Bank of Zambia

ANNUAL REPORT 2022

Bank of Zambia

REGISTERED OFFICES

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

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

Bank of Zambia


BANK OF ZAM

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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


FELIZ

BOARD OF DIRECTORS

AS AT DECEMBER 31, 2022

DR. DENNY H. KALYALYA
GOVERNOR AND CHAIRPERSON

MS. PAMELA KASESE BWALYA
NON-EXECUTIVE DIRECTOR/
VICE CHAIRPERSON

DR. PATRICIA N. SHANSONGA KAMANGA
NON-EXECUTIVE DIRECTOR

MS. SARAH S. TEMBO ROSS
NON-EXECUTIVE DIRECTOR

MR. SHEBO NALISHEBO
NON-EXECUTIVE DIRECTOR

MR. CAESAR CHEELO
NON-EXECUTIVE DIRECTOR

PROF. DOUGLAS KUNDA
NON-EXECUTIVE DIRECTOR

MR. MULELE M. MULELE
EX-OFFICIO

EXECUTIVE

SENIOR MANAGEMENT AS AT 31 DECEMBER 2022

DR. DENNY H. KALYALYA
GOVERNOR

DR. FRANCIS CHIPIMO
DEPUTY GOVERNOR - OPERATIONS

MS. REKHA CHIFUWE MHANGO
DEPUTY GOVERNOR - ADMINISTRATION

DIRECTORS

SENIOR MANAGEMENT AS AT 31 DECEMBER 2022

DR. JONATHAN M. CHIPILI
DIRECTOR - ECONOMICS

MR. ISAAC MUHANGA
DIRECTOR - FINANCIAL MARKETS

MS. GLADYS MPOSHA CHIWELE
DIRECTOR - BANK SUPERVISION

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

MS. MIRRIAM KAMUHUZA
DIRECTOR - PAYMENT SYSTEMS

MR. VISSCHER BBUKU
DIRECTOR – BANKING AND CURRENCY

MS. MWABA KASESE
DIRECTOR - REGIONAL OFFICE

MR. LAZAROUS KAMANGA
DIRECTOR – STRATEGY AND CHANGE MANAGEMENT

MS. NAMWANDI NDHLOVU
GENERAL COUNSEL AND BANK SECRETARY

DIRECTORS

SENIOR MANAGEMENT AS AT 31 DECEMBER 2022

MR. DAVID MWAPE
DIRECTOR - PROCUREMENT AND MAINTENANCE SERVICES

MR EMMANUEL MALUKUTILA
ACTING DIRECTOR - FINANCE

MR. ROY SIKWIBELE
DIRECTOR - INTERNAL AUDIT

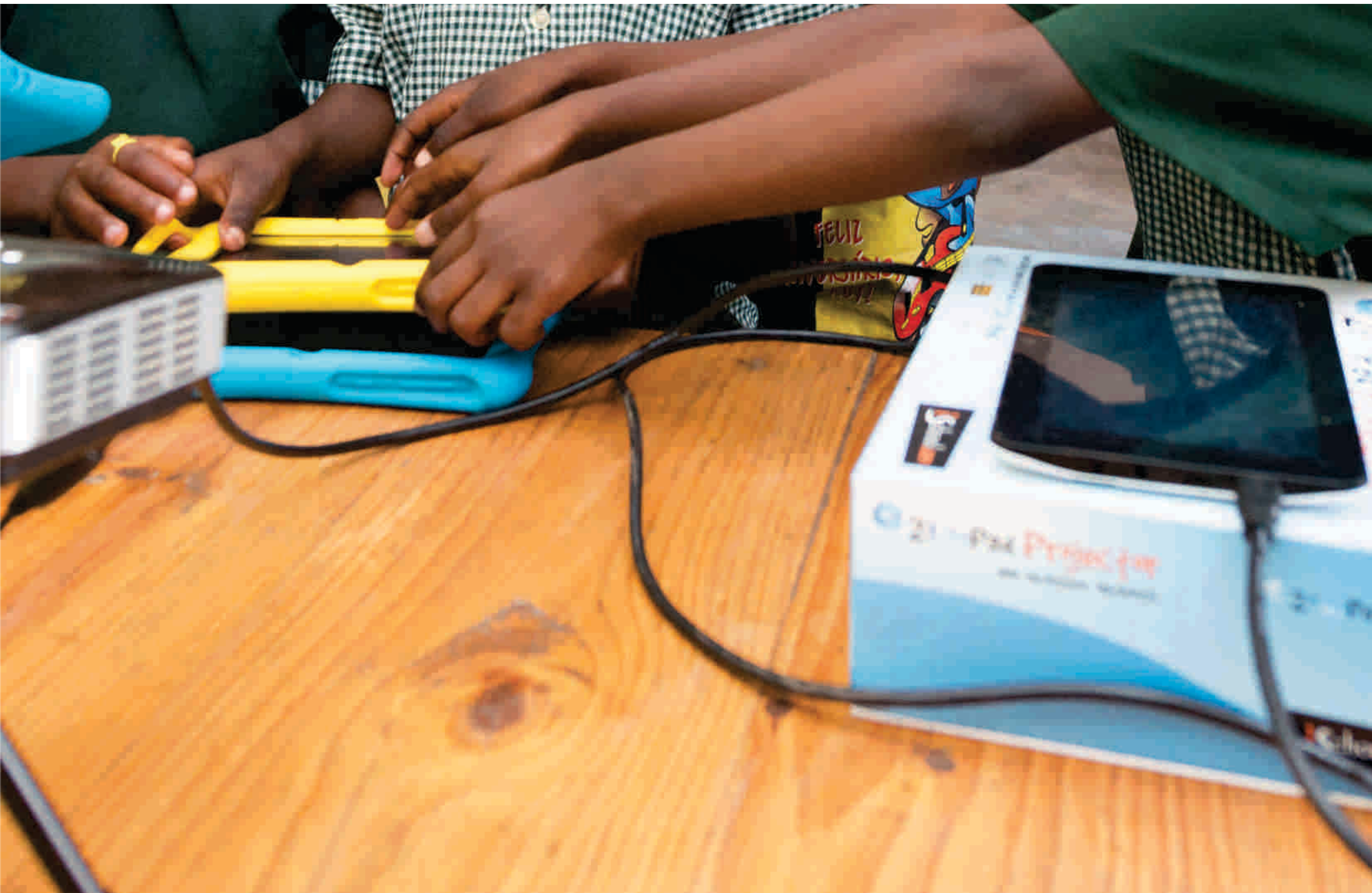
MS. MUMBI KANDEKE MWILA
DIRECTOR - HUMAN RESOURCES

DR. GREGORY NSOFU
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MR. EVANS LUNETA
DIRECTOR – RISK AND COMPLIANCE

MR. NAYOTO MOOLA
DIRECTOR - SECURITY

GOVERNOR'S OVERVIEW



GOVERNOR'S OVERVIEW

This Report reviews global and domestic macroeconomic developments in 2022 and outlines activities undertaken by the Bank of Zambia (BoZ or the Bank) in fulfilling its primary mandate of price and financial system stability. In addition, the Report provides an update on the implementation of the 2020-2023 Strategic Plan. Audited financial statements of the Bank for the year ended December 31, 2022 are also presented and a statistical annex is included.

Inflationary pressures somewhat receded in 2022 and inflation ended the year at 9.9 percent, in line with the single digit target for the year, from 16.4 percent in December 2021. The appreciation of the Kwacha against the US dollar, particularly during the first eight months of the year; dissipation of past shocks to prices of some items in the consumer price index (CPI); as well as improved supply of vegetables and fruits were key in driving inflation down.

In view of the aforesaid and the continuous fall in inflation and projections that it would revert into the 6-8 percent medium-term target band resulted in the Monetary Policy Committee maintaining the Monetary Policy Rate at 9.0 percent throughout the year. In arriving at this interest rate decision, the Committee also considered some vulnerabilities in the financial sector mostly related to public debt distress, heightened interconnectedness between the Government sector and banking system (*sovereign-bank nexus*), and high concentration of credit on the balance sheet of financial institutions. The foregoing notwithstanding, the Bank was mindful of the upside risks to the inflation forecast that included tighter global financial conditions, adverse spillovers from the prolonged Russia-Ukraine war, and lingering COVID-19 effects. However, it was noted that progress made in the implementation of fiscal consolidation and structural reforms would have a moderating impact on the inflation outcome. Further, support was expected under the International Monetary Fund (IMF) Extended Credit Facility (ECF) arrangement and the commencement of external debt restructuring discussions with the Official Creditor Committee (OCC) under the G20 Common Framework as well as the other creditors, notably Eurobond creditors.

Underlying the appreciation of the Kwacha during the first eight months of the year were mostly high supply of foreign exchange and favourable market sentiments arising from stronger prospects of securing and eventual approval of an IMF ECF on August 31. However, demand pressures emerged in September, mainly relating to the procurement of agricultural and petroleum products and these intensified in the fourth quarter amid low foreign exchange supply, particularly from the mining sector. In addition, foreign financial institutions, that had typically been suppliers of foreign exchange, were more pronounced on the demand side as they divested from the domestic Government securities market. This resulted in the Kwacha depreciating by 8.4 percent to K18.07 between September and December. For the year as a whole, the Kwacha depreciated by 4.8 percent against the US dollar.

Owing to net Government spending and redemption of Treasury bills and Government bonds, money market liquidity conditions remained relatively loose. The latter was mainly driven by tightened global financial conditions, especially in the United States of America which saw a rise in interest rates thus offering investors in that market better returns than in developing and emerging market economies, that include Zambia. The other factor was the uncertainty around the treatment of non-resident holders (NRH) of domestic debt in the ongoing debt restructuring. The loose domestic liquidity conditions exerted downward pressure on the overnight interbank rate and prompted the Bank to undertake contractionary open market operations to steer it towards the Policy Rate and keep it within the Monetary Policy Rate Corridor. Much as participation of the NRH in Government securities market declined, demand for Treasury bills by domestic players strengthened owing to the loosened liquidity conditions. As a result, the weighted average yield rate for Treasury bills fell to

13.3 percent in December 2022 from 14.2 percent a year earlier. In contrast, however, demand for Government bonds was subdued as investors, particularly non-residents, remained cautious of the heightened risks associated with protracted debt restructuring negotiations. Accordingly, the weighted average yield rate for Government bonds rose marginally to 22.5 percent from 21.9 percent. Commercial banks' nominal average lending and deposit rates for amounts exceeding K20,000 remained sticky in 2022, hovering around 25.0 percent and 7.1 percent, respectively.

Domestic credit grew relatively stronger in 2022, rising by 18.7 percent compared to 8.6 percent in 2021. This was largely driven by increased lending in foreign currency to the private sector, Credit demand emanated from the manufacturing; mining and quarrying; wholesale and retail; transport, storage and communication; as well as agriculture sectors, mainly for capital investment and working capital requirements. Procurement of agricultural inputs under the Farmer Input Support Programme (FISP) also contributed to demand for credit.

The overall financial performance and condition of the banking and non-bank financial institutions sectors was rated *satisfactory* as at end-December 2022. Favourable capital adequacy, asset quality, earnings performance and liquidity conditions continued to underpin the *satisfactory* rating. In addition, the performance of the national payment systems continued to be satisfactory in 2022. This was reflected in high availability levels of the systemically important payment systems as well as the significant overall increase in the value and volume of transactions processed. Further, the usage of digital financial services was sustained on account of stepped up sensitisation campaigns. Notable in this regard was the launch of *Go-Cashless Campaign* in November to create awareness on the need to adopt digital means of accessing and using financial services in a secure manner. The introduction of additional mobile payments use cases on the National Financial Switch also contributed to increased usage of digital financial services.

Preliminary data indicate a further decline in the cash fiscal deficit in 2022 to 7.8 percent of GDP from 9.0 percent in 2021. However, this outturn was above the target of 6.7 percent, mostly due to the need to finance the purchase of agricultural inputs, particularly fertilisers, following the escalation of prices induced by the Russia-Ukraine war as well as higher outlays on social benefits, and domestic arrears. Expenditure on external debt service remained relatively low in 2022 as Zambia pursued debt negotiations under the G20 Common Framework for debt treatment.

At global level, growth decelerated sharply to 3.4 percent in 2022 from a strong recovery of 6.2 percent in 2021. Growth was adversely affected by the Russia-Ukraine war, efforts to curb persistent and broadening inflationary pressures, as well as weak growth in China occasioned by the resurgence of COVID-19 cases and a property sector crisis. Inflation accelerated and reached a four-decade high in some countries as energy and food prices soared, compounded by the supply disruptions occasioned by the Russia-Ukraine war.

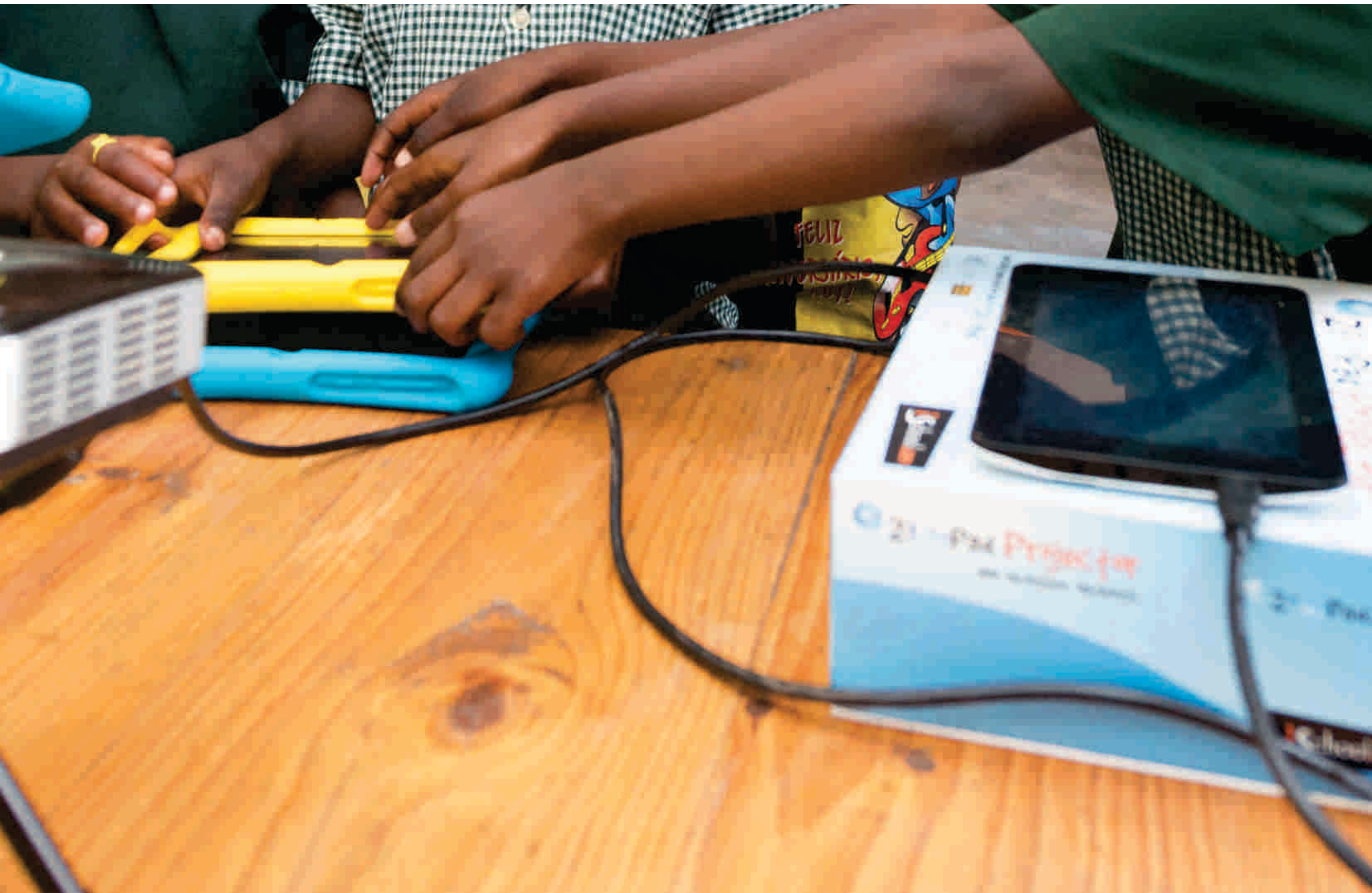
The external position—measured in terms of the overall balance of payments position— deteriorated in 2022 as a deficit of US$1.3 billion (4.8 percent of GDP) was recorded against a surplus of US$1.5 billion (5.2 percent in GDP) in 2021. This was largely on account of a sharp decline in the *current account* surplus and significant widening in the *financial account* deficit. The recognition of principal repayment due on Government debt largely explains the huge deficit on the *financial account,* while the *current account* surplus reduced markedly on account of the decline in net merchandise exports as imports surged while export earnings were subdued in part due to lower copper prices and output. The deficit on the *services account* also expanded due to higher expenditure on passenger transportation.

The Bank made notable progress in implementing activities in the 2020-2023 Strategic Plan. An overall completion rate of 74.7 percent was achieved in 2022 compared to 51.0 percent in 2021. The easing of some COVID-19 restrictions contributed to the improved completion rate although some of the adverse effects continued to weigh on the Bank's implementation efforts. The latter notwithstanding, the overall risk profile improved further as the implementation of risk management action plans and awareness programmes were heightened to protect employees and other stakeholders from the effects of the COVID-19 pandemic and other emerging threats. The Bank also continued to enjoy a cordial industrial relations atmosphere.

The Board carried out its duties in accordance with the mandate. Significant decisions included the approval of Micro Prudential Stress Testing Policy; Supervision and Resolution of Problem Institutions Policy; Compliance Policy, Information, Communications and Technology Governance Policy; Gender Policy (Revised); and Staff Loans and Advances Policy (Revised).

DR. DENNY H. KALYALYA
GOVERNOR

1.0 STATEMENT ON CORPORATE GOVERNANCE



1.0 STATEMENT ON CORPORATE GOVERNANCE

The Bank of Zambia Board of Directors, established under Article 213(3) ofthe Constitution of Zambia (Amendment) Act No. 2 of 2016, is vested with all the powers of the Bank and is responsible for formulating the policies of the Bank. The Board comprises the Governor, six Non-Executive Directors (NED) and a representative of the Secretary to the Treasury (ST) as an ex-officio member (Table 1.1).

Table 1.1: Board of Directors

Name	Position
Dr. Denny H. Kalyalya	Chairperson
Ms. Pamela K. Bwalya	Non-Executive Director /Vice Chairperson
Mr. Caesar Cheelo	Non-Executive Director
Dr. Patricia S. Kamanga	Non-Executive Director
Prof. Douglas Kunda	Non-Executive Director
Mr. Shebo Nalishebo	Non-Executive Director
Ms. Sarah T. Ross	Non-Executive Director
Mr. Mulele M. Mulele	Ex-Officio Member (representing Secretary to the Treasury)

The Board has three Standing Committees: Audit and Finance (AFC), Appointments and Remuneration (ARC), Governance and Risk (GRC), The roles and functions of the Committees are defined in their respective Charters. The Committees meet at least once a quarter and their composition was as presented in Table 1.2.

Table 1.2: Composition of Board Committees

Audit and Finance	Appointments and Remuneration	Governance and Risk
Ms. Sarah T. Ross *	Dr. Patricia S. Kamanga*	Mr. Caesar Cheelo *
Ms. Pamela K. Bwalya	Ms. Pamela K. Bwalya	Ms. Sarah T. Ross
Prof. Douglas Kunda	Mr. Shebo Nalishebo	Dr. Patricia S. Kamanga
Mr. Shebo Nalishebo**	Mr. Mulele M. Mulele	Mr. Mulele M. Mulele**
		Prof. Douglas Kunda

*Chairperson
**From 15th December 2022

In addition, the Board has a Monetary Policy Advisory Committee (MPAC) to facilitate consultation, promote transparency, and provide advice to the Bank on monetary policy issues. This Committee meets bi-annually to consider and approve on behalf of the Board the two half-yearly Monetary Policy Statements. The composition of MPAC was as presented in Table 1.3.

Table 1.3: Composition Of MPAC

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

A summary of attendance to Board and Committee Meetings as at end-December 2022 is provided in Tables 1.4 and 1.5.

Table 1.4: Board Meetings

Name	Position	Statutory Meetings	Special Meetings	Attendance Percent
Dr. Denny H. Kalyalya	Chairperson	4/4	3/3	100
Ms. Pamela K. Bwalya	Vice Chairperson	3/4	2/3	71
Mr. Caesar Cheelo	NED	3/4	3/3	86
Dr. Patricia S. Kamanga	NED	4/4	3/3	100
Prof. Douglas Kunda	NED	4/4	3/3	100
Mr. Shebo Nalishebo	NED	4/4	3/3	100
Ms. Sarah T. Ross	NED	4/4	3/3	100
Mr. Mulele M. Mulele	Ex-Officio	4/4	3/3	100

Table 1.5: Board Committee and MPAC Meetings

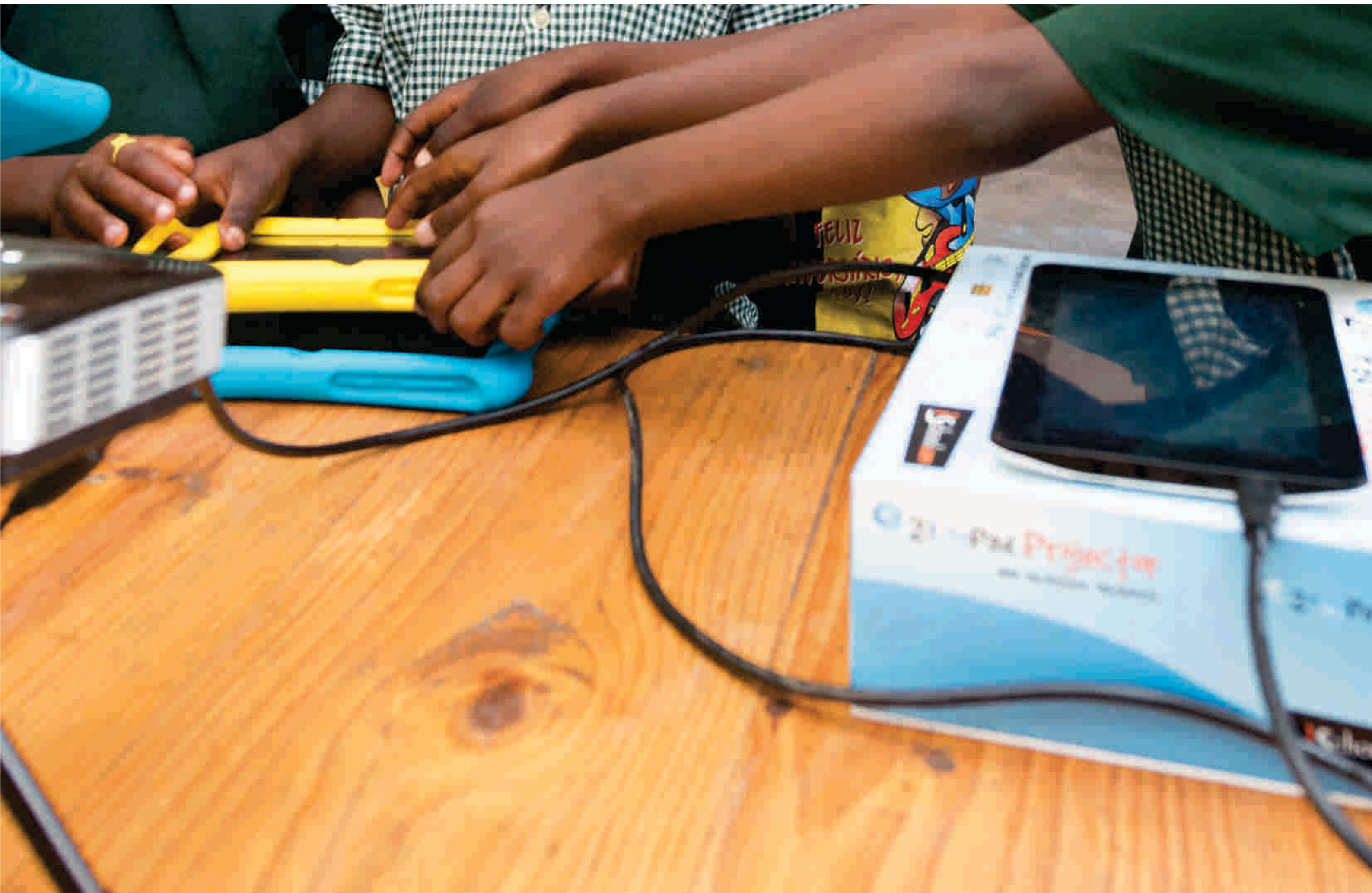
Name	Position	ARC Regular and Special Meetings	AFC Regular and Special Meetings	GRC Regular Meetings	MPAC Regular Meetings	Attendance Percent
Dr. Denny H. Kalyalya	Chairperson				1/1	100
Ms. Pamela K. Bwalya	Vice Chairperson	5/5	7/8			92
Mr. Caesar Cheelo	NED			4/4	0/1	80
Dr. Patricia S. Kamanga	NED	5/5		4/4		100
Prof. Douglas Kunda	NED		8/8	4/4		100
Mr. Shebo Nalishebo	NED	5/5		4/4		100
Ms. Sarah T. Ross	NED		8/8	4/4		100
Mr. Mulele M. Mulele	Ex-Officio	5/5	6/8			85
Dr. Francis Chipimo	Deputy Governor - Operations				1/1	100
Ms. Rekha C. Mhango	Deputy Governor - Administration				1/1	100
Dr. Dale Mudenda	External Member				1/1	100
Dr. Chanda M.G. Shikaputo	External Member				1/1	100
Mr. Mukuli Chikuba	External Member				1/1	100

Key decisions passed by the Board in 2022 included approval of the following Bank Policies: Micro Prudential Stress Testing Policy; Supervision and Resolution of Problem Institutions Policy; Compliance Policy; Information, Communications and Technology Governance Policy; Gender Policy (Revised); and Staff Loans and Advances Policy (Revised).

As part of its corporate social responsibility, the Bank continued to support various humanitarian, educational, sporting and health related activities in 2022. In this regard, K948,930 was disbursed to various institutions.

On July 29, 2022, the Republican President assented to the new Bank of Zambia Act No. 05 of 2022. The Minister of Finance and Planning was yet to issue the Commencement Order. The new Act replaces the Bank of Zambia Act No.43 of 1996. In line with the operational autonomy conferred by the Constitution, the Act provides for enhanced monetary policy credibility as well as corporate governance, in particular transparency and accountability of the Bank. Further, the Act provides for the establishment of the Monetary Policy Committee and the Financial Stability Committee to be responsible for the formulation of monetary policy and superintend over the formulation of macro prudential policies, respectively.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

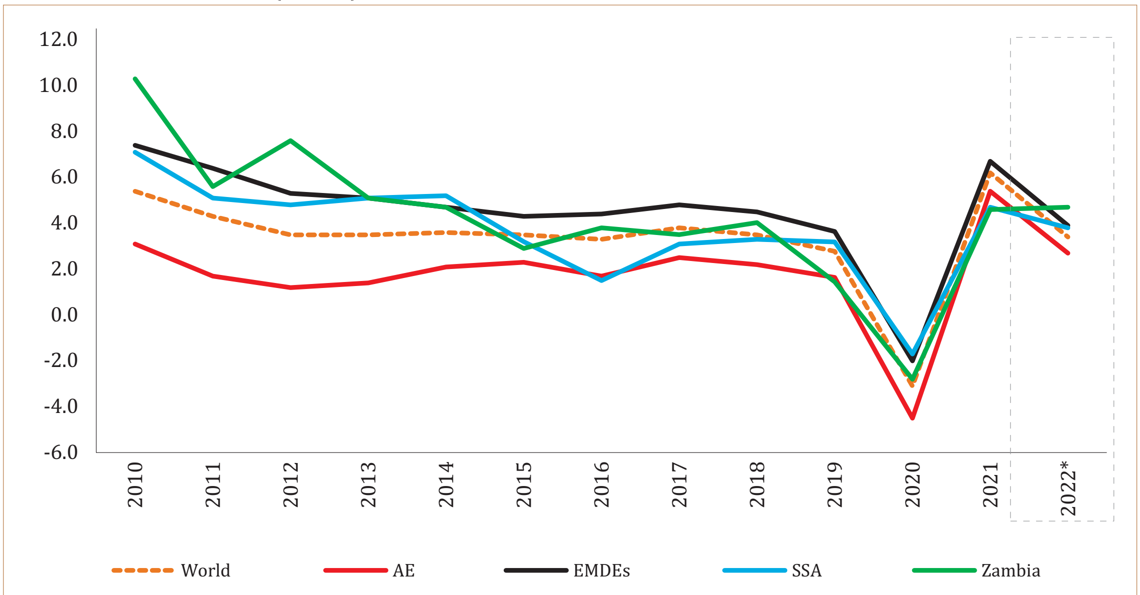


2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Growth

Global growth decelerated sharply in 2022 to 3.4 percent[1] from a strong recovery of 6.2 percent in 2021 (Chart 2.1; Table 2.1). Growth was adversely affected by the Russia-Ukraine war, tightening in monetary policies in advanced economies to address persistent and broadening inflationary pressures, as well as slower growth in China occasioned by the resurgence of COVID-19 and deepened property sector crisis.

Chart 2.1: World GDP Growth (Percent), 2010–2022



Source: January 2023 IMF *World Economic Outlook* (*WEO)* Update, Bank of Zambia Compilation
Note: AE = Advanced Economies; EMDEs =Emerging Markets and Developing Economies; SSA = Sub-Saharan Africa

Table 2.1: World Real GDP and Inflation Rates (Annual Percentage Change), 2020-2022

	Real GDP			Inflation		
	2020	2021	2022*	2020	2021	2022*
World	-3.2	6.2	3.4	2.5	4.3	8.5
Advanced Economies	-4.3	5.4	2.7	0.8	3.4	7.6
United States of America (US)	-2.8	5.9	2.0	1.2	4.7	8.0
Euro Area	-6.1	5.3	3.5	0.3	2.6	8.4
United Kingdom (UK)	-9.4	7.6	4.1	0.9	2.6	9.1
Emerging Markets & Developing Countries	-1.5	6.7	3.9	na	na	na
China	2.2	8.4	3.0	2.5	0.9	2.0
Sub-Saharan Africa	-2.0	4.7	3.8	17.2	12.5	14.5
South Africa	-6.3	4.9	2.6	3.3	4.6	6.9
Nigeria	-1.8	3.6	3.0	13.2	17.0	18.8
Democratic Republic of Congo (DRC)	1.7	6.2	6.1	11.4	9.0	9.0
Zambia	-2.8	4.6	4.7	15.7	22.1	11.1

Source: IMF January 2023 WEO Update, Focus Economics, Trading Economics, Zambia Statistics Agency, Ministry of Finance and National Planning.
* Preliminary

[1]January 2023 IMF *World Economic Outlook* (WEO) Update. It is noteworthy that growth forecast for 2022 were downgraded four times in 2022 due to heightened global recessionary fears in view of higher-than-expected global inflation, which prompted aggressive monetary policy tightening by central banks in major economies; tighter global financial conditions; negative spillovers from the Russia-Ukraine war as well as lockdowns and steeper property sector crisis in China.

The Russia-Ukraine war destabilised the global economy through disruptions to commodity markets, cross-border production networks, as well as trade and financial markets. This led to a severe energy crisis in Europe as well as higher cost-of-living and soaring world food prices, and ultimately dampened economic activity. Mounting inflationary pressures triggered rapid and synchronised monetary policy rate hikes in advanced economies. This resulted in the appreciation of the US dollar against most currencies and tighter global financial conditions that contributed to the drag on demand. In addition, frequent lockdowns due to the Zero-COVID Tolerance Policy and rapid weakening of the property industry in China weighed on global growth.

At regional level, advanced economies recorded a significant reduction in growth to 2.7 percent in 2022 compared to 5.4 percent in 2021 (Table 2.1). This was largely underpinned by higher inflation that eroded household purchasing power and dented confidence and the subsequent rapid monetary policy tightening response to rein in inflation. Consequently, consumer demand was adversely affected and economic activity deteriorated.

Economic growth in emerging markets and developing economies (EMDEs) also slowed down to 3.9 percent in 2022 from 6.7 percent in 2021 (Table 2.1). This was mainly on account of elevated inflationary pressures weighing on consumer spending, tight global financial conditions, spillovers from the Russia-Ukraine war, and reduced external demand due to weaknesses in the world's largest economies. The downturn was led by China whose economic growth eased markedly to 3.0 percent in 2022 from 8.4 percent in 2021. This was mainly due to sustained strict COVID-19 measures[2] and a stressed property sector due to the restrictive Housing Policy[3], which resulted in restrained consumption, production and property investment.

Growth in the Sub-Saharan Africa (SSA) region also softened to 3.8 percent in 2022 from 4.7 percent in 2021 as high inflation, weakening external demand and tighter global financial conditions adversely affected economic activity. Rising energy and food prices, partly occasioned by the Russia-Ukraine conflict, resulted in a sharp increase in the cost-of-living across the region. As global demand for many non-energy commodities softened, the region's exporters of industrial metals were adversely affected. This reduced the fiscal space needed to support growth in several countries. Further, lower regional growth in 2022 reflects moderate business activity in Nigeria and South Africa—leading SSA economies. This was largely due to insecurity concerns in the oil industry in Nigeria as well as power shortages, weaker external demand and structural constraints in South Africa. As a result, growth in Nigeria and South Africa slowed to 3.0 percent and 2.6 percent in 2022 from 3.6 percent and 4.9 percent in 2021, respectively. Preliminary estimates show that growth in Zambia expanded further to 4.7 percent in 2022 from 4.6 percent in 2021 (Refer to Chapter 7 for more details).

2.2 Inflation

Inflationary pressures continued to accelerate in 2022 and inflation reached a four-decade high in some countries[4]. This was largely driven by soaring energy, food, and transport prices compounded by supply disruptions amid the Russia-Ukraine war. Tight labour markets in advanced economies, stronger global demand as economies initially recovered from the COVID-19 pandemic shock, and large currency depreciations (especially, in SSA and EMDEs) also contributed to upward price pressures.

[2] Due to multiple large COVID-19 outbreaks, China maintained some of the harshest COVID-19 restrictions for much of 2022 until the relaxation in November and December.

[3] The real sector market plays an important role in China and the global economy. To curb the risk the industry's debt posed to the economy, China developed a Housing Policy to restrict lending and reduce debt in the property sector by requiring that property developers meet certain conditions to qualify for refinancing.

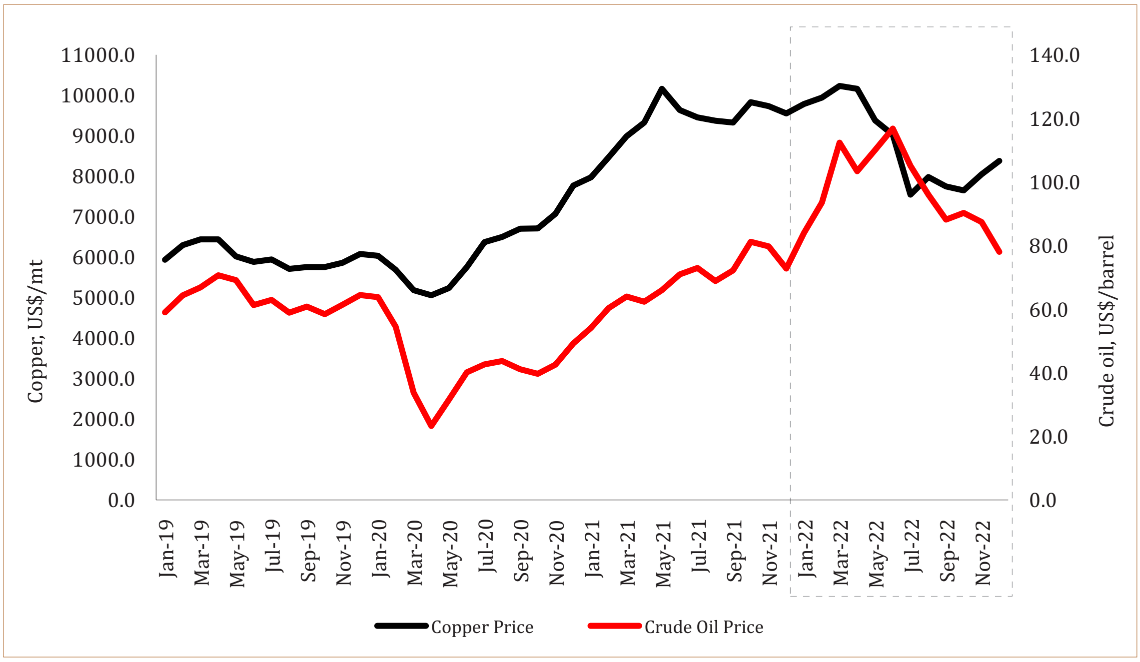
[4] In the UK and US, inflation soared to 11.1 percent in October 2022 and 9.1 percent in June 2022, respectively, the highest in 40 years while inflation in the euro area hit a historic high of 10.6 percent in October 2022.

2.3 Commodity Prices

Broadly, commodity prices surged in 2022 and peaked in the first half of the year before retreating in the second half (Charts 2.2 and 2.3). The upswing reflected supply and trade disruptions stemming from the Russia-Ukraine war and adverse weather-related supply constraints.

Crude oil prices averaged US$97.10/barrel in 2022, up from US$69.10/barrel in 2021, mainly driven by limited supply as Russian oil exports[5] significantly reduced, strategic petroleum reserves were drawn down, and output quotas by OPEC+[6] were cut. In addition, higher demand, due to planned[7] replenishment of strategic oil reserves by the US, contributed to the rise in oil prices.

Chart 2.2: Copper and Crude Oil Prices, 2019–2022



Source: The World Bank Group Pink Sheet, January 2023

Similarly, agricultural prices rallied to historic highs in the first half of the year owing to grain supply disruptions[8] in the Black Sea region—one of the most important regions for global wheat production and a huge market for maize—and weak production prospects in key producers[9]. As a result, wheat and maize prices rose sharply to US$430.00 per metric tonne (mt) and US$318.80/mt in 2022 from US$315.20/mt and US$259.50/mt in 2021, respectively. Soybean prices jumped to US$675.40/mt from US$583.30/mt over the same period. Nonetheless, agricultural commodity prices retreated in the second half of the year, primarily reflecting increased supply as exports from Ukraine resumed, but remained above the pre-Russia-Ukraine war levels (Chart 2.3).

[5]Several countries banned the importation of Russian oil in response to the Russia-Ukraine war.

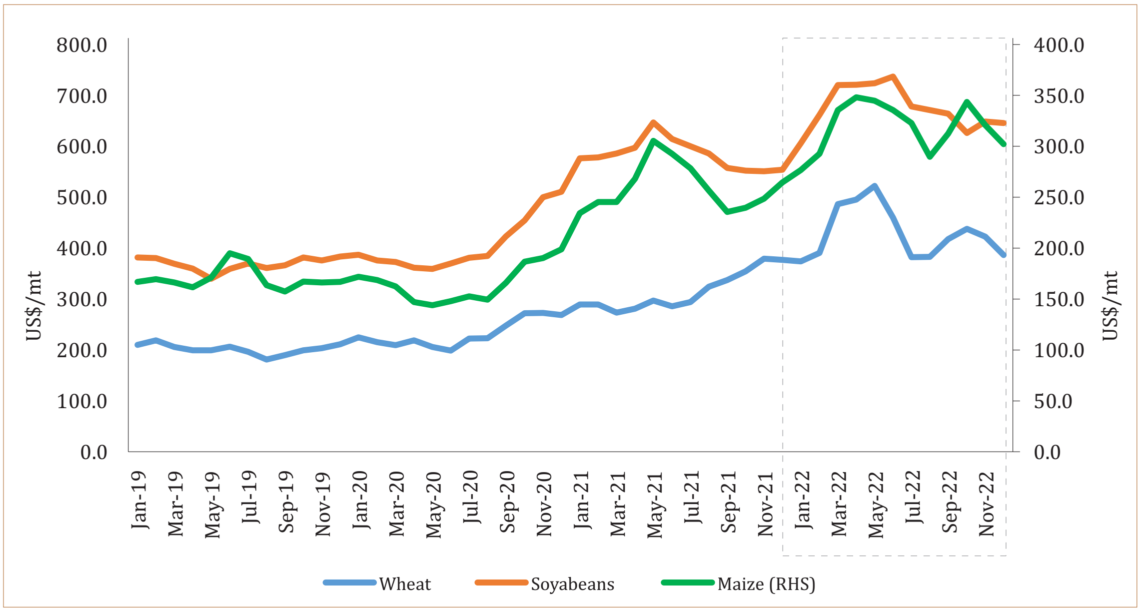
[6]OPEC+ cut production quotas by 2.0 million barrels per day due to capacity constraints by some members and in response to rising global interest rates and a weaker economy (https://www.reuters.com/business/energy/opec-heads-deep-supply-cuts-clash-with-us-2022-10-04/).

[7]On May 5, 2022, the US announced intentions to repurchase 60.0 million barrels of oil to replenish reserves with the call for bids from companies to begin in the third quarter of 2022.

[8]Heightened geopolitical tension in the Black Sea region severely disrupted grain exports from February 24 until July 22, 2022 when a UN brokered agreement to resume exports was signed between Russia and Ukraine.

[9]Pessimistic production prospects from the US, Canada, Russian Federation and Argentina linked to adverse weather conditions for both the 2023/24 winter planting season and the 2022/23 harvest period led to higher prices.

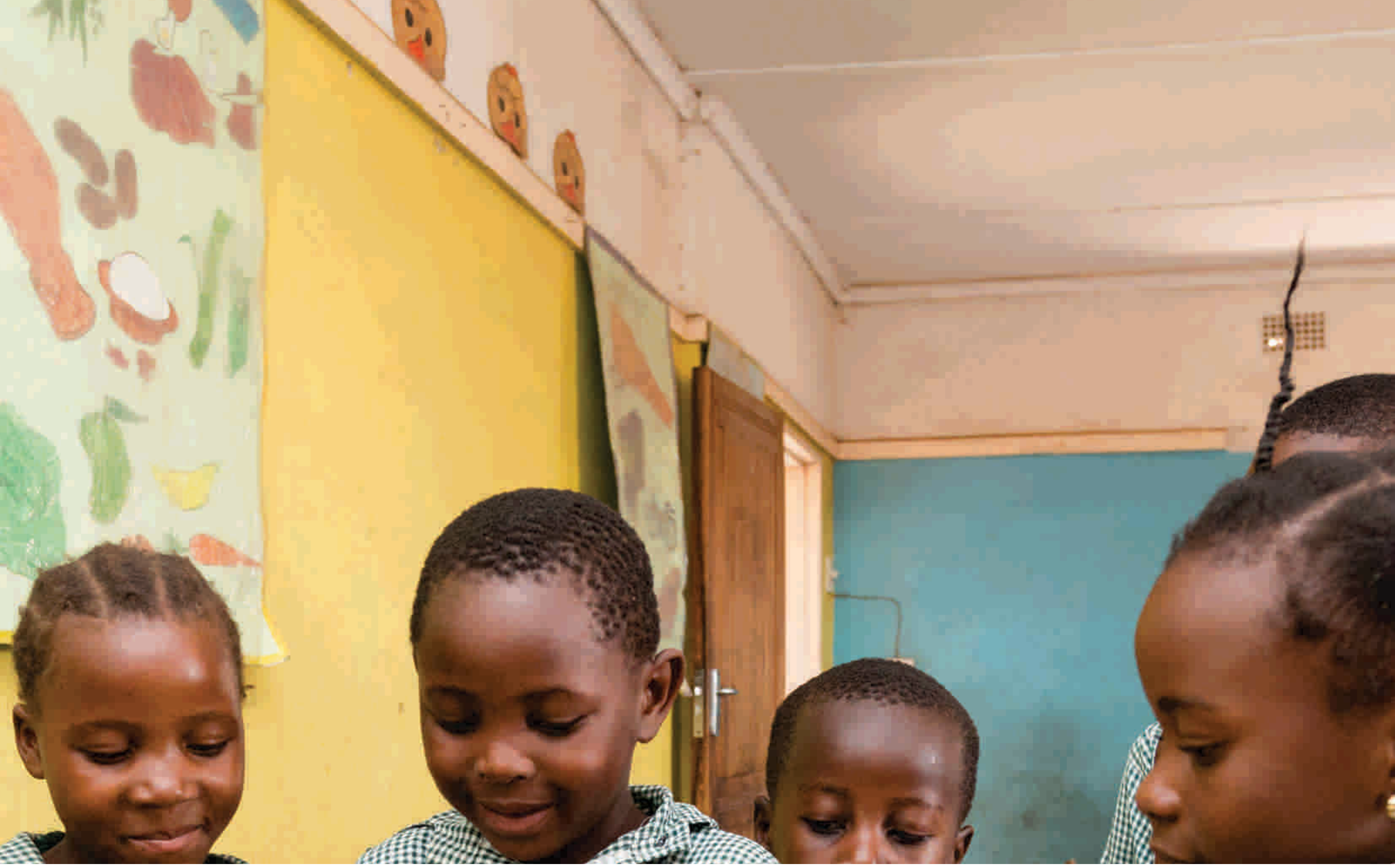
Chart 2.3: Selected Agricultural Commodity Prices, 2019–2022



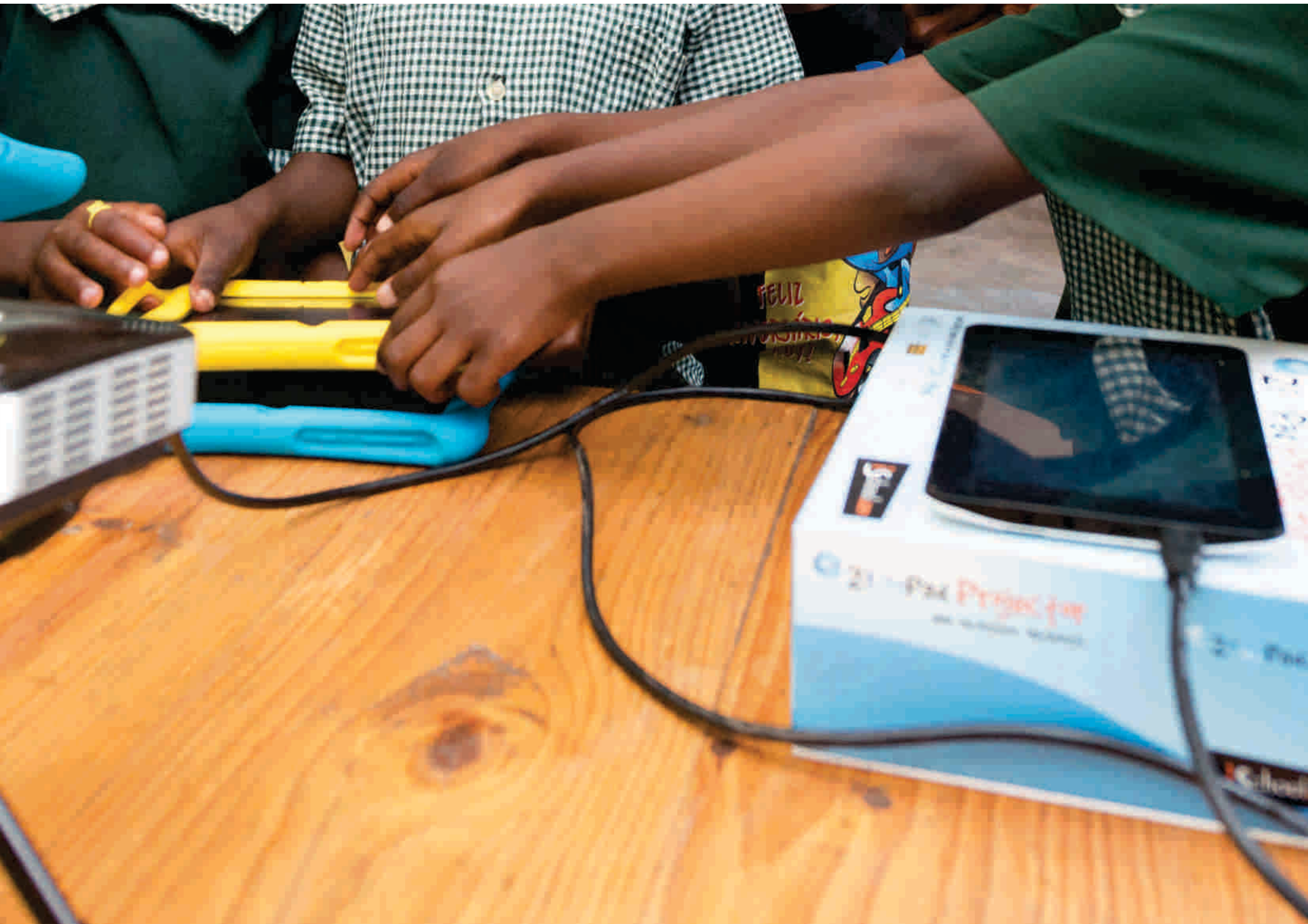
Copper prices also rallied at the beginning of the year, buoyed by strong demand in China, a reduction in inventories, lower production in Chile[10] and labour disputes in Peru (Chart 2.2). However, prices dipped in the second quarter on account of weak demand in view of tapering global economic activity, heightened global recessionary fears, slower growth in China—amid stringent COVID-19 measures and stress in the property sector—and a stronger US dollar following aggressive monetary policy tightening[11]. Consequently, copper prices fell to an average of US$8,822.40/mt in 2022 from US$9,317.10/mt in 2021.

[10]In Chile, copper production fell by 4.3 percent and 5.5 percent, year-on-year, in September and November 2022, respectively (https://www.reuters.com/markets/commodities/chile-copper-production-down-427-september-cochilco-2022-11-03/; https://www.reuters.com/world/americas/chile-copper-production-down-55-november-industrial-output-drops-78-2022-12-30/).

[11]To tame inflation, the Federal Reserve raised the benchmark interest rate by a cumulative 425 basis points in 2022, the steepest in four decades.



3.0 MACROECONOMIC OBJECTIVES AND MONETARY POLICY STANCE



3.0 MACROECONOMIC OBJECTIVES AND MONETARY POLICY STANCE

3.1 Macroeconomic Objectives

The key macroeconomic objectives for 2022 were to:

a) Attain a real GDP growth rate of at least 3.5 percent;
b) Reduce inflation to single digits by end-2022 and within the target band of 6-8 percent by mid-2023;
c) Limit international reserves to at least 3.0 months of import cover;
d) Increase domestic revenue to not less than 21.0 percent of GDP;
e) Reduce the fiscal deficit to no more than 6.7 percent of GDP; and
f) Limit domestic borrowing to no more than 5.2 percent of GDP.

Four out of six macroeconomic objectives were achieved: real GDP growth was 4.7 percent; inflation decelerated to 9.9 percent in December from 16.4 percent a year ago; gross international reserves were equivalent to 3.8 months of import cover; and total domestic borrowing was 2.9 percent of GDP. However, domestic revenue to GDP, at 19.6 percent, was below the target and fiscal deficit, at 7.8 percent of GDP, was above the target. A detailed performance review of these indicators is provided in subsequent chapters.

3.2 Monetary Policy Stance

In 2022, monetary policy continued to focus on containing inflationary pressures and anchoring inflationary expectations in order to achieve the single digit target. In view of the declining trend in inflation and projection indicating that it would fall and revert into the target band of 6-8 percent in the medium-term, the Monetary Policy Rate was maintained at 9.0 percent throughout the year. In arriving at this decision, the Bank also considered sluggish growth and some vulnerabilities in the financial sector. Further, the Bank considered other factors deemed favourable to the inflation outcome. These included progress made in the implementation of fiscal consolidation and structural reform measures, securing an International Monetary Fund (IMF) Extended Credit Facility (ECF) arrangement, as well as the formal commencement of external debt restructuring discussions with the Official Creditor Committee under the G20 Common Framework[12] and Eurobond creditors. The foregoing notwithstanding, the Bank was cognisant of the upside risks to the inflation outlook, which included tighter global financial conditions, adverse spillovers from the prolonged Russia-Ukraine war and lingering COVID-19 effects.

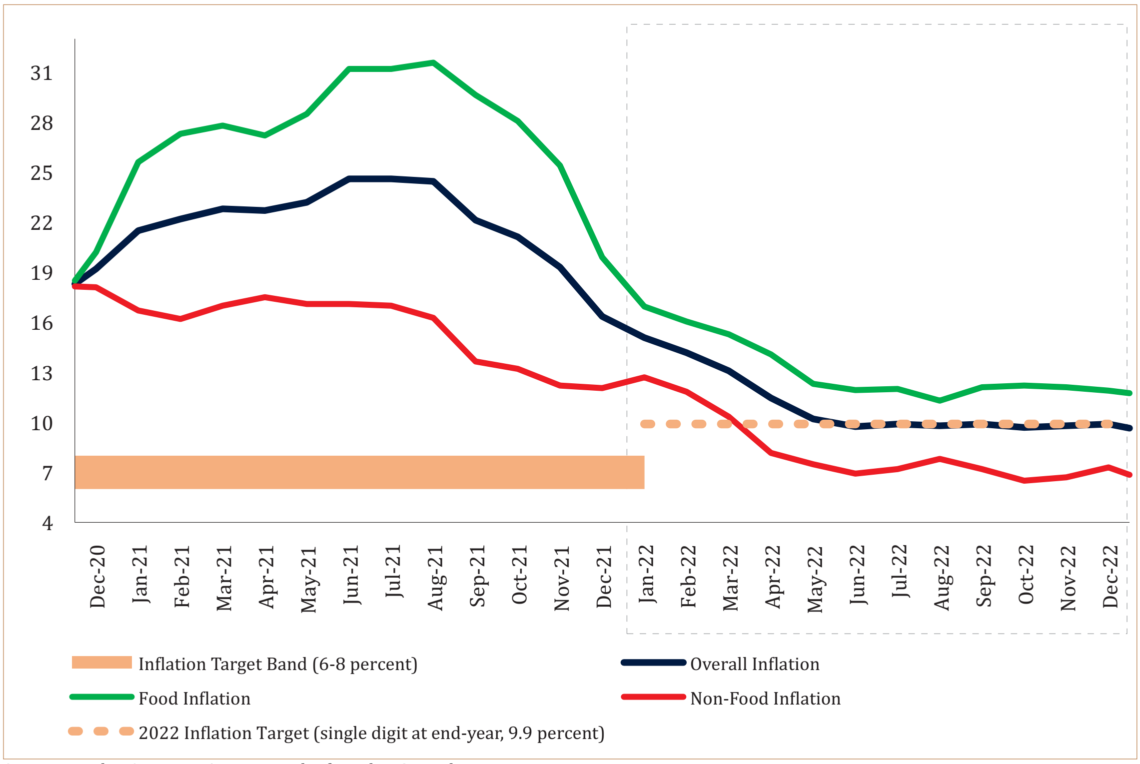
3.3 Inflation Outcome

Overall inflation trended downwards in 2022 and reached a single digit of 9.7 percent in June—the first time since August 2019—from 16.4 percent in December 2021 (Chart 3.1). It remained in single digits in the second half of the year and ended the year at 9.9 percent in line with the target. Overall inflation averaged 11.1 percent in 2022, down from 22.1 percent in 2021. Food and non-food inflation declined to 11.9 percent and 7.3 percent in December 2022 from 19.9 percent and 12.1 percent in December 2021, respectively.

The appreciation of the Kwacha against the US dollar, dissipation of shocks to prices of some products in the (CPI) basket, as well as improved supply of vegetables and fruits were the key drivers of lower inflation. The appreciation of the Kwacha against the US dollar had a notable impact on prices of imported food products, clothing and footwear, household equipment and furnishing (household products) as well as electrical appliances for personal care (Charts 3.2 and 3.3). Past shocks to prices of meat products, particularly fillet steak, rump steak and chicken, were no longer part of the annual comparison and, therefore, contributed to the slowdown in overall inflation(Chart 3.2).

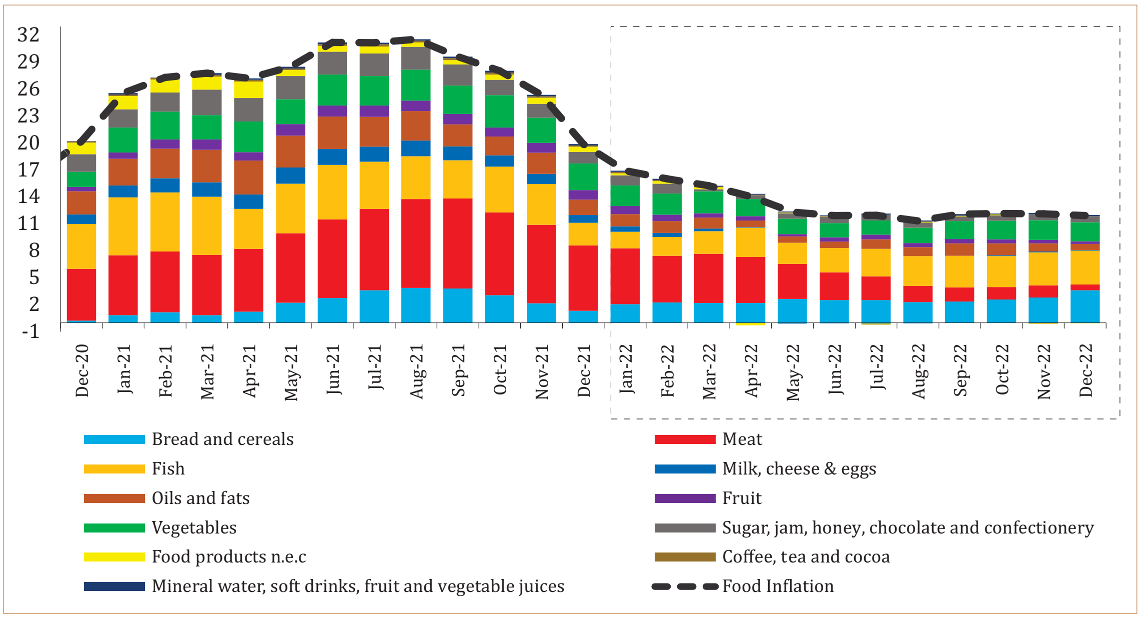
[12]The Common Framework for Debt Treatments is an agreement of the G20 and Paris Club countries to coordinate and cooperate on debt treatments for up to 73 low income countries eligible for the Debt Service Suspension Initiative (DSSI).

