Bank *of* Zambia

ANNUAL REPORT 2020

Bank of Zambia

REGISTERED OFFICES

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Bank *of* Zambia


BANK OF ZAM

VISION

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

MISSION STATEMENT

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


STOP

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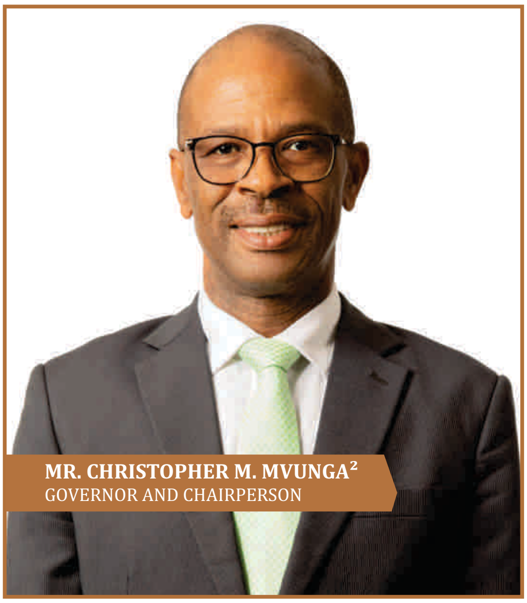
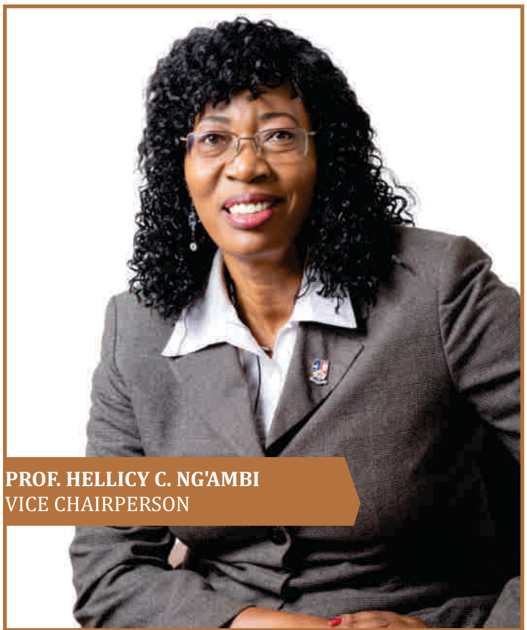
BOARD OF DIRECTORS[1]

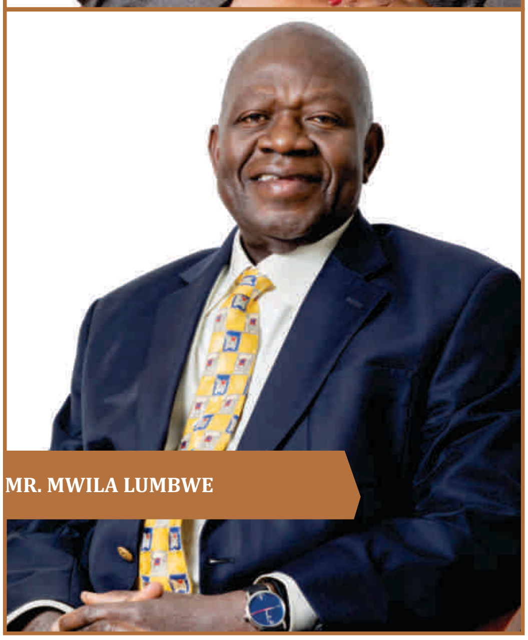


MR. CHRISTOPHER M. MVUNGA[2]
GOVERNOR AND CHAIRPERSON

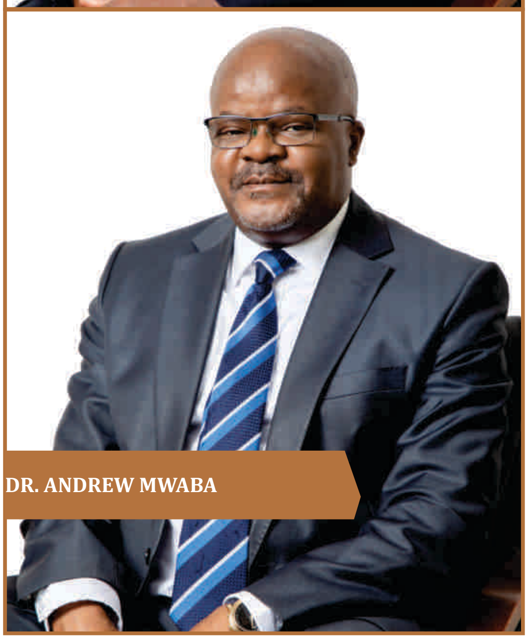


PROF. HELLICY C. NG'AMBI
VICE CHAIRPERSON

MR. BRYSON MUMBA



MR. MWILA LUMBWE

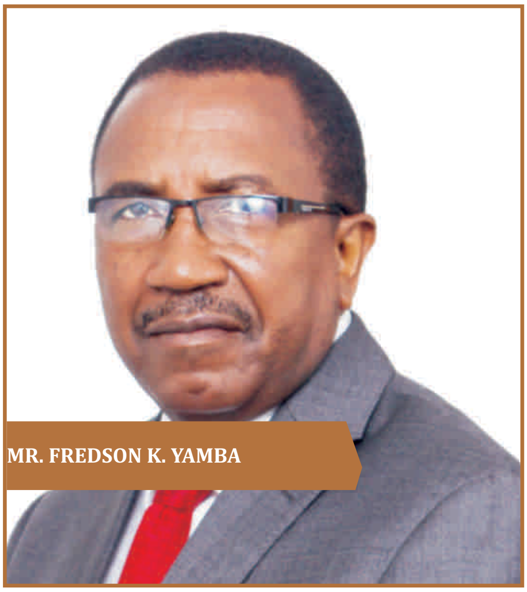


DR. ANDREW MWABA

[1]All the members of the Board are non-executive with the exception of the Chairperson
[2]Mr Mvunga became a Member and Chairperson of the Board on October 6, 2020

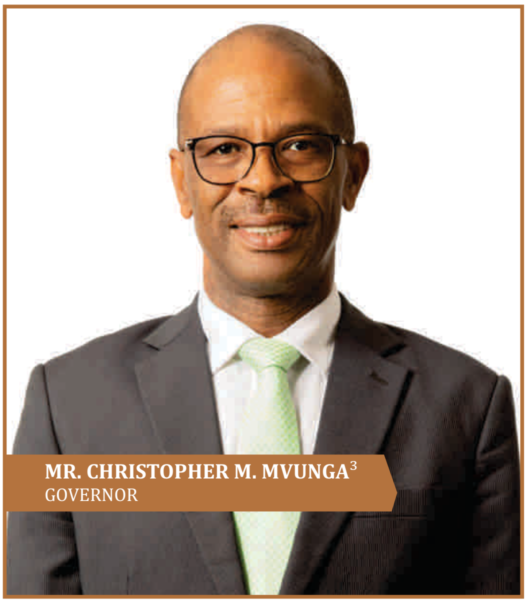
MS. ROSETA MWAPE CHABALA

MS. NAMUCANA CATHERINE MUSIWA



MR. FREDSON K. YAMBA

SENIOR MANAGEMENT AS AT 31 DECEMBER 2020

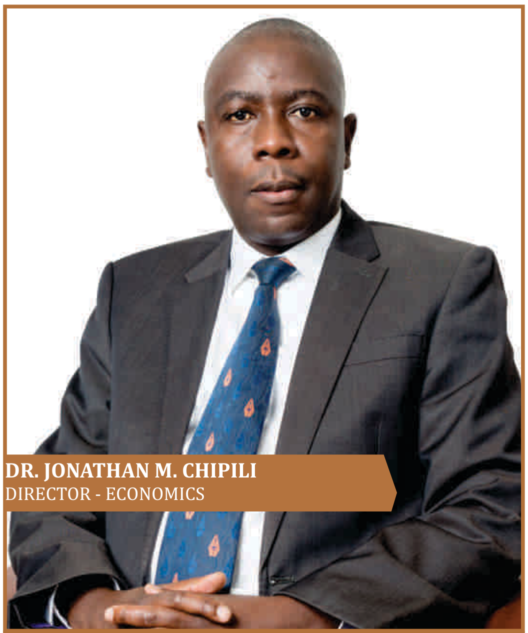


MR. CHRISTOPHER M. MVUNGA[3]
GOVERNOR

DR. FRANCIS CHIPIMO
DEPUTY GOVERNOR - OPERATIONS

MS. REKHA CHIFUWE MHANGO
DEPUTY GOVERNOR- ADMINISTRATION

[3]Mr Mvunga became Governor of the Bank on October 6, 2020



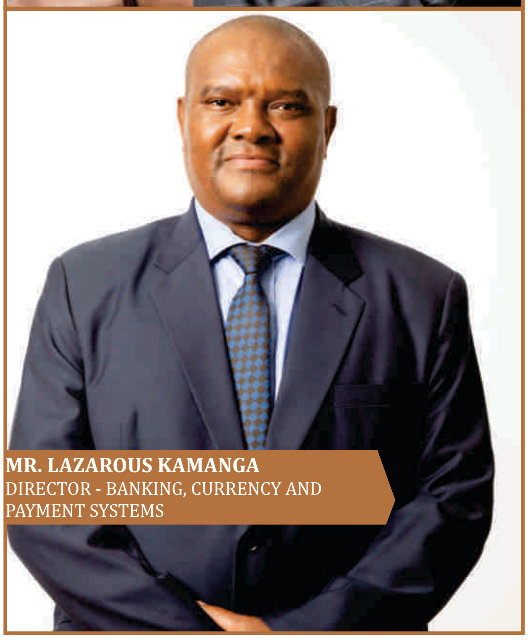
DR. JONATHAN M. CHIPILI
DIRECTOR - ECONOMICS

MR. ISAAC MUHANGA
DIRECTOR - FINANCIAL MARKETS

MS. GLADYS MPOSHA CHIWELE
DIRECTOR - BANK SUPERVISION

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

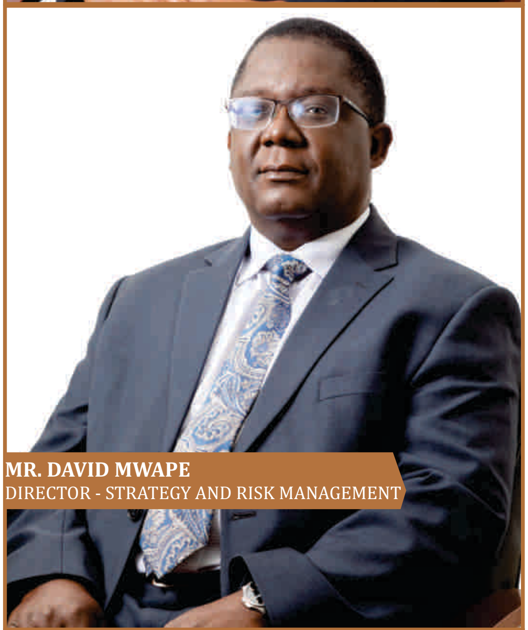
MR. VISSCHER BBUKU
DIRECTOR - REGIONAL OFFICE



MR. LAZAROUS KAMANGA
DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

MS. NAMWANDI NDHLOVU
DIRECTOR - BOARD SERVICES

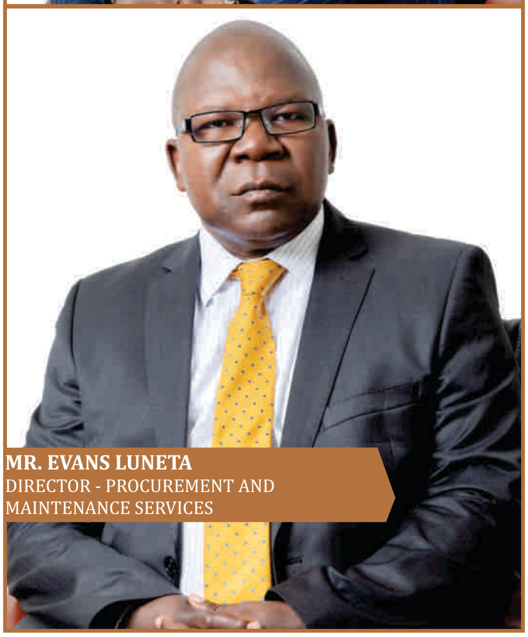
DR. LEONARD N. KALINDE
GENERAL COUNSEL



MR. DAVID MWAPE
DIRECTOR - STRATEGY AND RISK MANAGEMENT

MS. PRUDENCE MALILWE
DIRECTOR - FINANCE

MR. FABIAN HARA[4]
CHIEF OF STAFF

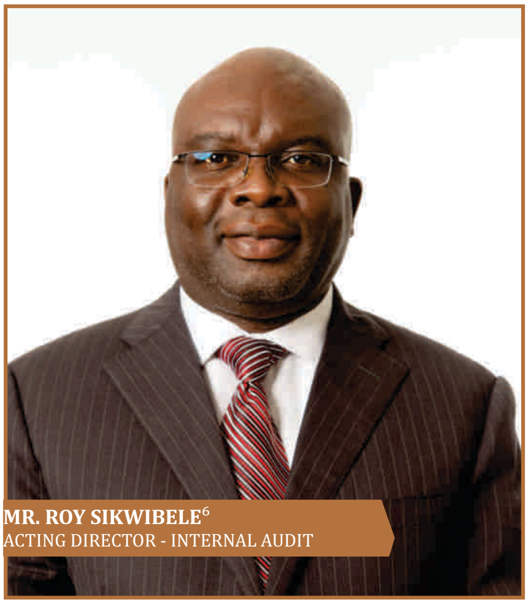


MR. EVANS LUNETA
DIRECTOR - PROCUREMENT AND MAINTENANCE SERVICES

[4]Mr Hara served as Director - Internal Audit until December 7, 2020 when he was appointed Chief of Staff

