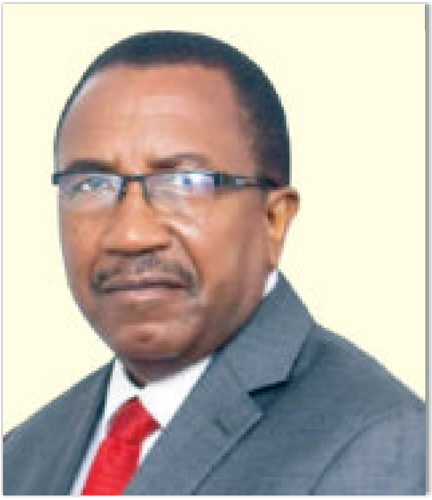
Ms. Musiwa holds a Bachelor of Arts Degree in Public Administration from the University of Zambia and is a Fellow of ZIHRM. She holds several national and international awards including two Global HR Leadership and Achiever Awards conferred on her by the Africa-India Summit under the auspices of the World Human Resource Development Congress.

BOARD OF DIRECTORS

Ms. Roseta Mwape Chabala is a business strategy expert. She is currently the Managing Director at Metal Fabricators of Zambia.

Her career spans over 12 years, having served as a business consultant at Independent Management Consulting Services. She later moved to take up the position of Chief Executive Officer at Zambia Association of Manufacturers. She played a leading role in improving the image, multiplying the membership and revenues of the Zambia Association of Manufacturers. In 2013, she was awarded for her distinguished contribution to private sector development by the Ministry of Commerce, Trade and Industry through the Private Sector Reform Program.

Ms. Chabala holds a Master of Science in International Trade Policy and Trade Law from Lund University and a Bachelor's Degree in Education from the University of Zambia. She is currently pursuing a Master of Business Administration from the Eastern and Southern Management Institute.



Mr. Fredson K. Yamba has been the Secretary to the Treasury and an ex-officio on the Bank of Zambia Board since 2011. Before being appointed Secretary to the Treasury, Mr. Yamba served as Director - Research, Consultancy and Development Division at the National Institute of Public Administration (NIPA). He also served as Director and Chief Economist at the Ministry of Commerce, Trade and Industry. Earlier, Mr. Yamba held several senior positions at the Ministry of Finance and National Planning including: Acting Director-Budget Office, Chief Budget Analyst, Principal Budget Analyst and Senior Budget Analyst. He was also a secondary school teacher for various commercial subjects.

He holds a Master of Science Degree in Development Finance from the University of Reading in the United Kingdom, Bachelor of Arts in Economics and Public Administration from the University of Zambia as well as a Diploma in Secondary School Teaching from the Technical Vocational Teachers College in Luanshya.

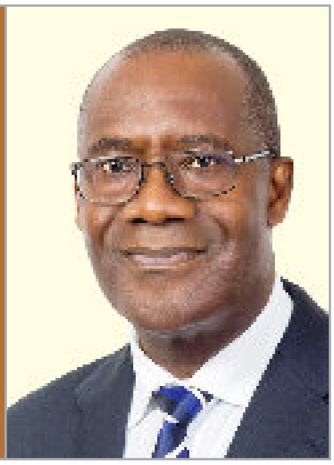
SENIOR MANAGEMENT AS AT 31 DECEMBER 2018

DR. DENNY H. KALYALYA,

GOVERNOR

DR. BWALYA K. E. NG'ANDU

DEPUTY GOVERNOR - OPERATIONS



DR. TUKIYA KANKASA-MABULA

DEPUTY GOVERNOR - ADMINISTRATION

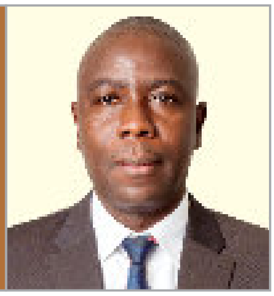
SENIOR MANAGEMENT AS AT 31 DECEMBER 2018

DR. FRANCIS CHIPIMO

DIRECTOR - ECONOMICS

DR. JONATHAN CHIPILI

DIRECTOR - FINANCIAL MARKETS



MS. GLADYS MPOSHA

DIRECTOR - BANK SUPERVISION

MS. FREDA TAMBA

DIRECTOR - NON-BANK FINANCIAL INSTITUTIONS SUPERVISION

MR. VISSCHER BBUKU

DIRECTOR - REGIONAL OFFICE

MR. LAZAROUS KAMANGA

DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

SENIOR MANAGEMENT AS AT 31 DECEMBER 2018

MS. NAMWANDI NDHLOVU

DIRECTOR BOARD SERVICES

DR. LEONARD N. KALINDE

DIRECTOR - LEGAL SERVICES

MR. DAVID C. MWAPE

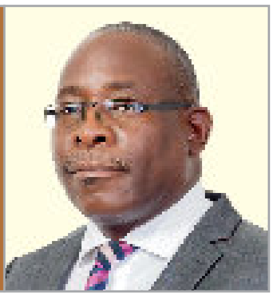
DIRECTOR - RISK AND STRATEGY

MS. PRUDENCE MALILWE

DIRECTOR - FINANCE

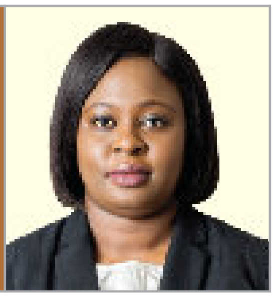
MR. FABIAN HARA

DIRECTOR - INTERNAL AUDIT



MS. REKHA C. MHANGO

DIRECTOR - HUMAN RESOURCES



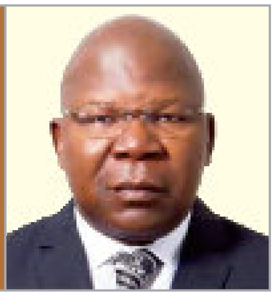
SENIOR MANAGEMENT AS AT 31 DECEMBER 2018

MS. MWABA KASESE

ACTING DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MR. EVANS LUNETA

DIRECTOR - PROCUREMENT AND MAINTENANCE SERVICES



Governor's Overview

GOVERNOR'S OVERVIEW

This report reviews global and domestic macroeconomic developments in 2018 and the role the Bank of Zambia played in fulfilling its primary mandate of price and financial system stability. In addition, the report presents audited financial statements of the Bank for the year ended 31st December 2018 and provides statistical annexures.

Monetary policy in 2018 continued to focus on maintaining price stability, by ensuring that inflation remained within the target range of 6-8%. The Bank relied on the Policy Rate as a key signal for its monetary policy stance. Decisions on the monetary policy stance were guided by the medium-term inflation outlook as well as a broader set of macroeconomic indicators, such as, the outturn in inflation, credit conditions, economic growth, financial sector stability, and risks to inflation. The Bank continued to use market based monetary policy instruments to maintain the 5-day interbank rate within +/- 1 percentage point around the Policy Rate.

Inflation on average was higher in 2018 than in 2017, but was maintained broadly within the target range during the year except in August and October when it breached the upper bound of the target range. However, by the end of the year, it reverted to the target range and closed 2018 at 7.9%. The build-up in inflationary pressures was mainly on account of rising food prices, exchange rate depreciation, and upward adjustment of fuel pump prices. After a period of successive easing of monetary policy that started in 2017, the Policy Rate was lowered to 9.75% in February 2018 from 10.25% and was maintained at that level for the rest of the year. In addition, the statutory reserve ratio was adjusted downwards to 5.0% from 8.0% and was held at that level for the remainder of the year. The Bank considered this policy stance appropriate in maintaining inflation within the 6 - 8% target band as well as supporting private sector credit growth and economic activity.

Market liquidity conditions improved as monetary policy remained accommodative. Consequently, the overnight interbank rate closed the year slightly lower at 9.88% from 9.94% in December 2017. This was well within the Policy Rate corridor.

Broad money grew at a slower pace in 2018 than in 2017 owing to a slowdown in domestic credit growth brought about by the moderation in expansion of lending to Government. However, credit to private enterprises and households picked up. Commercial Banks lending rates, although exhibiting a declining trend, remained elevated in 2018, reflecting in part, high yields on Government securities, high cost of wholesale funds, and elevated non-performing loans.

Yield rates on Government securities increased mainly on account of low demand and a higher risk premium induced by sovereign credit rating downgrades during the year. However, the outstanding stock of Government securities rose by 20.7% to K58.3 billion as at end-December 2018, due to private placements of Government bonds to selected institutions.

Zambia's external sector performance in 2018 was unfavourable, with the country recording an overall balance of payments deficit of US $387.8 million against a surplus of US $18.3 million in 2017. This was largely on account of the unfavourable performance in the financial account which more than outweighed the improvements in the current and capital accounts. The financial account registered a deficit against a surplus in 2017 mainly on account of a marked reduction in direct investment inflows and net portfolio investment outflows. The current and financial account deficits were mainly financed by a drawdown of gross international reserves.

The country's international reserves continued to decline due to high external debt service payments. As at end-December 2018, gross international reserves declined to US$1.6 billion, equivalent to 1.8 months of import cover, from US $2.1 billion in 2017 (2.9 months of import cover). The decline in reserves was moderated by purchases of US$346.0 million from the market and mineral royalty payments by the mines amounting to US $134.9 million in 2018.

Global growth remained positive, although it slowed down to 3.7% in 2018 from 3.8% in 2017 driven by subdued economic activities in advanced and some emerging market economies. In the Sub-Saharan Africa (SSA) region, growth remained unchanged explained by the mixed performance in some of the region's largest economies, Nigeria, South Africa, and Angola.

Domestic economic activity picked up in 2018, with preliminary data indicating higher growth in real GDP at 3.7%, from 3.5% in 2017. The increase in growth was supported by strong performance in the mining, manufacturing, wholesale and retail trade, and information and communications sectors.

On the fiscal side, preliminary estimates indicate that the fiscal deficit at 7.6% of GDP was above the target of 6.1%, largely reflecting higher than programmed spending on capital projects and interest payments on external and domestic debt. Fiscal consolidation thus remains a critical imperative for macroeconomic stability and higher economic growth.

The overall performance of the banking and non-banking financial institutions sectors remained stable in 2018. However, the financial sector as a whole continued to be adversely affected by the high ratio of non-performing loans to total loans at 11.0%, which persistently stayed above the maximum prudential limit of 10.0% although it declined during the year.

The Bank continued to undertake legal and regulatory reforms aimed at aligning its supervisory framework with international best practice. One of the key developments that took place in 2018 was the coming into effect of the revised Banking and Financial Services Act, No. 7 of 2017, which enhanced the Bank's capacity to address challenges in the financial sector, particularly in areas, such as, consumer protection and corporate governance. The Bank launched banknotes with enhanced security features during the year with the aim of protecting the Zambian currency from counterfeiting and safeguarding the integrity of the currency. The Bank also undertook various initiatives to increase formal financial inclusion aimed at improving living standards of the people generally. Advances in the use of financial technology continued to enhance access to financial services, as reflected in the rising volume of transactions on mobile money platforms. In this regard, the Bank will continue to implement policies and interventions that promote the use of digital financial services to enhance financial inclusion.

In the coming year, the Bank will continue to implement the 2016-2019 Strategic Plan and deliver on its primary mandate of maintaining price and financial system stability.

DR DENNY H. KALYALYA
GOVERNOR

Statement on Corporate Governance

STATEMENT ON CORPORATE GOVERNANCE

The Bank of Zambia Board of Directors is fully committed to upholding the tenets of good corporate governance in its processes and procedures, which include accountability, transparency and integrity.

The Board of Directors of the Bank of Zambia is established under the Constitution of Zambia (Amendment) Act[2] number 2 of 2016. The Board is vested with all the powers of the Bank under the Bank of Zambia Act[3] and is responsible for formulating its policies. The Act provides for eight Board members comprising the Governor, six Non-Executive Directors (NEDs) and the Secretary to the Treasury, who is an ex-officio. The Governor is the Chief Executive Officer of the Bank and Chairperson of the Board.

After the expiry of the tenure of the previous Board members in June 2018, the following were appointed as NEDs to the Board in September 2018:

i. Prof. Hellicy C. Ng'ambi (Vice Chairperson);
ii. Ms. Namucana C. Musiwa;
iii. Ms. Roseta M. Chabala;
iv. Dr. Andrew Mwaba;
v. Mr. Bryson Mumba; and
vi. Mr. Mwila Lumbwe

In 2018, the Board held three statutory and three special meetings during which a number of issues were discussed. In addition, the following policies were approved: The Green Policy, Sexual Harassment Policy, Nepotism Policy, Revised Lender of Last Resort Policy, and Employee Resourcing and Retention Policy.

The Board has three standing committees namely; Audit and Finance; Appointments and Remuneration; and Governance and Risk whose roles and functions are defined in the Committee Charters. The committees meet at least once a quarter. The members of the Committees are:

Audit and Finance Committee

Mr. Bryson Mumba	Chairperson
Mr. Mwila Lumbwe	NED
Dr. Andrew Mwaba	NED
Ms. Roseta M. Chabala	NED
Mr. Fredson K. Yamba	Ex-Officio

Governance and Risk Committee

Mr. Mwila Lumbwe	Chairperson
Prof. Hellicy Ng'ambi	NED
Ms. Namucana Musiwa	NED
Mr. Ben Ngenda	External Member

Appointments and Remuneration Committee

Ms. Namucana Musiwa	Chairperson
Prof. Hellicy Ng'ambi	NED
Ms. Roseta M. Chabala	NED
Mr. Bryson Mumba	NED

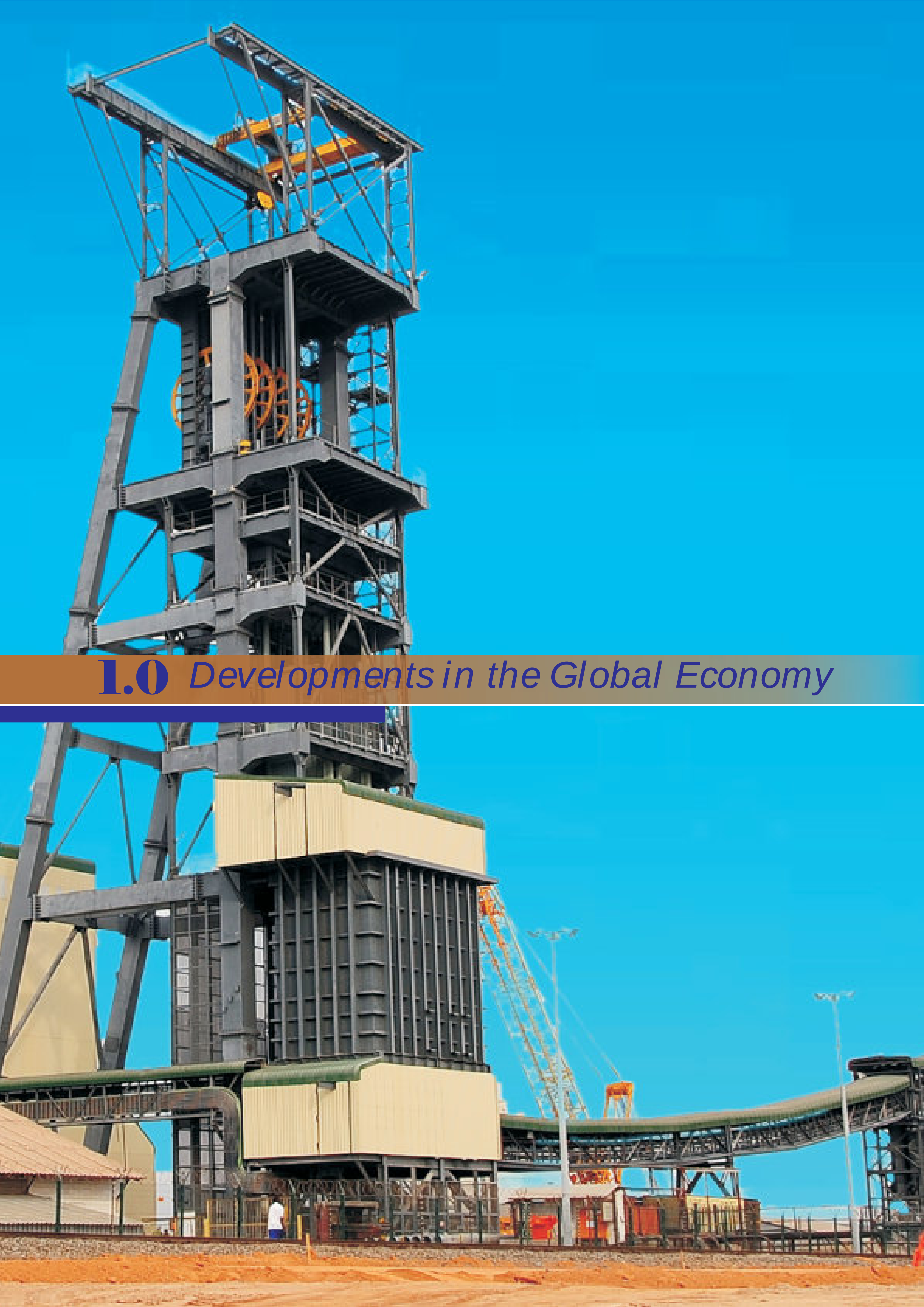
[2] Article 213 (3) of Act No. 2 of 2016
[3] Bank of Zambia Act Chapter 360 of the Laws of Zambia

To facilitate consultation, promote transparency and provide advice to the Bank on monetary policy, the Board has also established the Monetary Policy Advisory Committee. 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 2018, the Bank disbursed a total of K792,277.10 to provide support to the health sector, educational institutions, heritage and conservation, orphanage care and support to Habitat for Humanity Zambia.

Assistant Director - Communications, Mr Kanguya Mayondi at the handover ceremony for computers donated by the Bank to Bulungu School in Mumbwa

1.0 *Developments in the Global Economy*



1.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

World Economy

Preliminary data indicate that global growth remained positive, although it slowed down to 3.7% in 2018 from 3.8% in 2017 (Table 1.1). The decline was mainly on account of subdued economic activities in advanced economies and some emerging market and developing economies. Uncertainties surrounding Brexit negotiations, coupled with the anticipated negative effects of the US China trade war and tightening global financial conditions, contributed to the slowdown in growth. However, growth in the Sub-Saharan Africa (SSA) region remained unchanged in 2018.

Table 1.1: World Real GDP and Inflation, 2016-2018 (Annual % change unless otherwise stated)

	Real GDP			Inflation		
	2016	2017	2018*	2016	2017	2018*
World	**3.2**	**3.8**	**3.7**	**n/a**	**n/a**	**n/a**
Advanced Economies	**1.7**	**2.4**	**2.3**	**0.8**	**1.7**	**2.0**
United States	1.5	2.2	2.9	2.1	2.1	2.4
Euro Area	1.8	2.4	1.8	1.1	1.4	1.8
United Kingdom	2.4	1.8	1.4	1.6	3.0	2.1
Emerging Markets and Developing Countries	**4.4**	**4.7**	**4.6**	**4.3**	**4.3**	**4.9**
China	6.7	6.9	6.6	2.0	1.6	1.9
Sub-Saharan Africa (SSA)	**1.4**	**2.9**	**2.9**	**11.3**	**11.0**	**8.6**
South Africa	0.3	1.3	0.8	6.3	5.3	4.5
Angola	-0.7	-0.1	-2.9	32.4	31.7	20.3
Nigeria	-1.6	0.8	1.9	15.7	16.5	12.1
Zambia	3.8	3.5	3.7	7.5	6.1	7.9

Source: Focus Economics, Trading Economics, World Bank, IMF WEO October 2018 and January 2019 WEO update, Central Statistical Office (CSO)
* Preliminary

Advanced Economies

Economic growth in advanced economies declined to 2.3% in 2018 from 2.4% in 2017 mainly on account of weakening growth in the euro area and the United Kingdom (UK). Growth in the euro area was weighed down mainly by faster-than-expected slowdown in Germany, France and Italy. New automobile emission standards[4] and softer external demand weighed on industrial production and private consumption in Germany, while street protests and industrial action by labour unions hurt economic growth in France. In Italy, sovereign and financial concerns negatively affected domestic consumption.

The slowdown of growth in the UK was largely due to the continued uncertainties surrounding Brexit. However, the United States (US) registered higher growth in 2018, mainly supported by expansionary fiscal policy, increased private investment and continued strong consumer and business confidence.

Emerging Markets and Developing Economies

Growth in Emerging Markets and Developing Economies (EMDEs) declined to 4.6% in 2018, from 4.7% in 2017, mainly on account of weakening growth in China. Growth in China declined to 6.6% in 2018, from 6.9% in 2017 largely due to effects of the US-China trade disputes and domestic measures to address excessive corporate debt implemented by the Chinese authorities.

[4]The new standards led to some car makers to either suspend or ultimately stop manufacturing some car models which were previously considered to have low emissions and fuel efficient

Sub-Saharan Africa

Growth in the SSA region remained unchanged at 2.9% in 2018 as global growth, trade and industrial activity lost momentum. Further, the 2018 outturn was explained by the mixed performance in some of the region's largest economies, Nigeria, South Africa, and Angola. Growth in Nigeria picked up on account of favourable performance in the non-oil and services sectors. In South Africa, growth is estimated to have slowed down due to weak consumer and business confidence as well as delays in implementing the much anticipated structural policy reforms, while Angola recorded a recession on account of lower oil prices.

Monetary Policy and Inflation

Monetary policy continued to be broadly accommodative in major central banks and inflation dynamics were mixed across regions in 2018. In advanced economies, and emerging markets and developing economies, inflation continued to trend upwards mainly due to stronger performance in the labour markets that resulted in higher wages and increases in oil prices. The US Federal Reserve raised the federal funds rate for the fourth time in 2018 by 25 basis points to 2.25-2.5% on the back of solid economic growth and strong labour market. Inflation in the US ended the year at 2.4% from 2.1% in 2017. In the Eurozone, the European Central Bank (ECB) maintained the main refinancing rate at 0.00%, despite inflation closing higher in 2018 at 1.8% compared to 1.4% in 2017.

In the SSA, inflation declined largely due to continued strengthening of domestic currencies and continued recovery in some commodity prices. The South African Reserve Bank increased its benchmark repo rate by 25 basis points to 6.75% in the last quarter of 2018, to counter inflationary pressures and expectations. Inflation ended the year at 4.5%, down from 5.3% in 2017.

Commodity Prices

The average price of copper rose by 6.4% to US$6,565.3/metric tonne (mt) in 2018 from US$6,170.0/mt recorded in 2017, mainly on account of improved global demand. Crude oil prices also increased to US$68.8/barrel on average from US$53.1/barrel in 2017. This was mainly attributed to sustained supply cuts by OPEC and non-OPEC members, renewed US sanctions against Iran and continued positive global economic growth. Generally, agricultural commodity prices increased in 2018 due to droughts in Europe and Central Asia, coupled with an increase in fuel prices. In particular, maize prices, at an average of US$164.4/mt in 2018, were higher than US$154.5/mt recorded in 2017. Similarly, wheat prices, at an annual average of US$203.9/mt were higher than US $178.2/mt recorded over the same period.

Implications of Global Developments on the Zambian Economy

The slowdown in growth in Zambia's major trading partners[5] is likely to dampen demand for Zambia's export commodities. In particular, lower growth in China is likely to depress copper prices and moderate growth of export earnings for Zambia.

[5]Zambia' major trading partner countries with their respective trade weights are South Africa (0.426), Switzerland (0.319), EU (0.093), China (0.077), and UK (0.069).

2.0 Macroeconomic Developments in Zambia

2.0 DOMESTIC MACROECONOMIC DEVELOPMENTS

In 2018, Government's macroeconomic objectives as outlined in the National Budget were, among others, to:

i. Achieve real GDP growth of at least 5.0%;
ii. Maintain single digit inflation within the range of 6.0% to 8.0%;
iii. Maintain international reserves of at least 3 months of import cover;
iv. Limit the fiscal deficit, on a cash basis, to 6.1% of GDP and
v. Limit domestic financing to no more than 4.0% of GDP.

Preliminary estimates indicate that the economy grew by 3.7% in 2018 compared to 3.5% in 2017, but was lower than the target of 5.0%. The growth in real GDP was driven by favourable performance in the wholesale and retail trade, manufacturing, mining as well as information and communications sectors. Inflation remained broadly within the target range, although it was on average higher in 2018 than in 2017, due to pass-through effects of exchange rate depreciation, coupled with fuel price increments. International reserves remained below the target of 3-months' import cover mainly due to external debt service payments. With regard to the fiscal performance, preliminary estimates indicate that the fiscal deficit was above target, largely reflecting higher spending on capital projects and interest payments on domestic and external debt.

2.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Stance

In 2018, monetary policy was aimed at maintaining inflation within the target range of 6-8%. The formulation of monetary policy continued to be guided by the medium term inflation outlook and inflation outcomes as well as a broader set of macroeconomic indicators such as credit conditions, economic growth, the stance of fiscal policy, financial sector stability and risks to inflation. With inflation remaining broadly within the target range, monetary policy remained accommodative during the year.

After a period of successive easing of monetary policy that started in 2017, the Policy Rate was lowered to 9.75% in February 2018 from 10.25%, and was maintained at 9.75% for the rest of the year. With inflation remaining within the 6 - 8% target range, the monetary policy stance remained unchanged for the rest of the year to boost private sector credit, and support economic activity and stability of the financial sector. This was despite a build-up in inflationary pressures emanating from exchange rate depreciation, fuel price increases and a relatively lower maize harvest.

The statutory reserve ratio was also reduced from 8.0% to 5.0% and was maintained at that level for the rest of the year. This was in an effort to strengthen the current monetary policy framework that focuses on the Policy Rate as the anchor for signalling the policy stance.

Further, the Bank continued to conduct open market operations aimed at maintaining the interbank rate within +/-1 percentage point of the Policy Rate in order to align market interest rates to the Policy Rate.

Challenges to Monetary Policy Implementation

The effectiveness of monetary policy continued to be constrained by a number of factors. The continued fiscal deficits and consequent high Government borrowing from the domestic financial market have had a crowding out effect on private sector credit. As a result, economic activity has remained subdued as the productive sectors of the economy could not access affordable credit. In addition, the continued high lending to Government kept yield rates on Government securities elevated, resulting in lending interest rates remaining high.

Vulnerabilities in the financial sector associated with high non-performing loans continued to hamper the effectiveness of monetary policy. Further, the decline in international reserves due to high external debt service payments remained a threat to the stability of the exchange rate, of the Kwacha against the US dollar with potential adverse effects on inflation.

Money Market Liquidity and Interbank Rate

Interbank money market liquidity, as measured by the aggregate current account balance of commercial banks slightly improved in 2018, closing the year at K1.42 billion from K1.37 billion the previous year (Table 2.1). Market liquidity was mainly supported by net maturities of Government securities, BoZ foreign exchange purchases[6] for international reserves accumulation and net Government spending. These influences were, however, countered by statutory reserves transfers and Overnight Lending Facility (OLF) repayments.

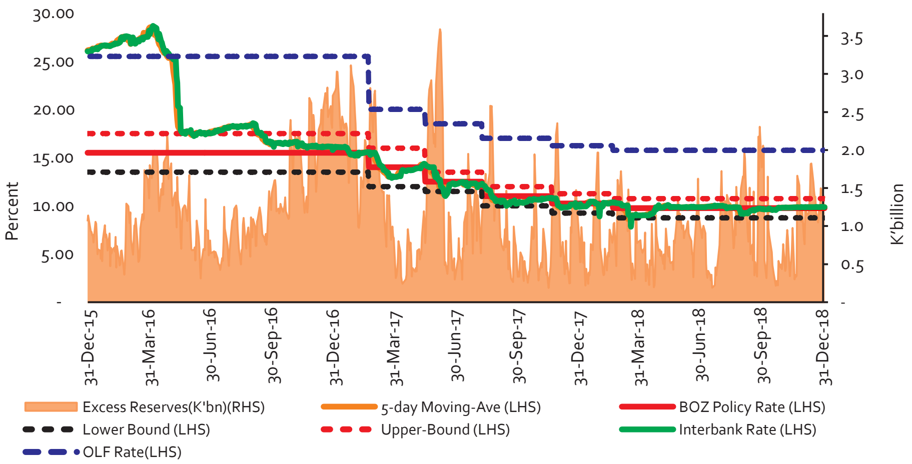
Table 2.1 Liquidity Influences (K' Billion), 2016 - 2018

	2016	2017	2018
Opening balance	**2.45**	**1.14**	**1.37**
Net Govt spending	6.01	4.10	1.58
BoZ FX Purchases/sales	7.65	3.44	3.85
CIC	-0.39	0.10	-0.70
SR deposits	-4.31	-3.95	-7.96
OLF	-7.54	-0.34	-4.10
Net Govt Sec Maturities/sales	1.74	-2.62	5.66
Open market operations	0.25	0.04	0.54
Other*	-4.72	-0.54	1.18
Closing balance	**1.14**	**1.37**	**1.42**

Source: Bank of Zambia
Note: FX=foreign exchange; CIC=currency in circulation, SR=statutory reserves, OLF=Overnight Lending Facility
*Other includes miscellaneous transactions and net inter-bank fund transfers

Given the increase in market liquidity, the overnight interbank rate closed the year lower at 9.88% compared to 9.94% at end-December 2017, and was contained within the Policy Rate corridor (Chart 2.1).

CHART 2.1: Market Liquidity and Interbank rate, Dec 2015 – Dec 2018

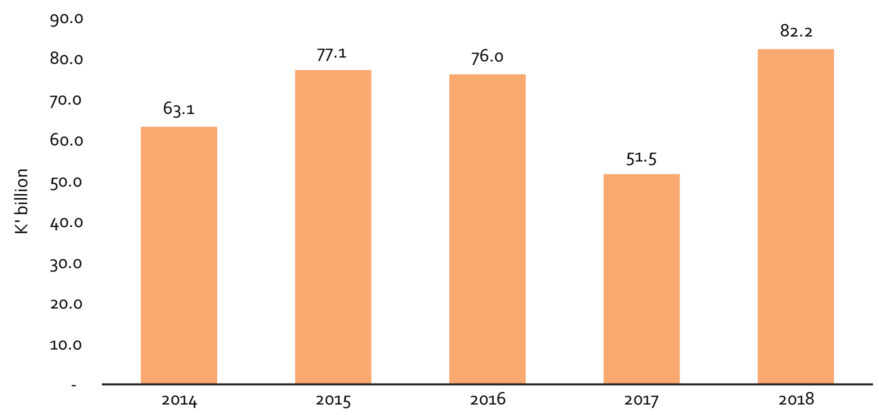


Source: Bank of Zambia

The volume of funds traded in the interbank money market increased to K82.2 billion from K51.5 billion in 2017, despite the increase in market liquidity (Chart 2.2). Amounts accessed by commercial banks using the OLF window rose to K20.9 billion from K16.6 billion in 2017. This was mainly on the back of sustained concentration of funds amongst a few banks with limited credit lines. However, commercial banks' access of foreign exchange swap contracts marginally fell, with the outstanding swaps closing at K2.3 billion from K2.4 billion in 2017.

[6] The Bank of Zambia purchased US$346 million from the market for purposes of international reserves accumulation and no sales were made for market support.

CHART 2.2: Interbank Money Market Trading Activity (K'billion), 2013 - 2018

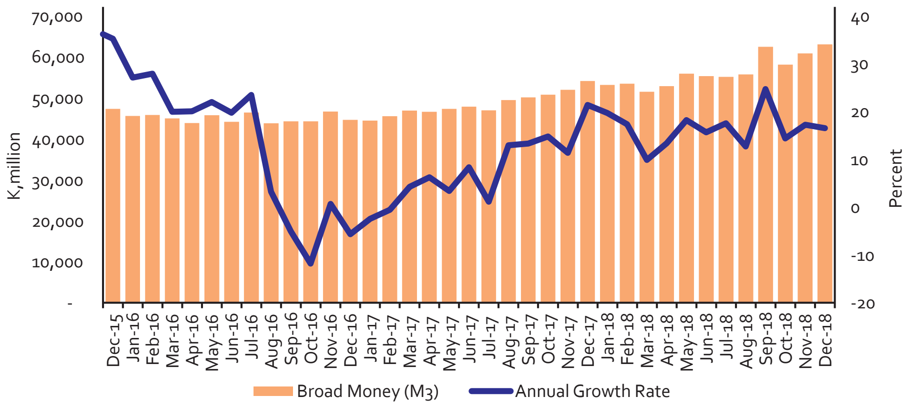


Source: Bank of Zambia

Broad Money

The annual growth in broad money (M3)[7] slowed down to 16.5% in 2018 compared to 21.4% in 2017, mainly on account of slower growth in domestic credit following a slowdown in credit to Government and public enterprises (Chart 2.3 and Table 2.2).

CHART 2.3: Annual Broad Money Growth (Percent), Dec 2015 - Dec 2018



Source: Bank of Zambia

Table 2.2: Sources of Growth in Broad Money (Percent), 2016 – 2018

Description	2016	2017	2018	Contribution to change in M3 (2018)
Broad Money (M3)	-5.7	21.4	16.5	16.5
Of which				
Net Foreign Assets	-24.3	0.3	13.0	5.3
Net Domestic Assets	23.5	41.7	18.9	11.2
Gross Domestic Credit	2.8	26.3	15.0	17.1
Gross Claims on Gov't	22.6	50.7	12.9	8.0
Public Enterprises	-22.0	85.3	18.4	0.1
Private Enterprises	-7.7	2.2	14.9	4.6
Households	-12.0	10.2	19.4	3.9
NBFIs[8]	3.1	1.9	89.8	0.5

Source: Bank of Zambia

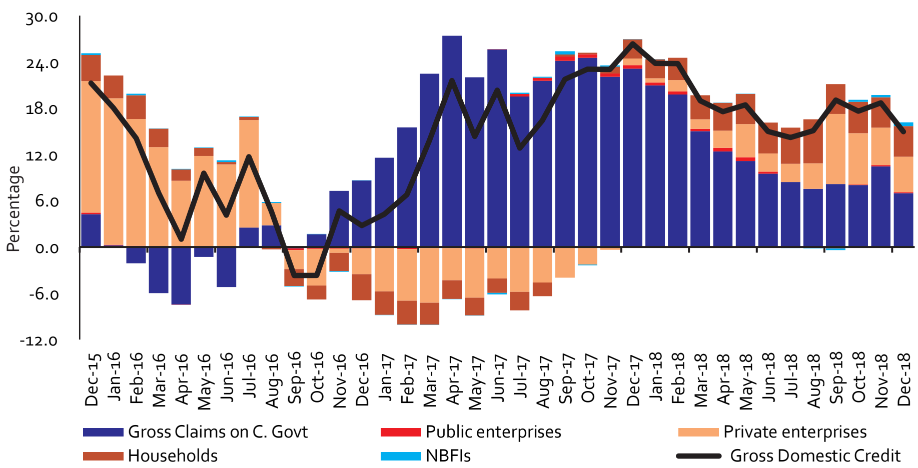
Domestic Credit

Growth in domestic credit[9] was lower at 15.0% in 2018 compared to 26.3% in 2017. The slowdown in credit to Government and public enterprises accounted for this outturn (Chart 2.4).

[7] Broad money includes foreign currency deposits
[8] Non-Bank Financial Institutions
[9] Total domestic credit includes lending by the Bank of Zambia, Commercial banks, and other Depository corporations in both Kwacha and foreign currency.

Credit to the non-government sector, particularly to private enterprises and households, picked up due to increased demand following improved liquidity in the market, supported by the accommodative monetary policy by the Bank of Zambia.