Chart 3.1: Inflation, Annual Change (Percent), Dec 2020–Dec 2022



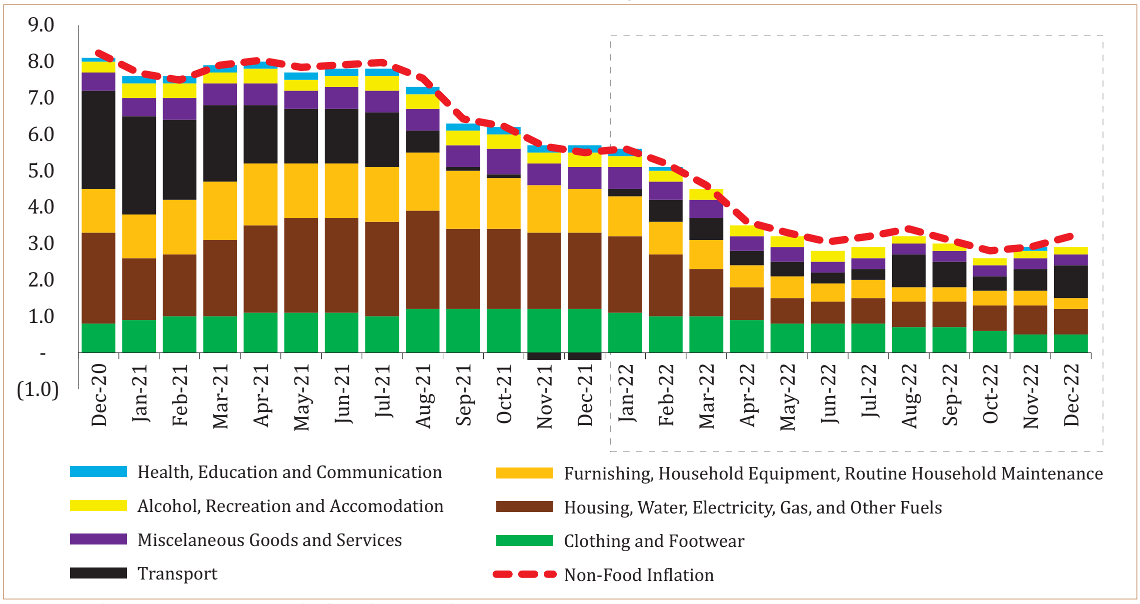
Source: Zambia Statistics Agency, Bank of Zambia Compilation

Chart 3.2: Selected Sub-Components of Food Inflation (Percentage Points), Dec 2020-Dec 2022



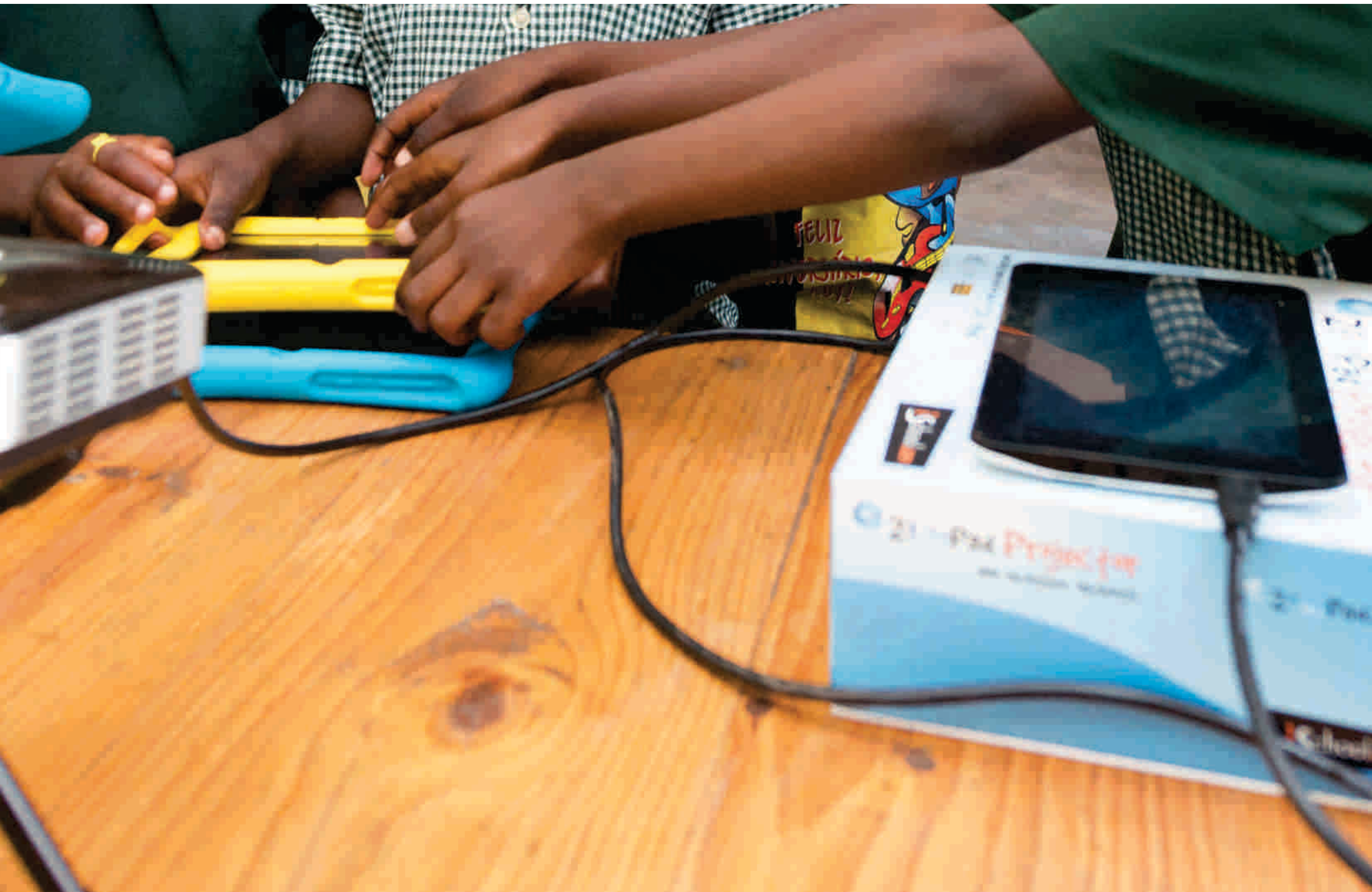
Source: Zambia Statistics Agency, Bank of Zambia Compilation

Chart 3.3: Selected Sub-Components of Non-Food Inflation (Percentage Points), Dec 2020–Dec 2022



Source: Zambia Statistics Agency, Bank of Zambia Compilation

4.0 FINANCIAL MARKETS



4.0 FINANCIAL MARKETS

4.1 Money Market Liquidity

Money market liquidity conditions were relatively loose overall in 2022 owing to net Government spending and redemption of Treasury bills and Government bonds (Table 4.1). The Bank undertook contractionary open market operations to steer the overnight interbank rate towards the Policy Rate due to high liquidity levels[13]. As a result, K5.3 billion was withdrawn from the banking system.

Table 4.1 Liquidity Influences (K' billion), 2020-2022

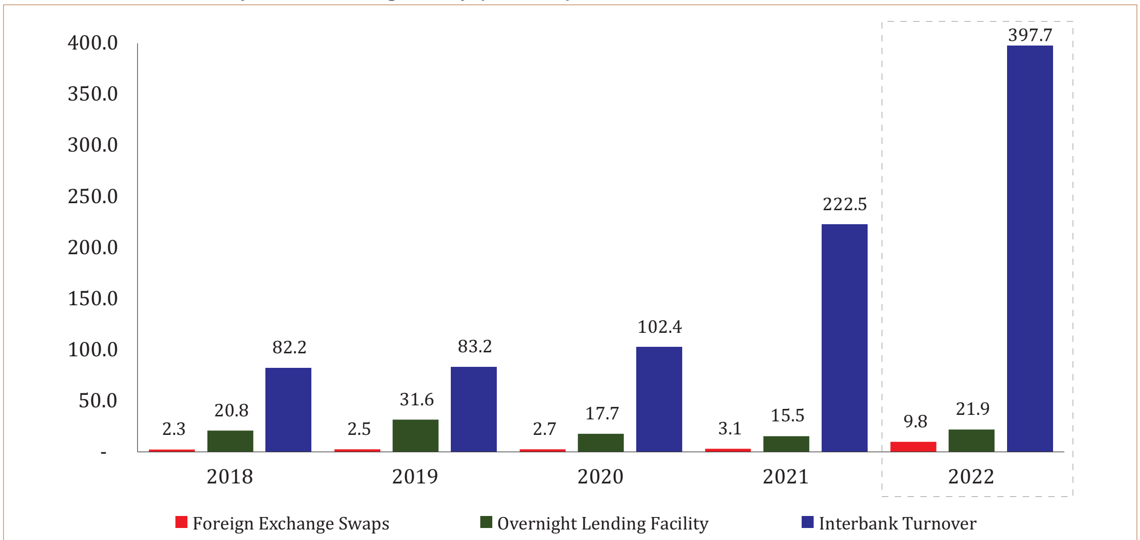
	2020	2021	2022
Current Account Opening Balance	2.0	3.3	3.1
Net Government Spending/(Revenue)	9.6	26.4	25.7
Net BoZ Foreign Exchange Purchases/(Sales)	-6.8	-23.9	-24.1
Currency in Circulation	-4.5	-3.0	-2.6
Statutory Reserve Deposits	-1.3	-1.4	-1.7
Overnight Lending Facility (OLF)	-0.5	0.2	-0.2
Net Government Securities Maturities/(Sales)	-9.1	-3.7	7.2
SMBPP	8.0	2.2	0.0
Open Market Operations	1.5	-5.2	-5.3
TMTRF	3.0	5.8	0.0
Miscellaneous Transactions	1.4	2.4	1.5
Current Account Closing Balance	3.3	3.1	3.6

Source: Bank of Zambia
Note: SMBPP = Secondary Market Bond Purchase Programme; and TMTRF = Targeted Medium-Term Refinancing Facility.

4.2 Interbank Money Market

Despite high liquidity levels, the turnover in the interbank market increased in 2022 to K397.7 billion from K222.5 billion in 2021 (Chart 4.1). This was on account of high concentration of liquidity, which left some commercial banks with significant funding gaps. Hence, most banks borrowed from counterparties in the interbank market. In addition, K9.8 billion was obtained through foreign exchange swaps and K21.9 billion was accessed from the Overnight Lending Facility (OLF) to meet Kwacha funding requirements (Chart 4.1).

Chart 4.1: Interbank Money Market Trading Activity (K' billion), 2018–2022



Source: Bank of Zambia

[13] For instance, the overnight interbank rate was below lower bound of the Policy Rate Corridor in February and August.

4.3 Government Securities Market

Demand for Treasury bills (T-bills) strengthened in 2022 on account of relatively loose liquidity conditions. The average subscription rate in the primary market increased to 106.3 percent in 2022 from 93.9 percent in 2021 (Table 4.2). In contrast, demand for longer-term Government bonds (Bonds) reduced as the subscription rate declined to 75.7 percent from 96.1 percent over the same period. Underlying weaker demand for Government bonds was mainly investor caution, particularly non-residents, due to uncertainty surrounding the outcome of protracted debt restructuring negotiations with the Official Creditor Committee under the G20 Common Framework and Eurobond holders as well as the likely treatment of the non-resident holders of domestic Government securities. Tight global financial conditions and a relatively weaker Kwacha exchange rate also contributed to the low participation by non-resident investors.

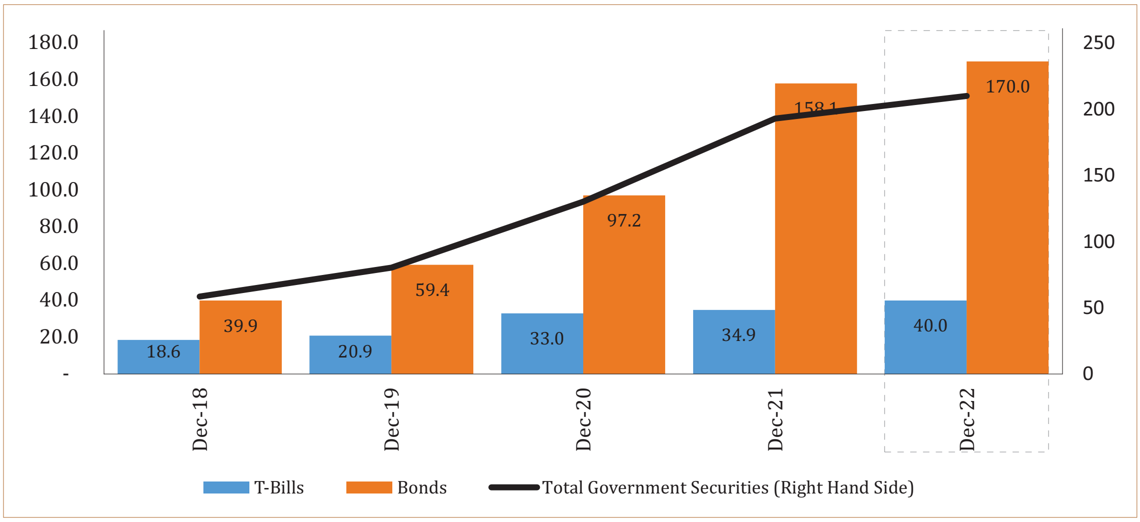
Table 4.2: Government Securities Transactions, 2020-2022

	2020			2021			2022		
	Amount on offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount on offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount on offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)
91-day T-bill	2.1	1.5	73.0	4.9	4.7	95.9	7.8	7.0	90.2
182-day T-bill	4.5	1.9	43.0	6.12	4.0	65.4	8.8	7.3	83.0
273-day T-bill	6.7	5.0	74.0	6.88	3.9	56.7	9.4	6.9	73.9
364-day T-bill	13.3	17.6	132.0	17.9	21.0	117.3	26.0	34.0	130.8
TOTAL	26.6	26.0	322	35.8	33.6	93.9	52.0	55.3	106.3
2-year bond	1.1	1.7	152.0	2.2	3.5	157.7	3.6	4.9	136.7
3-year bond	2.5	1.3	49.0	3.8	2.9	75.5	4.8	5.9	122.7
5-year bond	2.8	3.4	122.0	4.9	5.6	113.8	7.8	5.5	70.9
7-year bond	1.0	0.1	12.0	1.6	0.9	55.6	4.2	1.9	45.3
10-year bond	2.8	0.2	9.0	4.3	3.6	83.3	6.0	4.1	68.5
15-year bond	0.8	0.1	7.0	1.1	0.8	74.1	4.8	1.3	26.7
TOTAL	11.0	*6.8*	61.8	18.0	17.3	96.1	31.2	23.6	75.7

Source: Bank of Zambia

Government raised K67.4 billion in the primary market against maturities of K55.3 billion resulting in a surplus of K12.1 billion. Consequently, the stock of outstanding Government securities rose to K210.0 billion (at face value) at end-December 2022 from K193.0 billion at end-December 2021 (Chart 4.2).

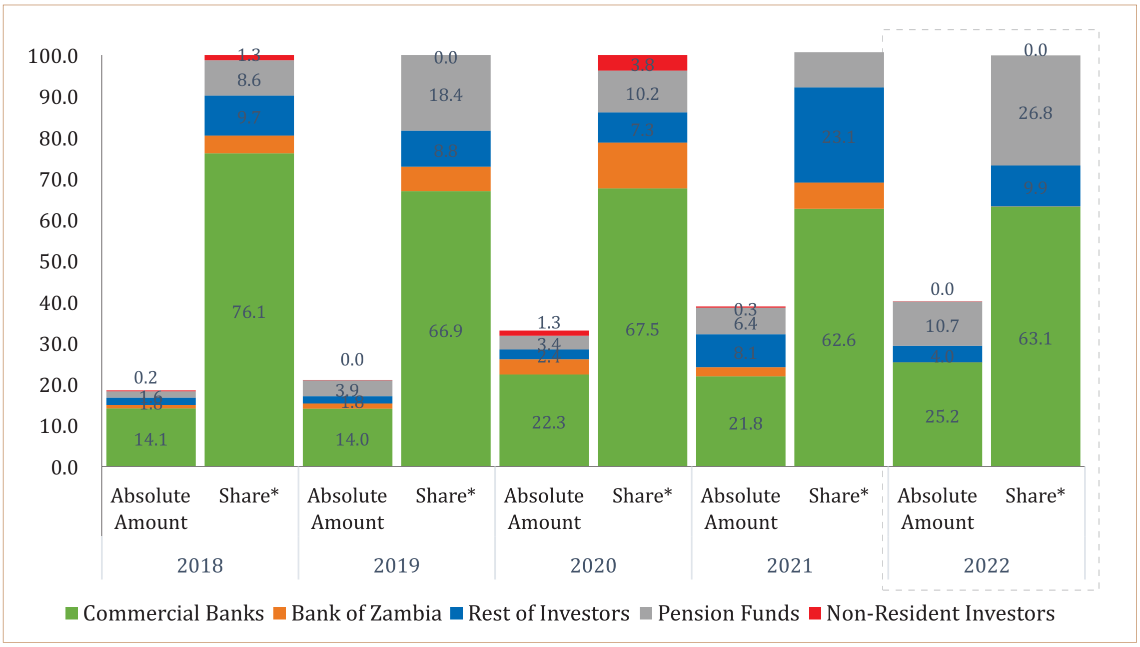
Chart 4.2: Stock of Government Securities (K' billion at face value), Dec-2018 to Dec-2022



Source: Bank of Zambia

Commercial banks held close to two thirds (63.2 percent) of the outstanding Treasury bills (Chart 4.3).

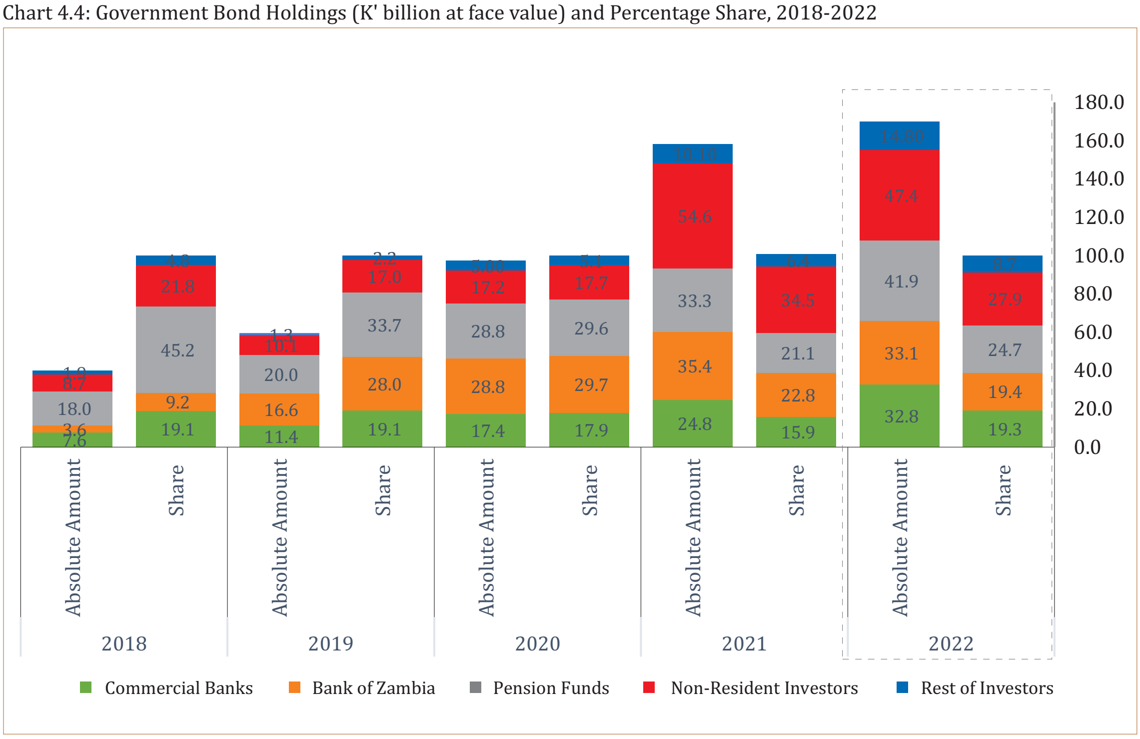
Chart 4.3: Treasury Bills Holdings (K' billion at face value) and Percentage Share, 2018-2022



Source: Bank of Zambia

The majority of Government bonds were held by non-resident investors and pension funds in 2022 (Chart 4.4). Nonetheless, non-resident investor holdings of Government securities reduced to K47.4 billion (27.9 percent) at end-December 2022 from K54.6 billion (34.5 percent) at end-December 2021.

Chart 4.4: Government Bond Holdings (K' billion at face value) and Percentage Share, 2018-2022



Source: Bank of Zambia

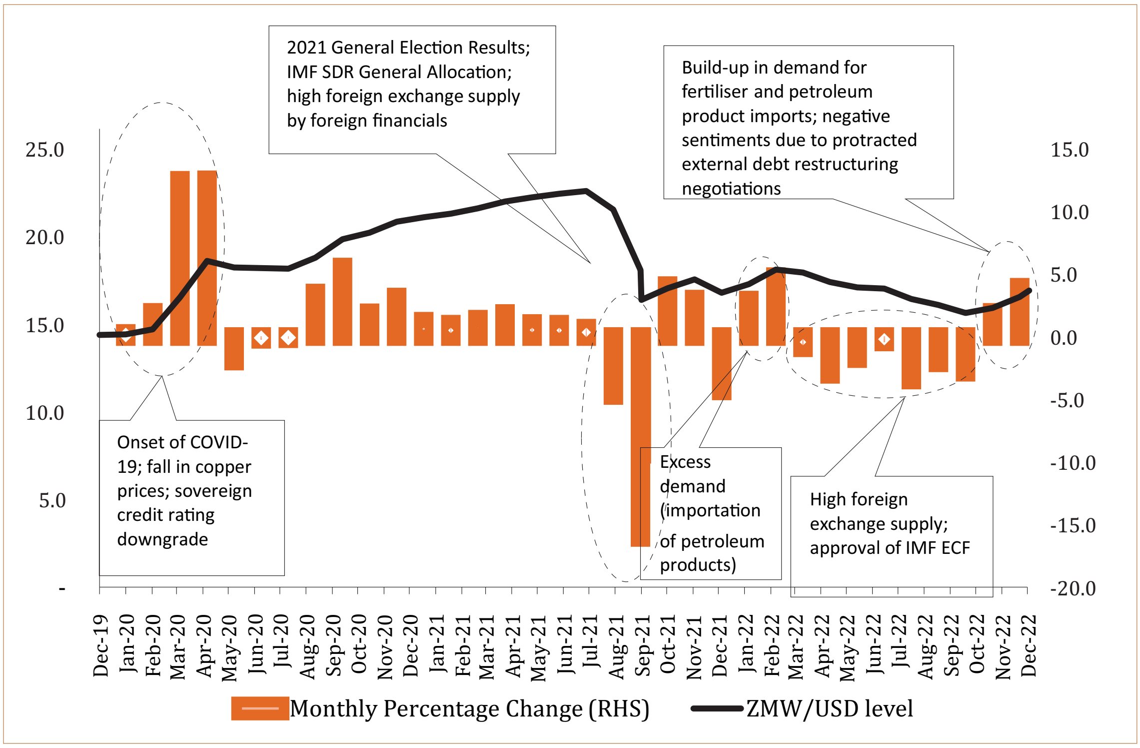
4.4 Foreign Exchange Market

The Kwacha strengthened by 6.9 percent against the US dollar during the first eight months of 2022 (Chart 4.5). This was mainly due to the high supply of foreign exchange and favourable market sentiments arising from stronger prospects of securing an IMF ECF (Programme) following the

meeting of the Official Creditor Committee on external debt restructuring under the G20 Common Framework and the eventual approval of the Programme. Indeed, on August 31, the IMF Board of Directors approved the Programme for Zambia.

However, demand pressures emerged in September for the procurement of agricultural and petroleum products and intensified in the fourth quarter amid low foreign exchange supply, particularly from the mining sector. In addition, foreign financial institutions, that had typically been suppliers of foreign exchange, became more pronounced on the demand side as they divested from the domestic Government securities market. This was principally due to tighter global financial conditions, negative sentiments associated with protracted external debt restructuring negotiations, and uncertainty around the treatment of non-resident holders of domestic Government securities. This resulted in the Kwacha depreciating by 8.4 percent to K18.07 between September and December (Table 4.3). For the year as a whole, the Kwacha depreciated against the US dollar by 4.8 percent. However, in real terms, the Kwacha gained as the real effective exchange rate appreciated by 5.7 percent in 2022 (Chart 4.6). This followed relatively higher domestic inflation as well as a slight appreciation of the nominal effective exchange rate driven by favourable performance of the Kwacha against the South African Rand and Chinese Renminbi.

Chart 4.5: Key Exchange Rate Developments in 2022



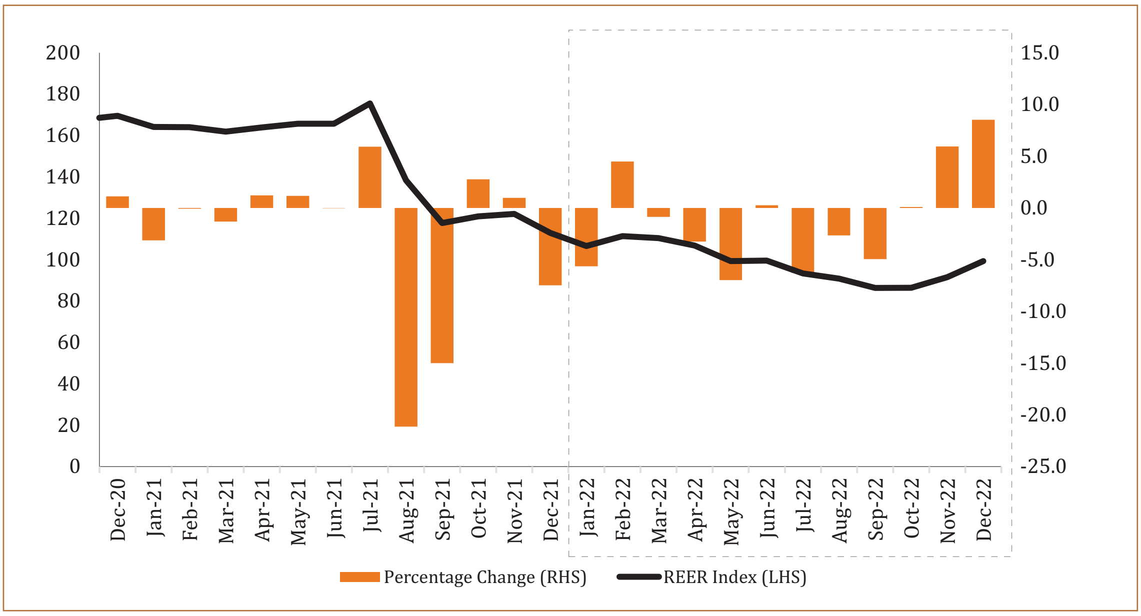
Source: Bank of Zambia

Table 4.3 Kwacha Exchange Rate, 2021-2022

Year	ZMW/USD	ZMW/GBP	ZMW/EUR	ZMW/ZAR
End of period exchange rate, 2021	16.67	22.42	18.88	1.05
End of period exchange rate, 2022	18.07	21.75	19.30	1.07
End of Period Percentage Change	8.4	-3.2	2.2	2.0

Source: Bank of Zambia

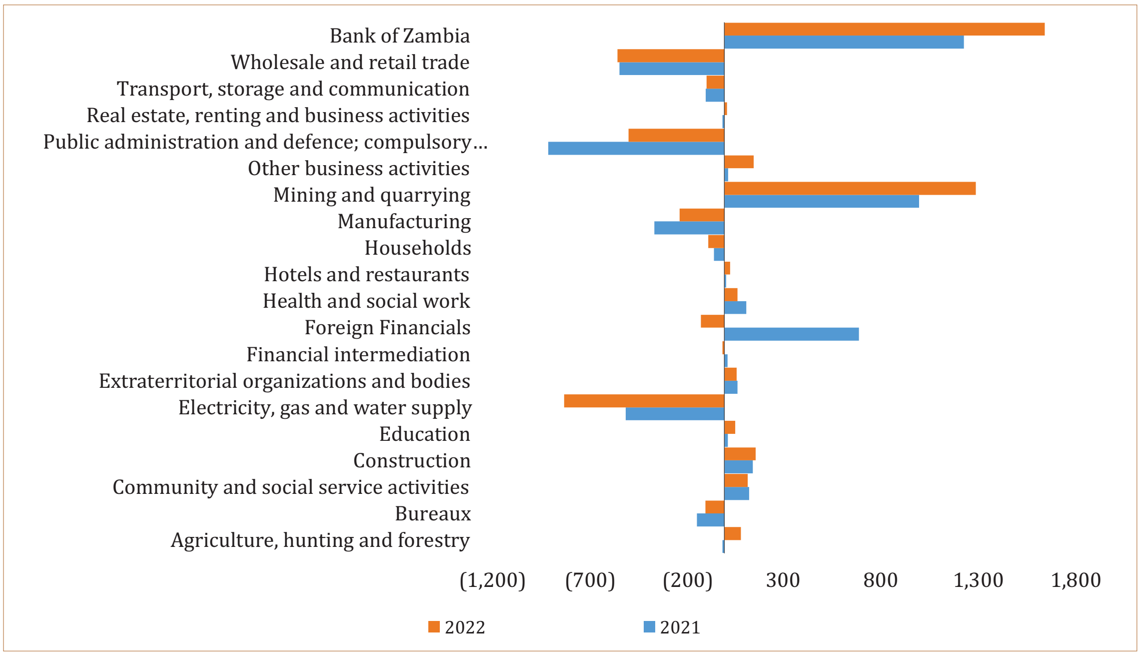
Chart 4.6: Real Effective Exchange Rate (REER), Dec 2020-Dec 2022



Source: Bank of Zambia

In 2022, demand for foreign exchange increased to US$7.6 billion from US$6.3 billion in 2021. On a net basis, the key sectors driving demand were electricity, gas and water supply (US$0.8 billion); wholesale and retail trade (US$0.5 billion), a large portion of which was for the procurement of agricultural inputs under the Farmer Input Support Programme (FISP); public sector (US$0.5 billion) mostly for petroleum product imports; manufacturing (US$0.2 billion); and foreign financials (US$0.1 billion) as shown in Chart 4.7. The supply of foreign exchange, at US$7.1 billion, was also US$1.2 billion higher in 2022 than in 2021. Mining and quarrying contributed a net of US$1.3 billion to total supply (Chart 4.7). This was followed by construction (US$0.2 billion), community and social services (US$0.1 billion), and agriculture, hunting and forestry (US$0.1 billion) sectors.

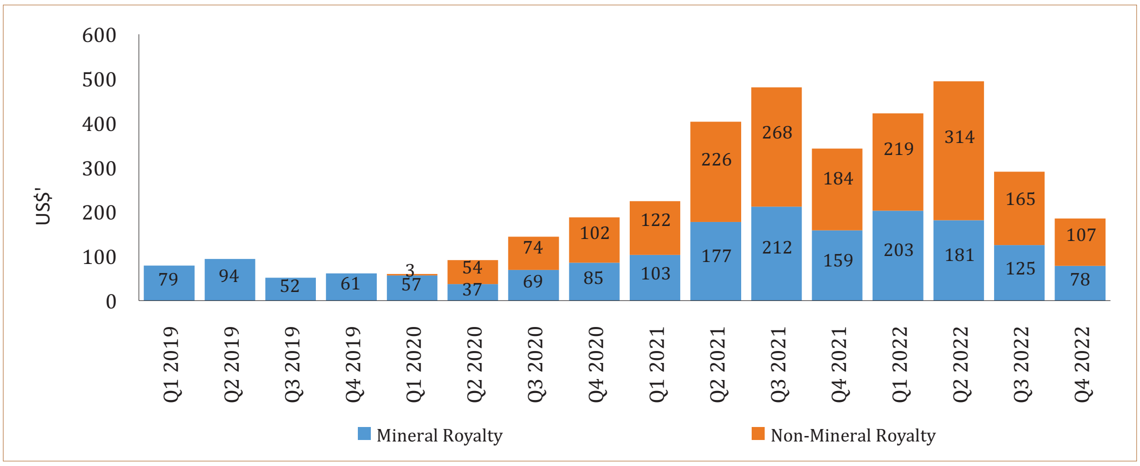
Chart 4.7 Net Supply of Foreign Exchange by Sector (US$ million), 2021-2022



Source: Bank of Zambia

To address underlying volatility and support the importation of critical agricultural and petroleum products, the Bank of Zambia provided a net of US$1.5 billion to the market, primarily from mining tax receipts. For the year as a whole, US$1.3 billion of the entire mining receipts was provided to the market (Chart 4.8). Consequently, the backlog of demand closed the year at US$70.0 million, from a peak of US$177.5 million recorded in November.

Chart 4.8: Mining Taxes Paid Directly in US Dollars through the Bank of Zambia, 2019–2022



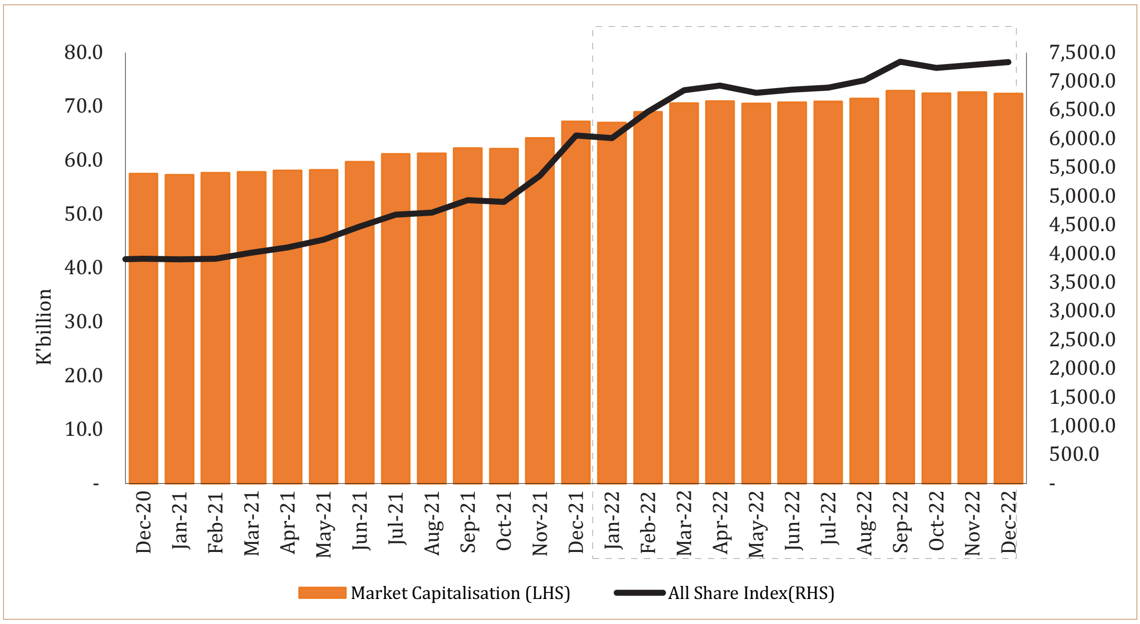
Source: Bank of Zambia

4.5 Capital Market

The domestic stock market continued to perform positively as listed firms reported good financial results due to the improvement in business activity. Firms in the energy, tourism, manufacturing, and banking sectors were the main drivers of the rise in the overall index[14].

The Lusaka All-Share Index (LASI) rose to 7,337.8, representing a 21.1 percent increase in 2022 from the end-2021 level (Chart 4.9). Market capitalisation increased by 7.8 percent to K72.4 billion (Chart 4.9).

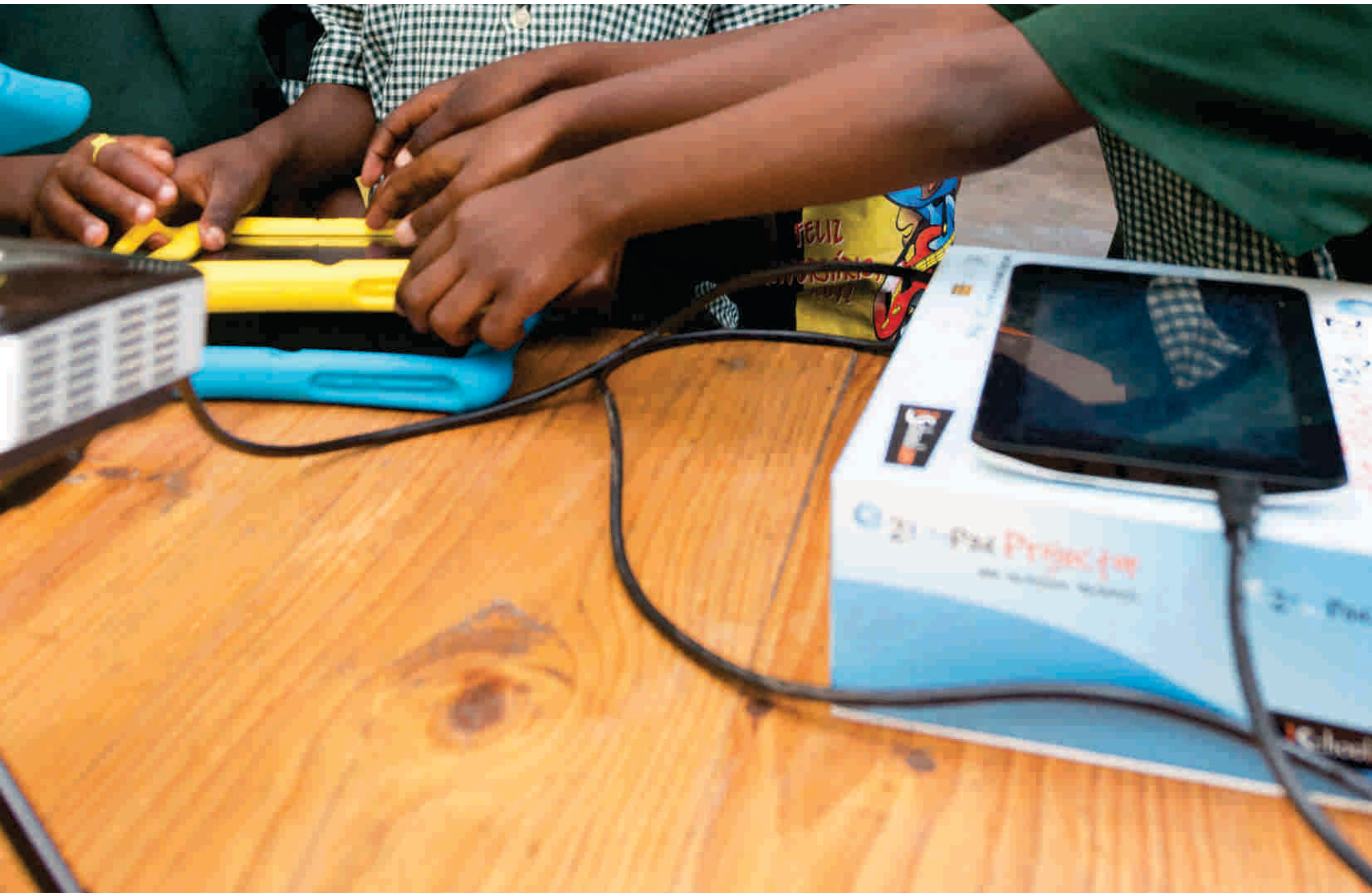
Chart 4.9: Indicators of Capital Market Activity, Dec 2020-Dec 2022



Source: Lusaka Securities Exchange

[14]In the banking sector, the growth in deposits and credit accounted for higher profits and the rise in share prices. The resolution of litigations, implementation of cost-saving measures and increase in revenue explain higher stock prices in other sectors as profitability improved.

5.0 INTEREST RATES, CREDIT AND MONEY

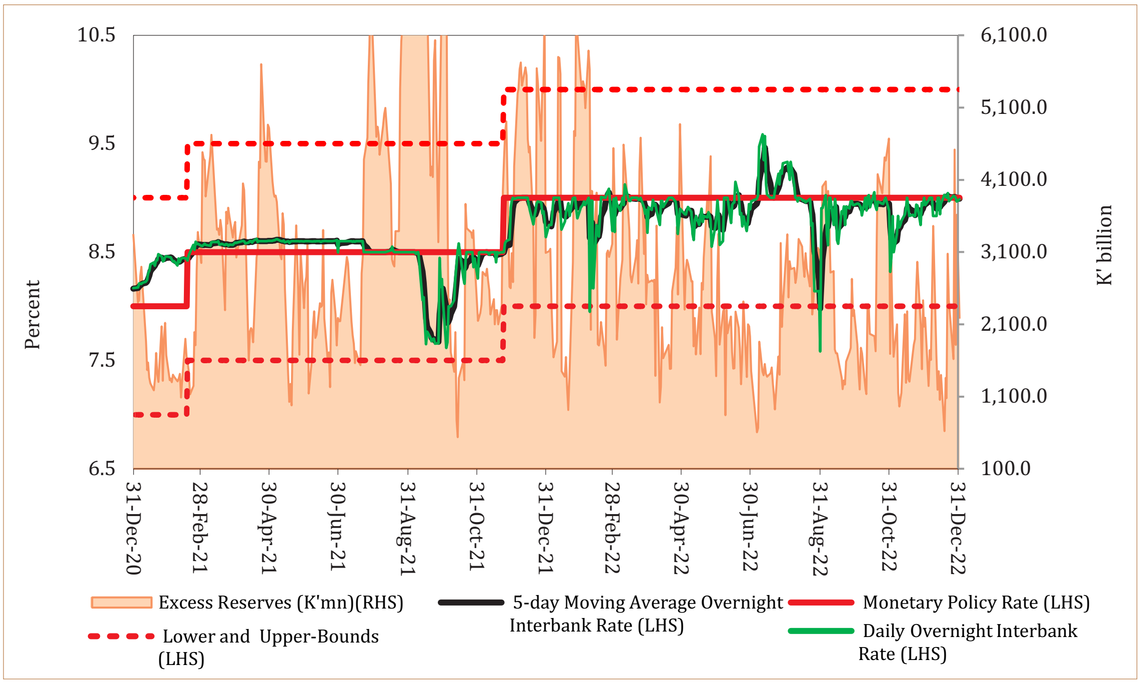


5.0 INTEREST RATES, CREDIT AND MONEY

5.1 Interest Rates

Interest rate movements were mixed in 2022. The overnight interbank rate rose marginally to 8.97 percent in December 2022 from 8.64 percent in December 2021 and was broadly maintained within the Monetary Policy Rate (MPR) Corridor through contractionary open market operations (Chart 5.1). The interbank interest rate went below the lower bound of the MPR Corridor in February and August due to high liquidity levels in the market.

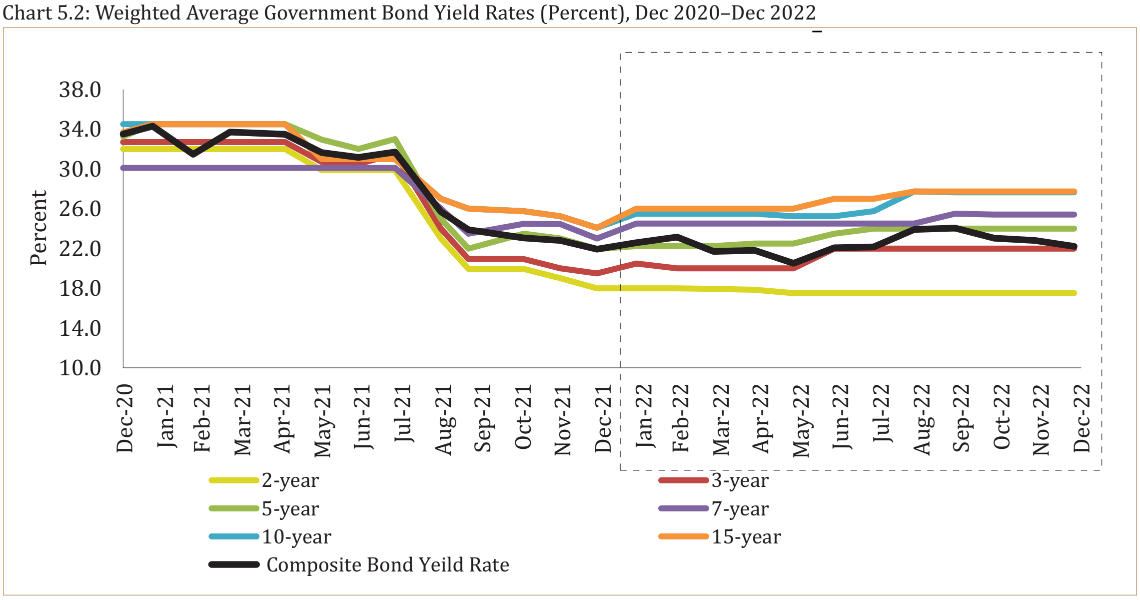
Chart 5.1: Interbank Rate and Money Market Liquidity, Dec 2020–Dec 2022



Source: Bank of Zambia

Similarly, the composite Government bond yield rate rose marginally to 22.5 percent from 21.9 percent over the same period, largely on account of subdued demand, particularly by non-resident investors (Chart 5.2).

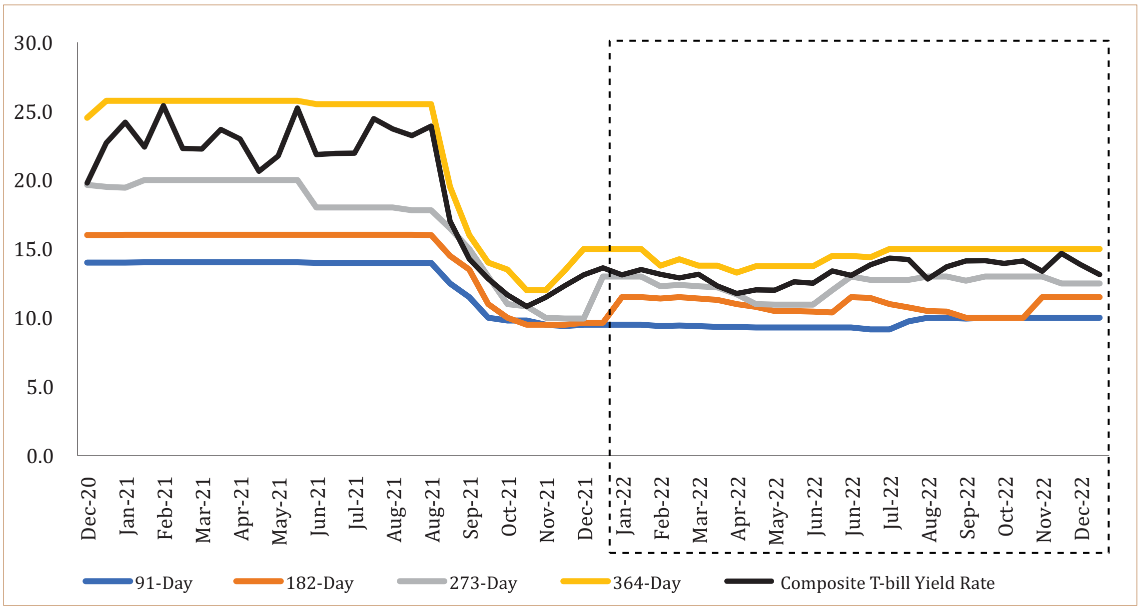
Chart 5.2: Weighted Average Government Bond Yield Rates (Percent), Dec 2020–Dec 2022



Source: Bank of Zambia

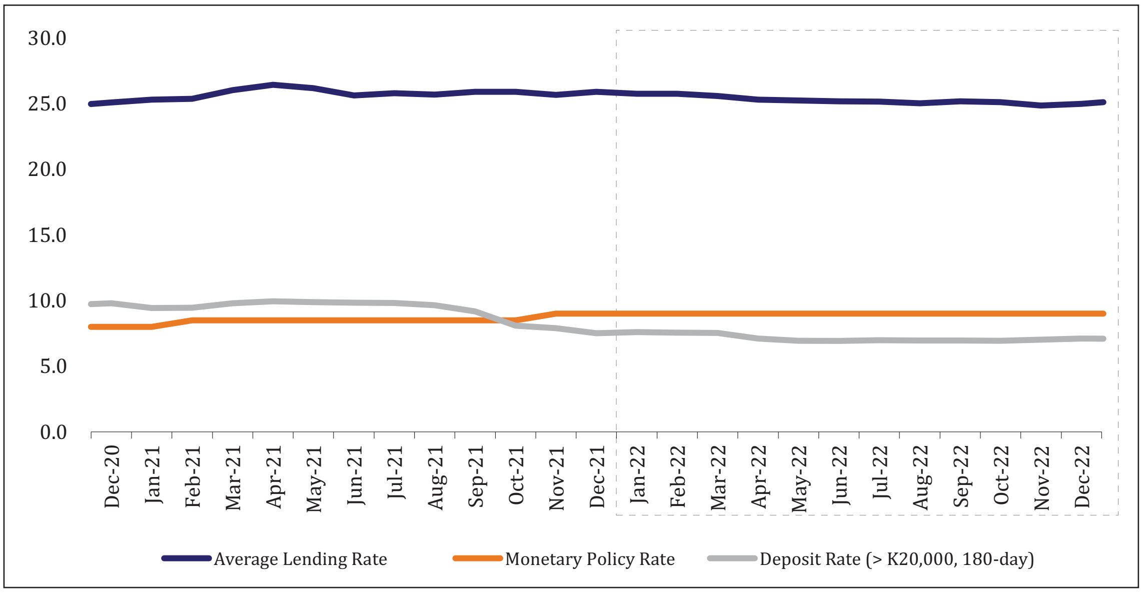
In contrast, the composite Treasury bill yield rate declined to 13.3 percent in December 2022 from 14.2 percent in December 2021 (Chart 5.3). This was mainly due to the pick-up in demand as liquidity in the banking system improved. The commercial banks' nominal average lending rate (ALR) also declined, albeit marginally, to 25.0 percent from 25.9 percent over the same period, in part due to the decrease in Treasury bill yield rates (Chart 5.3). Similarly, the nominal 180-day deposit rate for amounts exceeding K20,000 declined to 7.1 percent from 7.5 percent (Chart 5.4). However, in real terms, the ALR increased to 15.1 percent from 9.5 percent and the savings rate, though remaining negative, improved to -2.8 percent from -8.9 percent, largely reflecting the fall in inflation (Chart 5.5).

Chart 5.3: Weighted Average Treasury Bill Yield Rates (Percent), 2020–2022



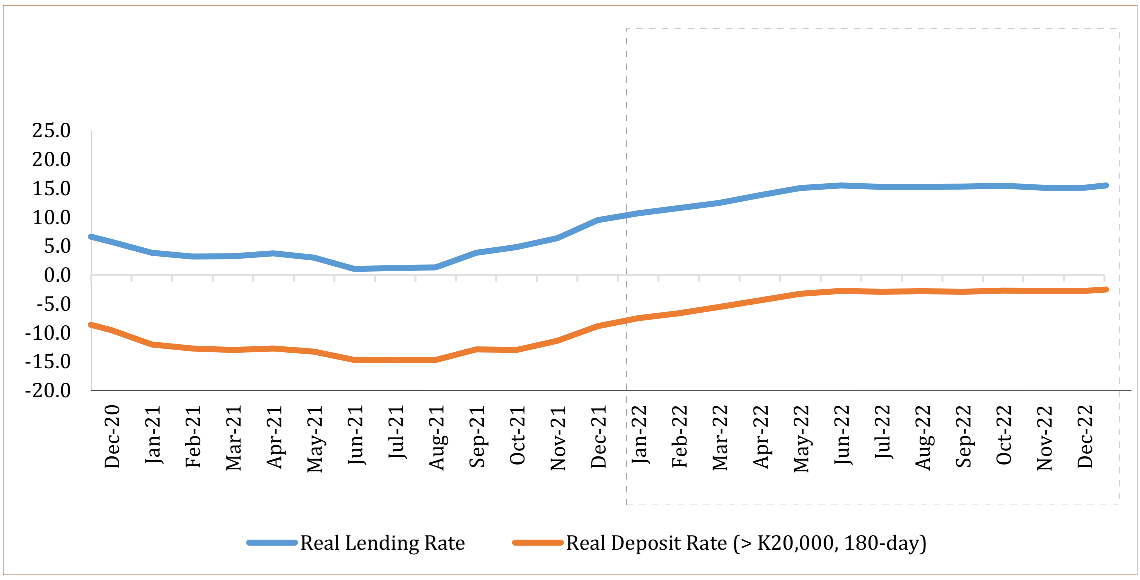
Source: Bank of Zambia

Chart 5.4: Policy Rate, Nominal Lending and Savings Rates (Percent), Dec 2020–Dec 2022



Source: Bank of Zambia

Chart 5.5: Real Lending and Savings Rates (Percent), Dec 2020–Dec 2022



Source: Bank of Zambia

5.2 Domestic Credit

The growth in domestic credit[15] more than doubled, in nominal terms, in 2022 to 18.7 percent, year-on-year (y/y), from 8.6 percent in 2021 (Table 5.1; Chart 5.6). The recovery in credit to the private sector largely accounted for this outturn. Credit to the private sector grew by 34.2 percent in 2022 against a contraction of 7.8 percent in 2021 mostly due to a significant increase in foreign currency denominated credit. In contrast, credit to Government declined on account of the reduction in loans and advances.

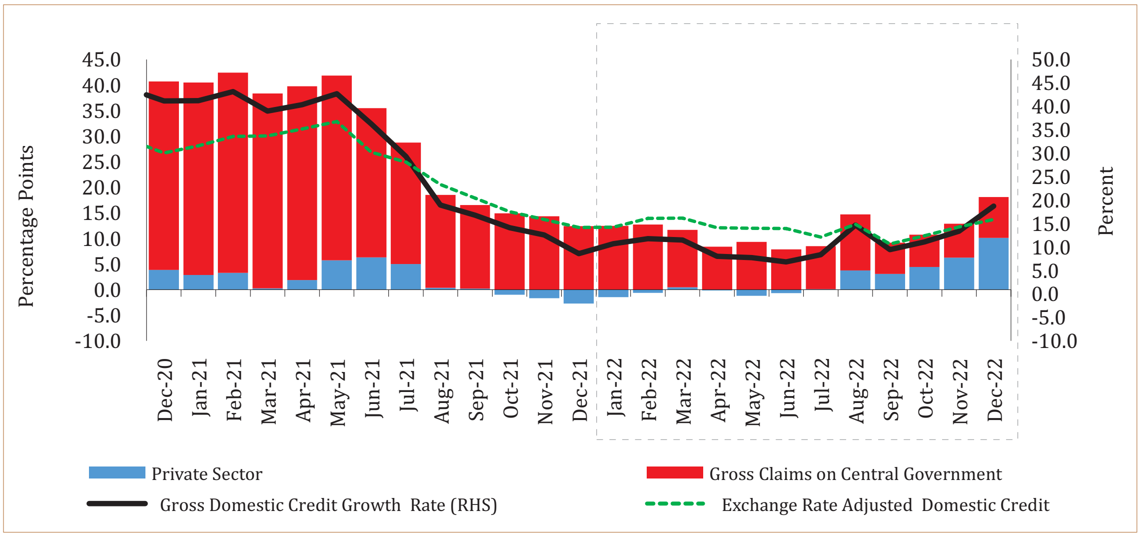
Table 5.1: Developments in Domestic Credit, 2020–2022

Description	2020			2021			2022		
	K' billion	Percent Change	Percentage Contribution	K' billion	Percent Change	Percentage Contribution	K' billion	Percent Change	Percentage Contribution
Total Domestic Credit	117.2	41.1	41.1	127.2	8.6	8.6	151.1	18.7	18.7
Government	75.0	68.8	36.8	88.5	17.9	11.5	98.6	11.5	8.0
Private Sector	40.8	8.5	3.9	37.7	-7.8	-2.7	50.6	34.2	10.1
Private Enterprises	27.2	16.2	4.6	24.3	-10.7	-2.5	33.8	39.3	7.5
Households	13.6	-4.2	-0.7	13.4	-1.8	-0.2	16.7	25.0	2.6
Public Enterprises	1.1	58.3	0.5	0.9	-24.1	-0.2	1.4	56.0	0.4
NBFIs	0.2	-23.7	-0.1	0.2	12.5	0.0	0.5	175.3	0.3

Source: Bank of Zambia
Note: NBFIs = Non-Bank Financial Institutions

[15] This refers to total domestic credit that includes lending by the Bank of Zambia, commercial banks and other depository corporations in both Kwacha and foreign currency.