MS. MWABA KASESE
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MR LWEEDO H MALUNGO[5]
ACTING DIRECTOR - HUMAN RESOURCES



MR. ROY SIKWIBELE[6]
ACTING DIRECTOR - INTERNAL AUDIT

[5]Mr Malungo was appointed Acting Director – Human Resources on December 29, 2020
[6]Mr Sikwibele was appointed Acting Director - Internal Audit on December 7, 2020

GOVERNOR'S OVERVIEW

GOVERNOR'S OVERVIEW

This Report reviews global and domestic macroeconomic developments in 2020, and outlines the role the Bank of Zambia (BoZ or Bank) played in fulfilling its mandate of price and financial system stability, including the response to the COVID-19 pandemic. It also provides an update on the implementation of the 2020-2023 Strategic Plan. The Report further presents audited financial statements of the Bank for the year ended 31st December, 2020.

Monetary policy was relatively tight over the first five months of the year in view of rising inflationary pressures. However, monetary policy was relaxed in the second half of the year to mitigate the adverse effects of the COVID-19 shock on people's lives and livelihoods as well as to safeguard the stability of the financial sector. Thus, the Policy Rate was cumulatively lowered by 350 basis points in May and August to 8.0 percent. The cut in the Policy Rate complemented other broader measures the Bank implemented to mitigate the impact of COVID-19. These included liquidity support to the financial sector to avoid stress in the interbank money and debt markets as well as the overall functioning of the economy. In this regard, open market operations were scaled-up to provide short-term liquidity support on more flexible terms. In addition, a 3-5 year K10 billion Targeted Medium-Term Refinancing Facility was established to provide funds to eligible Financial Service Providers for on-lending to priority sectors at attractive rates. Further, a Secondary Market Bond Purchase Programme was implemented to support market liquidity and promote bond consolidation. This was expected to support the deepening of the secondary trading of Government paper and strengthen the transmission of monetary policy. Following the implementation of these measures, money market liquidity conditions eased. In undertaking these measures, the Bank of Zambia remained mindful of the need to bring back inflation to the target range over the medium-term.

Inflationary pressures heightened causing overall inflation to deviate further away from the upper bound of the 6-8 percent target range. Annual overall inflation rose to a four year high, averaging 15.7 percent from 9.1 percent in 2019. This was mainly due to the pass-through from the sharp depreciation of the Kwacha against the US dollar and the upward adjustment in fuel pump prices and electricity tariffs.

The sharp depreciation of the Kwacha was mainly driven by the economic fallout from the COVID-19 pandemic, which further weakened the macroeconomic environment. In addition, the build-up in excess demand, mostly for imports of petroleum products and agricultural inputs under the Farmer Input Support Programme (FISP), and adverse market sentiments associated with

MR. CHRISTOPHER M. MVUNGA
GOVERNOR

successive sovereign credit rating downgrades exacerbated exchange rate pressures. To moderate persistent imbalances and heightened exchange rate volatility, the Bank of Zambia scaled up interventions in the foreign exchange market and revised pricing rules governing the interbank foreign exchange market.

Demand for Government securities weakened further, partly due to the adverse impact of the COVID-19 pandemic and heightened investor aversion following downgrades of the country's credit rating.

Interest rates broadly trended downwards, largely supported by the cut in the policy rate and easing in liquidity conditions. The overnight interbank rate declined to 8.1 percent in December 2020 from 12.6 percent in December 2019, and was broadly contained within the Policy Rate Corridor throughout the year. Commercial banks' nominal average lending rate also declined to 25.1 percent from 28.0 percent in December 2019. In real terms, the average lending rate dropped to 5.7 percent from 16.3 percent, mainly reflecting the rise in inflation.

Despite monetary policy being relatively accommodative, credit to the private sector grew at a slower rate as demand declined due to the weak macroeconomic environment and strict lending conditions as credit default risk heightened. However, lending to Government expanded at a faster pace due to mounting domestic financing needs for agricultural inputs under FISP, clearance of fuel arrears, and unplanned COVID-19 related expenditures. Consequently, broad money expanded at a stronger pace.

As a result of the overrun in expenditure and lower than projected revenue, the fiscal position deteriorated significantly. The underperformance in revenue was largely due to the slowdown in economic activity and various tax waivers granted to mitigate the adverse effects of the pandemic on economic activity.

The domestic economy contracted by 3.0 percent after recording 20 consecutive years of positive growth. This mainly reflected the adverse impact of the COVID-19 shock, particularly in the wholesale and retail trade, education, construction as well as tourism sectors. The recession was, however, less severe than earlier anticipated due to the strong performance in the agriculture, information and communication, as well as mining sectors.

The sharp depreciation of the Kwacha and slowdown in domestic economic activity contributed to the compression in imports. Export earnings, however, rose on the back of higher copper prices and increased export volumes as production rose. The rise in copper production was largely attributed to the commissioning of refurbished plants at some mines, higher capacity utilisation, favourable ore grades, and reduction in cash costs. Copper prices were mostly supported by the pick-up in demand in China in the second half of the year. This resulted in a huge current account surplus. However, the financial account deficit widened as the private sector, mostly mining companies, accumulated a substantial amount of foreign financial assets. Thus, the deficit on the financial account more than offset the surplus on the current and capital accounts resulting in an overall balance of payments deficit and subsequently a drawdown in international reserves. Gross international reserves declined to US$1.2 billion from US$1.4 billion.

To shore up international reserves, the Government required mining companies to pay the remaining tax obligations directly in US dollars effective June 2020. This was in addition to the earlier requirement in September 2018 for mining companies to pay mineral royalty tax directly in US dollars. In addition, on December 11, the Bank of Zambia signed two-year contracts with Kansanshi Mining Plc and Zambia Gold Company (ZGC) to purchase locally produced gold. Subsequently, on December 31, the Bank purchased 47.96 kilogrammes of *doré* gold from ZGC.

The overall financial performance and condition of the banking sector remained satisfactory in 2020 on account of adequate capital, satisfactory earnings performance and improved liquidity conditions. This was despite the weak macroeconomic environment compounded by the negative effects of the COVID-19 pandemic that adversely affected asset quality and profitability. However, the overall financial performance and condition of the non-bank financial institutions sector deteriorated as the rating dropped to marginal from fair. This followed poor earnings performance and unsatisfactory asset quality.

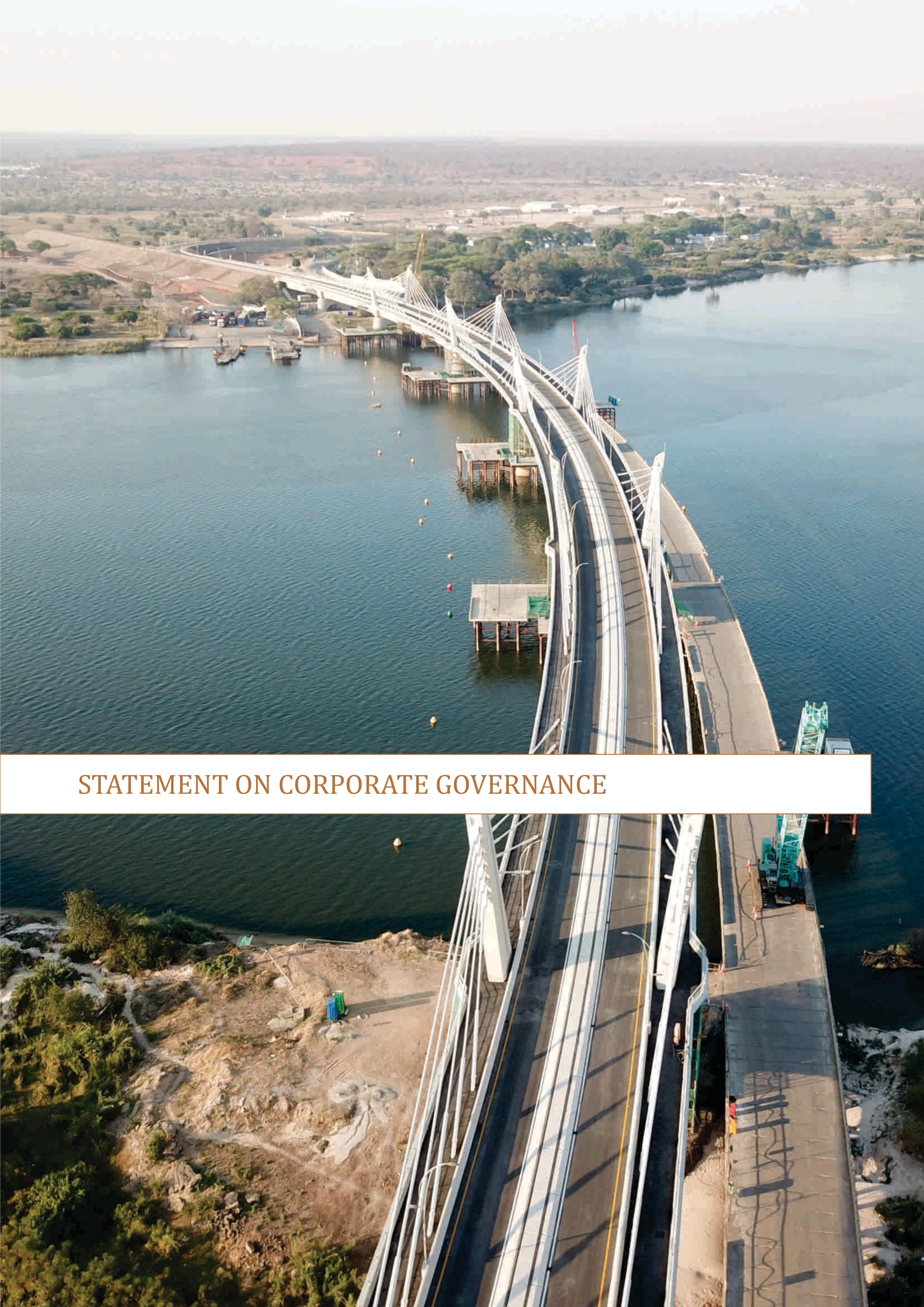
With regard to the payment systems, the National Financial Switch (NFS) Project was completed following the implementation of the mobile money module in April 2020. Thirteen Payment Service Providers went live on the mobile money functionality. The rise in the number of Point of Sale participants and inclusion of additional Banker Identification Numbers switching through the NFS as well as the going live of the e-money payment stream led to a higher usage of the national switch.