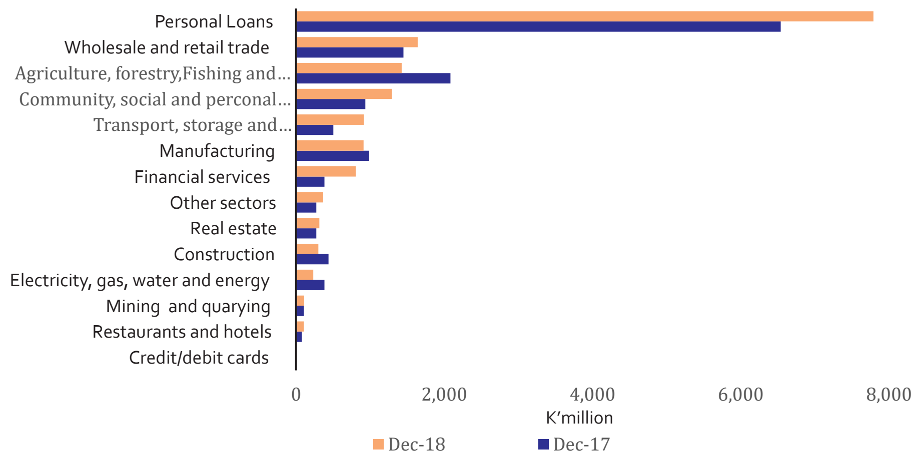
CHART 2.4: Contribution to Annual Gross Credit Growth (Percentage), Dec 2015 – Dec 2018



Source: Bank of Zambia

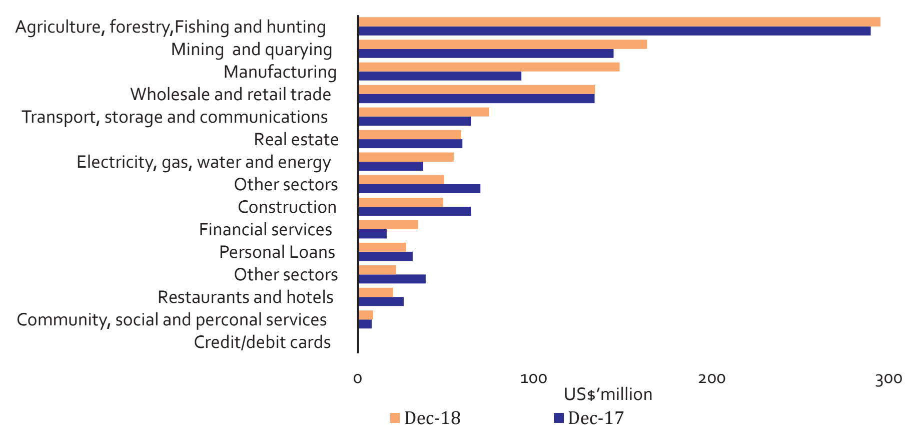
Commercial banks' total loans and advances continued to register growth in 2018, driven mainly by an expansion in both Kwacha and foreign currency denominated loans. Kwacha denominated credit expanded by 12.3% driven by increased lending to households, financial services, community and social services, and wholesale and retail trade sectors. Foreign currency denominated credit increased by 8.3% on the back of expansion in lending to manufacturing, mining, financial services, and electricity gas, water and energy sectors (Charts 2.5 and 2.6).

CHART 2.5: Distribution of Commercial Bank Kwacha Denominated Loans (K'million), 2017-2018



Source: Bank of Zambia

CHART 2.6: Distribution of Commercial Bank Foreign Currency Loans (US$ million), 2017-2018



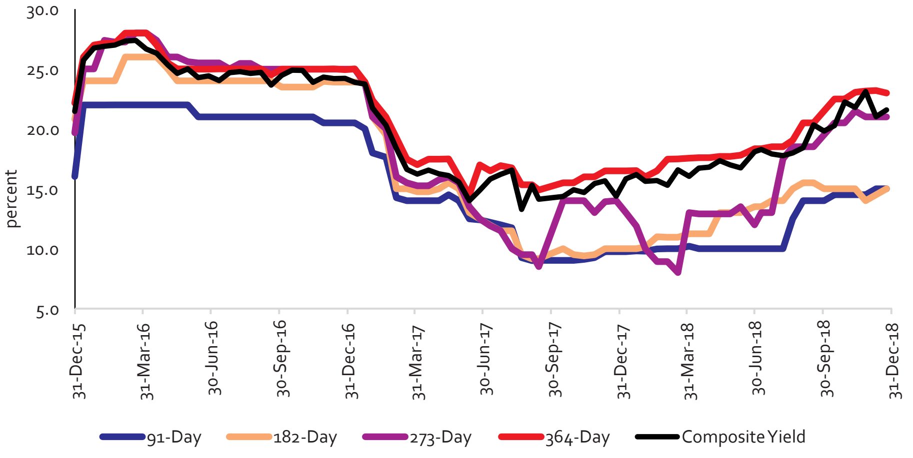
Source: Bank of Zambia

Interest Rates

Government Securities Yield Rates

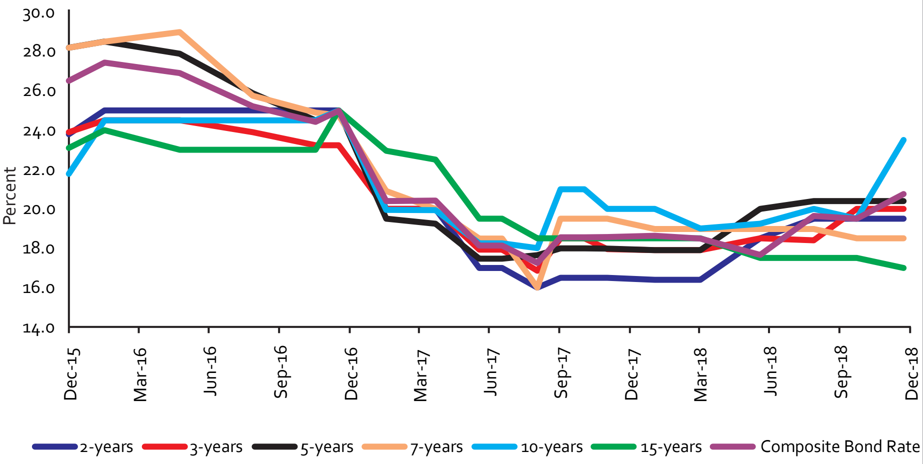
Yield rates on Government securities edged up on account subdued demand and a relatively high risk premium induced by the sovereign credit rating downgrade[10]. The weighted average composite yield rates for Treasury bills and Government bonds rose to 18.3% and 19.1% in 2018, from 16.6% and 18.8%, respectively, in 2017 (Chart 2.7 and Chart 2.8).

CHART 2.7: Treasury Bills Weighted Average Yield Rates (Percent), 2015 – 2018



Source: Bank of Zambia

CHART 2.8: Government Bond Yield Rates (Percent), 2015-2018



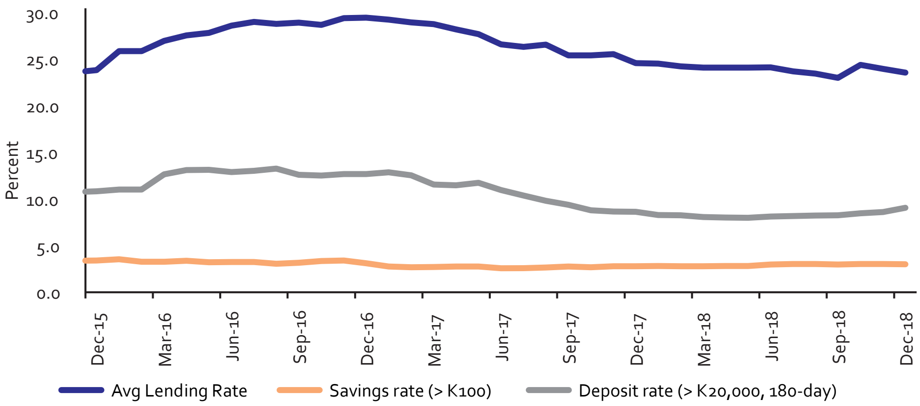
Source: Bank of Zambia

Commercial Banks Interest Rates

Commercial banks' nominal average lending rate (ALR) declined to 23.6% in December 2018 from 24.6% in December 2017, mainly due to the accommodative monetary policy which supported market liquidity. The 180-day deposit rate for amounts exceeding K20,000 rose to 9.1% in December 2018, from 8.6% recorded in December 2017. The average savings rate (ASR) for amounts above K100 closed the year at 3.0% from 2.8% in December 2017 (Chart 2.9).

[10] S&P, Fitch and Moody's downgraded Zambia's sovereign credit rating in 2018.

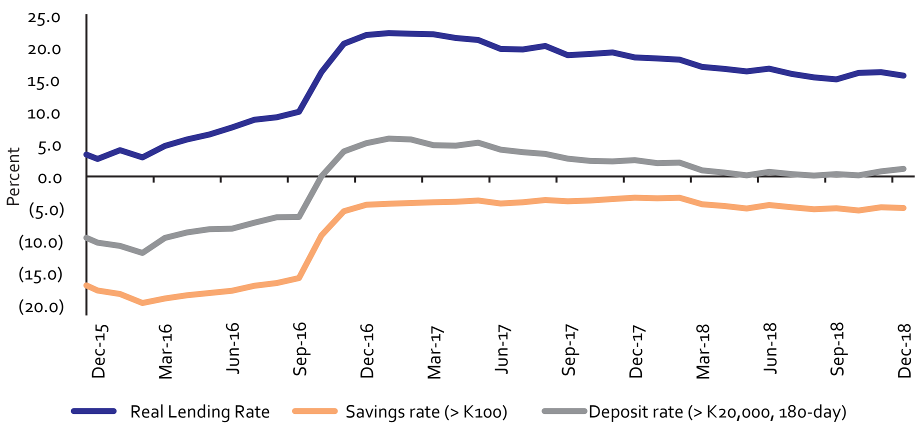
CHART 2.9: Nominal Lending and Savings Rates (Percent), Dec 2015 – Dec 2018



Source: Bank of Zambia

The real ALR fell to 15.7% in December 2018 from 18.5% in December 2017, following a reduction in nominal interest rates (Chart 2.10). The real average 30-day deposit rate for amounts above K20,000 fell to 1.2% from 2.5% as inflation rose, while the real ASR for amounts exceeding K100 further reduced to -4.9% from -3.3% over the same period.

CHART 2.10: Real Lending and Savings Rates (Percent), Dec 2015 – Dec. 2018

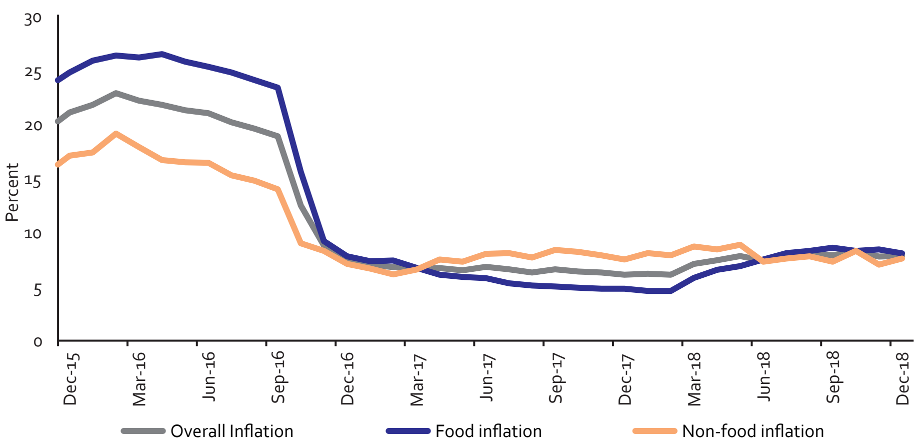


Source: Bank of Zambia

Inflation

In 2018, annual overall inflation was maintained broadly within the target range of 6-8%. Although inflation breached the upper bound of the target range in August and October, it reverted back to the target band and closed the year at 7.9% (Chart 2.11). On average, overall annual inflation rose to 7.5% in 2018 from 6.6% in 2017, on account of rising food prices, particularly, maize grain, tomatoes, rape, onions and dried Kapenta. In addition, the depreciation of the exchange rate and the rise in transportation costs, resulting from the upward adjustment in fuel prices, contributed to the increase in inflation.

CHART 2.11: Inflation, Annual Change (Percent), Dec 2015 – Dec 2018



Source: Central Statistical Office

2.2 FINANCIAL MARKETS

Government Securities Market

Market Bidding Behaviour

In 2018, investments in Treasury bills and Government bonds were concentrated in longer dated instruments. Most of the investors preferred the 364-day Treasury bills and the 15-year Government bonds on account of relatively higher yield rates (Table 2.3).

Table 2.3. Government Securities Transactions, 2016-2018

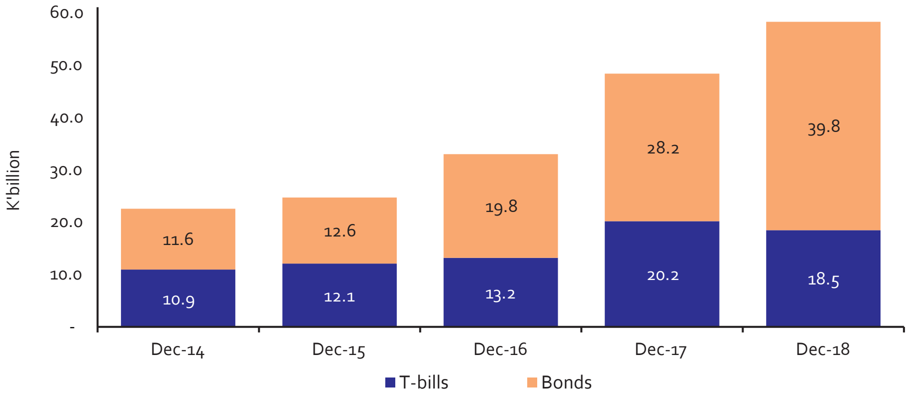
	2016			2017			2018		
	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)
91-day bills	1.4	1.1	83.1	1.8	1.7	94.4	2.0	1.2	63.46
182-day bills	3.3	2.6	80.0	3.9	3.7	94.9	4.2	1.3	31.20
273-day bills	4.4	3.6	82.0	5.9	4.9	83.1	6.2	1.9	29.85
364-day bills	8.2	8.3	100.5	11.7	19.0	162.4	12.4	13.9	112.75
TOTAL	**17.3**	**15.6**	**90.6**	**23.3**	**29.3**	**108.5**	**24.7**	**18.3**	**74.18**
2-year bond	0.3	0.3	84.2	0.4	0.8	200.0	0.6	0.4	65.10
3-year bond	1.1	1.1	100.8	1.2	2.7	225.0	2.1	0.7	34.72
5-year bond	1.6	3.8	244.7	1.9	4.5	236.8	2.7	1.6	59.90
7-year bond	0.3	1.5	482.5	0.6	0.9	150.0	0.9	0.8	84.71
10-year bond	0.6	1.6	275.6	1.1	2.9	263.6	2.7	2.3	86.64
15-year bond	0.2	0.9	599.9	0.7	2.0	285.7	0.9	2.5	273.06
TOTAL	**4.0**	**9.1**	**227.5**	**5.9**	**13.8**	**210.3**	**9.9**	**8.3**	**83.80**

Source: Bank of Zambia

Stock of Government Securities

A total of K25.1 billion was realised through Government securities auctions against total maturities of K23.0 billion, leading to a surplus of K2.1 billion. Consequently, the outstanding stock of Government securities increased to K58.3 billion at end-December 2018, from K48.3 billion as end-December 2017, representing an annual growth of 20.5% (Chart 2.12). The rise in the outstanding stock of Government securities was on the back of a 41.3% increase in Government bonds to K39.8 billion, mainly attributed to private placements of Government bonds to selected institutions. However, the growth in the stock of Government securities was moderated by the fall in stock of Treasury bills by 8.5% to K18.5 billion.

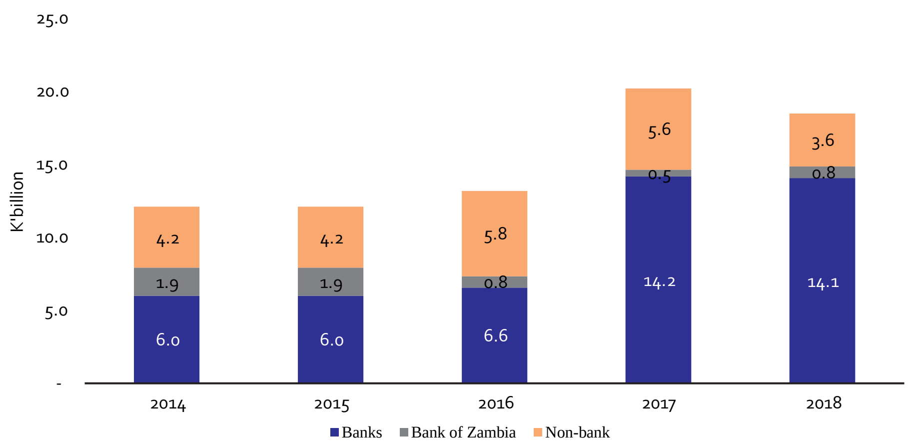
CHART 2.12: Stock of Government Securities, (K'billion), Dec 2014 - Dec 2018



Source: Bank of Zambia

In terms of holdings by category, commercial banks continued to hold the largest stock of Treasury bills, accounting for 76.1%. Non-bank financial institutions were second at 19.6%, while the Bank of Zambia accounted for 4.3% (Chart 2.13).

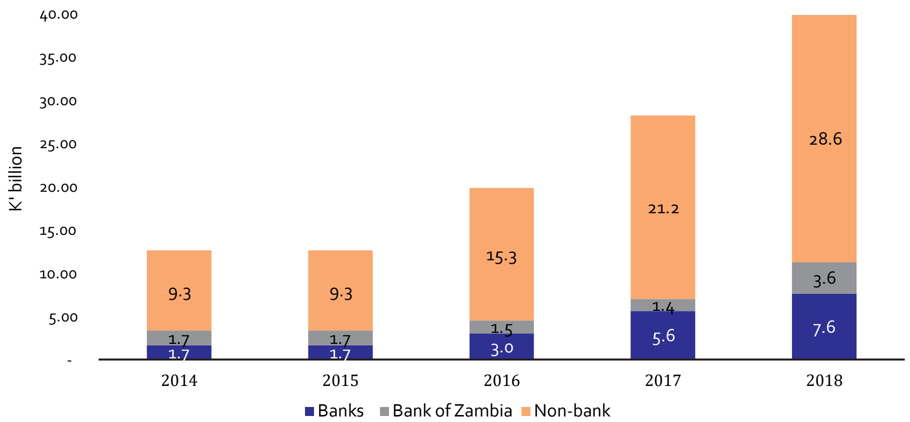
CHART 2.13: Treasury Bills Holdings (K'billion), 2014 - 2018



Source: Bank of Zambia

With regard to Government bonds holdings, non-bank financial institutions, particularly pension funds, continued to hold the bulk of Government bonds. Of the total outstanding stock of Government bonds, non-bank financial institutions and commercial banks held 71.8% and 19.1%, respectively, while the Bank of Zambia held 9.2% of the bonds (Chart 2.14).

CHART 2.14: Government Bond Holdings (K' billion), 2014 - 2018

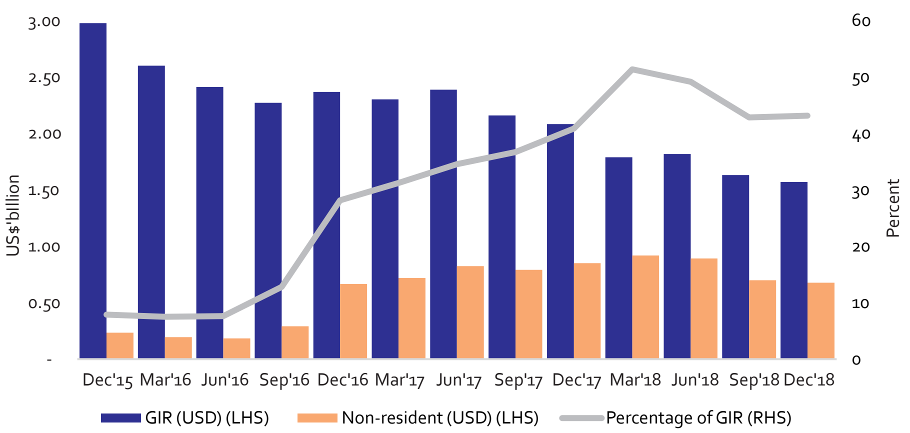


Source: Bank of Zambia

Non-resident Holdings of Government Securities

The holdings of Government securities by non-resident investors declined to K8.1 billion from K8.5 billion in 2017 (Chart 2.15). The decline was largely on account of negative market sentiments emanating from Zambia's credit rating downgrades, the elevated fiscal deficit and rising external debt.

CHART 2.15: Non-Resident Investors Government Securities Holdings (US$'bIllion), Dec 2015 - Dec 2018



Source: Bank of Zambia

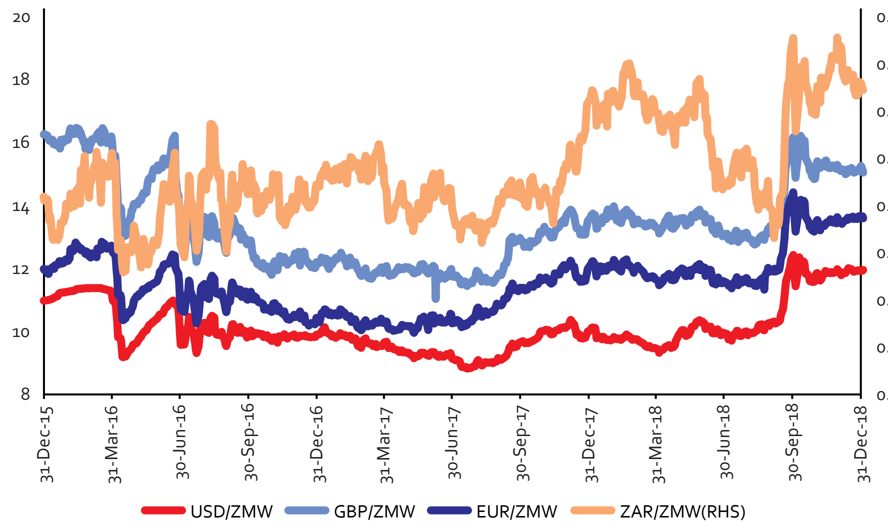
Foreign Exchange Market

Nominal Exchange Rate

In nominal terms, the Kwacha weakened against its major trading partner currencies in 2018, on the back of negative market sentiments emanating from the downgrade by rating agencies[11] and the strengthening of the US dollar.

The Kwacha depreciated by 9.8% against the US dollar, to an annual average of K10.4739/US$ in 2018 from K9.5349/US$ previously (Chart 2.16). Against the Pound Sterling and the euro, the local unit depreciated by 13.6% and 14.6% to averages of K13.9510/£ and K12.3425/€, respectively. Further, the Kwacha lost by 10.4% against the South African rand to an average of K0.7908/ZAR in 2018. The depreciation of the Kwacha was despite the net supply of foreign exchange amounting to US$995.7 million. The major suppliers of foreign exchange continued to be the mining sector, followed by the construction sector.

CHART 2.16: Exchange Rate of Kwacha against major currencies, 2015 - 2018

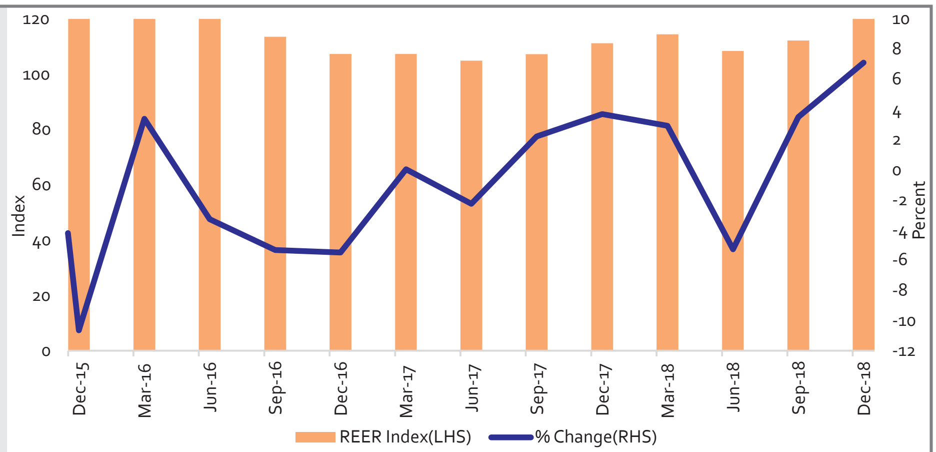


Source: Bank of Zambia

Real Ef ective Exchange Rate

The Kwacha depreciated by 6.2% in real terms against a basket of major trading partner currencies in 2018. The real effective exchange rate (REER)[12] index increased to an average of 113.0 in 2018 from 106.4 in 2017 (Chart 2.17). This depreciation was mainly attributed to an increase in the nominal effective exchange rate (NEER) by 11.2%, of which the South African Rand and the Swiss franc accounted for 4.5 and 3.3 percentage points, respectively.

CHART 2.17 Real Effective Exchange Rate Index, Dec 2015 – Dec 2018



Source: Bank of Zambia

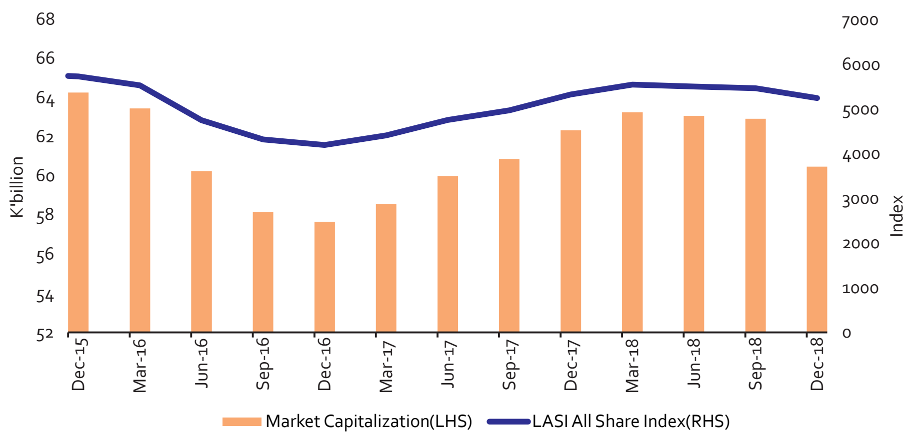
[11] Moody's in July, S&P in August and Fitch in October.

[12] An increase in the REER index indicates depreciation and a gain in the price competitiveness of a country's exports and an increase in the relative price of imports, and vice versa.

Capital Markets

Trading activity at the Lusaka Securities Exchange (LuSE) slowed down in 2018, with the LuSE All-Share index (LASI) declining by 1.5% to 5,248.4 (Chart 2.18). The fall in the index was largely attributed to a reduction in the share prices of selected companies in the manufacturing, banking and services sectors mainly due to reduced earnings. Market capitalisation fell by 3.0% to K60,493.0 million. The securities exchange recorded a net outflow from equities amounting to US$5.4 million, compared to US$2.5 million in 2017. The increase in the net outflows was largely attributed to foreign portfolio investors that sold their shares on the back of increased risk aversion.

CHART 2.18
Indicators of LuSE Activity, 2015 - 2018



Source: Lusaka Securities Exchange

2.3 BALANCE OF PAYMENTS

In 2018, Zambia recorded an overall balance of payments (BoP) deficit of US $387.8 million[13] against a surplus of US $18.3 million in 2017 (Table 2.4). This outturn was mainly due to the unfavourable performance of the financial account which more than outweighed the improvements in the current and capital accounts.

Current Account

The current account deficit narrowed to US $341.4 million in 2018, representing 1.3% of GDP, from US $435.0 million in 2017 (1.7% of GDP), mainly due to an improvement in the primary income account. The primary income account deficit narrowed to US $407.0 million from US $1,144.7 million following a reduction in outflows on account of losses attributable to foreign owned enterprises.

However, the country's balance on goods narrowed on account of higher imports which more than outweighed the improvement in export earnings. The balance on goods surplus declined to US $513.9 million from US $960.2 million in 2017. Merchandise imports grew by 17.4% to US $8,515.5 million, while merchandise export earnings increased at a lower rate of 9.9% to US $9,029.4 million. The increase in imports was due to higher importation of chemicals, vehicles, mineral ores, industrial boilers and equipment, petroleum products and electrical machinery and equipment.

[13]Preliminary

Table 2.4: Balance of Payments, [US $' million], 2016-2018

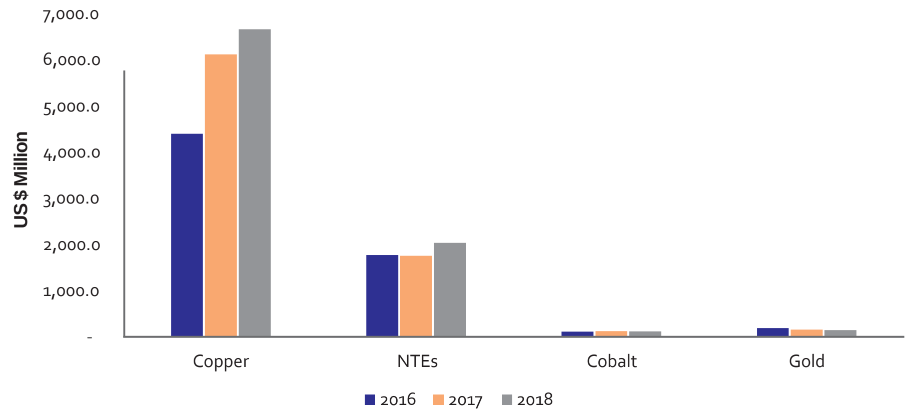
BPM6 Concept	2016	2017r	2018**
A. Current Account, n.i.e.	-684.4	-435.0	-341.4
Balance on goods	238.4	960.2	513.9
Goods: exports (f.o.b)	6,534.8	8,215.5	9,029.4
of Which Copper	4,399.1	6,118.6	6,658.4
Cobalt	112.9	124.8	116.7
NTEs	1,770.2	1,752.8	2,036.1
Gold	191.2	156.1	148.0
Goods: imports (f.o.b)	6,296.4	7,255.4	8,515.5
Balance on Services	-487.5	-609.3	-724.3
Services: credit	885.2	864.9	953.3
of Which Transportation	38.3	48.8	53.8
Travel	682.6	652.6	742.2
Services: debit	1,372.8	1,474.3	1,677.5
of Which Transportation	750.0	841.3	957.4
Travel	247.4	223.3	279.3
Insurance & Pension Services	111.4	121.5	117.4
Balance on Primary Income	-647.1	-1,144.7	-407.0
Primary income: credit	77.0	73.1	28.4
Primary income: debit	724.1	1,217.9	435.4
Balance on Secondary Income	211.9	358.8	275.9
Secondary income, n.i.e.: credit	246.4	448.5	373.96
Secondary income: debit	34.5	89.7	98.0
B. Capital Account, n.i.e.	**55.0**	**58.4**	**66.18**
Capital account, n.i.e.: credit	55.0	58.4	66.2
C. Financial Account, n.i.e.	**-347.8**	**-364.2**	**99.9**
Direct investment: assets	176.7	-72.0	45.3
Direct investment: liabilities, n.i.e.	662.9	1,107.5	408.4
Portfolio investment: assets	-27.0	43.9	5.4
Equity and investment fund shares	-27.0	0.0	0.0
Debt securities	0.0	43.9	5.4
Portfolio investment: liabilities, n.i.e.	389.7	278.6	-232.7
Equity and investment fund shares	3.0	-2.5	-5.4
Debt securities	386.7	281.2	-227.4
Financial derivatives: net	-15.3	-68.2	-32.0
Financial derivatives: assets	-8.8	79.1	-1.5
Financial derivatives: liabilities	6.5	147.3	30.5
Other investment: assets	1,294.3	1,763.7	1,591.4
Other debt instruments	1,294.3	1,763.7	1,591.4
Central bank	-284.9	-235.0	-56.5
Deposit-taking corporations, except the central bank	235.8	150.0	236.3
Other sectors	1,343.4	1,848.7	1,411.6
Non-financial corporations, households, and NPISHs	1,343.4	1,848.7	1,411.6
Other investment: liabilities, n.i.e.	723.9	645.3	1,334.5
Other debt instruments	723.9	645.3	1,334.5
Deposit-taking corporations, except the central bank	171.5	-3.7	105.9
General government	161.1	745.7	1,526.2
Other sectors	391.2	-96.7	-297.5
Non-financial corporations, households, and NPISHs	391.2	-96.7	-297.5
D. Net Errors and Omissions	**24.7**	**30.7**	**-12.6**
E. Overall Balance	**256.8**	**-18.3**	**387.8**
F. Reserves and Related Items	**-256.8**	**18.3**	**-387.8**
Reserve assets	-325.6	-55.3	-449.2
Credit and loans from the IMF	-68.8	-73.6	-61.4
Exceptional financing	0.0	0.0	0.0

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

The growth in export earnings was driven by higher copper and Non-Traditional Export (NTE) earnings (Chart 2.19). Copper export earnings rose by 8.8% to US $6,658.4 million, due to an increase in both export volumes and realised prices. Copper export volumes grew by 2.6% to 1,050,336.0 mt from 1,023,859.1 mt in 2017 and the average realized price for copper, at US $6,339.3 per mt, was 6.1% higher than US $5,976.1 per mt in 2017.

Cobalt earnings, at US $116.7 million in 2018 were, however, lower than US $124.8 million recorded in 2017 on account of a reduction in export volumes to 1,663.3 mt from 2,676.4 mt. Nevertheless, average realised prices increased to US $70,162.2 per mt from US $46,616.3 per mt, thereby moderating the fall in cobalt export earnings. Gold earnings fell by 5.2% to US $148.0 million, on account of a reduction in export volumes despite the average realized prices increasing by 3.5% to US $1,173.9 per mt.

CHART 2.19
Export Earnings (US $ million), 2016 - 2018



Source: Bank of Zambia

Chibuluma Mines - Processing

Non-traditional export earnings, at US $2,036.1 million in 2018, were 16.2% higher than US $1,752.8 million recorded in 2017. The rise in NTEs was mainly on account of an increase in earnings from selected products such as sulphuric acid, cane sugar, industrial boilers and equipment, cement and lime, and burley tobacco (Table 2.5).

Table 2.5: Major Non-Traditional Exports (c.i.f*) (US$ million), 2016-2018

Commodity/ Product	2016	2017	2018	% Change
Gemstones	21.8	6.6	10.7	62.8
Sulphuric Acid	42.2	72.6	171.3	135.8
Industrial Boilers and Equipment	117.2	79.9	126.6	58.4
Cane Sugar	119.7	137.0	124.8	-8.9
Gasoil/Petroleum Oils	9.4	7.9	9.6	20.6
Cement & Lime	70.9	74.5	113.6	52.6
Electricity	18.7	69.4	83.1	19.7
Raw hides, Skins & Leather	11.4	9.1	5.4	-40.5
Sulphur	2.7	0.0	0.1	3,182.0
Burley Tobacco	89.3	88.5	104.6	18.3
Copper Wire	68.8	85.3	78.9	-7.5
Scrap of precious metals	0.2	0.4	1.5	284.3
Maize & Maize Seed	189.6	97.7	44.4	-54.5
Electrical Cables	15.8	20.0	21.2	5.8
Cotton Lint	57.2	38.4	49.2	28.2
Soap	44.8	45.9	53.1	15.6
Fresh Fruits & Vegetables	14.3	14.7	13.0	-11.2
Manganese Ores/Concentrates	8.0	31.3	27.0	-13.7
Wheat & Meslin	6.3	0.4	0.0	-97.6
Fresh Flowers	10.2	10.9	10.1	-7.1

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

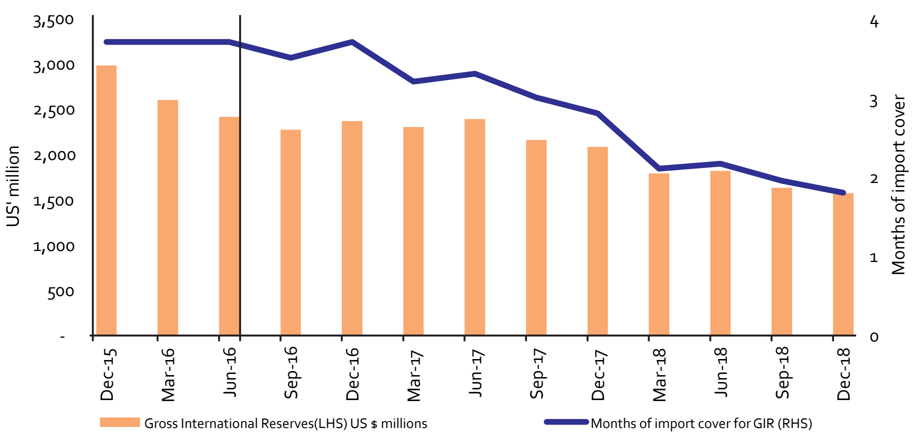
Capital and Financial Accounts

The capital account surplus increased to US $66.2 million from US $58.4 million in 2017 due to higher project inflows. The financial account, however, registered a deficit of US $99.9 million against a surplus of US $364.2 million in 2017. The unfavourable Performance in the financial account was mainly explained by a marked reduction in direct investment inflows and net portfolio investment outflows. The current and financial account deficits were mainly financed by a drawdown of gross international reserves.