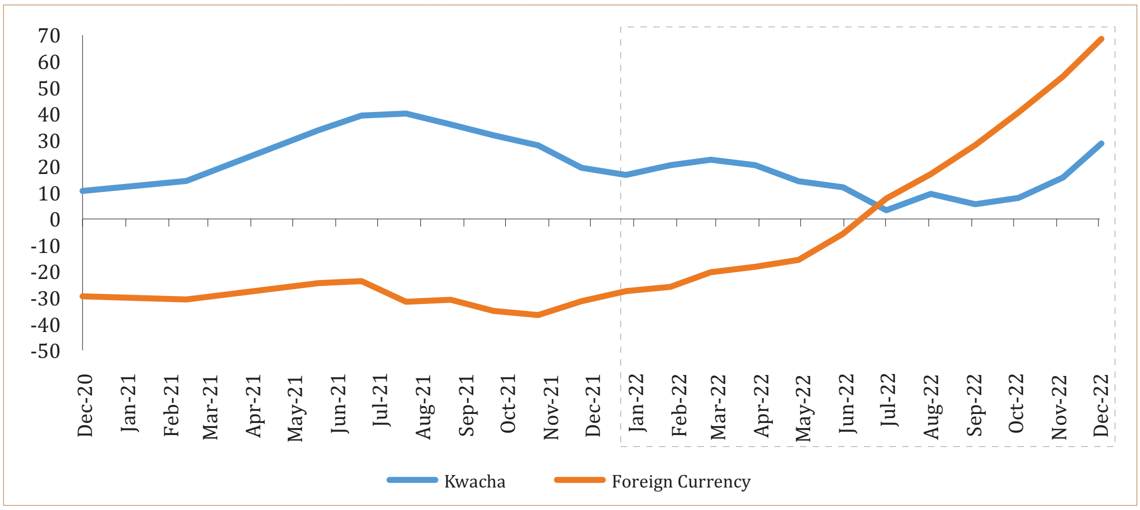
Chart 5.6: Contribution to year-on-year Gross Domestic Credit Growth, Dec 2020–Dec 2022



Source: Bank of Zambia

Foreign currency credit expanded by 70.3 percent, y/y, in December 2022 against a contraction of 31.3 percent, y/y, in December 2021 (Chart 5.7). Increased lending to the manufacturing; mining and quarrying; wholesale and retail; transport, storage and communications; as well as agriculture sectors largely explain the strong outturn. Similarly, Kwacha denominated loans expanded by 30.3 percent from 19.4 percent due to increased lending to the manufacturing; transport, storage and communications; as well as financial services sectors over the same period (Chart 5.7). The significant growth in credit was mostly for capital investment and working capital requirements as well as procurement of farming inputs, mostly fertilizers under the Farmer Input Support Programme (FISP).

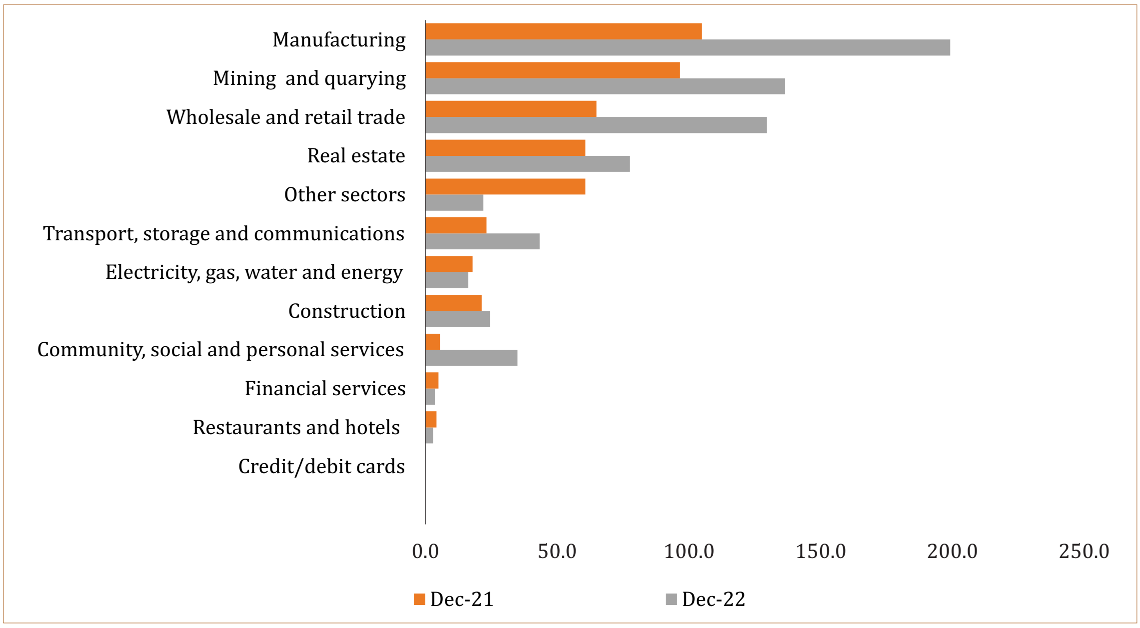
Chart 5.7: Growth in Credit Growth by Currency, year-on-year (percent), Dec 2020–Dec 2022



Source: Bank of Zambia

The manufacturing sector, at 25.9 percent, dominated foreign currency denominated credit (Chart 5.8). This was followed by mining and quarrying (21.4 percent) and wholesale and retail (13.9 percent) sectors.

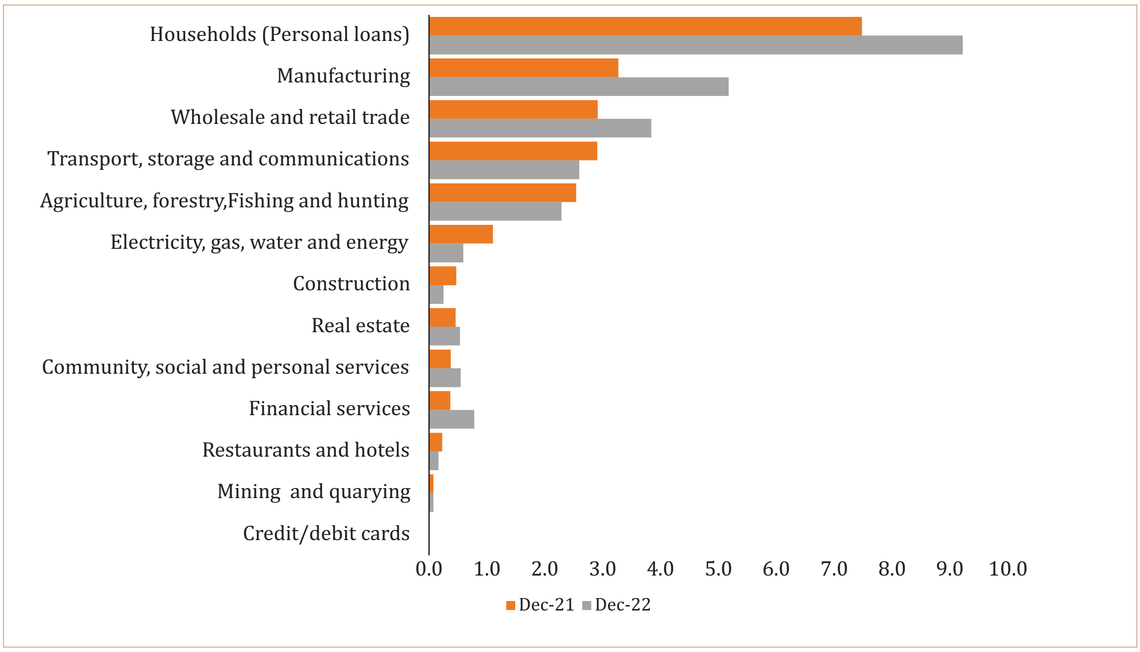
Chart 5.8: Distribution of Private Sector Foreign Currency Denominated Credit (US$'000), 2021-2022



Source: Bank of Zambia

Households (personal loans), which accounted for 19.0 percent (K9.3 billion), dominated Kwacha denominated credit (Chart 5.9). This was followed by manufacturing (13.9 percent) and wholesale and retail (7.0 percent) sectors

Chart 5.9: Distribution of Private Sector Kwacha Denominated Credit (K' billion), 2021-2022

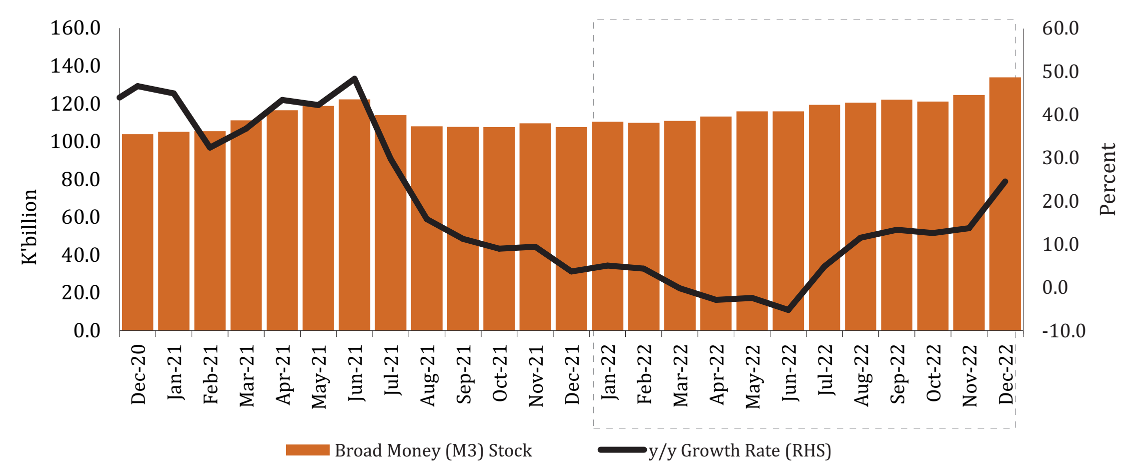


Source: Bank of Zambia

5.3 Broad Money

Broad money (M3) grew strongly in 2022, expanding by 24.5 percent, y/y, in December compared to 3.7 percent, y/y, in December 2021 (Chart 5.10; Table 5.2). Expansion in private sector credit and valuation effects following the depreciation of the Kwacha against the US dollar largely explain the strong outturn.

Chart 5.10: Annual Broad Money, Dec 2020–Dec 2022



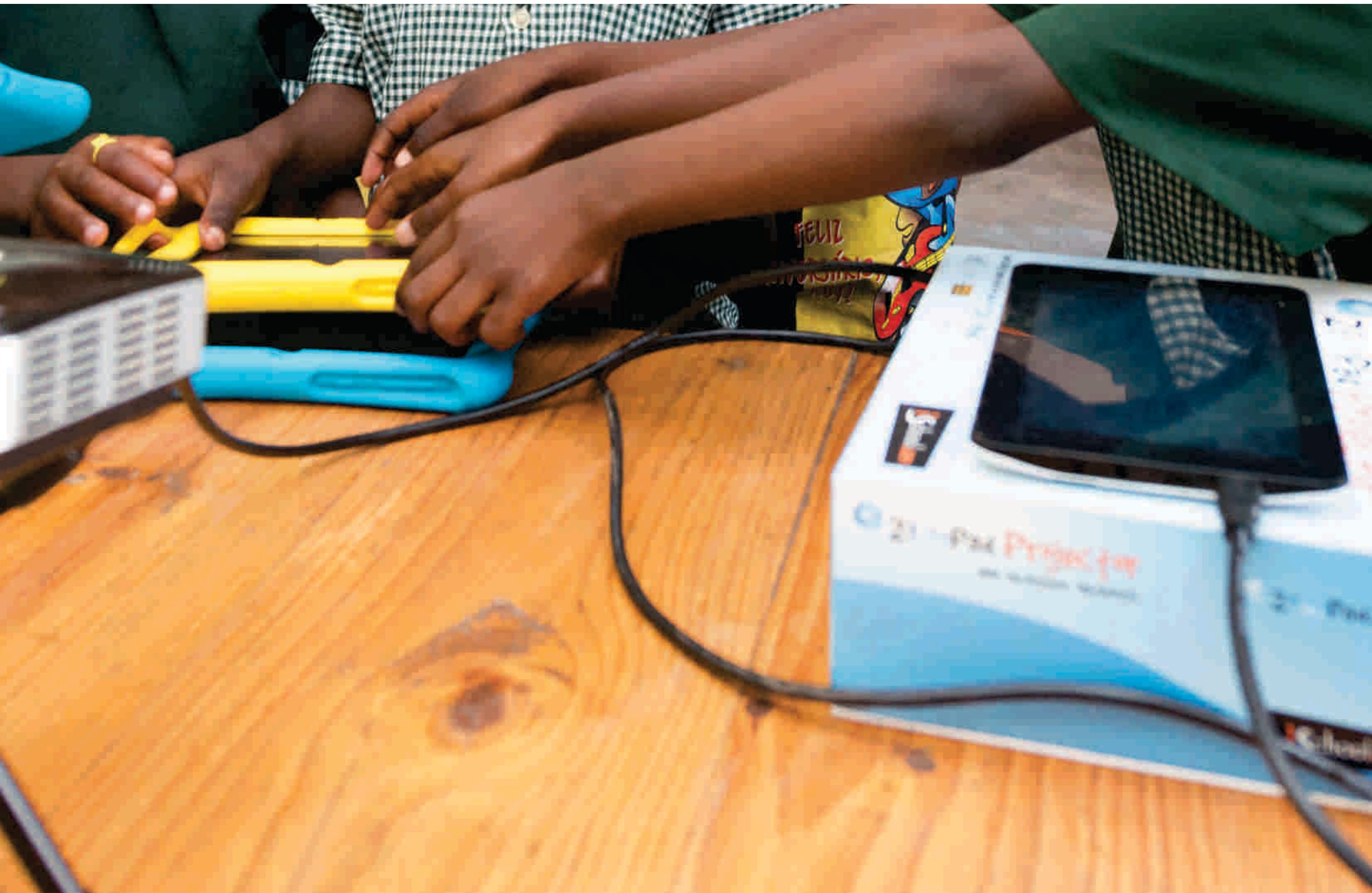
Source: Bank of Zambia

Table 5.2: Sources of Growth in Broad Money (Percent), 2020–2022

	2020	2021	2022	Contribution to M3 Growth in 2022
Broad Money (M3)	46.4	3.7	24.5	24.5
of which				
Net Foreign Assets	60.8	-3.5	34.1	11.9
Net Domestic Assets	39.0	7.9	19.3	12.6
Gross Domestic Credit	41.1	8.6	18.7	22.2
Gross Claims on Government	68.8	17.9	11.5	9.4
Private Sector	8.5	-7.8	34.2	12.0
Private Enterprises	16.2	-10.7	39.3	8.9
Households	-4.2	-1.8	25.0	3.1
Public Enterprises	58.3	-24.1	25.1	0.5
NBFIs	-23.7	12.5	175.3	0.3

Source: Bank of Zambia

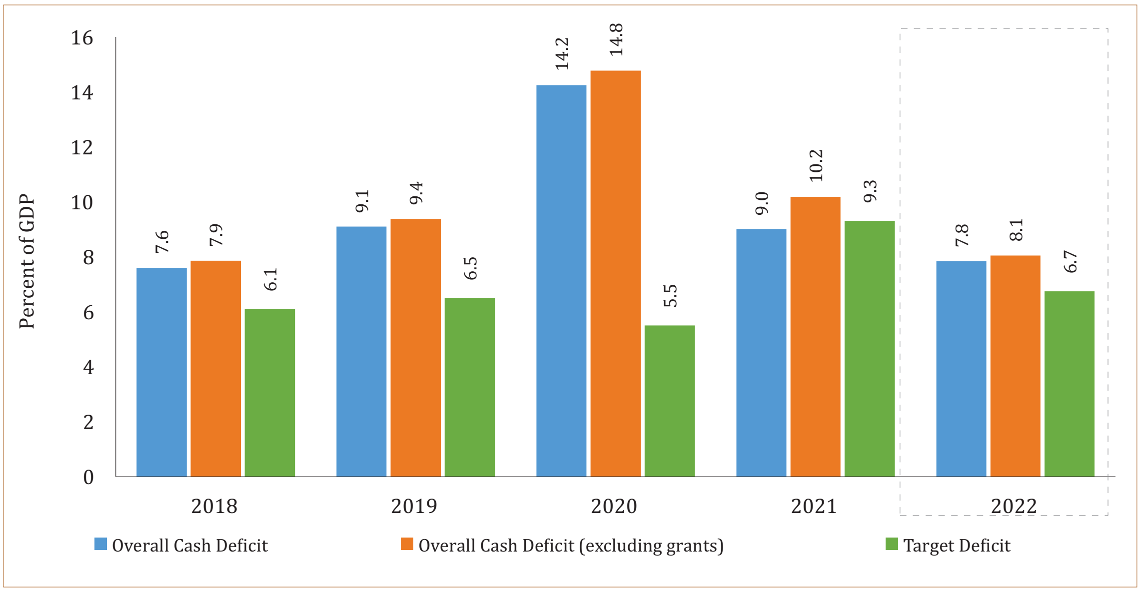
6.0 FISCAL SECTOR DEVELOPMENTS



6.0 FISCAL SECTOR DEVELOPMENTS

The cash fiscal deficit declined further in 2022 despite exceeding the target of 6.7 percent. Preliminary data indicate a cash fiscal deficit of 7.8 percent of GDP in 2022 compared to 9.0 percent in 2021 (Chart 6.1). Including amortisation, the cash fiscal deficit was 8.0 percent of GDP.

Chart 6.1: Fiscal Deficit (percent of GDP), 2018–2022



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

6.1 Revenue and Grants

In 2022, total revenue and grants of K100.7 billion (20.0 percent of GDP) were broadly in line with the target (Table 6.1). Higher-than-projected income tax accounted for this outturn.

Tax revenue was K79.5 billion (15.8 percent of GDP) against a target of K77.9 billion (16.7 percent of GDP) as shown in Table 6.1. Income taxes accounted for 60.0 percent of total tax revenue owing to higher company tax collections than projected especially from non-mining companies. Enhanced compliance also contributed to improved tax revenue performance. However, non-tax revenue fell short of the target of K21.0 billion by K1.8 billion due to lower-than-projected mineral royalty receipts as copper prices and output declined (Table 6.1). Grants were broadly in line with expectations.

Table 6.1: Central Government Revenue and Grants, 2020–2022

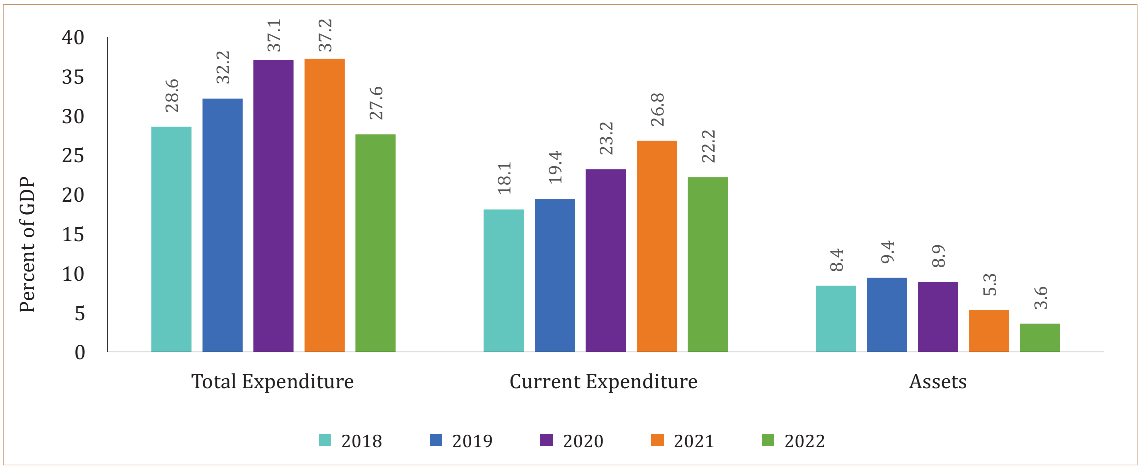
	2020		2021		2022			
					Target		Preliminary	
	K'billion	Percent of GDP	K'billion	Percent of GDP	K'billion	Percent of GDP	K'billion	Percent of GDP
Revenue and Grants	67.4	20.6	98.9	23.3	100.7	21.6	100.7	20.0
Domestic Revenue	65.7	20.1	96.5	22.7	98.9	21.2	98.7	19.6
Tax Revenue	52.2	16.0	71.2	16.8	77.9	16.7	79.5	15.8
Income Tax	29.3	9.0	42.1	9.9	42.3	9.1	47.9	9.5
Personal Tax	14.3	4.4	14.8	3.5	17.3	3.7	18.1	3.6
Company Tax	9.5	2.9	19.2	4.5	16.4	3.5	21.0	4.2
Other Income Tax	5.5	1.7	8.0	1.9	8.6	1.8	8.8	1.7
Excise Taxes	4.7	1.4	4.3	1.0	6.2	1.3	5.2	1.0
Domestic VAT	3.4	1.0	7.0	1.6	8.9	1.9	5.9	1.2
International Trade Taxes	14.6	4.5	17.7	4.4	20.5	4.4	20.3	4.0
Import Duties	3.4	1.0	5.2	1.2	6.4	1.4	5.5	1.1
Import VAT	11.1	3.4	12.4	2.9	14.0	3.0	14.7	2.9
Export Duties	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Non-tax Revenue	13.5	4.1	25.3	6.0	21.0	4.5	19.2	3.8
Fees and Charges	4.8	1.5	6.2	1.5	5.9	1.3	6.6	1.3
Dividends and Interest	3.2	1.0	6.3	1.5	1.6	0.3	1.7	0.3
Mineral Royalty	5.2	1.6	12.4	2.9	12.8	2.8	10.4	2.1
Grants	1.7	0.5	2.5	0.6	1.8	0.4	2.0	0.4
Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	1.7	0.5	2.5	0.6	1.8	0.4	2.0	0.4

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

6.2 Expenditure

Total expenditure (excluding amortisation) was K139.3 billion (27.6 percent of GDP) against the projected K132.1 billion in 2022 (Chart 6.2 and Table 6.2). Including amortisation, total expenditure was K141.1 billion against the target of K173.0 billion. The continued standstill on external debt service largely accounted for lower total expenditure.

Chart 6.2: Total Expenditure (Percent of GDP), 2018–2022



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

Table 6.2: Central Government Expenditures, 2020–2022

	2020		2021		2022			
					Target		Preliminary	
	K'billion	Percent of GDP	K'billion	Percent of GDP	K'billion	Percent of GDP	K'billion	Percent of GDP
Total Expenditure (excl. amortisation)	113.2	34.6	134.9	31.8	132.1	28.3	139.7	27.6
Current Expenditure	75.8	23.2	98.4	23.2	111.0	23.8	112.0	22.2
Personal Emoluments	26.9	8.2	31.9	7.5	37.8	8.1	37.7	7.5
Use of Goods and Services	9.2	2.8	14.8	3.5	10.6	2.3	13.1	2.6
Interest Payments	19.8	6.0	26.9	6.3	37.8	8.1	30.8	6.1
Domestic Debt	14.5	4.4	24.9	5.9	27.4	5.9	30.1	6.0
Foreign Debt	5.2	1.6	2.0	0.5	10.5	2.2	0.7	0.1
Transfers and Subsidies	17.7	5.4	20.6	4.9	20.0	4.3	24.4	4.8
Social Benefits	2.3	0.7	4.3	1.0	4.8	1.0	6.0	1.2
Other Expenses	0.0	0.0	0.0	0.0	1.1	0.2	0.0	0.0
Liabilities	8.2	2.5	15.6	3.7	5.2	1.1	9.2	1.8
Assets	29.2	8.8	20.9	4.9	16.0	3.2	18.1	3.8
Non-Financial Assets	27.6	8.3	19.0	4.5	15.6	3.4	17.8	3.5
Financial Assets	1.5	0.5	1.9	0.4	0.3	0.1	0.3	0.1

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

Total current expenditure exceeded the target of K111.0 billion by K1.0 billion (Table 6.2). This was driven by the need to finance the purchase of agricultural inputs (subsidies)—following the escalation in the cost of most inputs, especially fertilisers, induced by the Russia-Ukraine war—as well as higher outlay on social benefits. In addition, the settlement of Government liabilities, at K9.2 billion, was higher than the target of K5.2 billion due to the partial clearance of arrears, mainly to suppliers of goods and services. Expenditure on assets, mostly capital projects, also exceeded the target of K16.0 billion by K2.1 billion (Table 6.2).

6.3 Deficit Financing

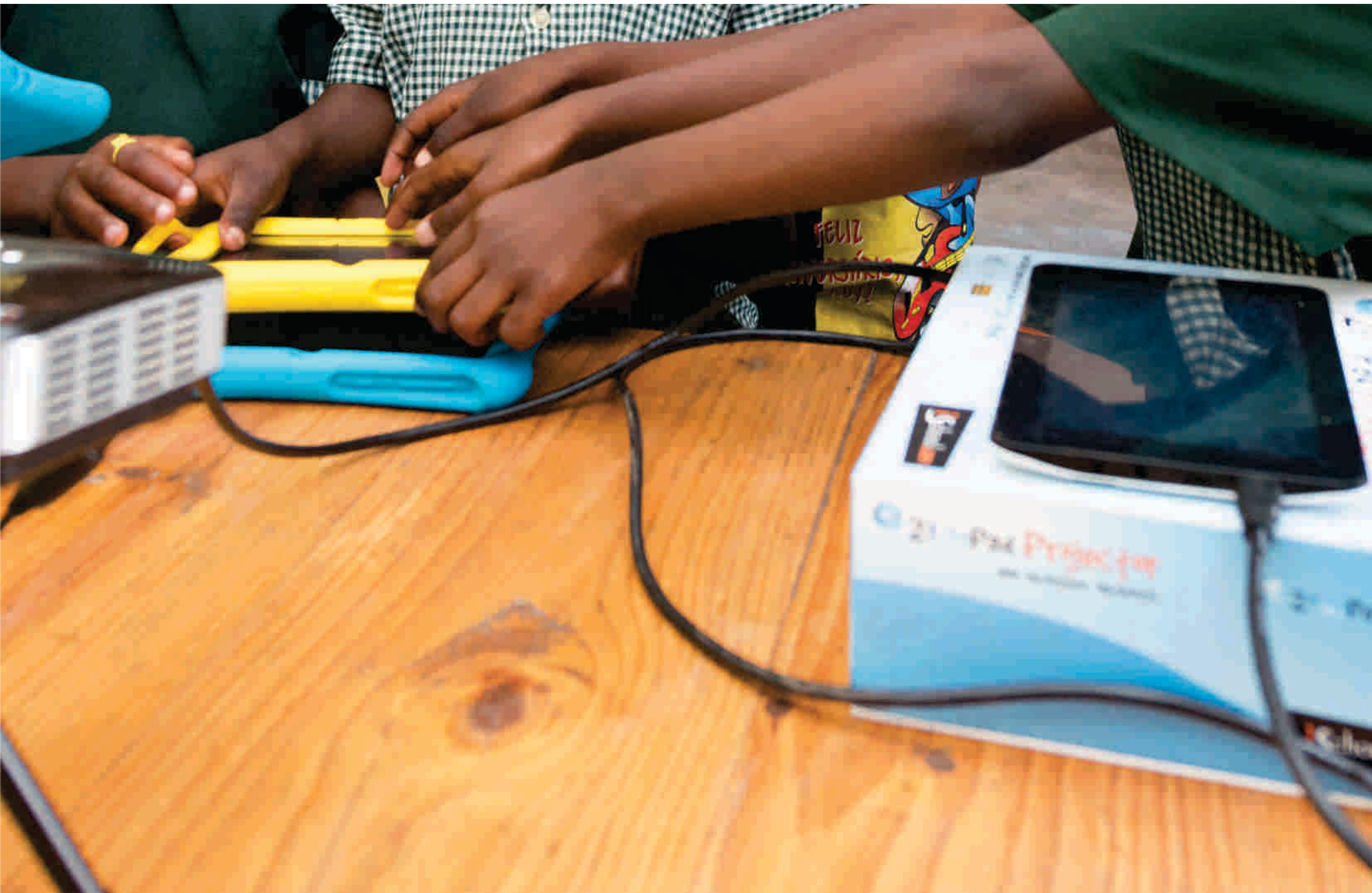
The budget deficit was mainly financed from external resources (multilateral partners, including drawdowns on the 2021 SDR General Allocation) as demand for Government securities in the primary market was generally below expectation (Table 6.3).

Table 6.3: Budget Deficit Financing, 2020–2022

	2020		2021		2022			
					Target		Preliminary	
	K'billion	Percent of GDP	K'billion	Percent of GDP	K'billion	Percent of GDP	K'billion	Percent of GDP
Total Financing	46.6	14.2	36.7	9.0	31.4	6.7	39.5	7.8
Net Domestic Financing	31.0	9.5	31.2	7.4	24.5	5.2	13.5	2.7
Government Securities	33.6	10.3	31.4	7.5	24.5	5.2	13.7	2.7
Bridge Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	0.2	0.1	0.3	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	0.7	0.1
Amortisation	-2.8	-0.9	-0.5	-0.1	0.0	0.0	-0.3	-0.1
Net External Financing	15.6	4.8	5.5	1.3	7.0	1.5	25.3	5.0
Programme	0.0	0.0	0.0	0.0	39.3	8.4	20.9	4.1
Eurobond Refinancing	0.0	0.0	0.0	0.0	14.8	3.2	0.0	0.0
Special Drawing Rights	0.0	0.0	0.0	0.0	13.8	3.0	12.1	2.4
World Bank	0.0	0.0	0.0	0.0	3.7	0.8	2.4	0.5
Budget Support	0.0	0.0	0.0	0.0	7.0	1.5	6.4	1.3
Project	20.8	6.3	8.2	2.0	8.5	1.8	6.0	1.2
Amortisation	-5.2	-1.6	-2.6	-0.6	-40.9	-8.8	-1.6	-0.3

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

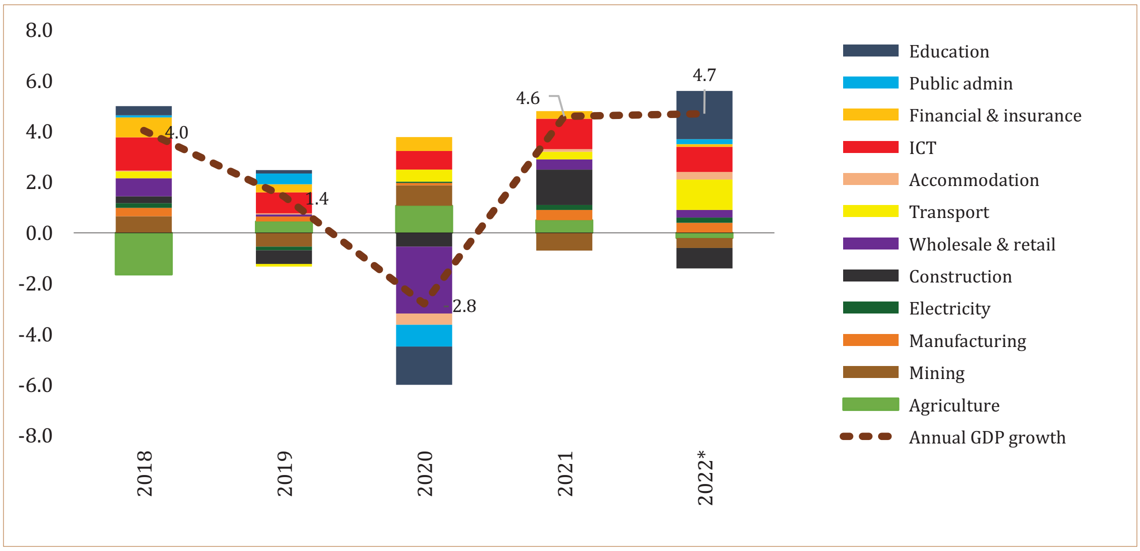
7.0 REAL SECTOR DEVELOPMENTS



7.0 REAL SECTOR DEVELOPMENTS

Preliminary data available show that real GDP continued to expand in 2022, growing by 4.7 percent compared to 4.6 percent in 2021 (Chart 7.1 and Table 7.1). A strong recovery in the education and pick-up in the transportation and storage sectors as well as sustained growth in the information and communications and manufacturing sectors underpin higher real GDP growth in 2022.

Chart 7.1: Annual Real GDP Growth and Contribution by Selected Industries (Percentage), 2018–2022



Source: Zambia Statistics Agency, Bank of Zambia Compilation, *=preliminary

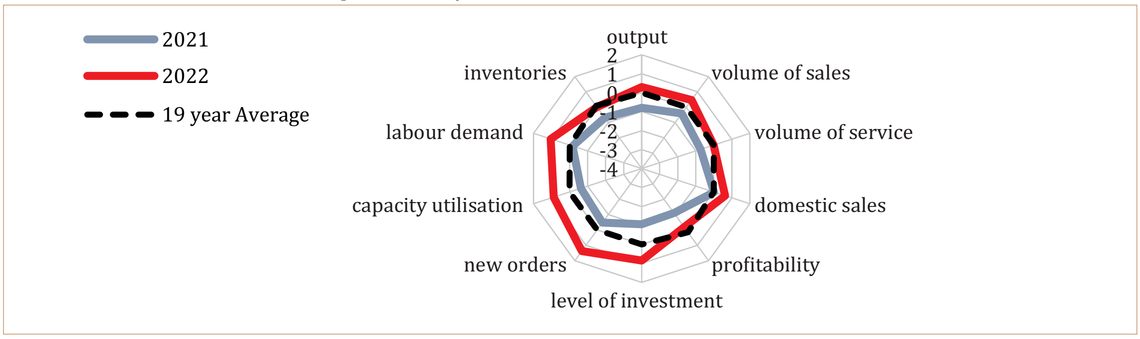
Table 7.1: Real GDP Growth (Percent), 2020–2022 and Percentage Point Contribution in 2022

	2020	2021	2022*	
Kind of Economic Activity	Growth Rate	Growth Rate	Growth Rate	Contribution to Growth
Agriculture, forestry and fishing	17.2	6.9	-2.4	-0.2
Mining and quarrying	8.0	-6.3	-4.4	-0.4
Manufacturing	1.0	4.2	4.4	0.4
Electricity generation and supply	3.1	12.7	9.5	0.2
Water supply; sewerage	2.1	2.6	6.4	0.0
Construction	-5.4	14.5	-7.3	-0.8
Wholesale and retail trade;	-12.6	2.3	1.5	0.3
Transportation and storage	13.8	8.7	28.5	1.2
Accommodation and food service activities	-22.4	7.2	21.6	0.3
Information and communication	14.3	19.7	14.8	1.0
Financial and insurance activities	13.0	6.6	1.2	0.1
Real estate activities	3.5	3.6	3.7	0.1
Professional, scientific, and technical activities	6.8	2.1	17.1	0.3
Administrative and support service activities	3.3	4.1	-5.6	-0.1
Public administration and defense	-15.9	-0.7	5.4	0.2
Education	-19.3	-0.6	30.6	1.9
Human health and social work activities	7.4	2.5	4.5	0.1
Arts, entertainment and recreation	-71.6	25.2	96.7	0.1
Other service activities	3.5	3.6	-12.9	-0.1
Taxes less subsidies	-12.6	2.3	1.5	0.1
Gross Domestic Product (GDP)	-2.8	4.6	4.7	4.7

Source: Zambia Statistical Agency
*=preliminary

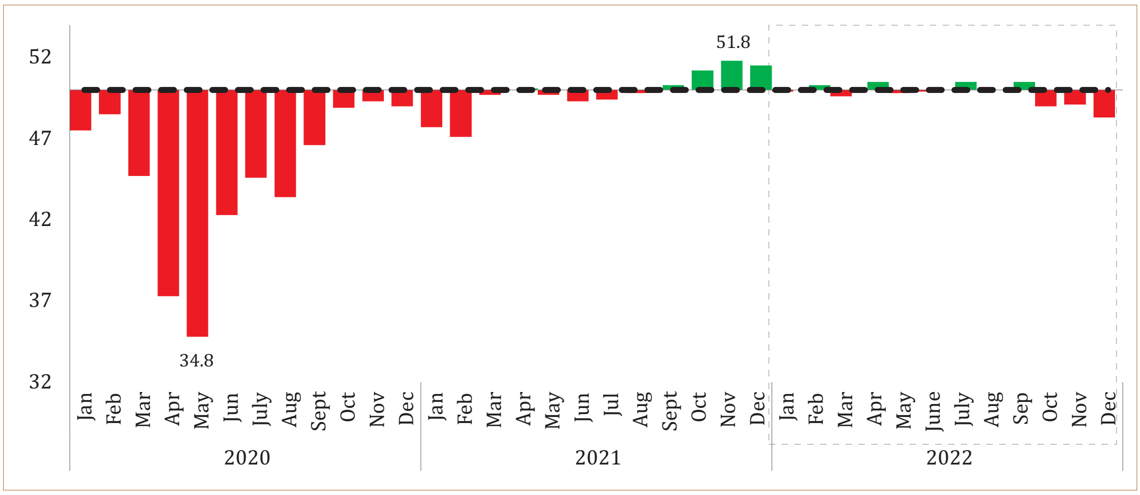
According to the *Bank of Zambia Quarterly Business Opinion and Expectations* Survey, the private sector business environment strengthened in 2022 (Chart 7.2). This was largely based on traction in COVID-19 vaccination and increased business confidence underpinned by Government's commitment to fiscal consolidation as well as approval of the IMF Extended Credit Facility on August 31. Further, optimism about successful external debt restructuring boosted activity in the private sector. Nonetheless, the *Stanbic Bank Zambia Purchasing Managers' Index*™ indicated weaker economic activity in 2022 as new orders and output were reported to have reduced due to constrained consumer demand amid rising cost-of-living (Chart 7.3).

Chart 7.2: Bank of Zambia Business Opinion Survey, 2021–2022



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

Chart 7.3: Stanbic Bank Zambia *Purchasing Manager's Index*, 2020–2022



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

The education sector expanded by 30.6 percent and contributed 1.9 percentage points to overall growth. This was largely due to increased contact hours for learners as teaching activities improved following the implementation of a Free Education Policy up to secondary school level, which resulted in higher enrolment levels. Mass recruitment of teachers country-wide further bolstered the performance of the sector.

Stronger performance in the transportation and storage sector was attributed to the relaxation of COVID-19 measures, which eased travel restrictions and encouraged the movement of goods, cargo and people. In addition, diesel consumption increased, particularly in the wholesale and retail trade as well as manufacturing sectors, as imports surged on the back of the appreciation of the Kwacha against the US dollar in the earlier part of the year.

Sustained increase in the usage of digital and mobile platforms contributed to the 14.8 percent growth in the information and communications sector. The total number of active internet (mobile and fixed subscribers) increased by 6.7 percent to 11.1 million in 2022 while the total domestic outgoing traffic on mobile cellular networks (minutes) rose by 17.0 percent to 28.5 billion. The number of telecommunication towers also increased by 2.6 percent to 3,506.

The manufacturing sector grew by 4.4 percent due to the reduced cost of inputs as the Kwacha appreciated against the US dollar in the earlier part of the year. The sector was further supported by stable electricity supply.

The other sectors that registered positive growth were wholesale and retail trade, accommodation and food services, professional and technical services, electricity, public administration, financial and insurance, human health, arts, and real estate.

The wholesale and retail trade sector grew by 1.5 percent, buoyed by increased consumer spending. Tourism activities—proxied by accommodation and food services as well as arts, entertainment and recreation—increased as Government lifted COVID-19 restrictions. The sustained reduction in global COVID-19 positivity rates supported the 114.5 percent increase in international arrivals to 604,046 in 2022. The provision of incentives in the tourism sector as well as conferences and exhibitions related travel, such as, the African Union Mid-Term Summit held in July and the 38th Annual Conference of the Association for Educational Assessment in Africa in August contributed to positive growth.

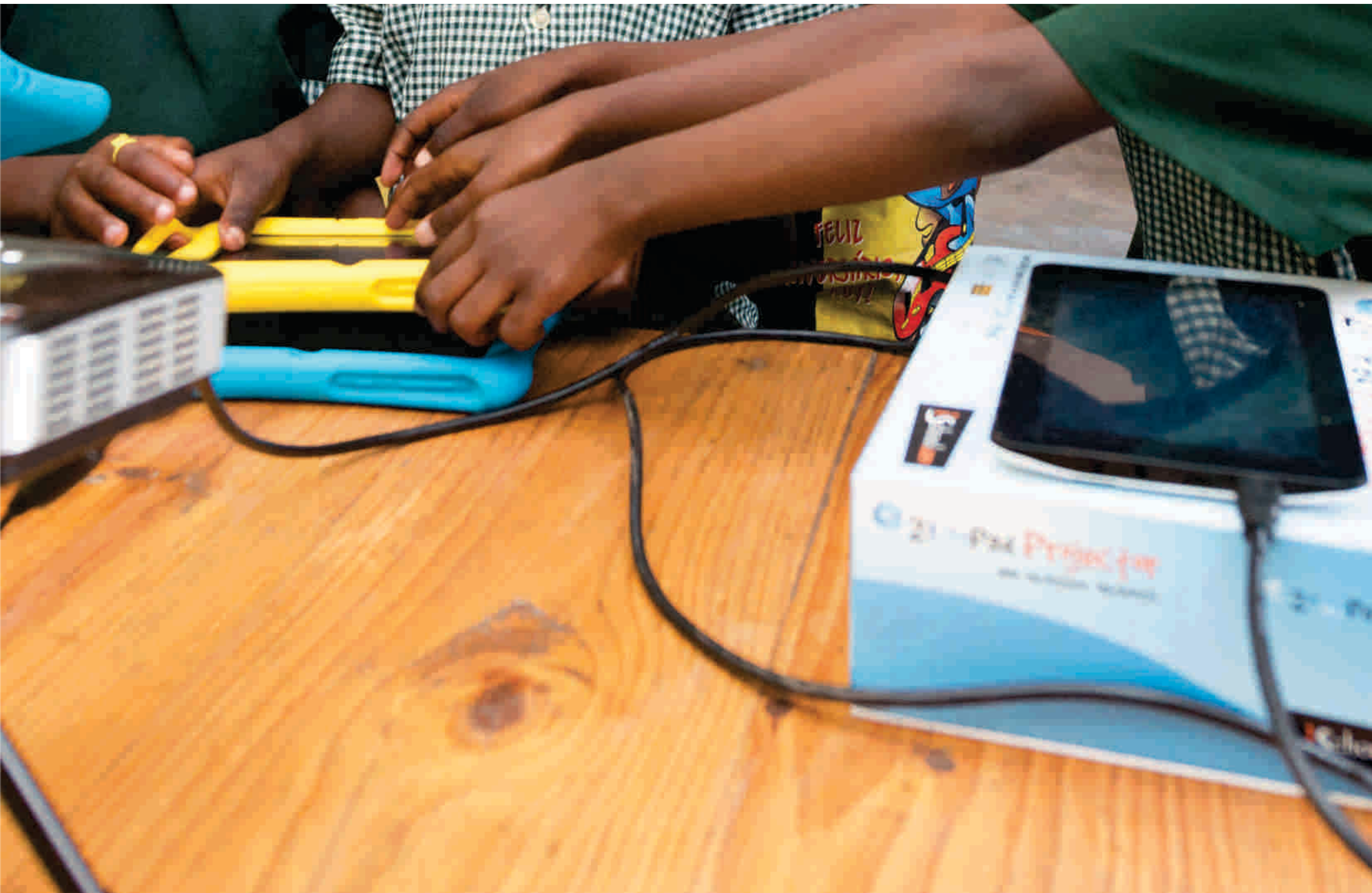
The public administration sector grew by 5.4 percent as contact hours increased. This reflected both base effects as employees resumed normal working hours following the relaxation of COVID-19 containment measures and recruitment of 30,496 additional teachers and 11,276 health personnel. The employment of additional health workers and the growth in supporting sectors led to the positive growth in the human health and professional, scientific and technical sectors, respectively.

The electricity sector grew by 9.5 percent, underpinned by increased generation capacity at Kafue Gorge Lower Hydropower Station. Growth in the financial and insurance sector was 1.2 percent, reflected in higher profitability and premiums in the banking and insurance sub-sectors, respectively. In addition, the increased usage of mobile digital financial services supported growth in the financial sector. Population growth and subsequent demand for housing and related utilities largely explains the positive outturn in the real estate and water and sewerage sector[16].

In contrast, the construction, mining, agriculture as well as administrative and support service sectors contracted. The construction sector registered negative growth of 7.3 percent as public spending on capital projects reduced. Growth in the mining sector also contracted by 4.4 percent as copper production declined to 793,550 metric tonnes from 830,157 metric tonnes in 2021 and prices reduced. Low ore grade, operational challenges and routine closures for maintenance at some major mines adversely affected mining output. The agriculture sector too contracted by 2.4 percent due to the late onset of the rainy season, flash floods and drought in some provinces. Further, the outbreak of foot and mouth disease in April affected animal production. The contraction in supporting sectors explains the negative outturn in the administrative and support services sector.

[16] The volume and value of mobile money transactions rose by 74.6 percent and 89.6 percent to 1,581,355,224 and K295.8 billion, respectively.

8.0 BALANCE OF PAMENTS AND EXTERNAL DEBT



8.0 BALANCE OF PAYMENTS AND EXTERNAL DEBT

8.1 Balance of Payments

The balance of payments position deteriorated in 2022 as an overall deficit of US$1.3 billion (4.8 percent of GDP) was recorded against a surplus of US$1.5 billion (5.2 percent in GDP) in 2021 (Table 8.1). This was largely on account of a sharp decline in the *current account* surplus and significant widening in the *financial account* deficit following the recognition of principal repayment due on Government debt[17].

Table 8.1: Balance of Payments (US$ million, f.o.b), 2020-2022

BPM6 Concept	2020r	2021r	2022*
A. Current Account, n.i.e.	2,174.3	2,681.6	1,154.6
Balance on goods	3,216.0	4,816.1	3,368.9
Goods: exports, of which	8,002.9	11,202.0	11,504.8
Copper	5,867.7	8,396.5	8,128.6
Cobalt	10.6	5.0	0.0
NTEs	1,868.8	2,582.3	3,179.9
Gold	220.5	209.2	187.3
Goods: Imports	4,786.8	6,385.8	8,135.9
Balance on Services	-493.8	-779.4	-943.1
Services: credit, of which	555.6	525.5	932.7
Transportation	46.2	67.0	68.8
Travel	411.6	393.0	828.5
Services: debit, of which	1,049.4	1,304.9	1,875.8
Transportation	514.7	713.7	904.8
Travel	233.9	248.7	505.3
Insurance & Pension Services	58.3	16.5	7.5
Balance on Primary Income	-769.1	-1,656.6	-1,556.1
Primary income: credit	36.6	9.7	26.3
Primary income: debit	805.7	1,666.3	1,582.3
Balance on Secondary Income	221.2	301.5	284.9
Secondary income, n.i.e.: credit	285.2	404.0	397.0
Secondary income: debit	63.9	102.6	112.2
B. Capital Account, n.i.e.	79.8	77.1	76.0
Capital account, n.i.e.: credit	79.8	77.1	76.0
C. Financial Account, n.i.e[s].	2,427.2	1,950.2	2,443.5
Direct investment: assets	64.0	-504.3	-387.8
Direct investment: liabilities, n.i.e.	245.2	-351.6	115.9
Portfolio investment: assets	38.1	-63.2	73.8
Equity and investment fund shares	0.0	0.0	0.0
Debt securities	38.1	-63.2	73.8
Portfolio investment: liabilities, n.i.e.	236.9	938.7	-965.8
Equity and investment fund shares	2.9	0.3	-0.1
Debt securities	234.0	938.4	-965.7
Financial derivatives: net	10.4	25.9	31.1
Financial derivatives: assets	75.5	23.9	34.2
Financial derivatives: liabilities	65.1	-2.0	3.2
Other investment: assets	2,941.3	4,600.8	1,928.9
Other debt instruments	2,926.1	4,599.1	1,928.9

[17] In the past, despite the Government accruing interest and principal arrears, the balance of payments was recorded on a cash basis. However, recording of transaction is now done according to the conventional accrual basis and all principal and interest payments on Government debt (paid or in arrears) are recognised.

Table 8.1: Balance of Payments (US$' million, f.o.b), 2020-2022

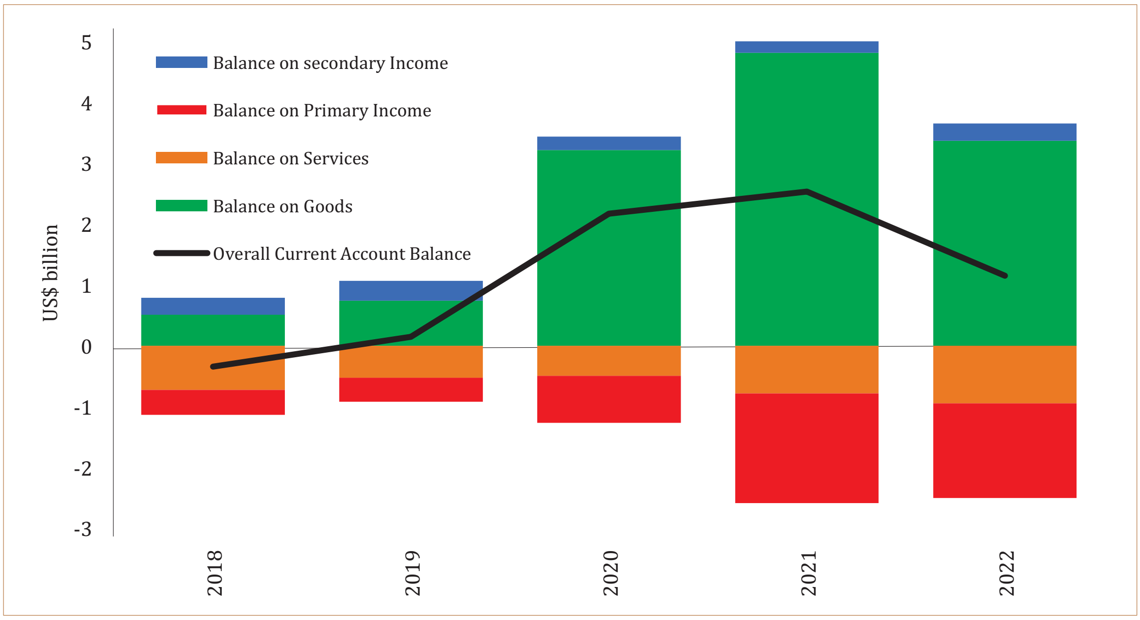
BPM6 Concept	2020r	2021r	2022*
Central bank	189.8	91.7	-25.6
Deposit-taking corporations, except C/bank	256.1	383.5	343.5
Other sectors	2,480.3	4,123.8	1,611.0
Non-financial corps, h/holds & NPISHs	2,480.3	4,123.8	1,611.0
Other investment: liabilities, n.i.e.	144.5	1,522.0	52.4
Special Drawing Rights	0.0	1,327.8	0.0
Other debt instruments	144.5	195.5	52.2
Deposit-taking corporations, except c/bank	-141.6	180.7	-67.7
General government	894.1	277.8	326.0
Other sectors	-607.9	-262.9	-206.1
Non-financial corps, h/holds & NPISHs	-607.9	-262.9	-206.1
D. Net Errors and Omissions	-252.3	664.7	-114.1
E. Overall Balance	425.4	-1,473.2	1,327.0
F. Reserves and Related Items	-425.4	1,473.2	-1,327.0
Reserve assets	-440.9	1,470.6	494.5
Credit and loans from the IMF	-15.5	-2.6	179.0
Exceptional financing	0.0	0.0	1,642.5

Source: Bank of Zambia
f.o.b = free on board; (*) = preliminary; (r) = revised; and (s) = financial account and overall balance take on a sign convention such that a negative denotes a surplus and a positive represents a deficit; NTEs = non-traditional exports, n.i.e = not included elsewhere.

Current Account

The *current account* surplus reduced markedly to US$1.15 billion (3.9 percent of GDP) in 2022 from US$2.68 billion (11.9 percent of GDP) in 2021 (Chart 8.1) owing to the decline in net merchandise exports and widening of the *services account* deficit. Higher expenditure on transportation, attributed to passenger travel, mostly explain the deficit in the *services account*.

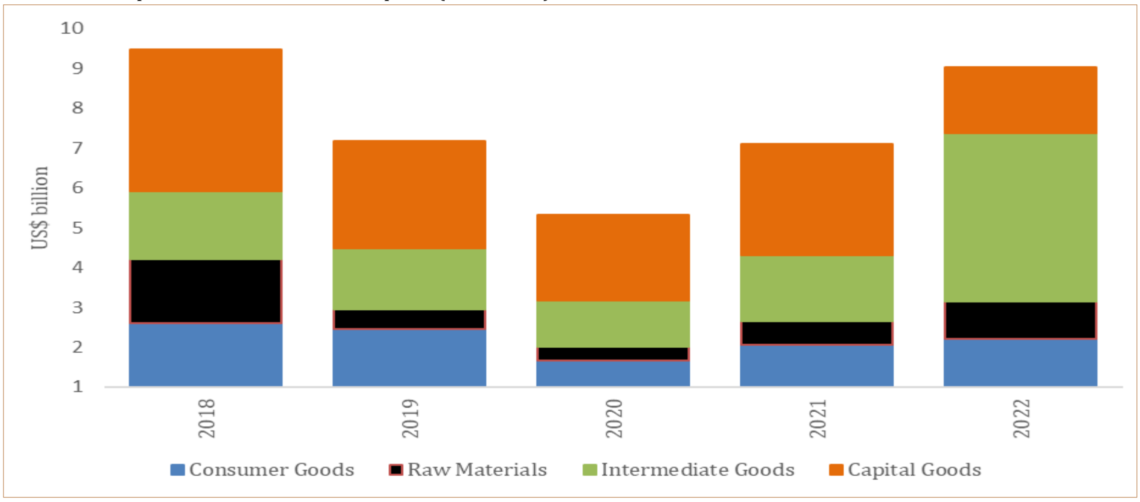
Chart 8.1: Current Account (US$ billion), 2018–2022



Source: Bank of Zambia

Net merchandise exports declined to US$3.4 billion in 2022 from US$4.8 billion in 2021 against a background of faster growth in imports (Chart 8.1). Imports surged to US$8.1 billion—representing a growth of 27.4 percent— mainly due to a rise in demand for intermediate goods. This was mainly explained by further improvements in domestic economic activity and easing of COVID-19 restrictions as vaccination gained traction. The increase in imports was broad-based with the exception of capital goods (Chart 8.2).

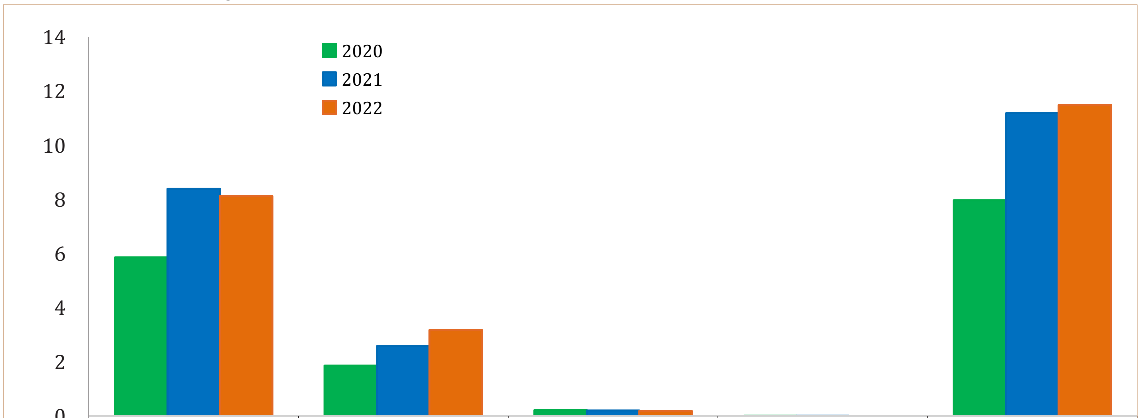
Chart 8.2: Components of Merchandise Imports (US$ billion), 2018–2022



Source: Bank of Zambia

Exports rose by 2.7 percent on account of higher non-traditional export (NTEs) earnings, primarily driven by sustained strong demand in major trading partner countries as most COVID-19 restrictions were lifted (Chart 8.3 and Table 8.2). Key contributors to the growth in NTE earnings were sulphuric acid, sulphur of all kinds, electricity, electrical cables, soap, as well as nickel ores and concentrates.

Chart 8.3: Export Earnings (US $ billion), 2020–2022



	Copper	NTEs	Gold	Cobalt	Total
2020	5.9	1.9	0.2	0.0	8.0
2021	8.4	2.6	0.2	0.0	11.2
2022	8.1	3.2	0.2	0.0	11.5

Source: Bank of Zambia

Table 8.2: Major Non-Traditional Exports (US$ million, f.o.b), 2020-2022

Commodity/ Product	2020	2021	2022
Gemstones	88.2	126.3	78.8
Sulphuric acid	94.5	56.6	134.9
Industrial Boilers and Equipment	90.0	104.2	102.4
Cane Sugar	115.6	121.8	120.3
Cement & Lime	191.0	185.4	186.7
Electricity	123.7	167.3	296.4
Burley Tobacco	116.6	126.9	136.3
Copper Wire	48.5	76.2	63.5
Maize & Maize Seed	38.8	48.8	109.4
Electrical Cables	12.7	30.4	35.9
Soap, Active Agents, Washing Preps etc	73.8	96.5	111.6
Fresh Fruits & Vegetables	12.1	16.8	14.9
Iron and Steel	92.9	237.3	326.4
Beverages, Spirits and Vinegar	88.3	144.7	159.4
Sulphur of all kinds	58.3	108.8	308.6
Oil-cake and other solid residues, of soya-bean	33.7	85.5	84.6
Dairy Prod; Birds' Eggs; Natural Honey; Edible Prod Nes	16.2	44.2	66.8
Miscellaneous chemical products	36.8	61.9	51.0
Groats and meal of maize (corn)	16.7	35.6	22.6
Nickel ores and concentrates	45.1	82.2	118.8
Prep of Cereal, Flour, Starch/Milk; Pastrycooks' Prod	46.5	72.6	82.5
Residues & Waste from The Food Indust; Prepr Ani Fodder	48.9	112.8	120.0
Wood and Articles of Wood; Wood Charcoal	26.4	31.0	16.6
Vehicles O/T Railw/Tranw Rool-Stock, Pts & Accessories	34.8	30.8	36.1
Other	318.6	377.8	504.9
Total	1,868.8	2,582.3	3,179.9

Source: Bank of Zambia

(*) In 2021, a revision was made to the categories covered in NTEs to reduce the "other" category. As a result, some items in 2020 do not reflect any amounts as these are included in the "other" category.