The 2020 FinScope Survey conducted by the Bank in collaboration with stakeholders showed an increase in financial inclusion to 69.4 percent in 2020 from 59.3 percent in 2015. This was mainly attributed to the substantial increase in the uptake of mobile money services.

Implementation of the 2020-2023 Bank of Zambia Strategic Plan commenced under the theme "*Building an Inclusive* and *Resilient Financial Sector*". The execution of the Plan was, however, adversely impacted by the COVID-19 pandemic as operations within the Bank and stakeholder institutions were scaled down.

As part of the Business Continuity Management response strategies, the Bank activated its pandemic guidelines that included prioritisation of key systems and process, rotational and work from home arrangements in addition to mass COVID-19 testing for staff. These, among other public health guidelines, ensured the Bank remained operationally resilient and continued to deliver on its mandate.

MR. CHRISTOPHER M. MVUNGA
GOVERNOR



STATEMENT ON CORPORATE GOVERNANCE

STATEMENT ON CORPORATE GOVERNANCE

The Bank of Zambia Board of Directors is established under the Constitution of Zambia (Amendment) Act[7] . It is vested with all the powers of the Bank under the Bank of Zambia Act[8] and is responsible for formulating the policies of the Bank. The Board is composed of the Governor, six Non-Executive Directors (NED) and the Secretary to the Treasury who is an ex-officio. The current members of the Board are present in Table 1.

Table 1: Board Members

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

*Ratified on October 6, 2020

The Board has four standing committees. These are Audit and Finance, Appointments and Remuneration, Governance and Risk, as we as the Monetary Policy Advisory Committee (MPAC). The roles and functions of the Committees are defined in their respective Charters. With the exception of the MPAC, the rest of the Committees meet at least once a quarter and their composition is presented in Table 2.

Table 2: Composition of Board Committees

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

*Chairperson

The MPAC facilitates consultation, promotes transparency and provides advice to the Bank on monetary policy issues. The Committee meets bi-annually to approve the two half yearly Monetary Policy Statements. The composition of MPAC is presented in Table 3.

Table 3. Composition of MPAC

Name	Position
Mr. Christopher M. Mvunga*	Governor
Dr. Francis Chipimo	Deputy Governor - Operations
Ms. Rekha C. Mhango	Deputy Governor - Administration
Ms. Roseta M. Chabala	NED
Mr. Mukuli Chikuba	External Member
Dr. Dale Mudenda	External Member
Dr. Chanda M.G. Shikaputo	External Member
Ms. Pamela Kasese Bwalya	External Member

*Chairperson

A summary of the 2020 Board and Committee meetings attendance is provided in Tables 4 and 5.

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

Table 4: Board Meetings

Name	Position	Statutory Meetings	Special Meetings	Attendance Percent
Mr. Christopher M. Mvunga*	Chairperson	1/1	1/1	100
Prof. Hellicy C. Ng'ambi	Vice Chairperson	4/4	6/6	100
Dr. Andrew Mwaba	NED	4/4	6/6	100
Mr. Bryson Mumba	NED	4/4	6/6	100
Mr. Mwila Lumbwe	NED	4/4	6/6	100
Ms. Namucana C. Musiwa	NED	4/4	6/6	100
Ms. Roseta M. Chabala	NED	4/4	6/6	100
Mr. Fredson K. Yamba	Ex-Officio	3/4	1/6	40

*Ratified on October 6, 2020

Table 5. Board Committee and MPAC Meetings

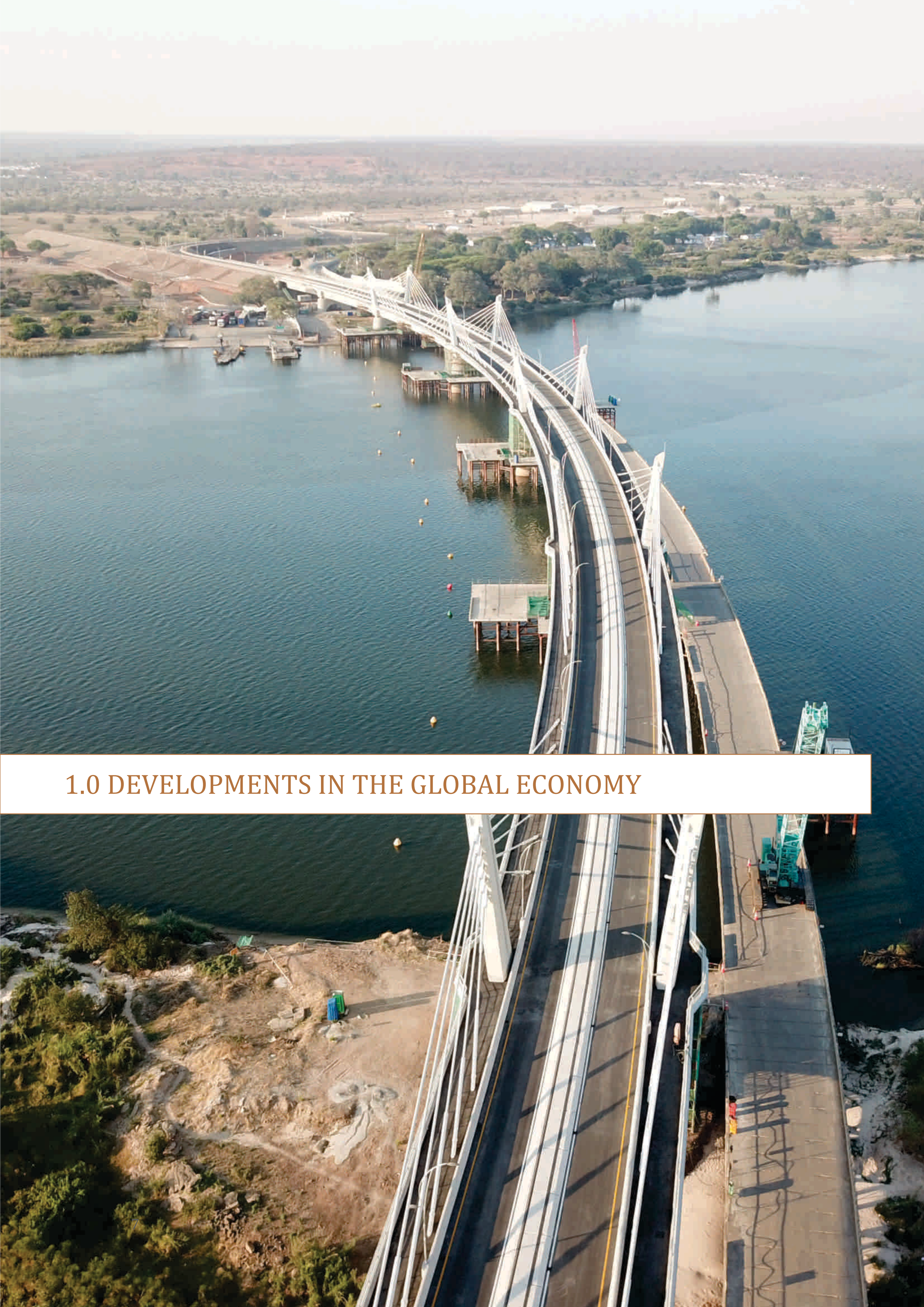
Name	Position	ARC Meetings	AFC Meetings	GRC Meetings	MPAC Meetings	Attendance Percent
Mr. Christopher M. Mvunga	Chairperson				1/1	100
Prof. Hellicy C. Ng'ambi	Vice Chairperson	6/6	1/1	4/4		100
Dr. Andrew Mwaba	NED	1/1	5/5	1/1	2/2	100
Mr. Bryson Mumba	NED	4/5	6/6	1/1		91
Mr. Mwila Lumbwe	NED	1/1	6/6	4/4		100
Ms. Namucana C. Musiwa	NED	7/7	1/1	4/4		100
Ms. Roseta M. Chabala	NED	7/7	5/5			100
Mr. Fredson K. Yamba	Ex-Officio		2/6			33
Prof. Douglas Kunda	External Member		5/6	3/4		80
Mr. Benjamin Ngenda	External Member			4 /4		100
Dr. Francis Chipimo	Deputy Governor - Operations				2/2	100
Ms. Rekha C. Mhango	Deputy Governor - Administration				2/2	100
Dr. Dale Mudenda	External Member				2/2	100
Dr. Chanda M.G. Shikaputo	External Member				2/2	100
Mr. Mukuli Chikuba	External Member				2/2	100
Ms. Pamela Kasese Bwalya	External Member				2/2	100

Some of the key resolutions passed by the Board included the establishment of the Targeted Medium-Term Refinancing Facility, implementation of the Secondary Market Bond Purchase Programme, conversion of eligible employees from Fixed-Term to Permanent and Pensionable Employment, abolition of the Voluntary Early Separation Scheme and the winding up of Commercial Capital Corporation Limited (in liquidation) and Gray Pages Financial Solutions Limited (in liquidation).

The Bank continued to support various humanitarian, educational, environmental, sporting and health-related activities as part of its corporate social responsibility. In 2020, the Bank disbursed K650,020 to support these activities, including the fight against the COVID -19 pandemic.

The Bank donated chicks, feed, vaccines, reusable sanitary towels and cash to Kabwe Female Maximum Security Correctional Facility. The donation was handed over by Deputy Governor – Administration, Ms. Rekha Mhango.

The Bank donated a 10,000 litre water tank to Chibolya Primary School in November 2020. The donation was handed over by Director – Board Services, Ms Namwandi Ndhlovu.



1.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

1.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

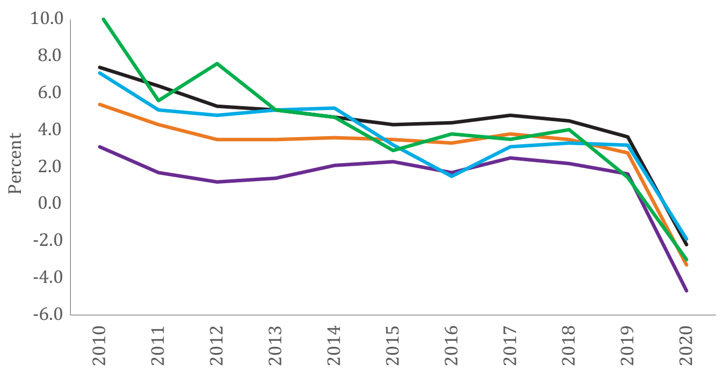
Overview of the Global Economy

The global economy is estimated to have contracted by 3.3[9,10] percent in 2020 against an expansion of 2.8 percent in 2019, reflecting the severe impact of COVID-19 induced lockdown measures on economic activity as shown in chart 1.1 and table 1.1.

Except for China[11], most large economies experienced substantial economic contractions in the first half of the year, albeit at varying degrees[12]. This was due to waning consumer and business confidence as consumption demand and investment weakened. In addition, declining productivity, elevated unemployment, tight financial conditions and weaker global trade amid rising trade costs and severe disruptions to global supply chains contributed to the global economic decline. Further, travel restrictions contributed to sharp declines in services activity. However, in the third quarter, economic growth rose substantially, supported by stronger economic activity especially in advanced economies (AEs) as containment measures were eased following the reduction in the number of COVID-19 infections. As a result, consumption spending, investment, global manufacturing and services activity improved. This notwithstanding, the recovery slowed down in the fourth quarter due to the resurgence in COVID-19 infections, which led to re-instatements of restrictive measures in a number of jurisdictions, especially in developed economies.

In light of subdued economic activity and deteriorating global financial conditions, monetary and fiscal authorities[13] adopted highly accommodative policy stances to mitigate disruptions caused by the pandemic, build financial market confidence and improve liquidity to support economic growth.

Chart 1.1: Summary of World GDP Growth (Percent), 2010 - 2020



Source: April 2021 IMF *World Economic Outlook*

[9] April 2021 IMF *World Economic Outlook* (WEO).

[10] The better outturn than the projected contraction of 4.9 percent reflected higher GDP outturns in the second half of the year, especially in advanced economies like the U.S. and Euro Area, as COVID-19 restrictions were gradually eased.

[11] China is the only large economy that recorded positive growth in 2020 due to the early and effective containment of the spread of the virus as well as significant policy stimulus.