Gross International Reserves

At end-December 2018, gross international reserves (GIR) declined to US$1.6 billion, representing 1.8 months of import cover, from US $2.1 billion in 2017 (Chart 2.20). The reduction in reserves was largely attributed to higher external debt service payments. However, the decline in reserves was moderated by net foreign exchange purchases by the Bank of Zambia from the market and mineral royalty receipts amounting to US$346.0 million and US $134.9 million, respectively.

CHART 2.20
Gross International Reserves, 2015 -2018



Source:
Bank of Zambia

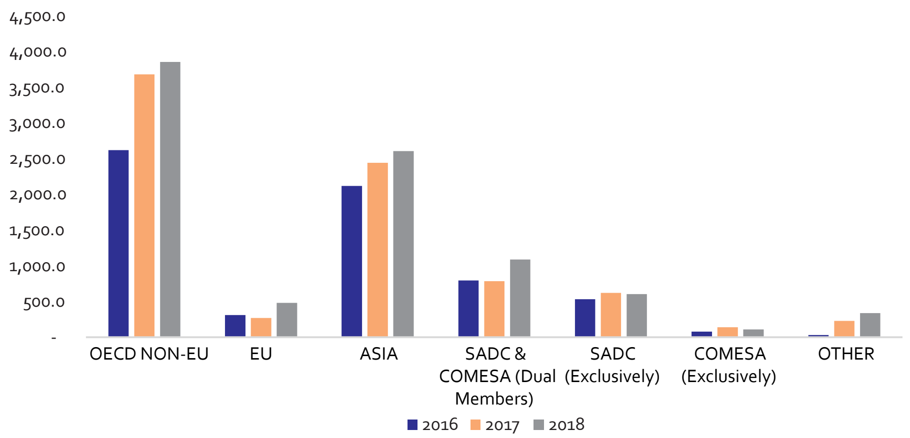
Direction of International Trade

Major Export Markets by Region

The Non-European Union Organisation for Economic Cooperation and Development (Non-EU OECD) region continued to be the largest export market for Zambia, accounting for 42.5% of total exports (Chart 2.21). The major export destination in the region was Switzerland[14], with copper being the major export product.

Asia ranked second, accounting for 28.7% of total exports, with China being the major export market, particularly for copper. This was followed by *dual members* of the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), representing 12.0% of total exports. The Democratic Republic of Congo was the major market, with inorganic chemicals, sulphur, and sugar being the major export products. SADC *exclusively* was fourth, and accounted for 6.6% of total exports, with South Africa being the major export destination in the region. Major export products to this region included copper wire and electric cables.

CHART 2.21
Direction of Exports by Region (US$ millions), 2016-2018



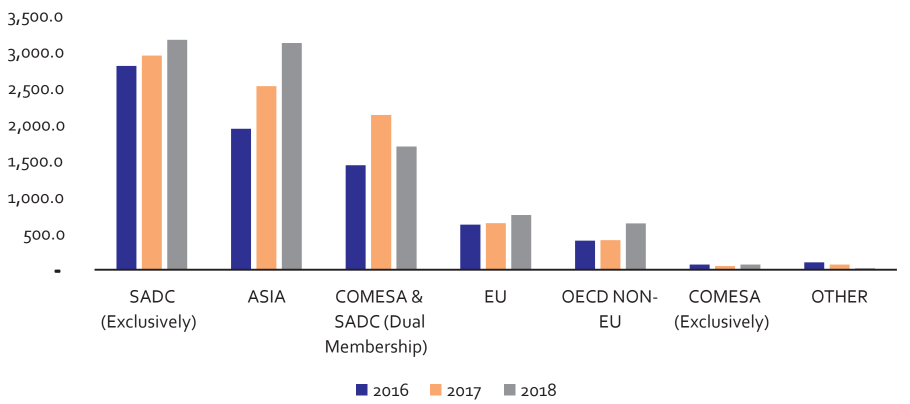
Source: Bank of Zambia

Major Sources of Imports by Region

The major source of Zambia's imports continued to be SADC *exclusively*, accounting for 33.4% of the country's total imports (Chart 2.22). Imports from the region mainly comprised motor vehicles, iron and steel, and industrial boilers and equipment mainly from South Africa. Asia was second, accounting for 33.0% of Zambia's imports. Major imports from this region included motor vehicles, iron and steel, electrical machinery and equipment, and industrial boilers and equipment and pharmaceutical products.

The SADC and COMESA *dual members* ranked third, collectively accounting for 17.9% of Zambia's total imports. Imports from this region comprised mainly copper ores and concentrates from the DRC.

CHART 2.22
Direction of Imports by Region (US$ millions), 2016-2018



Source: Bank of Zambia

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

2.4 EXTERNAL DEBT

Government Debt Stock

Preliminary data indicate that the external debt stock of Government increased by 12.7% to US $10,047.8 million in 2018 (Table 2.6). The rise in debt was on account of new disbursements, mainly from commercial and export creditors. Public external debt as a ratio of GDP was recorded at 40.0% compared to 34.7% in 2017. Of the total Government external debt stock in 2018, 78.1% was owed to commercial, export and supplier creditors; 18.6% to multilateral creditors; and 3.3% to bilateral creditors (Table 2.6).

Table 2.6: Government External Debt Stock by Creditor, 2016 – 2018

	2016		2017		2018*	
Creditor	US $'million	% share	US $'million	% share	US $'million	% share
Bilateral	**459.3**	**6.7**	**373.80**	**4.19**	**332.63**	**3.3**
Paris Club	219.9	3.2	127.60	1.43	101.28	1.0
Non Paris Club	239.3	3.5	246.21	2.76	231.35	2.3
Multilateral	**1,464.60**	**21.4**	**1,740.13**	**19.52**	**1,870.96**	**18.6**
IMF	182.09	2.7	125.3	1.41	62.32	0.6
World Bank Group	695.7	10.2	892.4	10.01	1,011.69	10.1
African Development Bank Group	376.5	5.5	433.2	4.86	498.97	5.0
Others	210.3	3.1	289.2	3.24	-	-
Suppliers/ Export/Banks	**4,927.1**	**71.9**	**6,801.61**	**76.29**	**7,844.17**	**78.1**
Total Govt. Debt	**6,685.9**	**100**	**8,915.54**	**100**	**10,047.8**	**100**

Source: BoZ/Ministry of Finance
* Preliminary

Government External Debt Service

Government external debt service increased by 47.5% to US $983.2 million in 2018 from US $666.7 million in 2017. Debt service constituted principal maturities during the year amounting to US $413.5 million and interest and other charges equivalent to US $569.7 million (Table 2.7).

Table 2.7: Zambia's Of icial External Debt Service by Creditor (US $'million), 2016 – 2018

Creditor	2016	2017	2018
Bilateral	**39.7**	**65.1**	**60.4**
Paris Club	1.0	6.5	6.5
Others	38.7	58.6	58.6
Multilateral	102.9	100.1	108.2
World Bank Group	**7.6**	**14.0**	**17.4**
IMF	69.1	69.2	69.2
ECU/EIB	0.4	1.5	1.9
Others	25.8	15.4	19.7
Suppliers/Bank(commercial)/Export	**442.4**	**501.5**	**814.6**
Total	**585.0**	**666.7**	**983.2**

Source: BoZ/Ministry of Finance
* Preliminary

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 10.7% rise to US $9,144.6 million at end-December 2018 (Table 2.8). The increase was mainly attributed to new disbursements, mostly to mining companies.

Table 2.8: Private and Non-Guaranteed Parastatal External Debt Stock, 2016 - 2018

	2016		2017		2018	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	8,548.0	92.8	7,619.0	92.2	8,525.0	93.2
Multilateral	0.0	0.0	0.0	0.0	0.0	0.0
Financial Institutions	1,297.8	15.2	1,077.4	14.1	762.3	8.9
Parent and Related Company	6,871.4	80.4	6,106.8	80.2	6,901.5	81.0
Other	378.8	4.4	434.8	5.7	861.2	10.1
Parastatal	660.8	7.2	642.1	7.8	619.6	6.8
Total Private and Non-Guaranteed Parastatal Debt	9,208.8	100.0	8,261.1	100.0	9,144.6	100.0

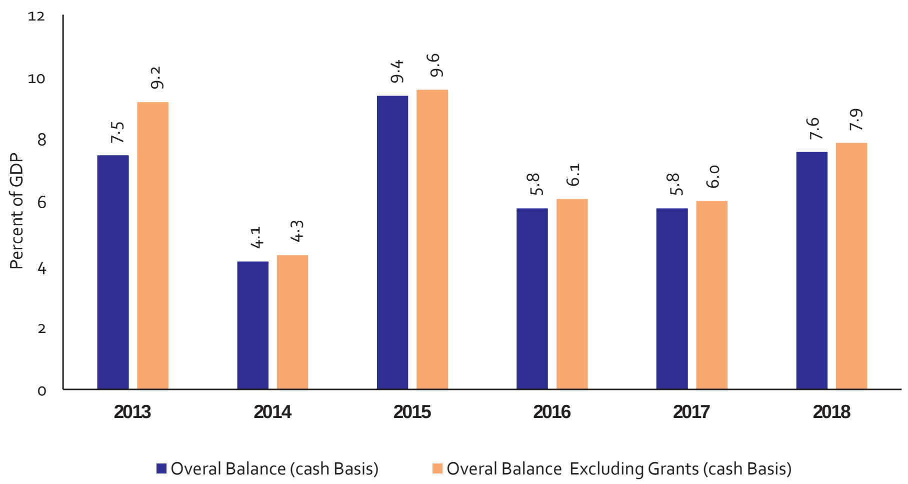
Source: Bank of Zambia

* Preliminary data as at end-September 2018

2.5 FISCAL SECTOR DEVELOPMENTS

Preliminary data indicate that the fiscal deficit for 2018, at 7.6% of GDP or K21.1 billion (on a cash basis), was above the target of 6.1%. This largely reflected higher spending on capital projects and interest payments. Excluding grants, the fiscal deficit was recorded at 7.9% of GDP (Chart 2.23).

CHART 2.23
Government Budget Deficit (% of GDP), 2013 – 2018



Source: Bank of Zambia

Revenue and Grants

Total revenue and grants in 2018, at K53.4 billion (18.6% of GDP), were 3.7% higher than the target of K51.5 billion. This outturn was largely attributed to higher collections on some revenue categories and non-tax revenue (Table 2.9). Domestic revenue accounted for 98.8% of the total revenue while grants accounted for only 1.2%.

Tax Revenue

Total tax revenues, at K44.2 billion (16.0% of GDP) were 8.2% above the target of K40.9 billion (14.8% of GDP). This outturn was mainly due to improved compliance on VAT, and higher than programmed collections on Pay As You Earn (PAYE) and fuel levy.

Non-Tax Revenue

Non-tax revenue, at K8.6 billion, was 4.3% above the target of K8.2 billion largely due to higher than programmed collections from road tolls on account of the increased number of tolling gates. In addition, higher than programmed mineral royalty supported by relatively higher commodity prices on the international market, contributed to the rise in non-tax revenue.

Grants

Total foreign grants, at K635.4 million were 73.9% lower than the target of K2,438.3 million due to slow inflows from cooperating partners.

Table 2.9: Central Government Revenue and Grants, 2016 – 2018

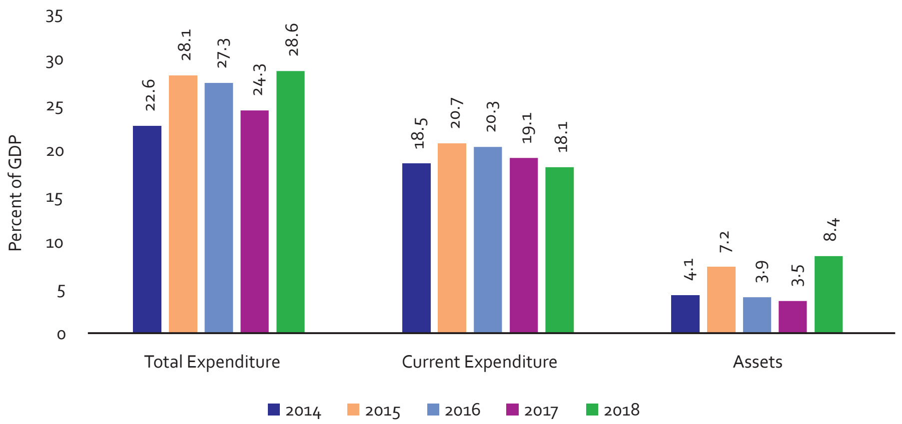
	2016		2017		2018			
					Target		Prel (Releases)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	**39.4**	**18.5**	**43.0**	**17.6**	**51.5**	**18.6**	**53.4**	**19.3**
Domestic Revenue	**38.9**	**18.2**	**42.6**	**17.4**	**49.1**	**17.7**	**52.8**	**19.1**
Tax Revenue	**28.0**	**13.2**	**36.5**	**14.9**	**40.9**	**14.8**	**44.2**	**16**
Income Tax	**14.9**	**7.0**	**16.4**	**6.7**	**20.3**	**7.3**	**20.2**	**7.3**
Of Which Pay As You Earn Tax	8.2	3.8	8.7	3.5	10.2	3.7	10.4	3.8
Company Tax	4.0	1.9	4.5	1.8	6.1	2.2	6.0	2.2
Other Income Tax	2.7	1.3	3.3	1.3	4.1	1.5	3.8	1.4
Value Added Tax(VAT)	**8.0**	**3.7**	**13.9**	**5.7**	**12.4**	**4.5**	**17.4**	**6.3**
Domestic VAT	0.1	0	5.6	2.3	4.1	1.5	6.5	2.3
Import VAT	7.9	3.7	8.3	3.4	8.3	3.0	10.9	3.9
Insurance Premium Levy	**0.1**	**0**	**0.1**	**0**	**0.1**	**0**	**0.1**	**0**
Customs and Excise Duties	**5.1**	**2.4**	**6.1**	**2.5**	**8.0**	**2.9**	**6.6**	**2.4**
Of Which Customs Duties	1.9	0.9	2.9	1.2	3.3	1.2	3.1	1.1
Excise Taxes	3.1	1.5	3.2	1.3	4.7	1.7	3.4	1.2
Export Duties	**0.0**	**0**	**0.0**	**0**	**0.1**	**0**	**0**	**0**
Non-tax Revenue	**10.9**	**5.1**	**6.1**	**2.5**	**8.2**	**3**	**8.6**	**3.1**
Of Which Fees and Charges	2.3	1.1	3.4	1.4	4.2	1.5	3.9	1.4
Dividends and Interest	4.1	1.9	1.8	0.7	0.1	0	0.1	0
Mineral Royalty	3.1	1.4	2.4	1.0	3.5	1.4	3.9	1.4
Grants	**0.5**	**0.2**	**0.5**	**0.2**	**2.4**	**0.9**	**0.6**	**0.2**
Programme	0	0	0	0	0	0	0	0
Projects	0.5	0.2	0.5	0.2	2.4	0.9	0.6	0.2

Source: Ministry of Finance

Total Expenditure

Total expenditure including amortisation stood at K79.2 billion (26.6% of GDP), in 2018 against a target of K71.6 billion. This was largely on account of higher than programmed expenditures on capital projects. Excluding amortisation, total expenditure, at K73.7 billion, was above the programmed level of K68.4 billion (Chart 2.24).

CHART 2.24
Total Expenditure (Percent of GDP) 2014 - 2018



Source: Ministry of Finance

Current Expenditure

In 2018, total current expenditure, at K50.1 billion, was 4.5% below the target of K52.4 billion due to constrained financing (Table 2.10). The major categories of expenditure that were lower than programmed included use of goods and services, personal emoluments and social benefits.

Table 2.10: Central Government Expenditures, 2016 – 2018

	2016		2017		2018			
					Target		Prel (Releases)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Expenditure (excl. amortisation)	**58.5**	**27.4**	**59.5**	**24.3**	**68.4**	**24.7**	**73.7**	**26.6**
Current Expenditure	43.4	20.3	47.0	19.2	52.4	18.9	50.1	18.1
Wages and Salaries	18.8	8.8	20.0	8.2	23.1	8.3	21.9	7.9
Use of Goods and Services	4.8	2.2	4.8	2.0	7.4	2.7	5.7	2.1
Interest on Public Debt	7.4	3.5	9.8	4.0	10.9	3.9	13.6	4.9
Domestic Debt	4.0	1.9	5.0	2.1	6.8	2.4	7.4	2.7
Foreign Debt	3.4	1.6	4.8	2.0	4.2	1.5	6.2	2.2
Grants & Other Payments	10.9	5.1	9.2	3.7	8.0	2.9	7.4	2.7
Social Benefits	0.5	0.2	1.9	0.8	1.8	0.6	1.0	0.3
Other Expenses	0.9	0.4	1.1	0.4	1.2	0.4	0.6	0.2
Liabilities	0.1	0.1	2.0	0.8	1.3	0.5	0.4	0.2
Assets	8.4	3.9	8.6	3.5	14.7	5.3	23.1	8.4
Non-Financial Assets	8.1	3.8	8.3	3.4	14.2	5.1	23.1	8.3
Financial Assets	0.2	0.1	0.3	0.1	0.4	0.2	0.0	0.0

Source: Ministry of Finance

Assets

Total expenditure on assets in 2018, at K23.1 billion, was 57.8% above the target of K14.7 billion. The elevated expenditure on assets was attributed to higher than programmed disbursements on roads and foreign financed capital projects.

Dual carriage way - Great North Road

Deficit Financing

Total net budget financing of K21.1 billion in 2018 was 24.7% above the target of K16.9 billion (Table 2.11). The deficit was mainly financed through external borrowing.

Table 2.11: Budget Deficit Financing, 2016 – 2018

	2016		2017		2018			
					Proj.		Preliminary	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Financing	**12.5**	**5.9**	**15.0**	**6.1**	**16.9**	**6.1**	**21.1**	**7.6**
Domestic	**6.6**	**3.1**	**11.9**	**4.9**	**10.9**	**4.0**	**7.1**	**2.6**
Bridge loan	5.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Com. Banks	0.4	0.2	0.2	0.1	0.0	0.0	0.0	0.0
Carry-over funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	-4.7	-2.2	-0.5	-0.2	0.2	-0.1	2.1	-0.8
External	**4.2**	**2.0**	**3.1**	**1.3**	**6.0**	**2.2**	**14.0**	**5.1**
Programme Loans	0.0	0.0	1.3	0.5	1.4	0.5	0.0	0.0
Project Loans	4.8	2.2	3.6	1.5	7.6	2.7	17.4	6.3
Amortisation	-2.0	-0.9	-1.8	-0.7	-3.0	-1.1	-3.4	-1.2

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

2.6 REAL SECTOR DEVELOPMENTS

National Output

Preliminary national accounts data shows that the economy grew by 3.7% in 2018 compared to 3.5% in 2017 (Table 2.12), driven by a strong rebound in information and communications activities, which contributed 1.1 percentage points to overall annual economic growth. The wholesale and retail trade, mining and manufacturing sectors also contributed significantly to growth in 2018.

Table 2.12: Real GDP Growth (%), 2016 – 2018

Kind of Economic Activity	2016	2017	2018*
Agriculture, Forestry and Fishing	3.7	9.8	-13.8
Mining and Quarrying	7.3	3.0	5.9
Manufacturing	1.9	4.4	5.3
Electricity, Gas, steam and air	-13.6	23.6	12.0
Water supply, sewerage, waste management	-4.1	-3.1	4.3
Construction	10.2	6.4	5.0
Wholesale and Retail Trade	-0.1	0.7	3.5
Transportation and Storage	1.2	7.8	4.5
Accommodation and food services	-2.2	6.1	1.8
Information and communications	17.4	-13.2	27.8
Financial Institutions & Insurance	-2.4	-5.8	3.9
Real Estate & Business Services	3.2	2.9	2.5
Public admin. and defence; social security	9.7	2.8	-0.6
Education	4.7	6.7	3.6
Human health and social work activities	1.6	17.4	16.0
Arts, entertainment and recreation	0.5	-4.0	12.2
Other service activities	3.2	2.8	2.5
Growth in Real GDP (%)	**3.8**	**3.5**	**3.7**

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

Agriculture, Forestry and Fisheries

The agriculture, forestry and fishing sector recorded a 13.8% decline in output in 2018, mainly due to inadequate rainfall and challenges in the distribution of inputs in the agriculture sub-sector. Agriculture production for most major crops declined during the 2017/2018 farming season due to prolonged dry weather conditions across the southern half of the country. In particular, maize production suffered from additional challenges linked to sporadic outbreak of the fall army worms and the bottlenecks in the rollout of the e-voucher system under the farmer input support programme (FISP). Consequently, maize output dropped by 33.6% to 2.4 million mt, the lowest expected yield since the 2014/15 crop season (Table 2.13).

2018 Agric Expo

Table 2.13: Comparative National Crop Production Estimates (metric tonnes) 2015 – 2018

Crop	2015/16	2016/17	2017/18	Growth (Percent)
Maize	2,873,052	3,606,549	2,394,907	-33.6
Wheat	156,555	193,713	114,463	-40.91
Seed cotton	111,902	89,293	88,219	-1.2
Sorghum	14,107	17,337	13,130	-24.3
Rice	26,675	38,423	43,063	12.1
Millet	29,973	32,566	32,278	0.9
Groundnuts	131,562	168,699	181,772	7.8
Soya beans	267,490	351,416	302,720	13.9
Mixed Beans	45,351	45,938	52,351	14.0
Sweet Potatoes	231,882	206,676	183,280	-11.3
Virginia Tobacco (kg)	12,540	12,079	13,382	10.8
Burley Tobacco (kg)	6,476	8,416	11,512	36.8

Source: Ministry of Agriculture and Livestock/ Central Statistical Office

Mining and Quarrying

The mining and quarrying sector registered positive growth in 2018, growing at 5.9% compared to 3.0% in 2017 (Table 2.12). This was driven by an increase in copper production by 6.8% to 851,087 mt in 2018 from 797,266 mt in 2017. Stable electricity supply, favourable international prices and a ramp-up in production by some mines supported the increase in copper production. However, coal production declined by 27.9% to 60,000 mt.

Manufacturing

Economic activity in the manufacturing sector increased in 2018, growing at 5.3% compared to 4.4% in 2017 (Table 2.12). Stable power supply, coupled with stable consumer demand, helped to boost growth in the sector.

Accommodation and Food Services

Growth in the accommodation and food services sector slowed down to 1.8% in 2018 from 6.1% in 2017 (Table 2.12). This was despite a 7.8% increase in the number of international passengers arriving at the four international airports to 777,030. The number of tourist visits at the five major national parks rose by 6.7% to 100, 498 (Table 2.14). However, the visits by domestic tourists declined by 34.2% to 34,402 in 2018.

Table 2.14: Tourist Arrivals at Major National Parks, 2016-2018

National Park	2016	2017	2018	Percent Change
Kafue	11,347	9,733	13,721	41.0%
Lower Zambezi	12,143	9,368	11,161	19.1%
Mosi-o-Tunya	20,303	21,945	20,378	-7.1%
South Luangwa	46,510	38,331	43,469	13.4%
Lusaka National Park	17,161	14,850	11,769	-20.7%
Total	107,464	94,227	100,498	6.7%

Source: Zambia Wildlife Authority

Construction

Growth in the construction sector slowed down to 5.0% from 6.4% in 2017 (Table 2.13) due to a decline in construction activities.

Information and Communications

The information and communications sector grew by 27.8% against a contraction of 13.2% in 2017 (Table 2.12). The pick up in 2018 was due to the proliferation of time-bound domestic data and voice packages (Table 2.15). In addition the erection and operation of 193 communication towers contributed to the growth in the sector.

Table 2.15 Usage of selected Information and communication services

	2016	2017	2018	Percent change
Mobile Subscription	12,017,034	13,438,539	15,470,270	15.1%
Fixed Internet Subscription	35,919	32,842	44,711	36.1%
Mobile Internet Usage	5,156,365	7,723,855	9,825,716	27.2%
Domestic Outgoing Traffic (Minutes)	1,500,328,930	9,967,432,124	13,975,890,482	40.2%
Domestic Incoming Traffic (Minutes)	1,089,330,526	1,614,112,062	2,031,404,096	25.9%
International Incoming Traffic (Minutes)	72,816,296	61,088,178	37,414,374	-38.8%
International Outgoing Traffic (Minutes)	86,757,866	43,146,291	39,891,483	-7.5%
SMS/MMS Traffic	7,070,191,769	7,228,443,842	10,060,039,566	39.2%

Source: ZICTA

Transportation and Storage

Transport and storage activities also recorded positive growth of 4.5% which was lower than the 7.8% recorded in 2017 (Table 2.12). The reduction in demand for transport and storage services is partly attributed to lower output in the agriculture sector during the 2017/2018 farming season.

New Kenneth Kaunda International Airport under construction

Electricity, Gas, Steam and Air

The electricity, gas, steam and air sector recorded a growth of 12.0% in 2018 compared to 23.6% in 2017 (Table 2.12). The growth in the sector was driven by the electricity sub-sector. Annual electricity generation in 2018 increased by 9.8% to 13,427 GWh supported by adequate water levels in the reservoirs. However, maintenance works on two turbines at Kafue George resulted in the disruption of power generation particularly in the fourth quarter of 2018.

Financial Institutions and Insurance Activities

In 2018, the financial and insurance sector recorded positive growth of 3.9% against a contraction of 5.8% in 2017 (Table 2.12). The relatively accommodative monetary policy stance during 2018 helped to cushion financing constraints and supported financial and insurance institutions ability to stem non-performing loans, thereby boosting economic activity in the sector.

3.0 *Financial System Regulation and Supervision*

3.0 FINANCIAL SYSTEM REGULATION & SUPERVISION

3.1 BANKING SECTOR

Structure of the Banking Sector

The number of licensed commercial banks operating as at end-December 2018 increased to 18 from 17 as at end-December 2017. Of these, eight were subsidiaries of foreign banks[15], seven were locally owned private banks[16] and three were partially owned by Government.

Performance and Condition of the Banking Sector

The overall financial performance and condition of the banking sector at end-December 2018 was rated satisfactory. This rating was on account of satisfactory capital adequacy, earnings performance and liquidity position. The sector's asset quality was, however, adversely rated due to the high level of non-performing loans (NPLs), as reflected in the ratio of NPLs to gross loans and advances, which persisted above the 10.0% prudential threshold (Table 3.1).

Table 3.1: Financial Performance Indicators (Percent), 2016 - 2018

	2016	2017	2018
Primary capital adequacy ratio	23.4	24.5	20.1
Total regulatory capital adequacy ratio	26.2	26.5	22.1
Net non-performing loans to regulatory capital	7.6	10.8	4.3
Gross non-performing loans to total loans	9.7	12.0	11.0
Net non-performing loans to total loans	2.8	4.0	1.5
Net non-performing loans to net loans	3.0	4.4	1.6
Provisions to non-performing loans	69.6	66.5	83.8
Earning assets to total assets	69.2	79.5	86.4
Net operating income to total assets	10.8	11.0	12.6
Non-interest expense to total assets	7.7	7.3	8.5
Provision for loan losses to total assets	0.7	0.8	1.0
Net interest income to total assets	6.1	6.4	7.7
Return on assets	2.5	3.1	2.8
Return on equity	12.3	15.4	15.4
Efficiency ratio	81.5	65.1	73.7
Liquid assets to total assets	39.1	45.9	45.9
Liquid assets to deposits and short-term liabilities	49.0	56.5	57.0

Source: Bank of Zambia

Despite the overall performance and condition of the sector being satisfactory, the performance of some banks remained a source of concern owing to their high NPLs which adversely impacted their earnings performance (Tables 3.2 and 3.3). The Bank of Zambia (BoZ) continued to monitor these banks closely and recommended corrective measures to prevent further deterioration.

Table 3.2: Composite Ratings of Banking Sector Financial Performance and Condition, 2016 - 2018

Performance	Number of Banks			Percent of Total Assets			Percent of Total Deposits		
Rating	2016	2017	2018	2016	2017	2018	2016	2017	2018
Satisfactory	10	9	10	86.1	82.3	82.2%	88.4	83.7	84.5%
Fair	6	3	3	11.6	3.9	6.8%	8.6	3.6	5.7%
Marginal	1	3	3	0.3	8.8	9.8%	1.0	7.8	8.5%
Unsatisfactory	1	2	1	2.0	5.0	1.2%	2.0	4.9	1.3%
Total	**18**	**17**	**17[17]**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

[15] These are locally incorporated subsidiaries of foreign banks.

[16] 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.

[17] Total number of banks is 18. However analysis excludes Zambia Industrial Commercial Bank (ZICB) which only commenced submission of returns in January 2019.

Table 3.3: Component Ratings of the Banking Sector Financial Performance and Condition, 2016 - 2018

Performance Rating	Capital Adequacy			Asset Quality			Earnings			Liquidity		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Satisfactory	11	13	10	8	8	9	7	7	10	14	9	11
Fair	3	0	1	4	5	4	6	4	3	2	6	5
Marginal	1	0	0	5	2	3	3	2	0	1	1	0
Unsatisfactory	3	4	4	1	2	1	2	4	3	1	1	1
Total	**18**	**17**	**17**	**18**	**17**	**17**	**18**	**17**	**17**	**18**	**17**	**17**

Source: Bank of Zambia

BALANCE SHEET

Asset Structure

The asset structure of the banking sector remained largely unchanged as net loans and advances continued to account for the largest component of total assets at 32.0%, followed by investments in Government securities and balances with financial institutions abroad at 24.9% and 23.8%, respectively (Table 3.4a)

Table 3.4a: Asset Structure (Percent), 2016 - 2018

	2016	2017	2018
Net Loans and advances	33.6	31.1	32.0
Balances with Foreign Financial Institutions	19.2	19.5	23.8
Balances with Bank of Zambia	18.1	9.0	6.2
Investments in Government Securities	15.5	26.7	24.9
Other	13.6	13.6	13.1
Total	**100.0**	**100.0**	**100**

Source: Bank of Zambia

The total assets of the banking sector grew by 14.5% to K82, 098.8 million at end-December 2018 from K71, 710.4 million at end-December 2017 (Chart 3.1). The growth was mainly in balances with financial institutions abroad, and net loans and advances, which went up by 39.8% and 17.5%, respectively. The growth in net loans and advances was partly attributed to the availability of loanable funds following the BoZ's monetary policy decision to lower the statutory reserve ratio to 5% from 8% in February 2018.

Liabilities Structure

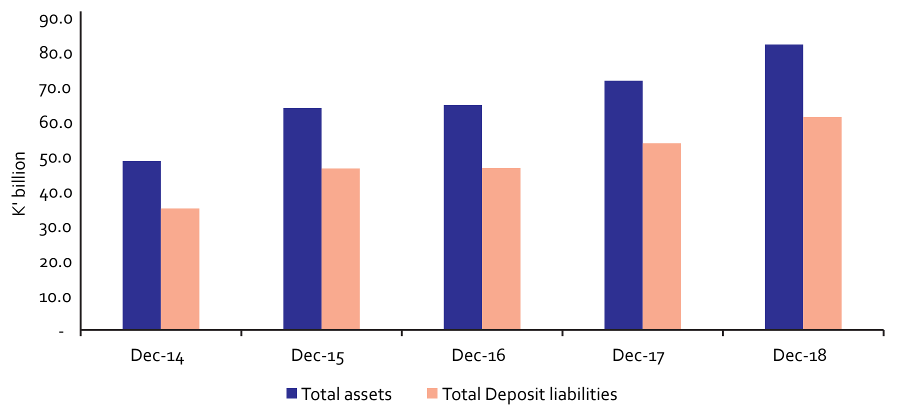
Deposits continued to account for the largest proportion of the liabilities of the banking sector at 74.6% (Table 3.4b). Total deposits comprised of core deposits (demand and savings) which accounted for 71.7% of total deposits, while the remaining 28.3% were non-core deposits (time deposits).

Table 3.4b: Liability Structure (Percent), 2016 - 2018

	2016	2017	2018
Deposits	83.2	85.8	74.6
Other Liabilities	6.8	5.8	5.4
Balances Due to Financial Institutions Abroad	5.9	4.1	5.8
Other Borrowed Funds	2.9	2.4	2.0
Balances Due to Financial Institutions in Zambia	1.1	1.2	0.6
Others	0.2	0.5	11.6
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

CHART 3.1:
Total Assets and Deposit Liabilities, (K' billion) 2014 – 2018



Source:
Bank of Zambia

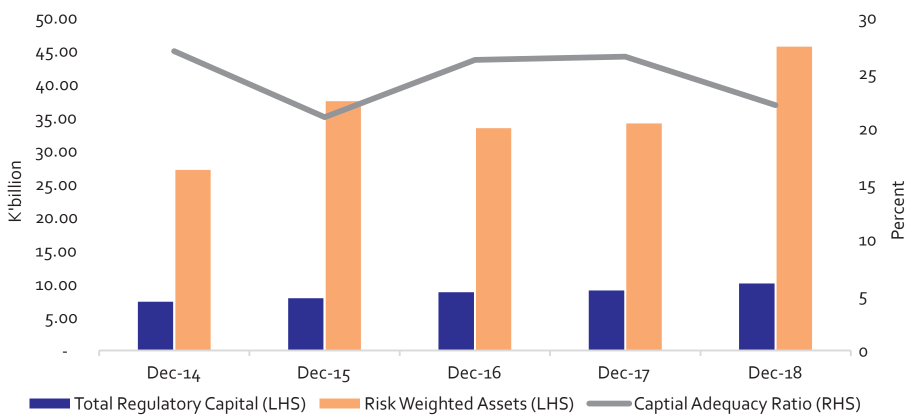
PERFORMANCE INDICATORS

Capital Adequacy

The regulatory capital of the banking sector was rated satisfactory. The sector's primary and total regulatory capital increased by 9.6% and 11.6% to K9, 160.8 million and K10, 079.7 million at end-December 2018, respectively. This outturn was largely attributed to fresh capital injections in some banks.

Risk weighted assets (RWA) grew proportionally higher than the growth in capital, resulting in the primary and total regulatory capital adequacy ratios declining to 20.1% and 22.1% from 24.5% and 26.5% at end-December 2017, respectively. The capital adequacy ratios, however, remained 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, 2014 – 2018



Source:
Bank of Zambia

The ratio of net NPLs to regulatory capital declined to 4.3% from 10.8% at end-December 2017, implying that the amount of capital at risk from NPLs had decreased due to increased provisions for potential loan losses.

Asset Quality

The banking sector's asset quality was rated fair[18] on account of high NPLs. The NPL ratio, however, declined to 11.0% from 12.0% at end-December 2017, on account of gross loans and advances increasing by a higher margin relative to the rise in NPLs. Gross NPLs increased by 9.2% to K3, 174.8 million, while gross loans and advances increased by 19.5% to K28, 990.2 million (Table 3.5). Although the NPL ratio declined in 2018, it remained above the prudential threshold of 10.0%.

[18]Fair rating means asset quality or credit administration practices are less than satisfactory.

Table 3.5: Gross Loans and Non-Performing Loans, 2016 - 2018

	2016	2017	2018
Gross loans (K' billion)	23.3	24.3	29.0
NPLs (K 'billion)	2.3	2.9	3.2
Substandard (K' billion)	0.2	0.2	0.3
Doubtful (K' billion)	0.2	0.3	0.2
Loss (K' billion)	1.8	2.4	2.6
NPL ratio (Percent)	9.7	12.0	11.0
Substandard	1.0	0.9	1.0
Doubtful	0.9	1.1	0.7
Loss	7.8	10.0	9.0

Source: Bank of Zambia

On a sectoral basis, the agriculture, forestry, fishing and hunting sector accounted for the largest proportion of gross NPLs at 32.4% (Table 3.6). With regard to intra-sector[19] NPLs the restaurants and hotels, and construction sectors continued to be the worst performing as evidenced by the high intra-sector NPL ratio of 79.4% and 37.9%, respectively (Table 3.7).