In contrast, copper export earnings fell by 3.2 percent, reflecting lower copper prices and export volume (Table 8.3). The reduction in export volume was underpinned by a decline in copper output amid low ore grade, operational challenges and routine closures for maintenance at some mines. Gold and cobalt earnings also reduced due to lower prices and export volume (gold) while the major cobalt producer remained on care and maintenance.

Table 8.3: Realised Prices and Export Volumes, 2020-2022

	2020	2021	2022
Realised Prices			
Copper (US$/mt)	6,060.9	9,253.9	8,929.6
Cobalt (US$/mt)	29,361.7	31,473.2	na
Gold (US$/ounce)	1,421.7	1,738.6	1,612.1
Export Volume			
Copper (mt)	930,969.1	903,401.1	898,332.4
Cobalt (mt)	366.9	161.2	0.0
Gold (ounces)	138,135.0	120,144.0	114,317.6

Source: Bank of Zambia

Nonetheless, the *primary income account* deficit narrowed to US$1.6 billion in 2022 from US$1.7 billion in 2021 largely due to the reduction in re-invested earnings. This moderated the decline in the overall *current account* surplus.

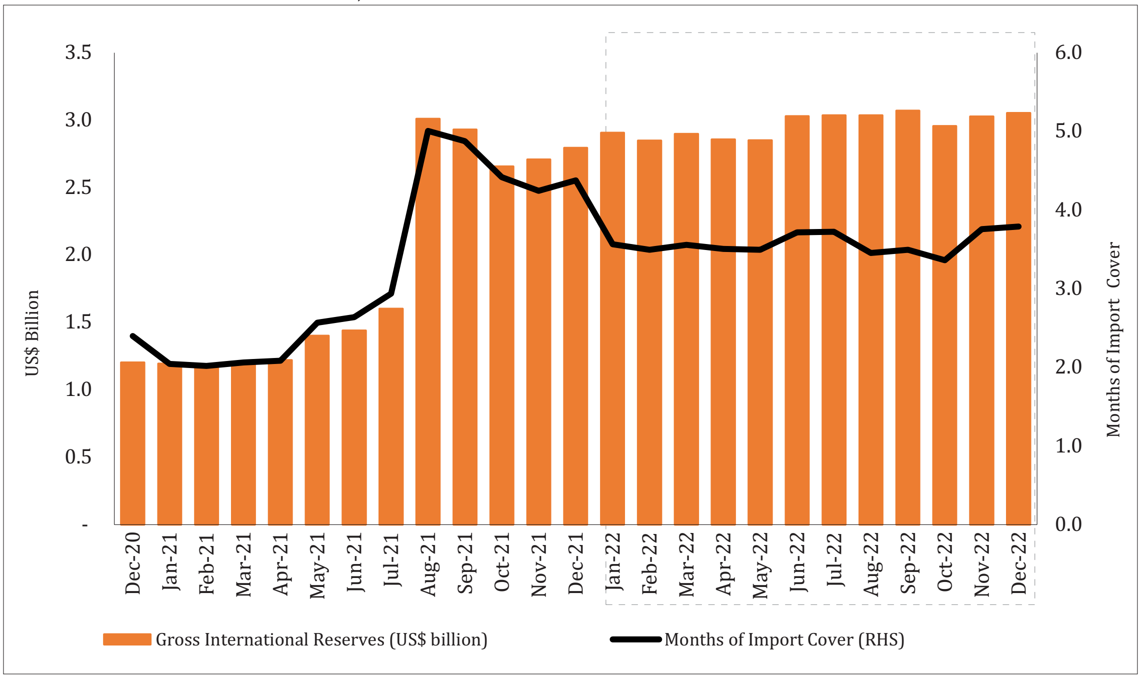
Capital and Financial Accounts

The *capital account* surplus marginally declined to US$76.0 million in 2022 from US$77.1 million in 2021 (Table 8.1). On the other hand, the *financial account* deficit widened to US$2.44 billion from US$1.95 billion following the recognition of the US$750.0 million Eurobond principal due in September (Table 8.1).

8.2 Gross International Reserves

Gross international reserves increased to US$3.0 billion (equivalent to 3.8 months of import cover[18]) at end-December 2022 from US$2.8 billion (equivalent to 4.4 months of import cover) at end-December 2021 (Chart 8.4). This was largely attributed to project receipts (US$771.7 million), other Government receipts[19] (US$237.0 million) and disbursement of the first tranche under the IMF ECF arrangement (US$182.1 million). Notable outflows during the year were net Bank of Zambia foreign exchange sales for market support (US$1.5 billion), principally for critical agricultural, petroleum, and health products, as well as other Government uses (US$546.7 million).

Chart 8.4: Gross International Reserves, 2020-2022



Source: Bank of Zambia

8.3 Direction of Trade

Major Export Markets

Switzerland, China, Singapore, Democratic Republic of the Congo (DRC) and South Africa remained Zambia's top five export destinations in 2022 and accounted for 85.7 percent of total exports (Chart 8.5). Copper continued to be the major export product, with Switzerland[20], China, and Singapore as main markets (Table 8.4).

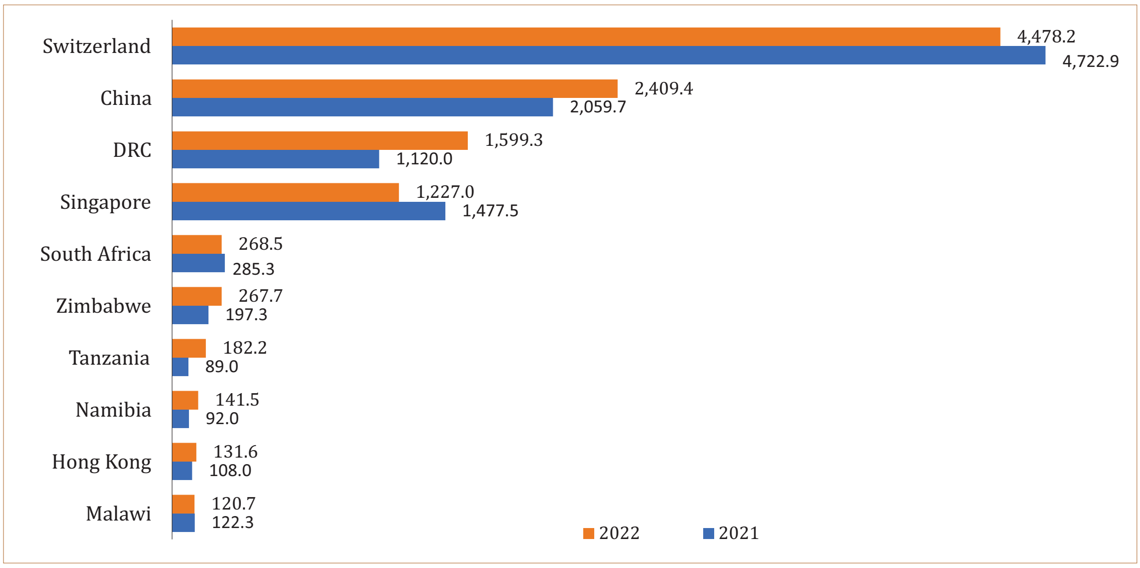
[18]The decline in the months of import cover was due to an upward revision of the projected value of prospective imports to US$9.7 billion at end-2022 compared to US$7.7 billion at end-2021.
[19]Government receipts mostly comprised toll fees.
[20] Switzerland is reflected as Zambia's partner country in the customs data although the destination for copper is different. Large metal traders based in Switzerland buy copper and cobalt from mining companies operating in Zambia and sell in other foreign markets.

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

Country	Main Products	2020	2021	2022	Percentage Change
Switzerland	Copper and articles thereof	3,461.7	4,579.2	4,281.1	-6.5
	Ores, slag and ash	138.2	82.2	141.8	72.5
China	Copper and articles thereof	1,387.2	1,907.8	2,247.9	17.8
Singapore	Copper and articles thereof	874.5	1,471.8	1,220.8	-17.1
Democratic Republic of Congo	Salt, sulphur, earth and stone	189.3	212.9	395.3	85.7
	Inorganic chemicals, compounds of precious metals, radioactive elements	99.8	63.1	147.4	133.7
	Beverages	79.7	119.9	135.9	13.3
	Soap and organic surface-active agents	65.3	86.4	97.6	13.0
	Electrical energy	0.0	0.0	89.2	n/a
South Africa	Natural/ cultured pearls and precious stones	69.4	65.2	54.5	-16.3
	Iron and steel	12.6	33.7	35.1	4.3
	Copper and articles thereof	15.9	37.0	31.3	-15.5
	Nuclear reactors, boilers and machinery	19.0	21.0	27.7	32.0
	Sugar and sugar confectionery	15.4	15.3	15.0	-1.5

Source: Bank of Zambia and Zamstats

Chart 8.5: Direction of Exports by Country (US$ millions), 2021-2022

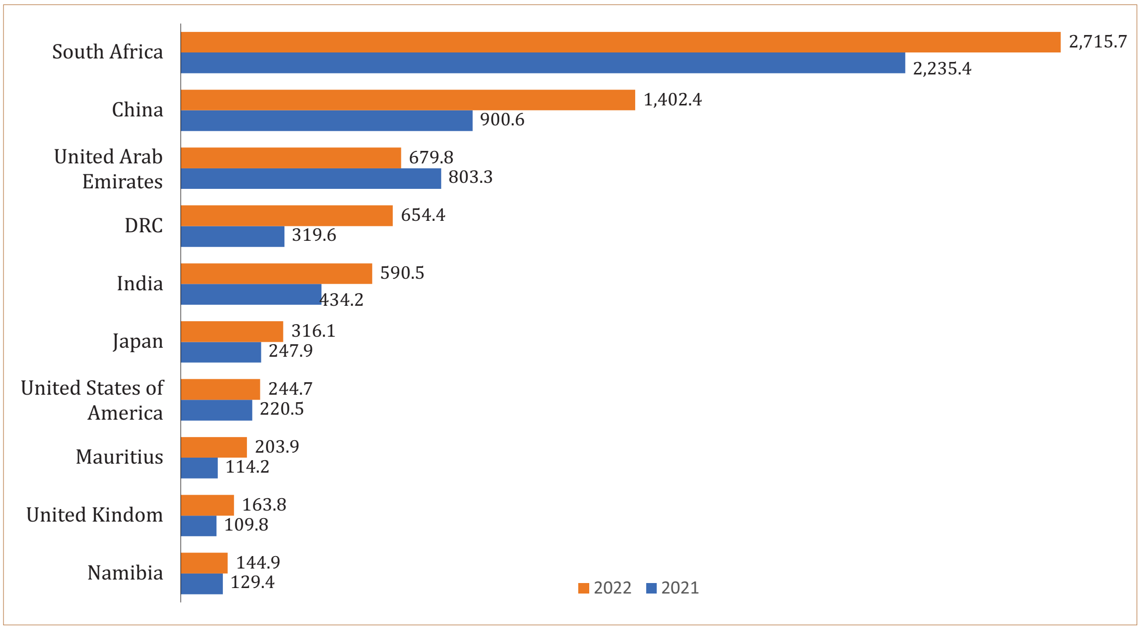


Source: Bank of Zambia and Zambia Statistical Agency

Major Source Countries for Imports

The top five source countries for imports were South Africa, China, United Arab Emirates, India, and Democratic Republic of the Congo. These countries collectively accounted for 66.8 percent of total imports (Chart 8.6 and Table 8.5). This reflects an increase of 5.6 percentage points from the 2021 share.

Chart 8.6: Direction of Imports by Country (US$ millions), 2021-2022



Source: Bank of Zambia and Zambia Statistical Agency

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

Country	Main Products	2020	2021	2022	Percentage Change
South Africa	Nuclear reactors and boilers	229.2	264.0	299.6	13.5
	Vehicles	163.5	223.8	297.4	32.9
	Plastics and articles thereof	124.6	192.3	248.0	29.0
	Fertiliser	154.4	152.8	230.6	50.9
China	Nuclear reactors and boilers	166.0	166.3	260.8	56.8
	Vehicles	78.0	117.1	227.4	94.2
	Electrical Machinery Equipment	109.1	113.4	112.9	-0.5
	Iron and Steel	74.9	64.0	101.7	58.9
United Arab Emirates	Mineral fuels, oils and products of their distillation	300.7	209.2	313.7	50.0
	Salt, Sulphur, Earth & Stone	5.3	9.7	82.1	748.0
	Fertiliser	19.7	7.4	54.2	628.0
	Nuclear reactors and boilers	44.5	74.4	53.1	-29.0
India	Pharmaceutical products	97.4	163.4	164.1	0.4
	Nuclear reactors and boilers	42.4	71.2	128.6	80.7
	Plastics and articles thereof	25.3	32.4	46.8	44.5
	Vehicles	17.3	27.8	45.0	61.8
Democratic Republic of Congo	Ores, slag and ash	62.1	213.4	377.3	76.8
	Inorganic chemicals and compounds of precious metals	4.4	65.1	246.1	278.0
	Zinc and articles thereof	0.0	16.2	24.7	52.4
	Copper and articles thereof	0.0	7.1	3.3	-52.8

Source: Bank of Zambia and Zambia Statistical Agency

8.4 External Debt

Government Debt Stock

Preliminary data indicate a 5.8 percent rise in public and publicly guaranteed external debt stock (PPG) to US$15.41 billion at end-December 2022. This was on account of more disbursements mainly by multilateral creditors. However, the PPG debt stock as a ratio of GDP declined to 56.2 percent in 2022 from 71.5 percent in 2021 due to the rise in the GDP in 2022.

Of the US$15.41 billion debt, Central Government external debt was US$13.96 billion while guaranteed external debt was US$1.45 billion (Table 8.6). The bulk of the Central Government external debt was owed to commercial creditors (42.4 percent) followed by bilateral creditors (28.3 percent) and multilateral creditors (23.4 percent).

Table 8.6: Government External Debt Stock by Creditor, 2020–2022

	2020		2021		2022*	
Creditor	US$ million	Percent share	US$ million	Percent share	US$ million	Percent share
Bilateral	3,846.6	30.2	3,953.4	30.3	3,956.4	28.3
Paris Club	460.6		489.9		555.9	
Non-Paris Club	3,386.0		3,463.5		3,400.5	
Multilateral	2,353.5	18.5	2,548.1	19.5	3,271.8	23.4
IMF					186.2	
World Bank Group	1,462.7		1,387.5		2,060.5	
African Development Bank Group	721.8		812.1		864.3	
Others	160.9	5.3	348.5	4.8	160.9	
Plurilateral *	671.5	46.1	628.8	45.3	819.7	5.9
Commercial	5,866.7		5,910.9		5,911.7	42.4
Total Government Debt	12,738.3		13,041.2		13,959.6	

Source: Ministry of Finance and National Planning, Bank of Zambia Compilation
*Preliminary
* Plurilateral - Official institutions for which lenders are countries of a specific region (e.g. Nordic Fund) or bound by a specific relationship (e.g. OFID5).

Government External Debt Service

Preliminary data indicate that external debt service was lower in 2022, at US$132.3 million, than in 2021 when US$206.7 million was paid. The debt service standstill largely explains the outturn. Debt service was in respect of principal repayment (US$82.2 million) as well as interest and other charges (US$50.1million) mostly to multilateral partners (Table 8.7).

Table 8.7: Zambia's Official External Debt Service by Creditor, (US$ million), 2020–2022

Creditor	2020	2021	2022
Bilateral	0.8	24.6	0.03
Paris Club	0.8	-	0.03
Others	-	24.6	-
Multilateral	73.9	77.1	113.1
World Bank Group	23.5	36.3	49.0
IMF	18.5	-	-
European Investment Bank	6.2	7.7	10.3
Others	25.7	33.1	53.8
Suppliers/Bank(Commercial)/Export Credit Agencies	543.1	105	19.2
Total	617.7	206.7	132.3

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed External Debt Stock

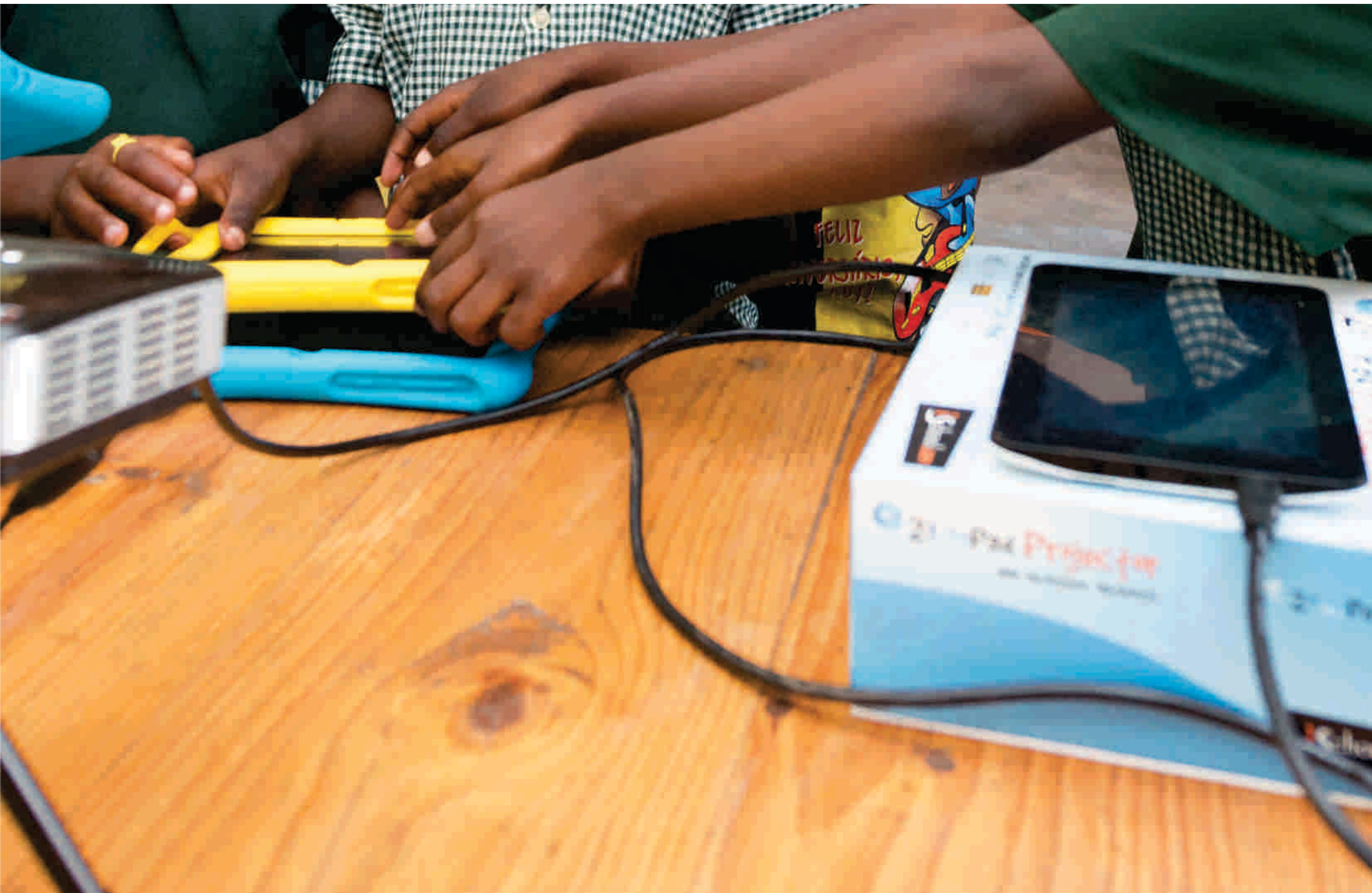
Total external debt owed by the private sector and the non-guaranteed parastatal sector declined to US$7.9 billion in 2022 from US$8.3 billion in 2021 (Table 8.8). This was mainly due to net amortisation on existing and new loans.

Table 8.8: Private and Non-Guaranteed Parastatal External Debt Stock, 2020–2022

	2020		2021		2022*	
Creditor	US$ million	Percent Share	US$ million	Percent Share	US$ million	Percent Share
Private	11,800.3	90.9	6,061.3	73.3	7,110.1	89.7
Multilateral	110.7		25.1		32.3	
Financial Institutions	640.1		106.7		-	
Parent and Related Company	10,656.7		5,366.8		4,616.6	
Other	392.8		562.7		2,461.2	
Parastatal	1,177.6	9.1	2,212.8	26.7	814.9	10.3
Total Private and Non-Guaranteed Parastatal Debt	12,977.9	100.0	8,274.1	100.0	7,925.1	100.0

Source: Bank of Zambia
* Preliminary data as at end September 2022

9.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION



9.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

9.1 Banking Sector

Structure of the Banking Sector

The number of licensed commercial banks remained unchanged at 17 in 2022. Of these, 10 were subsidiaries of foreign banks, four were partially owned by the Government of the Republic of Zambia, and three were local privately owned. The sector continued to be dominated by subsidiaries of foreign banks in terms of total assets, loans, deposits and profit before tax (Table 9.1).

Table 9.1: Assets, Loans and Deposits and Profit before Tax by Ownership Type (share of industry, percent), 2020-2022

	2020				2021				2022			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of Foreign Banks	73.8	68.2	74.6	42.1	71.0	63.8	70.9	71.0	67.4	60.1	66.8	60.0
Banks with Government Stake	23.1	27.1	22.6	48.1	25.9	32.0	25.9	26.6	29.4	35.1	30.0	37.2
Local Private Banks	3.0	4.7	2.8	9.7	3.1	4.1	3.1	2.3	3.2	4.8	3.2	2.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Zambia
*PBT – Profit Before Tax

Overall Financial Performance and Condition

As at end-December 2022, the overall financial performance and condition of the banking sector was *satisfactory*[21]. This was due to favourable capital adequacy, asset quality, earnings performance and liquidity conditions (Table 9.2). Three banks had adverse composite ratings—*fair, marginal and unsatisfactory*—and were under heightened surveillance (Tables 9.3 and 9.4).

Table 9.2: Financial Performance Indicators (Percent), 2020–2022

	Benchmark	2020	2021	2022
Primary capital adequacy ratio	5.0 or higher	17.8	23.2	22.0
Total regulatory capital adequacy ratio	10.0 or higher	20.1	24.6	22.8
Net non-performing loans to regulatory capital	10.0 or lower	9.2	-0.4	0.8
Gross non-performing loans to total loans	10.0 or lower	11.6	5.8	5.0
Net non-performing loans to total loans	2.5 or lower	2.8	-0.2	0.3
Allowance for loan losses to gross non-performing loans	80.0 or higher	75.9	102.8	93.5
Return on assets	4.0 or higher	2.1	5.2	5.0
Return on equity	20.0 or higher	12.9	35.1	29.3
Efficiency ratio	60.0 or lower	72.5	54.4	44.8
Liquid assets to deposits and short-term liabilities	25.0 or higher	57.4	56.3	52.2

Source: Bank of Zambia

[21] Ratings: *Strong* – sound in every respect, no supervisory response required. *Satisfactory* – fundamentally sound with modest correctable weaknesses, supervisory response limited. *Fair* – combination of weaknesses, if not redirected will become severe. *Marginal* - immoderate weaknesses unless properly addressed could impair future viability. Needs close supervision. *Unsatisfactory* - high risk of failure in the near-term.

Table 9.3: Composite Ratings of Banking Sector Financial Performance and Condition, 2020-2022

	Number of Banks			Percent of Total Assets			Percent of Total Deposits		
Performance Rating	2020	2021	2022	2020	2021	2022	2020	2021	2022
Satisfactory	9.0	14.0	14.0	70.8	95.6	90.1	72.7	95.4	90.8
Fair	4.0	2.0	2.0	23.8	3.5	8.9	22.2	3.3	7.8
Marginal	4.0	0.0	0.0	4.5	0.0	0.0	3.9	0.0	0.0
Unsatisfactory	1.0	1.0	1.0	0.9	0.9	1.1	1.2	1.3	1.5
Total	18.0	17.0	17.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Zambia

Table 9.4: Composite Ratings of Banking Sector Financial Performance and Condition, 2020-2022

	Capital Adequacy			Asset Quality			Earnings			Liquidity		
Performance Rating	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Satisfactory	0	0	3	0	0	0	0	0	1	0	0	0
Fair	11	15	12	8	12	10	10	13	14	10	14	11
Marginal	2	1	1	5	1	5	2	1	1	6	3	5
Unsatisfactory	1	0	0	3	3	0	1	2	0	1	0	0
Total	4	1	1	2	1	2	4	1	1	1	0	1

Source: Bank of Zambia

Asset and Liability Structure

Total assets increased by 25.1 percent to K196.2 billion in 2022, largely driven by more investments in Government securities, balances held with the Bank of Zambia, net loans and advances as well as balances held with foreign financial institutions abroad (Table 9.5 and Chart 9.1). Investments in Government securities accounted for the largest share of total assets followed by net loans and advances (Table 9.5). Liabilities also increased by 24.8 percent to K174.1 billion in 2022 mainly due to the rise in deposits as economic activity continued to pick-up (Table 9.6). Deposits remained the primary source of funding for banks, accounting for 74.9 percent of total assets expansion (Table 9.7).

Table 9.5: Asset Structure (K' billion and Percent), 2020–2022

	2020		2021		2022*		
	K'billion	Percent Share of Total Assets	K'billion	Percent Share of Total Assets	K'billion	Percent Share of total assets	Annual Percentage Change
Net Loans and advances	39.4	28.7	41.9	26.7	50.0	25.5	19.3
Balances with Foreign Financial Institutions	31.1	22.6	30.1	19.2	35.5	18.1	17.9
Balances with Bank of Zambia	14.1	10.3	19.2	12.3	26.8	13.7	39.6
Investments in Government Securities	33.5	24.4	41.9	26.7	56.8	29.0	35.6
Other	19.3	14.0	23.8	15.1	27.1	13.8	13.9
Total	137.4	100	156.9	100	196.2	100.0	25.1

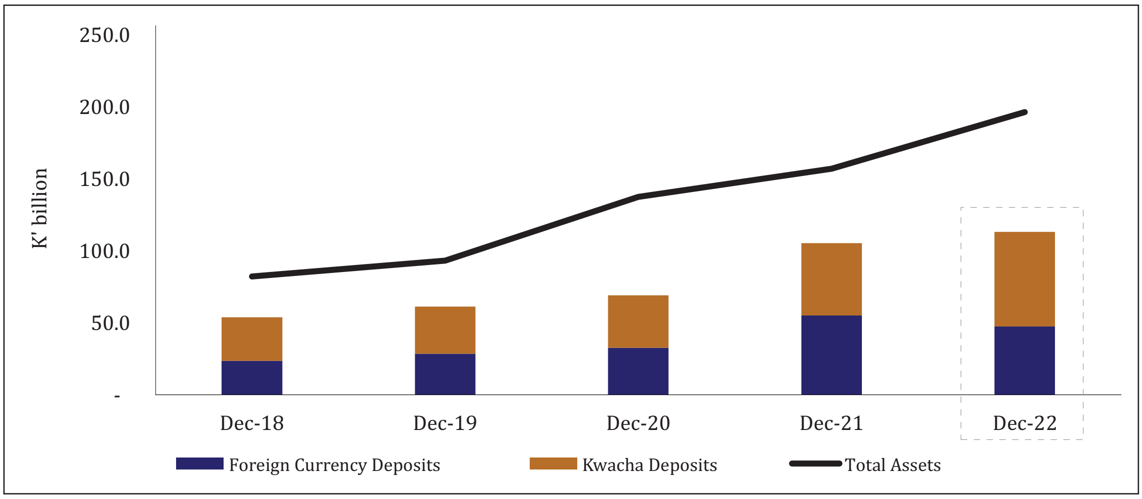
Source: Bank of Zambia

Table 9.6: Liability Structure (K' billion and Percent), 2020–2022

	2020		2021		2022*		
	K'billion	Percent of total liabilities	K'billion	Percent of total liabilities	K'billion	Percent of total liabilities	Annual Percentage Change
Deposits	105.2	83.9	113.0	81.0	147.0	84.5	30.1
Other Liabilities	8.4	6.7	9.8	7.0	10.7	6.1	9.2
Balances Due to Financial Institutions Abroad	2.7	2.1	4.3	3.1	3.9	2.2	-9.3
Other Borrowed Funds	3.2	2.5	2.8	2.0	2.2	1.2	-21.4
Balances Due to Financial Institutions in Zambia	0.9	0.7	0.7	0.5	1.2	0.7	71.4
Others	5.0	4.0	8.9	6.4	9.2	5.3	3.4
Total	125.4	100.0	139.5	100.0	174.1	100.0	24.8

Source: Bank of Zambia

Chart 9.1: Total Assets and Deposit Liabilities, (K' billion), 2018–2022



Source: Bank of Zambia

Table 9.7: Banking Sector Funding of Assets (Percent of total assets), 2020-2022

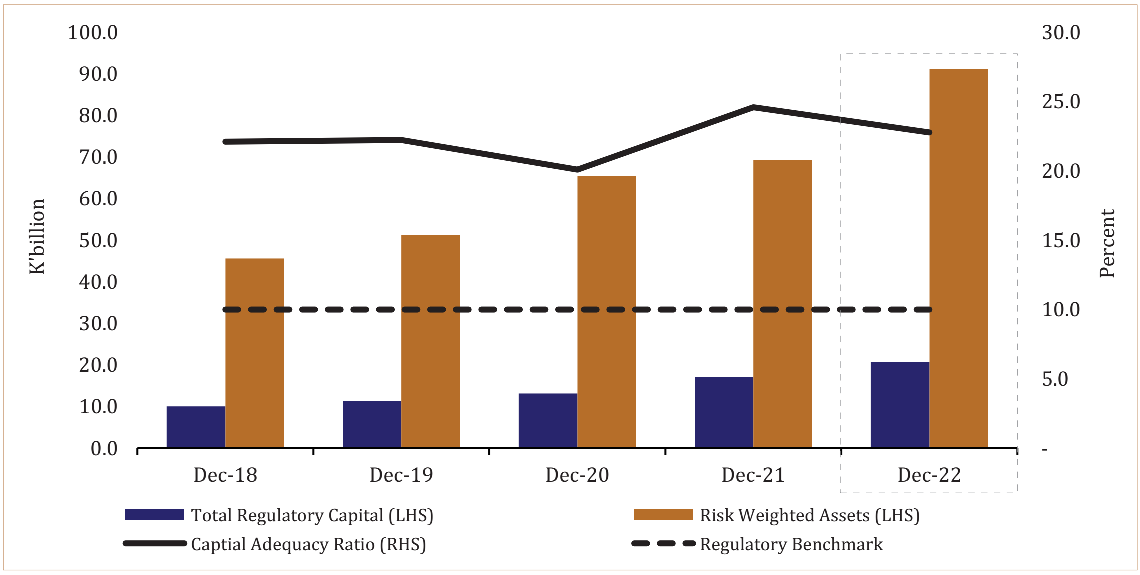
	2020	2021	2022
Customer deposits	76.6	72.0	74.9
Borrowings	8.5	10.7	8.3
Shareholders' funds	8.7	11.1	11.3
All other liabilities	6.1	6.2	5.4
Total funding	100	100	100

Source: Bank of Zambia

Capital Adequacy

The sector was adequately capitalised with primary and total regulatory capital adequacy ratios of 21.9 percent and 22.8 percent remaining above the minimum regulatory requirements of 5.0 percent and 10.0 percent, respectively. Primary and total regulatory capital rose by 24.2 percent and 21.8 percent to K20.0 billion and K20.8 billion in 2022, respectively (Chart 9.2). This followed the increase in retained earnings by 45.2 percent to K3.4 billion.

Chart 9.2: Regulatory Capital, Risk Weighted Assets and Capital Adequacy Ratio, 2018–2022



Source: Bank of Zambia

Asset Quality

Asset quality remained satisfactory as non-performing loans to total gross loans (NPL ratio) declined to 5.0 percent at end-December 2022 from 5.8 percent at end-December 2021, well below the prudential benchmark of 10.0 percent (Table 9.8). The decline in the NPL ratio was largely due to the increase in gross loans and advances by 17.8 percent to K52.5 billion.

Table 9.8: Gross Loans and Non-Performing Loans, 2020-2022

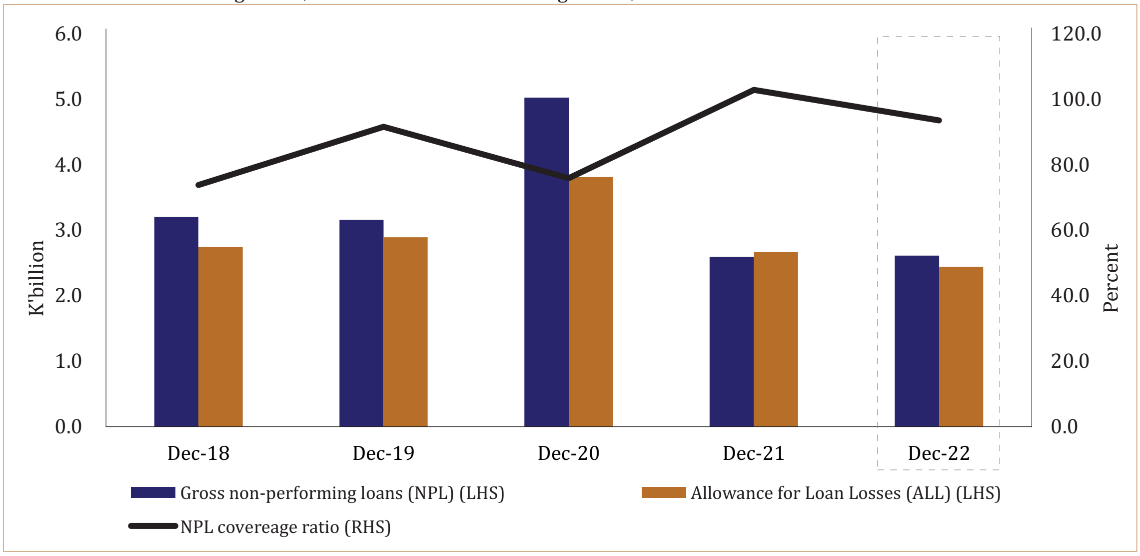
	2020	2021	2022
Gross loans (K' billion)	43.2	44.5	52.5
NPLs (K 'billion)	5.0	2.6	2.6
Substandard (K' billion)	0.3	0.0	0.1
Doubtful (K' billion)	0.8	0.2	0.5
Loss (K' billion)	4.0	2.0	1.8
NPL ratio (percent)	11.6	5.8	5.0
	Percentage share of total gross loans		
Substandard	0.7	0.1	0.1
Doubtful	1.8	0.4	0.9
Loss	9.2	4.6	3.4

Source: Bank of Zambia

The NPL coverage ratio also declined to 93.4 percent in 2022 from 102.8 percent in 2021, but remained above the prudential benchmark of 80.0 percent (Chart 9.3). This was largely due to the 8.5 percent decline in the stock of allowance for loan losses (ALL).[22]

[22]The lower ALL was partly attributed to more banks utilising the collateral relief measure in line with the Classification and Provisioning of Loans Directives of 2020, which allowed banks to offset the required provision amount using qualifying collateral.

Chart 9.3: Non-Performing Loans, Provisions and NPL Coverage Ratio, 2018-2022



Source: Bank of Zambia

Credit to the household (personal) and manufacturing sectors accounted for the highest proportion of total loans (Table 9.9). This was followed by agriculture, forestry, fishing and hunting, as well as wholesale and retail trade sectors.

Table 9.9: Sectoral Distribution of Loans (Percent), 2020–2022

	2020	2021	2022
Manufacturing	10.0	11.3	18.3
Personal loans	20.7	16.3	18.3
Agriculture, forestry, fishing and hunting	16.0	11.5	9.5
Wholesale and retail trade	8.4	8.9	9.4
Transport, storage and communication	8.6	8.4	9.3
Mining and quarrying	6.4	3.8	7.2
Electricity, gas, water and energy	4.5	4.3	3.6
Financial services	1.9	1.3	1.6
Construction	1.6	1.8	1.3
Restaurants and hotels	0.8	0.6	0.5
Other sectors	21.0	31.9	21.0[23]
Total	100.0	100.0	100.0

Source: Bank of Zambia

The manufacturing sector accounted for the largest portion of NPL followed by personal loans (Table 9.10).

Table 9.10: Sectoral Distribution of NPLs (Percent), 2020–2022

	2020	2021	2022
Manufacturing	9.2	11.7	26.2
Personal loans	12.9	17.8	17.0
Agriculture, forestry, fishing and hunting	40.4	24.6	15.8
Mining and quarrying	7.7	12.4	11.4
Transport, storage and communication	5.5	6.9	6.5
Wholesale and retail trade	6.2	5.2	5.8
Construction	5.4	6.1	3.8
Restaurants and hotels	5.6	2.5	2.6
Electricity, gas, water and energy	0.6	0.8	1.4
Financial services	0.4	1.0	1.0
Other sectors	6.1	11.0	8.5
Total	100	100	100

Source: Bank of Zambia

[23]The high composition of other sectors is mainly due to loans to Government, which are included under other sectors.

In terms of intra-sector NPL[24], restaurants and hotels as well as construction sectors continued to record the worst default rates (Table 9.11). However, the banking system exposure to the two sectors was minimal (Table 9 .9).

Table 9.11: Intra-Sector NPL Ratio (Percent), 2020–2022

	2020	2021	2022
Restaurants and hotels	64.9	23.8	27.9
Construction	36.7	19.3	14.2
Agriculture, forestry, fishing and hunting	28.9	12.5	8.3
Mining and quarrying	14.3	19.2	7.9
Manufacturing	10.5	6.0	7.1
Personal loans	8.1	6.4	4.6
Transport, storage and communication	7.5	4.8	3.5
Wholesale and retail trade	8.5	3.4	3.1
Financial services	2.4	4.4	3.1
Electricity, gas, water and energy	1.6	1.2	2.0

Source: Bank of Zambia

Earnings Performance

Profitability improved further in 2022 as the sector recorded profit before tax (PBT) of K8.5 billion, 5.5 percent higher than the previous year (Table 9.12). Underlying this was mainly net interest income from more placements in Government securities.

The cost-to-income ratio declined slightly to 53.4 percent in 2022 from 54.4 percent in 2021, but remained within the prudential threshold of 60.0 percent. This was due to a higher percentage growth in net operating income relative to the rise in overhead costs (Chart 9.4). Despite the return on assets (ROA) and return on equity (ROE) declining to 4.5 percent and 26.1 percent in 2022 from 5.1 percent and 30.1 percent in 2021, respectively, the ratios remained above the prudential benchmarks of 4.0 percent and 20.0 percent. The decline in the ratios was due to the proportionately higher increase in total assets and equity compared to the increase in profitability (Table 9.12).

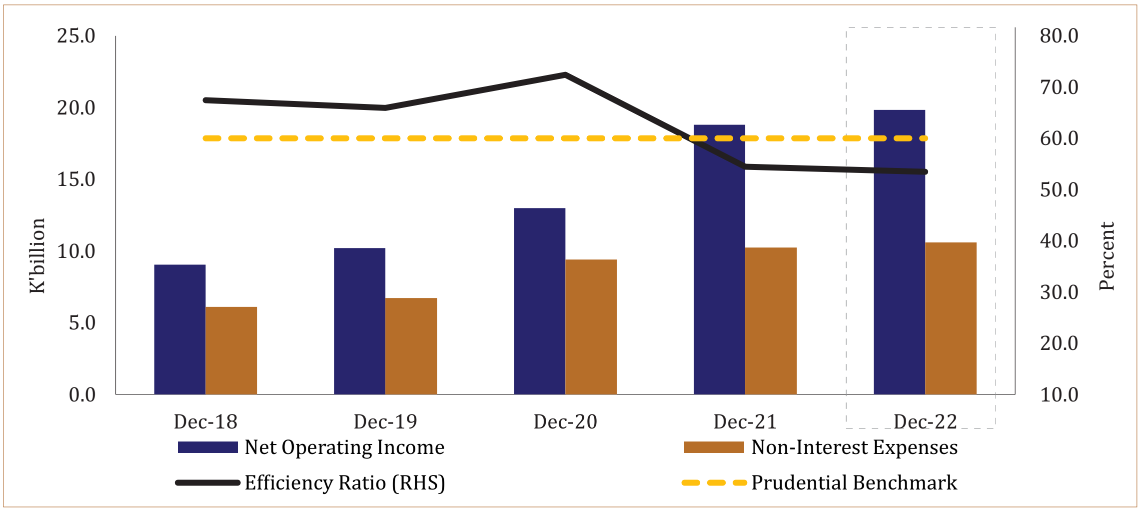
Table 9.12: Summarised Income Statement (K' billion), 2020–2022

	2020	2021	2022
Interest Income	12.5	17.0	17.7
Interest Expenses	4.2	4.8	4.5
Net Interest Income	8.3	12.2	13.2
Non-Interest Income	4.7	6.6	6.6
Net Operating Income	13.0	18.8	19.8
Non-Interest Expenses	9.4	10.2	10.6
Pre-Provision Operating Profit (PPP)	3.6	8.6	9.2
Loan Loss Provisions	1.1	0.5	0.7
Profit Before Taxation	2.5	8.1	8.5
Taxation	1.0	2.9	2.8
Net Profit	1.5	5.1	5.7

Source: Bank of Zambia

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

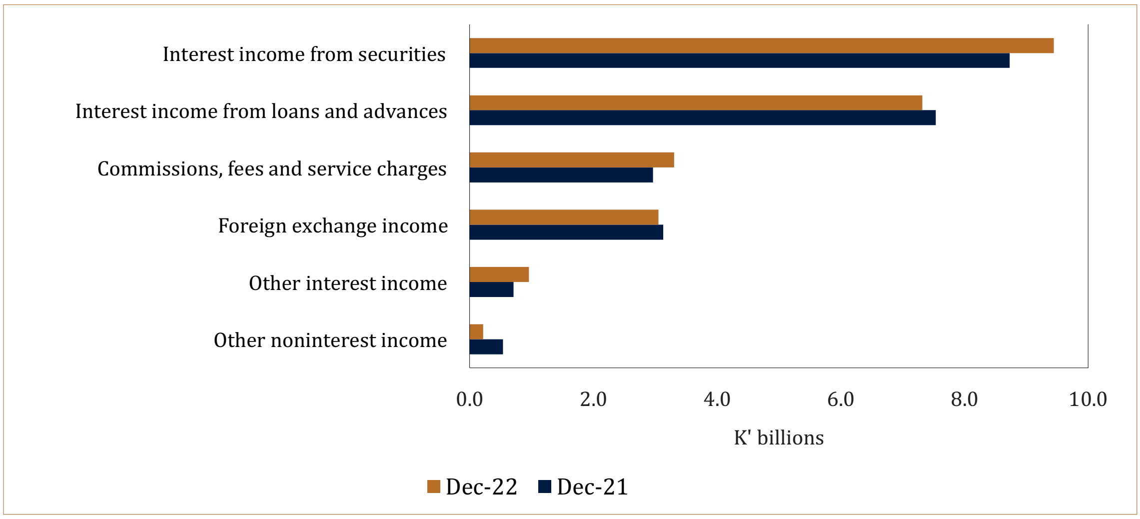
Chart 9.4: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2018–2022



Source: Bank of Zambia

Interest income on Government securities was the largest source of income (38.9 percent). This was followed by loans and advances (30.1 percent) and commission, fees and service charges income (13.6 percent) as depicted in Chart 9.5. Going forward, it will be important to see banks actively supporting the private sector for more inclusive and sustained economic growth overall.

Chart 9.5: Principal Sources of Income, 2021–2022



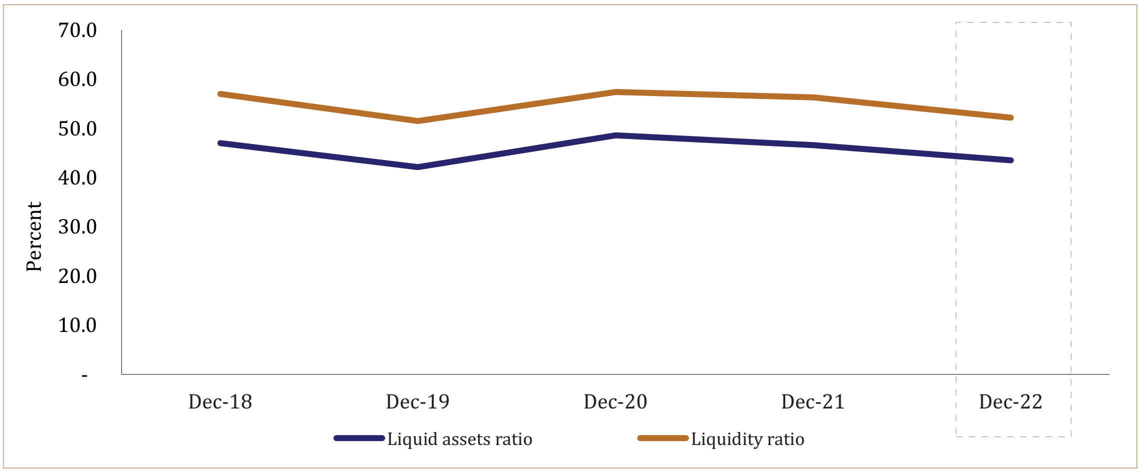
Source: Bank of Zambia

Liquidity

Favourable liquidity conditions were sustained in 2022. The sector held sufficient liquid assets, which accounted for 43.5 percent of total assets. In addition, the liquidity ratio [25], at 52.2 percent, was high and remained above the prudential benchmark of 25.0 percent (Chart 9.6). The loan to deposit ratio declined to 35.7 percent in 2022 from 39.4 percent in 2021, reflecting more liquid assets (Chart 9.7).

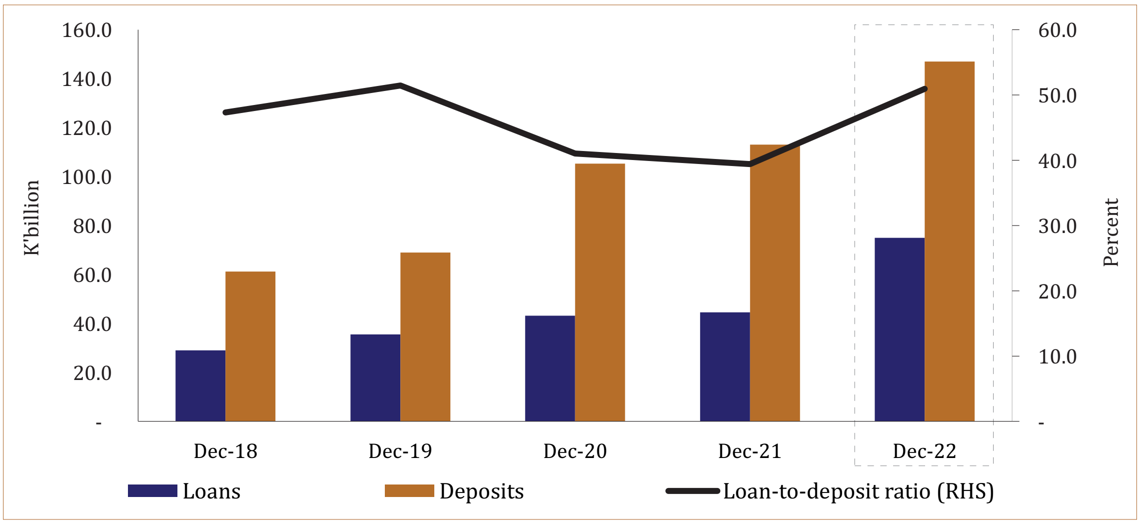
[25]Ratio of liquid assets to deposits and short-term liabilities

Chart 9.6: Liquid Assets Ratio and Liquidity Ratio (Percent), 2018-2022



Source: Bank of Zambia

Chart 9.7: Loans, Deposits, and Loan-to-Deposit Ratio, 2018-2022



Source: Bank of Zambia

9.2 Non-Bank Financial Institutions Sector

Structure of the Non-Bank Financial Institutions

The number of licensed non-bank financial institutions (NBFIs) reduced to 121 in 2022 from 125 in 2021 as license cancellations exceeded new issuances (Tables 9.13 to 9.15). License cancellations was mostly in the bureaux de change sector.

Table 9.13 Structure of NBFIs, 2020-2022

	Number of Banks		
	2020	2021	2022
Bureaux de Change	72	74	72
Consumer Lending Microfinance Institutions	26	29	28
Enterprise Lending Microfinance Institutions	7	9	9
Leasing Finance Institutions	6	8	7
Building Societies	2	2	2
Credit Reference Bureau	1	1	1
Savings and Credit Institutions	1	1	1
Development Finance Institutions	1	1	1
Total	116	125	121

Source: Bank of Zambia

Table 9.14 Licenses Cancelled in 2022

	Bureau de Change	Date Cancelled
1	Wumi Bureau de Change	December 2, 2022
2	Unimoni Bureau de Change	November 14, 2022
3	Laxmi Bureau De Change	September 20, 2022
	Microfinance Institutions	
1	Moneta Finance Limited	March 1, 2022
2	Business Partners International	April 29, 2022

Source: Bank of Zambia

Table 9.15: Licenses Issued in 2022

	Date Licensed
J and A bureau de Change Limited	January 19, 2022

Source: Bank of Zambia

9.2.1 Performance and Condition of the Non-Bank Financial Institutions Sector (Excluding Bureau de Change[26])

The overall financial performance and condition of the NBFIs sector was rated *satisfactory* as at end-December 2022. The rating was due to satisfactory earnings performance, regulatory capital, liquidity management, and sensitivity to market risk. However, asset quality was fair (Tables 9.17 and 9.18). As at end-December 2022, 42 credit providers were assessed out of which 3 were rated *strong,* 24 *satisfactory,* 6 *fair,* 6 *marginal,* and 3 *unsatisfactory.*

Table 9.16: Financial Performance Indicators of the NBFI Sector, 2021-2022

	Benchmark (percent)	2020	2021	2022
Primary capital adequacy ratio	5.0 or higher	34.6	36.8	38.7
Total regulatory capital adequacy ratio	10.0or higher	33.1	35.8	37.7
Net NPLs to regulatory capital	10.0 or lower	8.1	4.1	2.0
Gross non-performing loans to total loans	10.0 or lower	20.4	17.2	13.7
Net non-performing loans to total loans	2.5 or lower	2.8	0.9	0.8
Net non-performing loans to net loans	2.5 or lower	3.4	1.0	1.0
Provisions to non-performing loans	80.0 or higher	86.2	94.9	94.4
Earning assets to total assets	80.0 or higher	81.6	78.9	88.2
Net interest income to total assets	10.0*or higher	14.2	1.7	21.7
Return on assets	4.0 or higher	(0.2)	11.1	9.0
Return on equity	20.0 or higher	(0.8)	8.6	29.6
Efficiency ratio	60.0 or lower	101.2	69.3	62.7
Liquid assets to total assets	15.0 or higher	31.9	30.8	24.5
Liquid assets to deposits and short-term liabilities	15.0 or higher	55.3	60.5	48.8

Source: Bank of Zambia

[26]Out of the 121 licensed NBFIs, 72 are bureaux de change and 1 is a credit reference bureau. These institutions are not subject to prudential assessment along the five rating categories. The other 48 NBFIs are credit providers out of which 42 were assessed. The credit providers that were not assessed included 4 microfinance institutions, 1 financial business that had not started submitting prudential returns and 1 leasing company whose licence was suspended.

Table 9.17: Performance and Financial Condition of the NBFIs Sector, 2021–2022

Performance Rating	Licence Type	Number of Institutions 2020	2021	2022	2022 Total Assets (percent)
Strong	Deposit-taking	0.0	0.0	0.0	0.0
	Non-Deposit-taking	0.0	3.0	3.0	2.5
Satisfactory	Deposit-taking	3.0	3.0	5.0	49.1
	Non-Deposit-taking	7.0	7.0	19.0	22.2
Fair	Deposit-taking	4.0	6.0	2.0	3.1
	Non-Deposit-taking	13.0	10.0	4.0	0.9
Marginal	Deposit-taking	1.0	0.0	2.0	3.7
	Non-Deposit-taking	4.0	6.0	4.0	0.6
Unsatisfactory	Deposit-taking	2.0	1.0	1.0	14.3
	Non-Deposit-taking	5.0	4.0	2.0	3.6
Total		39.0	40.0	42.0	100.0

Source: Bank of Zambia

Asset and Liability Structure

Assets grew by 14.0 percent to K15.5 billion at the end of December 2022. This was mainly attributed to the increase in net loans and mortgages, which rose by 37.8 percent and accounted for 65.6 percent of the sector assets (Table 9.18). Equity, deposits, and the Targeted Medium-Term Refinancing Facility (TMTRF)[27] remained the main source of asset funding as they grew by 27.0 percent, 14.7 percent and 14.3 percent, respectively.

Table 9.18: Asset Structure (K'billion), 2021-2022

	2020		2021		2022	
	K'billion	Percent Share of Total Assets	K'billion	Percent Share of Total Assets	K'billion	Percent Share of Total Assets
Net mortgages and loans	6.8	57.2	7.4	54.4	10.2	65.6
Balances with domestic institutions	1.7	14.5	2.1	15.9	1.9	12.5
Investments in Government securities	1.2	9.9	1.9	13.8	1.6	10.1
Other assets	1.5	12.2	1.4	10.0	0.9	6.1
Fixed assets	0.6	5.1	0.7	4.9	0.7	4.7
Notes and coin	0.1	1.1	0.1	1.0	0.2	1.0
Total	11.9	100.0	13.5	100.0	15.5	100.0

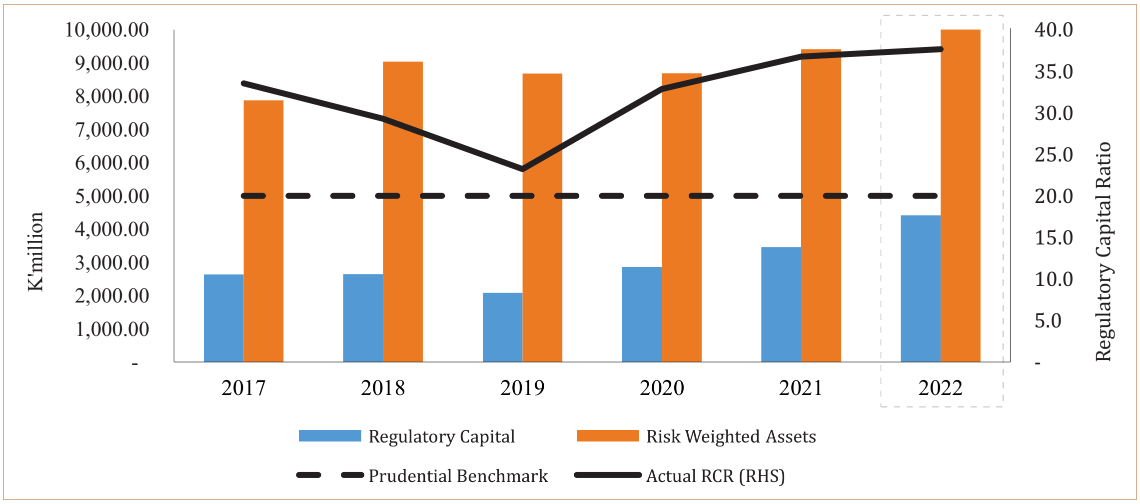
Source: Bank of Zambia

Capital Adequacy

Regulatory capital was rated *strong* as at end-December 2022. The capital adequacy ratio increased to 37.7 percent from 36.8 percent recorded at the end of December 2021 and was well above the minimum regulatory ratio of 10.0 percent (Chart 9.8). Regulatory capital increased by 25.7 percent to K4.4 billion while risk weighted assets rose by 24.5 percent to K11.7 billion. The increase in regulatory capital was largely driven by the growth in retained earnings to K1.3 billion (K0.4 billion in 2021) due to the rise in profitability while the risk weighted assets increased, largely on account of the growth in net loans and mortgages. The capital at risk—measured as a ratio of net non-performing loans to regulatory capital— declined to 2.0 percent at end-December 2022 from 4.1 percent at end-December 2021 due to the reduction in NPLs.

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

Chart 9.8: Trend in Total Regulatory Capital of the NBFIs, 2018–2022

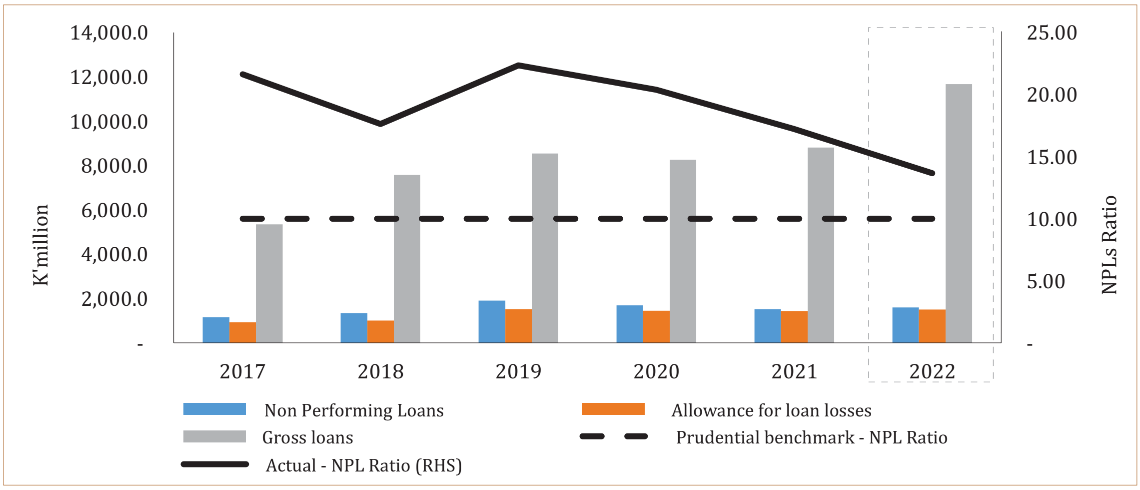


Source: Bank of Zambia

Asset Quality

The quality of assets in the NBFIs sector was rated *fair* as the NPL ratio improved to 13.7 percent from 17.2 percent in 2021, but remained above the prudential benchmark of 10 percent. The improvement was due to a 33.0 percent growth in gross loans to K11.7 billion at end-December 2022 and a slower growth of 5.2 percent in NPL to K1.60 billion. More lending to civil servants, following the mass recruitment of teachers and health personnel, largely explain the rise in gross loans. Further, consistency in the remittance of loan deductions and clearance of arrears by Government contributed to the improvement in the NPL ratio. Consequently, the NPL ratio for loans to civil servants declined to 13.5 percent from 17.2 percent in 2021despite remaining above the prudential limit of 10.0 percent.