[12] The varying degrees of the recession mainly reflected pre-pandemic idiosyncratic stresses, severity of restrictions on movement and the effectiveness of policy responses implemented by the authorities.

[13] Central banks globally lowered interest rates and reserve requirement ratios, relaxed open market operations, reduced capital requirements for commercial banks and established targeted term refinancing facilities to support liquidity and normalise financial conditions. Fiscal policy support included reduction of tax rates, tax exemptions, deferment of social security contributions, reduction of social insurance payments and upward adjustments in unemployment benefits. This fiscal support exceeded that provided during the 2008/09 Global Financial Crisis.

Table 1.1: World Real GDP and (Annual Percentage Change), 2018-2020

	Real GDP			Inflation		
	2018	2019	2020*	2018	2019	2020*
World	3.6	2.8	-3.3	n/a	n/a	n/a
Advanced Economies	2.2	1.6	-4.7	2.0	1.4	0.8
United States	2.9	2.2	-3.5	2.4	1.8	1.2
Euro Area	1.9	1.3	-6.6	1.8	1.2	0.3
United Kingdom	1.3	1.4	-9.9	2.5	1.8	0.9
Emerging Markets & Developing Countries	4.5	3.6	-2.2	n/a	n/a	n/a
China	6.7	6.0	2.3	2.2	2.9	2.1
Sub-Saharan Africa	3.2	3.2	-1.9	8.5	10.8	16.1
South Africa	0.8	0.2	-7.0	4.6	4.1	3.3
Nigeria	1.9	2.2	-1.8	12.1	11.4	13.2
Zambia	3.1	1.4	-3.0	7.5	9.1	15.7

Source: IMF April 2021 World Economic Outlook, Focus Economics, Trading Economics, Zambia Statistics Agency, Ministry of Finance.
* Preliminary numbers

Advanced Economies

Advanced economies are estimated to have contracted by 4.7 percent in 2020 against an expansion of 1.6 percent in 2019. This was largely due to the adverse impact of COVID-19. The United Kingdom and Euro area suffered the worst contractions of 9.9 percent and 6.6 percent, respectively. As financial conditions deteriorated, monetary and fiscal authorities responded by adopting significant policy accommodation which mitigated the downturn in economic activity. An improvement in private consumption and domestic demand owing to the significant stimulus support mitigated economic contraction. However, the resurgence of COVID-19 infections triggered the reinstatement of containment measures and thus slowed down the economic recovery.

Emerging Markets and Developing Economies

In Emerging Markets and Developing Economies (EMDEs), real GDP shrank by 2.2 percent in 2020 against 3.6 percent growth in 2019. This was largely driven by deep economic recessions in most economies induced by the COVID-19 pandemic. Commodity exporters experienced sharp declines in economic activity as commodity prices collapsed and external demand weakened, particularly in the earlier part of the year. Economies heavily reliant on services and tourism also experienced steeper contractions in economic activity following the imposition of global travel restrictions.

Consumer demand, domestic revenue, business confidence and investment were severely impacted resulting in mass unemployment and negative real growth. The downturn was, however, moderated by positive growth in China estimated at 2.3 percent. This was as a result of effective containment of the pandemic, substantial policy support and strong public investment.

Sub-Saharan Africa

In sub-Saharan Africa (SSA), real GDP contracted by 1.9 percent compared to the positive growth of 3.2 percent in 2019 as the COVID-19 pandemic and associated lockdown measures weighed on economic activity. Real GDP growth in Nigeria and South Africa, the region's largest economies, declined sharply to -1.8 percent and -7.0 percent, from 2.2 percent and 0.2 percent, respectively.

Subdued demand from key trading partner countries and steep declines in commodity prices adversely affected economic activity, particularly of commodity exporters. In addition, countries that rely heavily on tourism were adversely affected by travel restrictions. Within the region, government debt increased amid declining domestic revenue and elevated spending largely related to the pandemic. Further, foreign direct investment inflows contracted sharply while capital outflows surged.[14] Despite limited fiscal space, governments across the region executed fiscal and monetary easing to bolster liquidity and support growth.

[14] Foreign direct investment flows are estimated to have declined by 30 to 40 percent in 2020 while remittance, a vital source of household income, and foreign currency receipts fell by 9.0 percent.

Inflation

Inflation outturn was lower than projected in advanced and emerging market economies on account of subdued energy prices and weak aggregate demand induced by the COVID-19 pandemic. On the contrary, inflationary pressures intensified in sub-Saharan Africa as domestic currencies depreciated significantly[15] and food prices rose as a result of supply disruptions.

Commodity Prices

Commodity prices were subdued in 2020, especially in the first half of the year, largely reflecting weak aggregate demand occasioned by the COVID-19 pandemic. Consequently, crude oil prices plummeted to an average of US$42.2/barrel from US$63.2 in 2019 as economic lockdowns and travel restrictions affected oil demand. Maize prices also declined to US$165.5/mt from US$170.1 as demand weakened, particularly in the United States[16] amid large global supplies. On the contrary, the average copper price rose to US$6,174.0/mt in 2020 from US$6,010.2 in 2019, mostly supported by the pick-up in demand in China in the second half of the year. Wheat and soya beans prices also increased to US$227.7/mt and US$406.0/mt from US$211.3 and US$369.0, respectively.

[15]High debt levels, subdued export revenue and increased capital outflows were the key drivers of currency depreciation.
[16]The United States is the top corn consumer worldwide besides being the leading producer. In 2019/20 season, U.S. corn consumption was estimated at 12.3 billion bushels followed by China with 11.0 billion.

2.0 DOMESTIC MACROECONOMIC DEVELOPMENTS

2.0 DOMESTIC MACROECONOMIC DEVELOPMENTS

In 2020, Government's macroeconomic objectives were, inter alia, to:

a) Achieve a real GDP growth rate of at least 3.0 percent (projection revised to -4.2 percent in view of COVID-19);
b) Achieve and maintain inflation within the target range of 6-8 percent;
c) Increase international reserves to at least 2.5 months of import cover;
d) Reduce the fiscal deficit to 5.5 percent of GDP; and
e) Increase domestic revenue mobilisation to at least 22.0 percent of GDP.

All the macroeconomic objectives were not met, mainly due to the challenges associated with the COVID-19 shock. Detailed performance on these and other macroeconomic indicators is provided in the latter part of this chapter.

2.1 MONETARY POLICY

Monetary Policy Stance

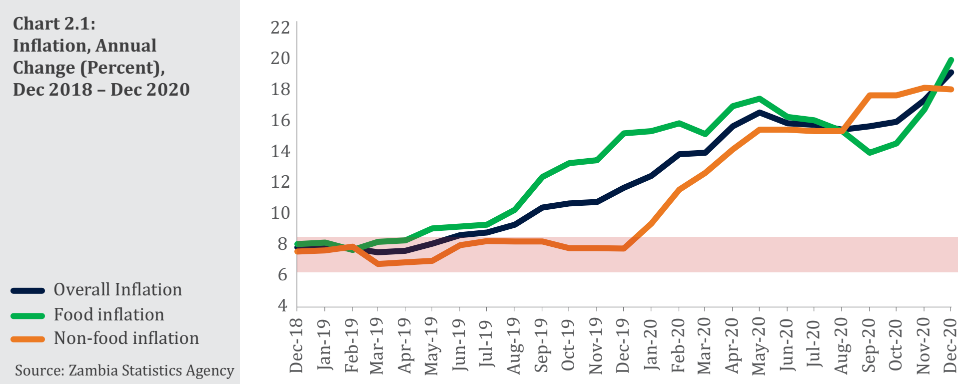
Monetary policy was relatively tight over the first five months of the year in view of rising inflationary pressures. However, in the second half of the year, monetary policy was relaxed to accommodate the threats of the COVID-19 shock on people's lives and livelihoods as well as to safeguard the stability of the financial sector. This was despite inflation deviating further from the upper bound of the 6-8 percent target range. Thus, in May, the Policy Rate was lowered by 225 basis points to 9.25 percent from 11.5 percent and by a further 125 basis points to 8.0 percent in August.

The reduction in the Policy Rate complemented other broader measures to mitigate the impact of COVID-19. These included liquidity support to the financial sector to avoid stress in the interbank and debt markets and the overall functioning of the economy. In this regard, open market operations were scaled-up to provide short-term liquidity support on more flexible terms. Thus, expansionary open market operations were conducted on long-term tenors of up to 90 days towards the end of February from overnight in order to address emerging stress in both the interbank money and debt markets. In addition, a 3-5 year K10 billion Targeted Medium-Term Refinancing Facility was established in April to provide funds to eligible Financial Service Providers for on-lending to priority sectors at attractive rates. Further, an K8.0 billion Secondary Market Bond Purchase Programme was implemented in June to support market liquidity, promote bond consolidation in order to deepen the secondary trading of Government paper, and strengthen the transmission of monetary policy. In undertaking these measures, the Bank of Zambia remained mindful of the need to bring back inflation to the target range over the medium-term.

Inflation

Inflationary pressures heightened in 2020 resulting in overall inflation deviating further from the upper bound of the 6-8 percent target range (Chart 2.1). Average annual overall inflation rose to 15.7 percent from 9.1 percent in 2019. Inflation ended the year at 19.2 percent from 11.7 percent in 2019.

Chart 2.1: Inflation, Annual Change (Percent), Dec 2018 – Dec 2020



Source: Zambia Statistics Agency

The increase in inflation was mainly due to the pass-through from the sharp depreciation of the Kwacha and upward adjustment in energy prices (fuel pump prices and electricity tariffs) at the beginning of the year.

Annual food inflation averaged 16.2 percent, up from 10.4 percent while non-food inflation jumped to 15.1 percent from 7.7 percent in 2019. At the end of 2020, food and non-food inflation increased to 20.2 percent and 18.1 percent from 15.2 percent and 7.8 percent in 2019, respectively.

The key changes in the food inflation sub-component were in meat products, fresh and dried fish as well as vegetables and fruits (Chart 2.2). The price of meat products rose significantly largely due to increases in production costs attributed to the sharp rise in stock feed prices mostly as a result of the depreciation of the Kwacha. Fresh and dried fish prices were largely driven by reduced supply due to the fish ban. Low seasonal supply of selected vegetables contributed to the rise in the prices of vegetables. The grains, cereals and related products sub-group, however, moderated the rise in food inflation following the bumper harvest in the 2019/ 2020 agricultural season.

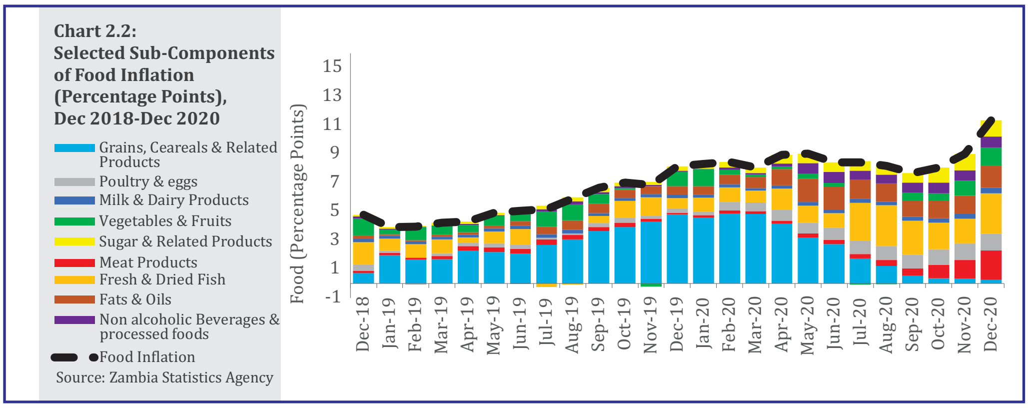


Chart 2.2: Selected Sub-Components of Food Inflation (Percentage Points), Dec 2018-Dec 2020

Source: Zambia Statistics Agency

With respect to non-food inflation, notable increases were recorded in the energy and transport sub-groups following the upward adjustment in fuel pump prices and electricity tariffs in the early part of the year (Chart 2.3). In addition, the increase in prices of motor vehicles, replacement parts as well as materials[17] for the maintenance and repair of the dwellings following the depreciation of the Kwacha also contributed to the jump in non-food inflation.