Table 3.6: Sectoral Distribution of NPLs (Percent), 2016 – 2018

Sector	2016	2017	2018
Agriculture, forestry, fishing and hunting	26.7	32.7	32.4
Mining and quarrying	1.9	3.0	3.0
Manufacturing	6.6	5.1	5.1
Electricity, gas, water and energy	0.5	0.6	0.6
Construction	7.1	9.3	9.4
Wholesale and retail trade	11.7	11.8	11.7
Restaurants and hotels	10.6	9.0	8.9
Transport, storage and communication	5.4	5.1	5.1
Financial services	2.9	1.6	1.6
Personal loans	12.3	9.4	10.3
Other sectors	14.4	12.3	12.1
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 3.7: Intra-Sector NPL Ratios (Percent), 2016 – 2018

Sector	2016	2017	2018
Agriculture, forestry, fishing and hunting	15.2	26.7	28.3
Mining and quarrying	2.9	5.7	4.8
Manufacturing	5.0	10.3	20.2
Electricity, gas, water and energy	2.3	3.5	2.3
Construction	17.7	29.9	37.9
Wholesale and retail trade	11.1	15.7	15.0
Restaurants and hotels	74.1	86.3	79.4
Transport, storage and communication	11.4	13.9	13.1
Financial services	15.5	18.6	16.2
Personal loans	4.4	17.7	11.2

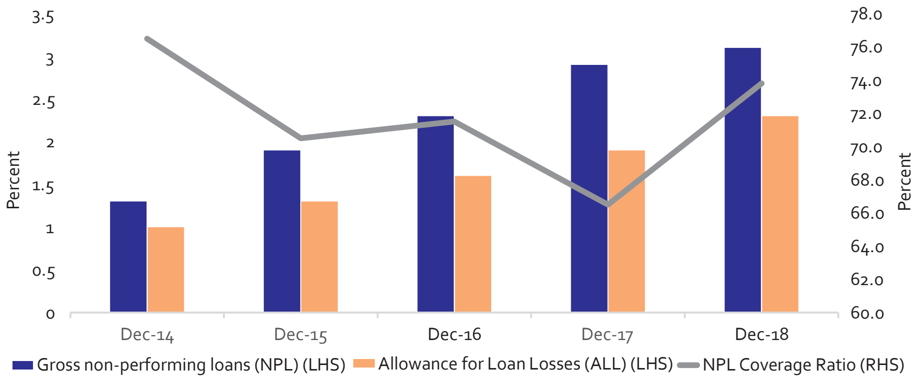
Source: Bank of Zambia

Risk-Absorbing Capacity

The banking sector's coverage ratio[20] rose to 86.4% from 66.5% at end-December 2017, due to a 41.8% increase in allowances for loan losses (ALLs) to K2,742.3 million. The increase in the coverage ratio implied that the sector's capacity to absorb potential loan losses had increased (Chart 3.3).

[19]Intra-sector NPLs refer to the loans within the sector that are not performing.
[20]NPL Coverage ratio is the proportion of the gross NPLs covered by the provisions for loan losses (PLL) [i.e., PLL/NPLs].

CHART 3.3: Non-Performing Loans, Provisions and NPL Coverage Ratio (Percent), 2014-2018



Source: Bank of Zambia

Earnings Performance and Profitability

The banking sector's earnings performance was satisfactory. The sector's profit before tax (PBT) increased by 8.0% to K2, 228.3 million. The increase in profit was mainly on account of higher net interest income driven by earnings from Government securities and balances with financial institutions abroad. This was despite loan loss provisions increasing by 28.9% to K719.6 million following the implementation of the International Financial Reporting Standard, 9 (IFRS9[21].

The banking sector's return on assets and the return on equity ratios decreased to 3.0% and 14.8%, from 3.1% and 15.4% at end-December 2017, respectively. This was on account of proportionately higher increases in the sector's total assets and equity compared to the increase in net profit (Table 3.8).

Table 3.8: Summarised Income Statement (K'billion), 2016 - 2018

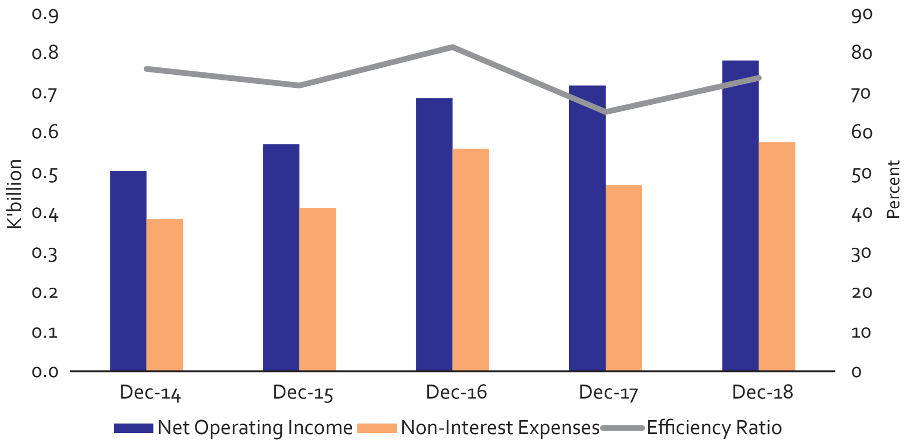
Particulars	2016	2017	2018
Interest Income	6.6	7.2	7.5
Interest Expenses	2.6	2.6	2.0
Net Interest Income	3.9	4.6	5.5
Non-Interest Income	3.0	3.2	3.6
Net Operating Income	7.0	7.9	9.0
Non-Interest Expenses	5.0	5.2	6.1
Pre-Provision Operating Profit (PPP)	2.0	2.6	2.9
Loan Loss Provisions	0.4	0.6	0.7
Profit Before Taxation	1.6	2.1	2.2
Taxation	0.6	0.7	0.9
Net Profit	1.0	1.3	1.4

Source: Bank of Zambia

Non-interest expenses increased by 16.3% to K6,089.1 million, resulting in the decline in the efficiency ratio[22] deteriorating to 73.7% in 2018 from 65.1% in 2017 (Chart 3.4).

[21]Implementation of IFRS9 changed the model for computing loan loss provisions from incurred loss to expected loss.
[22]This is a ratio of non-interest expenses to net operating income. An increase in the ratio means that a bank is losing a larger proportion of its income to overhead costs.

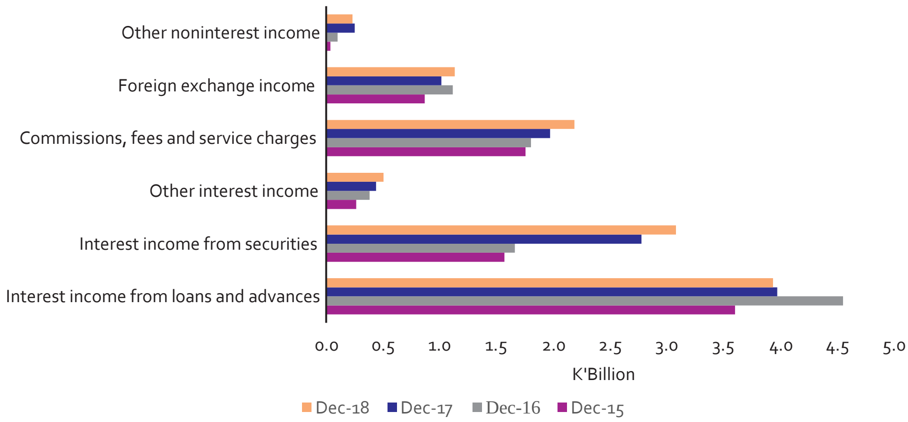
CHART 3.4: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2014 – 2018



Source: Bank of Zambia

In 2018, the principal sources of income for the banking sector continued to be interest income from loans and advances accounting for 35.5% of total income, and interest income from securities accounting for 27.8% (Chart 3.5).

CHART 3.5: Operating Income (Percent)

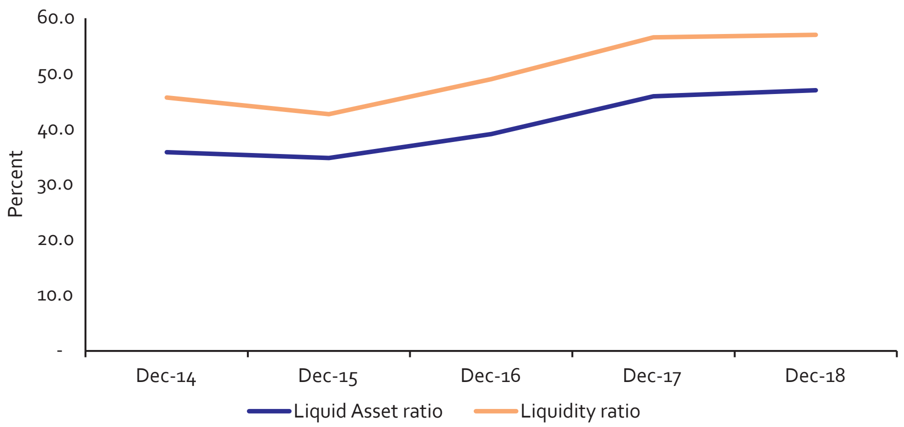


Source: Bank of Zambia

Liquidity and Funds Management

The sector's liquidity position was satisfactory[23]. The ratio of liquid assets to total deposits and short term liabilities (liquidity ratio) remained broadly unchanged at 57.0%, while the ratio of liquid assets to total assets rose to 47.0% from 45.9% (Chart 3.6).

CHART 3.6: Liquid Assets Ratio and Liquidity Ratio (Percent), 2014 – 2018



Source: Bank of Zambia

[23]Satisfactory liquidity means the institution has access to sufficient liquid assets and sources of funds on acceptable terms to meet present and anticipated liquidity needs.

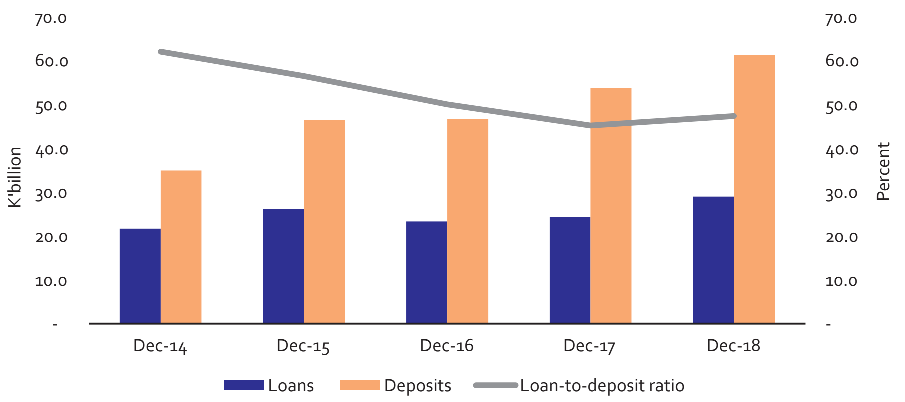
Overall, customer deposits continued to constitute the largest source of funding for the sector, accounting for 74.6% (Table 3.9 and Chart 3.7).

Table 3.9: Banking Sector Funding Sources (Percent), 2016 – 2018

	2016	2017	2018
Customer deposits	72.1	74.9	74.6
Borrowings	9.0	7.3	8.7
Shareholders' funds	13.0	12.7	11.3
All other liabilities	5.9	5.1	5.4
Total funding	100.0	100	100

Source: Bank of Zambia

CHART 3.7: Loans, Deposits, and Loan-to-Deposit Ratio, 2014 – 2018



Source: Bank of Zambia

Market Share

Subsidiaries of foreign banks continued to dominate the banking sector in terms of total assets, loans and deposits, followed by banks partly owned by the Government. With regard to profitability, the pattern remained largely the same, with the subsidiaries of foreign banks accounting for the largest proportion of the profit before tax (Table 3.10).

Table 3.10: Distribution of the Assets, Loans and Deposits by Ownership Type (Percent), 2016 - 2018

	2016				2017				2018			
	Asset	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	70.8	68.1	70.4	97.2	73.4	69.2	73.6	82.3	73.0	67.9	72.2	68.3
Banks with Government stake	16.6	19.6	17.7	8.9	18.1	20.1	18.5	3.3	18.2	21.8	19.7	28.1
Local private banks	12.6	12.3	11.9	-6.1	8.5	10.7	7.9	14.4	8.7	10.2	8.1	3.6
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Bank of Zambia

Bank Branches

Bank branches continued to be concentrated in Lusaka and the Copperbelt Provinces, which collectively accounted for 64.1%, followed by Southern Province which accounted for 12.5% of total branches. Luapula Province had the lowest branch coverage with only 1.9% of total branches (Table 3.11). Following the merger of African Banking Corporation (Z) Limited (trading as Atlas Mara) and Finance Bank Zambia Plc, the Bank of Zambia granted approval for African Banking Corporation (Z) Limited to close 13 branches in locations where both banks had branches.

Commercial Banks Branch network in Zambia in 2017

- AB Bank Zambia
- Access Bank Zambia
- Bank of China Zambia
- National Savings and Credit Bank
- Barclays Bank Zambia
- Cavmont Bank
- Citibank
- Ecobank Zambia
- AtlasMara
- First Alliance Bank
- First Capital Bank
- First National Bank
- Indo Zambia Bank
- Investrust Bank
- Stanbic Bank Zambia
- Standard Chartered Bank
- United Bank for Africa
- Zanaco
- Zambia Industrial Commercial Bank

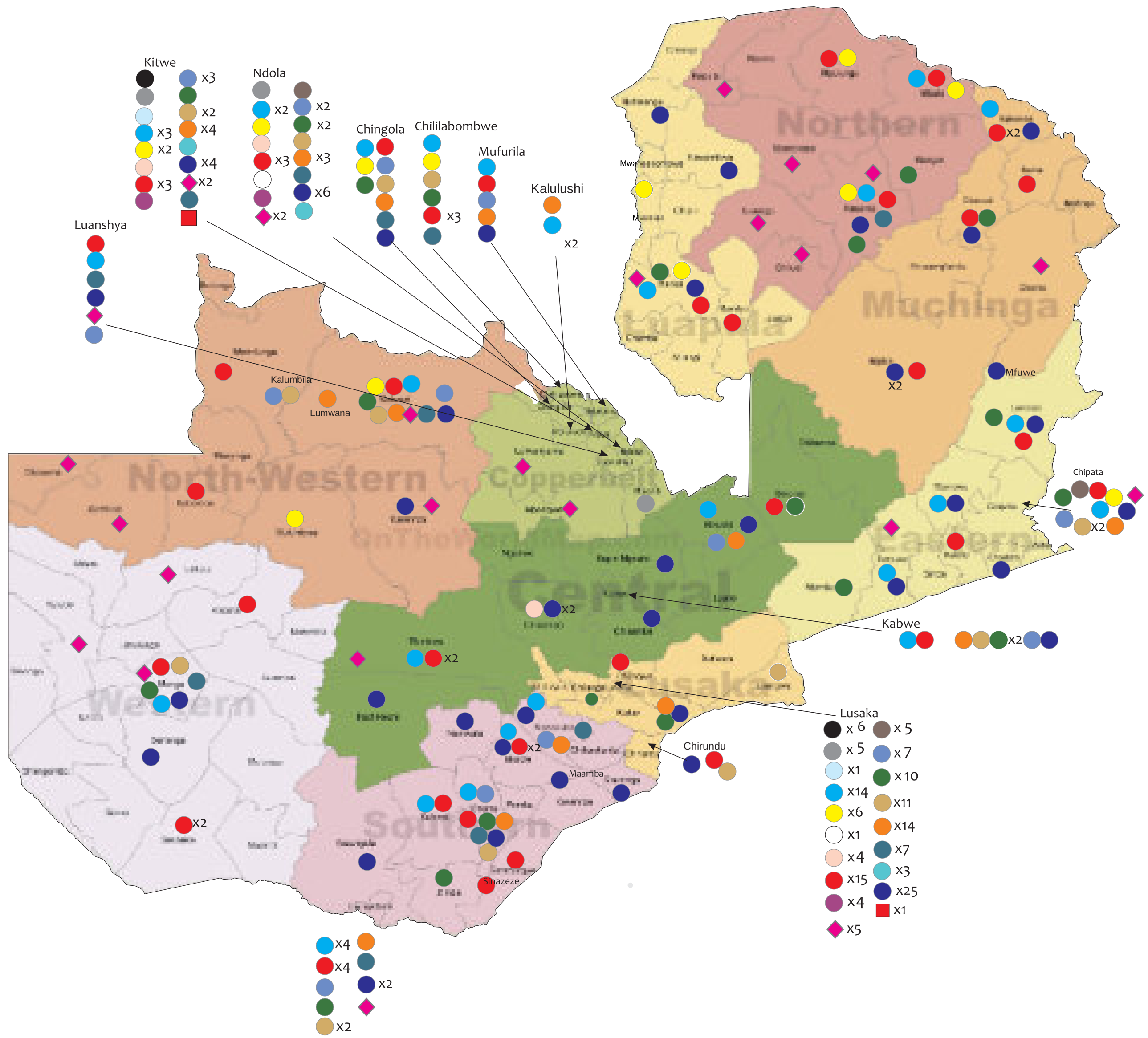


Table 3.11: Bank Branches, 2016 – 2018

Bank	No. of Branches		
	2016	2017	2018
AB Bank Zambia	7	7	7
Access Bank Zambia	6	7	8
Banc ABC Zambia	20	76	63
Bank of China Zambia	2	2	2
Barclays Bank Zambia	56	45	44
Cavmont Bank	18	20	19
Citibank	2	2	2
Ecobank Zambia	10	7	6
First Alliance Bank	5	5	6
First Capital Bank	5	6	7
First National Bank	24	43[24]	23
Indo Zambia Bank	32	31	30
Investrust Bank	25	30	27
Stanbic Bank Zambia	28	33	33
Standard Chartered Bank	21	23	17
United Bank for Africa	5	5	5
ZICB	0	0	2
ZNCB	68	68	71
Total	**408**	**410**	**372**

Source: Bank of Zambia

3.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Structure of the NBFIs Sector

As at end-December 2018, the number of NBFIs was 129, comprising leasing finance institutions, building societies, microfinance institutions (consumer and enterprise lending), bureaux de change, a savings and credit bank, a development bank and a credit reference bureau (Table 3.12).

Table 3.12: Structure of NBFIs, 2016 – 2018

Type of Institution	Number of Institutions		
	2016	2017	2018
Leasing Finance Institutions	8	8	8
Building Societies	4	3	3
Bureaux de Change	73	80	80
Savings and Credit Institutions	1	1	1
Microfinance Institutions	34	34	35
Development Finance Institutions	1	1	1
Credit Reference Bureaux	1	1	1
Total	**122**	**128**	**129**

Source: Bank of Zambia

Performance and Condition of the NBFIs Sector

The overall financial performance and condition of the NBFIs sector, based on the 102[25] rated NBFIs, was fair. Of the rated NBFIs, 32 were satisfactory, 38 were fair, 23 were marginal, while 9 were unsatisfactory (Table 3.13).

[24] The number of bank branches was 25 as at end 2017. However, the bank included bank agents to arrive at 43.

[25] The total number of licensed NBFIs was **129**. Out of the 129, eleven bureau de change, one leasing company and three MFIs had not submitted returns at the time of reporting, while one MFI had its license suspended for a period of six months and another submitted a wrong return. Seven bureaux de change were not operational. The other institution is a credit reference bureau that is not required to submit prudential returns.

The sector's regulatory capital and sensitivity to market risk were rated satisfactory, while the earnings performance and liquidity management were rated fair. However, asset quality was rated unsatisfactory due to the high non-performing loans (NPL) ratio which at 17.6%, remained above the maximum prudential limit of 10.0%.

Table 3.13: Performance Ratings and Financial Condition, 2016 – 2018

Performance Rating	Licence Type	Number of Institutions 2016	2017	2018	Percent of Total Assets for 2018
Strong	Deposit-taking	2	0	0	0.0
	Non-Deposit-taking	6	0	0	0.0
Satisfactory	Deposit-taking	6	5	3	45.0
	Non-Deposit-taking	28	29	29	14.2
Fair	Deposit-taking	2	5	6	8.7
	Non-Deposit-taking	34	30	32	3.4
Marginal	Deposit-taking	1	0	2	4.5
	Non-Deposit-taking	23	17	21	16.3
Unsatisfactory	Deposit-taking	3	3	3	5.9
	Non-Deposit-taking	2	4	6	2.1
Total		**106**	**93**	**102**	**100**

Source: Bank of Zambia

Performance and Condition of the Sub-Sectors

Apart from the consumer-lending MFIs sub-sector whose overall rating was satisfactory, all the other subsectors had less than satisfactory overall ratings.

Leasing Finance Institutions

The overall financial condition and performance of the leasing and financial businesses sub-sector in 2018 was rated fair. The sub-sector's regulatory capital, earnings performance and liquidity management were satisfactory, while asset quality was rated unsatisfactory (Table 3.14).

Table 3.14: Composite Rating for the Leasing Finance Sub-Sector, 2016 – 2018

Performance Category	Number of Leasing Companies			Proportion of Industry Assets (Percent)		
	2016	2017	2018	2016	2017	2018
Strong	0	0	0	0	0	0
Satisfactory	2	1	1	45	31	16
Fair	0	3	2	0	31	49
Marginal	3	1	3	12	21	35
Unsatisfactory	1	1	0	43	17	0
Total	**6**	**6**	**6**	**100**	**100**	**100**

Source: Bank of Zambia

Balance Sheet

Assets

The sub-sector's total assets declined by 4.2% to K488.1 million at end-December 2018, mainly driven by a decrease of 28.9% and 28.6% in the balances held with domestic institutions and other assets respectively. The asset structure of the sub-sector as at end-December 2018 is shown in Table 3.15.

Table 3.15: Asset Structure (Percent), 2017 - 2018

Asset Class	2018	2017
Loans and advances	58.4	51.2
Investments in Government Securities	2.0	0.0
Balances with Domestic Institutions	7.6	8.2
Other	32.0	40.6
Total	**100.0**	**100.0**

Source: Bank of Zambia

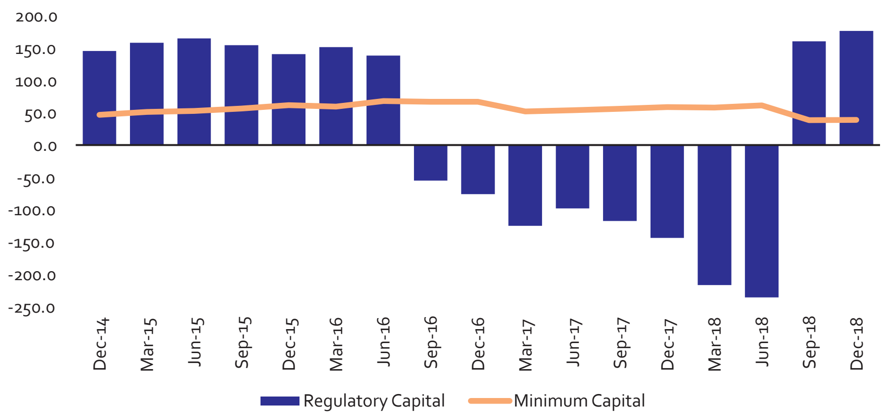
Liabilities

Total liabilities dropped by 47.5% to K348.2 million at end-December 2018 largely driven by decreases in balances due to domestic institutions, foreign institutions and other borrowed funds following the cancellation of the licence of one of the leasing institutions, which constituted 52.2% of total sub-sector liabilities.

Capital Adequacy

The regulatory capital of the leasing sub-sector was satisfactory as at end-December 2018. The sub-sector's capital adequacy ratio was 45.3%, up from negative 24.4% as at end-December 2017. The improvement in the capital adequacy ratio was due to an increase in regulatory capital to K176.5 million from negative K143.6 million at end-December 2017 following the cancellation of the licence of an insolvent leasing institution (Chart 3.8).

CHART 3.8: Leasing Finance Regulatory Capital (K'millions), 2014 – 2018

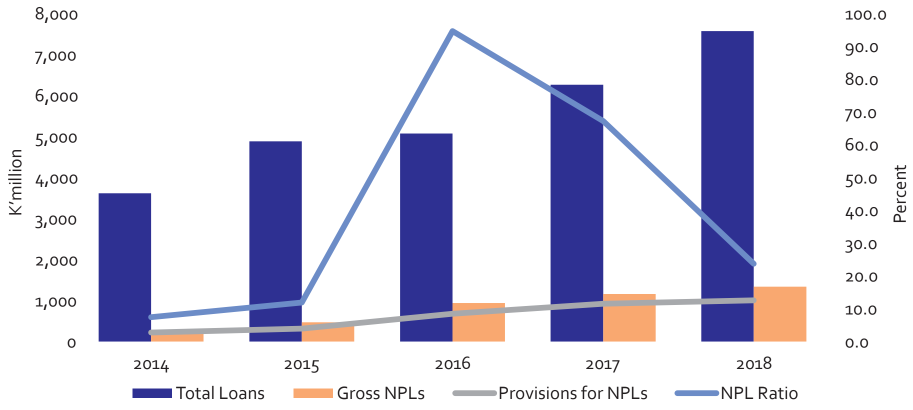


Source: Bank of Zambia

Asset Quality

The asset quality of the leasing sub-sector remained unsatisfactory as at end-December 2018. Despite NPL ratio declining to 23.7% at end-December 2018 from 67.2% at end-December 2017, the ratio still remained above the maximum prudential limit of 10.0%. The decline in the NPL ratio was as a result of the cancellation of the licence of one of the leasing institutions, which accounted for 68.8% of the sub-sector's NPLs. Consequently, the NPL coverage ratio improved to 126.9% from 91.3% at end-December 2017 (Chart 3.9)

CHART 3.9: Leasing Finance Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans, 2014 – 2018

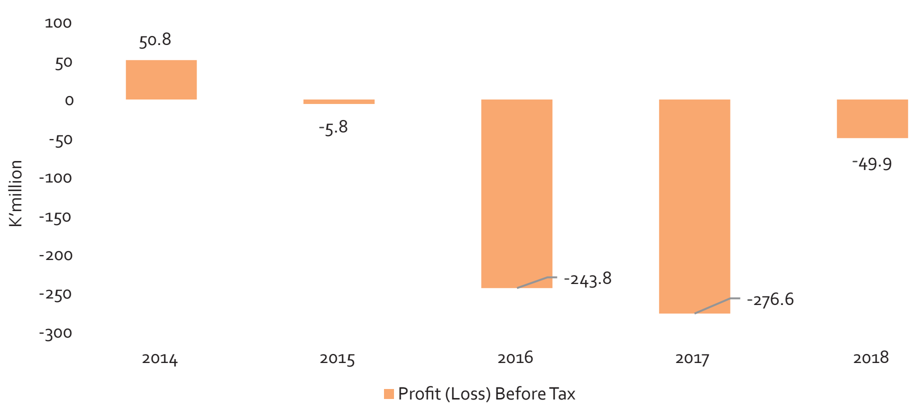


Source: Bank of Zambia

Earnings Performance

The earnings performance of the sub-sector was unsatisfactory in 2018. The sub-sector recorded a loss before tax of K49.9 million compared to a loss before tax of K276.6 million reported in 2017 (Chart 3.10). The decrease in the loss was largely due to an increase in interest and non-interest income.

CHART 3.10: Leasing Finance Profit before Tax (Kmillion), 2014 – 2018

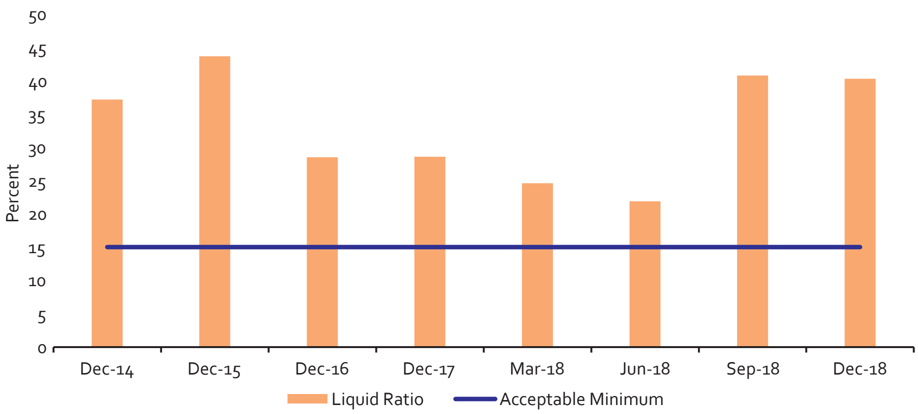


Source: Bank of Zambia

Liquidity

The liquidity position of the leasing sub-sector was satisfactory. The ratio of liquid assets to total deposits and short-term liabilities was 40.3% at end-December 2018, and was above the prudential minimum requirement of 15.0% (Chart 3.11).

CHART 3.11: Leasing Finance Liquidity Trend (Percent), 2014 – 2018



Source: Bank of Zambia

Foreign Exchange Exposure

The foreign exchange exposure of the leasing finance sub-sector was unsatisfactory. The ratio of overall foreign exchange exposure to regulatory capital at end-December 2018 was 40.2%, and was above the maximum prudential limit of 25.0%. The unsatisfactory foreign exchange exposure was largely explained by two institutions in the sub-sector, accounting for 32.0% of the sub-sector total assets, that obtained financing from abroad.

Building Societies

The overall financial performance and condition of the building societies sub-sector was rated fair. This was on account of satisfactory regulatory capital. However, earnings performance, asset quality and liquidity, were rated unsatisfactory. The largest of the three building societies, accounting for 79% of the sub-sector total assets, had a satisfactory rating (Table 3.16).

Table 3.16: Composite Rating for the Building Societies, 2016 – 2018

Performance Category	Number of Building Societies			Proportion of Industry Assets (Percent)		
	2016	2017	2018	2016	2017	2018
Strong	0	0	0	0	0	0
Satisfactory	2	2	1	75	89	79
Fair	0	0	1	0	0	10
Marginal	0	0	0	0	0	0
Unsatisfactory	1	1	1	25	11	11
Total	**3**	**3**	**3**	**100**	**100**	**100**

Source: Bank of Zambia

Balance Sheet

Assets

Total assets of the building societies sub-sector increased by 13.4% to K1,230.2 million at end-December 2018, mainly due to an increase in net loans and advances and other assets. Loans and advances continued to account for the largest proportion of the sub-sector's total assets (Table 3.17).

Table 3.17: Asset Structure (Percent), 2016 - 2018

Asset Class	2016	2017	2018
Loans and advances	54.2	58.8	57.7
Balances with Domestic Institutions	12.1	13.6	10.3
Others	33.7	27.6	32.0
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

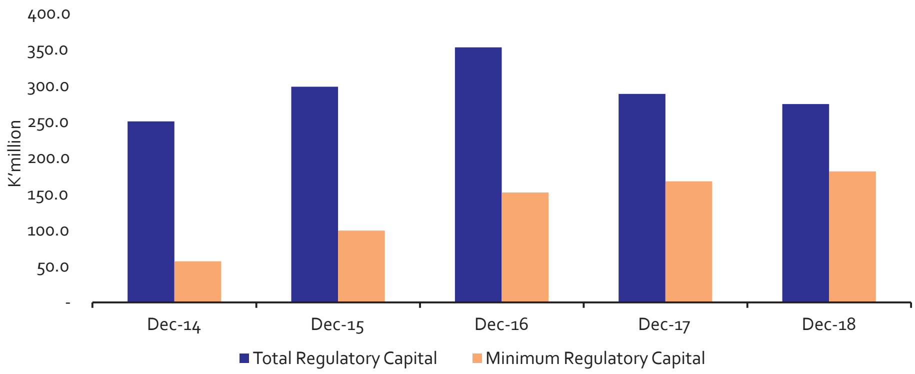
Liabilities

Total liabilities grew by 11.6% to K860.9 million at end-December on account of an increase in balances due to domestic and foreign institutions.

Capital Adequacy

The regulatory capital position of the building societies sub-sector was rated satisfactory at end-December 2018. Despite the capital adequacy ratio declining to 15.1% at end-December 2018 from 17.2%, it remained above the minimum regulatory limit of 10.0%. The decline in the ratio arose from a loss after tax of K34.9 million (Chart 3.12).

CHART 3.12: Building Societies Regulatory Capital (K'million), 2014 – 2018

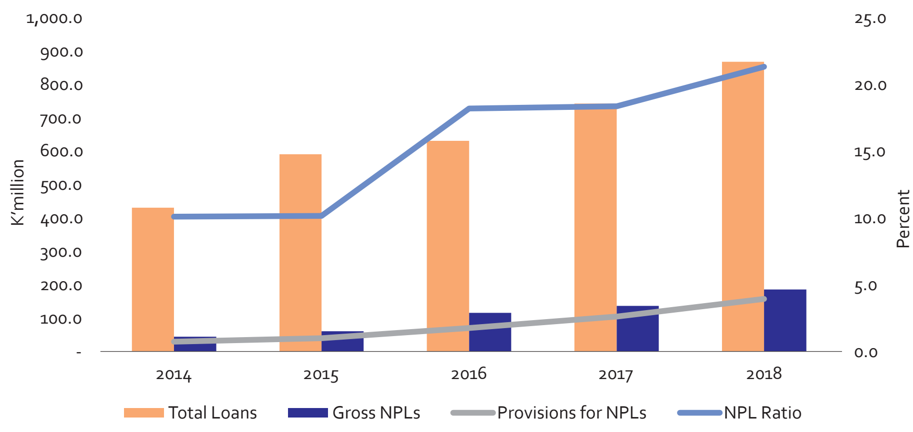


Source: Bank of Zambia

Asset Quality

As at end-December 2018, the asset quality of the building societies sub-sector was unsatisfactory. The ratio of gross NPLs to total loans at 21.3% was above the prudential maximum limit of 10.0%. The NPL coverage ratio, at 84.6%, was adequate and showed an improvement from 76.0% at end-December 2017 (Chart 3.13).

CHART 3.13: Building Societies Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans, 2014 – 2018

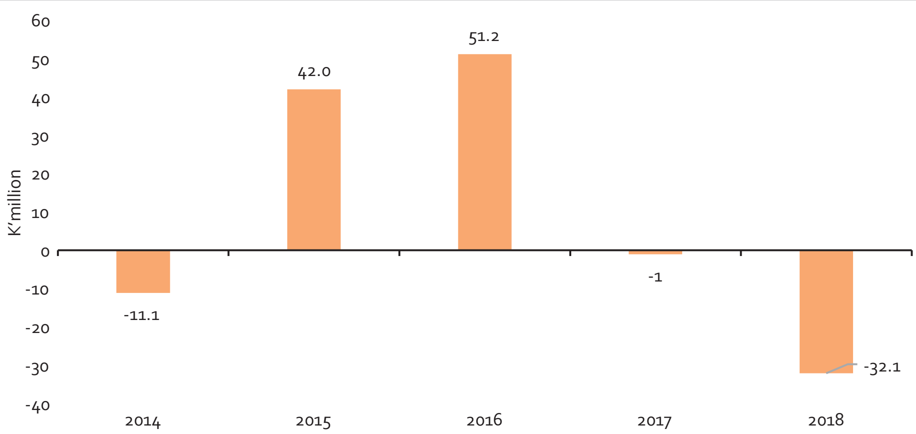


Source: Bank of Zambia

Earnings Performance

The earnings performance of the building societies sub-sector was unsatisfactory. The sub-sector recorded a loss before tax of K32.1 million compared to a profit before tax of K0.1 million reported in 2017. The loss was mainly due to a 20.9% decrease in non-interest income, coupled with a 61.2% increase in the provision for loan losses (Chart 3.14).

CHART 3.14: Building Societies Profit before Tax (K'million), 2014 – 2018

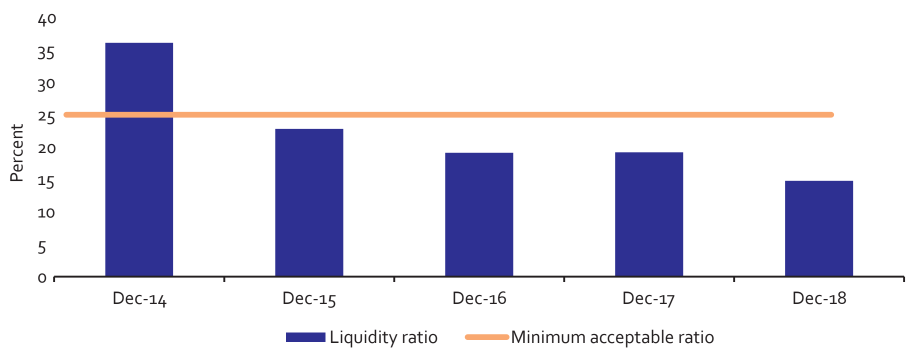


Source: Bank of Zambia

Liquidity

The liquidity position of the building societies sub-sector was rated unsatisfactory. This was on account of a decline in the ratio of liquid assets to total deposits and short-term liabilities to 14.8% at end-December 2018 from 19.2%, which was below the prudential minimum ratio of 25.0% (Chart 3.15). The reduction in the ratio was on account of a 13.9% decrease in liquid assets, coupled with an 11.6% increase in short-term liabilities.