Chart 9.9: Trend in Total Loans and Non-Performing Loans of the Non-Bank Financial Institutions, 2018-2022

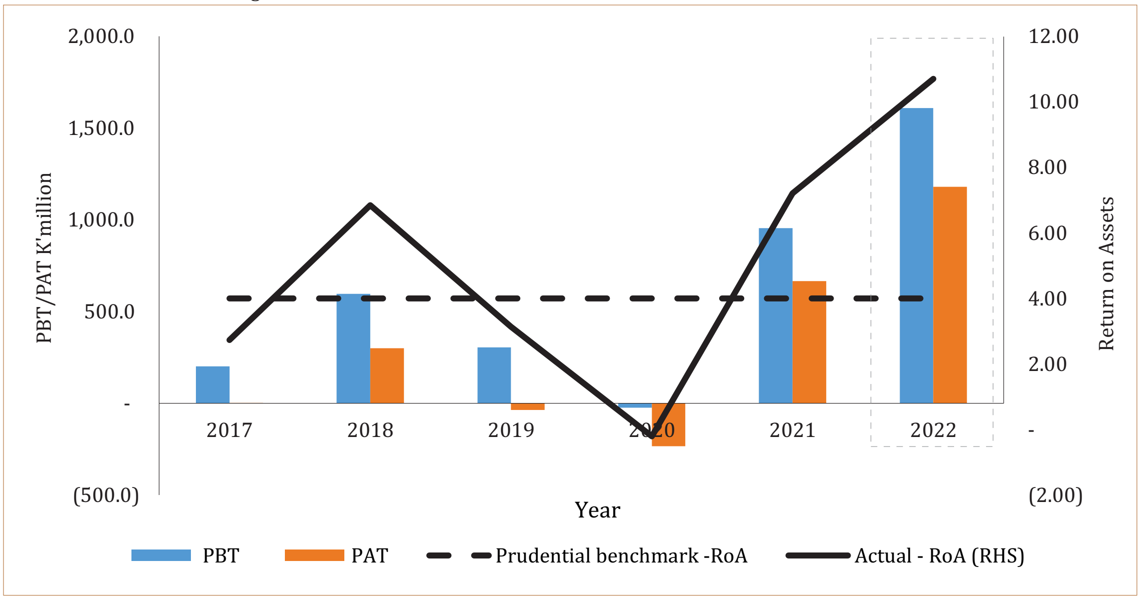


Source: Bank of Zambia

Earnings Performance and Profitability

The NBFIs sector earnings was rated *satisfactory* due to the profit before tax of K1.6 billion recorded in 2022 from K0.1 billion in 2021 (Chart 9.10). Consequently, the sector reported a return on assets of 9.0 percent and remained above the prudential benchmark of 4.0 percent. The increase in profitability was largely on account of a general improvement in the quality of loans as the NPLs ratio for the sector continued to improve. Further, some recoveries were made on loan facilities previously fully impaired.

Chart 9.10: Trend in Earnings of the Non-Bank Financial Institutions, 2018-2021



Source: Bank of Zambia

Liquidity

Liquidity was rated *satisfactory* in 2022. The ratio of liquid assets to total deposits and short-term liabilities was 44.6 percent and 63.6 percent at end-December 2022 for deposit-taking and non-deposit taking NBFIs, respectively. Both ratios were well above the prudential minimum of 25.0 percent for deposit taking NBFIs and 15.0 percent for non-deposit taking NBFIs.

Foreign Exchange Risk

The foreign exchange risk exposure of the NBFIs sector was *satisfactory* due to adequate capital and improvement in foreign currency risk management practices. Thus, the ratio of overall foreign currency exposure to regulatory capital increased to 13.4 percent at end-December 2022 from 10 percent at end-December 2021, but remained below the minimum prudential limit of 25.0 percent.

9.2.2 Performance of the Bureaux de Change Sub-Sector

The Bureaux de Change sub-sector was adequately capitalised as at end-December 2022. However, one bureau de change failed to meet the required minimum paid up capital of K250,000 and was directed to recapitalise within the prescribed timelines.

Aggregate capital and reserves rose on account of higher retained earnings as well as the increase in paid-up capital and reserves following the entrance of one bureau de change in the sub-sector.

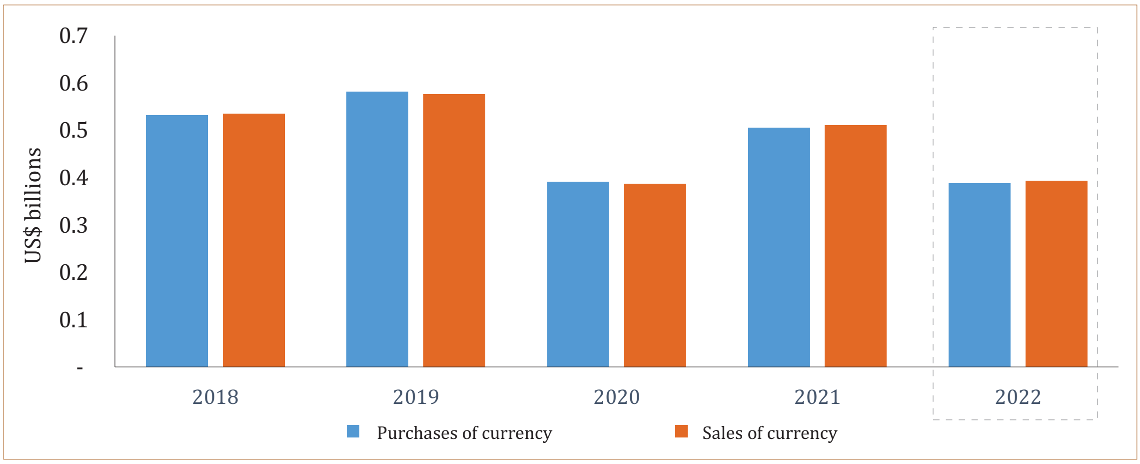
Earnings

The sub-sector posted an increase in profit before tax of 32.4 percent to K19.6 million in 2022. This was largely due to the a decline in total expenses following the cancellation of three licences during the year.

Foreign Currency Sales and Purchases

In 2022, both foreign currency sales and purchases declined by 23.1 percent and 23.3 percent to US$393.2 million and US$388.0 million, respectively (Chart 9.11). This was largely attributed to the reduction in the number of branches following the exit of three bureaux de change from the sub-sector.

Chart 9.11: Trend in Earnings of the Non-Bank Financial Institutions, 2018-2021



Source: Bank of Zambia

9.3 Performance of the Targeted Medium-Term Refinancing Facility

The Targeted Medium-Term Refinancing Facility (TMTRF) was a measure taken by the Bank in 2020 to provide liquidity to Financial Service Providers (FSPs) for onward lending to viable non-financial corporations and households during the COVID-19 pandemic. The Facility closed in August after exhausting the K10.0 billion allocation. A total of K9.96 billion was disbursed, out of which K7.57 billion was to 11 banks and the balance to 11 non-bank financial institutions (Table 9.19).

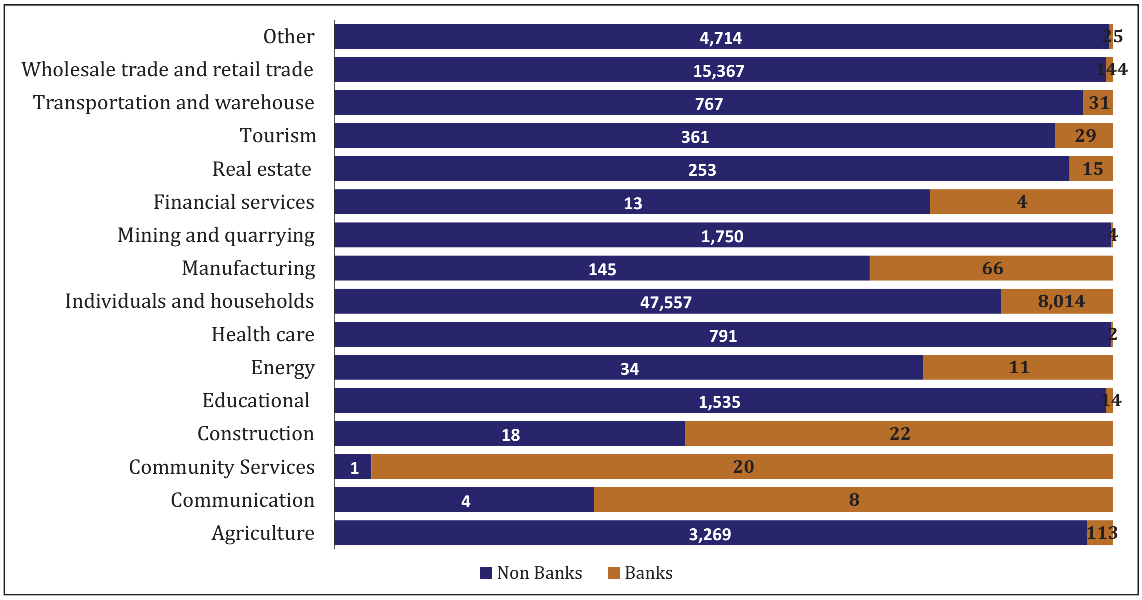
Table 9.19: Disbursed Amounts as at end-December 2022

	Number of FSPs	Value (K' billion)	Disbursed Percentage	Number of Customers
Banks	11	7.57	99.5	8,528
Non-Banks	11	2.38	100.0	76,579
Total	22	9.96	99.6	85,107

Source: Bank of Zambia

Out of the K9.96 billion disbursement, large corporations received K5.69 billion followed by individuals and households (K2.49 billion) and small and medium enterprises (K1.77 billion). A total of 85,107 customers benefited from the Facility with individuals and households accounting for 65.3 percent (Chart 9.12).

Chart 9.12: Number of TMTRF Beneficiaries at end-December 2022



Source: Bank of Zambia

The Bank conducted a credit thematic examination across the sector to mainly evaluate the performance of facilities granted under the TMTRF and review compliance of FSPs with the terms and conditions. The assessment revealed that FSPs were largely compliant with the terms and conditions of the TMTRF and passed on the benefits to borrowers in form of interest rate reduction, tenor extension, moratorium on interest and/or principal, and new loan extension to customers impacted by COVID-19 pandemic.

9.4 Consumer Protection and Market Conduct

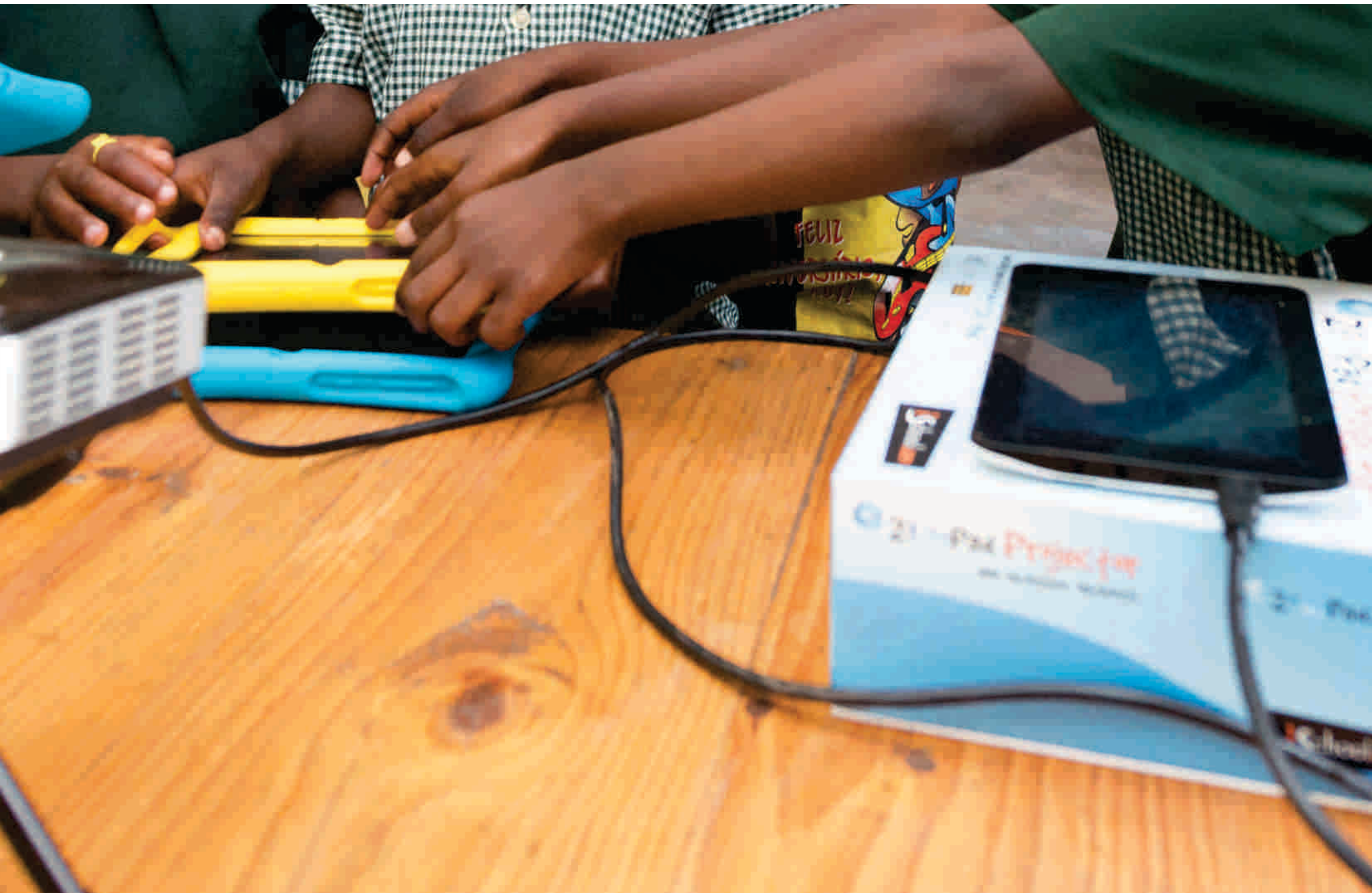
In 2022, the Complaints Handling Procedures Directives were implemented requiring banks to submit complaints data on a quarterly basis. In addition, the Bank continued to raise public awareness on complaints through country-wide campaigns. Consequently, the number of customer complaints reported through commercial banks increased significantly to 72,944 from 51 in 2021. The majority of the complaints were on automated teller machine services; mobile money wallets relating to compromised credentials, delays in reversals and lack of access; and poor loan handling practices. A modest increase in the number of consumer complaints from non-bank financial institutions (NBFIs) of 55 was recorded in 2022 compared to 42 in 2021. Most of the complaints related to non-adherence to the terms and conditions of loan agreements, over deduction of loan repayment amounts, delays in the issuance of loan settlement quotations, fraud, and unfair debt collection practices.

As part of market conduct supervision, the Bank conducted one onsite examination on consumer protection and market conduct (CPMC). Following the onsite examination, the Bank directed NBFIs to enhance board oversight on consumer protection risks and for management and staff to be trained in consumer protection and market conduct. The Bank also conducted 27 mystery shopping exercises to validate compliance with the rules and regulations regarding consumer protection. The outcome revealed non-compliance by some NBFIs to the requirements to offer adequate explanation on the terms and conditions of financial products or service during the pre-contract stage and non-display of notices on consumer rights and responsibilities. The Prohibition Against Unwarranted Charges and Fees and Regulations of Specific Charges Directive of 2020 was also not displayed. In this regard, the Bank directed NBFIs to comply and adhere to CPMC Rules.

9.5 Collaboration with other Financial Sector Regulators

In 2022, the Bank, in collaboration with other financial sector regulators and Cooperating Partners, continued to promote financial inclusion and financial literacy through various activities. These included Financial Literacy Week (FLW); World Savings Day; Essay Writing Competitions on financial inclusion-related topics; Scaling-Up of Digital Financial Services (DFS) Radio Drama (*Bank Yako Yako*); Household-based Micro, Small and Medium Enterprise (MSME) Finance Survey; Mentorship Programme and Handbook for MSMEs; and launch of the Women Entrepreneurs Finance Initiative (WE-FI) Programme. In addition, the Bank developed a Financial Inclusion Index (FII) to provide an indicative annual measure of financial inclusion based on supply-side data from FSPs regulated by the Bank. The Index is intended to help the Bank assess the impact of financial inclusion initiatives and strategies intra 5-year FinScope Survey cycle.

10.0 BANKING AND CURRENCY



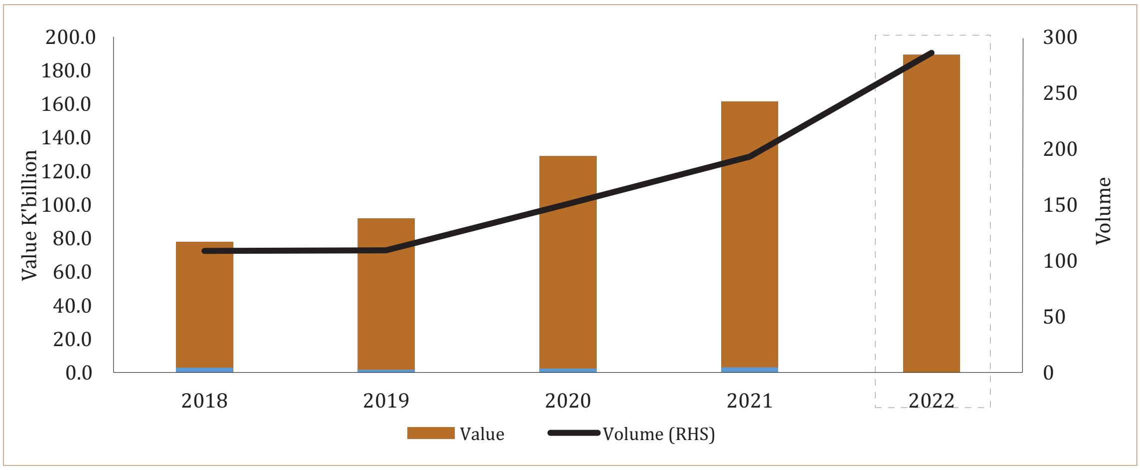
10.0 BANKING AND CURRENCY

10.1 Banking Services

The Bank continued to offer banking services to Government, quasi-Government institutions and commercial banks in 2022. The services provided to Government included receipt of revenue and payments to various beneficiaries as well as funding of Line Ministries, Provinces and Agencies (MPAs) through the Treasury Single Account (TSA). In addition, the Bank continued to maintain accounts of commercial banks and provide audit confirmation as well as other client services.

In 2022, the value of transactions processed through the TSA increased by 17.2 percent to K189.3 billion (Chart 10.1). Similarly, the volume of transactions increased to 285,644 from 192,723 the previous year. This was mainly due to increased funding to facilitate payments in respect of various outstanding Government bills and amounts owed to the suppliers of goods and services. The total number of accounts migrated to the TSA remained unchanged at 59.

Chart 10.1: Treasury Single Account Transaction, 2018-2022

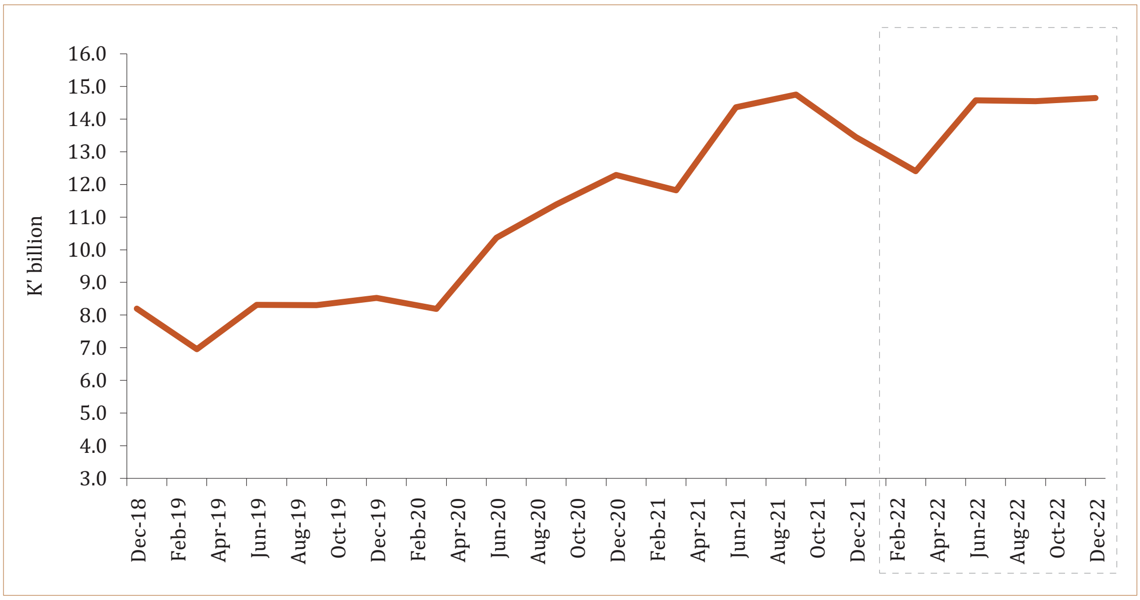


Source: Bank of Zambia

10.2 Currency Management

In 2022, currency in circulation grew by 8.9 percent to K14.6 billion. This was mostly driven by crop marketing and social benefit payments (Chart 10.2). The bulk of the currency was in banknotes (98.4 percent or K14.4 billion of the outstanding stock as shown in Table 10.1.

Chart 10.2: Currency in Circulation (K 'billion), Dec 2018–Dec 2022



Source: Bank of Zambia

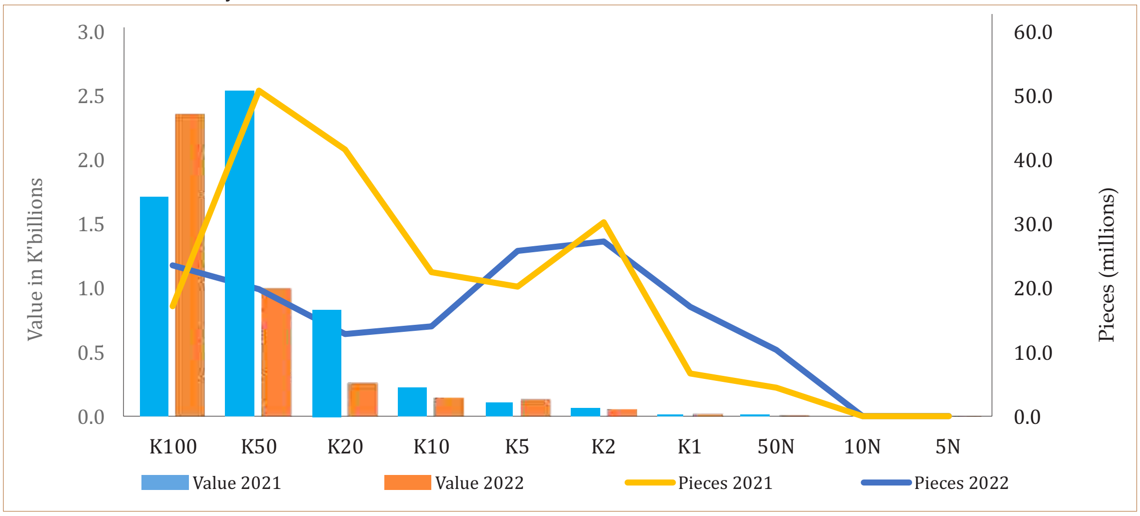
Table 10.1: Total Currency in Circulation, 2020–2022

	Value (ZMW)			Pieces		
	2020	2021	2022	2020	2021	2022
Banknotes						
K100	8,913,139,700	8,679,596,100	9,851,003,950	89,131,397	86,795,961	98,510,039
K50	2,368,547,250	3,447,834,550	3,541,433,550	47,370,945	68,956,691	70,828,671
K20	501,754,540	719,089,420	613,346,780	25,087,727	35,954,471	30,667,339
K10	163,774,310	214,661,580	206,088,030	16,377,431	21,466,158	20,608,803
K5	99,656,335	122,235,765	148,614,770	19,931,267	24,447,153	29,722,954
K2	49,503,319	64,088,208	51,406,212	24,751,659	32,044,104	25,702,606
Coins						
K1	115,438,992	122,786,488	140,361,992	115,438,992	122,786,488	140,361,992
50N	67,238,928	70,279,428	79,874,429	134,477,856	140,558,856	159,748,858
10N	8,685,472	8,685,472	8,688,072	86,854,723	86,854,723	86,880,724
5N	3,723,059	3,723,059	3,737,759	74,461,189	74,461,189	74,755,189
Total	12,291,461,906	13,452,980,071	14,644,554,569	633,883,187	694,325,794	737,787,175

Source: Bank of Zambia

In 2022, the Bank issued 150.5 million pieces of mint banknotes and coins into circulation valued at K3.9 billion compared to 193.4 million pieces, valued at K5.5 billion in 2021 (Chart 10.3 and Table 10.2). Most of the currency issued was in high value banknotes: K100 and K50, which accounted for 59.6 percent and 25.1 percent, respectively. The middle value (K20 and K10) and low value (K5 and K2) banknotes accounted for 14.7 percent while coins accounted for 0.6 percent of the currency issued.

Chart 10.3: New Currency Issued into Circulation, 2021–2022



Source: Bank of Zambia

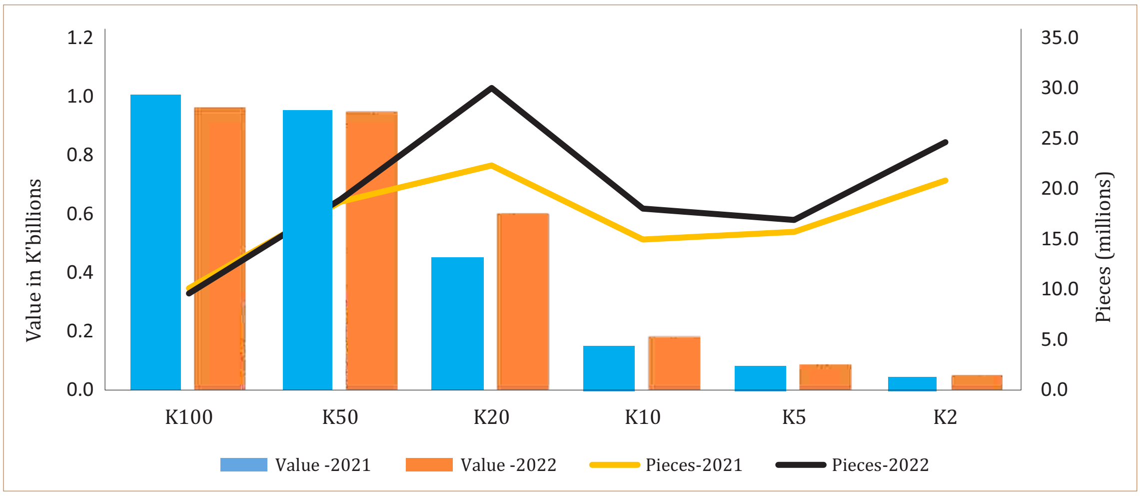
Table 10.2: New Currency Issued into Circulation, 2020-2022

	Value (ZMW)			Pieces		
	2020	2021	2022	2020	2021	2022
K100	5,954,000,000	1,713,000,000	2,348,900,000	59,540,000	17,130,000	23,489,000
K50	1,690,000,000	2,537,400,000	990,550,000	33,800,000	50,748,000	19,811,000
K20	692,390,000	831,500,000	256,120,000	34,619,500	41,575,000	12,806,000
K10	163,450,000	224,270,000	140,100,000	16,345,000	22,427,000	14,010,000
K5	89,410,000	101,060,000	128,805,000	17,882,000	20,212,000	25,761,000
K2	55,272,000	60,434,000	54,462,000	27,636,000	30,217,000	27,231,000
K1	5,822,000	6,638,000	17,052,000	5,822,000	6,638,000	17,052,000
50N	4,390,000	2,214,000	5,171,000	8,780,000	4,428,000	10,342,000
10N	0	0	2,800	0	0	28,000
5N	0	0	800	0	0	16,000
Total	8,654,734,000	5,476,516,000	3,941,163,600	204,424,500	193,375,000	150,546,000

Source: Bank of Zambia

A total of 118.1 million pieces of unfit banknotes, valued at K2.8 billion were withdrawn from circulation in 2022 compared to 102.7 million pieces valued at K2.7 billion in 2021 (Chart 10.4 and Table 10.3). The bulk of the currency withdrawn in pieces (92.0 percent) was in K50 to K2 denominations. These notes are heavily used and, therefore wear out or become unfit for circulation at a faster rate than the K100 denomination.

Chart 10.4: Currency Withdrawn from Circulation, 2021–2022



Source: Bank of Zambia

Table 10.3: Currency Withdrawn from Circulation, 2020–2022

	Values (ZMW)			Pieces		
	2020	2021	2022	2020	2021	2022
K100	3,167.709,800	1,012,193.700	960,400,000	31,677,098	10,121,937	9,604,000
K50	1,954,084,900	935,440,025	946,500,000	41,338,633	18,708,801	18,930,000
K20	482,465,720	446,550,260	600,590,000	24,123,286	22,327,513	30,029,500
K10	157,440,000	149,650,050	180,280,000	15,744,000	14,965,005	18,028,000
K5	100,715,500	78,662,500	84,550,000	20,143,100	15,732,500	16,910,000
K2	41,353,000	41,654,006	49,290,000	20,676,500	20,827,003	24,645,000
Total	5,903,768,920	2,664,150,541	2,821,610,000	153,702,617	102,682,759	118,146,500

Source: Bank of Zambia

The Bank, commercial banks, and Law Enforcement Agencies (LEAs) detected 8,773 pieces of counterfeit notes in 2022 compared to 18,519 pieces in 2021 (Tables 10.4 and 10.5). In addition, the Bank and LEAs continued to sensitise the public on the identification of genuine banknotes.

Table 10.4: Counterfeit Notes Detected, 2020–2022

Denomination	2020	2021	2022
K100	7,524	18,325	7,698
K50	3,116	160	911
K20	35	34	164
K10	1	0	0
K5	0	0	0
K2	0	0	0
Total	10,676	18,519	8,773

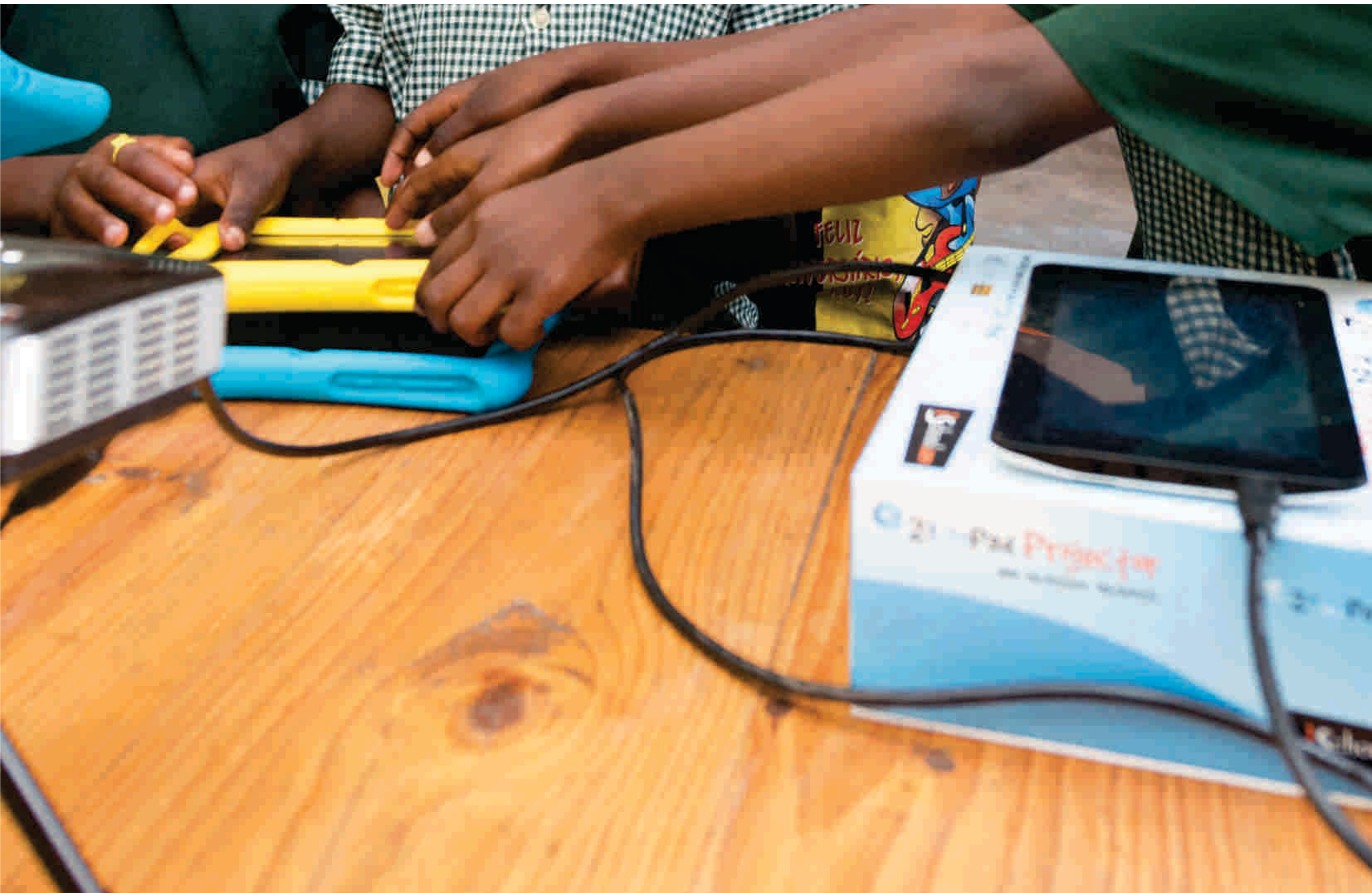
Source: Bank of Zambia

Table 10.5: Counterfeit Notes Interception by Organisation, 2022

Denomination	Bank of Zambia	Commercial Banks	Drug Enforcement Commission & Zambia Police	Others	Total
K100	29	195	7,449	25	7,698
K50	4	21	879	7	911
K20	15	130	17	2	164
K10	0	0	0	0	0
K5	0	0	0	0	0
K2	0	0	0	0	0
Total	48	346	8,345	34	8,773

Source: Bank of Zambia

11.0 PAYMENT SYSTEMS



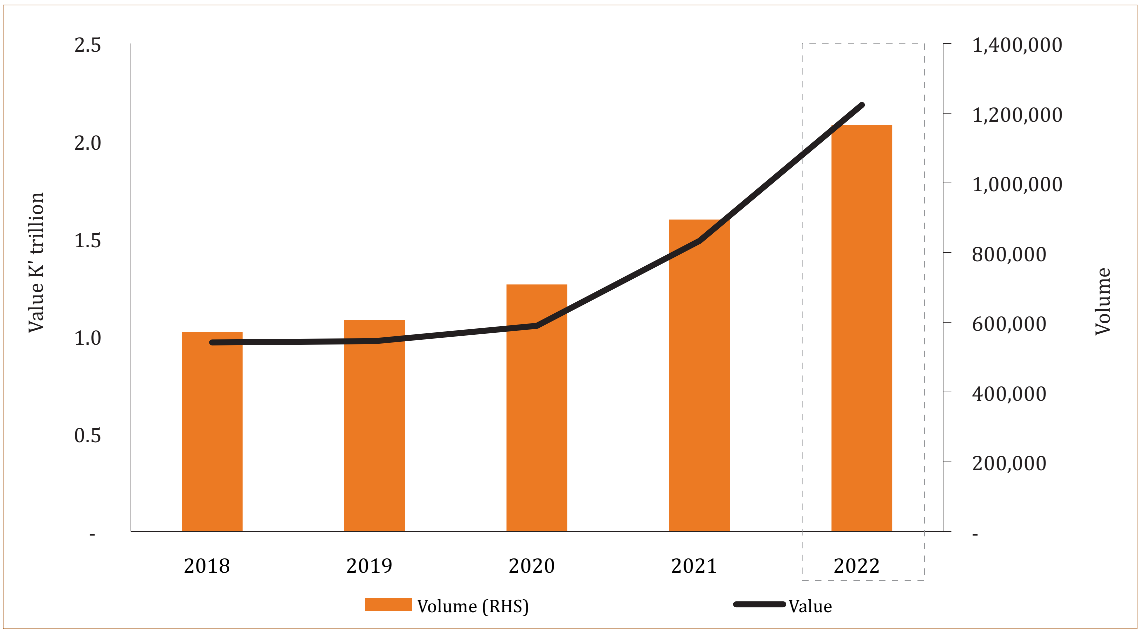
11.0 PAYMENT SYSTEMS

The performance of the national payment system continued to be satisfactory in 2022. This was reflected in high availability levels of the systemically important payment systems as well as the significant overall increase in the value and volume of transactions processed.

Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) recorded an average availability level of 98.3 percent in 2022, slightly lower than the 99.0 percent achieved in 2021 and the target of 99.9 percent. This was due to technical challenges experienced on the infrastructure. In addition, the volume and value of transactions processed on ZIPSS increased by 25.9 percent and 40.8 percent to 1,166,576 and K2.2 trillion, respectively (Chart 11.1). This was on account of the increase in customer payments and money market transactions.

Chart 11.1: ZIPSS Volumes and Values, 2018–2022

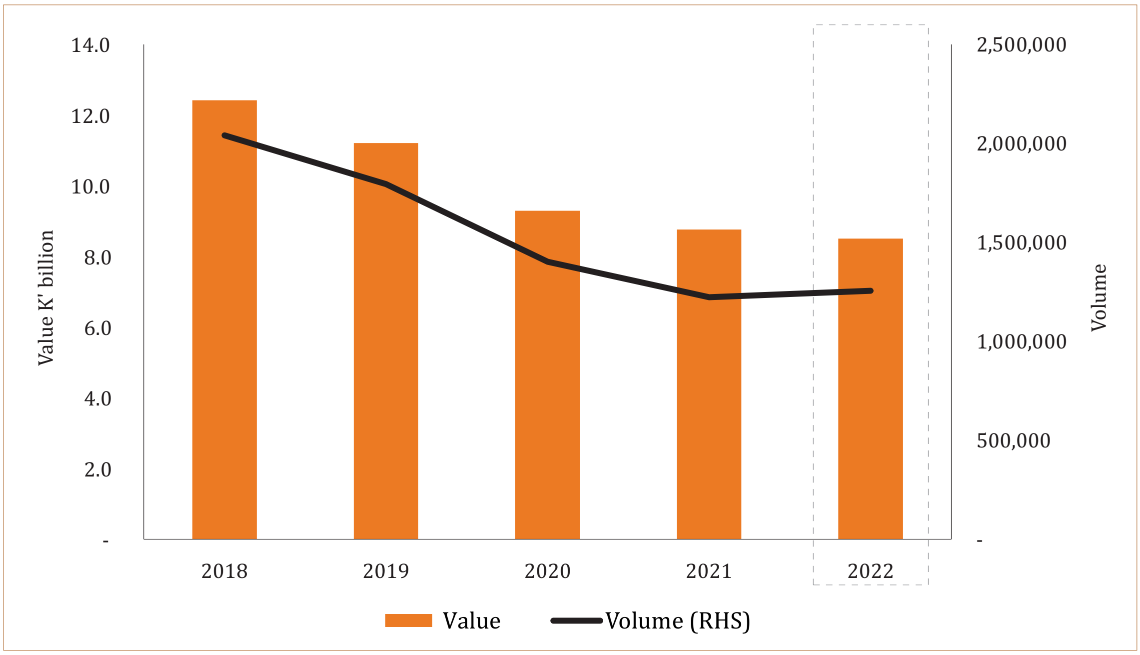


Source: Bank of Zambia

Cheque Image Clearing System

The volume of cleared cheques increased slightly by 2.7 percent to 1,255,734, but the value reduced by 2.9 percent to K8.5 billion (Chart 11.2).

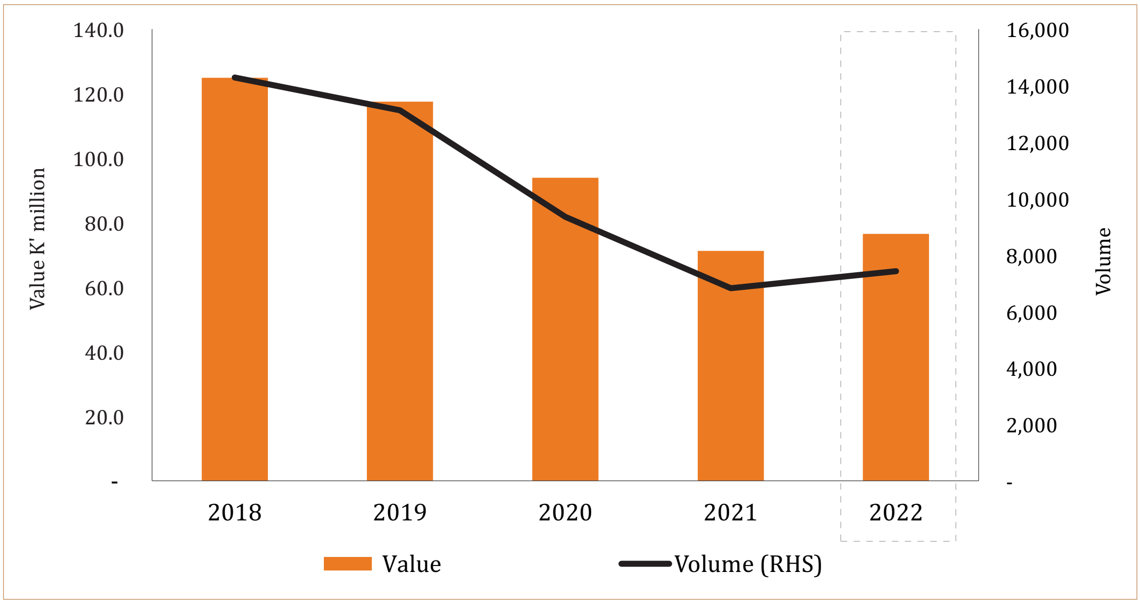
Chart 11.2: Cheque Images Cleared, 2018–2022



Source: Bank of Zambia

The volume and value of cheques unpaid due to insufficient funds increased by 8.9 percent and 7.3 percent to 7,426 and K76.5 million, respectively (Chart 11.3). Going forward, as further momentum is gained in digital financial services, the Bank, in consultation with key stakeholders, will do away with cheques altogether.

Chart 11.3: Unpaid Cheques, 2018–2022

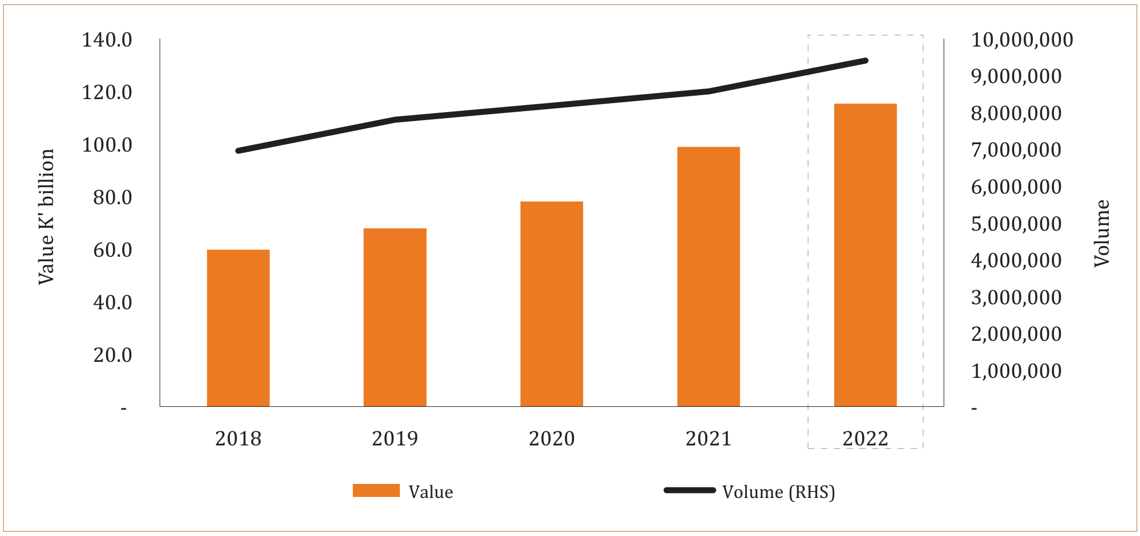


Source: Bank of Zambia

Electronic Funds Transfer Clearing System

The volume and value of transactions processed on the Electronic Funds Transfer (EFT) payment stream increased by 9.7 percent and 16.7 percent to 9,403,971 and K115.2 billion, respectively (Chart 11.4). This was due to sustained reliance on the usage of digital financial services.

Chart 11.4: Electronic Funds Transfers Processed 2018–2022

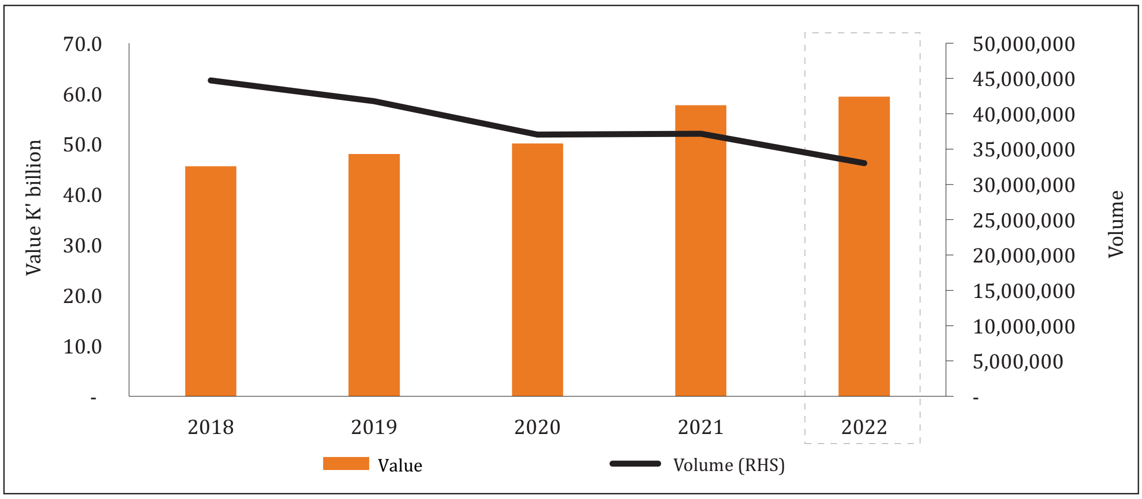


Source: Bank of Zambia

Automated Teller Machines

The volume of transactions processed through Automated Teller Machines (ATMs) reduced further by 10.3 percent to 33,012,608, but the value of ATM transactions increased by 3.0 percent to K59.4 billion (Chart 11.5). The reduction in the volume of transactions was expected, mainly attributed to increased usage of electronic payment methods, such as, mobile money channels for person-to-person (P2P) direct transactions and Point of Sale (PoS).

Chart 11.5: Automated Teller Machines, 2018–2022



Source: Bank of Zambia

The number of ATMs continued to reduce in 2022 as six (6) obsolete machines were decommissioned by service providers. This brought the total number of ATMs to 989 at the end of 2022 (Table 11.1). Nevertheless, the distribution of the ATMs remained broadly unchanged (Table 11.1).

Table 11.1: Nationwide Deployment of ATMs by Province, 2021–2022

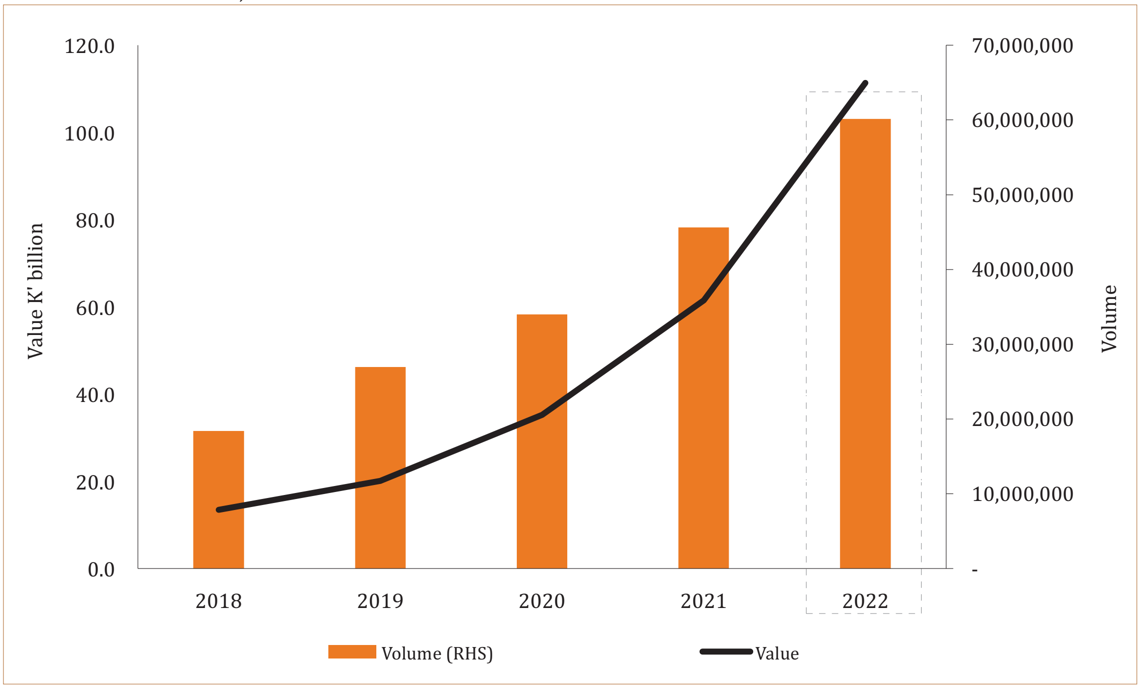
Province	2021	2022
Lusaka	479	479
Copperbelt	228	224
Southern	72	72
North-western	56	54
Central	46	46
Eastern	39	38
Northern	21	20
Luapula	19	18
Western	18	19
Muchinga	19	19
Total	995	989

Source: Bank of Zambia

Point of Sale Terminals

The volume and value of transactions processed on PoS terminals increased by 31.9 percent and 81.1 percent to 60,141,253 and K111.4 billion, respectively (Chart 11.6). The sustained uptake of digital financial services underlies this positive development. The number of PoS terminals increased by 9,921 to 39,159 at the end of 2022, but the distribution of PoS terminals across the Provinces was largely unchanged (Table 11.2).

Chart 11.6: POS Terminals, 2018–2022



Source: Bank of Zambia

Table 11.2: Nationwide Deployment of PoS Terminals by Province, 2021–2022

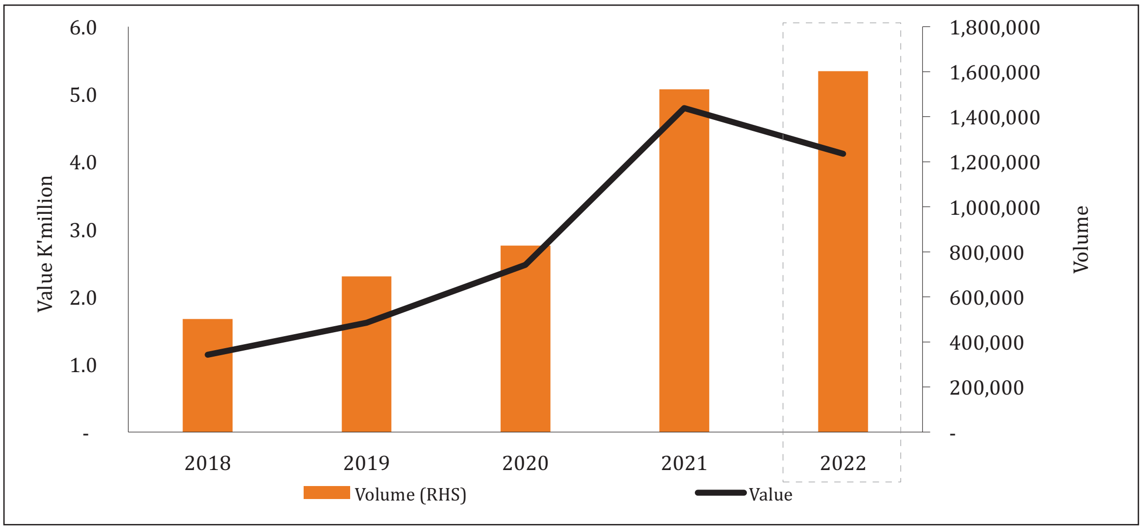
Province	2021	2022
Lusaka	13,736	18,163
Copperbelt	6,008	7,788
Southern	2,610	3,379
Central	1,701	2,676
Eastern	1,707	2,570
North-western	848	938
Luapula	668	905
Muchinga	574	688
Northern	791	1,205
Western	595	847
Total	29,238	39,159

Source: Bank of Zambia

International Remittances

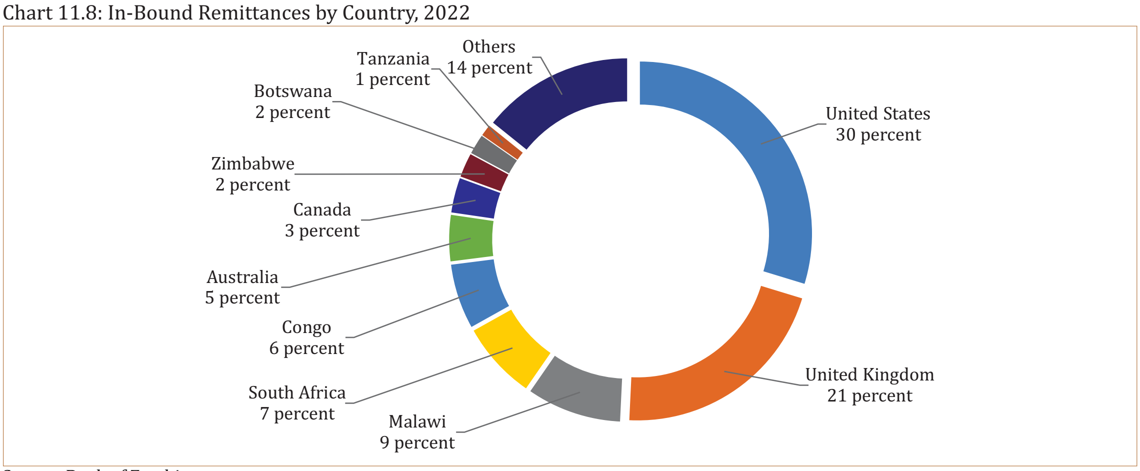
The volume of in-bound international remittances through money transfer operators rose by 5.3 percent to 1,602,602, but the value reduced by 14.1 percent to K4.1 billion, largely due to the appreciation of the Kwacha against the US dollar in the earlier part of the year (Chart 11.7). The increase in remittances was mainly due to the sustained increase in the uptake of digital financial services. The United States of America and United Kingdom continued to be the main source countries, accounting for 51.0 percent of the total in-bound remittances (Chart 11.8).