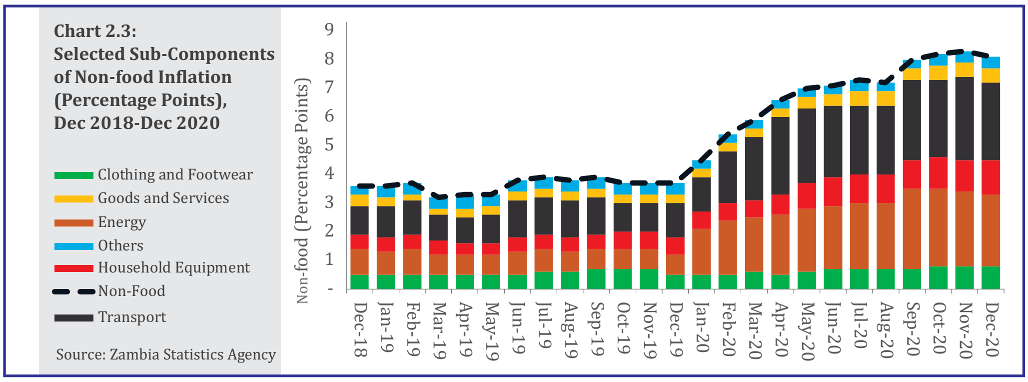


Chart 2.3: Selected Sub-Components of Non-food Inflation (Percentage Points), Dec 2018-Dec 2020

Source: Zambia Statistics Agency

Money Market Liquidity

Money market liquidity conditions eased, particularly in the second half of 2020, following the implementation of an accommodative monetary policy stance. The aggregate current account balance of banks held at the Bank of Zambia rose to K3.3 billion at end-2020 from K2.0 billion at the beginning of the year (Table 2.1). The major sources of liquidity injections included Government spending[18],

[17] Materials for the maintenance and repair of the dwelling (floor tiles and iron sheets) fall in the housing and energy sub-category and are mostly imported.

[18] Government issued a COVID-19 bond to offset the negative economic effects of the pandemic. Against a target of K8.0 billion, K6.9 billion (at cost) was raised and utilised on COVID-19 programmes.

Secondary Market Bond Purchase Programme (SMBPP), Targeted Medium-Term Refinancing Facility (TMTRF) and open market operations. Nonetheless, net Government securities, currency withdrawals and foreign exchange interventions by the Bank of Zambia moderated the increase in liquidity.

Table 2.1 Liquidity Influences (K' billion), 2018 - 2020

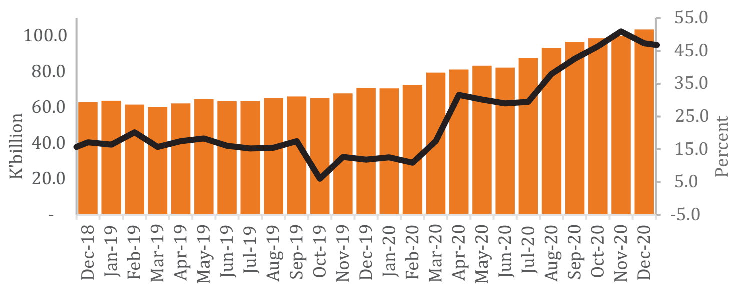
	2018	2019	2020
Current Account Opening Balance	**1.4**	**1.4**	**2.0**
Net Government Spending/(Revenue)	1.6	-11.9	9.6
Net BoZ Foreign Exchange Purchases/(Sales)	3.8	7.3	-6.8
Currency in Circulation	-0.7	-0.4	-4.5
Statutory Reserves Deposits	-8.0	-1.7	-1.4
Overnight Lending Facility (OLF)	-4.1	0.6	-0.5
Net Government Secondary Maturities/(sales)	5.7	5.7	-9.1
SMBPP	0.0	0.0	8.0
Open Market Operations (OMOs)	0.5	-0.0	1.5
TMTRF	0.0	0.0	2.9*
Miscellaneous Transactions	0.0	0.0	0.0
Current Account Closing Balance	**1.4**	**2.0**	**3.3**

Source: Bank of Zambia
*Funds disbursed and settled

Broad Money

Broad money (M3) expanded at a strong pace, growing by 46.4 percent to K103.8 billion at end-2020(12.5 percent in 2019) as shown in chart 2.4. Adjusted for exchange rate movement, broad money rose by 36.9 percent compared to 11.6 percent in 2019. The expansion in credit to Government and valuation effects following the sharp depreciation of the Kwacha largely accounted for the strong growth in broad money (Table 2.2).

Chart 2.4:
Annual Broad Money Growth,
Dec 2018 – Dec 2020



Broad Money (M3)
Y/Y Growth Rate (RHS)
Source: Bank of Zambia.

Table 2.2: Sources of Growth in Broad Money (Percent), 2018 – 2020

	2018	2019	2020	Contribution to Growth in M3 in 2020
Broad Money (M3)	16.4	12.5	46.4	46.4
Of which				
Net Foreign Assets	12.8	-2.3	60.8	20.8
Net Domestic Assets	18.9	22.2	39.0	25.7
Gross Domestic Credit	14.9	16.8	41.1	48.2
Gross Claims on Government	12.8	17.2	68.8	43.1
Private Sector	16.7	8.5	6.4	3.9
Private Enterprises	14.9	23.3	16.2	5.4
Households	19.3	8.4	-4.2	-0.8
Public Enterprises	18.4	48.4	58.3	0.6
NBFIs	89.8	-59.8	-	-0.1

Source: Bank of Zambia

Domestic Credit

Domestic credit[19] expanded at a faster pace, rising by 41.1 percent to K117.2 billion in 2020 (16.8 percent in 2019), underpinned by sustained expansion in lending to Government to meet mounting domestic financing needs mostly for agricultural inputs under the Farmer Input Support Programme (FISP), fuel arrears and COVID-19 related expenditures (Table 2.3 and Chart 2.5). Lending to Government grew by 68.8 percent to K75.0 billion (17.2 percent in 2019).

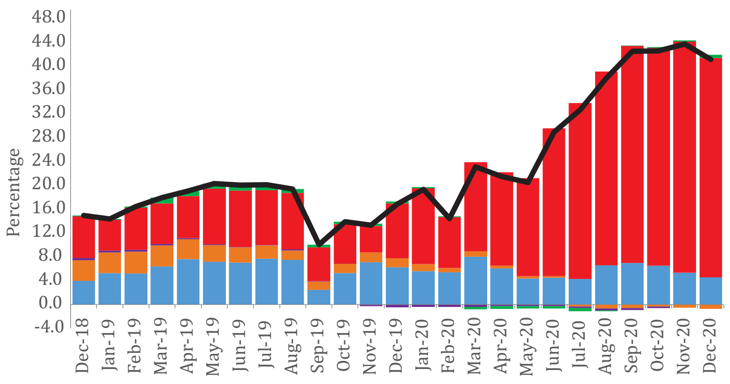
Table 2.3: Developments in Domestic Credit, 2018 – 2020

Description	2018			2019			2020		
	K' billion	Percent Change	Percentage Contribution	K' billion	Percent Change	Percentage Contribution	K' billion	Percent Change	Percentage Contribution
Total Domestic Credit	**71.1**	**15.0**	**15.0**	**83.0**	**16.8**	**16.8**	**117.2**	**41.1**	**41.1**
Government	37.9	12.9	7.0	44.4	17.2	9.2	75.0	68.8	36.8
Private Sector	32.1	16.7	7.4	37.6	17.2	7.8	40.8	8.5	3.9
Private Enterprises	19.0	14.9	4.6	23.4	23.3	6.2	27.2	16.2	4.6
Households	13.1	19.4	4.0	14.2	8.4	1.5	13.6	-4.2	-0.7
Public Enterprises	0.5	18.4	0.1	0.7	48.4	0.3	1.1	58.3	0.5
NBFIs	0.5	89.8	0.5	0.2	-59.8	-0.5	0.2	-23.7	-0.1

Source: Bank of Zambia

Demand for credit by the private sector declined due to the deterioration in the macroeconomic environment and strict lending conditions adopted by banks as credit default risk heightened in the wake of COVID-19. Consequently, credit to the private sector grew at a slower rate of 8.5 percent compared to 17.2 percent in 2019 (Table 2.3 and Chart 2.5).

Chart 2.5: Contribution to year-on-year Gross Domestic Credit Growth, Dec 2018 – Dec 2020



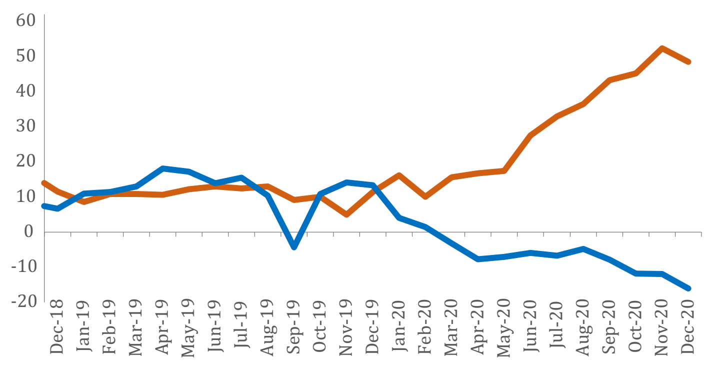
Private enterprises
Gross Claims on Central Government
Households
Public enterprises
NBFIs
Gross Domestic Credit Growth

Source: Bank of Zambia.

Total credit in Kwacha rose significantly by 48.5 percent compared to 11.4 percent in 2019. This was largely due to increased lending to Government largely in form of Government securities and the switch by some corporates from foreign currency denominated loans to Kwacha on account of heightened exchange rate risk (Chart 2.6). As a result, foreign currency denominated credit shrank by 16.1 percent in 2020 against a growth of 13.3 percent in 2019.

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

Chart 2.6: Growth in Credit by Currency, year-on-year (Percent), Dec 2018 – Dec 2020



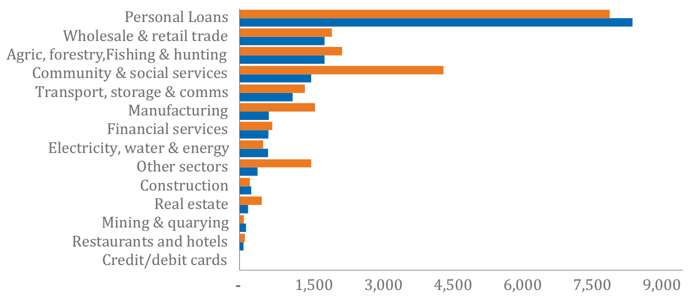
Growth in Total Kwacha Credit

Growth in Total Forex (US$) Credit

Source: Bank of Zambia.

Personal loans (households) continued to account for the largest proportion of loans denominated in Kwacha, at 34.2 percent at end- 2020 (47.8 percent in 2019) as shown in Chart 2.7.

Chart 2.7: Distribution of Commercial Bank Kwacha Denominated Loans (K' million), 2019-2020



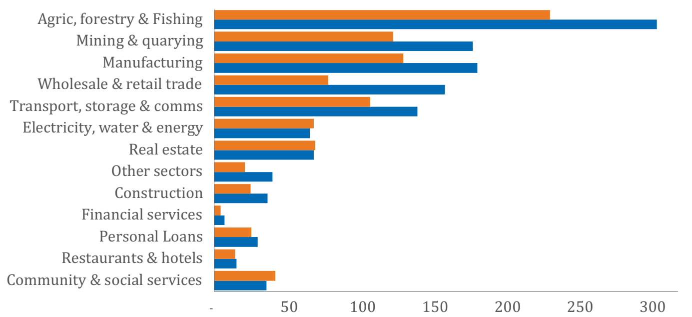
Dec-20

Dec-19

Source: Bank of Zambia.

With regard to foreign currency denominated loans, the agriculture sector continued to account for the largest share of 24.6 percent as at end-2020 followed by mining (13.8 percent) and manufacturing (13.1 percent) sectors (Chart 2.8).