CHART 3.15: Building Societies Liquidity Ratio (Percent), 2014 – 2018



Source: Bank of Zambia

Microfinance Institutions

Enterprise-Lending Microfinance Institutions

The overall financial condition and performance of the enterprise-lending Microfinance Institutions (MFIs)[26] sub-sector in 2018 was marginal. The sub-sector's liquidity position was satisfactory, capital adequacy was fair, while asset quality and earnings performance were unsatisfactory.

Balance Sheet

Assets

Total assets of the enterprise lending MFIs rose by 33.2% to K565.6 million at end-December 2018. The growth in assets was due to increases of 55.1% and 24.4% in balances held with domestic institutions, and net loans and advances, respectively. Loans and advances continued to constitute the largest proportion of total assets (Table 3.18).

Table 3.18: Asset Structure (Percent), 2017 - 2018

Asset Class	2017	2018
Loans and advances	74.1	69.2
Investments in Government Securities	1.2	0.2
Balances with Domestic Institutions	8.9	10.2
Other	15.8	20.4
Total	**100.0**	**100.0**

Source: Bank of Zambia

Total liabilities of enterprise lending MFIs increased by 41.6% to K555.5 million at end-December 2018, on account of increases in balances due to foreign institutions and total deposits.

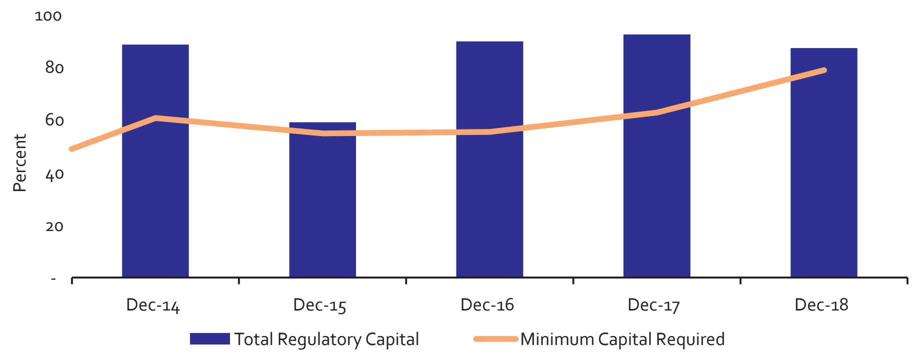
Capital Adequacy

The regulatory capital position of the enterprise lending MFIs sub-sector was rated fair at end-December 2018. The capital adequacy ratio decreased to 16.6% from 22.1%, mainly on account of a

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

24.4% increase in the sub-sector net loans and advances. Despite the drop in the subsector capital ratio, it was still above the minimum regulatory limit of 15.0% (Chart 3.16).

CHART 3.16: Regulatory Capital of the Enterprise-Lending MFI Sub-Sector (Percent), 2014 – 2018

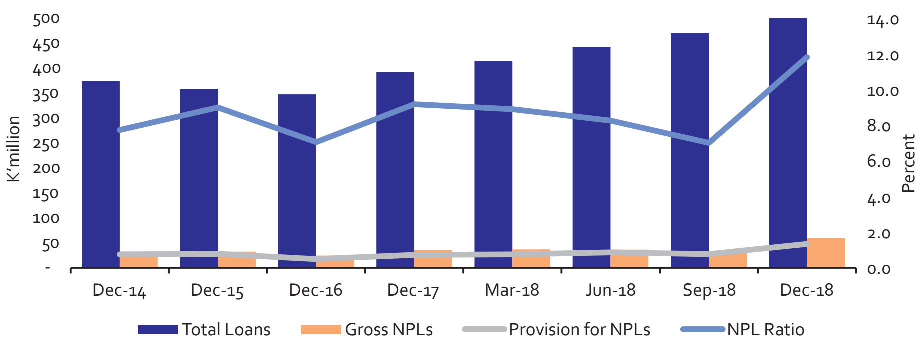


Source: Bank of Zambia

Asset Quality

The asset quality of the enterprise lending MFIs sub-sector was rated unsatisfactory at end-December 2018. The ratio of NPLs to gross loans at 11.8% was above the maximum prudential limit of 10.0%. The NPL coverage ratio at 80.3%, up from 73.9% at end-December 2017, was adequate (Chart 3.17).

CHART 3.17: Total Loans, Gross Non-Performing Loans and Provision for Non- Performing Loans, 2014 - 2018

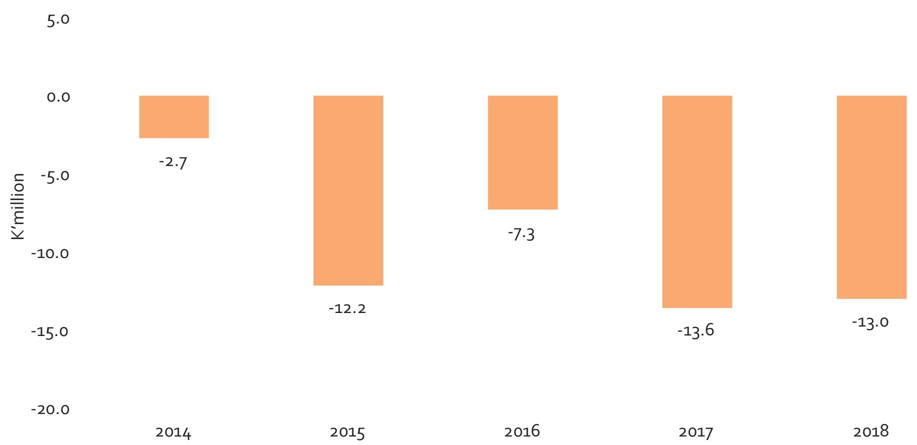


Source: Bank of Zambia

Earnings Performance

Earnings performance of the enterprise lending MFIs was rated unsatisfactory. The sector recorded a loss before tax of K13.0 million compared to a loss before tax of K13.6 million reported in 2017 (Chart 3.18). The marginal decrease in the loss before tax was largely attributed to an increase in interest and non-interest income.

CHART 3.18: Profit before Tax (K' million), 2014 - 2018



Source: Bank of Zambia

Consumer-Lending Microfinance Institutions

The overall financial performance and condition of the consumer lending MFIs sub-sector was rated satisfactory. The sub-sector was adequately capitalised, earnings performance and liquidity management were rated satisfactory while asset quality was rated marginal.

Balance Sheet

Assets

Total assets of the consumer lending MFIs grew by 33.3% to K5,187.2 million at end-December 2018. The growth in total assets was driven by increases in net loans and advances and balances held with domestic financial institutions. Loans and advances continued to constitute the largest proportion of total assets (Table 3.19).

Table 3.19: Asset Structure (Percent), 2016 - 2018

Asset Class	2016	2017	2018
Loans and advances	85.7	86.9	88.3
Balances with Domestic Institutions	6.8	5.8	5.0
Other	7.5	7.3	6.7
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

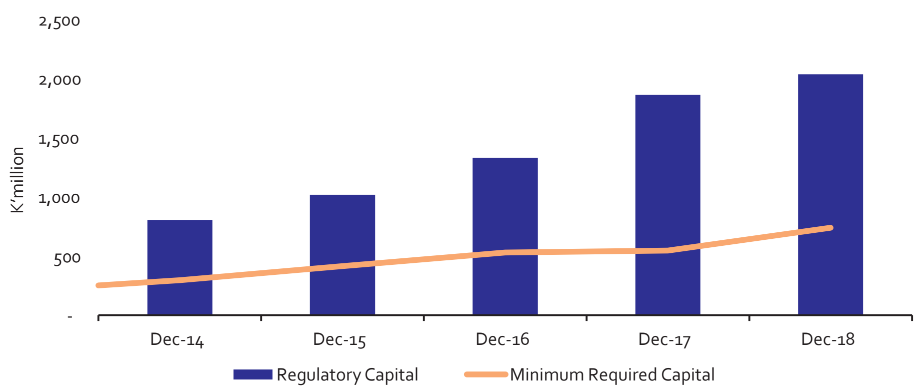
Liabilities

Total liabilities of the consumer lending MFIs grew by 34.0% to K3,717.5 million at end-December 2018, mainly on account of increases in deposits, balances due to domestic institutions and balances due to foreign institutions[27].

Capital Adequacy

The regulatory capital of the consumer lending MFIs subsector was rated satisfactory. The capital adequacy ratio at 41.3%, was above the minimum regulatory limit of 15.0% (Chart 3.19).

CHART 3.19: Regulatory Capital (K'million), 2014-2018



Source: Bank of Zambia

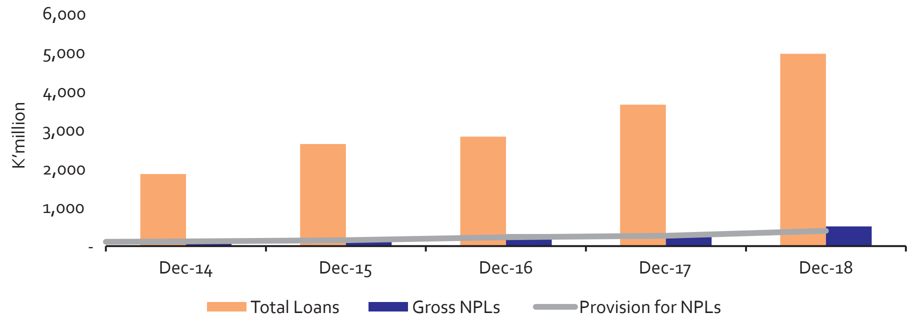
Asset Quality

The asset quality of the consumer lending MFIs sub-sector was rated marginal. NPLs, at 10.2% of total loans, accounted for the marginal rating (Chart 3.20).

[27]The deposits, balances due to domestic institutions and balances due to foreign institutions increased to K763.0 million, K735.8 million and K351.3 million, respectively from K547.3 million, K264.5 million and K230.0 million, respectively.

CHART 3.20
Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans (K'million), 2014 - 2018

Source: Bank of Zambia

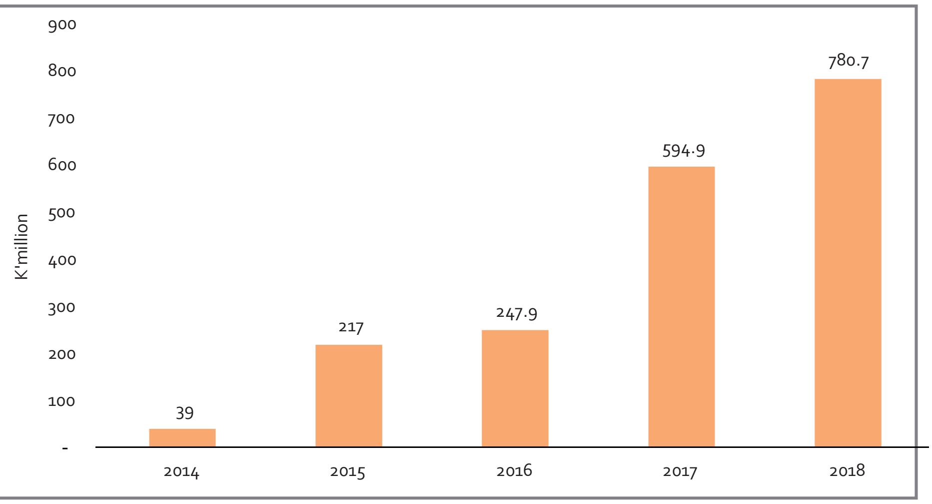


Earnings Performance

The earnings performance of the consumer lending MFIs sub-sector was rated satisfactory. The sub-sector's profit before tax increased by 31.2% to K780.7 million, mainly on account of a rise in interest income arising from the growth in the loan portfolio (Chart 3.21).

CHART 3.21:
Profit before Tax of the Consumer-Lending Microfinance (K'million), 2014 - 2018

Source: Bank of Zambia



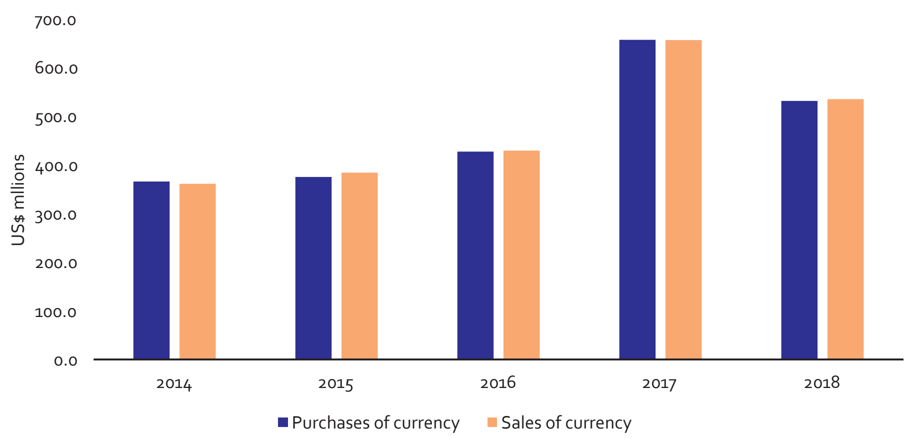
Bureaux de Change

The bureau de change sub-sector was adequately capitalised at end-December 2018. All the bureaux de change, except for three (3), met the required minimum primary capital of K250,000.

The sub-sector's aggregate capital and reserves increased by 10.7% to K69.2 million, on account of new capital injections and retained earnings.

The volume of foreign currency purchases decreased by 19.1% to US$531.2 million, largely due to a 19.6% decrease in foreign exchange purchases from commercial banks. Consequently, foreign currency sales decreased by 18.5% to US$535.0 million (Chart 3.22). The average bureau de change buying and selling rates were K10.4024/US$ and K10.5693/US$ in 2018, compared to K9.7750/US$ and K9.9374/US$ in 2017, respectively.

CHART 3.22: Bureau de Change Volumes of Transactions (US$ millions), 2014 – 2018



Source: Bank of Zambia

Licensing

In 2018, the Bank of Zambia issued five NBFIs licences and revoked another five (Tables 3.20 and 3.21).

Table 3.20: Licences Issued in 2018

	Institution Licensed	Date Licensed
	Bureaux de Change	
1.	Big Deal Bureau de Change Limited	9 February 2018
2.	MKB Bureau de Change Limited	24 April 2018
3.	Perfect Link Bureau de Change Limited	24 April 2018
	Microfinance Institutions	
1.	Goodfellow Finance Limited	10 January 2018
	Leasing Companies	
1.	Agricultural Leasing Company	25 September 2018

Source: Bank of Zambia

Table 3.21: Licences Revoked in 2018

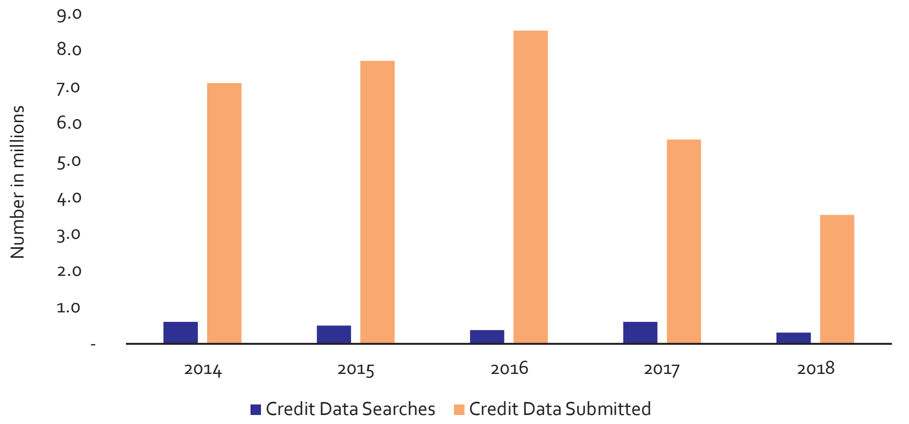
		Date revoked
	Bureaux de Change	
1.	Dips Bureau de Change Limited	19 April 2018
2.	Vedette Bureau de Change Limited	21 May 2018
3.	A & I Bureau de Change Limited	13 June 2018
	Microfinance Institutions	
1.	Blue Financial Services Zambia Limited	19 September 2018
	Financial Businesses	
1.	Focus Financial Services Limited	19 September 2018

Source: Bank of Zambia

Operations of the Credit Reference Bureau

In 2018, the number of credit files that credit providers submitted to the credit reference bureau declined by 36.9% to 3,510,275, while the number of credit reports searched declined by 48.4% to 308,727 (Chart 3.23). The reduction in both number of credit files submitted as well as the number in the credit report searches pointed to non-compliance by credit providers with the requirement to submit credit information to the credit reference bureau and to search its credit information database as part of the credit underwriting process.

CHART 3.23: Trend of use of Credit Reference System by Financial Service Providers



Source: Credit Reference Bureau Africa/TransUnion

Total credit account records on the database of Credit Reference Bureau Africa Limited (CRBAL) increased by 18.3 % to 3,294,099, indicating a positive progression towards reaching critical mass in credit information. Individuals (natural persons) comprised the largest portion of customers on the CRBAL database at 73.7%. The total number of persons (both natural and corporates) on the CRBAL database increased by 4.1% to 1,566,287.

4.0 *Banking, Currency and Payment Systems*

4.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

The Bank of Zambia continued to provide banking services to the Government and oversight to the national payment system. In addition, the Bank continued to implement the Clean Note Policy.

4.1 BANKING

Banking Services to Commercial Banks

The Bank continued to closely monitor commercial banks' current accounts to ensure that all processed transactions settled on time. A total of 14 commercial banks accessed Intraday Loan facility (ILF) compared to 10 in 2017, while 11 commercial banks utilised the Overnight Loan Facility (OLF) compared to 14 in 2017.

Banking Services to the Government

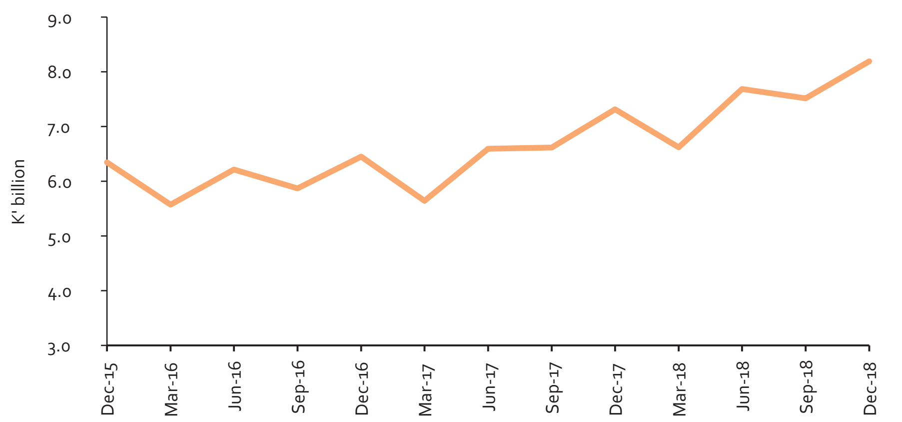
The Bank, as the banker to Government, continued to facilitate receipt of revenue and transmission of payments to Government suppliers of goods and services as well as funding of line Ministries, Provinces and Spending Agencies (MPSAs). The Bank continued to support the Ministry of Finance in migrating MPSAs onto the Treasury Single Account (TSA) and migrated 14 MPSAs, bringing the total number of migrated MPSAs to 58.

4.2 CURRENCY MANAGEMENT

Currency in Circulation

Currency in circulation increased by 12.0% to K8.2 billion in 2018 compared to 13.4% in 2017 (Chart 4.1 and Table 4.1). The bulk of this currency was banknotes, which accounted for 97.5% (K8.0 billion), while coins constituted 2.5% (K0.2 billion).

CHART 4.1: Currency in Circulation (K 'billion), Dec 2015 – Dec 2018



Source: Bank of Zambia

Table 4.1: Currency in Circulation, 2016 – 2018

	Values (ZMW)			Pieces		
	2016	2017	2018	2016	2017	2018
K100	4,631,055,100	5,067,826,250	5,266,779,300	46,310,551	50,678,263	52,667,793
K50	1,165,800,850	1,542,082,350	2,159,563,300	23,316,017	30,841,647	43,191,266
K20	278,325,730	292,698,310	281,913,660	13,916,287	14,634,916	14,095,683
K10	126,280,450	114,708,430	108,725,660	12,628,045	11,470,843	10,872,566
K5	77,851,669	89,100,491	120,835,505	15,570,334	17,820,098	24,167,101
K2	38,666,312	28,171,396	49,173,344	19,333,156	14,085,698	24,586,672
K1	73,951,556	103,121,024	132,235,024	73,951,556	103,121,024	132,235,024
50N	48,358,940	63,570,027	63,123,927	96,717,879	127,140,054	126,247,854
10N	7,609,240	10,261,272	8,452,672	76,092,405	102,612,720	84,526,724
5N	3,618,425	3,800,360	3,722,859	72,368,502	76,007,203	74,457,189
Total	**6,451,518,271**	**7,315,339,909**	**8,194,525,251**	**450,204,730**	**548,412,464**	**587,047,871**

Source: Bank of Zambia

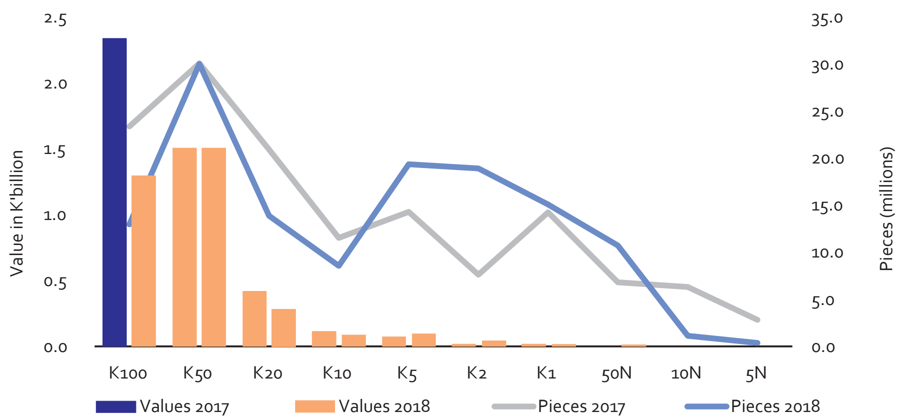
Launch of New Banknotes

The Bank of Zambia launched new banknotes in 2018 with enhanced security features to strengthen their security and ease verification by the general public. The Bank conducted countrywide currency sensitization campaigns to educate the public on the new security features, proper storage and handling of banknotes and the need to return all unfit[28] currency through the banking system.

New Currency Issued into Circulation

The Bank issued 130.9 million pieces of mint banknotes and coins valued at K3.3 billion into circulation in 2018, compared to 137.9 million pieces valued at K4.5 billion in 2017. The highest proportion of currency issued was in high value banknotes of K100 (39.1%) and K50 (45.3%). The middle value (K10 and K20) and low value (K2 and K5) banknotes both accounted for 15.0%, while coins accounted for 0.6% (Chart 4.2 and Table 4.2).

CHART 4.2: New Currency issued into Circulation, 2017 – 2018



Source: Bank of Zambia

[28] These are banknotes that are soiled, faded or mutilated

Table 4.2: New Currency Issued 2016 - 2018

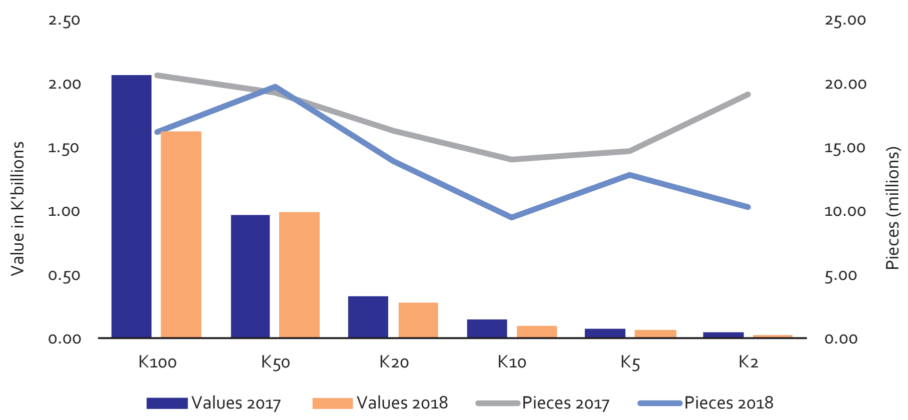
	Values (ZMW)			Pieces		
	2016	2017	2018	2016	2017	2018
K100	2,505,800,000	2,335,400,000	1,296,800,000	25,058,000	23,354,000	12,968,000
K50	1,010,500,000	1,503,500,000	1,500,750,000	20,210,000	30,070,000	30,015,000
K20	354,590,000	418,330,000	277,140,000	17,729,500	20,916,500	13,857,000
K10	140,300,000	115,100,000	85,490,000	14,030,000	11,510,000	8,549,000
K5	64,825,000	71,400,000	96,745,000	12,965,000	14,280,000	19,349,000
K2	37,154,000	15,222,000	37,804,000	18,577,000	7,611,000	18,902,000
K1	16,982,000	14,223,000	15,071,000	16,982,000	14,223,000	15,071,000
50N	10,415,500	3,404,000	5,359,000	20,831,000	6,808,000	10,718,000
10N	905,800	631,700	110,900	9,058,000	6,317,000	1,109,000
5N	384,250	140,050	7,600	7,685,000	2,801,000	352,000
Total	**4,141,856,550**	**4,477,350,750**	**3,315,287,500**	**163,125,500**	**137,890,500**	**130,890,000**

Source: Bank of Zambia

Withdrawal of Unfit Banknotes

The Bank withdrew a total of 82.3 million pieces of unfit banknotes valued at K3.1 billion from circulation in 2018, compared to 103.9 million pieces valued at K3.6 billion in 2017. The bulk of the currency withdrawn was in high value banknotes (K100 and K50), which accounted for 85.1% (Chart 4.3 and Table 4.3).

CHART 4.3: Currency Withdrawn from Circulation, 2017 – 2018



Source: Bank of Zambia

Table 4.3: Currency Withdrawn from Circulation, 2016 – 2018

	Values (ZMW)			Pieces		
	2016	2017	2018	2016	2017	2018
K100	959,764,700	2,061,198,400	1,615,045,300	9,597,647	20,611,984	16,150,453
K50	826,106,525	962,254,300	985,543,200	16,522,131	19,245,086	19,710,864
K20	300,557,370	325,185,800	277,468,600	15,027,869	16,259,290	13,873,430
K10	148,583,665	140,024,050	94,645,000	14,858,367	14,002,405	9,464,500
K5	85,118,758	73,303,155	63,968,500	17,023,752	14,660,631	12,793,700
K2	60,012,838	38,212,164	20,551,000	30,006,419	19,106,082	10,275,500
Total	**2,380,143,856**	**3,600,177,869**	**3,057,221,600**	**103,036,183**	**103,885,478**	**82,268,447**

Source: Bank of Zambia

Counterfeit notes

A total of 33,485 pieces of counterfeit notes were detected by the Bank, commercial banks and other Government security agencies in 2018 compared to 8,845 pieces in 2017. The increase in counterfeit notes detected in 2018 was accounted for by the large single interception by the Drug Enforcement

Commission at one of the borders in January 2018 and the enhanced collaboration between the Bank and the security agencies. The Bank and security agencies continued to sensitise the public on how to identify genuine banknotes and issued press releases to alert the public (Table 4.4 and Table 4.5).

Table 4.4: Counterfeit Notes Detected, 2016 - 2018

Denomination	2016	2017	2018
K100	1,064	8,535	32,778
K50	357	218	227
K20	119	73	461
K10	6	8	10
K5	11	11	9
K2	2	0	0
Total	**1,559**	**8,845**	**33,485**

Source: Bank of Zambia

Table 4.5: Counterfeit Notes interception by Organisation, 2018

Denomination	Bank of Zambia	Commercial Banks	Drug Enforcement Commission	Zambia Police	Others	Total
K100	89	928	28,633	3,073	55	32,778
K50	44	171	1	5	6	227
K20	91	165	0	204	1	461
K10	1	2	0	7	0	10
K5	1	2	0	6	0	9
K2	0	0	0	0	0	0
Total	**226**	**1,268**	**28,634**	**3,295**	**62**	**33,485**

Source: Bank of Zambia

4.3 PAYMENT SYSTEMS

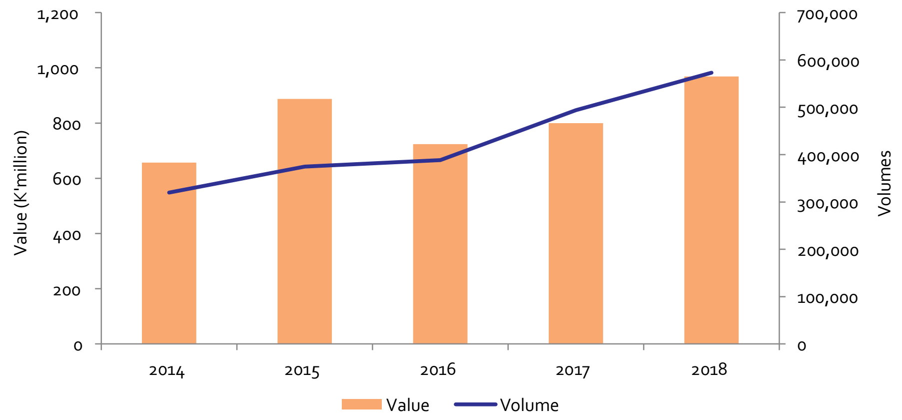
The performance of the national payment systems was generally satisfactory, as reflected in the high systems availability levels and improvements in values and volumes of transactions processed.

Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) continued to operate satisfactorily. The system's availability remained high at 99.1% compared to 98.3% reported in 2017. 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 16.0% to 573,071 in 2018, while the value of transactions rose by 21.1% to K968.3 billion (Chart 4.4). The surge in both volumes and values of processed transactions was mainly due to increased interbank payments among the participating commercial banks.

CHART 4.4: ZIPSS Volumes and Values, 2014 - 2018

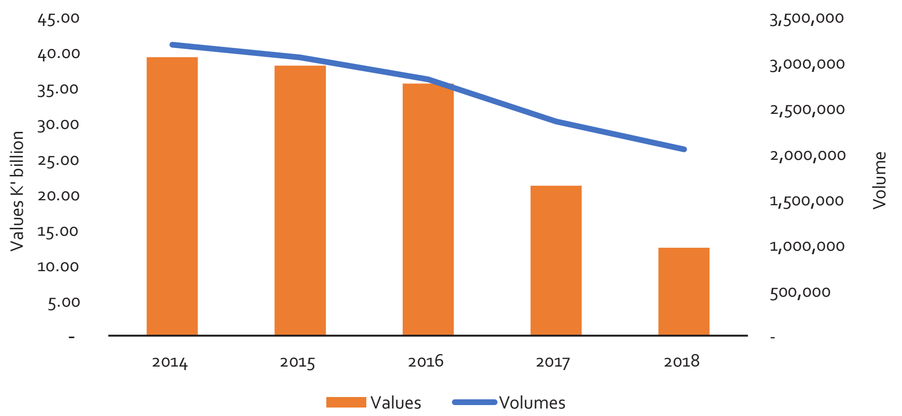


Source: Bank of Zambia

Cheque Image Clearing System (CIC)

The volume and value of cheques cleared through the Cheque Image Clearing system in 2018 declined by 13.0% and 41.0% to 2,040,530 and K12.4 billion, respectively (Chart 4.5). The decline was explained by the reduction in the item value limit on cheques introduced in 2017.

CHART 4.5: Cheque Images Cleared 2014 – 2018

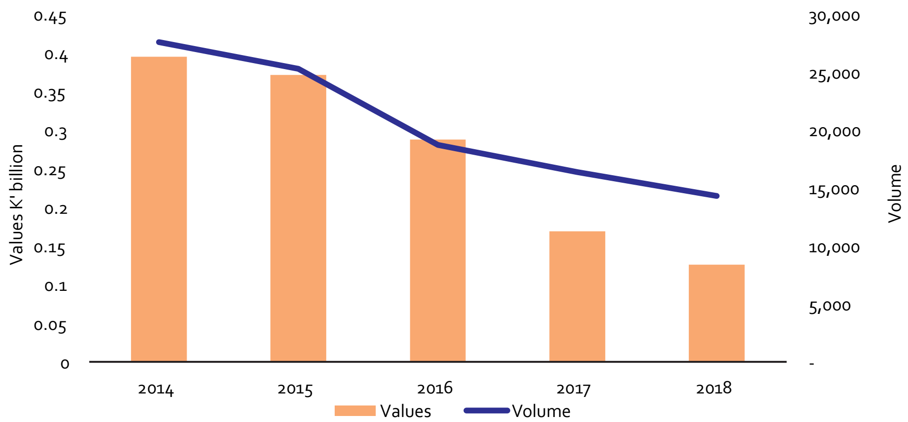


Source: Bank of Zambia

Cheques Returned Unpaid on Account of Insufficient Funds

The volume and value of cheques returned unpaid due to insufficient funds in 2018 decreased by 13.0% and 26.0% to 14,285 and K0.13 billion, respectively (Chart 4.6). This was on account of the reduction in the item value limits for cheques that minimised the use of cheques as a mode of payment and increased adoption of electronic payment methods.

CHART 4.6: Unpaid Cheques 2014 – 2018

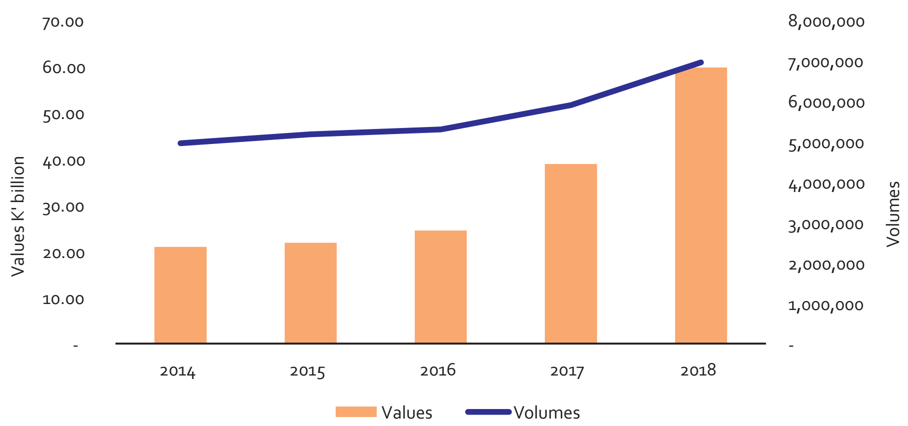


Source: Bank of Zambia

Electronic Funds Transfer (EFT) Clearing System

The volume and value of Electronic Funds Transfer (EFT) transactions processed on the payment streams in 2018 increased by 18.0% and 54.0% to 6,952,305 and K59.7 billion, respectively (Chart 4.7). The effects of the revision of the item value limits revision significantly contributed to the increase in both the volume and value of EFT transactions.