Chart 11.7: In-Bound Remittances, 2018–2022



Source: Bank of Zambia

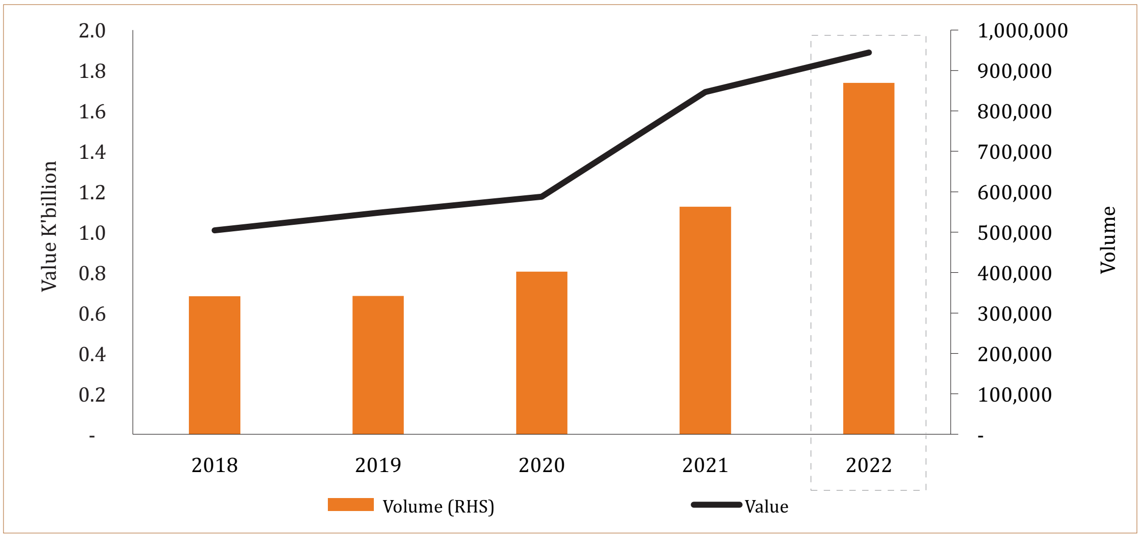
Chart 11.8: In-Bound Remittances by Country, 2022



Source: Bank of Zambia

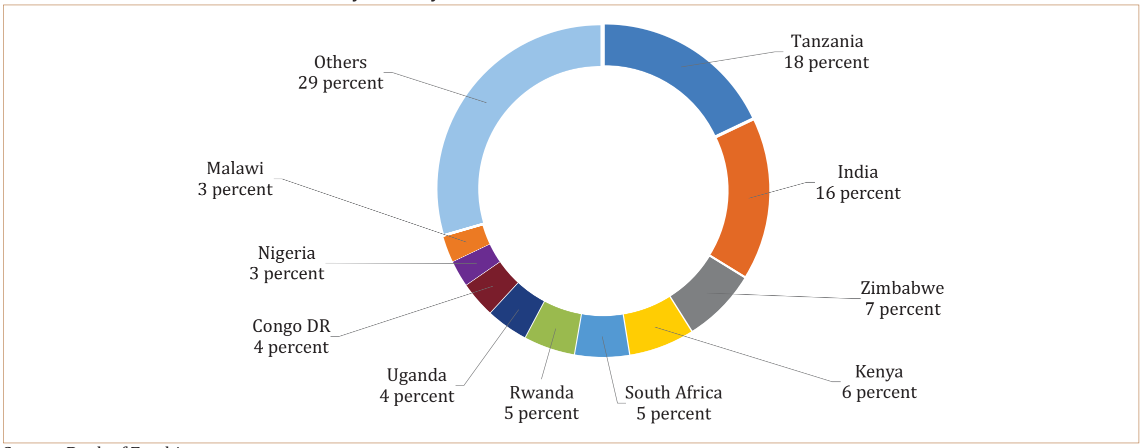
The volume and value of out-bound international remittances also increased by 54.4 percent and 11.5 percent to 869,464 and K1.9 billion, respectively (Chart 11.9). This was driven by increased adoption of mobile based transactions, making it easy to transfer funds using mobile devices and the inclusion of more countries on the services for out-bound money transfers. Tanzania and India continued to be the main recipient countries in 2022 and accounted for 34.0 percent of the out-bound remittances (Chart 11.10). Overall, the net value of international remittances reduced to K2.2 billion in 2022 from K3.1 billion in 2021 (Chart 11.11).

Chart 11.9: Out-Bound Remittances, 2018–2022



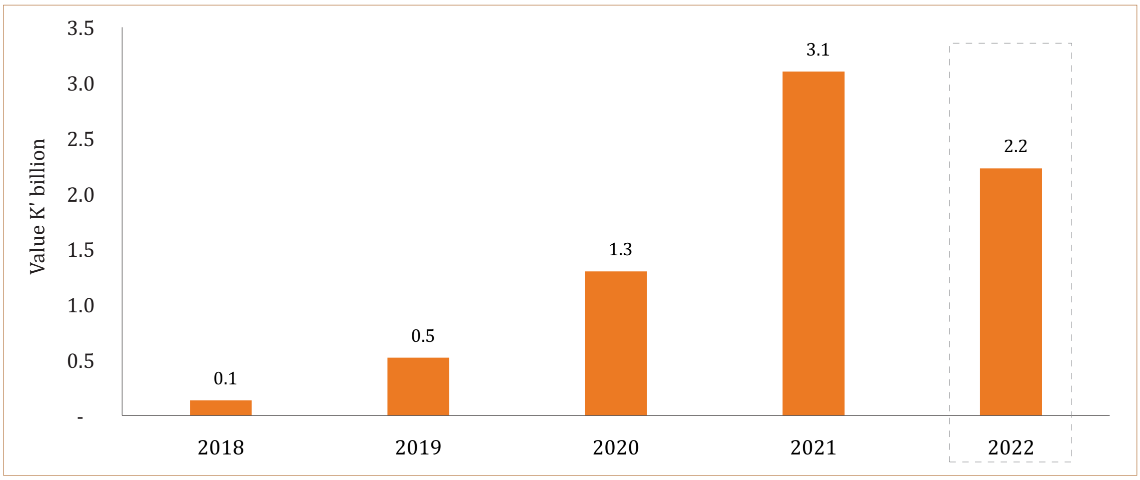
Source: Bank of Zambia

Chart 11.10: Out-Bound Remittances by Country, 2022



Source: Bank of Zambia

Chart 11.11 Net Flows of Remittances, 2018–2022

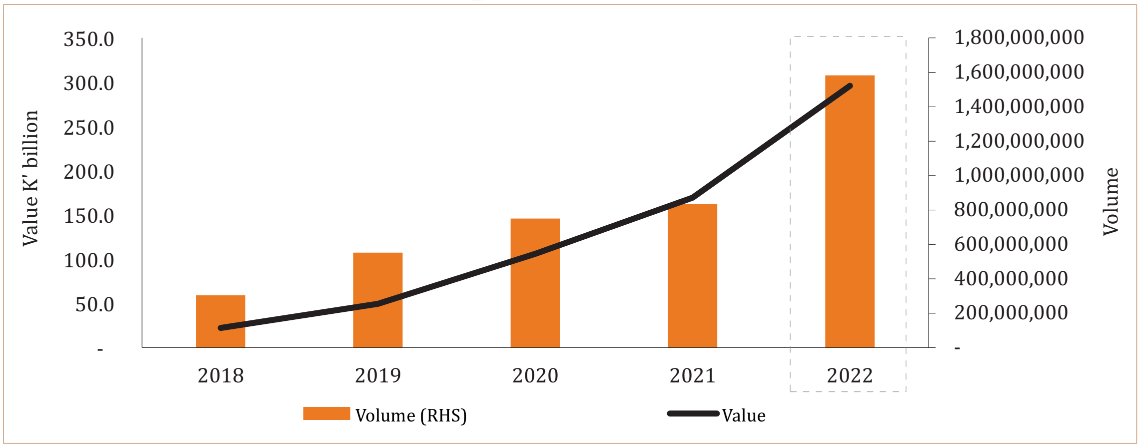


Source: Bank of Zambia

Mobile Money Transactions

The volume and value of transactions processed on mobile money platforms grew by 74.6 percent and 89.6 percent to 1,581,355,224 and K295.8 billion, respectively (Chart 11.12). This was largely due to the measures taken by the Bank and other stakeholders to promote the use of digital payment channels through sensitisation campaigns, including the *Go-Cashless Campaign,* launched in November, and the introduction of additional mobile payments use cases on the National Financial Switch. The *Campaign* was launched by the Bank in collaboration with the Zambia Information and Communications Technology Authority (ZICTA), United Nations Capital Development Fund (UNCDF) Financial Sector Deepening Zambia (FSDZ), Bankers Association of Zambia (BAZ), and Payment Association of Zambia (PAYZ). The objective is to create awareness among the public on the need to adopt digital means of accessing and using financial services in a safe and secure manner.

Chart 11.12: Mobile Money Transactions, 2018–2022

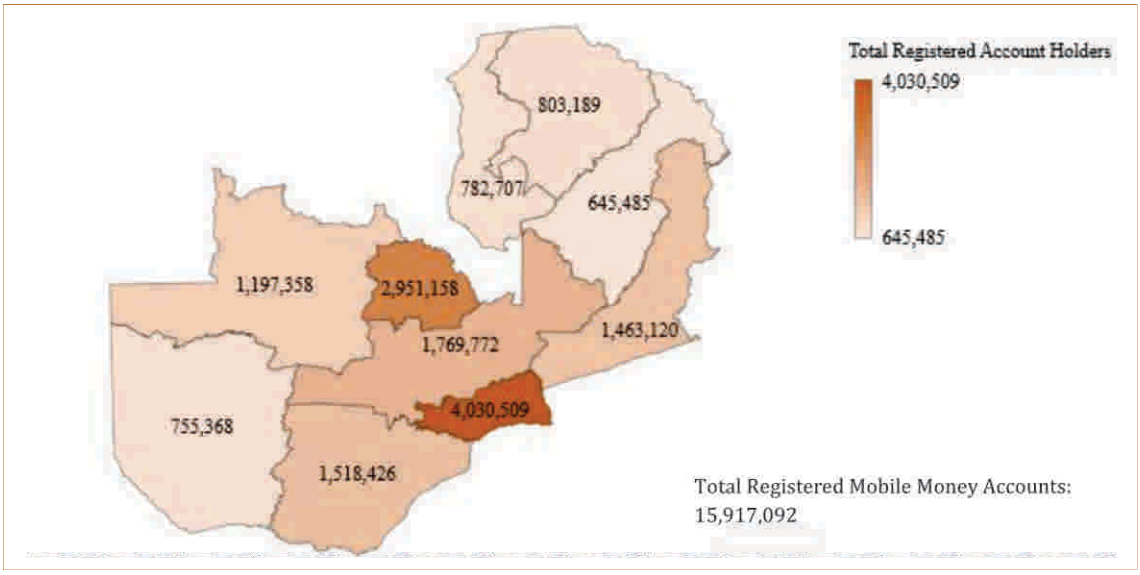


Source: Bank of Zambia

Registered and Active Mobile Money Accounts by Province

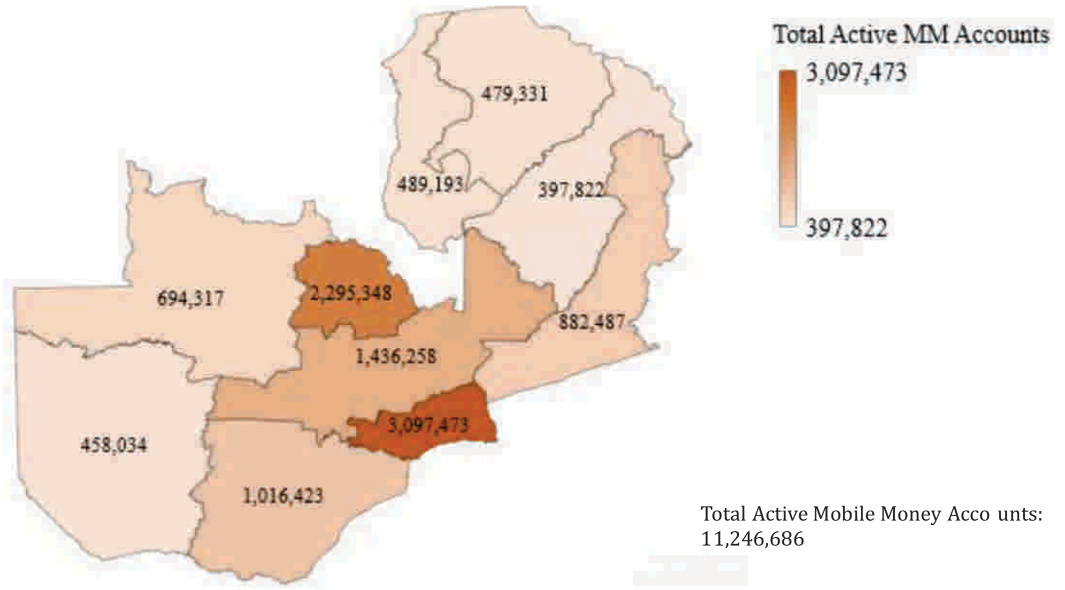
Lusaka and Copperbelt Provinces had the highest number of registered and active mobile money accounts while Muchinga Province had the least (Charts 11.13 and 11.14).

Chart 11.13: Registered Mobile Money Account Holders by Province



Source: Bank of Zambia Compilation

Chart 11.14: Active Mobile Money Account Holders by Province



Source: Bank of Zambia Compilation

National Financial Switch

There were 28 participants on the National Financial Switch (NFS): 18 live on ATM, 17 on PoS and 23 on e-Money. The value and volume of transactions on the NFS increased by 162.0 percent and 145.0 percent to K44.6 billion and 61.2 million, respectively. The e-Money use cases implemented by participants in Production/Pilot at the end of December 2022 are shown in Table 11.3.

Table 11.3: Status of National Financial Switch Use Cases as at December 31, 2022

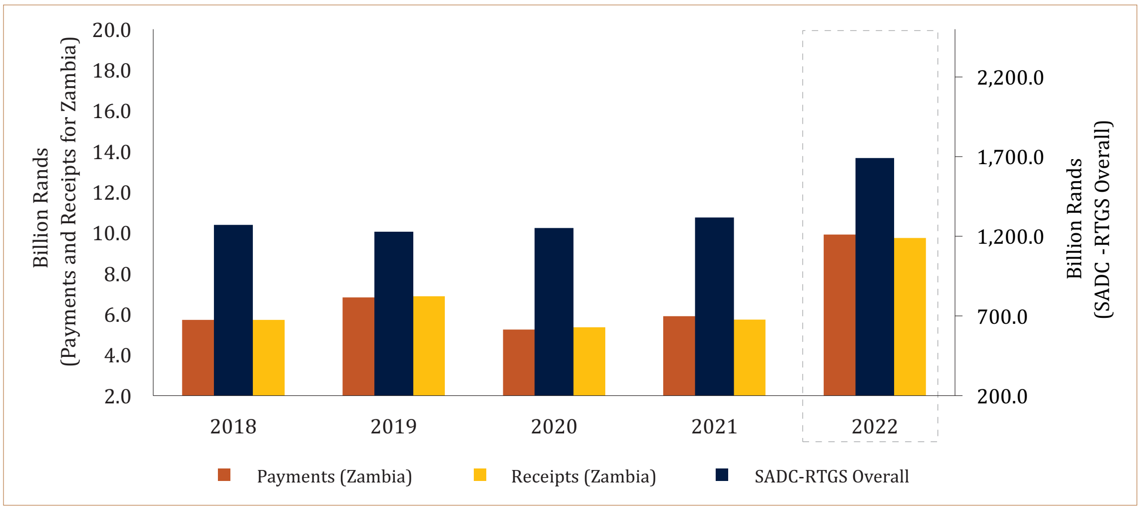
Use Case	Production	Pilot	UAT*	Total
Bank to Wallet	23	0	1	24
Wallet to Bank	21	2	1	24
Bank to Bank	16	0	1	17
ATM Cash Out	15	2	2	19
Agent Cash Out	11	0	1	12
Wallet to Wallet	10	1	2	13

Source: Zambia Electronic Clearing House Limited
*User Acceptance Testing

Regional Cross Border Payment Systems

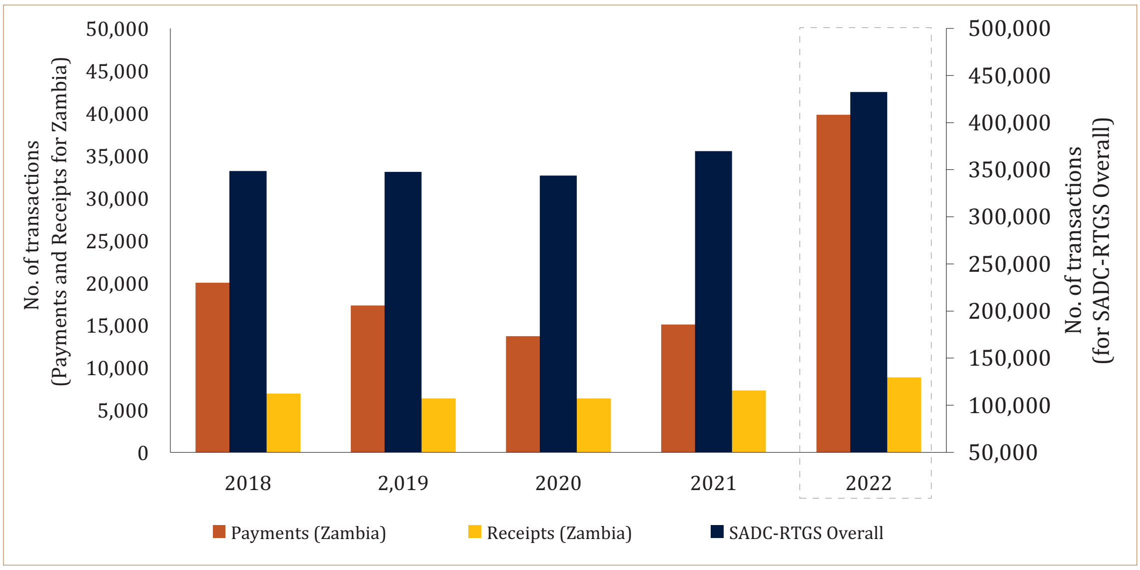
The volume and value of payments processed on the SADC Real Time Gross Settlement System (SADC-RTGS) by commercial banks in Zambia increased by 163.8 percent and 68.0 percent to 39,820 and ZAR9.9 billion, respectively (Charts 11.15 and 11.16). This was mainly on account of increased trade between South Africa and Zambia as well as the rise in the number of commercial banks participating on the SADC-RTGS.

Chart 11.15: Values of SADC-RTGS Transactions



Source: Bank of Zambia

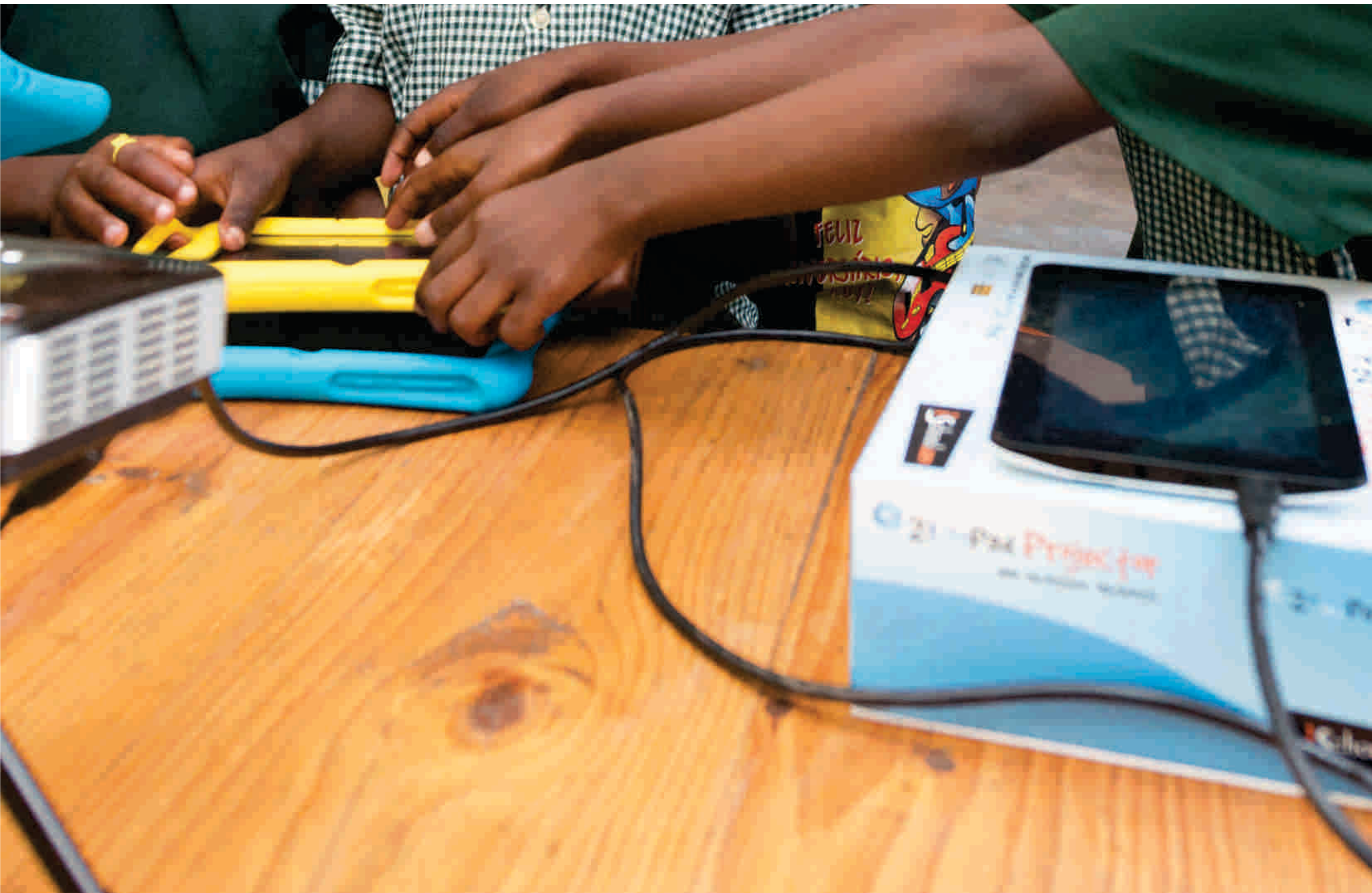
Chart 11.16: Volumes of SADC-RTGS Transactions



Source: Bank of Zambia

The volume of US dollar transactions processed on the COMESA Regional Electronic Payments and Settlement System (REPSS) also increased to 111 in 2022 from 106 in 2021. However, the value of in-bound and out-bound transactions declined to US$11.9 million from US$14.8 million the previous year.

12.0 STRATEGY AND ENTERPRISE RISK MANAGEMENT



12.0 STRATEGY AND ENTERPRISE RISK MANAGEMENT

12.1 Performance of the 2020-2023 Strategic Plan

Notable progress was made in implementing activities in the 2020-2023 Strategic Plan. An overall completion rate of 74.7 percent was achieved in 2022 compared to 51.0 percent in 2021 but was below the target of 89.4 percent as shown in the table below. The easing of some COVID-19 restrictions contributed to the improved completion rate although some of the adverse effects continued to weigh on the Bank's implementation efforts.

Performance against Strategic Objectives as at end-2022

		2022	
	Strategic Initiatives	Expected Percent on Target (Percent)	Actual Percent on Target (Percent)
1.1	Strengthen Microprudential Regulations and Supervision.	88.0	74.1
1.2	Strengthen Macroprudential Regulation and Supervision	90.8	87.1
1.3	Develop and strengthen financial market infrastructure and oversight	92.2	72.6
1.4	Enhance Data Collection, Management, and Application	85.7	65.1
2.1	Formulate and implement a financial inclusion Strategy for the Bank	90.4	72.7
2.2	Mainstream gender in the financial sector	87.0	75.0
	Overall Performance	89.4	74.7

Source: Bank of Zambia

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

12.2 Enterprise Risk Management

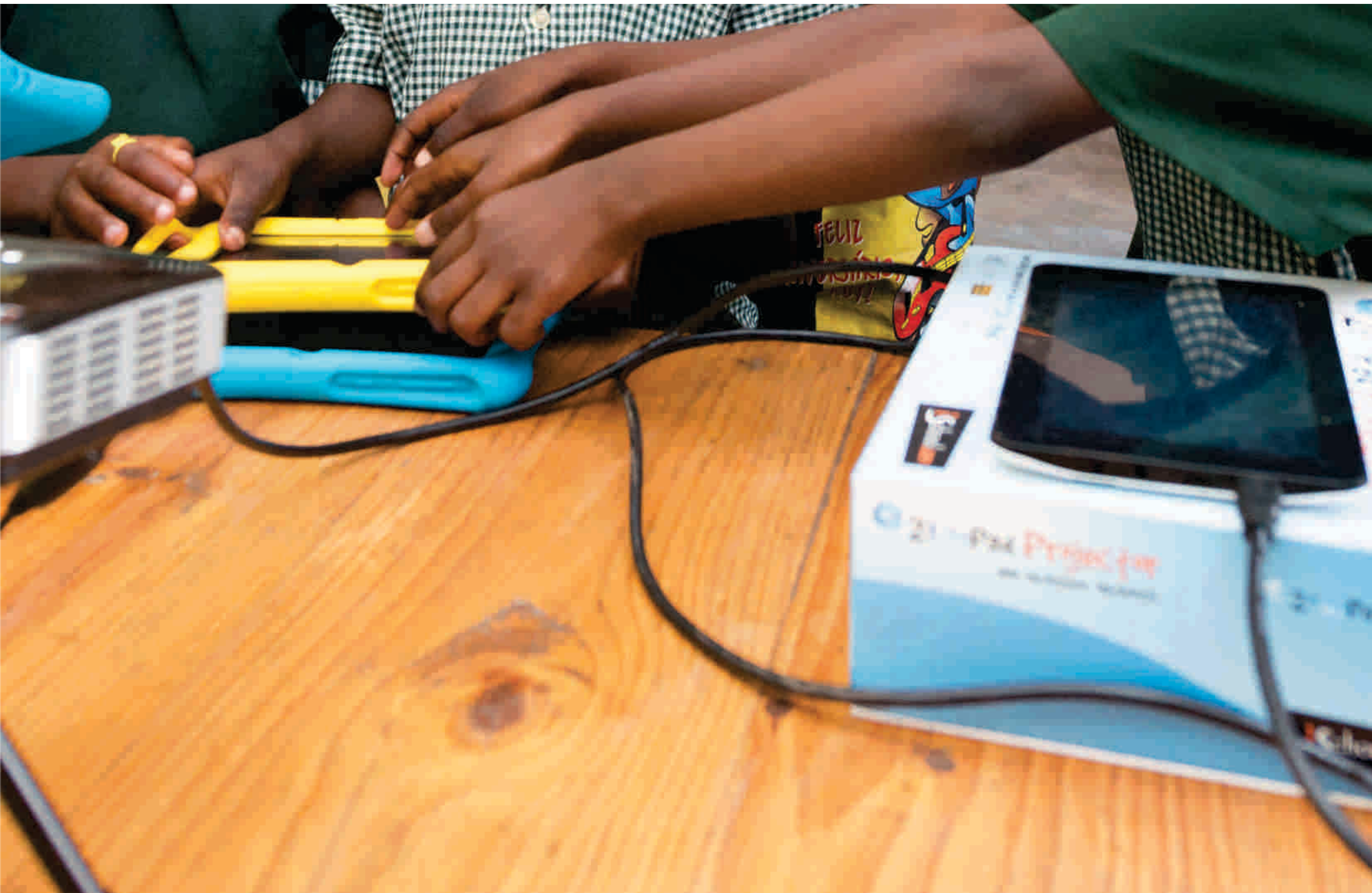
The overall risk profile of the Bank continued to improve in 2022. This was on account of heightened implementation of risk action plans and awareness programmes to protect employees and other stakeholders from the effects of the COVID-19 pandemic and other emerging threats.

12.3 Cybersecurity

The Bank remains cognisant of the emerging cyber risk brought about by the exponential growth in the use of digital financial services, extensive reliance on technology and increasing use of interconnected third-party products and services. To address this growing threat and enhance cyber risk resilience of regulated entities, Cyber and Information Risk Management Guidelines were developed in 2022 as part of the Cybersecurity Project under the 2020-23 Strategic Plan. The Guidelines complement the Bank's Outsourcing Guidelines of 2014, Cybersecurity and Cyber Crime Act No.2 of 2021and Data Protection Act No.3 of 2021. Under the Guidelines, all regulated entities are required to conduct and submit annual cybersecurity maturity self-assessment to the Bank. In addition, the Bank, with assistance from the Regional Technical Assistance Centre for Southern Africa (AFRITAC South – AFS) of the IMF, conducted a pilot cyber risk on-site examination in 2022. To enhance awareness, industry-wide workshops on the Principles of Financial Market Infrastructure were also conducted to enable the operators of financial market infrastructure gain a better understanding and competence in the utilization of systems to better manage associated risks. Further, in recognition of the need for a cross-industry collaboration, the Bank, in conjunction with the Zambia Information and Communications Technology Authority (ZICTA), launched a Collaborative Framework for the oversight of digital financial services in Zambia.

Following a cybersecurity incident at the Bank in 2022, the risk management environment has been enhanced by incorporating a Security Operations Centre and deploying artificial intelligence tools to provide both network and end point visibility. The Bank also delivered 18 cybersecurity phishing awareness training sessions to all staff.

13.0 HUMAN RESOURCE MANAGEMENT



13.0 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

The total number of employees as at end-December 2022 was 541 (328 male and 213 female) out of an establishment of 680. Of these, 376[28] (69.5 percent) were on permanent and pensionable service while 165 (30.5 percent) were on fixed-term employment contracts (Tables 13.1 and 13.2).

Table 13.1: Staffing Levels

	2020			2021			2022		
Functions	Estab.	Actual	Var	Estab.	Actual	Var	Estab.	Actual	Var
Executive Department									
Executive	15	10	-5	33	18	-15	33	18	-15
Strategy & Change Management	0	0	0	10	8	-2	10	9	-1
Risk & Compliance	0	0	0	7	6	-1	7	8	1
Security	85	32	-53	59	41	-18	59	46	-13
Subtotal	100	42	-58	109	73	-36	109	81	-28
Core Departments									
Bank Supervision	54	43	-11	58	44	-14	58	42	-16
Banking, Currency & Payment Systems	94	69	-25						
Banking and Currency				75	59	-16	75	55	-20
Payment Systems				22	14	-8	22	20	-2
Economics	55	44	-11	56	51	-5	56	52	-4
Financial Markets	37	36	-1	39	34	-5	39	36	-3
Non-Bank Financial Institutions Supervision	43	32	-11	43	33	-10	43	31	-12
Strategy & Risk Management	13	11	-2						
Subtotal	296	235	-61	293	235	-58	293	236	-57
Support Services Departments									
Bank Secretariat	0	0	0	17	17		17	16	-1
Board Services	21	17	-4						
Finance	37	29	-8	37	30	-7	37	32	-5
Human Resources	26	20	-6	26	19	-7	26	17	-9
Information & Communications Technology	34	29	-5	34	30	-4	34	30	-4
Legal Services	9	7	-2						
Internal Audit	17	15	-2	17	16	-1	17	16	-1
Procurement & Maintenance Services	83	66	-17	83	63	-20	83	62	-21
Subtotal	227	183	-44	214	175	-39	214	173	-41
Regional Office	61	54	-7	64	51	-13	64	51	-13
Subtotal	61	54	-7	64	51	-13	64	51	-13
TOTAL	684	514	-170	680	534	-146	680	541	-139

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

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

	Permanent & Pensionable	Fixed Term Contract	Gender		Total
			Male	Female	
Lusaka	336	154	302	188	490
Ndola	40	11	26	25	51
Total	376	165	328	213	541
Percent share	69.5	30.5	60.6	39.4	100

Source: Bank of Zambia

[28] 201 employees were converted from fixed-term contract to permanent and pensionable employment in 2022.

Staff Movements

In 2022, the Bank recruited 31 employees while 24 separated due to statutory retirements, resignation, death, or contract expiration (Tables 13.3 and 13.4).

Table 13.3: Staff Recruitment in 2022

Department	Number
Bank Secretariat	1
Economics	3
Finance	1
Financial Markets	3
Information and Communications Technology	2
Payment Systems	6
Procurement and Maintenance Services	4
Regional Office	1
Security	9
Strategy and Change	1
Total	31

Source: Bank of Zambia

Table 13.4: Staff Separations in 2022

Mode of Separation	Number
Statutory Retirement	12
Resignation	7
Contract Expiration	4
Death	1
Total	24

Source: Bank of Zambia

Staff Welfare

In 2022, a total of 28 COVID-19 positive cases were recorded. To promote and safeguard the health and safety of staff, the Bank continued to implement working from home arrangements, regular fumigation of the premises and sensitisation on prevention measures. In addition, mass vaccination campaigns were conducted and about 93.0 percent of the workforce was vaccinated as at end-December 2022.

Capacity Building Programmes

The Bank sponsored several capacity building programmes—locally and internationally—through virtual and in person workshops and seminars. In addition, the Bank continued to support staff in various training programmes to improve their qualifications (Tables 13.5). The Bank also sponsored capacity building programmes for Board Members to enhance their knowledge on central banking and governance.

Table 13.5: Number of Students Pursuing Study Programmes, 2020–2022

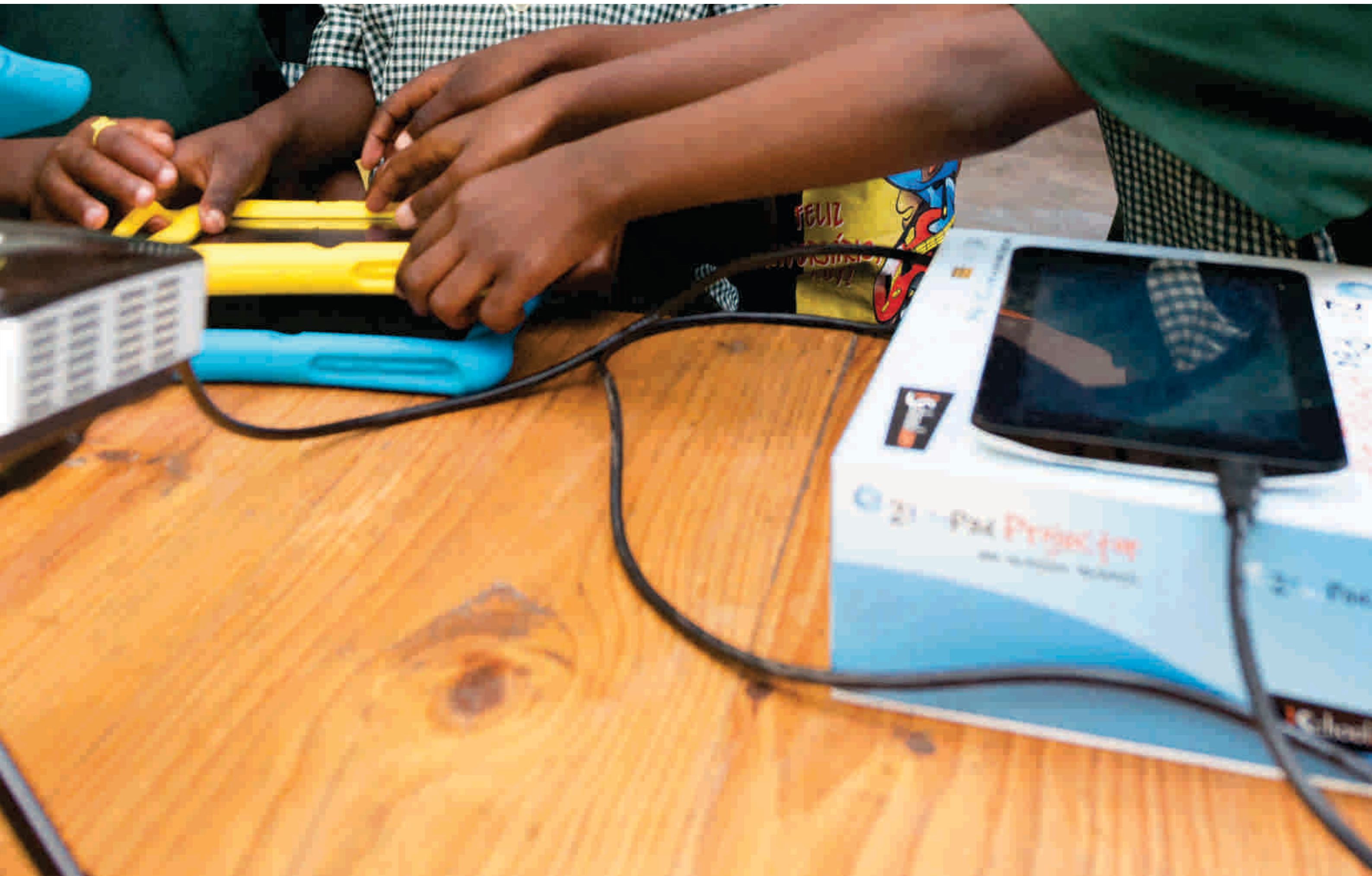
	2020	2021	2022
PhD/DBA	5	11	11
Master's degrees (Paid Study Leave)	0	1	1
Bachelor's Degrees	0	0	0
Professional Qualifications	4	4	12
Total	9	15	24

Source: Bank of Zambia

Industrial Relations

The Bank continued to enjoy a cordial industrial relations atmosphere and held monthly and quarterly consultative engagements with the Zambia Union of Financial Institutions and Allied Workers. In addition, the World Labour Day was observed on May 1 under the theme "*Accelerating Social-Economic Transformation through Sustainable and Decent Job Creation Amidst COVID-19*" and the Bank honoured the accomplishments of various employees.

14 .0 BANK OF ZAMBIA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



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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 (IFRS) 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 IFRS. 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 87 to 145 were approved by the Board of Directors on 28 March 2023 and signed on their behalf by:

Governor

F002800

Director

pwc

Independent auditor's report

To the Government of the Republic of Zambia

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Bank of Zambia (the "Bank") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Bank of Zambia Act, No 43 of 1996.

What we have audited

Bank of Zambia's annual financial statements are set out on pages 87 to 145 and comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

A list of Partners is available from the address above

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Expected credit loss on financial assets measured at amortised cost

At each reporting date, the Bank estimates the Expected Credit Loss ('ECL") on financial instruments carried at amortised cost. As at 31 December 2022, the Bank's portfolio of these instruments comprised loans and advances and investment securities totalling K45,226 million on which expected credit losses of K 141 million were recognised.

Determining the ECL involves the use of various assumptions and significant judgements to estimate the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and forward-looking information, which makes this an area of focus. Furthermore, the application of qualitative information is critical in determining the impairment estimate.

Additional information on impairment of financial assets measured at amortised cost is presented in Note 4, 8, 16, 17, 21 and 23.

</td><td>

We carried out the following procedures:

1. We tested the controls around loan origination, disbursement and selected a sample of financial assets at amortised cost on which we performed a detailed credit review to confirm appropriate classification and measurement.
2. We obtained an understanding of the basis used to determine the PDs, LGDs and EADs for the financial assets.
3. We tested the mathematical accuracy of the ECL computation performed by management and reperformed the calculation of certain key model inputs.
4. We reviewed the assumptions used in the ECL model for forward looking information and economic scenarios.
5. For investment securities, we agreed the assumptions relating to PDs and LGDs to information from reputable external credit rating agencies.
6. Tested the financial statement disclosures.

</td></tr>
<tr><td>

Valuation of Defined Benefit Pension Obligation

The Bank recognised an obligation of ZMW 344 million at 31 December 2022 with respect to its defined benefit pension scheme. Estimating the obligation requires the use of assumptions and judgements such as:

- The discount rate (the rate used to discount post-employment benefit obligation);
- The rate at which salaries increase into the future;
- The mortality (deaths) expected of the members in the fund before retirement; and
- The rates of employee turnover and disability.

Additional information on valuation of defined benefit pension obligation is presented in Note 39.

</td><td>

We carried out the following procedures:

1. Obtained an understanding of the Bank's methodology used to estimate the defined benefit obligation and assessed this against the requirements of IAS 19 (Employee Benefits) and IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).
2. Challenged the assumptions made by comparing the amounts determined to historical trends as well as future expected outcomes based on data available from independent sources.
3. Using an Actuary as an Auditor's Expert, we re-performed the calculation of the defined benefit obligation recognised in the financial statements;
4. Reviewed the financial statement disclosures.

</td></tr>
</table>

Other information

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

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

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

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

Responsibilities of the Directors for the annual financial statements

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

The Bank of Zambia Act, No 43 of 1996

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

4 April 2023

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022	2021
		K'000	K'000
Interest income	5	**5,574,121**	5,386,167
Interest expense	5	**(165,793)**	(274,799)
Net interest income		**5,408,328**	5,111,368
Fees and commission income	6	**448,158**	404,183
Fees and commission expense	6	**(14,829)**	(7,279)
Net fees and commission income		**433,329**	396,904
Trading losses	44	**(78,054)**	(139,217)
Other operating gains/(losses)	7	**1,556,229**	(3,357,050)
		1,478,175	(3,496,267)
Total operating income		**7,319,832**	2,012,005
Depreciation and amortisation	25,26	**(44,969)**	(41,894)
Impairment credit	8	**134,554**	309,589
Personnel expenses	9	**(645,829)**	(538,582)
Operating expenses	10	**(3,103,237)**	(296,502)
Net expense		**(3,659,481)**	(567,389)
Profit for the year		**3,660,351**	1,444,616
Other comprehensive income			
Items that will not be classified to profit or loss			
Changes in fair value of equity investment at FVOCI	22	**93,252**	80,516
Total comprehensive income for the year		**3,753,603**	1,525,132

Notes to the financial statements on pages 91 to 145 form an integral part of the financial statement.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

		2022	2021
Assets		**K'000**	K'000
Domestic cash in hand		**4,874**	4,943
Foreign currency cash and bank accounts	12	**53,652,629**	45,752,848
Monetary gold	13	**1,582,962**	687,966
Items in course of settlement	14	**7**	10
Financial assets at FVOCI	15	**-**	88,191
Loans and advances	16	**99,815**	1,903,350
Government securities at amortised cost	17	**21,052,087**	23,238,874
Prepayments and other assets	18	**1,213,904**	26,651
Financial derivative asset	20	**6,800**	230,071
Targeted Medium-Term Refinancing Facility	21	**10,660,719**	9,772,648
Equity investments at FVOCI	22	**838,056**	661,685
IMF funds receivable from Government	23	**6,106,973**	5,665,945
IMF subscriptions	24,36	**22,388,259**	31,341,051
Property, plant and equipment	25	**639,380**	603,410
Intangible assets	26	**79,280**	59,475
Non refined gold	27	**127,984**	127,984
Total assets		**118,453,729**	120,165,102
Liabilities			
Deposits from Government of the Republic of Zambia	29	**20,449,211**	7,849,486
Deposits from financial institutions	30	**22,158,835**	17,470,759
Foreign currency liabilities to other institutions	31	**38,446**	56,483
Other deposits	32	**159,764**	153,433
Notes and coins in circulation	33	**14,744,976**	13,555,338
Other liabilities	34	**8,805,215**	5,293,067
Provisions	35	**2,690,645**	180,222
Domestic currency liabilities to IMF	24,36	**22,388,259**	31,341,051
Foreign currency liabilities to IMF	37	**155,410**	2,863
Extended Credit Facility	38	**1,683,190**	-
SDR allocation	40	**11,290,357**	32,826,428
Total liabilities		**104,564,308**	108,729,130
Equity			
Capital	41	**500,020**	500,020
General reserve fund	42	**3,391,874**	3,247,412
Property revaluation reserves	42	**296,887**	311,311
Retained earnings	42	**9,700,640**	7,377,229
Total equity		**13,889,421**	11,435,972
Total liabilities and equity		**118,453,729**	120,165,102

Notes to the financial statements on pages 91 to 145 form an integral part of the financial statement

The financial statements on pages 87 to 145 were approved for issue by the Board of Directors.

Governor

Director

F002800

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Note	**Share capital**	**General reserve fund**	**Property revaluation reserve**	**Retained earnings**	**Total equity**
		K'000	**K'000**	K'000	K'000	K'000
Balance at 1 January 2021		500,020	2,550,373	325,738	12,808,054	16,184,185
Profit for the year		-	-	-	1,444,616	1,444,616
Changes in fair value for equity at FVOCI		-	-	-	80,516	80,516
Revaluation surplus amortisation		-	-	(14,427)	14,427	-
Total comprehensive income		-	-	(14,427)	1,539,559	1,525,132
Transactions with owners:						
Dividend to Government	*42*	-	-	-	(6,273,345)	(6,273,345)
Transfer to general reserves		-	697,039	-	(697,039)	-
Total transactions with owners		-	697,039	-	(6,970,384)	(6,273,345)
Balance at 31 December 2021		500,020	3,247,412	311,311	7,377,229	11,435,972
Balance at 1 January 2022		**500,020**	**3,247,412**	**311,311**	**7,377,229**	**11,435,972**
Profit for the year		**-**	**-**	**-**	**3,660,351**	**3,660,351**
Changes in fair value for equity at FVOCI		**-**	**-**	**-**	**93,252**	**93,252**
Revaluation surplus amortisation		**-**	**-**	**(14,424)**	**14,424**	**-**
Total comprehensive income		**-**	**-**	**(14,424)**	**3,768,027**	**3,753,603**
Transactions with owners:						
Dividend to Government	*42*	**-**			**(1,300,154)**	**(1,300,154)**
Transfer to general reserves		**-**	**144,462**	**-**	**(144,462)**	**-**
Total transactions with owners		**-**	**144,462**		**(1,444,616)**	**(1,300,154)**
Balance at 31 December 2022		**500,020**	**3,391,874**	**296,887**	**9,700,640**	**13,889,421**
Notes		*41*	*42*	*42*	*42*	

Notes to the financial statements on pages 91 to 145 form an integral part of the financial statement

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Notes	2022	2021
Cash flows from operating activities		**K'000**	K'000
Profit for the year		**3,660,351**	1,444,616
Adjustment for:			
Depreciation/amortisation	*25,26*	**44,969**	41,894
Dividends received		**(7,435)**	(29)
Gain on disposal of plant and equipment		**(1,219)**	(18)
Effects of exchange rate changes on cash and cash equivalents	*7*	**(1,532,796)**	2,754,212
Provisions made during the year		**2,510,423**	(793,455)
		4,674,293	3,447,220
Changes in operating assets and liabilities			
Change in Monetary gold	*13*	**(894,996)**	(687,966)
Change in items in course of settlement	*14*	**3**	191
Change in financial assets at FVOCI	*15*	**88,191**	795
Change in loans and advances	*16*	**1,803,535**	624,170
Change in amortised financial assets	*17*	**2,186,787**	(529,347)
Change in prepayments and other assets	*18*	**(1,187,253)**	31,659
Change in financial asset derivative	*20*	**223,271**	(206,876)
Change in TMTRF	*21*	**(888,071)**	(6,371,885)
Change in equity investments at FVOCI	*22*	**(83,120)**	157,507
Change in IMF funds receivable from Government	*23*	**(441,028)**	1,987,074
Change in non-refined gold	*27*	**-**	(68,283)
Change in deposits from Government of the Republic of Zambia	*29*	**12,599,725**	4,909,072
Change in deposits from financial institutions	*30*	**4,688,076**	2,277,800
Change in foreign currency liabilities to other institutions	*31*	**(18,037)**	3,440
Change in other deposits	*32*	**6,331**	48,005
Change in notes and coins in circulation	*33*	**1,189,638**	1,163,455
Change in other liabilities	*34*	**3,512,148**	4,537,225
Change in financial derivative liability	-	**-**	(405,213)
Change in foreign currency liabilities to IMF	*37*	**152,547**	(55,777)
Change in extended credit facility liability	*38*	**1,683,190**	-
Change in SDR allocation	*40*	**(21,536,071)**	18,524,889
Net cash generated from operating activities		**7,759,159**	29,387,155
Cash flow from financing activities			
Dividends paid to shareholders		**(1,300,154)**	(6,273,344)
Net cash out flows from financing activities		**(1,300,154)**	(6,273,344)
Cash flows from investing activities			
Dividends received		**7,435**	29
Purchase of property, plant and equipment and intangible assets	*25,26*	**(100,768)**	(65,950)
Proceeds from sale of property, plant and equipment		**1,244**	698
Net cash out flows from investing activities		**(92,089)**	(65,223)
Net change in cash and cash equivalents		**6,366,916**	23,048,588
Cash and cash equivalents at the beginning of year		**45,757,791**	25,463,415
Effects of exchange rate changes on cash and cash equivalents		**1,532,796**	(2,754,212)
Cash and cash equivalents at the end of the year		**53,657,503**	45,757,791
Cash and cash equivalents at the end of the year comprise of:		**4,874**	4,943
Domestic cash in hand		**53,652,629**	45,752,848
Foreign currency cash and bank accounts		**53,657,503**	45,757,791

Notes to the financial statements on pages 91 to 145 form an integral part of the financial statement

1 Principal activity

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

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

The Board of Directors approved these financial statements for issue on 28 March 2023.

2 Principal accounting policies

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

2.1 Basis of preparation

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

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

(a) New Standards effective 1 January 2022

IFRS 16 — Leases – Zambia Institute of Chartered Accountants (ZiCA) guidance note

In accordance with IFRS 16-Leases, ZiCA issued a guidance note on the accounting treatment for leasehold land in Zambia. The Standard requires an entity to report leasehold land separately from buildings as a Right of Use (RoU) asset. Further, an entity is required to recognise a lease liability for lease payments made for the duration of the lease.

The Bank conducted an assessment of its leasehold land and this new requirement has no material impact on the Banks' financial position.

IFRS 16 and COVID-19 — Extension of practical expedient

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

Amendments Interest Rate Benchmark Reform (IBOR) Phase 2

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

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

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

- Amendments to IAS 1 and IFRS Practice Statement 2 on accounting policy disclosures, effective 1 January 2023. The amendment is consistent with the redefinition of 'material' and requires entities to disclose their material accounting policies rather than their significant accounting policies and omit accounting policies related to immaterial transactions, other events or conditions;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective 1 January 2023. The amendment defines what an accounting estimates is and clarifies how companies should distinguish between changes in accounting policies and changes in accounting estimates;
- Amendments to IAS 1 on the classification of Liabilities as either current or non-current, effective 1 January 2023. The amendment requires that a liability is classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period; and
- None of the above standards will have a material impact on the Bank.

(c) Functional and presentation currency

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

(d) Interest income and expense

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

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

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

Interest income and expense presented in the profit or loss include:

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

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

(e) Fees and commission income

Fees and commissions, including account servicing fees, supervision fees, licensing and registration fees, are generally recognised on an accrual basis when the related service has been performed reflecting the consideration to which the Bank expects to be entitled to in exchange for providing the services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

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

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

(f) Dividends

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

(g) Rental income

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

(h) Foreign currency reserves, cash and bank balances

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

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

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

(i) Financial instruments

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

a. Financial assets

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

Classification

The Bank classifies its financial assets into the following categories as required by IFRS 9 namely, amortised cost (AC), fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

Business model assessment

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

The features assessed may include:

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

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

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

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

Financial assets at amortised cost

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

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

In case of variable interest instruments, determination of the significance of impact of a rate reset on cash flows;

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

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

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

i. Subsequent measurement of financial asset

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

Financial assets at amortised cost

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

Financial assets at FVTPL

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

Debt Investments at FVOCI

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

Equity investments at FVOCI

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

ii. Derecognition of financial assets

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

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

iii. Impairment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

Measurement of ECL

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

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

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

Calculation of ECL

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

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

As at 31 December 2022 the Bank recognised an ECL of **K141 million.**

Determining whether there is significant increase in credit risk

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

Definition of default

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

b. Financial liabilities

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

i. Classification

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

ii. Subsequent measurement of financial liabilities

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

iii. Derecognition of financial liabilities

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

(j) Determination of fair value

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

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

(k) Offsetting

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

(l) Property, plant and equipment

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

i. Property

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

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

ii. Plant and equipment

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

iii. Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

iv. Depreciation

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

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

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

Asset	2022	2021
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	**16.70%**	16.7%
Computer equipment - hardware	**25%**	25%
Office equipment	**33.30%**	33.3%

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

v. De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

vi. Capital work-in-progress

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

(m) Intangible assets

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

Purchased intangible assets

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

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

(n) Impairment of non-financial assets

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

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

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

(o) Employee benefits

i. Defined contribution plan

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

In line with the above defined scheme:

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

ii. Defined benefit plan

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

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

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

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

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

iii. Termination benefits

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

iv. Short-term benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

v. Other staff benefits

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

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

(p) Cash and cash equivalents

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

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

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

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

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

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

(r) Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

(s) Currency in circulation

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

(t) Currency printing and minting expenses

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

(u) Sale and repurchase agreements

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

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

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

(v) Financial derivatives

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

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

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

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

(w) Monetary gold and non-refined gold

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Principal accounting policies (continued)

(w) i Monetary gold

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

(w) ii Non-refined gold

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

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

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

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

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

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

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

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

The loans under the TMTRF are held at amortised cost and are assessed annually for impairment in line with IFRS 9. As at 31 December 2022, the Bank recognised an ECL of K4.9 million on the TMTRF.

(y) Loans and advances

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

3.1 Property, plant and equipment

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

3.2 Defined benefits obligations

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

3.3 Measurement of the expected credit loss allowance

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

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

- Determining criteria for significant increases in credit risk;
- Forward looking information that may have an impact on the financial assets, and
- Choosing appropriate models and assumptions for measuring of ECL.

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

3.4 Fair value measurement

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

4 Risk management policies

4.1 Overview and risk management framework

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

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

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

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

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

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

i. Management oversight, that maintains an interest in the operations and ensures appropriate intervention is available for identified risks.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies *(continued)*

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 minimising of default probabilities of the counterparties and the financial loss in case of default. As such, the Bank carefully considers the credit and sovereign risk profiles in its choice of depository banks for deposit placements. Currently, the Bank's choice of depository banks is restricted to international banks that meet the set eligibility criteria of financial soundness on long-term credit rating, short-term credit rating, composite rating and capital adequacy.

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

Counterparty Rating

Counterparty	Rating Agency			BoZ Minimum Acceptable Rating
	Moody's	S&P	Fitch	
Federal Reserve Bank	Aaa	AA+	AAA	A-
Citi Bank New York	Aa3	A+	A+	A-
Bank of New York Mellon (BNY)	Aa2	AA-	AA	A-
Deutsche Bundesbank	Aaa	AAA	AAA	A-
Bank of England (BOE)	Aa3	AA	AA-	A-
South African Reserve Bank	Ba2	BB-	BB-	A-
Bank of Mauritius	Baa3	N/A	N/A	A-
World Bank	Aaa	AAA	N/A	A-
*Bank for International Settlement	N/A	N/A	N/A	A-

* not externally rated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies *(continued)*

i. Exposure to credit risk

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

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

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

			Rating-2022		
Financial asset	**Aaa K'000**	**Aa3 K'000**	**Ba2 K'000**	**Baa3 K'000**	**Total K'000**
Cash balances	**9,591,913**	**36,293**	**4,288**	**5,821**	**9,638,315**
Monetary gold	**1,582,962**	**-**	**-**	**-**	**1,582,962**
Deposits	**7,966,466**	**-**	**-**	**-**	**7,966,466**
Securities	**6,920,163**	**-**	**-**	**-**	**6,920,163**
Special drawing rights	**29,127,684**	**-**	**-**	**-**	**29,127,684**
Total	**55,189,188**	**36,293**	**4,288**	**5,821**	**55,235,590**

			Rating-2021			
	Aaa K'000	A1 K'000	Aa1 K'000	Baa1 K'000	Baa2 K'000	Total K'000
Cash balances	5,565,409	486,639	13,500	5,276	1,057	6,071,881
Monetary gold	687,966	-	-	-	-	687,966
Deposits	8,180,681	-	-	-	-	8,180,681
Securities	6,598,104	-	-	-	-	6,598,104
Special drawing rights	24,902,182	-	-	-	-	24,902,182
Total	45,934,342	486,639	13,500	5,276	1,057	46,440,814

ii. GRZ bonds and treasury bills

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies *(continued)*

a. Credit risk (*continued*)

iii. Advances to Financial Service Providers (FSP)

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

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

iv. Staff loans and advances

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

Further, the Bank holds collateral against certain staff loans and advances to former and serving staff in form of mortgage interest over property and endorsement of the Bank's interest in motor vehicle documents of title. The Bank assesses the fair value and impairment of the facility at each balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4.0 Risk management policies (*continued*)

Loans and advances	2022	2021
	K'000	K'000
Fair value		
Property	22,462	11,214
Gratuity and leave days	58,780	47,011
Motor vehicles	29,344	23,384
	110,586	81,609

Loans and advances (see Note 16)	2022	2021
	K'000	K'000
Carrying value		
Staff loans	106,774	92,274
Staff advances	2,336	1,430
	109,110	93,704

Concentration by nature	K'000	K'000
Multi-purpose loans	46,998	47,625
Motor vehicle loans	29,344	11,214
House loans	22,462	23,384
Personal loans	5,721	1,430
Staff advances	2,336	5,555
Other	2,249	4,496
	109,110	93,704

v. Collateral and other credit enhancements

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

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

Collateral table	2022		2021	
	Asset	Collateral	Asset	Collateral
	K'000	K'000	K'000	K'000
Secured				
Targeted Medium Term Refinancing	10,665,637	34,026,496	9,787,005	21,369,849
Loans and advances at AC	109,306	109,306	1,866,441	1,866,441
Unsecured				
Government securities at AC	21,159,119	-	23,391,736	-
IMF Funds recoverable from GRZ	9,502,511	-	5,716,990	-
Government securities at FVOCI	-	-	88,986	-
Total	41,436,573	34,135,802	40,851,158	23,236,290

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

vi. Impairment assessment

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

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

Internal rating of financial assets

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

Probability of default estimation

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

Loss given default

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

Exposure at default

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

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

2022	**Stage 1**	**Stage 2**	**Stage 3**	**ECL**	**Total**
	K'000	**K'000**	**K'000**		**K'000**
Government Securities at AC	**21,159,118**	**-**	**-**	**(107,031)**	**21,052,087**
Targeted Medium-Term Refinancing	**10,665,637**	**-**	**-**	**(4,918)**	**10,660,719**
Recoverable from GRZ	**6,136,007**	**-**	**-**	**(29,034)**	**6,106,973**
Loans and advances	**99,940**	**-**	**-**	**(125)**	**99,815**
	38,060,702			**(141,108)**	**37,919,594**

2021	Stage 1	Stage 2	Stage 3	ECL	Total
	K'000	K'000	K'000		K'000
Government Securities at AC	23,448,233	-	-	(209,359)	23,238,874
Targeted Medium-Term Refinancing	9,787,005	-	-	(14,357)	9,772,648
Recoverable from GRZ	5,716,990	-	-	(51,045)	5,665,945
Loans and advances	1,903,456	-	-	(106)	1,903,350
Financial assets at FVOCI	88,986	-	-	(795)	88,191
	40,944,670			(275,662)	40,669,008

vii. Write-off policy

The Bank writes off financial assets, in whole or in part, when the Bank's Board determines that all practical recovery efforts have been exhausted and has concluded that there is no reasonable expectation of recovery. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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

Concentration of risks of financial assets with credit risk exposure.