Chart 2.8: Distribution of Commercial Bank Foreign Currency Loans (US$'000), 2019-2020



Dec-20

Dec-19

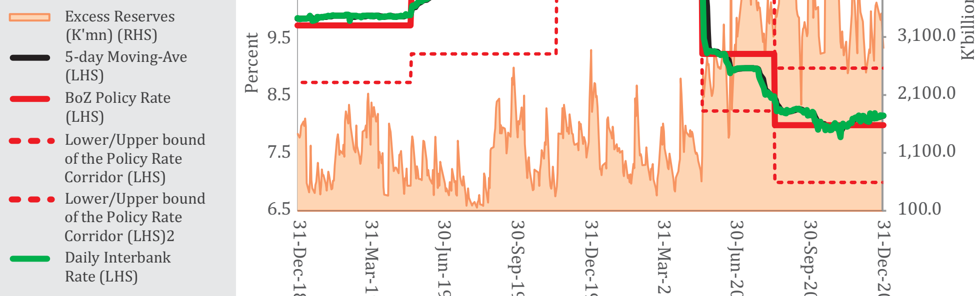
Source: Bank of Zambia.

Interest Rates

Broadly, interest rates trended downwards, largely supported by the accommodative monetary policy stance.

In line with the cut in the policy rate and easing in liquidity conditions, the overnight interbank rate declined to 8.1 percent in December 2020 from 12.6 percent in December 2019 (Chart 2.9).

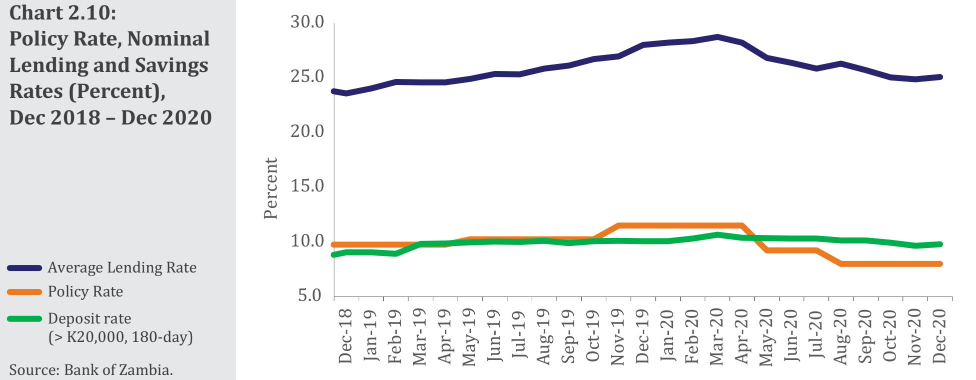
Chart 2.9:
Interbank Rate and Market Liquidity, Dec 2018 – Dec 2020



Source: Bank of Zambia.

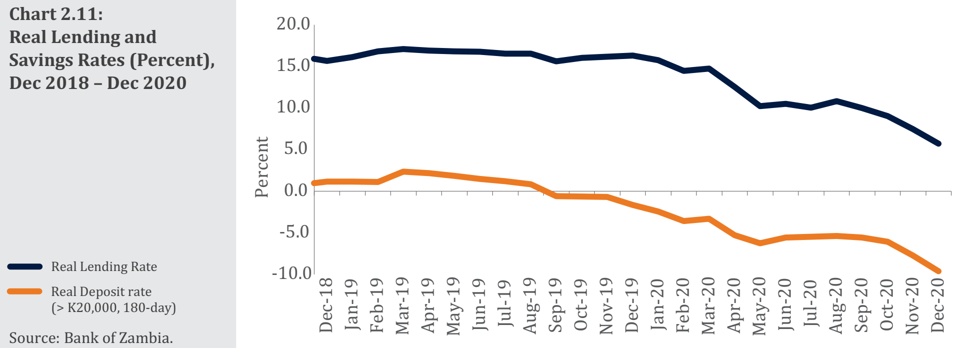
Commercial banks' nominal average lending rate (ALR) and the 180-day deposit rate for amounts exceeding K20,000 also declined to 25.1 percent and 9.8 percent from 28.0 percent and 10.1 percent, respectively (Chart 2.10). In real terms, the ALR dropped to 5.7 percent in December 2020 from 16.3 percent in December 2019, reflecting the fall in nominal rates and increase in inflation (Chart 2.11). The real average 180-day deposit rate for amounts above K20,000 dipped to -9.6 percent from -4.9 percent.

Chart 2.10:
Policy Rate, Nominal Lending and Savings Rates (Percent), Dec 2018 – Dec 2020



Source: Bank of Zambia.

Chart 2.11:
Real Lending and Savings Rates (Percent), Dec 2018 – Dec 2020

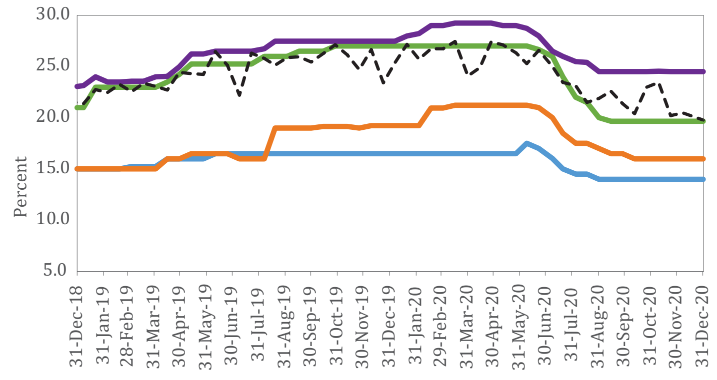


Source: Bank of Zambia.

Further, the weighted average composite Treasury bill yield rate declined to 23.9 percent from 24.5 percent (Chart 2.12). However, the composite Government bond yield rate rose to 33.4 percent from

31.0 percent over the same period largely due to reduced demand for longer dated instruments because of heightened sovereign credit risk[20] (Chart 2.13).

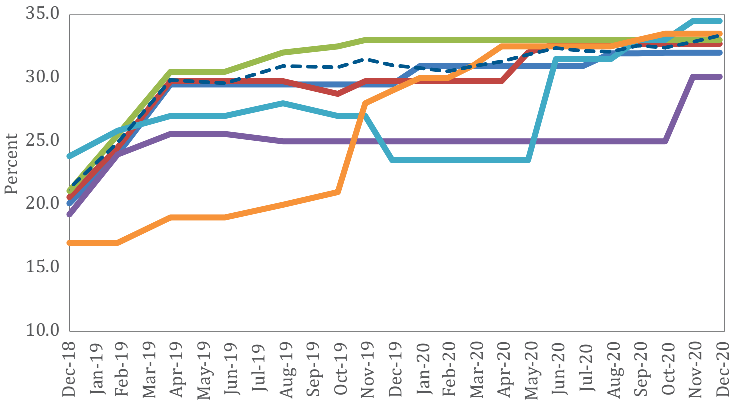
Chart 2.12: Treasury Bills Weighted Average Yield Rates (Percent), Dec 2018 – Dec 2020



91-Day
182-Day
273-Day
364-Day
Composite Yield

Source: Bank of Zambia.

Chart 2.13: Government Bond Yield Rates (Percent), Dec 2018 – Dec 2020



2-years
10-years
3-years
15-years
5-years
7-years
Composite Bond Rate

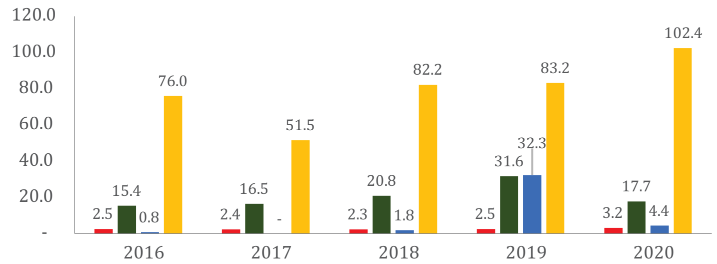
Source: Bank of Zambia.

2.2 FINANCIAL MARKETS

Interbank Money Market

The turnover in the interbank market rose to K102.4 billion in 2020 from K83.0 billion in 2019 (Chart 2.14). This reflects high demand in the earlier part of the year when market liquidity was tight.

Chart 2.14: Interbank Money Market Trading Activity (K' billion), 2016 – 2020



Foreign Exchange Swaps
Overnight Lending Facility
Open Market Operations
Interbank

Source: Bank of Zambia.

Commercial banks also utilised foreign exchange swaps and the Overnight Lending Facility (OLF) to meet settlement obligations (Chart 2.14). Recourse to the OLF, however, reduced following the implementation of liquidity support measures initiated after the outbreak of the coronavirus disease.

[20] Zambia's credit rating was downgraded in 2020. In February, Standard & Poor's (S&P) downgraded Zambia to CCC with a negative outlook followed by Moody's and Fitch who lowered the rating to Ca and CC, respectively. In April. Fitch and S&P reduced the rating further to C and CCC, respectively. Following the rejection of the Government's request (Consent Solicitation) to suspend Eurobond interest payments in September and the subsequent none payment of the Eurobond coupon payment in October, S&P downgraded Zambia's debt to selective default and restricted default. Rating agencies cited worsening fiscal position arising from persistent economic underperformance compounded by the impact of the coronavirus disease.

Government Securities Market

Demand for Government securities weakened in 2020 on the back of heightened investor aversion following successive downgrades of the country's credit rating and partly due to the adverse impact of the COVID-19 pandemic on economic activity. As a result, demand was skewed towards the shorter-end of the yield curve. Subscription rates for Treasury bills and Government bonds declined to 93.0 percent and 37.0 percent from 98.0 percent and 62.0 percent, respectively (Table 2.4).

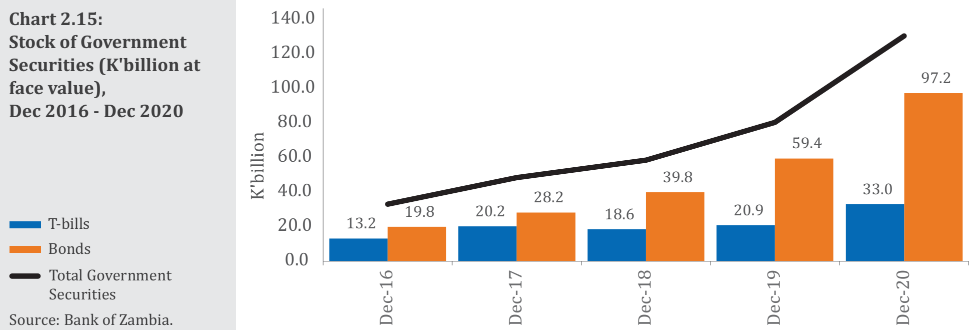
Table 2.4. Government Securities Transactions, 2018-2020

	2018			2019			2020		
	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (Percent)
91-day bills	2.0	1.2	63.5	2.1	1.5	73.0	2.2	3.1	141.0
182-day bills	4.2	1.3	31.2	4.5	1.9	43.0	4.9	4.2	86.0
273-day bills	6.2	1.9	29.9	6.7	5.0	74.0	7.3	4.3	59.0
364-day bills	12.4	13.9	112.8	13.3	17.6	132.0	14.5	15.3	106.0
TOTAL	**24.7**	**18.3**	**74.2**	**26.6**	**26.0**	**98.0**	**28.9**	**26.9**	**93.0**
2-year bond	0.6	0.4	65.1	1.1	1.7	152.0	2.2	2.5	114.0
3-year bond	2.1	0.7	34.7	2.5	1.3	49.0	3.1	1.6	52.0
5-year bond	2.7	1.6	59.9	2.8	3.4	122.0	4.1	1.1	27.0
7-year bond	0.9	0.8	84.7	1.0	0.1	12.0	1.7	0.0	2.0
10-year bond	2.7	2.3	86.6	2.8	0.2	9.0	3.4	0.4	12.0
15-year bond	0.9	2.5	273.1	0.8	0.1	7.0	1.1	0.2	18.0
TOTAL	**9.9**	**8.3**	**83.8**	**11.0**	**6.8**	**62.0**	**15.6**	**5.8**	**37.0**

Source: Bank of Zambia

Tender sizes for Treasury bills and Government bonds were adjusted upwards to K1.3 billion and K1.5 billion from K950.0 million and K1.1 billion, respectively due to high financing requirements amidst falling revenue. A total of K46.2 billion was raised through auctions against maturities of K35.7 billion resulting in a surplus of K10.5 billion. However, this amount was not enough to meet Government financing needs. As a result, non-regular issuances of Government bonds (private placements) increased to K40.6 billion (face value) in 2020 from K12.9 billion in 2019. In addition, Government raised K6.9 billion (at cost) via the COVID-19 Bond. Consequently, the outstanding stock of Government securities rose to K130.2 billion at face value (K91.1 billion at cost) from K80.2 billion (K60.3 billion at cost) at end-December 2019 (Chart 2.15).