CHART 4.7: Electronic Funds Transfers Processed 2014 – 2018

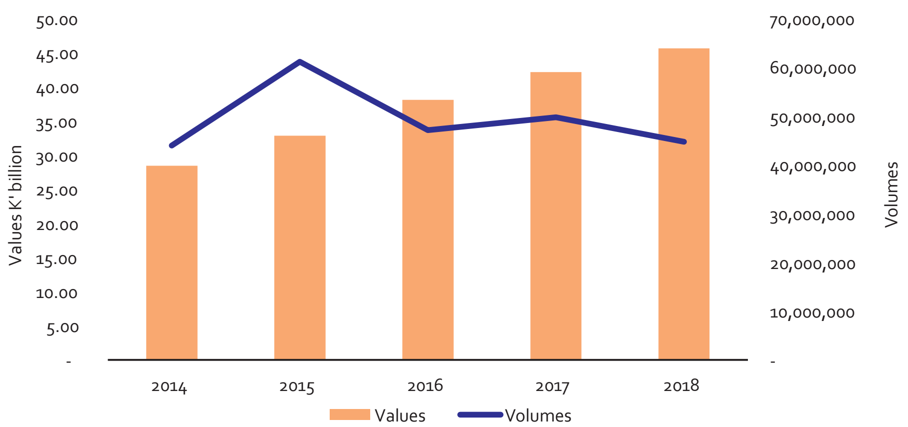


Source: Bank of Zambia

Transactions Processed through the Automated Teller Machines

The volume of transactions processed on the Automated Teller Machines (ATMs) decreased by 10.0% to 44,726,867 in 2018 against an increase of 5.6% in 2017. In terms of value, ATMs processed transactions increased by 8.0% to K45.6 billion in 2018, compared to a rise of 10.6% in 2017 (Chart 4.8). The increase in the value of transactions was partly due to the increase in the number of cards issued to customers by 8.0% to 3,492,750 in 2018. The number of ATMs also rose to 1,104 from 1,066 in 2017.

CHART 4.8: Automated Teller Machine Transactions, 2014 – 2018



Source: Bank of Zambia

Transactions Processed through Point of Sale Terminals

The volume of transactions processed on Point of Sale (PoS) terminals increased by 51.0% to 18,409,724 in 2018, while the value of transactions increased by 68.0% to K13.5 billion (Chart 4.9). This was due to increased deployment of PoS terminals and promotion of the usage of electronic payment methods. The number of PoS terminals increased to 13,090 in 2018 from 12,522 in 2017. In terms of payments processed by card type, debit cards recorded the highest increase in both volumes and value of transactions processed at 54.0% and 76.0%, respectively.

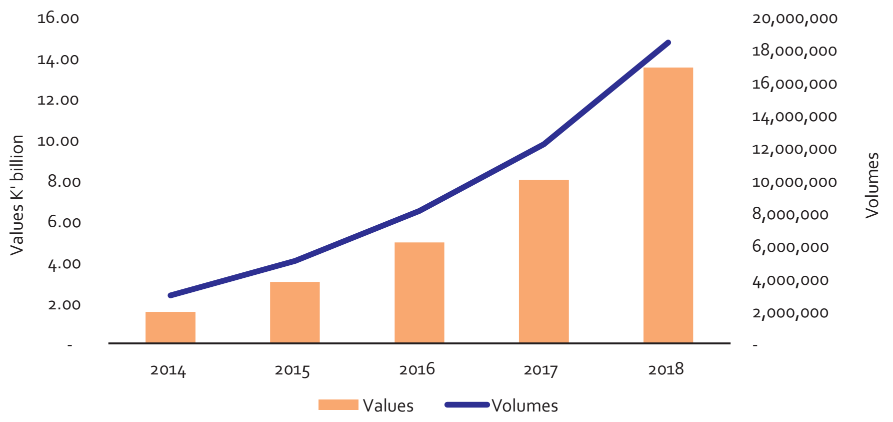


CHART 4.9: Transactions on POS Terminals 2014 – 2018

Source: Bank of Zambia

International Remittances

International in-bound remittances increased by 16.0% in 2018 to 502,368 in volume terms and by 25.0% to K1,144.5 million in value terms (Chart 4.10). This was largely on account of increased remittances by Zambians living abroad. The United States of America, the United Kingdom and Canada dominated the source countries.

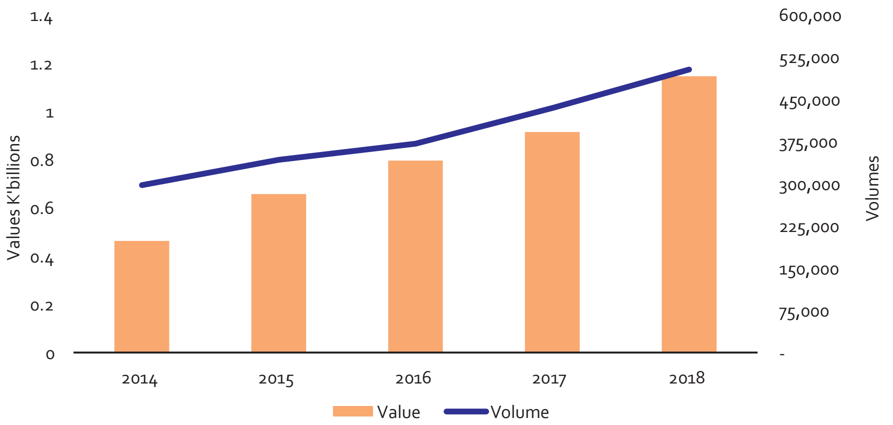


CHART 4.10: Inbound Remittances 2014 – 2018

Source: Bank of Zambia

Out-bound international remittances increased in 2018 in volume terms by 14.0% to 341,474 and by 16.0% to K1.0 billion in value terms (Chart 4.11). This was mainly on account of an increase in trade remittances to China, Tanzania and South Africa.

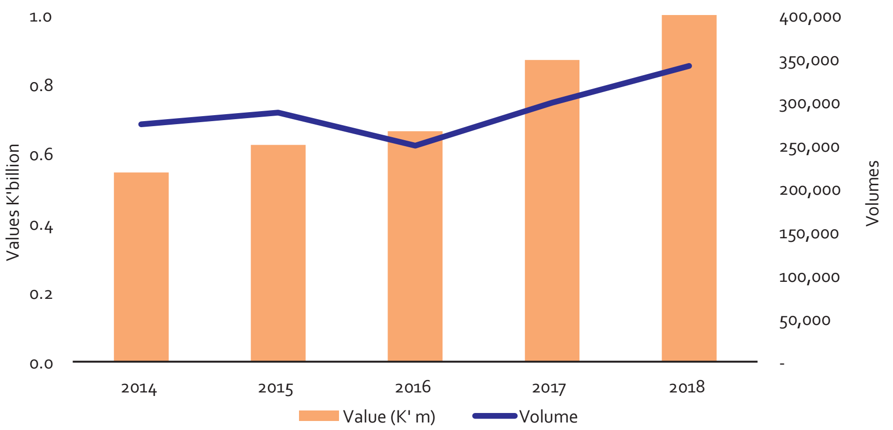


CHART 4.11: Outbound Remittances 2014 – 2018

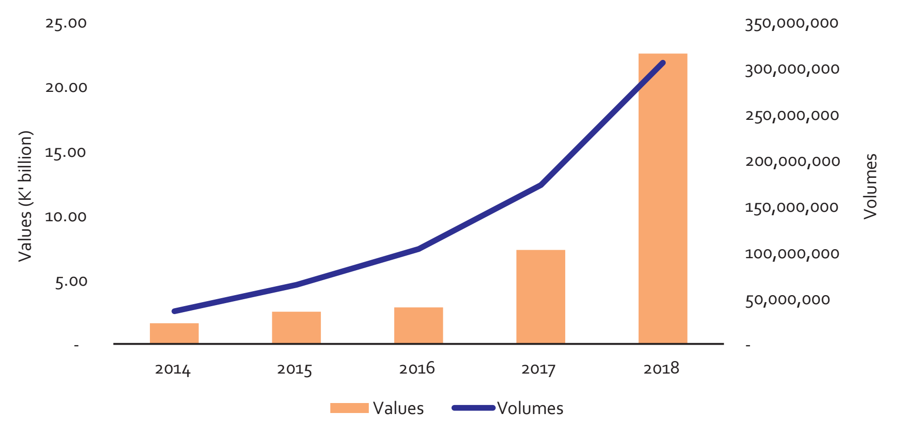
Source: Bank of Zambia

Mobile Money Transactions

The volume and value of transactions processed on mobile money platforms in 2018 rose by 76.0% and 187.0% to 305,208,616 and K22.5 billion, respectively (Chart 4.12).

The increase in both volume and value was partly driven by an increase in the issuance of second-generation products, such as micro loans, supported by collaborations between mobile money operators and both Micro Finance Institutions and banks. The collaborations with banks allowed mobile money customers the ability to make transfers between mobile money wallets and bank accounts, thus making mobile wallets more appealing to commercial bank customers. The emergence of Fintech companies with solutions tailored to customer needs in both rural and urban areas also supported this growth.

CHART 4.12: Mobile Money Transactions 2014 – 2018



Source: Bank of Zambia

Regional Cross Border Payment Systems

In 2018, the volume of payments processed on the SADC Integrated Regional Electronic Settlement System (SIRESS) by Zambian commercial banks contracted by 7.9% to 20,008, while the value marginally increased by 0.6% to ZAR5.7 billion. The volume of receipts marginally declined by 0.1% to 6,942 transactions in 2018, while the value increased by 5.2% to K5.7 billion. On a net basis, Zambia paid out ZAR7.9 million in 2018 compared to net payment of ZAR256.3 billion in 2017. For the SADC region, a total of ZAR1,272.4 billion was processed on the SIRESS in 2018, representing a 2.6% increase from ZAR1,240.1 billion recorded in 2017.

Under the COMESA Regional Electronic Payments and Settlement System (REPSS), there was an increase in the volume and value of receipts in 2018 to 110 transactions and US$11.1 million, respectively, compared to a single transaction valued at US$245,035.00 in 2017. There were no payments made from Zambia on the platform.

National Financial Switch

The Bank of Zambia in conjunction with the Zambia Electronic Clearing House Limited (ZECHL), the Bankers Association of Zambia (BAZ) and other stakeholders continued with efforts to implement the National Financial Switch (NFS). A total of 13 out of the 14 commercial banks offering ATM and card services, went live on the NFS in 2018. However, progress on the Point of Sale (PoS) functionality was slow with very few banks carrying out end-to-end testing.

The second phase of the NFS project continued to make progress in 2018. The NFS project team in collaboration with the Bank of Zambia and other stakeholders commenced the development of participation rules for interoperability of mobile money.

5.0 Regulatory and Other Financial Sector Developments

5.0 REGULATORY AND OTHER FINANCIAL SECTOR DEVELOPMENTS

The BoZ continued to review laws, regulations and policies, as well as implement new measures to strengthen its oversight role over institutions under its supervisory ambit. In 2018, developments that took place in the financial sector in this regard are outlined below:

Legal and Regulatory Reforms

The Banking and Financial Services Act (BFSA) No. 7 of 2017 became effective in 2018. The revisions to the BFSA include enhanced consumer protection and corporate governance provisions. Consequently, the Bank of Zambia has been empowered to adequately enforce consumer protection measures in order to promote the confidence and trust of consumers in the financial system.

Regulation of Bank Charges and Fees

Following a review of commercial banks charges and fees, the Bank of Zambia issued a Directive on the Prohibition of Unwarranted Charges and Fees in August 2018 in order to protect consumers of financial services and products from unjustified charges and fees.

Payment Systems Regulations

The Bank of Zambia revised the National Payment Systems Directives on Electronic Money Issuance. The key changes to the directives include the following:

a) Permitting customers to hold multiple wallets. However, prescribed transaction limits for the aggregate e-value remain unchanged;
b) Permitting both commercial banks and approved non-bank financial institutions to host Holding Accounts;
c) Inclusion of specific guidance on the use of interest earned on the Holding Accounts;
d) Provisions for consumer protection and the need for e-money institutions to have procedures for dealing with customer complaints;
e) Requirement for an e-money institution to hold customer funds at various commercial banks or non-bank financial institutions.

Lender of Last Resort Policy Framework

The revised Bank of Zambia Lender of Last Resort Framework was approved by the Bank of Zambia Board of Directors in December 2018. The thrust of the revision was to strengthen the framework to allow the Bank to effectively exercise its function as lender of last resort by meeting liquidity requirements of banks and deposit taking financial institutions eligible to access emergency liquidity assistance from the Bank.

Collateral Registry

The Bank of Zambia, in partnership with the Patents and Companies Registration Agency, conducted sensitisation workshops in 24 rural districts across the country in order to accelerate the usage of the Movable Property Registry System. The objective of the workshops was to realise the full potential of the movable property registry system. The workshops were funded by the Rural Finance Expansion Programme.

Restructuring of Intermarket Banking Corporation

The Bank of Zambia concluded the restructuring of Intermarket Banking Corporation Limited resulting in the formation of the Zambia Industrial Commercial Bank Limited (ZICB) which commenced operations on 1 August 2018. All depositors were paid except for a few large depositors who converted their deposit liabilities into equity of the ZICB.

National Payment Systems Vision and Strategy 2022

The Bank of Zambia issued the new National Payment System Vision and Strategy document, covering the period 2018 to 2022. The strategy is intended to build on the progress made under the National Payment System Vision 2017. A number of key issues were included in the vision and strategy document. The new inclusions included the following:

a) Amendment of the National Payment Systems Act to ensure harmonisation with other laws and to take account of new developments in payment systems and ensure alignment with the SADC Model Law;
b) Enhancement of consumer protection to safeguard and protect consumers;
c) Enhancement of cyber security in the financial sector in order to maintain the integrity of payment systems;
d) Promotion of Digital Financial Services; and
e) Enhancement of Remittance Services market to encourage uptake of formal remittance channels.

Financial Inclusion

In 2018, the BoZ continued to undertake various initiatives aimed at expanding access to and usage of formal financial services. Some of the activities implemented included the annual Financial Literacy Week and the World Savings Day.

Financial Literacy Week

The 2018 Financial Literacy Week, under the theme: '*Save, Invest, Insure - To Live a Better Life*', was commemorated during the week 18 – 24 March 2018. The theme emphasized on empowering people to understand the available financial products and services for the various key life events as well as create momentum on both the supply and demand side for the development of consumer centric financial products and services.

World Savings Day

The 2018 World Savings Day was commemorated on 31 October 2018, under the theme '*Save, Invest, Insure: What Do You Wish For*?' This event emphasised the importance of saving for national economies and individuals.

6.0 Strategy and Risk Management

6.0 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". A mid-term review of the Plan was conducted without significant changes. The Bank achieved an overall effective execution rate of 82.0% as at the end of 2018, compared to 62.9% in 2017. Significant progress was attained in the following areas:

- Enhancement of alternative instruments for implementing monetary policy in response to the ever changing economic environment,
- Establishment of Electronic Bureau de Change Monitoring,
- Deepening of the domestic capital, money and foreign exchange markets in order to enhance the transmission of monetary policy, and
- Implementation of the National Financial Switch.

Project Management

Enterprise Risk Management

The Bank, in collaboration with other stakeholders, conducted business continuity management (BCM) market-wide simulation tests with a view to establishing the Bank's level of preparedness in the event of a disruptive incident. The tests were successful and infrastructure was resumed within the recovery time objective.

Gender Mainstreaming

In 2018, the Bank approved the Gender Policy and Strategy, which acts as a catalyst in influencing the financial sector to be more gender responsive. This policy is meant to mitigate the numerous challenges to women's financial inclusion.

Further, the Bank continued to roll out the Female and Male Operated Small Enterprises (FAMOS) tool in the financial sector and collect sex-disaggregated data in order to encourage the widespread production and use of supply and demand-side sex-disaggregated data on women's access to and use of financial services.

7.0 Human Resource Management

7.0 HUMAN RESOURCE MANAGEMENT

Structure and Staf ing

The total number of staff in employment as at end December 2018 stood at 533, of which 327 were male and 206 were female, against an establishment of 679. This staff complement comprised 322 (60%) on Fixed-Term Employment Contracts and 211 (40%) employees on Permanent and Pensionable Service (Tables 7.1 and 7.2).

Table 7.1: Staffing Levels, 2016 - 2018

Functions	2016			2017			2018		
	Estab.	Actual	Dif	Estab.	Actual	Dif	Estab.	Actual	Dif
Executive	15	11	-4	15	10	-5	15	12	-3
Subtotal	**15**	**11**	**-4**	**15**	**10**	**-5**	**15**	**12**	**-3**
Core Departments									
Bank Supervision	46	30	-16	54	42	-12	54	44	-10
Banking, Currency & Payment Systems	84	63	-21	85	68	-17	85	72	-13
Economics	45	42	-3	56	43	-13	56	41	-15
Financial Markets	36	32	-4	36	31	-5	36	32	-4
Non-Banks Financial Institutions Supervision	38	24	-14	43	38	-5	43	36	-7
Strategy & Risk Management	13	10	-3	13	9	-4	13	10	-3
Subtotal	**279**	**212**	**-67**	**287**	**231**	**-56**	**287**	**235**	**-52**
Support Services									
Board Services	19	11	-8	21	12	-9	21	15	-6
Finance	36	22	-14	37	33	-4	37	34	-3
Human Resources	22	19	-3	26	21	-5	26	19	-7
Information & Communications Technology	35	31	-4	35	31	-4	35	30	-5
Legal Services	8	8	0	9	7	-2	9	7	-2
Internal Audit	17	15	-2	17	13	-4	17	16	-1
Procurement & Maintenance Services	92	70	-22	85	76	-9	85	71	-14
Security	91	63	-28	85	45	-40	85	40	-45
Subtotal	**320**	**239**	**-81**	**315**	**238**	**-77**	**315**	**232**	**-83**
Regional Office	62	62	0	62	56	-6	62	54	-8
Subtotal	**62**	**62**	**0**	**62**	**56**	**-6**	**62**	**54**	**-8**
TOTAL	**676**	**524**	**-152**	**679**	**535**	**-144**	**679**	**533**	**-146**

Source: Bank of Zambia

Table 7.2: Distribution of Staff by Location, Gender and Employment Type in 2018

Location	Permanent & Pensionable		Sub Total	Fixed Term Contract		Sub Total	Grand Total
	M	F		M	F		
Lusaka	125	62	187	175	119	294	481
Ndola	13	11	24	14	14	28	52
Overall	138	73	211	189	133	322	533

Source: Bank of Zambia

Staf Movements

In 2018, the Bank recruited a total of 29 employees across various departments (Table 7.3), while 31 separated from the Bank (Table 7.4). The separations were due to expiry of contracts, medical discharge, resignations, statutory early retirements and voluntary separations.

Table 7.3: Staf Recruitments in 2018

Department	Number
Bank Supervision	2
Banking, Currency & Payment Systems	6
Board Services	3
Financial Markets	4
Human Resources	4
Information & Communications Technology	2
Internal Audit	3
Procurement & Maintenance Services	2
Regional Office	3
Total	**29**

Source: Bank of Zambia

Table 7.4: Staf Separations in 2018

Mode of Separation	Number
Expiry of Contracts	2
Medical Discharge	2
Resignations	5
Statutory Early Retirements	7
Voluntary Separations	15
Total	**31**

Source: Bank of Zambia

Staf Welfare

The industrial relations climate remained cordial in 2018 despite the non-conclusion of the negotiations for the 2018-2020 Collective Agreement.

Further, the Bank continued to offer medical services to its employees and their immediate families. As part of the employee welfare programme, the Bank also organised a number of health awareness programmes during the year.

Capacity Building Programmes

The Bank continued to provide capacity building programmes through relevant workshops and seminars both locally and abroad. In addition, some members of staff are currently pursuing various programmes to upgrade their qualifications (Table 7.5).

Table 7.5: Number of Students Pursuing Study Programmes, 2016 – 2018

Programme	Year		
	2016	2017	2018
PhD/DBA	5	5	5
Masters Degrees	3	3	0
Bachelor's Degrees	0	0	0
Professional Qualifications	3	3	2
TOTAL	**11**	**11**	**7**

Source: Bank of Zambia

8.0 *Financial Statements for the year ended 31 December 2018*

BANK OF ZAMBIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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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 69 to 116 were approved by the Board of Directors on 18 March, 2019 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 2018, 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Description of matter	**How matter was addressed**
Classification, measurement and impairment of financial assets	
The Bank applied IFRS 9 "financial instruments" for the first time in the financial period under review.	We reviewed the classification of the financial assets to ensure compliance with the reporting standards.
The directors are required to review the classifications of assets and align the classifications to the requirements of the reporting standards. The directors also reviewed the fair valuations and impairment models.	We reviewed the valuation and verified the calculation of the fair values. We also verified the inputs used in the valuations. In considering the reasonableness of the impairment provision, we reviewed the assumptions used in impairment calculations.
Due to the complex and subjective judgements required in estimating the timing and valuation of impairment and in estimating the fair value of assets, this was considered a key audit matter.	We further assessed their recoverability through testing of current year and subsequent receipts. Based on the procedures performed, we are satisfied that the impairment provision is reasonable and the financial assets were properly classified and valued.

Partners

Edgar Hamuwele [Managing]
Christopher Mulenga
Wesley Beene
Rodia Musonda
Chilala Banda

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

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 2018 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: 18 March 2019

BANK OF ZAMBIA

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 K000	2017 K'000
Interest income	5	1,067,041	1,753,163
Interest expense	5	(34,345)	(116,599)
Net interest income		1,032,696	1,636,564
Fee and commission income	6	203,595	203,228
Fee and commission expense	6	(5,089)	(3,828)
Net fee and commission income		198,506	199,400
Net income from foreign exchange transactions		91,714	32,185
Other gains	7	2,723,879	193,762
Net income from foreign exchange transactions and other gains		2,815,593	225,947
Net income		4,046,795	2,061,911
		6,262	41,966
Net impairment credit on financial assets	8	(456,730)	(408,707)
Employee benefits	9	(30,800)	(34,642)
Depreciation and amortisation	23, 24	(241,073)	(355,811)
Operating expenses	10		
Net expense		(722,341)	(757,194)
Profit for the year		3,324,454	1,304,717
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Dividend converted to shares in Afreximbank	20	3,156	-
Fair value and exchange rate adjustment on equity investment in Afreximbank	20	26,626	-
Revaluation surplus	23	129,849	-
Total other comprehensive income		159,631	-
Total comprehensive income for the year		3,484,085	1,304,717

The notes on pages 73 to 116 are an integral part of these financial statements.

BANK OF ZAMBIA

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2018

	Note	2018 K'000	2017 K'000
Assets			
Domestic cash in hand		4,700	2,942
Foreign currency cash and bank accounts	12	18,756,737	20,776,662
Items in course of settlement	13	237	397
Domestic financial assets at FVOCI	14	89,543	89,543
Loans and advances	15	7,038,575	7,903,221
Domestic financial assets at amortised cost	16	3,994,085	2,047,827
Other assets	18	62,904	17,883
Equity investments at FVOCI	20	138,032	29,950
IMF funds recoverable from Government of the Republic of Zambia	21	4,042,313	3,367,166
IMF subscriptions	22,33	13,748,378	12,533,602
Property, plant and equipment	23	610,199	451,234
Intangible assets	24	2,166	1,697
Total assets		48,487,869	47,222,124
Liabilities			
Deposits from the Government of the Republic of Zambia	26	1,840,715	3,070,560
Deposits from financial institutions	27	5,222,163	6,582,976
Foreign currency liabilities to other institutions	28	26,689	184,423
Other deposits	29	76,041	167,902
Notes and coins in circulation	30	8,297,047	7,417,862
Other liabilities	31	179,839	291,457
Provisions	32	46,159	836,333
Domestic currency liabilities to IMF	22,33	13,748,378	12,533,602
Foreign currency liabilities to IMF	34	729,444	1,365,718
SDR allocation	36	7,779,942	6,655,654
Total liabilities		37,946,417	39,106,487
Equity			
Capital	37	500,020	500,020
General reserve fund	38	1,929,377	1,798,905
Property revaluation reserve	38	354,584	230,570
Retained earnings	38	7,757,471	5,586,142
Total equity		10,541,452	8,115,637
Total liabilities and equity		48,487,869	47,222,124

The financial statements on pages 69 to 116 were approved for issue by the Board of Directors on 18 March, 2019 and signed on its behalf by:

Governor **Director**

BANK OF ZAMBIA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017		500,020	1,798,905	235,507	4,262,292	6,796,724
Profit for the year		-	-	-	1,304,717	1,304,717
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:						
Amortised cost adjustment on the capitalization bond		-	-	-	14,196	14,196
Total transactions with owners		-	-	-	14,196	14,196
Balance at 31 December 2017		500,020	1,798,905	230,570	5,586,142	8,115,637
Changes on initial application of IFRS 9						
Impairment on other assets		-	-	-	(1,028)	(1,028)
Fair value adjustment on equity investment in Afreximbank		-	-	-	78,300	78,300
Profit for the year		-	-	-	3,324,454	3,324,454
Transfer to general reserve fund		-	130,472	-	(130,472)	-
Other comprehensive income:		-	-	129,849	29,782	159,631
Amortisation of revaluation surplus relating to properties		-	-	(5,835)	5,835	-
Total comprehensive income		-	130,472	124,014	3,306,871	3,561,357
Transactions with owners:						
Dividend paid to shareholders		-	-	-	(1,174,298)	(1,174,298)
'Unwinding of fair value adjustment on repayment of capitalization bond		-	-	-	38,756	38,756
Total transactions with owners		-	-	-	(1,135,542)	(1,135,542)
Balance at 31 December 2018		500,020	1,929,377	354,584	7,757,471	10,541,452

The notes on page 73 to 116 are an integral part of these financial statements.

BANK OF ZAMBIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 K'000	2017 K'000
Cash flows from operating activities			
Profit for the year		3,324,454	1,304,717
Adjustment for:			
- Depreciation/amortisation	23, 24	30,800	34,642
- Dividend income		(1)	(2,563)
- (Profit) on disposal of property, plant and equipment		(115)	(732)
- Impairment effect on other assets	8	(214)	-
- Impairment effect on amounts due from closed banks	8	(6,048)	(18,441)
- Impairment effect on loans and advances	8	-	(23,525)
- Effects of exchange-rate changes on cash and cash equivalents		(1,298,749)	326,820
- Provisions made during the year	32	1,006	177,063
		2,051,133	1,797,981
Changes in operating assets and liabilities			
Change in items in course of settlement		160	1,058
Change in domestic financial assets held at FVOCI		-	(557)
Change in loans and advances		864,646	(1,110,025)
Change in domestic financial assets held at amortised cost		(1,946,258)	(22,718)
Change in other assets		(44,807)	(1,236)
Change in amounts due from closed banks		6,048	18,441
Change in IMF funds receivable from Government of the Republic of Zambia		(675,147)	(365,291)
Change in IMF subscription		(1,214,776)	778,790
Change in deposits from the Government of the Republic of Zambia		(1,229,845)	1,454,157
Change in deposits from financial institutions		(1,360,813)	(5,161,601)
Change in foreign currency liabilities to other institutions		(157,734)	144,562
Change in other deposits		(91,861)	116,045
Change in other liabilities		(111,618)	112,162
Change in domestic currency liabilities to IMF		1,214,776	(778,790)
Change in foreign currency liabilities to IMF		(636,274)	(428,232)
Change in notes and coins in circulation		879,185	863,722
Change in SDR allocation		1,124,288	422,036
		(1,328,897)	(2,159,496)
Provisions paid	32	(791,180)	(7,155)
Dividends received		1	2,563
Readjusted fair value on capitalization bond		-	(14,147)
Unwinding of fair value adjustment on repayment of capitalisation bond		38,756	-
Fair value adjustment on equity investment in Afreximbank on initial application of IFRS9		(1,028)	-
Dividends paid to shareholders		(1,174,298)	-
Net cash outflow from operating activities		(3,256,646)	(2,178,235)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	23, 24	(60,393)	(38,364)
Proceeds from sale of property, plant and equipment		123	1,728
Net cash used in investing activities		(60,270)	(36,636)
Net change in cash and cash equivalents		(3,316,916)	(2,186,528)
Cash and cash equivalents at the beginning of the year		20,779,604	23,292,952
Ef ects of exchange-rate changes on cash and cash equivalents		1,298,749	(326,820)
Cash and cash equivalents at the end of the year		18,761,437	20,779,604
Cash and cash equivalents at the end of the year comprises:			
Domestic cash in hand		4,700	2,942
Foreign currency cash and bank accounts		18,756,737	20,776,662
Cash and cash equivalents excluding effects of exchange rate changes		18,761,437	20,779,604

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 18 March, 2019.

2 Principal accounting policies

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

2.1 Basis of preparation

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

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

(a) New Standards ef ective 1 January 2018

(i) IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations.

In accordance with the transition guidance, IFRS 15 can only been applied to contracts that are incomplete as at 1 January 2018. The new Standard has not been applied retrospectively as the Bank did not have any revenue from contracts with customers, as at 1 January 2018, that required a change in either the valuation or timing of income.

Loss contracts
IFRS 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Bank also notes that the amount of loss accrued in respect of a loss contract under IAS 11 takes into account an appropriate allocation of construction overheads. This contrasts with IAS 37 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'.

As at 1 January 2018, the Bank has not identified any loss provisions relating to contracts.

Contracts with multiple performance obligations
Under IFRS 15, the Bank must evaluate the separability of the promised goods or services 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).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Bank in any year. In assessing the impact of IFRS 15, the Bank undertook an exercise to determine revenue streams falling within its scope and those that are governed by different standards. The conclusion of the exercise was that IFRS 15 accounts for an insignificant portion of the Bank's income of around 4 per cent of total revenue with the reminder arising mainly from the operation of financial instruments which are accounted for independently under other standards.

2. Principal accounting policies *(Continued)*

(a) New Standards ef ective 1 January 2018 *(Continued)*

(i) IFRS 15 'Revenue from Contracts with Customers' *(Continued)*

(ii) IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Bank applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Bank does not currently apply hedge accounting requirements which are necessary when financial instruments are used as a tool to manage exposures arising from particular risks that could affect profit or loss (P&L) or other comprehensive income (OCI). The adoption of IFRS 9 impacted the following areas:

! The classification and measurement of the Bank's financial assets as follows:

Loans and advances to Government, commercial banks and staff that are classified as loans and receivables and measured at amortized cost under IAS 39 will continue to be measured at amortized cost under IFRS 9;

Held-to-maturity financial assets measured at amortized cost under IAS 39 will still be measured at amortized cost under IFRS 9;

Held-for-trading financial assets which were measured at FVTPL under IAS 39, will now instead be measured at FVOCI under IFRS 9;

The Bank's foreign reserve assets, which comprise assets under stewardship of fund managers for the improvement of returns and other balances held mainly for transaction and precautionary purposes are currently measured at FVTPL under IAS 39. However, under IFRS 9 they will be measured under FVOCI.

The Bank's equity investments in Afreximbank and Electronic Clearing House were classified as available-for-sale and measured at cost, as permitted under IAS 39, due to their non-marketable nature. Under IFRS 9, they are required to be measured at FVTPL. However, due to the long term and strategic nature of the investments, the Bank designated the two investments to be measured at FVOCI as permitted under IFRS 9.

! The impairment of financial assets applying the expected credit loss model.

In accordance with IFRS 9, impairment applies on loans, debt securities and other financial instruments classified as financial assets at amortized cost and financial assets at fair value through comprehensive income. Therefore, the Bank's financial assets, within the scope for impairment are loans and advances, the Bank's holdings of securities and foreign currency deposits and investments.

2. Principal accounting policies *(Continued)*

(a) New Standards ef ective 1 January 2018 *(Continued)*

(i) IFRS 15 'Revenue from Contracts with Customers' *(Continued)*

(ii) IFRS 9 'Financial Instruments' *(Continued)*

On the date of initial application, 1 January 2018, the financial instruments of the Bank were reclassified as follows:

	Measurement category		Carrying amount		
	Original IAS 39 category	New IFRS 9 category	Closing balance 31 December 2017 (IAS 39) K'000	Adoption of IFRS 9 K'000	Opening balance 1 January 2018 (IFRS 9) K'000
Financial assets					
Domestic financial assets at FVOCI	Held-for-trading	FVOCI	89,543	-	89,543
Equity investments at FVOCI	Available-for-sale	Equity investments at FVOCI	29,950	78,300	108,250
Financial assets at amortised cost	Held-to-maturity	Amortised cost	2,047,827	-	2,047,827
Loans and advances	Loans and receivables	Amortised cost	7,903,221	-	7,903,221
Foreign currency cash and bank accounts	FVTPL	FVOCI	20,776,662	-	20,776,662
Total financial asset balances			30,847,203	78,300	30,925,503

As illustrated above, the effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to fair value adjustments on the equity investment in Afreximbank.

Further, a loss of K1.028 million was recorded on application of IFRS 9 on the outstanding balance of former staff debtors contained in Other Assets balance – see note 8.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 January 2018

	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2018	Retained earnings ef ect
Fair value through prof t and loss					
Available for sale financial assets	29,950	(29,950)	-	-	-
Held-for-trading	89,543	(89,543)	-	-	-
Foreign currency cash and bank accounts	20,776,662	(20,776,662)	-	-	-
Total financial assets measured at FVTPL	20,896,155	(20,896,155)	-	-	-
Amortised cost					
Held-to-maturity	2,047,827	-	-	2,047,827	-
Loans and advances	7,903,221	-	-	7,903,221	-
Total financial assets measured at amortised cost	9,951,048	-	-	9,951,048	-
Fair value through other comprehensive income					
Available for sale financial assets	-	29,950	78,300	108,250	78,300
Held-for-trading	-	89,543	-	89,543	-
Foreign currency cash and bank accounts	-	20,776,662	-	20,776,662	-
Total financial assets measured at FVOCI	-	20,896,155	78,300	20,974,455	78,300
Total financial asset balances, reclassification and remeasurement at 1 January 2018	30,847,203	-	78,300	30,925,503	78,300

2. Principal accounting policies *(Continued)*

(b) Other Standards and amendments that are ef ective for the first time in 2018 and could be applicable to the Bank are:

- Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28);
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2); and
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration.'

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

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

At the date of authorisation of these financial statements, new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Bank.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed, as they are not expected to have a material impact on the Bank's financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Bank decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, it has been assessed that:

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

- The assets for which the Bank is a leasee and which IFRS 16 requires to be recognised on the statement of financial position are immaterial. These involve renting of limited space within established business operations to carry out specified Bank business. As at 31 December 2018 the average annual lease payments on a lease by lease basis was K46,560 including fees for management of the facilities

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

  This will mean that the nature of the expense of the above cost will remain as an operating lease expense and not charged to depreciation and interest expense as required by IFRS 16 when accounting for leasee's transactions.

The Bank is planning to adopt IFRS 16 on 1 January 2019 using the Standard modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Bank needs to make, as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Bank is currently assessing the impact of applying these other transitional reliefs.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Bank does not expect any changes for leases where they are acting as a lessor.

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

(c) **Standards, amendments and Interpretations to existing Standards that are not yet ef ective and have not been adopted early by the Bank** *(Continued)*

IFRS 16 'Leases' *(Continued)*

(d) **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.

(e) **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised in the profit or loss within 'interest income' and 'interest expense' using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

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

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

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

- Interest on financial assets and liabilities at amortised cost calculated on an effective interest basis; and

- Interest on financial assets at FVOCI calculated on an effective interest basis.

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

(f) **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.

(g) **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).

(h) **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.

(i) **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.

2) Principal accounting policies *(Continued)*

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

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

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

(j) Financial instruments

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

Financial assets

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

(i) Classification

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

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: and
- Its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for sale, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. The Bank may if desired irrevocably designate a financial asset that otherwise meets requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

2) Principal accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

(i) Classification

Assessment of applicable business model
The Bank assesses the business model for newly originated or newly purchased financial assets at portfolio level because this best reflects the way the financial instruments are managed and how information is provided to management.

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

(ii) Subsequent measurement

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

Financial assets at FVTPL

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

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

Financial assets at amortised cost

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

The Bank has classified the following financial assets as financial assets at amortised cost:
- GRZ consolidated bond;
- Other GRZ securities;
- Staff savings securities; and
- Loans and receivables, which include budgetary advances to Government, credit to banks and staff loans.

Debt investments at FVOCI

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

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

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

2) Principal accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Subsequent measurement *(Continued)*

Equity investments at FVOCI

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

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

The fair value of these investments was K138.032 million as at 31 December 2018. No dividend was recorded during the period in respect of ZECHL. However, K3.156 million was recognised as a dividend that was converted into additional shares in Afreximbank.

(i) Derecognition

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

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

(ii) Impairment

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

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

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

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

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

2) Principal accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Determining whether there is signif cant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

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

Definition of default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be Baa3 or higher per [Rating Agency X] or BBB-or higher per [Rating Agency Y].