31 December 2022	**Financial Institutions**	**Government**	**Individuals**	**Total**
	K'000	**K'000**	**K'000**	**K'000**
Foreign currency cash and bank accounts	**53,652,629**	**-**	**-**	**53,652,629**
Monetary gold	**1,582,962**	**-**	**-**	**1,582,962**
Items in course of settlement	**7**	**-**	**-**	**7**
Loans and advances	**196**	**-**	**99,619**	**99,815**
Government securities at AC	**-**	**21,052,087**	**-**	**21,052,087**
Targeted Medium Term Refinancing	**10,660,719**	**-**	**-**	**10,660,719**
IMF funds recoverable from GRZ	**-**	**6,106,973**	**-**	**6,106,973**
IMF subscriptions	**22,388,259**	**-**	**-**	**22,388,259**
	88,284,772	**28,315,107**	**99,619**	**115,543,451**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

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

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 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

31 December, 2022	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Total K'000
Assets held for managing liquidity risk					
Domestic cash in hand	4,874	-	-	-	4,874
Foreign currency cash and bank accounts	37,323,607	11,660,091	4,668,931	-	53,652,629
Monetary gold	1,582,962	-	-	-	1,582,962
Targeted Medium Term Refinancing Facility	-	-	-	10,660,719	10,660,719
Government securities at amortised cost	-	730,577	230,474	20,091,036	21,052,087
Loans and advances	196	-	-	99,619	99,815
IMF funds recoverable from GRZ	6,106,973	-	-	-	6,106,973
IMF subscription	22,388,259	-	-	-	22,388,259
Total assets held	**67,406,871**	**12,390,668**	**4,899,405**	**30,851,374**	**115,548,318**
Notes and coins in circulation	(14,744,976)	-	-	-	(14,744,976)
Foreign currency liabilities to other institutions	(38,446)	-	-	-	(38,446)
Foreign currency liabilities to IMF	(155,410)	-	-	-	(155,410)
Domestic currency liabilities to IMF	(22,388,259)	-	-	-	(22,388,259)
Deposits from the Government	(20,449,211)	-	-	-	(20,449,211)
Deposits from financial institutions	(22,158,835)	-	-	-	(22,158,835)
Other deposits	(159,764)	-	-	-	(159,764)
Other liabilities	(8,382,797)	(135,470)	-	(286,948)	(8,805,215)
Total liabilities	**(88,477,698)**	**(135,470)**	**-**	**(286,948)**	**(88,900,116)**
Net exposure	**(21,070,827)**	**12,255,198**	**4,899,405**	**30,564,426**	**26,648,202**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

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

Assets held for managing liquidity risk

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

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

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

c. Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

i. Exposure to currency risk

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

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

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure expressed in Kwacha as at 31 December 2022 was as shown in the table below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

At 31 December 2022	**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	**23,440,490**	**21,526**	**933**	**29,127,684**	**1,061,996**	**53,652,629**
Monetary gold	**1,582,962**	**-**	**-**	**-**	**-**	**1,582,962**
IMF subscriptions	**-**	**-**	**-**	**22,388,259**	**-**	**22,388,259**
Total foreign currency assets	**25,023,452**	**21,526**	**933**	**51,515,943**	**1,061,996**	**77,623,850**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**(34,027)**	**(4,359)**	**(60)**	**-**	**-**	**(38,446)**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**(155,410)**	**-**	**(155,410)**
SDR allocation	**-**	**-**	**-**	**(22,388,259)**	**-**	**(22,388,259)**
Total foreign currency liabilities	**(34,027)**	**(4,359)**	**(60)**	**(22,543,669)**	**-**	**(22,582,115)**
Net exposure	**24,989,425**	**17,167**	**873**	**28,972,274**	**1,061,996**	**55,041,735**

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

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

Spot rate	**2022**	2021
	K	K
SDR 1	**24.07**	23.34
GBP 1	**21.82**	22.40
EUR 1	**19.21**	18.86
USD 1	**18.08**	16.67

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

Foreign currency sensitivity

The following table illustrates the impact of a 4% weakening of the Kwacha against the relevant foreign currencies. The 4% 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 4% change in foreign currency rates. This analysis assumes all other variables, in particular interest rates remain constant.

Effect in Kwacha	Equity K'000	Profit or (loss) K'000
31 December 2022		
SDR	**892,086**	**892,086**
USD	**743,626**	**743,626**
EUR	**35**	**35**
GBP	**687**	**687**
31 December 2021		
SDR	2,575,534	2,575,534
USD	2,247,057	2,247,057
EUR	(82)	(82)
GBP	1,536	1,536

A 4% strengthening of the Kwacha against the above currencies at 31 December would have had an equal but opposite effect to the amounts shown above.

ii. Exposure to interest rate risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

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

31 December 2022	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Non-interest bearing K'000	K'000 Total K'000
Assets						
Domestic cash in hand	53,645,415	-	-	-	4,874	4,874
Foreign currency cash and bank accounts	1,582,962	-	-	-	7,214	53,652,629
Monetary gold	-	-	-	-	-	1,582,962
Items in course of settlement	-	-	-	-	7	7
Loans and advances	-	-	-	99,619	196	99,815
Targeted Medium Term Refinancing Facility	-	-	-	10,660,719	-	10,660,719
Government securities at amortised cost	-	730,577	230,474	20,091,036	-	21,052,087
Other assets	-	-	-	-	1,213,904	1,213,904
IMF funds receivable from GRZ	-	-	-	-	6,106,973	6,106,973
IMF subscription	-	-	-	-	22,388,259	22,388,259
Total financial assets	**55,228,377**	**730,577**	**230,474**	**30,851,374**	**29,721,427**	**116,762,229**
Liabilities						
Deposits from the GRZ	-	-	-	-	(20,449,211)	(20,449,211)
Deposits from financial institutions	-	-	-	-	(22,158,835)	(22,158,835)
Foreign currency liabilities to other institutions	-	-	-	-	(38,446)	(38,446)
Other deposits	(159,764)	-	-	-	-	(159,764)
Notes and coins in circulation	-	-	-	-	(14,744,976)	(14,744,976)
Other liabilities	-	-	(8,236,532)	-	(568,683)	(8,805,215)
Domestic currency liabilities to IMF	-	-	-	-	(22,388,259)	(22,388,259)
Foreign currency liabilities to IMF	-	-	-	-	(155,410)	(155,410)
	(159,764)	-	(8,236,532)	-	(80,503,820)	(88,900,116)
Net exposure	55,068,613	730,577	(8,006,058)	30,851,374	(50,782,393)	27,862,113

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

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

Interest rate risk statement

As at 31 December 2022, an increase of 0.25 basis points would have resulted in an increase or decrease in profit and equity of **K27,931.8 million** (2021: K43,360.6 million).

d. Fair values

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

	Carrying amount	Fair value	Carrying amount	Fair value
	2022	2022	2021	2021
	K'000	K'000	K'000	K'000
Assets				
Monetary gold	1,582,962	1,582,962	687,966	687,966
Government securities at FVOCI	-	-	88,191	88,191
Equity investments at FVOCI	838,056	838,056	661,685	661,685
Total financial assets	2,421,018	2,421,018	1,437,842	1,437,842

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.

Transfers between levels in the fair value hierarchy

There were no transfers made between levels in the fair value hierarchy.

Valuation techniques used to derive level 2 fair values

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

Valuation techniques used to derive level 3 fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

31 December 2022	**Level 1 K'000**	**Level 2 K'000**	**Level 3 K'000**	**Total K'000**
ASSETS				
Monetary gold	**1,582,962**	**-**	**-**	**1,582,962**
Building	**-**	**-**	**350,575**	**350,575**
Equity investment at FVOCI	**-**	**834,506**	**3,550**	**838,056**
	1,582,962	**834,506**	**354,125**	**2,771,593**

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

Level 3 fair value measurement (Reconciliations)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy. The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Level 3 fair value reconciliation 2022	**Equity investment at FVOCI K'000**	**Buildings K'000**	**Total K'000**
Balance as at 1 January	-	**359,649**	**359,649**
Additions and disposals	-	**6,055**	**6,055**
Depreciation and disposals	-	**(15,129)**	**(15,129)**
Balance as at 31 December	-	**350,575**	**350,575**
2021			
Balance as at 1 January	-	363,562	63,562
Additions and disposals	-	10,762	10,762
Depreciation and disposals	-	(14,675)	(14,675)
Fair value adjustments	-	-	-
Revaluation adjustments	-	-	-
Transfer into level 3	3,550	-	3,550
Transfer out of level 3	-	-	-
Balance as at 31 December	3,550	359,649	363,199

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

e. Management of capital

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

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

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

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

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

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

	Note	**2022** **K'000**	2021 K'000
Capital	41	**500,020**	500,020
Retained earnings	42	**9,700,640**	7,377,229
General reserve fund	42	**3,391,874**	3,247,412
Property revaluation reserve	42	**296,887**	311,311
Total		**13,889,421**	11,435,972

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Risk management policies (*continued*)

f. Classification of financial assets

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

Financial assets 2022	**FVOCI**	**Amortised cost**	**FVTPL**	**Total**
	K'000	**K'000**	**K'000**	**K'000**
Domestic cash in hand	**-**	**4,874**	**-**	**4,874**
Foreign currency cash and bank accounts	**-**	**53,652,629**	**-**	**53,652,629**
Monetary Gold	**1,582,962**	**-**	**-**	**1,582,962**
Items in course of settlement	**-**	**7**	**-**	**7**
Sundry receivables	**-**	**1,213,904**	**-**	**1,213,904**
Loans and advances	**-**	**99,815**	**-**	**99,815**
Government securities at amortised cost	**-**	**21,052,087**	**-**	**21,052,087**
Targeted Medium-Term Refinancing Facility	**-**	**10,660,719**	**-**	**10,660,719**
Equity investments at FVOCI	**838,056**	**-**	**-**	**838,056**
Financial derivative asset	**-**	**-**	**6,800**	**6,800**
IMF funds recoverable from GRZ	**-**	**6,106,973**	**-**	**6,106,973**
IMF Subscriptions	**-**	**22,388,259**	**-**	**22,388,259**
	2,421,018	**115,179,267**	**6,800**	**117,607,085**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5 Net interest income

	2022	2021
	K'000	K'000
Interest income calculated using the effective interest method		
Interest on Government securities	**4,121,667**	4,055,893
Interest on loans and advances	**55,449**	520,642
Interest on Targeted Medium Term Refinancing Facility	**786,592**	507,327
Interest on foreign currency investments and deposits	**603,613**	95,428
	5,567,321	5,179,290
Interest income on financial derivative	**6,800**	206,877
Total interest income	**5,574,121**	5,386,167
Interest expense		
Interest paid on open market operations	**159,468**	266,278
Interest paid on staff savings	**6,325**	8,521
Total interest expense	**165,793**	274,799

6 Fees and commission income

	2022	2021
Fees and commission income	K'000	K'000
Fees and commission income on Government transactions	**203,236**	198,566
Supervision fees	**232,072**	197,068
Penalties	**3,346**	551
Licences and registration fees	**843**	897
Other	**8,661**	7,101
Fees and commission income	**448,158**	404,183
Fees and commission expense		
Fees and commission paid on foreign exchange transactions	**(14,829)**	(7,279)
Net fees and commission income	**433,329**	396,904

7 Other operating gains/(losses)

	2022	2021
	K'000	K'000
Dividend on equity investment at FVOCI	**7,435**	29
Realised foreign exchange gains/(losses)	**4,235**	(1,460,319)
Unrealised foreign exchange gains/(losses)	**1,532,796**	(2,754,212)
Rental income	**1,499**	2,098
Profit on disposal of property, plant and equipment	**1,219**	18
Other income	**9,045**	855,336
	1,556,229	(3,357,050)

The net realised and unrealised gains reported in 2022 were as a result of the depreciation of the Kwacha against major trading currencies. The Kwacha depreciated against the US dollar by 8.46% from K16.67 to K18.08, against the Euro by 1.86% from K18.86 to K19.21 and the SDR by 3.13% from K23.34 to K24.07 between December 2021 and December 2022.

The reduction in other income was on account of provision for legal costs that were written back in 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8 Impairment credit/(charge)

	2022 K'000	2021 K'000
Opening balance	**(275,662)**	(585,251)
Credit for the year	**134,554**	309,589
Closing balance	**(141,108)**	275,662

Impairment per asset category	2022 K'000	2021 K'000
Impairment on loans and advances	**125**	106
Impairment on financial assets at FVOCI	**-**	795
Impairment on targeted medium term refinancing facility	**4,918**	14,357
Impairment on poverty reduction growth facility	**29,034**	51,045
Impairment on Government securities at AC	**107,031**	209,359
Total impairment	**141,108**	275,662

The reduction in the expected credit loss of **K134.6 million** follows the Bank's re-assessment of its financial assets, in line with IFRS 9.

9 Personnel expenses

	2022 K'000	2021 K'000
Wages and salaries	**307,411**	280,102
Other employee costs	**158,763**	128,812
Leave costs	**82,168**	43,470
Staff benefit costs	**43,406**	39,569
Employer's pension contributions	**28,243**	17,774
Employee welfare costs	**15,038**	18,890
Employer's NAPSA contributions	**7,846**	7,259
Employer's NHI contributions	**2,954**	2,706
	645,829	538,582

10 Operating expenses

	2022 K'000	2021 K'000
Administrative expenses	**2,787,493**	**171,953**
Expenses for bank note production	**207,361**	**79,097**
Repairs and maintenance costs	**108,383**	**45,452**
	3,103,237	**296,502**

The increase in operating expenses was mainly on account of legal cost provisions following a High Court judgement in favour of a plaintiff who was awarded a judgement sum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	2022 K'000	2021 K'000
Current account balances with non-resident banks	**11,097,240**	7,079,416
Clearing correspondent accounts with other central banks	**5,907,235**	5,584,531
Foreign currency cash with banking office	**7,215**	4,480
Deposits with non-resident banks	**7,513,255**	8,182,238
Special Drawing Rights (SDR's) *(See Note 12.1 below)*	**29,127,684**	24,902,183
	53,652,629	45,752,848

12.1 Special Drawings Rights

	2022 K'000	2021 K'000
Opening balance	**24,902,183**	3,812,665
Net interest/(charges)	**1,425,061**	(1,085,199)
Extended Credit Facility loan	**2,800,440**	-
SDR Allocation	**-**	22,174,717
Closing balance	**29,127,684**	24,902,183

The foreign currency cash and bank accounts represents the balances held mainly with other central banks and are held at amortised cost. The foreign currency cash and bank accounts are current assets.

The increase in special drawings rights (SDR), was on account of receipt of **SDR139.9 million** (equivalent to **K2,800.4 million**) in respect of the Extended Credit Facility (ECF), refer to note 29.

13 Monetary gold

	2022 K'000	2021 K'000
Opening balance	**687,966**	-
Purchases in the year	**766,838**	826,844
Fair value movement	**15,727**	2,899
Exchange gain/(loss)	**112,431**	(141,777)
Closing balance	**1,582,962**	687,966

Monetary gold consists of **48,300 ounces** of gold at the market price of **US$1,812.35** per ounce (2021: US$41 million, equivalent to 22,900 ounces). Monetary gold is a current asset.

14 Items in course of settlement

	2022 K'000	2021 K'000
Items in course of settlement	**7**	10

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15 Financial assets at Fair value through other comprehensive income (FVOCI)

	2022 K'000	2021 K'000
Opening balance	**88,191**	88,986
Repayment in the year	**(88,986)**	-
Impairment writeback/(allowance) (Note 8)	**795**	(795)
	-	88,191

The financial assets at fair value through other comprehensive income relates to an amount advanced to the Government of the Republic of Zambia, which was fully settled in 2022.

16 Loans and advances

	2022 K'000	2021 K'000
Current	**7,971**	7,959
Staff loans	**1,174**	44,705
Transaction fees	**196**	1,772,738
Credit to banks and non-bank institutions	**2,336**	1,430
Staff advances	**11,677**	1,826,832
Non-current		
Staff loans	**98,803**	84,315
Total staff loans and advances	**110,480**	1,911,147
Mark to market adjustment - staff loans	**(10,540)**	(7,691)
	99,940	1,903,456
Impairment allowance (Note 8)	**(125)**	(106)
	99,815	1,903,350

a. Staff loans benefit **Movement in staff loans benefit**	2022 K'000	2021 K'000
Balance at 1 January	**7,691**	6,487
Current year fair value adjustment of new loans	**(4,963)**	(3,471)
	2,728	3,016
Amortised to statement of profit or loss	**7,812**	4,675
Balance at 31 December	**10,540**	7,691

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

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

	2022 K'000	2021 K'000
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17 Government securities at amortised cost

	2022	2021
	K'000	K'000
Current		
Treasury bills (Staff savings)	**54,620**	55,823
Other GRZ securities	**1,236,669**	3,344,243
	1,291,289	3,400,066
Non-current		
GRZ consolidated securities	**7,814,013**	8,874,910
Other GRZ securities	**12,053,816**	10,538,224
364 Treasury bill	**-**	635,033
	21,159,118	23,448,233
Impairment allowance (Note 8)	**(107,031)**	(209,359)
	21,052,087	23,238,874

GRZ consolidated securities	2022	2021
	K'000	K'000
2 Year 9% Consolidated bond	**-**	122,639
3 Year 10% Consolidated bond	**97,299**	89,793
7 Year Zero-Coupon bond	**3,309,999**	3,134,795
10 Year 6% Consolidated bond	**-**	1,120,968
10 Year 10% Consolidated bond	**4,406,715**	4,406,715
	7,814,013	8,874,910

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

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

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

The first consolidated bond was issued on 27 February 2003 as a 10-year long-term bond with a face value of K1,646.7 million and a coupon interest rate of 6%. This reduced to K1,121.0 million effective on 1 December 2007 after a portion of the consolidated bond was converted to treasury bills. This created a portfolio of marketable securities, for the purpose of enhancing the range of instruments available for implementing monetary policy and to support the Bank's strategic objective of maintaining price stability.

Both the marketable securities and the reduced portion of the 10-year consolidated bond were rolled over on 2 January 2013 for an additional period of 10 years. In accordance with the conversion agreement between the GRZ and Bank of Zambia, the marketable securities may be rolled over upon maturity at yield rates prevailing in the market on the dates of rollover, while the K1,121.0 million would be rolled over for another 10 years at a coupon rate of 6%. The K1,121.0 million consolidated bond matured on 31 December 2022, and subsequently rolled over at a coupon rate of 6% for another 10-year period and will mature in 2032.

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

	2022	2021
	K'000	K'000
Other government securities	**13,290,485**	13,882,467

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17 Government securities at amortised cost *(continued)*

The Bank implemented the GRZ Bond Purchase Programme for the Backstop Repo Facility to enhance secondary market development. The K13,290.5 million represents securities holdings as at 31 December 2022 following the purchase of bonds by the Bank for secondary market operations.

18 Prepayments and other assets

	2022	2021
	K'000	K'000
Current assets	**38,392**	4,454
Prepayments	**6,521**	7,020
Stationery and office consumables	**14,117**	15,177
Sundry receivables	**1,154,874**	-
10 Year 6% Consolidated bond receivable	**1,213,904**	26,651

The increase in prepayments and other assets, was mainly account of a receivable from Government of the Republic of Zambia following the maturity of the 10 Year 6% Consolidated bond on 31st December 2022. The amount of **K1,154.9 million**, consist of **K1,121.0 million** being the principal amount and **K33.9 million** being the coupon amount.

19 Amounts due from closed banks

	2022	2021
	K'000	K'000
Overdrawn current accounts	**89,756**	99,664
Reversal during the year	**-**	(9,908)
Impairment allowance	**89,756**	89,756
	-	-

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

20 Financial derivative asset

	2022	2021
	K'000	K'000
Current asset		
Financial derivative asset	**6,800**	230,071
	6,800	230,071

The financial derivative asset represents the fair value on the eighteen-month currency swaps that the Bank entered into in December 2022. For 2021, the figure represents the fair value on the twelve-month currency swap, that matured in January 2022.

21 Targeted Medium Term Refinancing Facility

	2022	2021
	K'000	K'000
Current - Targeted Medium Term Refinancing Facility	**2,574,374**	634,259
Non-current - Targeted Medium Term Refinancing Facility	**8,091,263**	9,152,746
	10,665,637	9,787,005
Impairment allowance (Note 8)	**(4,918)**	(14,357)
	10,660,719	9,772,648

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21 Targeted Medium Term Refinancing Facility *(continued)*

The **K10,665.6 million** is comprised of **K9,918.3 million** in principal amounts disbursed and **K0.75 million** accrued interest. The interest rate applicable on the TMTRF is the prevailing BOZ Monetary Policy Rate (MPR) at the time of granting the facility, with a 12 months moratorium on both principal and interest. The Facility became effective on 15 April 2020.

22 Equity investments at FVOCI

	2022	2021
	K'000	K'000
Zambia Electronic Clearing House Limited	**3,550**	3,550
Society for Worldwide Interbank Financial Telecommunication	**4,999**	4,908
African Export-Import Bank	**829,507**	653,227
	838,056	661,685

Zambia Electronic Clearing House Limited (ZECHL)

The investment in ZECHL represents the Bank's contribution of **K3.6 million**, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. ZECHL is funded by contributions from member banks. ZECHL is considered an equity investment at FVOCI. As there is no reliable measure of the fair value of this investment, it is carried at cost, which is the fair value. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. In 2022 the Bank made a contribution, towards the operations of ZECHL, of K0.034 million (2021: K0.030 million) which costs are included in administrative expenses. In line with the agreement, no dividend is expected from ZECHL.

Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The Bank of Zambia as a member of SWIFT currently holds 44 shares worth K5.0 million. SWIFT is a worldwide community of financial institutions providing global financial messaging and communication solutions which enables interoperability between its members, their market infrastructures and their end-user communities moving value for payments around the world reliably and securely.

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

African Export-Import Bank (Afreximbank)

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

The Bank's holding in Afreximbank increased from 713 shares in 2021 to 793 shares in 2022. The increase was on account of the acquisition of 80 additional shares at a concessional price of US$18,510.53 per share (26 shares were bought using the 2021 dividend proceeds of US$470,891.00 and the 54 shares were an outright purchase following General Capital Increase offer by Afreximbank). The price per share was **US$54,948.11** based on the Net Asset Value.

Equity investments at FVOCI in foreign currency	2022	2021
	K'000	K'000
Opening balance	**658,134**	735,126
Fair value gain	**93,252**	80,516
Exchange gain/(loss)	**83,120**	(157,507)
Closing balance	**834,506**	658,135

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

IMF funds recoverable represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility.

	2022	2021
	K'000	K'000
Poverty Reduction and Growth Facility (PRGF)	**5,736,588**	5,562,485
Accrued charges - SDR Allocation	**399,419**	154,505
	6,136,007	5,716,990
Impairment allowance (Note 8)	**(29,034)**	(51,045)
	6,106,973	5,665,945

24 IMF Subscriptions

The IMF subscription represents membership quota assigned to the GRZ by the IMF and forms the basis for the GRZ's financial and organisational relationship with the IMF. The financial liability relating to the IMF subscription is reflected under **Note 36**. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability carry the same value. The movement on IMF subscription was on account of currency valuation adjustments between 2022 and 2021. The valuation is conducted annually, every 30 April by the IMF and advised to member countries to effect the necessary adjustments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25 Property, plant and equipment

	Buildings	Furniture fittings computers, plant, machinery and equipment	Motor vehicles, bullion trucks and escort vehicles	Capital work-in progress	Total
Cost or valuation	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
At 1 January 2021	392,860	265,104	59,093	100,242	817,299
Additions	-	7,511	-	50,857	58,368
Transfers	10,762	70,524	-	(81,408)	(122)
Disposals	-	(299)	-	-	(299)
31 December 2021	403,622	342,840	59,093	69,691	875,246
At 1 January 2022	**403,622**	**342,840**	**59,093**	**69,691**	**875,246**
Additions	**-**	**14,936**	**-**	**61,536**	**76,472**
Transfers	**6,055**	**5,412**	**-**	**(11,467)**	**-**
Disposals	**-**	**(1,109)**	**-**	**-**	**(1,109)**
31 December 2022	**409,677**	**362,079**	**59,093**	**119,760**	**950,609**
Accumulated depreciation					
At 1 January 2021	(29,298)	(164,457)	(41,283)	-	(235,038)
Charge for the year	(14,675)	(17,228)	(5,191)	-	(37,094)
Disposals	-	296	-	-	296
At 31 December 2021	(43,973)	(181,389)	(46,474)	-	(271,836)
At 1 January 2022	(43,973)	(181,389)	(46,474)	-	(271,836)
Charge for the year	(15,129)	(20,870)	(4,479)	-	(40,478)
Transfer to reserves	-	-	-	-	-
Disposals	-	1,085	-	-	1,085
At 31 December 2022	(59,102)	(201,174)	(50,953)	-	(311,229)
Carrying amounts					
At 31 December 2022	350,575	160,905	8,140	119,760	639,380
At 31 December 2021	359,649	161,451	12,619	69,691	603,410

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 **K37.1 million** (2021: K31.5 million). The net movement resulted from the capitalisation of refurbishment works on properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25 Property, plant and equipment *(continued)*

	2022 K'000	2021 K'000
Opening balance	**31,511**	20,767
Net movement	**5,560**	10,744
Closing balance	**37,071**	31,511

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

26 Intangible assets

Cost	**Computer software K'000**	**Capital work-in progress K'000**	**Total K'000**
At 1 January 2021	67,768	48,896	116,664
Additions	-	7,582	7,582
Transfers	1,367	(1,921)	(554)
At 31 December 2021	69,135	54,557	123,692
At 1 January 2022	**69,135**	**54,557**	**123,692**
Additions	**456**	**23,840**	**24,296**
Transfers	**15,171**	**(15,171)**	**-**
At 31 December 2022	**84,762**	**63,226**	**147,988**
Accumulated amortisation and impairment			
At 1 January 2021	(59,417)	-	(59,417)
Charge for the year	(4,800)	-	(4,800)
At 31 December 2021	(64,217)	-	(64,217)
At 1 January 2022	**(64,217)**	**-**	**(64,217)**
Charge for the year	**(4,491)**	**-**	**(4,491)**
At 31 December 2022	**(68,708)**	**-**	**(68,708)**
Carrying amounts			
At 31 December 2022	**16,054**	**63,226**	**79,280**
At 31 December 2021	4,918	54,557	59,475

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

27. Non refined gold

	2022 K'000	2021 K'000
Opening balance	**127,984**	59,701
Purchases in the year	**-**	68,283
Closing balance	**127,984**	127,984

The **K128.0 million** represents 3,535 ounces of non-refined gold (2021: K128.0 million representing 3,535 ounces).

28 Capital expenditure commitments

	2022 K'000	2021 K'000
Authorised by the directors and contracted for	**85,596**	90,731

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

29 Deposits from the Government of the Republic of Zambia

	2022 K'000	2021 K'000
Deposits from the Government of the Republic of Zambia (a.)	**17,122,976**	7,849,486
GRZ 2021 SDR Allocation (b.)	**3,303,613**	-
Extended Credit Facility – Budget support (c.)	**22,622**	-
	20,449,211	7,849,486

a. The deposits from the Government of the Republic of Zambia are non-interest bearing and are payable on demand.

b. The GRZ 2021 SDR Allocation amount represents the balance of the 2021 SDR Allocation from the IMF. In August 2021, the IMF allocated **SDR 937.56 million** to Zambia to help foster economic recovery following the Covid-19 pandemic (**refer to note 40**).

c. The amount represents the balance on the 50% Extended Credit Facility (ECF) towards Government budget support amount of **K1,683.2 million**.

The International Monetary Fund (IMF) considered an ECF Arrangement to the Government of the Republic of Zambia (GRZ), for a period of thirty-eight (38) months from 2022 to 2025. The ECF amount is the equivalent of Nine Hundred and Seventy-Eight Million, Two Hundred thousand Special Drawing Rights (**SDR978.2 million**), being one hundred (100) percent of Zambia's IMF quota. Fifty (50) percent of the ECF Programme Funds are for direct budget financing to the Government while the other fifty (50) percent is for the augmentation of the country's Foreign International Reserve position. Financing under the ECF carries a zero interest rate (with a grace period of 5½ years, and a final maturity of 10 years).

In September 2022, Zambia received the first tranche of ECF funds amounting to **SDR139.9 million** (equivalent to **K3,366.4 million**), 50% towards budget support and the other 50% for Foreign International Reserve augmentation. The Bank of Zambia and the Government through the Ministry of Finance and National Planning (MoFNP) implemented the MoU on the management of the Extended Credit Facility loan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

30 Deposits from financial institutions

	2022 K'000	2021 K'000
	4,839,190	3,074,751
Commercial bank current accounts	**14,114,882**	12,338,359
Minimum statutory reserve	**1,672**	1,547
Term deposits from financial institutions	**3,026**	3,026
Deposits of other international financial institutions	**3,200,065**	2,053,076
Deposits of other central banks	**22,158,835**	17,470,759

AAll deposits, except for term deposits, are non-interest bearing and are payable on demand. Term deposits from financial institutions are held at amortised cost and arise from Open Market Operations (OMO). These are short-term instruments with maximum maturity of up to 364 days and are used as a means of implementing monetary policy. The instruments bear interest at rates fixed in advance for periods up to maturity.

Minimum statutory reserve relates to commercial bank's holdings with the Bank.

31 Foreign currency liabilities to other institutions

	2022 K'000	2021 K'000
Donor funds	**38,446**	56,483

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

32 Other deposits

	2022 K'000	2021 K'000
Staff savings, deposits and clearing accounts	**159,764**	153,433

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

33 Notes and coins in circulation

	2022 K'000	2021 K'000
Bank notes issued by denomination		
K100	**9,851,004**	8,679,546
K50	**3,541,434**	3,447,835
K20	**613,347**	719,359
K10	**206,088**	213,882
K5	**148,615**	122,233
K2	**51,405**	64,187
Bank notes issued	**14,411,893**	13,247,042
Coins issued	**232,661**	205,938
Unrebased notes	**100,422**	100,422
Notes and coins due to commercial banks	**-**	1,936
	14,744,976	13,555,338

34 Other liabilities

	2022 K'000	2021 K'000
Accrued expenses payable	**139,265**	83,753
OMO liability	**8,232,569**	4,730,256
Accounts payable	**89,733**	59,810
	8,461,567	4,873,819
Defined benefit deficit	**343,648**	419,248
	8,805,215	5,293,067

35 Provisions

	2022 K'000	2021 K'000
Balance at 1 January	**180,222**	973,677
Provisions made during the year	**2,510,423**	4,854
Increase/(decrease) in provision	**-**	(798,309)
Balance at 31 December	**2,690,645**	180,222

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

The increase in the provision made in the year was, mainly, as a result of legal costs arising from a High Court judgement in favour of a plaintiff who was awarded a judgement sum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

36 Domestic currency liabilities to IMF

	2022 K'000	2021 K'000
International Monetary Fund:		
Securities account	**22,328,361**	31,257,201
No. 1 account	**59,449**	83,221
No. 2 account	**449**	629
	22,388,259	31,341,051

The above liability arises from IMF Quota subscriptions (Note 24) and has no repayment terms and bears no interest. The decrease in value is on account of currency valuation adjustments between 2022 and 2021, as advised by the IMF.

37 Foreign currency liabilities to IMF

	2022 K'000	2021 K'000
Due to the International Monetary Fund:		
Charges on SDR allocation (a)	**155,410**	2,743
Poverty Reduction and Growth Facility (PRGF) (b)	**-**	120
	155,410	2,863

a. The charges on the SDR allocation are levied by the IMF and repaid quarterly.

b. The Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility (ESAF) loan was obtained in 2002 and was paid off in 2021.

38 Extended Credit Facility

	2022 K'000	2021 K'000
Extended Credit Facility (ECF) – Foreign International Reserve	**1,683,190**	-

The amount represents the 50% of the ECF towards Foreign International Reserve augmentation. In September 2022, Zambia received the first tranche of ECF funds amounting to **SDR139.9 million** (equivalent to **K3,366.4 million**), 50% towards budget support and the other 50% for Foreign International Reserve augmentation (**refer to note 29**).

The Bank of Zambia and the Government through the Ministry of Finance and National Planning (MoFNP) implemented the MoU on the management of the Extended Credit Facility.

The amount represents the 50% of the ECF towards Foreign International Reserve augmentation. In September 2022, Zambia received the first tranche of ECF funds amounting to **SDR139.9 million** (equivalent to **K3,366.4 million**), 50% towards budget support and the other 50% for Foreign International Reserve augmentation (**refer to note 29**).

The Bank of Zambia and the Government through the Ministry of Finance and National Planning (MoFNP) implemented the MoU on the management of the Extended Credit Facility.

39 Employee benefits

39.1 Defined Benefit Plan

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39 Employee benefits *(continued)*

39.1 Defined Benefit Plan *(continued)*

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

Valuation for funding purposes

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

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

Accounting Treatment for the defined benefit liability

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

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

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

39.2 Accounting valuation

The 2022 accounting valuation as per IAS 19 revealed an actuarial surplus of K32.8 million (2021: K185.3 million actuarial deficit) due to the actuarial assumptions made (discount rate, salary adjustments, demographic assumptions) based on market expectations at the end of the reporting period.

Contributions made to the fund is as detailed:	**2022**	2021
	K'000	K'000
Employer contribution	**13,565**	14,522
Employee contribution	**4,304**	4,607
	17,869	19,129

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

a. Changes in bond yields

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39 Employee benefits *(continued)*

b. Changes in salaries

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

c. Cost of benefit provision

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

Plan assets for the fund comprised of:	2022	2021
	K'000	K'000
Investment properties and equity	223,362	212,633
Government securities	216,926	179,477
Fixed assets and corporate bonds	16,492	23,814
Other assets	51,000	26,804
Net current assets/liabilities	831	14,106
Total plan assets	508,611	456,834

Summary of significant actuarial assumptions:

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

	2022	2021
	K'000	K'000
Discount rate (p.a)	27.75%	22.25%
Salary increase (p.a)	12.00%	12.00%
Return on plan asset	27.75%	22.25%
Future pension increase	10.00%	10.00%
General Inflation	9.9%	8.00%

The demographic assumptions used in the valuation are as follows:

	2022	2021
	K'000	K'000
Pre-retirement mortality (males)	A24/29	A24/29
Pre-retirement mortality (females)	A24/29	A24/29
Post-retirement mortality (males)	a (55)	a (55)

With no further mortality improvements.

	2022	2021
	K'000	K'000
Post-retirement mortality (females)	a(55)	a(55)
Expected retirement age (males)	60 years	60 years
Expected retirement age (females)	60 years	60 years
Percentage married at retirement	100%	100%

With no further mortality improvements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39 Employee benefits *(continued)*

Sensitivity of defined benefit obligation to actuarial assumptions

The assumed retirement age is 60 years. The weighted average duration of the defined benefit obligation was 6.6 years.

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

Assumption	Change	**2022** **K'000**	2021 K'000
Discount rate	+1%	**(27,445)**	(42,918)
	-1%	**30,589**	49,125
Salary increase	+1%	**8,152**	12,485
	-1%	**(7,750)**	(11,781)
Pension increase	+1%	**26,085**	39,649
	-1%	**(23,857)**	(35,566)

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

No net defined benefit liability has been recognised in 2022, this is because there was no increase in the net defined benefit liability.

Amounts recognised in the Statement of Financial Position

The net defined benefit liability based on the minimum funding requirement in line with IFRIC 14 was **K343.6 million** (2021: K419.2 million), as analysed in the table below:

Amounts recognised in Statement of Financial Position	**2022** **K'000**	2021 K'000
Net defined benefit liability		
Additional annual contribution	**419,248**	494,848
Net defined benefit liability	**(75,600)**	(75,600)
	343,648	419,248

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

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

	K'000
Current additional monthly contributions	**75,600**
Expected future additional contributions to the fund	**343,648**

39.3 Defined contribution scheme

The Bank also contributes to the defined contribution pension scheme. The defined contribution pension scheme was established in 2020, following Board approval to convert eligible employees from Fixed Term Contracts to Permanent and Pensionable. The conversion of the eligible staff to the defined contribution pension scheme commenced in 2021 and the Bank's contribution to this scheme is 15.76%. The amount recognised in the income statement is **K14.6 million** (2021: K3.4 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

40 Special Drawing Rights allocation

This represents Special Drawing Rights allocated by the IMF amounting to **SDR469.1 million** (2021: SDR1,406.7 million).

The purpose of the allocation is to improve an IMF member country's foreign exchange reserve assets. The amount is not repayable to IMF except in the event that (a) the allocation is withdrawn or cancelled; (b) the member country leaves the IMF; or (c) the SDR department of the IMF is liquidated. The translation rate for end of year was **K24.07** per SDR (2021: K23.34).

In July 2021, the IMF approved the allocation of SDR to its member countries. Zambia received an SDR general allocation of **SDR937.6 million** equivalent to **K22,174.7 million**, which was included as part of the SDR Allocation.

However, following the implementation of the MoU in 2022, between the Bank of Zambia and the Government through the Ministry of Finance and National Planning (MoFNP) on the management of the 2021 SDR general allocation, the Bank transferred the 2021 SDR allocation to the Government.

SDR Allocation	**2022**	2021
	K'000	K'000
Opening balance	**32,826,428**	14,301,539
Exchange gain/(loss)	**638,646**	(3,649,828)
GRZ 2021 SDR General Allocation	**(22,174,717)**	22,174,717
Closing balance	**11,290,357**	32,826,428

41 Capital

	2022	2021
	K'000	K'000
Authorised capital	**500,020**	500,020
Issued and fully paid-up capital	**500,020**	500,020

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

42 Reserves

General reserve fund

The general reserve fund represents appropriations of profit in terms of Section 8 of the Bank of Zambia Act No. 43 of 1996.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

42 Reserves (*continued*)

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

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

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

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

Property revaluation reserve

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

Retained earnings

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

Appropriation of profits

In accordance with Sections 7 and 8 of the Bank of Zambia Act 43 of 1996 Management has proposed appropriation of profits resulting in a transfer of **K366.1 million** (2021: K144.5 million) to the general reserve fund and declaration of a dividend of **K3,294.3 million** (2021: K1,300.2 million) to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2022 financial year.

43 Related party transactions

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

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

The main services provided during the year to 31 December 2022 were:

- Provision of banking services including holding the principal accounts of GRZ;
- Provision and issuance of notes and coins;
- Holding and maintaining the register of Government securities;
- Formulation and implementation of monetary policy; and
- Supervision of financial institutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

43 Related party transactions *(continued)*

Transactions and balances with the GRZ

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

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

	2022	2021
	K'000	K'000
Interest on GRZ securities at amortised cost	**4,121,667**	4,055,893
Fees and commission income on GRZ transactions	**203,236**	198,566
Gains/(losses) on foreign exchange transactions with GRZ	**292,523**	(285,905)
	4,617,426	3,968,554

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

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

	2022	2021
	K'000	K'000
GRZ - year end balances		
Deposits from GRZ Institutions	**(22,132,401)**	(7,849,486)
Holdings of GRZ securities	**21,052,087**	23,448,233
Transaction fees receivable	**1,174**	44,705
10 Year 6% Consolidated bond receivable	**1,154,874**	-

The GRZ securities holdings comprise of various balances outstanding from GRZ (see note 17) secured by predetermined payments based on securities issued by the Government of the Republic of Zambia. Deposits from GRZ Institutions are unremunerated and attract no interest expense.

Transactions and balances with Directors and key management personnel

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

a. Short-term benefits	2022	2021
	K'000	K'000
Directors' fees	**3,392**	1,766
Remuneration for key management personnel		
Salaries and allowances	**59,135**	53,864
Pension contributions	**2,418**	2,688
	61,553	56,552
Loans and advances to key management personnel		
Balance as at 31 December	**5,599**	8,076

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

43 Related party transactions *(continued)*

b. Post-employment pension benefits	**2022**	2021
	K'000	K'000
Balance as at 31 December	**10,364**	28,836

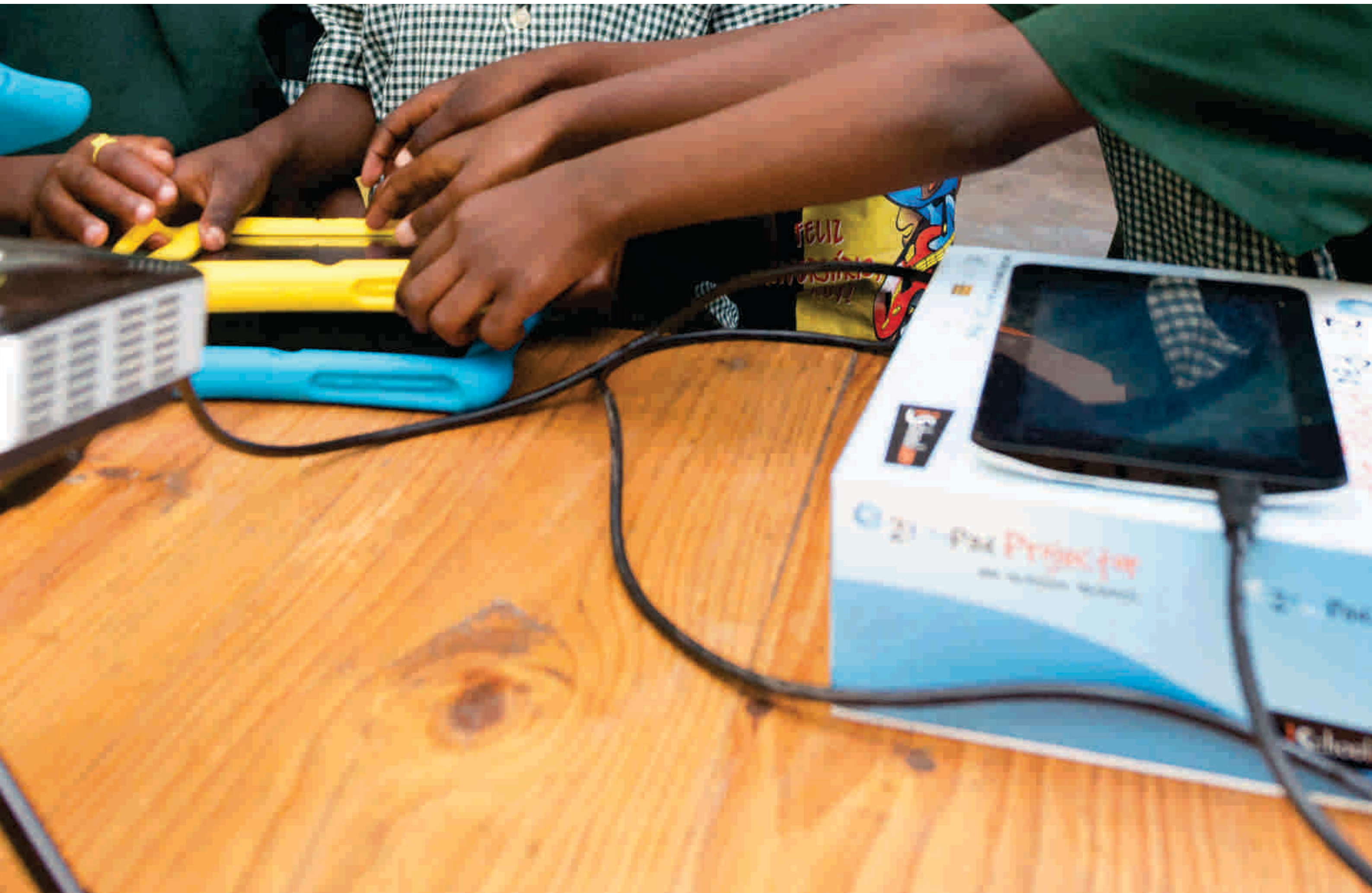
44 Trading losses

	2022	2021
	K'000	K'000
Gains on forex transactions with commercial banks	**436,708**	146,827
Losses on forex transactions with Government	**(292,522)**	(285,906)
Losses on other forex transactions	**(222,240)**	(138)
Net trading losses	**(78,054)**	(139,217)

45 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.

13.0 2021 ANNUAL STATISTICAL ANNEXURES



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Depository Corporations Survey (K'Millions), Dec. 2021 - Dec. 2022 **Table 1**

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Net Foreign Assets	37,632.6	48,256.9	44,331.8	45,899.5	46,622.0	46,101.4	47,467.1	50,316.2	45,946.1	46,709.5	46,264.7	46,811.2	50,561.5
Claims on Nonresidents	81,239.0	92,198.9	91,690.1	94,528.7	90,793.8	91,191.9	90,867.0	93,135.0	87,036.8	85,411.2	85,182.9	91,578.6	99,211.4
Liabilities to Nonresidents	-43,606.4	-43,942.0	-47,358.4	-48,629.3	-44,171.8	-45,090.5	-43,400.0	-42,818.8	-41,090.7	-38,701.7	-38,918.2	-44,767.3	-48,649.9
Domestic Claims	103,413.8	101,528.8	100,929.3	102,763.0	103,161.8	104,759.5	102,945.9	103,256.7	109,071.0	94,311.7	95,387.2	96,602.9	99,281.8
Net Claims on Central Government	64,641.1	62,243.8	60,451.1	60,981.3	61,124.8	61,145.6	58,232.6	58,806.5	62,818.1	48,260.8	47,523.9	46,351.3	46,797.6
Claims on Central Government	88,497.0	92,776.9	95,215.3	97,740.8	96,022.2	99,039.0	99,081.4	98,004.5	98,745.2	94,638.2	96,359.0	99,046.1	95,286.5
Liabilities to Central Government	-23,855.9	-30,533.1	-34,764.2	-36,759.6	-34,897.4	-37,893.4	-40,848.8	-39,198.0	-35,927.1	-46,377.5	-48,835.1	-52,694.8	-48,488.9
Claims on Other Sectors	38,772.7	39,285.0	40,478.1	41,781.8	42,037.1	43,613.9	44,713.3	44,450.2	46,253.0	46,051.0	47,863.3	50,251.6	52,484.2
Claims on Other Financial Corporations	189.4	157.0	182.2	147.2	136.6	131.2	129.2	179.9	228.3	359.6	334.2	436.0	521.4
Claims on State and Local Government	40.5	40.6	34.8	38.8	35.0	36.3	30.9	53.6	53.7	47.9	44.0	41.3	41.5
Claims on Public Nonfinancial Corporations	870.5	875.0	860.7	862.0	838.4	835.8	837.0	899.1	1,024.5	1,125.9	1,229.1	1,245.5	1,358.2
Claims on Private Sector	37,672.3	38,212.4	39,400.4	40,733.7	41,027.1	42,610.6	43,716.1	43,317.4	44,946.6	44,517.6	46,256.0	48,528.7	50,563.2
Broad Money Liabilities	107,625.8	110,514.5	108,313.9	110,908.0	113,185.4	115,910.5	115,915.2	119,425.2	120,506.1	122,102.4	121,183.8	124,581.2	133,998.3
Currency Outside Depository Corporations	9,231.0	11,933.7	10,460.6	10,431.3	10,773.2	11,496.6	12,399.1	12,393.7	12,489.9	12,479.1	12,330.1	11,837.6	12,265.5
Transferable Deposits	64,150.5	65,680.6	64,707.5	66,255.4	68,298.6	67,046.7	66,752.2	68,016.4	67,206.8	69,795.0	69,139.0	73,470.5	78,515.7
Other Deposits	34,244.4	32,900.3	33,145.9	34,221.3	34,113.5	37,367.2	36,763.8	39,015.1	40,809.4	39,828.3	39,714.7	39,273.1	43,217.1
Securities Other than Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits Excluded From Broad Money	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Securities Other than Shares Excluded from Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3,018.6	3,263.9	3,185.8	3,182.5	2,997.7	2,761.9	2,626.0	2,551.8	2,455.5	2,329.9	2,480.8	2,306.6	2,371.7
Financial Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Technical Reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and Other Equity	31,280.9	32,938.5	33,656.4	34,845.0	33,774.2	33,433.1	33,969.5	34,196.0	34,203.3	32,371.6	33,972.3	36,150.5	38,871.5
Other Items (Net)	-915.0	3,032.6	68.7	-309.2	-209.6	-1,280.8	-2,133.9	-2,636.3	-2,183.9	-15,818.8	-16,021.1	-19,660.4	-25,434.3

Central Bank Survey (K'Millions), Dec. 2021 - Dec. 2022 — Table 2

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Net Foreign Assets	12,135.8	16,345.2	13,026.0	14,620.0	14,041.2	13,982.0	16,928.3	16,870.1	16,647.5	14,739.7	13,137.0	14,301.3	15,472.5
Claims on Nonresidents	47,073.7	51,119.4	51,141.4	53,077.2	49,381.5	50,022.9	51,739.6	50,445.4	48,963.1	49,071.7	48,038.6	52,245.0	55,944.7
Liabilities to Nonresidents	-34,937.8	-34,774.1	-38,115.3	-38,457.2	-35,340.3	-36,041.0	-34,811.3	-33,575.3	-32,315.6	-34,332.0	-34,901.6	-37,943.7	-40,472.2
Claims on Other Depository Corporations	11,645.1	10,549.3	10,101.6	10,443.8	10,607.4	10,742.0	10,765.0	11,322.0	10,815.8	10,927.8	10,805.7	10,751.2	10,759.1
Net Claims on Central Government	21,630.7	19,337.2	19,087.8	17,054.1	18,069.7	16,451.8	13,313.2	12,648.2	16,313.2	-664.9	827.6	1,344.4	5,667.1
Claims on Central Government	29,480.2	31,617.4	33,367.7	33,928.8	33,653.2	35,341.4	34,981.6	34,998.9	35,326.3	29,280.9	29,615.4	31,105.1	27,338.0
Liabilities to Central Government	-7,849.5	-12,280.2	-14,279.9	-16,874.7	-15,583.5	-18,889.6	-21,668.3	-22,350.7	-19,013.1	-29,945.8	-28,787.8	-29,760.8	-21,670.9
Claims on Other Sectors	94.8	96.7	99.4	99.5	100.8	102.8	104.3	105.1	108.6	109.9	112.0	108.8	109.6
Claims on Other Financial Corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on State and Local Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on Public Nonfinancial Corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on Private Sector	94.8	96.7	99.4	99.5	100.8	102.8	104.3	105.1	108.6	109.9	112.0	108.8	109.6
Monetary Base	33,637.1	31,685.7	28,463.5	27,846.0	29,404.4	28,541.6	28,555.7	28,641.5	32,071.7	32,205.3	31,574.5	33,207.9	40,795.2
Currency in Circulation	13,550.4	13,967.5	12,307.3	12,504.1	12,815.5	13,609.6	14,675.0	14,297.1	14,771.7	14,646.6	14,709.6	14,271.5	14,740.1
Liabilities to Other Depository Corporations	19,997.2	17,628.7	16,064.9	15,250.4	16,511.6	14,848.6	13,804.8	14,269.6	17,198.3	17,488.3	16,790.7	18,862.8	25,960.4
	89.5	89.5	91.2	91.6	77.2	83.4	75.9	74.9	101.6	70.3	74.2	73.7	94.7
Liabilities to Other Sectors													
Other Liabilities to Other Depository Corporations	162.3	174.4	0.0	0.0	0.0	0.0	0.0	18.0	23.6	23.6	21.2	21.4	6.2
Deposits and Securities Other than Shares Excluded From Monetary Base	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits Excluded in Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0
Deposits Excluded From Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities Other than Shares Excluded from Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and Other Equity	11,453.1	12,401.7	13,003.3	14,070.9	13,088.3	12,395.5	12,233.5	11,909.3	11,499.8	9,278.5	10,177.6	11,827.9	13,889.4
Other Items (Net)	254.0	2,066.7	848.0	300.5	326.3	341.6	321.7	376.5	290.2	-16,394.9	-16,891.0	-18,551.5	-22,682.4

Other Depository Corporations Survey (K'Millions), Dec. 2021 - Dec. 2022 **Table 3**

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Net Foreign Assets	25,496.8	31,911.6	31,305.7	31,279.4	32,580.9	32,119.4	30,538.8	33,446.1	29,298.5	29,158.2	30,264.7	32,509.9	35,089.0
Claims on Nonresidents	34,165.3	41,079.5	40,548.8	41,451.6	41,412.3	41,168.9	39,127.4	42,689.6	38,073.7	36,339.6	37,144.3	39,333.5	43,266.7
Liabilities To Nonresidents	-8,668.5	-9,167.9	-9,243.0	-10,172.1	-8,831.5	-9,049.5	-8,588.7	-9,243.5	-8,775.2	-7,181.4	-6,879.6	-6,823.6	-8,177.7
Claims on Central Bank	25,059.1	20,821.7	19,442.0	18,931.8	19,995.0	18,574.9	17,481.8	17,664.3	21,306.2	21,314.5	20,172.7	20,882.8	30,970.8
Currency	4,319.4	2,033.8	1,846.7	2,072.8	2,042.3	2,113.0	2,275.9	1,903.3	2,281.9	2,167.5	2,379.5	2,433.9	2,474.6
Reserve Deposits and Securities Other than Shares	20,739.7	18,788.0	17,595.3	16,859.1	17,952.7	16,461.9	15,205.9	15,761.0	19,024.3	19,147.0	17,793.2	18,448.9	28,496.3
Other Claims on Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Claims On Central Government	43,010.4	42,906.6	41,363.4	43,927.1	43,055.1	44,693.8	44,919.4	46,158.3	46,504.8	48,925.7	46,696.2	45,006.9	41,130.5
Claims on Central Government	59,016.7	61,159.5	61,847.7	63,812.0	62,369.0	63,697.6	64,099.8	63,005.6	63,418.8	65,357.3	66,743.6	67,941.0	67,948.5
Liabilities to Central Government	-16,006.3	-18,252.9	-20,484.3	-19,884.9	-19,313.9	-19,003.8	-19,180.5	-16,847.3	-16,914.0	-16,431.6	-20,047.3	-22,934.1	-26,818.0
Claims on Other Sectors	38,677.9	39,188.3	40,378.7	41,682.3	41,936.2	43,511.1	44,608.9	44,345.1	46,144.4	45,941.1	47,751.3	50,142.8	52,374.6
Claims on Other Financial Corporations	189.4	157.0	182.2	147.2	136.6	131.2	129.2	179.9	228.3	359.6	334.2	436.0	521.4
Claims on State and Local Government	40.5	40.6	34.8	38.8	35.0	36.3	30.9	53.6	53.7	47.9	44.0	41.3	41.5
Claims on Public Nonfinancial Corporations	870.5	875.0	860.7	862.0	838.4	835.8	837.0	899.1	1,024.5	1,125.9	1,229.1	1,245.5	1,358.2
Claims on Private Sector	37,577.5	38,115.7	39,301.0	40,634.2	40,926.3	42,507.8	43,611.8	43,212.3	44,838.0	44,407.8	46,144.0	48,420.0	50,453.6
Liabilities to Central Bank	10,660.6	9,609.2	9,092.4	9,536.0	9,313.2	9,335.7	9,408.3	9,845.7	9,550.3	10,150.0	9,500.1	9,501.6	11,073.7
Transferable Deposits Included in Broad Money	64,061.0	65,591.1	64,616.3	66,163.8	68,221.4	66,963.3	66,676.4	67,941.5	67,105.2	69,724.7	69,064.8	73,396.9	78,421.0
Other Deposits Included in Broad Money	34,244.4	32,900.3	33,145.9	34,221.3	34,113.5	37,367.2	36,763.8	39,015.1	40,809.4	39,828.3	39,714.7	39,273.1	43,217.1
Securities Other than Shares Included in Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits Excluded From Broad Money	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Securities Other than Shares Excluded from Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3,018.6	3,263.9	3,185.8	3,182.5	2,997.7	2,761.9	2,626.0	2,551.8	2,455.5	2,329.9	2,480.8	2,306.6	2,371.7
Financial Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Technical Reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and Other Equity	19,827.8	20,536.7	20,653.1	20,774.1	20,685.9	21,037.7	21,736.0	22,286.6	22,703.5	23,093.1	23,794.7	24,322.6	24,982.1
Other Items (Net)	395.8	2,890.9	1,760.2	1,906.8	2,199.3	1,397.3	302.2	-63.2	593.8	177.4	293.8	-294.6	-536.7

Banking System Claims on Government (K' Millions), Dec. 2012 - Dec. 2022 **Table 4**