Chart 2.15:
Stock of Government Securities (K'billion at face value), Dec 2016 - Dec 2020

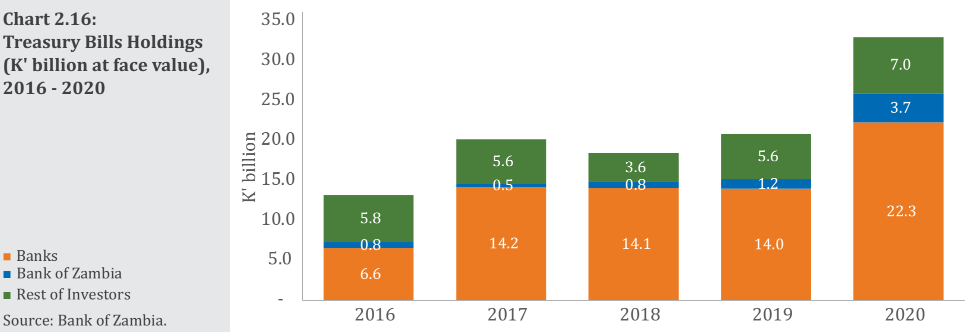


Source: Bank of Zambia.

Commercial banks continued to account for the largest share of outstanding Treasury bills (67.5 percent) followed by non-bank financial institutions (21.3 percent) and Bank of Zambia[21] (11.2 percent) as shown in Chart 2.16.

[21]The increase in the holdings by the Bank of Zambia was due to extended open market operations introduced as a policy response to the COVID-19 pandemic. Treasury bills are eligible collateral placed by commercial banks for funds borrowed through the facility.

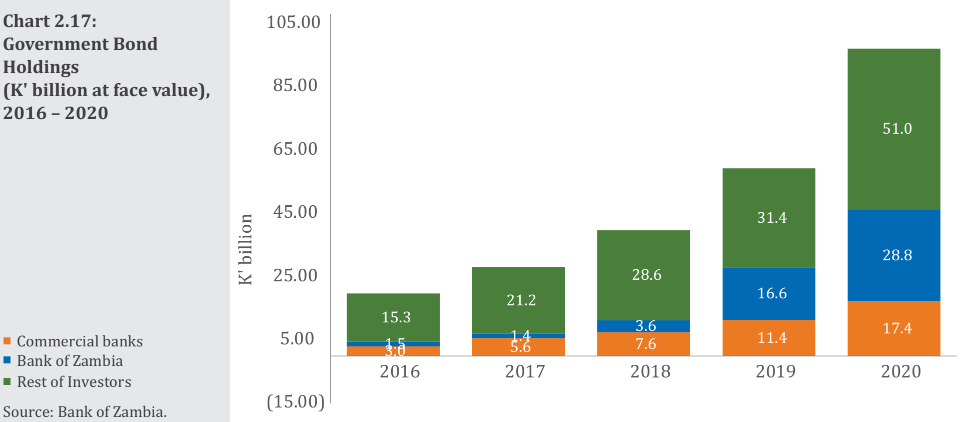
Chart 2.16:
Treasury Bills Holdings (K' billion at face value), 2016 - 2020



Source: Bank of Zambia.

Non-bank financial institutions, mainly pension funds, held the largest proportion of Government bonds (52.4 percent) followed by the Bank of Zambia (29.7 percent) and commercial banks (17.9 percent) as depicted in Chart 2.17. The increase in the BoZ holdings, largely reflects purchases under the Secondary Market Bond Purchase Programme.

Chart 2.17:
Government Bond Holdings (K' billion at face value), 2016 – 2020



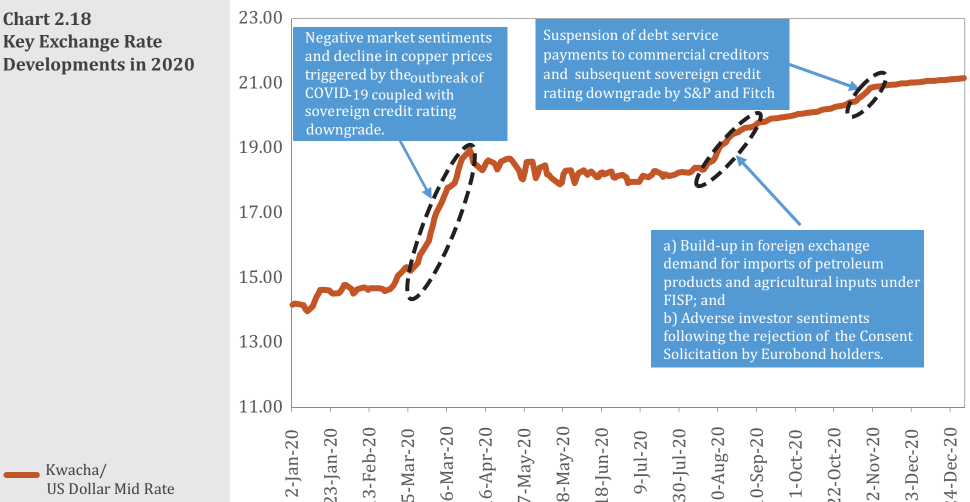
Source: Bank of Zambia.

Non-resident holdings of Government securities increased to K18.1 billion from K8.8 billion at end-December 2019. This followed their participation in the financing of imports of petroleum products and agricultural inputs under the Farmer Input Support Programme (FISP).

Foreign Exchange Market

The economic fallout from the COVID-19 pandemic generated significant exchange rate pressures throughout 2020. The Kwacha faced several vulnerabilities mainly from the weakening macroeconomic environment. In addition, the build-up in excess demand, mostly for imports of petroleum products and agricultural inputs under FISP, and adverse market sentiments exacerbated exchange rate pressures (Chart 2.18). On the other hand, supply fell mainly due to reduced inflows from the mining companies and foreign investors.

Chart 2.18
Key Exchange Rate Developments in 2020



Source: Bank of Zambia.

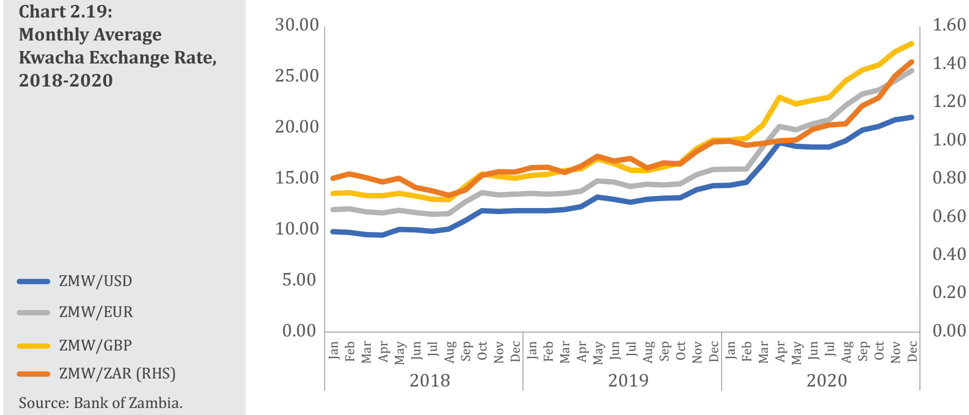
Consequently, the Kwacha depreciated by 41.7 percent against the US dollar to an annual average of K18.31 (Table 2.5 and Chart 2.19). By the end of the year, the Kwacha was trading at K21.16 to the US dollar from K14.05 at the end of 2019. Further, the Kwacha weakened against the British Pound Sterling, Euro and the South African Rand (Table 2.5).

Table 2.5: Kwacha Exchange Rate, 2019-2020

Year	ZMW/USD	ZMW/GBP	ZMW/EUR	ZMW/ZAR
2019	12.92	16.49	14.46	0.89
2020	18.31	23.54	20.99	1.12
Annual average Percentage Change	41.7	42.8	45.1	25.1

Source: Bank of Zambia

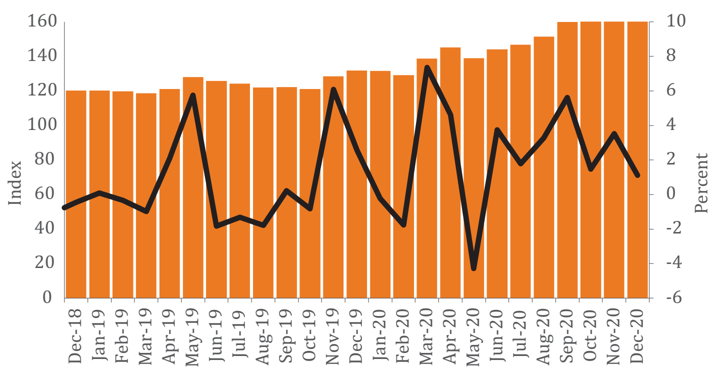
Chart 2.19: Monthly Average Kwacha Exchange Rate, 2018-2020



Source: Bank of Zambia.

In real terms, the Kwacha effective exchange rate depreciated by 20.4% (Chart 2.20). This followed a significant nominal depreciation of the Kwacha.

Chart 2.20: Real Effective Exchange Rate Index, Dec 2018 - Dec 2020

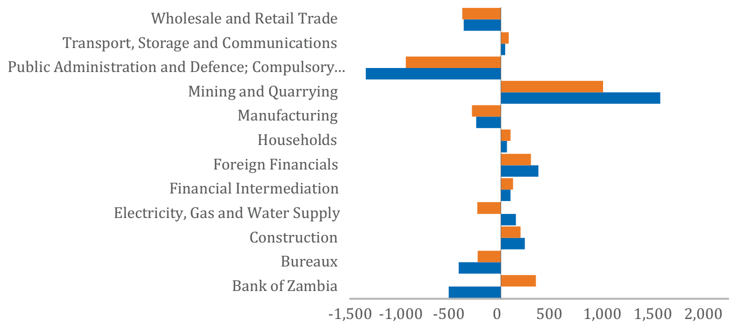


Source: Bank of Zambia.

Net supply of foreign exchange reduced substantially to US$128.5 million from US$866.8 million in 2019. Supply by the mining companies declined to US$1,013.0 million from US$1,577.3 million (Chart 2.21). This was partly explained by the requirement for mining companies to settle the remaining tax obligations directly in US dollars. In addition, inflows from foreign financials (non-resident investors) reduced to US$296.6 million from US$372.6 million as sovereign credit risk heightened. Further, the construction sector supplied US$195.2 million (US$236.9 million in 2019) as COVID-19 constrained economic activity.

The bulk of the demand for foreign exchange came from the public sector (US$940.4 million) mostly for the importation of petroleum products and agricultural inputs under FISP followed by wholesale and retail trade (US$380.8 million), manufacturing (US$287.4 million), as well as electricity, gas and water supply (US$232.8 million) sectors (Chart 2.21).

Chart 2.21: Net Supply of Foreign Exchange by Sector (US$ million), 2019 - 2020



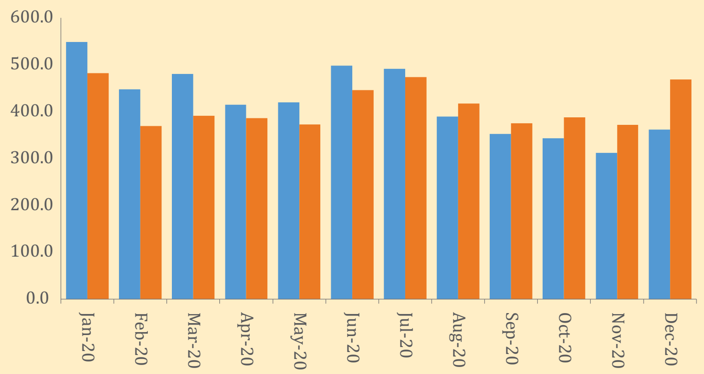
2020
2019
Source: Bank of Zambia.