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

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

Measurement of ECL

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

Financial liabilities

(i) 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

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

(j) **Financial instruments** *(Continued)*

Financial liabilities *(Continued)*

(i) **Classification** *(Continued)*

- 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.

(ii) **Derecognition of financial liabilities**

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

(k) **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.

(l) **Determination of fair value**

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

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

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

(m) **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.

(n) **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.

2) Principal accounting policies *(Continued)*

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

i) Property *(Continued)*

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

(ii) Plant and equipment

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

(iii) Subsequent costs

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

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

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:

	2018	2017
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.

2 Principal accounting policies *(Continued)*

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

(i) De- recognition

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

(ii) Capital work-in-progress

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

(o) 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.

(p) Impairment of non-financial assets

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

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

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

2 Principal accounting policies *(Continued)*

(q) 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.

(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.

2 Principal accounting policies *(Continued)*

(q) Employee benefits *(Continued)*

(v) Other staf 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).

(r) 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.

(s) 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.

(u) 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.

(v) Currency in circulation

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

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

(w) **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.

(x) **Sale and repurchase agreements**

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

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

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

3 **Critical accounting judgements and key sources of estimation uncertainty**

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

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

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

3.1 **Realised foreign exchange revaluation gains**

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

3.2 **Defined benefits obligations**

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

3.3 **Measurement of the expected credit loss allowance**

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

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

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

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

3.4 Fair Value measurement

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

3.5 Useful lives of depreciatable assets

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

4 Risk management policies

(a) Overview and risk management framework

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

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

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

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

The Audit 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.

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

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

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

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

Financial instruments by category

Financial assets	FVOCI K'000	Amorised cost K'000	Loans and receivables K'000	Equity FVOCI K'000	Total K'000
At 31 December 2018					
Domestic cash in hand	4,700	-	-	-	4,700
Foreign currency cash and bank accounts	18,756,737	-	-	-	18,756,737
Items in course of settlement	-	-	237	-	237
Domestic financial assets held at FVOCI	89,543	-	-	-	89,543
Loans and advances	-	-	7,038,575	-	7,038,575
Domestic assets at amortised cost	-	3,994,086			3,994,086
Equity investments at FVOCI	-	-	-	138,032	138,032
IMF funds recoverable from the Government of the Republic of Zambia	-	-	4,042,313	-	4,042,313
IMF Subscriptions	-	-	13,748,378	-	13,748,378
	18,850,980	3,994,086	24,829,503	138,032	47,812,600
At 31 December 2017					
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
Domestic financial assets held at FVOCI	89,543	-	-	-	89,543
Loans and advances	-	-	7,903,221	-	7,903,221
Domestic financial assets at amortised cost	-	2,047,827			2,047,827
Equity investments at FVOCI	-	-	-	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

Financial liabilities at amortised cost

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

4 Risk management policies *(Continued)*

Financial liabilities

At 31 December 2017	**2017 K'000**
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
Other liabilities	7,417,862
Domestic currency liabilities to the IMF	291,457
Foreign currency liabilities to the IMF	12,533,602
Notes and coins in circulation	1,365,718
SDR allocation	6,655,654
	38,270,154

(a) Credit risk

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

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

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

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

Counterparty ratings

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

4 Risk management policies *(Continued)*

(a) Credit risk

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.**BANK OF ZAMBIA**

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 - 2018**					
	Aaa	**A1**	**Aa1**	**Baa1**	**Baa2**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash balances	1,278,150	33,645	37,017	3,643	718	1,353,172
Deposits	10,221,295	-	-	-	-	10,221,295
Securities	4,324,948	-	-	-	-	4,324,948
Special drawing rights	2,857,321	-	-	-	-	2,857,321
Total	18,761,714	33,645	37,017	3,643	718	18,756,737

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

(iii) Staf 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.

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

(a) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

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

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

Loans and advances (Note 15)	**2018 K'000**	**2017 K'000**
Against neither past due nor impaired	10,636	11,502
- Property	30,944	46,795
- Gratuity and leave days	14,253	19,896
- Motor vehicles	55,833	78,193

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

All staff loans are neither past due nor impaired.

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

Loans and advances (Note 15)	**2018 K'000**	**2017 K'000**
Carrying amount		
- Staff loans	96,887	89,608
- Staff advances	1,350	1,545
	98,237	91,153
Concentration by nature		
- House loans	12,248	11,502
- Multi-purpose loans	55,699	50,703
- Motor vehicle loans	20,932	19,896
- Other advances	1,350	1,545
- Personal loans	5,167	5,084
- Other	2,841	2,423
	98,237	91,153

(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 2018, all amounts were neither past due nor impaired.

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

(v) Collateral and other credit enhancements

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

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

The Bank's policies regarding collateral have not significantly changed during the period, neither has there been significant change in the overall quality of collateral by the Bank since the prior period.

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

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(vi) Impaired loans and investment debt securities

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

As shown in Note 19 amounts due from closed banks of K99.7 million (2017: K105.7 million) were also fully provided for. No collateral was held against these assets.

(vii) Allowances for impairment

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

Concentration of risks of financial assets with credit risk exposure

31 December 2018

	Financial Institutions K'000	Government K'000	Individuals K'000	Others K'000	Total K'000
Foreign currency cash and bank accounts	18,756,737				18,756,737
Items in course of settlement	237				237
Domestic financial assets at FVOCI	89,543				89,543
Loans and advances	28,104	6,912,233	98,238		7,038,575
Domestic financial assets at amortised cost	-	3,994,085			3,994,085
Equity investments at FVOCI	138,032				138,032
IMF funds recoverable from Government of the Republic of Zambia	-	4,042,313			4,042,313
IMF subscriptions	13,748,378	-	-	-	13,748,378
	32,761,031	14,948,631	98,238	-	47,812,600

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
Domestic financial assets at FVOCI	89,543	-	-	-	89,543
Loans and advances	115,830	7,696,238	91,153	-	7,903,221
Domestic financial assets at amortised cost	-	2,047,827	-	-	2,047,827
Equity investments at FVOCI	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

4 Risk management policies *(Continued)*

(b) Liquidity risk

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

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

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

Financial assets and liabilities held for managing liquidity risk

	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Due after 5 years K'000	Total K'000
31 December 2018						
Non-derivative liabilities						
Deposits from the GRZ	1,840,715	-	-	-	-	1,840,715
Deposits from financial institutions	5,222,163	-	-	-	-	5,222,163
Foreign currency liabilities to other institutions	26,689	-	-	-	-	26,689
Other deposits	76,041	-	-	-	-	76,041
Notes and coins in circulation	8,297,047	-	-	-	-	8,297,047
Other liabilities		-	179,839	-	-	179,839
Domestic currency liabilities to IMF	13,748,377	-	-	-	-	13,748,377
Foreign currency liabilities to IMF	729,444	-	-	-	-	729,444
SDR allocation	-	-	-	-	-	-
Total non-derivative liabilities	29,940,476	-	179,839	-	-	30,120,315
Assets held for managing liquidity risk						
Domestic cash in hand	4,700	-	-	-	-	4,700
Foreign currency cash and bank accounts	16,667,617	4,631	2,084,490	-	-	18,756,737
Financial assets held at FVOCI	-	89,543	-	-	-	89,543
Financial assets held at amortised cost	-	-	-	3,994,085	-	3,994,085
Loans and advances	126,342	6,912,233	-	-	-	7,038,575
IMF funds recoverable from the Government of the Republic of Zambia	4,042,313	-	-	-	-	4,042,313
IMF Subscription	13,748,378	-	-	-	-	13,748,378
Total assets held for managing liquidity risk	34,589,350	7,006,407	2,084,490	3,994,085	-	47,674,331
Net exposure	(4,648,874)	(7,006,407)	(1,929,571)	(3,994,085)	-	(17,554,016)

4 Risk management policies *(Continued)*

(b) Liquidity risk

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
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	4,902	874,133	-	-	20,776,662
Financial assets at FVOCI	-	89,543	-	-	-	89,543
Financial assets at amortised cost	-	-	-	2,047,827	-	2,047,827
Loans and advances	251,018	7,652,203	-	-	-	7,903,221
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	33,052,355	7,746,648	3,874,133	2,047,827	-	46,720,964
Net exposure	(1,729,312)	7,746,648	(3,582,676)	2,047,827)	-	(15,106,464)

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.

(c) Market risk

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

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

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

(d) 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 2018 was as shown in the table below:

At 31 December 2018	**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	13,207,652	877,400	313	2,857,322	1,814,049	18,756,736
IMF Subscriptions	-	-	-	13,748,378	-	13,748,378
Total foreign currency assets	13,207,652	877,400	313	16,605,700	1,814,049	32,505,114
Foreign currency liabilities						
Foreign currency liabilities to other institutions	23,272	2,026	1,390	-	-	26,689
Foreign currency liabilities to IMF	-	-	-	729,444	-	729,444
SDR allocation	-	-	-	7,779,942	-	7,779,942
Total foreign currency liabilities	23,272	2,026	1,390	8,509,386	-	8,536,075
Net exposure	13,184,380	875,374	(1,077)	8,096,314	1,814,049	23,969,039

At 31 December 2017	**USD**	**GBP**	**EUR**	**SDR**	**Other**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**Kwacha**
Foreign currency assets						
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	38,897	-	-	-	184,423
Foreign currency liabilities to IMF	-	-	-	1,365,718	-	1,365,718
SDR allocation	-	-	-	6,655,654	-	6,655,654
Total foreign currency liabilities	145,526	38,897	-	8,021,372	-	8,205,795
Net exposure	15,110,610	753,396	1,586	7,605,808	1,633,069	25,104,469

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

(d) **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	
	2018	2017
	K'000	K'000
SDR 1	16.58	14.19
GBP 1	15.14	13.42
EUR 1	13.66	11.92
USD 1	11.92	9.99

Foreign currency sensitivity

The following table illustrates the impact of a 12% (2017: 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.

Ef ect in thousands of Kwacha

	Equity	**Profit or (loss)**
	K'000	**K'000**
31 December 2018		
SDR	(971,558)	(971,558)
USD	(1,582,126)	(1,581,655)
EUR	(129)	(129)
GBP	(105,045)	(105,045)
31 December 2017		
SDR	(912,697)	(912,697)
USD	(1,813,273)	(1,813,273)
EUR	(190)	(190)
GBP	(90,408)	(90,408)

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.

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

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

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

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

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

4 Risk management policies *(Continued)*

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

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 2018	**Less than 3 months K'000**	**Between 3 months and one year K'000**	**Over 1 year K'000**	**Non-interest bearing K'000**	**Total K'000**
Assets					
Domestic cash in hand	-	-	-	4,700	4,700
Foreign currency cash and bank accounts	18,752,107	-	-	4,631	18,756,737
Items in course of settlement	-	-	-	237	237
Loans and advances	-	96,887	6,940,337	1,350	7,038,575
Domestic financial assets at FVOCI	-	-	89,543	-	89,543
Domestic financial assets at amortised cost	-	-	3,994,085	-	3,994,085
Equity investments at FVOCI	-	-	134,482	3,550	138,032
Other assets		-	-	62,903	62,903
IMF funds receivable from Government	-	-	-	4,042,313	4,042,313
IMF Subscriptions	-			13,748,377	13,748,377
Total financial assets	18,752,107	96,887	11,158,447	17,868,061	47,875,502
Liabilities					
Deposits from the GRZ	-	-	-	1,840,715	1,840,715
Deposits from financial institutions	-	-	-	5,222,163	5,222,163
Foreign currency liabilities to other institutions	-	-	-	26,689	26,689
Other deposits	76,041	-	-	-	76,041
Notes and coins in circulation	-	-	-	8,297,047	8,297,047
Other liabilities	-	-	-	179,839	179,839
Domestic currency liabilities to IMF	-	-	-	13,748,378	13,742,378
Foreign currency liabilities to IMF	-	-	-	729,444	729,444
SDR allocation	-	-	-	-	-
Total financial liabilities	76,041	-	-	30,044,275	30,120,316
Net exposure at 31 December 2018	18,828,148	96,887	11,065,904	(12,176,214)	17,753,186

4 Risk management policies *(Continued)*

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

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
Domestic financial assets at FVOCI	-	-	89,543	-	89,543
Domestic financial assets at amortised cost	-	-	2,047,827	-	2,047,827
Equity investments at FVOCI	-	-	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	9,975,838	15,914,104	46,751,310
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	9,975,838	(15,532,494)	15,136,810

(f) Fair values

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

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

(f) **Fair values** *(Continued)*

	Carrying amount 2018 K'000	Fair value 2018 K'000	Carrying Amount 2017 K'000	Fair value 2017 K'000
Assets				
Domestic cash in hand	4,700	4,700	2,942	2942
Foreign currency cash and bank accounts	18,756,737	18,756,737	20,776,662	20,776,662
Items in course of settlement	237	237	397	397
Domestic financial assets at FVOCI	89,543	89,543	89,543	89,543
Loans and advances	7,038,575	7,038,575	7,903,221	7,903,221
Domestic financial assets at amortised cost	3,994,085	3,994,085	2,047,827	2,047,827
Equity investments at FVOCI	138,032	138,032	29,950	29,950
IMF funds receivable from GRZ	4,042,313	4,042,313	3,367,166	3,367,166
IMF Subscriptions	13,748,378	13,748,378	12,533,602	12,533,602
Total financial assets	47,812,600	47,812,600	46,751,310	46,751,310
Liabilities				
Deposits from the GRZ	1,840,715	1,840,715	3,070,560	3,070,560
Deposits from financial institutions	5,222,163	5,222,163	6,582,976	6,582,976
Foreign currency liabilities to other institutions	26,689	26,689	184,423	184,423
Other deposits	76,041	76,041	167,902	167,902
Notes and coins in circulation	8,297,047	8,297,047	7,417,862	7,417,862
Other liabilities	179,839	179,839	291,457	291,457
Domestic currency liabilities to IMF	13,748,378	13,748,378	12,533,602	12,533,602
Foreign currency liabilities to IMF	729,444	729,444	1,365,718	1,365,718
SDR allocation	7,779,942	7,779,942	6,655,654	6,655,654
Total financial liabilities	37,900,258	37,900,258	38,270,154	38,270,154

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.

4 Risk management policies *(Continued)*

(f) Fair values *(Continued)*

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	-	89,543	-	89,543
Equity investment at FVOCI	-	138,032	-	138,032
	-	227,575	-	227,575

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	-	89,543	-	89,543
Equity investment at FVOCI	-	-	29,950	29,950
	-	89,543	29,950	119,493

At 31 December 2018, the Bank did not have financial liabilities measured at fair value (2017: nil).

(g) **Management of capital**

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

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

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

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

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

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

	Notes	2018 K'000	2017 K'000
Capital	37	500,020	500,020
Retained earnings	38	7,887,320	5,586,142
General reserve fund	38	1,929,377	1,798,905
Property revaluation reserve	38	354,584	230,507
Total		10,541,452	8,115,574

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

5 Interest income

	2018	2017
	K'000	K'000
Interest on loans and receivables	443,620	1,283,752
Interest Government securities	337,952	267,695
Interest on foreign currency investments and deposits	285,469	201,716
Total interest income	1,067,041	1,753,163

There was a decline in the interest on loans and receivables due to the change in interest application on the Kwacha Bridge Loan to the Government from an average rate of 24.9 % at the time when the advance was obtained to a floating rate of previous month's inflation plus 2%.

Interest expense	2018	2017
	K'000	K000
Interest arising on open market operations	29,503	112,572
Interest arising on staff savings	4,842	4,027
Total interest expense	34,345	116,599

The reduction in the interest arising on open market operations was on account of lower open market operations activity during the period.

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

6 Fee and commission income

	2018	2017
	K'000	K000
Fees and commission income on transactions with the GRZ	84,323	96,694
Supervision fees	102,414	93,192
Licences and registration fees	1,140	9,505
Penalties	4,250	2,665
Other	11,468	1,172
Fees and commission income	203,595	203,228
Fee and commission expense		
Arising on foreign exchange transactions	5,089	3,828

7. Other gains and losses

	2018	2017
	K'000	K'000
Net realised foreign exchange gains	626,088	494,970
Other income	796,566	20,291
Dividend on equity investments at FVOCI	1	2,563
Rental income	2,360	1,707
Gain on disposal of property, plant and equipment	115	1,051
Net unrealised foreign exchange gains/(losses)	1,298,749	(326,820)
	2,723,879	193,762

The rise in net unrealised gains/(losses) recorded during 2018, was account of the depreciation of the Kwacha against major foreign currencies during the year. The Kwacha depreciated by about 20% from K9.91 per US dollars as at 31st December 2017 to close at K11.92 on 31st December 2018. The increase in other income is because of reversal of provisions against legal cases following disposal of court proceedings.

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 2017	124,158	910	23,525	148,593
Impairment loss for the year				
- Reversal during the year	(18,441)	-	(23,525)	(41,966)
Balance at 31 December 2017	105,717	910	-	106,627
At 1 January 2018	105,717	910	-	106,627
Changes on initial application of IFRS 9	-	1,028	-	1,028
Restated balance at 1 January 2018	105,717	1,938	-	107,655
Impairment loss for the year				
- Reversal during the year	(6,048)	(214)	-	(6,262)
Balance at 31 December 2018	99,669	1,724	-	101,393

9 Employee benefits

	2018 K'000	2017 K'000
Wages and salaries	224,121	205,818
Other employee costs	213,206	183,077
Employer's pension contributions	6,942	16,782
Employer's NAPSA contributions	15,627	5,589
Staff loan benefit (Note 15)	(3,166)	(2,559)
	456,730	408,707

10 Operating expenses

	2018	2017
Administrative expenses	130,558	312,512
Expenses for bank note production	90,840	21,927
Repairs and maintenance	19,658	21,370
Sundry banking office expenses	17	2
	241,073	355,811

11 Income tax

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

12 Foreign currency cash and bank accounts

	2018 K'000	2017 K'000
Deposits with non-resident banks	10,031,557	10,664,778
Current account balances with non-resident banks	2,080,846	3,871,147
Clearing correspondent accounts with other central banks	3,782,382	3,142,257
Special Drawing Rights ("SDRs")	2,857,321	3,093,578
Foreign currency cash with banking office	4,631	4,902
	18,756,737	20,776,662

13 Items in course of settlement

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

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

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

15 Loans and advances

	2018 K'000	2017 K'000
Staff loans	87,844	79,434
Staff loans benefit at market value	9,044	10,174
Total staff loans	96,888	89,608
Budgetary advances to the Government	6,912,233	7,474,994
Capitalisation bond	-	221,244
Credit to banks	28,104	115,830
Staff advances	1,350	1,545
Total loans and advances	7,038,575	7,903,221

a) Staf loans
Movement in staf loans benef t

	2018 K'000	2017 K'000
Balance at 1 January	10,174	12,733
Current year fair value adjustment of new loans	(4,296)	(5,118)
	5,878	7,615
Amortised to statement of comprehensive income (Note 9)	3,166	2,559
Balance at 31 December	9,044	10,174

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.

The maximum prevailing interest rates on staff loans were as follows

	2018 K'000	2017 K'000
House loans	10%	10%
Personal loans	10%	10%
Multi-purpose loans	12.5%	12.5%

a) Recapitalisation bond
The capitalisation bond of K221.2 million at 31st December 2017 represented 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:

STATEMENT OF CHANGES IN EQUITY
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15 **Loans and advances** *(Continued)*

b) **Recapitalisation bond** *(Continued)*

	2018 K'000	2017 K'000
Total Capitalisation bond	-	260,000
Amortised cost adjustment	-	(52,953)
	-	207,047
Unwinding of fair value adjustment	-	14,197
Capitalisation bond after adjustments	-	221,244

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
	2015	100,000	30 June 2014	16 January 2015
	2016	130,000	30 June 2015	31 January 2017
	2017	130,000	30 June 2016	30 June 2018
	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 were settled during the year by way of application of part of the dividend paid to government.

The terms of the bonds were:

(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 **Domestic financial assets at amortised cost**

	2018 K'000	2017 K'000
GRZ consolidated securities (Note 17)	1,762,954	1,791,618
Other GRZ securities	2,194,392	215,527
Staff savings treasury bills	36,739	40,682
	3,994,085	2,047,827

17 **The GRZ consolidated securities**

	2018 K'000	2017 K'000
6% GRZ consolidated bond	1,120,968	1,154,597
364 days Treasury Bills	641,987	637,021
	1,762,955	1,791,618

17 The GRZ consolidated securities *(Continued)*

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

	2018	2017
	K'000	K'000
Prepayments	55,062	10,269
Sundry receivables	5,902	6,034
Stationery and office consumables	3,664	2,490
	64,628	18,793
Specific allowances for impairment (Note 8)	(1,724)	(910)
	62,904	17,883

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

	2018	2017
	K'000	K'000
Advances	99,669	105,717
Specific allowances for impairment (Note 8)	(99,669)	(105,717)
	-	-

20 Equity investments at FVOCI

Zambia Electronic Clearing House Limited	3,550	3,550
African Export Import Bank	134,482	26,400
	138,032	29,950

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

20 **Equity investments at FVOCI** *(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 an equity investment at FVOCI. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of K0.111 million (2017: K0.032 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 a financial instrument classified as an equity investment at FVOCI.

The investment in AEIB includes dividend equivalent to K3.156 million received in 2018, 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.

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

	2018 K'000	2017 K'000
Poverty Reduction and Growth Facility (PRGF)*	3,952,950	3,346,413
Accrued charges - SDR Allocation	89,363	20,753
	4,042,313	3,367,166

** Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.*

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

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

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

22 **IMF subscriptions**

The IMF subscription represents membership quota amounting to SDR 489,100,000 (2017: 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 2018 and 2017. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23. Property, plant and equipment

	Leasehold buildings K'000	Furniture, Fittings, computers, plant, machinery and equipment K'000	Motor vehicles, bullion truck and escort vehicles K'000	Capital work-in progress K'000	Total K'000
Cost or valuation					
At 1 January 2017	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
Additions	-	7,592	-	52,801	60,393
Transfers	2,842	7,578	-	(11,094)	(674)
Revaluation	102,148	-	-	-	102,148
Disposals	-	(3,952)	(97)	-	(4,049)
31 December 2018	388,294	238,398	47,658	99,961	775,123
Accumulated depreciation					
At 1 January 2017	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	-	166,073
Charge for the year	5,668	19,345	5,582	-	30,595
Transfer to Reserves	(27,701)	-	-	-	(27,701)
Disposals	-	(3,944)	(97)	-	(4,041)
At 31 December 2018	90	129,654	35,179	-	164,922
Carrying amounts					
At 31 December 2018	388,205	108,744	12,479	99,961	610,199
At 31 December 2017	261,184	112,823	18,164	59,063	451,234

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

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair values were based on the market comparable approach that reflects recent transaction prices for 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 ZMW17.1 million (2017: ZMW14.7 million)

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

24 Intangible assets

	Purchased Software K'000
Cost	
At 1 January 2017	52,741
Disposals	-
Additions	893
At 1 January 2018	53,634
Additions	-
Transfer from work-in-progress (Note 23)	674
At 31 December 2018	54,308
Amortisation and impairment	
At 1 January 2017	47,411
Amortisation charge for the year	4,526
At 1 January 2018	51,937
Amortisation charge for the year	205
At 31 December 2018	52,142
Carrying amounts	
At 31 December 2018	2,166
At 31 December 2017	1,697

25 Capital expenditure commitments

	2018 K'000	2017 K'000
Authorised by the directors and contracted for	69,483	118,111

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

	2018 K'000	2017 K'000
Statutory minimum reserve requirements	3,774,128	4,809,583
Commercial bank current accounts	1,433,410	1,372,020
Term deposits from financial institutions	1,142	400,978
Deposits from other international financial institutions	13,449	361
Deposits from other central banks	34	34
	5,222,163	6,582,976

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 2018.

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 by foreign institutions in respect of project support.

28 Foreign currency liabilities to other institutions *(Continued)*

	2018 K'000	2017 K'000
Donor funds	26,689	184,423

29 Other deposits

	2018 K'000	2017 K'000
Staff savings, deposits and clearing accounts	76,041	167,902

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

30 Notes and coins in circulation

	2018 K'000	2017 K'000
Bank notes issued by denomination		
K100	5,266,779	5,067,826
K50	2,159,563	1,542,082
K20	281,914	292,698
10	108,726	114,709
K5	120,836	89,100
K2	49,172	28,172
Unrebased notes	102,297	102,297
Bank notes issued	8,089,287	7,236,884
Coins issued	207,760	180,978
	8,297,047	7,417,862

31 Other liabilities

	2018	2017
Accounts payable	64,020	151,942
Accrued expenses payable	115,819	139,515
	179,839	291,457

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

32 Provisions

	2018 K'000	2017 K'000
Balance at 1 January	836,333	666,425
Provisions made during the year	1,006	177,063
Payments and reversals made during the year	(791,180)	(7,155)
Balance at 31 December	46,159	836,333

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

	2018 K'000	2017 K'000
International Monetary Fund:	13,711,596	12,500,069
Securities account	36,506	33,281
No. 1 account	276	252
No. 2 account		
	13,748,378	12,533,602

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 2018 and 2017, as advised by the IMF.

34. Foreign currency liabilities to IMF

	2018 K'000	2017 K'000
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	743,136	1,344,965
- Charges on SDR allocation (b)	(13,692)	20,753
	729,444	1,365,718

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

	2018 K'000	2017 K'000
Fair value of plan assets	438,549	477,700
Present value of defined benefit obligations	(427,497)	(440,520)
Impact of asset ceiling	(11,052)	(37,180)
Recognised asset for defined benefit obligations	-	-

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

	2018 K'000	2017 K'000
Net asset at 1 January		-
Remeasurements recognised in other comprehensive income	-	-
Net asset at 31 December	-	-

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.

35 Employee benefits *(Continued)*

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 4 March 2019 in respect of results as at 31 December 2018.

Remeasurements to be recognised in other comprehensive income:

	2018	2017
	K'000	K'000
Charge due to impact of asset ceiling	11,052	37,180
Return on plan assets (excluding amounts in net interest)	79,942	63,704
Experience (gains)/losses	(16,731)	2,733
Gain from change in financial assumptions	(30,865)	135,527
Gain from change in demographic assumptions	(43,398)	(239,144)
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 18.5% in 2017 to 17.0% in 2018.

35 Employee benefits *(Continued)*

Plan assets comprise:

	2018 K'000	2017 K'000
Investment properties and equity	237,448	267,542
Treasury bills	33,746	26,233
Fixed assets and corporate bonds	25,767	18,757
Other assets	31,045	52,972
GRZ bonds	110,543	112, 197
Total plan assets	438,549	477,700
Movement in the present value of the def ned benefit obligations over the period		
Defined benefit obligations at 1 January	440,520	276,648
Interest cost	82,975	64,874
Current service cost	8,506	9,102
Experience (gains)/losses	(16,731)	2,733
Benefits paid by the plan	(56,908)	(53,364)
Gains from change in financial assumptions	(30,865)	135,527
Defined benefit obligations at 31 December	427,497	440,520
Movement in the present value of plan assets		
Fair value of plan assets at 1 January	477,700	470,881
Interest income on plan assets	85,282	114,046
Employee contributions	5,296	5,309
Employer contributions	16,693	16,925
Administration expenses	(9,573)	(12,392)
Benefits paid by the plan	(56,908)	(53,364)
Return on plan assets, excluding interest	(79,941)	(63,704)
Fair value of plan assets at 31 December	438,549	477,700

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2018 K'000	2016 K'000
Future pension increase	8.0%	8.0%
Salary increase (p.a)	8.0%	10.0%
Discount rate (p.a)	17.0%	18.5%
Expected return on plan assets	17.0%	18.5%
Inflation rate	8.0%	8.0%

Average life expectancy at normal retirement age 60

	2018 K'000	2017 K'000
Male	18.3	18.3
Female	20.5	20.5

Sensitivity of the defined benefit obligation to actuarial assumptions

35 Employee benefits *(Continued)*

	2018 K'000	2017 K'000
Discount rate		
- increase by 1%	-34,045	-36,647
- decrease by 1%	+39,069	+42,291
Salary		
- increase by 1%	+14,761	+16,441
- decrease by 1%	-13,745	-15,222
Future pension		
- increase by 1%	+26,190	+27,718
- decrease by 1%	-23,293	-24,582
Life expectancy		
- increase by 1%	-5,214	-5,286
- decrease by 1%	+4,652	+4,625

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, 2017: 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 ZMW16.5835 per SDR (2017: ZMW14.187)

37 Capital

	2018 K'000	2017 K'000
Authorised capital	500,020	500,020
Issued and fully paid up capital	500,020	500,020

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

38. Reserves

General reserve fund

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

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

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

(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.

38. Reserves *(Continued)*

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 K332.4 million to the general reserve fund and declaration of a dividend K1,693.3 million to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2018 financial year.

39 Related party transactions

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

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

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

The main services during the year to 31 December 2018 were:
- Provision of banking services including holding the principal accounts of GRZ;
- Provision and issue of notes and coins;
- Holding and maintaining the register of Government securities;
- Implementation of monetary policy; and
- Supervision of financial institutions.

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.

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:

	2018 K'000	2017 K'000
Interest on GRZ securities at FVOCI	337,952	267,695
Interest on advances to GRZ	411,466	1,259,950
Fees and commission income on transactions with GRZ	84,323	96,694
Profit on foreign exchange transactions with GRZ	82,247	26,629
Total	915,988	1,650,968

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

39 Related party transactions *(Continued)*

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

	2018 K'000	2017 K'000
GRZ - year end balances		
Deposits from GRZ Institutions	(1,840,715)	(3,070,560)
Holdings of GRZ securities	3,994,085	2,047,828
Budgetary advances to the Government	6,912,233	7,474,994

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

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

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

Transactions and balances with directors and key management personnel

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

a) *Short-term benefits*

	2018 K'000	2017 K'000
Directors' fees	1,230	830
Remuneration for key management personnel		
- Salaries and allowances	39,959	31,404
- Pension contributions	1,794	1,734
	41,753	33,968
Loans and advances to key management personnel		
Balance at 31 December	3,924	5,659

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.

	2018 K'000	2017 K'000
b) *Post-employment pension benefits*	6,659	12,632

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 2018 to be disclosed.

9.0 2018 Annual Statistical Annexures

9.0 2018 ANNUAL STATISTICAL ANNEXURES

Depository Corporations Survey (K'Millions), Dec 2016 - Dec 2018 — Table 1

	Dec-16	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
NET FOREIGN ASSETS	21,895	21,990	20,010	20,060	17,848	18,822	20,776	21,901	20,964	20,919	25,071	23,503	23,895	24,810
CLAIMS ON NONRESIDENTS	36,519	35,611	33,431	34,061	31,307	32,339	34,574	34,670	33,220	33,667	40,330	37,792	38,064	39,325
LIABILITIES TO NONRESIDENTS	-14,624	-13,621	-13,422	-14,001	-13,459	-13,517	-13,797	-12,770	-12,257	-12,748	-15,259	-14,289	-14,169	-14,515
DOMESTIC CLAIMS	41,339	53,587	54,794	54,705	54,998	54,093	56,276	54,716	55,431	57,193	62,432	59,076	62,237	62,219
NET CLAIMS ON CENTRAL GOVERNMENT	14,606	25,323	26,814	26,682	27,093	25,629	26,743	25,405	26,058	27,149	28,935	26,404	29,088	28,998
CLAIMS ON CENTRAL GOVERNMENT	22,287	33,613	33,923	34,822	34,144	34,532	34,493	34,578	34,418	34,492	36,712	37,376	38,743	37,926
LIABILITIES TO CENTRAL GOVERNMENT	-7,681	-8,290	-7,109	-8,139	-7,051	-8,902	-7,750	-9,173	-8,361	-7,343	-7,778	-10,972	-9,655	-8,928
CLAIMS ON OTHER SECTORS	26,733	28,264	27,980	28,023	27,905	28,463	29,532	29,311	29,373	30,044	33,497	32,672	33,149	33,222
CLAIMS ON OTHER FINANCIAL CORPORATIONS	284	289	277	268	250	255	261	253	300	263	305	315	455	549
CLAIMS ON STATE AND LOCAL GOVERNMENT	74	36	32	39	35	50	49	49	67	59	50	56	68	67
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	223	412	387	363	335	399	403	368	333	367	399	447	507	489
CLAIMS ON PRIVATE SECTOR	26,152	27,527	27,284	27,354	27,286	27,759	28,820	28,641	28,673	29,355	32,744	31,854	32,119	32,117
BROAD MONEY LIABILITIES	44,567	54,100	53,133	53,391	51,471	52,795	55,835	55,252	55,093	55,654	62,433	58,044	60,828	62,997
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	4,782	5,669	5,179	4,948	5,242	5,394	5,787	6,169	5,813	6,097	6,208	6,362	6,177	6,500
TRANSFERABLE DEPOSITS	24,510	28,393	27,947	27,577	26,046	27,002	28,750	28,443	29,530	30,133	34,500	31,594	33,304	34,886
OTHER DEPOSITS	15,275	20,037	20,006	20,866	20,183	20,399	21,298	20,641	19,750	19,424	21,725	20,088	21,347	21,611
SECURITIES OTHER THAN SHARES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS EXCLUDED FROM BROAD MONEY	47	47	36	36	36	36	36	36	36	36	36	36	36	36
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOANS		2,589	2,450	2,467	2,502	2,361	2,411	2,530	2,749	2,524	2,871	2,500	2,466	2,423
FINANCIAL DERIVATIVES	2,767	0	0	0	0	0	0	0	0	0	0	0	0	0
INSURANCE TECHNICAL RESERVES		0	0	0	0	0	0	0	0	0	0	0	0	0
SHARES AND OTHER EQUITY	0	18,412	17,885	18,167	17,953	17,525	18,073	17,698	17,777	18,492	20,865	20,672	20,611	20,591
OTHER ITEMS (NET)		429	1,299	704	885	197	696	1,100	739	1,405	1,298	1,328	2,192	982
IFS Vertical Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

Central Bank Survey (K'Millions), Dec 2016 - Dec 2018 — Table 2

	Dec-16	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
NET FOREIGN ASSETS	15,230	12,712	10,819	10,394	8,821	9,646	10,111	10,498	10,146	10,143	10,955	10,340	10,613	10,256
CLAIMS ON NONRESIDENTS	23,304	20,804	18,716	18,275	16,564	17,777	18,143	18,110	17,690	17,890	20,236	18,988	19,277	18,827
LIABILITIES TO NONRESIDENTS	-8,074	-8,093	-7,897	-7,882	-7,743	-8,131	-8,032	-7,612	-7,544	-7,747	-9,281	-8,648	-8,664	-8,571
CLAIMS ON OTHER DEPOSITORY CORPORATIONS	290	225	215	223	232	231	225	249	215	218	224	191	200	131
NET CLAIMS ON CENTRAL GOVERNMENT	9,940	10,130	11,370	9,831	11,552	8,853	10,382	10,396	9,899	11,510	13,805	12,258	12,964	13,204
CLAIMS ON CENTRAL GOVERNMENT	11,547	13,201	13,329	13,441	13,474	12,426	12,598	12,548	12,618	13,003	15,382	15,540	15,542	15,044
LIABILITIES TO CENTRAL GOVERNMENT	-1,606	-3,071	-1,959	-3,609	-1,922	-3,573	-2,216	-2,152	-2,719	-1,493	-1,577	-3,281	-2,578	-1,841
CLAIMS ON OTHER SECTORS	92	89	88	89	91	93	94	92	90	93	93	92	93	94
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON STATE AND LOCAL GOVERNMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON PRIVATE SECTOR	92	89	88	89	91	93	94	92	90	93	93	92	93	94
MONETARY BASE	18,324	14,037	13,470	11,418	12,106	11,066	12,283	13,064	12,544	13,239	13,826	12,198	13,084	13,557
CURRENCY IN CIRCULATION	6,551	7,415	6,736	6,427	6,720	6,804	7,283	7,784	7,673	7,726	7,617	7,949	7,692	8,292
LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	11,742	6,583	6,682	4,918	5,306	4,212	4,956	5,231	4,823	5,471	6,166	4,201	5,346	5,209
LIABILITIES TO OTHER SECTORS	32	40	51	73	79	50	44	49	48	41	43	48	46	56
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	0	0	0	0	0	0	0	7	13	10	8	17	9	0
DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE	0	15	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS ExCLUDED IN BROAD MONEY	0	15	0	0	0	0	0	0	0	0	0	0	0	0
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS EXCLUDED FROM BROAD MONEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOANS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FINANCIAL DERIVATIVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SHARES AND OTHER EQUITY	6,886	8,116	7,971	8,058	7,827	7,298	7,788	7,412	7,516	7,985	10,271	9,859	10,026	10,248
OTHER ITEMS (NET)	343	989	1,051	1,062	763	459	741	752	276	731	972	807	752	-120
IFS Vertical Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