End of period		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
2014	December	710.8	1,714.9	-4,739.6	1,397.5	-916.3	6,572.9	2,362.4	661.3	-1,573.7	8,023.0	7,106.6
2015	December	1,277.3	1,650.2	-2,607.8	1,997.5	2,317.2	6,184.4	1,568.4	457.6	-1,539.6	6,670.9	8,988.1
2016	December	647.5	1,444.3	-1,454.8	5,321.0	5,958.0	5,471.4	2,249.5	819.3	-1,762.9	6,777.2	12,735.2
2017	December	625.8	1,314.3	-2,733.2	5,321.0	4,527.9	12,035.1	4,348.9	844.4	-1,631.3	15,597.1	20,125.0
2018	December	642.9	3,960.5	-1,302.5	4,406.7	7,707.6	12,117.4	6,202.4	1,576.1	-1,396.0	18,500.0	26,207.6
2019	December	1,401.6	10,281.6	-2,468.1	0.0	9,215.1	11,028.5	8,274.8	2,507.7	-1,713.6	20,097.5	54,098.7
2020	December	2,909.4	21,318.9	-1,580.8	0.0	22,647.6	18,187.2	11,965.0	7,240.4	-2,966.6	34,426.0	57,073.5
2021	January	5,506.2	21,745.5	-5,777.2	0.0	21,474.5	16,572.7	11,330.1	7,957.6	-2,492.1	33,368.4	54,842.8
	February	5,486.6	22,861.4	-4,397.5	0.0	23,950.5	16,631.6	12,370.0	8,405.6	-2,313.2	35,093.9	59,044.3
	March	5,100.0	24,396.2	-11,307.5	0.0	18,188.6	17,311.7	10,426.1	9,966.6	-2,154.0	35,550.3	53,738.9
	April	5,154.8	24,717.0	-9,131.5	0.0	20,740.2	17,891.0	13,982.6	9,966.6	-2,881.6	38,958.5	59,698.8
	May	4,267.4	24,485.5	-14,837.2	0.0	13,915.7	18,605.5	11,873.1	11,464.0	-3,013.9	38,928.7	52,844.4
	June	5,113.2	24,233.9	-13,297.8	0.0	16,049.3	17,227.0	14,021.5	11,464.0	-2,856.4	39,856.2	55,905.4
	July	5,126.0	24,347.2	-12,387.0	0.0	17,086.2	16,278.1	15,053.0	11,752.4	-3,027.7	40,055.8	57,142.0
	August	4,661.4	24,323.4	-8,875.7	0.0	20,109.1	16,806.1	17,108.7	11,715.9	-2,955.5	42,675.2	62,784.3
	September	3,370.2	23,985.5	-9,560.6	0.0	17,795.1	15,782.1	16,276.2	11,781.4	-2,986.8	40,852.9	58,648.0
	October	3,519.8	24,024.4	-9,739.0	0.0	17,805.2	16,775.6	16,024.3	11,924.4	-3,476.4	41,247.9	59,053.1
	November	2,621.5	23,782.9	-6,873.3	0.0	19,531.0	18,672.7	16,148.5	12,176.1	-3,476.4	43,520.8	63,051.8
	December	1,932.5	24,176.3	-6,167.3	0.0	19,941.5	18,143.3	16,611.1	11,607.8	-4,103.1	42,259.1	62,200.6
2022	January	1,149.1	23,765.1	-9,595.1	0.0	15,319.1	19,313.2	17,243.6	11,065.4	-3,703.0	43,919.3	59,238.4
	February	842.9	23,660.4	-13,676.6	0.0	10,826.8	21,043.8	16,875.4	11,076.8	-3,868.6	45,127.4	55,954.2
	March	905.9	23,659.9	-10,135.4	0.0	14,430.4	21,319.9	16,728.7	10,640.0	-4,088.3	44,600.3	59,030.7
	April	672.1	23,316.2	-11,079.8	0.0	12,908.5	22,607.5	16,716.2	9,370.2	-3,957.8	44,736.1	57,644.5
	May	672.4	23,252.4	-10,552.8	0.0	13,372.1	22,225.1	17,922.9	8,343.5	-4,325.5	44,166.0	57,538.1
	June	664.1	22,860.5	-14,200.3	0.0	9,324.3	22,217.7	18,076.6	7,867.3	-4,375.0	43,786.6	53,110.9
	July	1,230.0	22,989.5	-15,992.5	0.0	8,227.1	20,197.1	18,341.2	7,665.0	-4,378.1	41,825.1	50,052.2
	August	842.0	22,887.7	-11,407.2	0.0	12,322.6	19,922.8	19,121.9	7,128.9	-4,486.2	41,687.4	54,010.0
	September	663.6	22,800.7	-11,719.0	0.0	11,745.3	21,589.3	19,041.9	7,383.5	-3,379.5	44,635.3	56,380.6
	October	967.6	22,664.1	-11,211.3	0.0	12,420.5	22,019.9	19,664.0	7,443.6	-5,312.5	43,815.0	56,235.4
	November	218.9	22,664.1	-8,527.5	0.0	14,355.5	23,321.1	20,590.4	7,136.1	-5,404.9	45,642.8	59,998.3
	December	100.1	22,564.1	-7,113.2	0.0	15,551.1	22,390.1	21,506.0	7,136.1	-6,708.2	44,324.0	59,875.1

Currency in Circulation (K' Million), Dec. 2012 - Dec. 2022 **Table 5**

		Issued			At banks			Outside banks		
End of period		Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
2014	December	5,727.7	5,620.4	107.3	1,507.7	1,503.6	4.2	4,220.0	4,116.9	103.1
2015	December	6,449.8	6,318.0	131.8	1,698.6	1,692.9	5.6	4,751.2	4,625.1	126.1
2016	December	6,451.5	6,292.4	159.1	1,714.2	1,705.7	8.5	4,737.3	4,586.7	150.6
2017	December	7,315.3	7,134.6	180.8	1,715.6	1,702.2	13.4	5,599.8	5,432.4	167.3
2018	December	8,194.5	7,987.0	207.5	1,757.0	1,740.4	16.6	6,437.6	6,246.6	191.0
2019	December	8,526.6	8,342.4	184.2	1,779.0	1,767.5	11.5	6,747.6	6,574.9	172.7
2020	December	12,291.5	12,096.2	195.2	2,481.8	2,469.1	12.8	9,809.6	9,627.2	182.5
2021	January	11,786.0	11,590.1	195.9	2,253.3	2,240.8	12.5	9,532.7	9,349.4	183.4
	February	11,662.4	11,465.8	196.6	2,202.5	2,190.3	12.2	9,459.8	9,275.5	184.4
	March	11,825.8	11,629.1	196.7	1,923.3	1,911.2	12.0	9,902.5	9,717.8	184.7
	April	11,781.7	11,584.4	197.3	1,760.5	1,749.6	10.9	10,021.2	9,834.8	186.4
	May	14,015.4	13,817.1	198.3	1,717.7	1,707.9	9.8	12,297.7	12,109.2	188.5
	June	14,363.7	14,164.5	199.1	1,648.2	1,638.9	9.3	12,715.5	12,525.6	189.8
	July	15,026.2	14,826.4	199.7	1,648.3	1,641.6	6.7	13,377.8	13,184.8	193.0
	August	15,602.9	15,401.7	201.2	1,395.7	1,390.6	5.2	14,207.2	14,011.1	196.0
	September	14,752.5	14,550.2	202.3	2,081.5	2,076.3	5.2	12,671.0	12,473.9	197.1
	October	14,102.8	13,899.4	203.5	1,904.8	1,899.4	5.3	12,198.1	11,999.9	198.1
	November	13,297.8	13,093.4	204.4	1,800.0	1,794.0	6.0	11,497.8	11,299.4	198.4
	December	13,454.9	13,249.1	205.8	4,253.8	4,251.6	2.2	9,201.1	8,997.5	203.6
2022	January	13,871.6	13,664.4	207.3	1,948.8	1,946.0	2.8	11,922.9	11,718.4	204.5
	February	12,211.8	12,003.8	208.0	1,761.6	1,758.2	3.4	10,450.2	10,245.6	204.6
	March	12,410.7	12,201.5	209.2	1,995.2	1,988.9	6.3	10,415.5	10,212.6	202.9
	April	12,721.4	12,511.4	210.0	1,961.9	1,958.7	3.2	10,759.5	10,552.7	206.8
	May	13,512.3	13,301.1	211.2	2,025.5	2,023.2	2.3	11,486.7	11,277.9	208.9
	June	14,579.0	14,365.3	213.7	2,171.7	2,169.8	1.8	12,407.3	12,195.5	211.8
	July	14,201.9	13,985.0	217.0	1,813.6	1,811.4	2.2	12,388.4	12,173.6	214.8
	August	14,675.7	14,455.0	220.7	2,167.0	2,165.0	2.0	12,508.7	12,290.0	218.7
	September	14,550.5	14,327.0	223.5	2,077.2	2,075.0	2.3	12,473.3	12,252.1	221.2
	October	14,613.8	14,386.8	227.0	2,267.5	2,265.2	2.4	12,346.2	12,121.6	224.6
	November	14,176.0	13,946.4	229.7	2,318.7	2,315.1	3.6	11,857.3	11,631.3	226.1
	December	14,644.6	14,412.2	232.4	2,393.7	2,389.7	4.0	12,250.8	12,022.4	228.4

Commercial Banks' Deposits by Institution-Domestic Currency (K' Million), Jan. 2016 - Dec. 2022 **Table 6A**

End of period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other institutions	Non-resident	Total
2016	December	2,220.5	2,737.9	599.0	7,767.8	8,135.8	4,168.7	223.4	25,853.1
2017	December	2,250.4	1,352.6	1,102.4	9,952.9	9,591.0	5,658.6	365.3	30,273.3
2018	December	1,871.5	2,766.0	834.2	11,540.5	10,328.0	5,474.9	81.8	32,897.0
2019	December	2,577.4	3,359.0	809.4	12,684.7	10,145.4	6,789.9	72.9	36,438.8
2020	December	5,084.9	4,027.6	950.7	17,679.4	13,831.6	9,003.3	83.4	50,660.9
2021	January	4,471.5	4,708.4	1,271.4	16,945.8	13,548.9	7,693.7	162.0	48,801.8
	February	3,964.7	5,754.0	574.5	17,586.5	13,898.4	9,633.2	135.5	51,546.8
	March	4,770.7	4,957.4	2,085.8	17,877.3	14,170.3	8,085.9	144.3	52,091.7
	April	5,531.1	5,521.2	1,614.0	18,797.6	14,481.3	8,758.6	94.8	54,798.8
	May	5,179.1	5,491.0	1,714.3	17,168.3	14,411.6	9,621.1	72.5	53,657.8
	June	5,296.9	6,123.9	1,336.5	17,745.8	15,093.9	8,754.5	216.6	54,568.1
	July	6,004.5	7,045.5	1,358.1	18,570.0	15,555.4	11,242.9	105.9	59,882.4
	August	5,615.7	7,514.2	1,073.0	20,477.8	17,118.9	11,975.9	89.1	63,864.6
	September	6,042.8	6,854.0	2,003.3	18,867.1	17,328.4	11,297.3	95.2	62,488.0
	October	6,334.5	7,418.9	1,120.9	18,878.6	16,180.2	11,097.6	104.9	61,135.6
	November	6,655.7	8,809.6	1,102.2	19,726.5	16,003.2	10,343.2	131.5	62,771.9
	December	5,918.1	7,439.4	1,620.5	22,758.5	17,126.9	10,880.6	142.2	65,886.3
2022	January	6,987.2	8,916.8	1,660.0	19,528.4	16,574.4	13,517.9	108.3	67,293.0
	February	6,273.1	9,933.9	1,765.2	19,120.6	16,641.0	14,148.3	96.2	67,978.3
	March	6,289.6	10,329.7	1,874.1	18,858.3	16,896.1	14,258.2	113.8	68,619.7
	April	8,142.6	9,976.0	2,182.4	19,821.9	16,843.7	15,042.5	93.7	72,102.8
	May	9,047.9	8,262.5	1,956.8	19,992.7	16,638.1	18,128.7	121.4	74,148.1
	June	8,990.8	9,831.6	2,089.3	20,870.3	16,673.2	15,951.2	106.0	74,512.4
	July	7,909.4	8,027.4	4,664.6	23,072.2	18,731.8	11,930.9	53.2	74,389.6
	August	10,902.7	7,392.7	4,531.3	23,773.1	18,234.3	15,306.3	79.9	80,220.3
	September	9,380.4	8,092.0	6,024.2	22,429.8	19,616.1	14,765.7	58.7	80,367.0
	October	10,394.2	9,337.6	6,770.9	23,311.2	18,474.5	12,860.6	86.4	81,235.6
	November	10,916.2	10,520.8	5,339.7	24,586.1	18,791.6	13,095.0	70.2	83,319.6
	December	12,453.0	11,636.8	4,726.8	27,151.6	19,781.4	13,527.3	87.7	89,364.6

Commercial Banks' Deposits by Institution-Foreign Currency (K' Million), Jan. 2016 - Dec. 2022 **Table 6B**

End of period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other institutions	Non-resident	Total
2016	December	611.1	88.4	320.4	12,282.1	2,537.7	2,619.4	2,548.0	21,007.0
2017	December	847.9	491.1	645.9	14,202.0	2,701.3	2,363.7	2,389.0	23,640.9
2018	December	1,266.4	592.6	602.0	17,482.7	3,953.4	3,966.8	698.6	28,562.6
2019	December	1,678.6	530.3	558.7	19,630.4	4,947.4	4,480.2	890.3	32,715.8
2020	December	3,436.7	706.8	411.8	36,813.5	7,716.4	2,048.8	3,779.5	54,913.5
2021	January	2,441.7	925.0	1,446.8	39,223.3	7,942.2	3,138.3	2,530.9	58,573.3
	February	2,292.5	678.2	859.5	39,427.7	8,131.4	3,461.7	2,480.3	58,009.7
	March	2,108.7	632.8	1,544.5	39,085.5	9,106.5	3,938.9	3,622.2	60,672.0
	April	2,167.6	707.3	1,072.9	42,951.7	10,025.3	3,352.6	4,626.1	65,611.0
	May	2,187.3	996.2	1,193.3	43,310.0	10,275.1	3,171.6	3,827.6	65,957.2
	June	2,347.6	790.8	785.5	45,686.3	10,654.2	3,420.3	5,968.4	70,444.0
	July	2,068.4	784.4	1,754.8	34,328.7	9,752.8	2,377.4	5,990.1	57,840.9
	August	1,563.6	363.2	1,224.6	27,321.1	6,660.9	2,254.4	4,589.7	44,340.6
	September	1,710.5	326.2	873.6	29,513.3	7,216.5	2,029.6	5,111.1	47,106.9
	October	1,796.1	444.4	1,473.9	32,237.2	7,248.7	2,316.6	4,199.4	50,160.8
	November	1,673.7	324.9	1,477.6	34,064.4	7,891.8	2,460.9	4,928.4	53,146.6
	December	2,043.6	350.3	1,550.4	29,510.5	7,489.5	2,134.2	3,897.0	47,325.8
2022	January	1,951.4	344.3	1,754.6	31,009.2	7,631.5	3,914.3	3,910.1	50,515.3
	February	2,069.9	2,311.4	1,604.4	29,697.5	8,620.7	2,860.9	4,379.9	51,544.8
	March	2,292.4	611.6	2,122.1	31,397.3	8,118.8	3,587.5	4,692.9	52,822.8
	April	1,865.3	742.8	2,010.2	31,965.7	8,158.2	2,223.5	5,026.2	51,991.9
	May	2,761.1	820.1	2,332.7	30,392.2	7,860.6	4,073.6	4,579.2	52,819.6
	June	1,895.6	880.8	2,439.0	29,819.0	7,767.9	3,171.2	5,148.6	51,122.1
	July	1,088.5	1,511.6	1,540.2	31,453.1	8,051.8	3,909.6	4,581.4	52,136.0
	August	757.4	1,386.1	1,696.4	30,113.0	8,980.7	818.0	5,285.0	49,036.6
	September	527.0	1,262.1	1,278.4	30,956.8	8,801.6	248.2	4,792.3	47,866.4
	October	833.9	1,533.2	1,537.3	30,424.8	9,380.2	1,379.4	3,406.6	48,495.2
	November	1,946.2	1,455.4	1,576.1	33,069.3	9,366.5	2,664.0	3,084.0	53,161.5
	December	2,893.9	1,813.0	2,746.4	36,590.8	10,927.2	3,304.3	3,009.5	61,285.2

Commercial Banks' Loans and Advances - Local Currency (K' Million), Dec. 2021 - Dec. 2022 **Table 7A**

Sector	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Agriculture, forestry,Fishing and hunting	5,184.4	5,473.6	5,301.7	5,280.0	5,252.2	4,909.9	5,041.7	4,739.0	4,496.9	4,274.0	4,588.6	4,476.4	4,974.4
Mining and quarying	1,685.8	1,894.4	1,877.9	1,837.8	1,813.9	2,370.5	2,504.5	2,897.6	2,682.6	2,888.3	3,065.2	3,311.8	3,771.6
Manufacturing	5,017.4	5,382.0	5,410.6	5,510.4	5,749.5	6,237.4	6,905.3	8,151.5	8,141.0	8,533.0	8,860.0	9,626.8	9,602.4
Electricity, gas, water and energy	1,905.1	1,893.1	1,921.7	1,950.3	1,822.9	1,829.9	1,643.9	1,459.5	1,566.0	1,260.9	1,848.6	2,036.4	1,904.6
Construction	824.9	782.7	781.9	874.0	804.1	794.6	824.3	435.0	441.1	472.3	542.9	489.6	692.9
Wholesale and retail trade	3,991.9	3,516.5	3,492.4	3,890.8	3,988.6	4,059.0	4,030.8	3,608.1	3,727.2	4,108.1	4,042.0	4,561.8	4,947.3
Restaurants and hotels	290.1	320.1	301.1	314.5	314.2	314.8	311.4	247.4	242.9	247.1	245.8	231.0	244.0
Transport, storage and communications	3,762.6	3,644.8	3,567.5	3,505.7	3,643.8	3,701.4	4,108.8	4,194.1	4,026.8	4,068.6	4,601.8	4,829.0	4,857.7
Financial services	571.1	4,755.9	4,753.4	380.9	373.8	391.4	376.1	414.8	511.0	602.2	588.0	790.1	843.6
Community, social and perconal services	10,758.6	6,414.2	6,453.1	10,866.7	9,695.3	8,862.8	8,469.5	8,979.7	8,391.1	7,438.3	8,728.5	8,468.4	8,629.1
Real estate	1,468.5	1,557.4	1,528.3	1,551.7	1,497.6	1,468.3	1,457.3	1,550.8	1,460.9	1,513.2	1,564.5	1,483.0	2,301.2
Credit/debit cards	0.2	0.2	0.2	0.2	3.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	9,218.5	8,909.6	8,919.1	8,566.2	8,596.2	8,824.0	8,897.0	8,863.3	9,160.7	10,858.4	9,299.7	9,490.2	9,684.9
Totals	44,679.1	44,544.6	44,308.9	44,529.5	43,555.2	43,764.2	44,570.9	45,541.0	44,848.4	46,264.4	47,975.5	49,794.6	52,453.7

Commercial Banks' Loans and Advances - Foreign Currency (US $' 000), Dec. 2021 - Dec. 2022 **Table 7B**

Sector	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Agriculture, forestry,Fishing and hunting	104,912	105,484	103,765	112,583	117,206	118,084	119,070	123,428	121,550	124,974	126,773	123,192	136,458
Mining and quarying	96,889	100,974	99,157	95,656	103,137	130,846	141,997	173,436	165,491	179,408	185,673	190,093	204,640
Manufacturing	104,872	96,472	97,138	98,900	100,347	121,360	150,818	203,139	219,042	221,968	225,260	268,579	241,779
Electricity, gas, water and energy	43,415	43,267	45,685	48,375	47,782	46,840	48,484	48,568	46,900	45,270	48,020	47,877	40,478
Construction	21,341	17,062	18,408	22,112	19,299	18,859	21,165	14,713	13,825	17,819	20,104	14,133	24,435
Wholesale and retail trade	64,914	60,463	54,058	63,437	67,559	72,223	63,769	67,452	72,454	88,720	91,101	101,807	129,593
Restaurants and hotels	4,270	4,766	4,567	4,525	4,725	4,854	4,793	4,057	3,794	4,087	3,916	3,542	3,616
Transport, storage and communications	45,223	38,506	40,415	40,648	40,702	42,980	43,403	40,361	44,333	44,254	44,432	48,513	51,281
Financial services	5,283	124,600	123,895	4,787	4,947	2,411	2,288	2,033	1,994	1,931	1,838	2,921	2,968
Community, social and perconal services	267,557	135,389	145,074	284,647	259,501	231,813	219,480	238,857	231,781	233,874	238,836	229,466	226,885
Real estate	60,658	50,447	49,534	50,195	50,724	50,066	51,509	52,178	49,981	56,591	58,190	49,229	87,574
Other sectors	38,153	37,781	38,162	37,646	38,391	39,104	39,803	20,518	23,417	24,870	21,578	21,673	21,997
Totals	857,488	815,211	819,858	863,512	854,320	879,440	906,579	988,739	994,562	1,043,767	1,065,722	1,101,024	1,171,704

Structure of Interest Rates (Percent per Year), Dec. 2013 - Dec. 2022 **Table 8**

End of period		BoZ[1] Policy Rate	Weighted Interbank rate	Penalty[2] rate	Treasury bill rates 91 days	182 days	273 days	Government bond rates 364 days	24 months	3 year	5 year	7 year	10 year	15 year	Commercial Bank deposits rate Savings	90 day
2014	December	12.5	12.0	39.5	13.0	17.5	18.0	20.4	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.1
2015	December	15.5	26.1	39.8	15.0	20.3	18.7	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.2
2016	December	15.5	16.2	39.8	20.5	23.9	25.0	25.0	25.0	23.2	25.0	24.8	25.0	25.0	3.1	10.8
2017	December	10.3	10.1	39.8	9.5	9.8	13.6	16.3	16.5	18.3	18.0	19.5	20.6	18.5	2.8	6.9
2018	December	9.8	9.8	39.8	15.0	14.8	21.0	23.1	19.5	20.0	20.4	18.5	21.5	17.3	3.0	7.6
2019	December	11.5	10.7	39.8	16.5	19.3	27.0	27.5	29.5	29.8	33.0	25.0	27.0	28.0	3.0	8.8
2020	December	8.0	8.1	39.8	14.0	16.0	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.5	3.0	8.1
2021	January	8.0	8.3	39.8	14.0	16.0	19.6	25.8	32.0	32.7	33.4	26.3	33.4	33.6	2.6	7.9
	February	8.5	8.4	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	33.8	2.6	7.9
	March	8.5	8.6	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	34.1	2.7	8.2
	April	8.5	8.6	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	34.5	2.6	8.0
	May	8.5	8.6	39.8	14.0	16.0	20.0	25.8	32.0	32.7	34.5	30.1	34.5	34.5	2.6	8.2
	June	8.5	8.6	39.8	14.0	16.0	18.0	25.5	29.9	30.6	32.6	30.1	31.0	32.9	2.7	8.1
	July	8.5	8.6	39.8	14.0	16.0	18.0	25.5	29.9	30.7	32.2	30.1	31.0	32.9	2.6	7.9
	August	8.5	8.5	39.8	14.0	16.0	17.9	25.5	28.2	29.6	31.0	29.1	30.0	31.4	2.6	7.4
	September	8.5	7.9	39.8	12.6	14.6	16.4	20.1	21.5	22.5	23.5	24.7	26.5	26.8	2.7	7.3
	October	8.5	7.6	39.8	10.2	11.1	12.6	14.2	20.0	21.0	22.3	23.7	25.9	26.4	2.6	6.6
	November	9.0	7.6	39.8	9.6	9.5	10.4	12.0	19.7	20.7	23.4	24.5	25.6	25.9	2.6	6.3
	December	9.0	7.6	39.8	9.5	9.6	10.6	14.4	18.6	19.8	22.6	23.9	24.8	26.0	2.6	5.9
2022	January	9.0	7.6	39.8	9.5	11.0	13.0	15.0	18.0	20.0	22.1	23.8	24.8	26.0	2.6	5.8
	February	9.0	8.6	39.8	9.5	11.5	12.8	14.7	18.0	20.3	22.3	24.5	25.5	26.0	2.6	5.8
	March	9.0	8.9	39.8	9.4	11.4	12.3	13.9	18.0	20.0	22.3	24.5	25.5	26.0	2.6	6.1
	April	9.0	9.0	39.8	9.3	11.0	11.5	13.6	17.9	20.0	22.3	24.5	25.4	26.0	2.6	6.1
	May	9.0	9.0	39.8	9.3	10.5	11.0	13.8	17.7	20.0	22.5	24.5	25.3	26.0	2.7	6.0
	June	9.0	9.0	39.8	9.3	10.4	11.5	14.1	17.5	22.0	23.5	24.5	25.3	27.0	2.6	5.7
	July	9.0	9.0	39.8	9.2	11.3	12.8	14.6	17.5	22.0	24.0	24.5	25.8	27.0	2.7	5.7
	August	9.0	9.0	39.8	9.9	10.6	12.9	15.0	17.5	22.0	24.0	24.5	27.8	27.8	2.7	5.6
	September	9.0	9.0	39.8	10.0	10.2	12.8	15.0	17.5	22.0	24.0	25.5	27.6	27.8	2.7	5.7
	October	9.0	9.0	39.8	10.0	10.0	13.0	15.0	17.5	22.0	24.0	25.4	27.6	27.8	2.7	5.8
	November	9.0	8.9	39.8	10.0	10.8	13.0	15.0	17.5	22.0	24.0	25.4	27.6	27.8	2.7	5.8
	December	9.0	9.0	39.8	10.0	11.5	12.5	15.0	17.5	22.0	24.0	25.4	27.6	27.8	2.7	5.8

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

Commercial Bank Interest Rates (Percent Per Year), Dec. 2013 - Dec. 2022 **Table 9**

		Average	Weighted	Savings Rates		Deposits over K20,000						
		Lending	interbank	less than	more than							
End of period		Rates	rate	K100	K100	24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2014	December	20.5	12.0	2.4	3.3	2.0	4.2	4.3	6.8	8.3	9.1	10.5
2015	December	25.8	26.1	2.5	3.3	1.9	4.0	4.2	7.2	7.9	9.2	10.8
2016	December	29.5	16.2	2.4	3.1	2.4	6.3	6.7	8.7	10.4	10.8	12.7
2017	December	24.6	10.1	1.9	2.8	2.0	3.3	3.5	5.5	6.2	6.9	8.6
2018	December	23.6	9.8	1.9	3.0	2.3	3.5	3.3	5.3	6.6	7.6	9.1
2019	December	28.0	10.7	1.7	3.0	2.6	3.4	3.3	6.8	8.4	8.8	10.1
2020	December	25.1	8.1	1.5	2.7	2.7	2.7	3.0	5.9	7.1	8.1	9.8
2021	January	25.2	8.3	1.5	2.6	2.7	2.8	3.2	5.8	6.7	7.9	9.4
	February	25.6	8.4	1.4	2.6	2.6	2.7	3.1	5.7	6.8	7.9	9.5
	March	26.0	8.6	1.5	2.7	2.6	2.6	3.0	5.7	7.0	8.2	9.8
	April	26.3	8.6	1.4	2.6	2.2	2.2	2.7	5.7	6.9	8.0	9.7
	May	26.2	8.6	1.4	2.6	2.3	2.2	2.7	5.8	7.4	8.2	9.9
	June	24.8	8.6	1.4	2.7	2.3	2.1	2.6	5.4	7.1	8.1	9.8
	July	24.9	8.6	1.4	2.6	2.3	2.1	2.7	5.4	7.1	7.9	9.7
	August	25.7	8.5	1.4	2.6	2.3	2.1	2.6	5.3	6.9	7.4	9.7
	September	25.9	7.9	1.4	2.7	2.3	2.1	2.6	5.2	6.7	7.3	9.3
	October	25.9	7.6	1.4	2.6	2.2	2.0	2.4	4.6	5.6	6.6	8.3
	November	25.8	7.6	1.4	2.6	2.1	1.9	2.3	4.4	5.1	6.3	7.9
	December	25.9	7.6	1.4	2.6	2.0	1.8	2.1	4.0	5.0	5.9	7.6
2022	January	25.8	7.6	1.4	2.6	2.0	1.8	2.1	4.1	4.7	5.8	7.6
	February	25.8	8.6	1.4	2.6	2.0	1.8	2.1	4.0	4.9	5.8	7.6
	March	25.6	8.9	1.4	2.6	2.0	1.8	2.1	3.9	4.8	6.1	7.5
	April	25.2	9.0	1.4	2.6	2.0	2.0	2.3	4.0	4.8	6.1	7.1
	May	25.2	9.0	1.5	2.7	2.0	2.0	2.4	4.0	4.8	6.0	6.9
	June	25.0	9.0	1.4	2.6	2.0	2.0	2.4	3.9	4.6	5.7	6.8
	July	25.1	9.0	1.5	2.7	2.0	2.0	2.4	4.0	4.7	5.7	7.0
	August	25.1	9.0	1.5	2.7	2.0	2.0	2.4	4.0	4.6	5.6	7.0
	September	25.1	9.0	1.5	2.7	2.0	2.0	2.4	4.1	4.8	5.7	7.0
	October	25.1	9.0	1.5	2.7	2.0	2.0	2.4	4.0	4.7	5.8	6.9
	November	24.7	8.9	1.5	2.7	2.0	2.0	2.4	4.1	4.9	5.8	7.0
	December	25.0	9.0	1.4	2.7	1.9	2.0	2.3	4.1	4.9	5.8	7.0

Kwacha/US Dollar Exchange Rates, Dec. 2012 - Dec. 2022 **Table 10**

End of period		Bank of Zambia Rates			Bureau Rates		
		Buying	Selling	Mid	Buying	Selling	Mid
2014	December	6.3	6.3	6.3	6.3	6.4	6.4
2015	December	10.8	10.8	10.8	10.6	10.8	10.7
2016	December	9.8	9.9	9.8	9.8	10.0	9.9
2017	December	10.0	10.1	10.0	10.0	10.2	10.1
2018	December	11.9	11.9	11.9	11.8	12.0	11.8
2019	December	14.4	14.4	14.4	14.3	14.6	14.5
2020	December	21.1	21.1	21.1	21.1	21.4	21.2
2021	January	21.3	21.3	21.3	21.2	21.5	21.3
	February	21.6	21.6	21.6	21.5	21.8	21.6
	March	22.0	22.0	22.0	21.9	22.1	22.0
	April	22.2	22.2	22.2	22.1	22.4	22.3
	May	22.3	22.4	22.3	22.2	22.5	22.4
	June	22.6	22.6	22.6	22.5	22.7	22.6
	July	21.6	21.6	21.6	21.7	22.0	21.8
	August	19.8	19.9	19.8	19.9	20.2	20.1
	September	16.3	16.4	16.4	16.4	16.7	16.5
	October	17.0	17.1	17.0	16.9	17.2	17.1
	November	17.5	17.6	17.5	17.4	17.7	17.6
	December	17.1	17.2	17.2	17.1	17.4	17.2
2022	January	17.2	17.3	17.3	17.1	17.3	17.2
	February	18.1	18.1	18.1	18.0	18.3	18.2
	March	18.0	18.0	18.0	17.9	18.2	18.1
	April	17.4	17.4	17.4	17.4	17.7	17.5
	May	17.1	17.1	17.1	17.0	17.3	17.1
	June	17.0	17.1	17.1	17.0	17.2	17.1
	July	16.4	16.4	16.4	16.4	16.7	16.5
	August	16.1	16.1	16.1	16.0	16.3	16.1
	September	15.6	15.6	15.6	15.6	15.8	15.7
	October	15.9	15.9	15.9	15.8	16.0	15.9
	November	16.2	16.6	16.5	16.2	16.5	16.4
	December	17.6	17.6	17.6	17.3	17.6	17.5

Source: Bank of Zambia
Note: In July 2003, the Bank of Zambia established a broad-based foreign exchange trading system as the new mechanism for determining the exchange rate in Zambia. This implies that Bank of Zambia ceased to auction foreign exchange to the market on behalf of major foreign exchange earners. Foreign exchange earners can now transact directly with commercial banks of their choice.
* Effective 1st January, 2013 the Zambian Kwacha was rebased by K1000.

Commercial Banks Foreign Exchange Rates, Jan. 2020 - Dec. 2022 **Table 11**

		Non Banks 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
2020	January	14.3	14.5	14.4	14.4	14.4	14.4	14.4	18.8	18.9	18.8	16.0	16.0	16.0	1.0	1.0	1.0
	February	14.6	14.8	14.7	14.7	14.7	14.7	14.7	19.0	19.1	17.3	15.9	16.1	16.0	1.0	1.0	1.0
	March	16.3	16.7	16.5	16.6	16.5	16.5	16.5	20.3	20.4	20.3	18.2	18.2	18.2	1.0	1.0	1.0
	April	18.4	18.7	18.6	18.6	18.6	18.6	18.6	23.0	23.1	23.1	20.2	20.2	20.2	1.0	1.0	1.0
	May	18.1	18.3	18.2	18.2	18.2	18.2	18.2	22.2	22.3	22.3	19.8	19.9	19.9	1.0	1.0	1.0
	June	18.0	18.3	18.2	18.2	18.2	18.2	18.2	22.7	22.8	22.8	20.4	20.5	20.5	1.1	1.1	1.1
	July	18.0	18.2	18.1	18.2	18.1	18.2	18.2	23.0	23.1	23.0	20.8	20.9	20.8	1.1	1.1	1.1
	August	18.6	18.9	18.7	18.8	18.8	18.8	18.8	24.6	24.7	24.7	22.2	22.3	22.2	1.1	1.1	1.1
	September	19.7	20.0	19.8	20.0	19.8	19.8	19.8	25.7	25.7	25.7	23.4	23.4	23.4	1.2	1.2	1.2
	October	20.1	20.5	20.3	20.4	20.2	20.2	20.2	26.2	26.2	26.2	23.8	23.8	23.8	1.2	1.2	1.2
	November	20.7	21.1	20.9	21.1	20.8	20.9	20.8	27.5	27.6	27.5	24.6	24.7	24.7	1.3	1.3	1.3
	December	20.9	21.3	21.1	21.2	21.1	21.1	21.1	28.3	28.4	28.3	25.6	25.7	25.7	1.4	1.4	1.4
2021	January	21.1	21.5	21.3	21.4	21.3	21.3	21.3	29.0	29.1	29.0	25.9	26.0	25.9	1.4	1.4	1.4
	February	21.4	21.8	21.6	21.7	21.6	21.6	21.6	29.9	30.0	29.9	26.1	26.2	26.1	1.5	1.5	1.5
	March	21.9	22.2	22.0	22.1	22.0	22.0	22.0	30.4	30.5	30.5	26.1	26.2	26.2	1.5	1.5	1.5
	April	22.2	22.4	22.3	22.3	22.2	22.2	22.2	30.7	30.8	30.8	26.6	26.6	26.6	1.5	1.5	1.5
	May	22.4	22.6	22.5	22.5	22.4	22.5	22.4	31.5	31.6	31.6	27.2	27.3	27.2	1.6	1.6	1.6
	June	22.6	22.8	22.7	22.8	22.6	22.6	22.6	31.6	31.7	31.7	27.2	27.2	27.2	1.6	1.6	1.6
	July	22.3	22.4	22.3	22.3	22.1	22.2	22.1	30.8	30.9	30.8	26.4	26.5	26.4	1.6	1.6	1.6
	August	18.0	18.3	18.2	18.1	18.0	18.1	18.1	24.9	25.0	24.9	21.2	21.3	21.3	1.2	1.2	1.2
	September	15.7	15.4	15.6	15.9	16.3	16.4	16.4	22.4	22.5	22.5	19.2	19.3	19.3	1.1	1.1	1.1
	October	16.4	15.7	16.1	16.5	17.0	17.1	17.0	23.3	23.4	23.3	19.7	19.8	19.8	1.1	1.1	1.1
	November	17.4	17.6	17.5	17.6	17.5	17.6	17.5	23.6	23.6	23.6	20.0	20.1	20.0	1.1	1.1	1.1
	December	16.7	16.8	16.8	16.8	16.8	16.8	16.8	22.3	22.4	22.4	18.9	19.0	19.0	1.1	1.1	1.1
2022	January	17.2	17.4	17.3	17.3	17.2	17.3	17.3	23.4	23.4	23.4	19.5	19.6	19.5	1.1	1.1	1.1
	February	18.1	18.2	18.1	18.1	18.1	18.1	18.1	24.5	24.5	24.5	20.5	20.6	20.5	1.2	1.2	1.2
	March	17.9	18.0	18.0	17.9	17.9	18.0	18.0	23.9	24.0	24.0	20.0	20.1	20.1	1.2	1.2	1.2
	April	17.4	17.5	17.4	17.4	17.4	17.4	17.4	22.5	22.6	22.5	18.8	18.9	18.8	1.2	1.2	1.2
	May	17.1	17.1	17.1	17.1	17.1	17.1	17.1	21.2	21.3	21.3	18.0	18.1	18.1	1.1	1.1	1.1
	June	17.0	17.1	17.0	17.0	17.0	17.0	17.0	20.9	21.0	21.0	17.9	18.0	18.0	1.1	1.1	1.1
	July	16.5	16.6	16.5	16.6	16.7	16.8	16.7	20.3	20.4	20.3	17.3	17.4	17.3	1.0	1.0	1.0
	August	17.0	17.1	17.1	16.0	16.1	16.1	16.1	19.2	19.3	19.3	16.3	16.3	16.3	1.0	1.0	1.0
	September	15.6	15.4	15.5	15.1	15.6	15.7	15.6	17.7	17.7	17.7	15.4	15.5	15.5	0.9	0.9	0.9
	October	15.8	15.5	15.6	15.1	15.9	15.9	15.9	17.9	18.0	18.0	15.6	15.7	15.6	0.9	0.9	0.9
	November	16.4	16.6	16.5	16.5	16.5	16.6	16.5	19.4	19.5	19.4	16.9	16.9	16.9	0.9	0.9	0.9
	December	17.3	17.5	17.4	17.6	17.6	17.6	17.6	21.4	21.5	21.4	18.6	18.7	18.6	1.0	1.0	1.0

Foreign Exchange Transactions (US $ Million), Dec. 2013 - Dec. 2022

Table 12

End of period		Inflows: Mines	Inflows: Other Non-GRZ	Inflows: Donor Inflows	Dealing	Outflow: Other Non-GRZ	Outflow: GRZ Debt Servicing	Outflow: GRZ Other Uses	Gross International Reserves
2014	December	0.9	40.1	4.0	0.0	44.9	4.6	1.5	3,103.2
2015	December	0.0	60.6	24.5	50.0	49.8	25.5	50.0	2,973.4
2016	December	0.0	69.4	12.8	57.3	46.1	28.3	7.8	2,366.0
2017	December	9.7	55.3	14.4	115.6	20.2	46.1	1.5	2,092.5
2018	December	0.0	44.8	8.5	0.0	11.5	74.9	2.6	1,544.2
2019	December	0.0	116.0	7.9	3.0	16.4	23.9	7.3	1,424.8
2020	December	0.0	132.1	17.2	143.4	52.5	13.8	1.2	1,178.4
2021	January	0.0	162.0	4.4	128.5	42.6	1.0	2.4	1,170.33
	February	0.0	87.7	2.9	49.7	37.6	14.0	3.4	1,156.37
	March	0.0	108.3	32.5	49.5	26.9	29.1	1.8	1,189.89
	April	0.0	252.2	6.2	150.5	90.5	9.4	3.2	1,194.79
	May	0.0	158.4	12.7	-66.8	40.7	10.1	5.1	1,376.68
	June	0.0	233.7	5.8	83.0	62.5	44.6	1.3	1,424.79
	July	0.0	418.8	6.2	112.5	99.9	45.0	15.3	1,577.09
	August	0.0	1502.0	7.4	55.5	31.1	7.2	8.1	2,984.61
	September	0.0	162.6	53.1	172.0	90.5	23.0	9.1	2,905.75
	October	0.0	228.5	5.7	392.5	89.6	12.3	14.5	2,630.98
	November	0.0	221.2	4.6	54.2	90.4	24.4	11.3	2,676.40
	December	0.0	216.7	8.6	49.5	74.6	3.9	3.2	2,770.53
2022	January	0.0	282.0	17.8	53.0	117.5	3.5	14.0	2,882.21
	February	0.0	139.3	5.0	156.0	26.5	11.8	9.2	2,822.98
	March	0.0	126.0	156.6	141.0	70.9	19.7	4.5	2,869.40
	April	0.0	210.9	4.7	155.0	66.4	20.6	10.1	2,832.93
	May	0.0	144.0	14.9	104.0	22.2	21.6	6.7	2,837.46
	June	0.0	273.8	111.8	146.5	28.6	5.3	24.0	3,018.60
	July	0.0	229.2	6.7	156.0	70.0	7.3	9.7	3,011.58
	August	0.0	125.0	11.1	49.0	64.0	0.0	14.4	3,020.29
	September	0.0	320.5	5.5	137.0	91.7	7.8	63.9	3,045.88
	October	0.0	104.9	4.0	129.0	61.9	16.5	19.9	2,955.42
	November	0.0	222.2	6.7	139.5	52.9	26.6	113.2	3,002.32
	December	0.0	620.0	28.2	175.0	458.1	6.7	230.5	3,029.00

Percentage Changes in the Consumer Price Indices (2009 weights - Base 2009 = 100), Jan. 2020- Dec. 2022 **Table 13**

End of period		Consumer Price Indices			Annual Inflation Rates			Month on Month Inflation Rates		
		Total	Food	Non Food	Total	Food	Non Food	Total	Food	Non Food
2020	January	246.7	249.2	243.9	12.5	15.4	9.4	1.8	1.2	2.5
	February	251.5	252.4	250.5	13.9	15.9	11.6	1.9	1.3	2.7
	March	254.6	255.5	253.6	14.0	15.2	12.7	1.2	1.2	1.2
	April	260.3	262.2	258.0	15.7	17.0	14.2	2.2	2.6	1.7
	May	264.4	266.0	262.5	16.6	17.5	15.5	1.6	1.5	1.7
	June	264.9	264.5	265.5	15.9	16.3	15.5	0.2	-0.6	1.1
	July	265.8	265.1	266.7	15.8	16.1	15.4	0.3	0.2	0.5
	August	267.1	266.8	267.3	15.5	15.5	15.4	0.5	0.7	0.2
	September	270.8	268.6	273.4	15.7	14.0	17.7	1.4	0.6	2.3
	October	274.2	272.8	275.8	16.0	14.6	17.7	1.6	1.6	0.9
	November	280.2	281.1	279.1	17.4	16.8	18.2	2.2	3.0	1.2
	December	289.0	296.1	280.9	19.2	20.2	18.2	3.2	5.3	0.6
2021	January	299.7	313.0	284.5	21.5	25.6	16.7	3.7	5.7	1.3
	February	307.3	321.4	291.2	22.2	27.3	16.2	2.5	2.7	2.3
	March	312.7	326.5	296.8	22.8	27.8	17.0	1.7	1.6	1.9
	April	319.4	333.6	303.1	22.7	27.2	17.5	2.2	2.2	2.1
	May	325.8	341.9	307.4	23.2	28.5	17.1	2.0	2.5	1.4
	June	330.1	347.0	310.7	24.6	31.2	17.1	1.3	1.5	1.1
	July	331.2	347.8	312.0	24.6	31.2	17.0	0.3	0.2	0.4
	August	332.4	351.1	310.8	24.4	31.6	16.3	0.4	0.9	-0.4
	September	330.7	348.2	310.7	22.1	29.6	13.6	-0.5	-0.8	0.0
	October	332.1	349.4	312.2	21.1	28.1	13.2	0.4	0.4	0.5
	November	344.2	352.5	131.1	19.3	25.4	12.2	0.6	0.9	0.3
	December	336.3	355.0	314.8	16.4	19.9	12.1	0.6	0.7	0.5
2022	January	344.9	366.0	320.6	15.1	16.9	12.7	2.6	3.1	1.9
	February	350.0	372.9	325.6	14.2	16.0	11.8	1.7	1.9	1.5
	March	353.6	376.4	327.4	13.1	15.3	10.3	0.8	0.9	0.6
	April	356.0	380.5	327.9	11.5	14.1	8.2	0.7	1.1	0.1
	May	359.0	384.0	330.4	10.2	12.3	7.5	0.8	0.9	0.8
	June	362.3	388.4	332.3	9.7	11.9	6.9	0.9	1.2	0.6
	July	363.9	389.5	334.5	9.9	12.0	7.2	0.4	0.3	0.7
	August	364.9	390.9	334.9	9.8	11.3	7.8	0.3	0.4	0.1
	September	363.6	390.2	333.0	9.9	12.1	7.2	-0.4	-0.2	-0.6
	October	364.3	392.0	392.0	9.7	12.2	6.5	0.2	0.4	-0.2
	November	367.3	395.4	335.0	9.8	12.1	6.7	0.7	0.9	0.5
	December	369.6	397.4	337.4	9.9	11.9	7.3	1.1	0.5	1.1

Treasury Bill Transactions (K' Million), Dec. 2013 - Dec. 2022 **Table 14**

	Period	Treasury Bills Tender Sales					Settlement value	Maturites	Special Taps & Off-Tender Sales	Re-discounts	Outstanding Bills
		91 Days	182 Days	273 Days	364 Days	Total Sales					
2014	December	144.6	173.2	102.9	579.9	1,000.6	871.7	710.9	0.0	0.0	10,809.5
2015	December	11.3	113.0	179.3	261.4	564.9	146.9	969.9	0.0	0.0	12,090.1
2016	December	291.7	480.3	555.4	1,128.5	2,455.8	2,077.9	762.5	0.0	0.0	13,174.2
2017	December	125.8	95.4	305.8	1,270.2	1,797.3	1,581.4	1,229.3	0.0	0.0	20,193.5
2018	December	208.1	217.9	408.2	1,504.9	2,339.2	2,090.0	336.0	0.0	0.0	17,515.5
2019	December	74.9	157.6	279.3	1,125.1	1,636.9	1,331.1	1,704.7	0.0	0.0	21,167.2
2020	December	425.9	383.8	478.6	1,509.6	2,797.8	2,391.9	1,739.8	0.0	0.0	33,009.3
2021	January	315.8	194.2	92.4	2,498.8	3,101.2	2,553.9	1,561.7	0.0	0.0	34,567.5
	February	174.0	45.9	203.2	2,425.3	2,848.5	2,318.0	2,075.3	0.0	0.0	34,701.7
	March	849.4	260.1	391.7	2,742.5	4,243.7	3,584.4	1,160.3	0.0	0.0	35,301.4
	April	639.7	449.9	332.7	2,484.2	3,906.5	3,300.7	1,682.4	0.0	0.0	36,228.2
	May	247.9	88.5	117.8	2,074.8	2,529.0	2,074.8	3,073.2	0.0	0.0	35,553.3
	June	472.1	522.8	651.6	2,585.7	4,232.2	3,576.1	2,667.8	0.0	0.0	35,638.7
	July	377.6	434.3	477.4	4,060.0	5,349.3	4,424.7	3,961.6	0.0	0.0	34,488.0
	August	178.5	60.4	497.7	2,598.6	3,335.1	2,739.8	2,678.6	0.0	0.0	35,311.2
	September	583.7	661.6	468.8	1,409.1	3,123.2	2,800.0	2,939.9	0.0	0.0	34,379.2
	October	332.3	632.4	796.7	1,476.0	3,237.5	2,955.6	1,649.2	0.0	0.0	35,334.0
	November	506.8	616.9	327.0	1,816.9	3,267.5	3,009.0	2,862.9	0.0	0.0	35,195.8
	December	393.3	514.6	281.0	2,445.9	3,634.8	3,267.2	2,363.4	0.0	0.0	35,805.7
2022	January	364.0	1,002.0	761.8	2,302.0	4,429.8	4,000.0	2,336.1	0.0	0.0	37,188.0
	February	624.2	781.6	562.7	2,445.9	4,414.5	3,400.0	2,208.9	0.0	0.0	37,530.3
	March	413.1	473.9	1,036.5	2,500.3	4,423.8	4,000.0	2,722.5	0.0	0.0	38,371.7
	April	486.5	685.1	412.7	1,219.8	2,804.0	2,580.8	2,450.8	0.0	0.0	38,702.7
	May	362.7	927.6	389.2	2,200.0	3,879.4	3,530.3	2,654.7	0.0	0.0	38,052.1
	June	433.5	252.8	434.4	2,466.6	3,587.3	3,225.5	2,952.6	0.0	0.0	37,805.0
	July	715.3	165.0	299.7	3,674.4	4,854.4	4,333.9	5,300.6	0.0	0.0	36,558.5
	August	898.0	422.8	516.7	2,853.0	4,690.4	4,230.6	3,380.2	0.0	0.0	37,179.0
	September	871.1	215.6	507.3	3,886.5	5,480.5	4,898.3	1,883.0	0.0	0.0	40,669.5
	October	294.4	223.0	392.9	2,741.4	3,651.6	3,242.3	2,161.0	0.0	0.0	40,260.1
	November	562.2	574.5	557.0	3,299.3	4,993.1	4,471.0	2,744.5	0.0	0.0	40,860.2
	December	420.6	707.8	850.1	3,521.6	5,500.1	4,920.6	2,775.0	0.0	0.0	39,974.0

GRZ Bonds Outstanding (K' Million), Jan. 2020 - Dec. 2022 **Table 15**

		By Holder		Total
	Period	Commercial banks	Others[1]	Outstanding
2020	January	7,323.8	29,678.8	37,002.6
	February	6,145.5	28,263.5	34,409.0
	March	6,298.7	30,201.1	36,499.8
	April	6,202.7	30,176.7	36,379.4
	May	6,273.1	29,369.6	35,642.6
	June	6,312.8	36,831.1	43,143.9
	July	5,788.5	37,012.8	42,801.3
	August	6,478.9	37,351.0	43,829.9
	September	6,159.0	39,898.4	46,057.4
	October	12,112.0	39,806.6	51,918.6
	November	7,746.8	42,841.2	50,588.0
	December	7,916.0	44,615.6	52,531.6
2021	January	8,050.8	45,209.1	53,259.9
	February	8,667.1	45,175.2	53,842.4
	March	8,762.8	48,593.1	57,355.9
	April	9,313.0	48,678.9	57,991.9
	May	10,731.4	58,309.4	69,040.8
	June	12,271.0	61,761.4	74,032.4
	July	12,618.9	67,593.0	80,211.9
	August	12,350.8	70,722.8	83,073.6
	September	14,577.0	70,560.3	85,137.3
	October	14,890.4	68,878.4	83,768.8
	November	15,813.3	70,479.0	86,292.3
	December	16,717.6	69,909.1	86,626.7
2022	January	17,511.5	71,041.1	88,552.6
	February	17,519.2	71,482.6	89,001.8
	March	19,088.0	70,269.5	89,357.5
	April	18,352.6	70,912.5	89,265.1
	May	20,790.8	70,504.6	91,295.4
	June	22,243.5	69,026.9	91,270.4
	July	22,270.7	69,390.0	91,660.7
	August	22,711.0	69,488.8	92,199.8
	September	23,308.5	68,623.7	91,932.1
	October	18,972.2	72,959.9	91,932.1
	November	24,816.5	67,831.5	92,648.0
	December	25,464.0	67,245.8	92,709.8

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

Metal Production and Exports (metric tonnes), 2020-2022 **Table 19**

Date End Year Total		Copper		Cobalt	
		Exports	Production	Exports	Production
2020	January	71,356.0	65,230.6	0.0	
	February	63,514.4	64,807.0	33.0	n/a
	March	71,875.7	70,969.7	0.0	n/a
	April	73,715.6	67,143.3	33.0	n/a
	May	82,284.7	74,291.4	0.1	n/a
	June	61,049.8	78,625.4	206.7	n/a
	July	78,013.2	73,391.6	69.3	n/a
	August	89,191.9	78,661.5	0.0	n/a
	September	98,428.0	73,381.7	24.9	n/a
	October	82,176.0	66,438.5	0.0	n/a
	November	82,411.5	77,766.8	0.0	n/a
	December	76,952.3	78,353.8	0.0	n/a
	Total	930,969.1	869,061.4	366.9	n/a
2021	January	81,100.4	63,775.6	59.1	n/a
	February	73,487.3	59,454.3	0.0	n/a
	March	73,460.1	68,921.6	0.0	n/a
	April	86,117.9	61,064.8	0.0	n/a
	May	72,762.0	67,767.4	0.0	n/a
	June	60,155.4	72,131.3	34.3	n/a
	July	62,886.5	62,843.4	0.0	n/a
	August	73,993.9	72,214.1	0.0	n/a
	September	78,353.0	65,328.1	0.0	n/a
	October	72,037.7	66,439.3	0.0	n/a
	November	85,935.3	66,951.6	0.0	n/a
	December	81,344.6	73,804.6	67.8	n/a
	Total	901,634.3	800,695.8	161.2	n/a
2022	January	81,243.8	60,698.7	0.0	n/a
	February	71,851.0	59,465.7	0.0	n/a
	March	77,389.5	56,682.2	0.0	n/a
	April	67,307.4	53,757.3	0.0	n/a
	May	77,066.1	70,269.5	0.0	n/a
	June	70,619.8	64,168.8	0.0	n/a
	July	77,148.7	69,742.9	0.0	n/a
	August	75,463.5	66,628.7	0.0	n/a
	September	71,710.4	64,393.2	0.0	n/a
	October	78,227.2	65,755.1	0.0	n/a
	November	83,360.8	62,951.6	0.0	n/a
	December	66,944.1	69,036.7	0.0	n/a
	Total	898,332.3	763,550.3	0.0	n/a

Table 17: Major Export Destinations for Zambia's Exports

Country	2018	2019	2020	2021	2022
Switzerland	3,809.2	2,905.4	3,461.7	4,722.9	4,478.2
China	1,336.9	1,502.7	1,458.6	2,059.7	2,409.4
Congo DR	855.6	911.6	976.8	1,099.6	1,599.3
Singapore	699.7	587.8	905.5	1,477.5	1,227.0
South Africa	438.7	295.7	198.8	285.4	268.5
Malawi	84.8	67.0	104.7	121.3	120.7
Luxembourg	76.6	86.2	103.5	239.7	71.1
Zimbabwe	137.1	99.7	101.1	197.2	267.7
Namibia	30.9	58.3	65.1	74.2	141.5
Tanzania, United	84.1	27.2	58.8	88.1	182.2
Hong Kong	142.3	12.9	51.5	108.0	131.6
India	185.9	40.9	40.0	100.1	38.2
Kenya	60.1	44.2	39.2	49.8	84.8
Burundi	20.4	9.8	24.5	28.6	24.3
Botswana	0.0	31.1	23.6	52.4	57.0
USA	12.5	15.8	22.9	41.0	53.6
United Arab Emirates	236.5	75.2	22.5	32.0	36.1
Mozambique	12.4	16.7	17.9	28.2	31.5
Germany	17.6	24.1	13.0	22.8	27.4
Belgium	5.7	0.6	12.6	21.3	22.0
Netherlands	5.9	8.0	11.0	18.2	18.3
Rwanda	19.4	14.5	9.9	10.8	26.9
United Kingdom	352.9	105.6	9.0	13.1	22.0
Madagascar	0.3	2.1	2.8	0.2	0.9
Eswatini (Swaziland)	5.3	0.1	2.1	2.7	3.1
Pakistan	0.0	0.2	1.9	17.3	17.3
Sweden	1.4	5.7	1.5	1.5	1.9
Australia	7.3	1.0	1.2	0.9	1.0
France	1.5	1.2	0.9	1.1	1.8
Malaysia	0.9	0.5	0.6	0.8	0.8
Egypt	0.0	0.2	0.5	2.4	4.3
Republic of Thailand	0.1	0.2	0.4	0.5	18.7
Korea, Republic of	1.8	0.0	0.3	0.0	2.1
Sudan	0.8	0.1	0.0	0.0	0.3
Philippines	0.2	0.0	0.5	0.2	0.5
Saudi Arabia	0.0	0.0	0.0	0.2	0.4
Kuwait	0.0	0.1	0.0	0.0	0.0
Other	422.7	95.3	72.0	179.9	254.2
Total	9,067.6	7,047.5	7,816.6	11,099.5	11,646.7

Table 18: Major Source Countries for Zambia's Imports

Country	2018	2019	2020	2021	2022
South Africa	2,726.8	2,222.7	1,763.2	2,235.2	2,715.7
China	1,290.7	1,020.9	895.1	899.6	1,402.4
United Arab Emirates	595.7	740.2	469.2	452.3	679.8
India	442.6	351.9	285.6	434.7	590.5
USA	194.7	186.5	119.1	219.9	244.7
Japan	168.5	218.5	112.7	247.9	316.1
Mauritius	206.0	200.2	109.7	114.2	203.9
United Kingdom	185.5	130.7	97.7	190.3	163.8
Namibia	104.2	105.6	85.8	129.4	144.9
Tanzania, United	180.8	204.5	73.7	55.9	62.2
Congo DR	1,393.7	232.2	71.1	319.7	654.4
Germany	107.5	113.2	70.4	92.5	107.7
Netherlands	50.2	56.7	64.4	62.8	68.9
Zimbabwe	74.2	61.8	62.4	81.4	90.5
Hong Kong	73.3	55.1	52.4	42.2	58.5
Mozambique	135.7	82.3	48.6	59.4	48.4
Finland	56.0	51.2	48.1	47.2	45.1
Kenya	50.2	42.3	46.6	59.3	53.8
Malaysia	15.7	40.6	44.7	92.8	76.1
Sweden	89.5	67.5	36.8	36.5	58.1
France	44.2	28.5	35.3	39.6	54.6
Australia	50.5	44.2	30.4	55.8	28.7
Belgium	44.1	40.8	29.5	49.7	118.2
Denmark	30.6	28.4	29.4	20.8	21.3
Italy	19.4	58.7	27.9	31.9	46.2
Korea, Republic of	45.7	27.5	23.8	53.6	40.7
Switzerland	50.6	24.0	23.7	17.3	35.4
Singapore	33.1	55.4	18.6	28.6	58.6
Pakistan	7.9	6.7	17.9	10.2	27.7
Botswana	23.6	17.2	17.8	20.9	65.1
Spain	23.4	20.9	17.8	30.8	28.7
Malawi	13.3	21.2	15.0	18.3	35.4
Egypt	14.4	15.7	14.6	14.3	16.9
Eswatini (Swaziland)	13.9	19.3	13.7	21.7	21.5
Republic of Thailand	12.4	16.9	12.7	21.7	51.8
Israel	90.1	30.2	11.9	15.0	3.2
Brazil	11.0	11.8	9.4	17.5	20.9
Indonesia	7.7	13.0	9.0	33.4	18.4
Canada	22.6	25.2	8.4	10.5	16.2
Taiwan	13.9	9.9	6.9	7.1	7.8
Lebanon	3.8	6.2	0.7	3.7	3.7
Kuwait	440.4	151.0	0.0	0.0	14.6
Other	303.7	364.1	385.6	698.5	521.6
Total	9,461.7	7,221.3	5,317.1	7,094.1	9,042.6