Other Depository Corporations Survey (K'Millions), Dec 2016 - Dec 2018, **Table 3**

	Dec-16	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
NET FOREIGN ASSETS	6,665	9,278	9,191	9,667	9,027	9,176	10,665	11,402	10,818	10,776	14,116	13,163	13,282	14,554
CLAIMS ON NONRESIDENTS	13,215	14,807	14,715	15,786	14,742	14,562	16,431	16,560	15,531	15,777	20,094	18,804	18,787	20,498
LIABILITIES TO NONRESIDENTS	-6,550	-5,529	-5,524	-6,119	-5,716	-5,387	-5,765	-5,158	-4,713	-5,001	-5,978	-5,641	-5,505	-5,944
CLAIMS ON CENTRAL BANK	14,092	8,921	9,243	7,534	7,493	6,080	7,233	7,612	7,240	7,910	8,460	6,566	7,749	7,744
CURRENCY	1,769	1,746	1,557	1,479	1,479	1,409	1,496	1,616	1,860	1,630	1,409	1,586	1,515	1,792
RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES	12,323	7,175	7,686	6,054	6,014	4,671	5,737	5,996	5,379	6,281	7,051	4,980	6,234	5,952
OTHER CLAIMS ON CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET CLAIMS ON CENTRAL GOVERNMENT	4,666	15,193	15,444	16,851	15,542	16,776	16,361	15,009	16,159	15,639	15,130	14,146	16,124	15,794
CLAIMS ON CENTRAL GOVERNMENT	10,741	20,412	20,594	21,381	20,671	22,106	21,896	22,030	21,800	21,489	21,330	21,837	23,201	22,881
LIABILITIES TO CENTRAL GOVERNMENT	-6,075	-5,219	-5,150	-4,530	-5,129	-5,330	-5,534	-7,021	-5,641	-5,850	-6,200	-7,691	-7,077	-7,087
CLAIMS ON OTHER SECTORS	26,641	28,174	27,891	27,934	27,814	28,371	29,439	29,219	29,283	29,951	33,404	32,580	33,056	33,128
CLAIMS ON OTHER FINANCIAL CORPORATIONS	284	289	277	268	250	255	261	253	300	263	305	315	455	549
CLAIMS ON STATE AND LOCAL GOVERNMENT	74	36	32	39	35	50	49	49	67	59	50	56	68	67
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	223	412	387	363	335	399	403	368	333	367	399	447	507	489
CLAIMS ON PRIVATE SECTOR	26,060	27,437	27,195	27,264	27,195	27,666	28,726	28,549	28,583	29,262	32,651	31,763	32,026	32,024
LIABILITIES TO CENTRAL BANK	177	339	384	97	114	709	187	97	566	108	240	178	111	360
TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY	24,479	28,354	27,896	27,504	25,967	26,952	28,706	28,394	29,482	30,092	34,457	31,545	33,258	34,831
OTHER DEPOSITS INCLUDED IN BROAD MONEY	15,275	20,022	20,006	20,866	20,183	20,399	21,298	20,641	19,750	19,424	21,725	20,088	21,347	21,611
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS EXCLUDED FROM BROAD MONEY	47	47	36	36	36	36	36	36	36	36	36	36	36	36
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOANS	2,767	2,589	2,450	2,467	2,502	2,361	2,411	2,530	2,749	2,524	2,871	2,500	2,466	2,423
FINANCIAL DERIVATIVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INSURANCE TECHNICAL RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SHARES AND OTHER EQUITY	9,253	10,297	9,913	10,109	10,126	10,226	10,286	10,286	10,261	10,507	10,594	10,813	10,584	10,343
OTHER ITEMS (NET)	67	-80	1,083	905	948	-281	775	1,258	655	1,584	1,188	1,295	2,409	1,617
IFS Vertical Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

Banking System Claims on Government (K' Millions), Dec 2010 - Dec 2018 Table 4

		Net Bank of Zambia Claims					Net Commercial Banks Claims					(a+b)
		Treasury Bills	GRZ Stock	GRZ Position (3)	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	(b) Total	TOTAL CLAIMS
2010	December	625,812	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	5,629,794	6,798,749
	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	5,787,129	8,572,921
	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	5,902,339	7,937,414
	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	5,408,257	7,447,477
	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	5,618,383	8,341,003
	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	6,238,395	9,497,047
	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	6,253,185	11,951,839
	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	6,639,133	12,884,940
	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	6,058,457	11,372,098
	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	6,425,571	12,296,697
	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	6,877,408	11,795,824
	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	6,777,232	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	7,218,756	12,476,888
	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	9,241,895	15,312,478
	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	11,640,059	15,802,988
	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	12,413,941	14,746,082
	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	11,787,835	16,191,572
	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	13,333,113	16,316,683
	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	13,480,020	16,153,958
	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	14,192,890	18,087,610
	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	16,426,451	22,191,960
	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	16,538,504	20,805,485
	November	774,836	1,314,325	-2,321,896	5,321,015	5,088,280	11,348,072	3,591,417	885,124	-1,418,161	14,406,452	19,494,731
	December	625,775	1,314,325	-2,733,231	5,321,015	4,527,884	12,035,101	4,348,929	844,388	-1,631,315	15,597,104	20,124,988
2018	January	765,661	1,314,325	-3,173,850	4,406,715	4,227,151	11,966,282	4,692,282	839,347	-1,570,645	15,927,267	20,154,418
	February	692,578	1,314,325	-3,234,731	4,406,715	4,093,187	12,345,859	4,368,459	880,591	-1,361,107	16,233,801	20,326,988
	March	542,290	1,314,325	-2,168,248	4,406,715	5,009,382	12,298,107	4,894,516	919,599	-1,546,782	16,565,440	21,574,822
	April	1,031,139	1,314,325	-2,831,088	4,406,715	3,921,091	12,030,059	5,406,954	873,310	-1,486,291	16,824,031	20,745,122
	May	771,158	1,314,325	-2,933,944	4,406,715	3,558,256	12,571,494	5,361,194	839,585	-1,685,619	17,086,654	20,644,910
	June	657,894	1,314,325	-1,517,653	4,406,715	4,861,289	11,927,786	5,403,384	1,058,357	-1,509,087	16,880,439	21,741,728
	July	966,592	1,394,219	-3,522,457	4,406,715	3,245,081	11,029,420	5,443,940	1,066,092	-1,245,300	16,294,152	19,539,233
	August	625,775	1,314,325	-1,439,955	4,406,715	4,906,872	11,215,479	5,541,946	1,040,784	-1,420,623	16,377,586	21,284,458
	September	761,824	2,879,596	-664,204	4,406,715	7,383,944	10,492,695	5,520,105	1,153,965	-1,596,075	15,570,689	22,954,633
	October	1,173,953	3,137,582	-2,686,121	4,406,715	6,032,145	10,784,961	5,270,662	1,257,202	-1,947,060	15,365,766	21,397,911
	November	625,775	3,193,863	-1,589,309	4,406,715	6,637,044	13,098,757	5,955,483	1,576,097	-1,395,959	19,234,379	25,871,423
	December	642,938	3,960,458	-1,302,509	4,406,715	7,707,602	12,117,440	6,202,396	1,576,097	-1,395,959	18,499,975	26,207,577

Source: Bank of Zambia

Currency in Circulation (K' Million), Dec. 2010 - Dec. 2018 **Table 5**

		Issued			At banks			Outside banks		
	End of period	Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
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
2014	December	5,728	5,620	107	1,508	1,504	4	4,220	4,117	103
2015	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
2018	January	6,638	6,454	183.5	1,490	1,475	15	5,148	4,979	169
	February	6,329	6,143	185.4	1,408	1,392	16	4,921	4,752	169
	March	6,622	6,437	184.9	1,436	1,421	15	5,186	5,016	170
	April	6,706	6,522	184.2	1,369	1,355	14	5,337	5,167	170
	May	7,185	7,000	185.5	1,438	1,424	14	5,747	5,576	172
	June	7,687	7,499	188.8	1,569	1,555	13	6,119	5,943	175
	July	7,576	7,378	198.0	1,810	1,797	13	5,767	5,582	185
	August	7,627	7,425	201.9	1,586	1,573	13	6,041	5,852	188
	September	7,518	7,316	202.6	1,354	1,339	15	6,164	5,977	187
	October	7,851	7,646	204.8	1,539	1,523	16	6,312	6,123	189
	November	7,594	7,388	205.8	1,468	1,452	16	6,126	5,936	190
	December	8,195	7,987	207.5	1,757	1,740	17	6,438	6,247	191

Source: Bank of Zambia

Commercial Banks' Deposits by Institution-Domestic Currency (K' Million), Jan 2016 - Dec 2018

Table 6A

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
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
2018	January	2,148	1,363	1,286	9,401	9,571	6,205	369	30,343
	February	1,964	1,281	1,174	9,424	9,182	5,773	361	29,161
	March	2,131	1,721	1,021	9,144	9,118	5,952	321	29,408
	April	1,970	1,601	1,083	9,561	9,501	5,551	237	29,503
	May	2,076	1,724	996	10,478	9,815	5,809	194	31,093
	June	2,045	3,097	813	10,300	8,388	5,707	176	30,526
	July	1,869	2,022	801	11,413	9,273	5,490	167	31,035
	August	2,617	1,861	828	11,812	9,305	5,171	323	31,916
	September	2,445	1,648	1,129	11,640	9,930	5,532	136	32,459
	October	2,845	2,340	798	10,049	9,850	5,125	148	31,156
	November	2,054	2,651	843	11,161	10,297	5,108	76	32,190
	December	1,872	2,766	834	11,540	10,328	5,475	82	32,897

Source: Bank of Zambia

Commercial Banks' Deposits by Institution-Foreign Currency (K' Million), Jan 2016 - Dec 2018 Table 6B

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2016	January	337	105	690	14,543	2,775	3,517	1,360	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
2018	January	917	430	678	13,282	3,043	2,381	2,395	23,127
	February	645	210	583	14,475	3,308	2,593	2,556	24,369
	March	648	187	413	13,248	3,131	2,324	2,704	22,655
	April	770	170	530	13,680	3,207	2,835	2,457	23,648
	May	734	192	419	15,016	3,112	2,802	2,828	25,102
	June	850	326	381	14,406	4,522	2,921	2,425	25,830
	July	839	339	369	14,044	3,099	2,942	1,837	23,468
	August	744	474	427	13,836	3,187	3,283	1,907	23,860
	September	942	715	473	17,385	3,962	3,965	2,445	29,888
	October	881	880	402	15,342	4,214	3,927	1,929	27,576
	November	978	721	550	16,498	3,910	4,074	885	27,616
	December	1,266	593	602	17,483	3,953	3,967	699	28,563

Source: Bank of Zambia

Commercial Banks' Loans and Advances - Local Currency (K' Million), Dec 2016 - Dec 2018 — Table 7A

Sector	Dec-16	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Agriculture, forestry,Fishing and hunting	4,035	4,968	4,828	4,650	4,667	4,632	4,693	4,684	4,361	4,091	5,077	4,838	5,041	4,933
Mining and quarying	1,483	1,543	1,401	1,425	1,413	1,663	1,745	1,673	1,520	1,409	2,303	1,883	2,001	2,048
Manufacturing	2,983	1,907	2,007	1,909	1,772	1,919	2,137	1,970	2,161	2,007	2,194	2,119	2,570	2,669
Electricity, gas, water and energy	516	748	698	672	625	649	738	693	629	685	826	1,052	1,013	874
Construction	907	1,073	998	1,046	1,059	1,108	1,130	977	1,048	1,052	1,057	1,019	924	874
Wholesale and retail trade	2,412	2,781	2,741	2,732	2,685	2,410	2,612	2,798	2,817	3,299	3,549	3,707	3,228	3,232
Restaurants and hotels	376	359	355	341	332	328	339	335	338	304	372	364	363	368
Transport, storage and communications	1,087	1,139	1,173	1,187	1,225	1,189	1,201	1,165	1,143	1,223	1,819	1,934	1,763	1,796
Financial services	420	544	550	571	697	793	770	756	940	829	1,047	977	1,126	1,205
Community, social and perconal services	407	1,013	992	1,002	960	962	946	1,054	1,035	1,044	1,139	1,054	1,256	1,392
Real estate	829	859	844	830	816	843	901	931	918	947	1,195	948	1,004	1,008
Credit/debit cards	0	0	1	1	0	0	1	0	0	0	0	0	30	0
Other sectors	8,062	7,499	7,645	7,771	7,756	7,957	7,790	7,924	8,046	8,676	8,568	8,623	8,815	8,737
TOTALS	**23,517**	**24,434**	**24,233**	**24,139**	**24,008**	**24,453**	**25,003**	**24,960**	**24,958**	**25,566**	**29,145**	**28,519**	**29,134**	**29,135**

Source: Bank of Zambia

Commercial Banks' Loans and Advances - Foreign Currency (US$' 000), Dec. 2016 - Dec. 2018 Table 7B

Sector	Dec-16	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Agriculture, forestry,Fishing and hunting	236,845	288,809	290,089	284,877	286,666	280,431	283,399	290,514	268,464	234,038	290,389	283,410	300,572	294,386
Mining and quarying	138,696	143,992	131,645	134,698	137,577	156,810	157,341	157,512	141,484	127,760	179,501	150,953	159,560	162,736
Manufacturing	108,383	92,005	113,628	111,131	109,345	111,309	121,430	110,032	122,860	125,696	120,436	120,040	141,147	147,387
Electricity, gas, water and energy	12,137	36,620	26,745	27,449	26,092	31,767	31,212	28,263	28,757	28,115	35,504	56,015	52,524	53,790
Construction	44,867	63,602	56,688	64,836	68,029	69,778	67,234	52,944	60,391	66,037	56,575	55,762	48,075	47,960
Wholesale and retail trade	78,271	133,201	134,343	137,495	136,421	104,849	113,495	125,849	134,395	176,348	163,543	167,177	134,170	133,433
Restaurants and hotels	27,203	25,671	25,505	24,615	24,395	22,508	22,047	21,967	22,191	18,138	19,559	20,014	20,216	19,661
Transport, storage and communications	55,406	63,593	66,883	64,255	62,262	60,719	62,453	63,015	62,769	66,950	75,136	80,207	73,605	73,785
Financial services	7,479	16,154	15,200	14,840	25,693	26,053	27,322	27,285	31,188	29,611	30,900	31,883	34,119	33,650
Community, social and perconal services	9,011	7,723	7,851	7,859	8,184	11,194	12,462	9,451	10,445	10,509	10,620	9,092	6,442	8,540
Real estate	57,979	58,773	57,926	57,181	56,915	56,519	60,876	65,792	63,285	62,567	71,666	54,412	57,251	58,079
Other sectors	49,796	68,851	64,328	66,297	66,310	65,011	49,332	53,534	54,375	86,877	54,525	54,924	51,977	48,563
TOTALS	**826,073**	**998,994**	990,831	**995,535**	**1,007,889**	**996,948**	**1,008,604**	**1,006,157**	**1,000,605**	**1,032,645**	**1,108,354**	**1,083,889**	**1,082,142**	**1,081,971**

Source: Bank of Zambia

Structure of Interest Rates (Percent per Year), Dec 2011 - Dec 2018 Table 8

		BoZ1	Weighted Interbank	Penalty2	Treasury bill rates				Government bond rates						Commercial bank rate	
	End of 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
2011	December	16.6	10.2	35.5	7.0	9.5	11.4	13.5	14.7	15.1	15.4	15.0	15.9	16.2	4.3	5.3
2012	December	9.3	8.8	33.2	9.4	12.4	11.4	12.1	11.0	12.8	13.5	14.5	16.5	16.6	4.3	5.3
2013	December	9.8	9.9	36.4	8.0	14.8	15.0	15.7	14.0	15.5	16.5	16.9	18.2	18.0	3.6	6.6
2014	December	12.5	12.0	39.5	13.0	17.5	18.0	20.4	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.1
2015	December	15.5	26.1	39.8	15.0	20.3	18.7	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.2
2016	December	15.5	16.2	39.8	20.5	23.9	25.0	25.0	25.0	23.2	25.0	24.8	25.0	25.0	3.1	10.8
2017	January	15.5	15.9	39.8	20.4	23.9	24.7	24.7	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
2018	January	10.3	10.1	39.8	9.8	10.0	13.0	16.5	16.5	18.0	18.0	19.5	20.0	18.5	2.8	6.7
	February	9.8	10.3	39.8	9.9	10.3	10.2	16.3	16.5	18.0	18.0	19.5	20.0	18.5	2.8	6.9
	March	9.8	9.6	39.8	10.0	11.0	8.5	17.3	16.4	17.9	17.9	19.0	20.0	18.5	2.8	6.7
	April	9.8	9.1	39.8	10.1	11.2	12.1	17.5	16.4	17.9	17.9	19.0	19.8	18.5	2.8	6.6
	May	9.8	9.7	39.8	10.0	12.6	12.9	17.7	16.4	17.9	17.9	19.0	19.0	18.5	2.8	6.6
	June	9.8	9.9	39.8	10.0	13.1	13.0	17.9	16.8	18.0	18.3	19.0	19.1	18.3	3.0	6.5
	July	9.8	9.9	39.8	10.0	13.8	13.0	18.4	18.5	18.5	20.0	19.0	19.3	17.5	3.0	6.6
	August	9.8	10.0	39.8	11.8	14.7	16.3	19.1	18.9	18.5	20.2	19.0	19.6	17.5	3.0	6.6
	September	9.8	10.0	39.8	13.6	15.2	18.3	20.4	19.4	18.4	20.4	19.0	19.9	17.5	3.0	6.8
	October	9.8	9.8	39.8	14.2	15.0	19.9	21.9	19.5	19.0	20.4	18.8	19.8	17.5	3.0	6.9
	November	9.8	9.8	39.8	14.5	14.6	21.1	23.0	19.5	20.0	20.4	18.5	19.5	17.5	3.0	7.2
	December	9.8	9.8	39.8	15.0	14.8	21.0	23.1	19.5	20.0	20.4	18.5	21.5	17.3	3.0	7.6

Source: Bank of Zambia
[1]Figures before April 2012 reflect the Commercial Banks' weighted Lending Base Rate while figures after that indicates BoZ Policy rate.
[2]Penalty Rates: These are rates applied when a Bank falls short on Statutory Reserve Ratios.

Commercial Bank Interest Rates (Percent Per Year), Dec 2010 - Dec 2018 **Table 9**

				Savings Rates		Deposits over K20,000						
	End of Period	Average Lending Rates	Weighted interbank rate	less than K100	more than K100	24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
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
2014	December	20.5	12.0	2.4	3.3	2.0	4.2	4.3	6.8	8.3	9.1	10.5
2015	December	25.8	26.1	2.5	3.3	1.9	4.0	4.2	7.2	7.9	9.2	10.8
2016	January	25.8	26.4	2.6	3.5	2.0	6.1	6.6	7.8	9.4	9.8	11.0
	February	26.0	27.0	2.6	3.3	2.0	6.5	6.5	8.6	9.8	9.9	11.5
	March	26.5	27.2	2.6	3.3	2.3	8.6	8.6	9.1	10.7	10.9	12.7
	April	27.5	27.3	2.7	7.5	2.4	8.5	8.8	10.0	11.6	11.9	13.1
	May	28.0	20.7	2.5	3.2	2.2	6.9	7.2	9.3	11.2	11.3	13.1
	June	28.6	17.7	2.6	3.3	2.3	7.0	7.6	9.4	10.8	10.9	12.9
	July	29.0	17.8	2.6	3.2	2.2	7.0	7.7	9.3	10.7	11.0	13.0
	August	28.8	18.2	2.4	3.0	2.3	6.8	7.4	9.2	10.9	10.6	13.3
	September	28.9	17.6	2.5	3.2	2.3	6.2	6.7	8.4	10.3	10.6	12.6
	October	28.7	16.7	2.8	3.4	2.5	6.4	7.0	8.5	10.4	10.9	12.5
	November	29.4	16.5	2.8	3.4	2.5	6.6	7.0	9.1	10.7	10.8	12.7
	December	29.5	16.2	2.4	3.1	2.4	6.3	6.7	8.7	10.4	10.8	12.7
2017	January	29.2	15.9	2.0	2.8	2.3	6.1	6.6	8.3	10.3	10.9	12.9
	February	28.9	15.3	1.9	2.7	2.4	6.1	6.6	8.6	10.6	11.2	12.5
	March	28.8	14.1	2.0	2.7	2.2	5.1	5.2	7.6	9.5	10.5	11.6
	April	28.2	13.0	2.0	2.8	2.0	4.8	5.5	8.0	9.3	10.4	11.5
	May	27.7	13.9	2.0	2.7	2.0	5.1	5.9	8.3	9.3	10.1	11.7
	June	26.6	12.9	1.9	2.6	2.1	4.6	4.5	7.2	8.4	8.7	11.0
	July	26.3	12.3	2.0	2.6	2.2	4.8	4.5	7.3	8.4	8.6	10.4
	August	26.6	12.0	2.0	2.7	2.2	4.8	4.8	6.9	7.7	8.0	9.8
	September	25.4	10.5	1.9	2.8	2.1	4.9	5.2	6.2	6.8	7.4	9.4
	October	25.4	10.5	1.9	2.7	1.8	4.0	4.1	5.7	6.2	6.9	8.8
	November	25.5	11.0	1.9	2.8	1.9	3.8	4.4	6.0	6.0	6.7	8.6
	December	24.6	10.1	1.9	2.8	2.0	3.3	3.5	5.5	6.2	6.9	8.6
2018	January	24.5	10.1	1.9	2.8	2.0	3.4	3.0	4.9	5.9	6.7	8.3
	February	24.3	10.3	1.9	2.8	2.2	3.7	3.5	5.3	6.1	6.9	8.3
	March	24.1	9.6	1.9	2.8	2.2	3.9	3.3	5.1	6.0	6.7	8.1
	April	24.1	9.1	1.9	2.8	2.2	3.8	3.3	5.1	6.0	6.6	8.0
	May	23.9	9.7	1.9	2.8	2.2	3.5	3.3	5.1	5.8	6.6	8.0
	June	24.1	9.9	1.9	3.0	2.3	3.6	3.4	5.2	6.1	6.5	8.1
	July	23.7	9.9	1.9	3.0	2.3	3.6	3.5	5.2	6.0	6.6	8.2
	August	23.5	10.0	1.9	3.0	2.3	3.6	3.5	5.6	5.8	6.6	8.2
	September	23.0	10.0	1.9	3.0	2.3	3.6	3.5	5.4	6.0	6.8	8.3
	October	24.4	9.8	1.9	3.0	2.3	3.4	3.3	5.3	6.0	6.9	8.5
	November	24.0	9.8	1.9	3.0	2.3	3.5	3.3	5.1	6.2	7.2	8.6
	December	23.6	9.8	1.9	3.0	2.3	3.5	3.3	5.3	6.6	7.6	9.1

Source: Bank of Zambia

Kwacha/ US Dollar Exchange Rates, Dec 2011 - Dec 2018

Table 10

Period		Bank of Zambia			Bureau Rates		
	Monthly Average	Buying	Selling	Mid	Buying	Selling	Mid
2011	December	5,107.3	5,127.3	5,117.3	5,068.7	5,153.5	5,111.1
2012	December	5,198.5	5,229.0	5,208.5	5,243.3	5,323.6	5,283.5
2013	December	5.5	5.5	5.5	5.1	5.1	5.1
2014	December	6.3	6.3	6.3	6.3	6.4	6.4
2015	December	10.8	10.8	10.8	10.6	10.8	10.7
2016	December	9.8	9.9	9.8	9.8	10.0	9.9
2017	January	9.9	9.9	9.9	9.9	10.0	10.0
	February	9.7	9.8	9.8	9.8	10.0	9.9
	March	9.6	9.6	9.6	9.6	9.8	9.7
	April	9.4	9.5	9.4	9.5	9.7	9.6
	May	9.2	9.3	9.3	9.3	9.4	9.2
	June	9.2	9.3	9.3	9.2	9.4	9.3
	July	8.9	9.0	8.9	9.0	9.1	9.0
	August	9.0	9.0	9.0	9.0	9.1	9.0
	September	9.4	9.4	9.4	9.3	9.5	9.4
	October	9.7	9.8	9.8	9.7	9.8	9.8
	November	10.0	10.1	10.0	10.0	10.1	10.0
	December	10.0	10.1	10.0	10.0	10.2	10.1
2018	January	9.8	9.9	9.9	9.8	10.0	9.9
	February	9.8	9.8	9.8	9.8	9.9	9.8
	March	9.6	9.6	9.6	9.7	9.8	9.7
	April	9.5	9.5	9.5	9.5	9.6	9.6
	May	10.1	10.1	10.1	10.0	10.1	10.1
	June	10.0	10.1	10.0	10.0	10.2	10.1
	July	9.9	9.9	9.9	9.8	10.0	9.9
	August	10.1	10.1	10.1	10.0	10.2	10.1
	September	10.9	10.9	10.9	10.6	10.7	10.7
	October	11.9	11.9	11.9	11.9	12.1	11.6
	November	11.8	11.9	11.8	11.7	11.9	11.8
	December	11.9	11.9	11.9	11.8	12.0	11.8

Source: Bank of Zambia

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

* Effective 1st January, 2013 the Zambian Kwacha was rebased by K1000.

Commercial Banks Foreign Exchange Rates, Jan 2016 - Dec 2018 | Table 11

Date	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR		
Monthly Avg.	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
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
2018																
January	9.8	9.9	9.9	9.9	9.8	9.9	9.9	13.6	13.7	13.6	12.0	12.1	12.0	0.8	0.8	0.8
February	9.7	9.9	9.8	9.8	9.8	9.8	9.8	13.6	13.7	13.7	12.1	12.1	12.1	0.8	0.8	0.8
March	9.5	9.7	9.6	9.6	9.6	9.6	9.6	13.4	13.4	13.4	11.8	11.9	11.8	0.8	0.8	0.8
April	9.4	9.6	9.5	9.6	9.5	9.5	9.5	13.4	13.4	13.4	11.7	11.7	11.7	0.8	0.8	0.8
May	10.0	10.2	10.1	10.1	10.1	10.1	10.4	13.6	13.7	13.6	11.9	12.0	11.9	0.8	0.8	0.8
June	10.0	10.1	10.0	10.1	10.0	10.1	10.0	13.3	13.4	13.3	11.7	11.8	11.7	0.8	0.8	0.8
July	9.8	10.0	9.9	9.9	9.9	9.9	9.9	13.0	13.1	13.0	11.5	11.6	11.6	0.7	0.7	0.7
August	10.0	10.2	10.1	10.1	10.1	10.1	10.1	13.0	13.0	13.0	11.6	11.7	11.6	0.7	0.7	0.7
September	10.8	11.0	10.9	11.0	10.9	11.0	11.1	14.3	14.3	14.3	12.7	12.8	12.8	0.7	0.7	0.7
October	11.9	12.0	11.9	11.9	11.9	11.9	11.9	15.5	15.5	15.5	13.7	13.7	13.7	0.8	0.8	0.8
November	11.7	11.9	11.8	11.9	11.8	11.9	11.8	15.2	15.3	15.3	13.4	13.5	13.5	0.8	0.8	0.8
December	11.8	12.0	11.9	12.0	11.9	11.9	11.9	15.1	15.1	15.1	13.5	13.7	13.6	0.8	0.8	0.8

Source: Bank of Zambia

Foreign Exchange Transactions (US$ Million), Dec 2010 - Dec 2018

Table 12

Period		Bank of Zambia Inflows			Bank of Zambia Outflows				Gross
			Other	Donor		Other	GRZ Debt	GRZ	International
		Mines	Non-GRZ	Inflows	Dealing	Non-GRZ	Servicing	Other Uses	Reserves
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
2018	January	0.0	38.6	8.2	4.0	9.8	160.7	58.0	1915.6
	February	0.0	30.7	9.1	-10.0	78.9	18.8	0.0	1867.8
	March	0.0	25.9	6.7	-20.0	28.2	117.6	-20.0	1787.9
	April	0.0	34.0	13.0	-114.0	23.2	153.3	-6.1	1778.5
	May	0.0	50.3	17.4	0.0	58.7	36.3	0.4	1750.9
	June	23.3	35.7	23.9	-52.0	26.3	41.3	2.4	1816.0
	July	0.0	57.4	9.7	-52.0	11.6	151.1	0.7	1770.9
	August	0.0	20.8	7.4	-38.0	22.8	85.7	3.5	1725.5
	September	0.0	47.8	2.3	0.0	21.0	1.6	9.5	1630.6
	October	0.0	48.5	5.4	-29.0	17.2	90.2	7.4	1598.6
	November	0.0	52.2	2.5	0.0	17.0	27.6	0.7	1608.0
	December	0.0	44.8	8.5	0.0	11.5	74.9	2.6	1569.2

Source: Bank of Zambia

Percentage Changes in the Consumer Price Indices (2009 weights - Base 2009 = 100), Jan 2016 - Dec 2018 | Table 13

	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
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
2018									
January	203.2	199.7	207.1	6.2	4.6	8.1	1.0	1.0	1.0
February	204.9	202.1	208.1	6.1	4.6	7.9	0.9	1.2	0.5
March	207.6	204.9	210.8	7.1	5.8	8.7	1.3	1.4	1.3
April	208.9	206.8	211.4	7.4	6.5	8.4	0.6	0.9	0.3
May	209.8	207.6	212.4	7.8	6.9	8.9	0.4	0.4	0.5
June	210.4	208.2	212.8	7.4	7.5	7.3	0.2	0.3	0.2
July	210.9	208.8	213.4	7.8	8.1	7.6	0.3	0.3	0.3
August	211.5	209.4	214.0	8.1	8.3	7.8	0.3	0.3	0.3
September	211.9	209.6	214.6	7.9	8.6	7.3	0.2	0.1	0.3
October	213.4	210.1	217.3	8.3	8.3	8.3	0.7	0.3	1.2
November	215.4	212.1	219.1	7.8	8.4	7.0	0.9	1.0	0.8
December	217.0	213.8	220.7	7.9	8.1	7.6	0.8	0.8	0.7

Source: Central Statistical Office

Treasury Bill Transactions (K' Million), Dec 2010 - Dec 2018

Table 14

		Treasury Bills Tender Sales					Settlement		Special Taps &		Total
	Period	91 Days	182 Days	73 Days	364 Days	Total Sales	value	Maturites	Of -Tender Sales	Re-discounts	Outstanding Bills
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
2018	January	41,940.0	13,992.0	146,030.0	1,716,550.0	1,918,512.0	1,661,610.1	993,434.0	0.0	0.0	20,545,806.4
	February	116,679.0	87,994.0	1,685.0	1,906,099.0	2,112,457.0	1,839,472.4	1,663,733.0	0.0	0.0	20,781,399.4
	March	286,681.0	322,695.0	111,215.0	2,301,762.0	3,022,353.0	2,646,418.3	2,453,238.0	0.0	0.0	20,287,537.4
	April	16,554.0	58,485.0	4,530.0	524,666.0	604,235.0	521,988.8	212,511.0	0.0	0.0	20,458,237.4
	May	18,726.0	68,336.0	0.0	744,850.0	831,912.0	715,567.3	875,205.0	0.0	0.0	20,278,566.4
	June	54,025.0	5,004.0	12,725.0	640,510.0	712,264.0	611,701.3	1,340,161.0	0.0	0.0	19,221,162.4
	July	26,680.0	33,180.0	150.0	973,305.0	1,033,315.0	879,354.3	1,315,992.0	0.0	0.0	18,694,672.4
	August	168,568.0	333,443.0	622,880.0	1,255,727.0	2,380,618.0	2,072,389.4	2,575,221.0	0.0	0.0	18,273,947.4
	September	109,311.0	163,450.0	262,770.0	1,657,132.5	2,192,663.5	1,857,294.3	2,054,640.0	0.0	0.0	17,469,018.4
	October	133,470.0	3,165.0	159,545.0	615,625.0	911,805.0	772,896.7	810,990.0	0.0	0.0	17,794,641.9
	November	65,916.0	1,670.0	73,150.0	906,372.0	1,047,108.0	1,133,815.7	1,078,740.5	0.0	0.0	17,466,105.9
	December	208,102.0	217,886.0	408,240.0	1,504,949.6	2,339,177.6	2,089,999.5	335,975.0	0.0	0.0	17,515,488.9

Source: Bank of Zambia

GRZ Bonds Outstanding (K' Million), Jan. 2016 - Dec. 2018 Table 15

End of period		By Holder		
		Commercial banks	Others[1]	Total Outstanding
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
2018	January	4,791,696.3	14,631,714.6	19,423,410.9
	February	5,489,952.4	15,397,339.3	20,887,291.7
	March	5,011,501.9	15,875,788.8	20,887,290.7
	April	5,839,548.7	16,719,096.4	22,558,645.2
	May	5,785,925.0	16,645,868.7	22,431,793.6
	June	5,929,823.7	16,501,970.0	22,431,793.7
	July	6,283,361.5	17,606,078.4	23,889,439.9
	August	6,289,002.4	20,016,417.2	26,305,419.6
	September	5,943,013.1	21,195,494.4	27,138,507.6
	October	5,939,325.8	21,938,157.1	27,877,482.9
	November	5,955,483.5	22,629,960.1	28,585,443.6
	December	5,886,095.6	23,317,926.3	29,204,021.9

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

Metal Production and Exports (Metric Tonnes), 2010 - 2018 — Table 16

End of period		Copper		Cobalt	
		Exports	Production	Exports	Production
2010		829,727.8	852,566.3	8,640.9	8,648.0
2011		832,215.6	833,449.7	7,830.7	7,701.6
2012		903,137.4	824,976.6	10,029.3	5,434.9
2013		976,305.7	997,822.8	5,880.8	5,919.4
2014		1,146,315.4	708,259.4	4,562.2	n/a
2015		1,022,096.5	710,860.2	2,978.8	n/a
2016	January	88,014.7	64,181.0	374.0	n/a
	February	73,222.4	55,649.7	196.8	n/a
	March	72,106.6	63,323.9	560.3	n/a
	April	66,804.0	59,611.5	642.7	n/a
	May	82,730.1	61,073.8	376.6	n/a
	June	83,612.0	69,536.8	288.6	n/a
	July	80,496.9	70,500.5	237.7	n/a
	August	65,908.3	65,852.4	408.5	n/a
	September	67,593.1	65,052.1	494.9	n/a
	October	86,452.1	61,738.9	714.5	n/a
	November	79,906.1	68,381.9	472.4	n/a
	December	80,105.1	63,546.5	509.0	n/a
	Total	**926,951.4**	**768,449.0**	**5,276.1**	**n/ a**
2017	January	84,484.8	57,157.1	366.9	n/a
	February	87,125.1	53,390.1	231.0	n/a
	March	88,066.1	56,100.0	230.0	n/a
	April	87,307.1	66,267.4	132.0	n/a
	May	82,402.0	61,510.4	225.0	n/a
	June	83,718.9	69,237.8	129.0	n/a
	July	78,604.2	70,419.2	265.0	n/a
	August	86,819.7	71,023.0	264.0	n/a
	September	61,997.8	66,917.8	197.0	n/a
	October	77,712.7	72,740.8	211.0	n/a
	November	101,154.0	68,717.1	198.0	n/a
	December	100,030.6	73,250.7	200.0	n/a
	Total	**1,019,423.0**	**786,731.4**	**2,648.9**	**n/ a**
2018	January	100,002.8	65,670.4	165.0	n/a
	February	86,752.2	64,022.1	132.0	n/a
	March	85,351.4	70,336.7	100.0	n/a
	April	78,660.2	63,657.5	99.0	n/a
	May	80,640.4	69,861.7	198.0	n/a
	June	94,473.8	77,370.5	165.0	n/a
	July	91,126.1	76,444.2	165.0	n/a
	August	97,572.5	69,734.9	132.0	n/a
	September	86,654.2	73,951.5	132.0	n/a
	October	77,759.4	77,359.3	66.0	n/a
	November	79,631.0	69,783.2	99.0	n/a
	December	78,746.7	72,896.8	132.0	n/a
	Total	**1,037,370.7**	**851,088.9**	**1,585.0**	**n/ a**

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

Bank *of* Zambia