Due to persistent imbalances and heightened exchange rate volatility, the Bank of Zambia scaled up interventions in the foreign exchange market and also revised pricing rules governing the IFEM (Box 1.0). The interventions included all tax obligations paid by the mining companies directly in US dollars.

Box 1: Measures Taken to Support the Foreign Exchange Market

The foreign exchange market was characterised by persistent and widening imbalances in liquidity flows, especially in the second half of 2020. Demand for foreign exchange remained high and intensified, particularly in the second half of the year, as foreign currency needs for critical imports of agricultural inputs under FISP, petroleum products and COVID-19 related health requirements increased (Chart 1.0). On the other hand, supply declined owing to reduced inflows from the mining companies and increased aversion to domestic assets by foreign investors due to a challenging sovereign debt situation.

Chart: 1.0: Foreign Exchange Demand and Supply Flows (US$ million), 2020

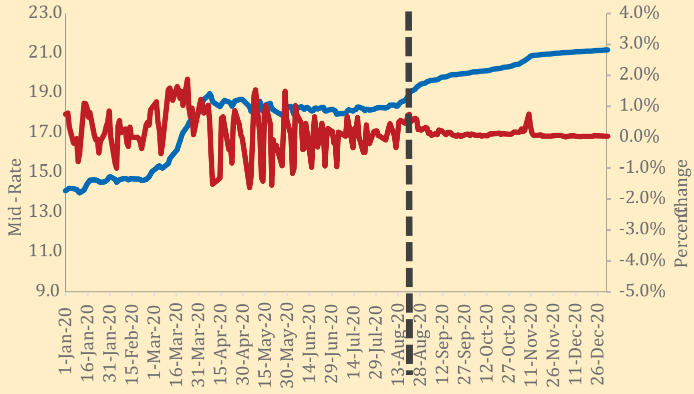


Supply
Demand
Source: Bank of Zambia.

Due to constrained supply, commercial banks prioritised meeting direct client demand, which severely impacted interbank trading. Thus, the turnover in the interbank market declined to US$1.1 billion in 2020 from US$2.0 billion in 2019.

To dampen volatility in the exchange rate, the Bank of Zambia scaled up interventions in the foreign exchange market and sold a net of US$345.6 million compared with net purchases of US$515.0 million in 2019. The bulk of intervention occurred in the second half of the year as exchange rate pressure mounted. Interventions included all the tax receipts from the mining companies. In addition, pricing rules governing the Interbank Foreign Exchange Market (IFEM) were amended in November requiring Authorised Dealers' to transact at prevailing market rates. Authorised Dealers are required to buy foreign exchange from retail and corporate clients at rates not exceeding the interbank bid price and sell at rates not exceeding the retail board offer rate. With these measures, relative stability in the exchange rate was restored (Chart 2.0).

Chart 2.0: Volatility in the Kwacha/US Dollar Exchange Rate, 2020



Source: Bank of Zambia.

In June, the Bank introduced additional standards of professional and ethical conduct for market players to enhance market discipline. Authorised Dealers are required to disclose any investigations, litigation, arbitration, complaints, disciplinary proceedings or other matters relating to professional conduct. This is intended to hold commercial banks accountable for any breaches of the IFEM Rules.

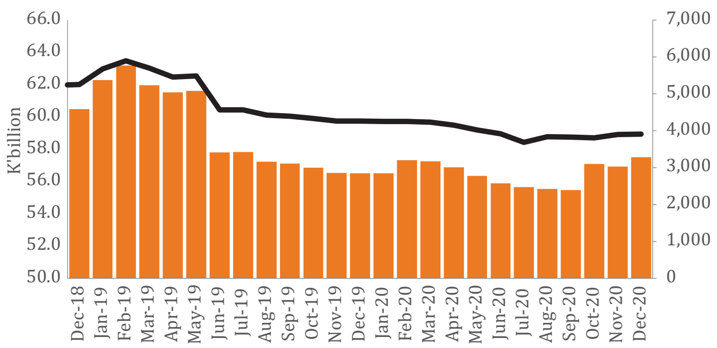
Effective June, the Government required mining companies to pay the remaining tax obligations directly in US dollars. This measure was in addition to the earlier requirement in September 2018 for mining companies to pay mineral royalty tax directly in US dollars. This was intended to shore up foreign reserves in view of the declining trend mostly due to Government debt service. Consequently, mining companies paid US$467.7 million directly to the Bank of Zambia. On December 11, the Bank of Zambia signed two-year contracts with Kansanshi Mining Plc and Zambia Gold Company (ZGC) to purchase locally produced gold. Subsequently, on December 31, the Bank purchased 47.96 kilogrammes of *doré* gold from ZGC. *Doré* gold is of lower purity and requires refining to meet bullion standard to be included in the measure of reserves.

To enhance transparency in the market, in August, the Bank of Zambia introduced the requirement to register all foreign exchange brokers operating in the domestic market.

Capital Markets

Trading at the Lusaka Securities Exchange (LuSE) Plc remained subdued in 2020. The LuSE All-Share Index (LASI) declined by 8.3 percent to 3,912.3 while market capitalisation fell by 1.7 percent to K57.5 billion (Chart 2.22). The decrease in the LASI was largely driven by the fall in share prices of companies in the real estate and energy sectors[22] adversely affected by COVID-19. Despite negative market sentiments arising from sovereign downgrades, LuSE recorded net foreign inflows of US$2.9 million against outflows of US$1.3 million in 2019.

Chart 2.22: Indicators of Capital Market Activity, Dec 2018 – Dec 2020



Source: Bank of Zambia.

2.3 BALANCE OF PAYMENTS

The overall balance of payments deficit widened to 2.2 percent of GDP in 2020 from 0.4 percent in 2019. Largely accounting for this was the substantial accumulation of financial assets by the private sector, mostly mining companies. This was despite a significant increase in the current account surplus to 12.2 percent of GDP from 0.6% in 2019 (Table 2.6).

[22]Share prices for real sector stocks declined due to lower occupancy rates of commercial businesses as the Kwacha costs of rent increased following the sharp depreciation of the domestic currency. Energy sector stocks were partly affected by negative sentiments following Government's declaration of Copperbelt Energy Corporation's transmission and distribution lines as common carriers through the promulgation of Statutory Instrument No.57 of 2020 dated May 29th, 2020 and the subsequent decision by the Energy Regulation Board directing a wheeling tariff equivalent to 30 percent of the firm's standard network tariff.

Table 2.6: Balance of Payments (US$' million, f.o.b), 2018-2020

BPM6 Concept	2018	2019r	2020*
A. Current Account, n.i.e.	**-296.9**	**144.7**	**2,319.9**
Balance on goods	513.9	744.3	3,221.3
Goods: exports	9,029.4	7,246.1	8,006.7
of which Copper	6,658.4	4,994.5	5,867.7
Cobalt	116.7	42.7	10.6
NTEs	2,036.1	1,937.4	1,872.6
Gold	148.0	196.4	220.5
Goods: imports	8,515.5	6,501.7	4,785.4
Balance on Services	-724.3	-522.2	-598.7
Services: credit	953.2	1,011.8	539.0
of which Transportation	53.8	42.6	46.2
Travel	742.2	819.2	411.6
Services: debit	1,677.5	1,534.0	1,137.7
of which Transportation	957.4	817.4	652.6
Travel	279.3	298.4	233.9
Insurance & Pension Services	117.4	109.0	58.3
Balance on Primary Income	-362.4	-399.9	-523.9
Primary income: credit	73.0	45.2	37.4
Primary income: debit	435.4	445.1	561.2
Balance on Secondary Income	275.9	322.5	221.2
Secondary income, n.i.e.: credit	374.0	389.1	285.2
Secondary income: debit	98.0	66.6	64.0
B. Capital Account, n.i.e.	**66.2**	**96.6**	**79.8**
Capital account, n.i.e.: credit	66.2	96.6	79.8
C. Financial Account, n.i.e.s	**99.9**	**240.4**	**2,652.8**
Direct investment: assets	45.3	696.2	133.4
Direct investment: liabilities, n.i.e.	408.4	548.0	234.0
Portfolio investment: assets	5.4	0.0	50.7
Equity and investment fund shares	0.0	0.0	0.0
Debt securities	5.4	0.0	50.7
Portfolio investment: liabilities, n.i.e.	-232.7	-53.0	224.2
Equity and investment fund shares	-5.4	-1.3	-6.6
Debt securities	-227.4	-51.7	230.9
Financial derivatives: net	-32.0	-78.7	62.7
Financial derivatives: assets	-1.5	-36.2	106.3
Financial derivatives: liabilities	30.5	42.5	43.6
Other investment: assets	1,591.4	531.2	3,381.2
Other debt instruments	1,591.4	531.2	3,370.0
Central bank	-56.5	24.3	189.8
Deposit-taking corporations, except C/bank	236.3	-314.9	255.4
Other sectors	1,411.6	821.9	2,924.8
Non-financial corps, h/holds & NPISHs	1,411.6	821.9	2,924.8
Other investment: liabilities, n.i.e.	1,334.5	413.4	517.0
Other debt instruments	1,334.5	406.5	517.0
Deposit-taking corporations, except c/bank	105.9	-19.5	0.3
General government	1,526.2	881.0	771.7
Other sectors	-297.5	-454.9	-255.0
Non-financial corps, h/holds & NPISHs	-297.5	-454.9	-255.0

Source: Bank of Zambia
f.o.b = Free on Board; (*) Preliminary; (r) Revised; and (S) The financial account and the overall balances take on a sign convention such that a negative denotes a surplus and a positive represents a deficit.

Table 2.6: Balance of Payments, (US$' million, f.o.b), 2018-2020 *Continued*

BPM6 Concept	2018	2019r	2020*
D. Net Errors and Omissions	**-12.5**	**-105.5**	**-169.8**
E. Overall Balances	**387.8**	**99.5**	**422.9**
F. Reserves and Related Items	**-387.8**	**-99.5**	**-422.9**
Reserve assets	-449.2	-143.7	-438.4
Credit and loans from the IMF	-61.4	-44.2	-15.5
Exceptional financing	0.0	0.0	0.0

Source: Bank of Zambia
f.o.b = Free on Board; (*) Preliminary; (r) Revision; and (S) The financial account and the overall balances take on a sign convention such that a negative denotes a surplus and a positive represents a deficit.

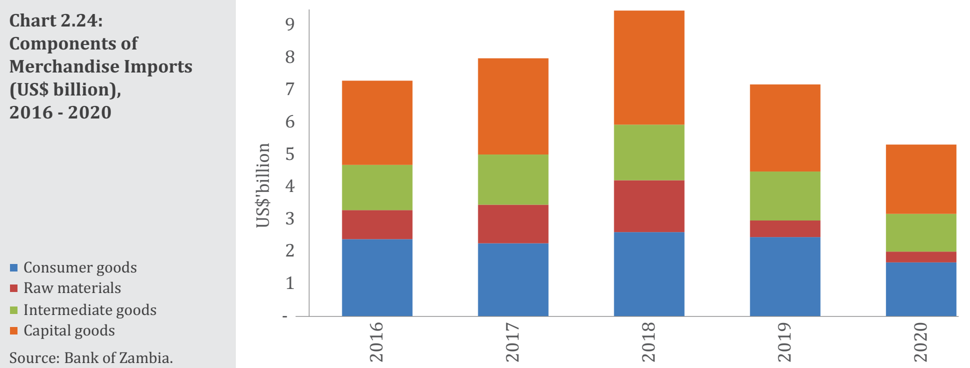
Current Account

The current account surplus expanded to US$2.3 billion in 2020 (12.2 percent of GDP) from US$0.1 billion in 2019 (0.6 percent of GDP) as shown in Chart 2.23. A significant increase in the balance on goods to US$3.2 billion from US$0.7 billion due to a substantial compression in imports amidst a rise in copper export earnings explained this outturn. Imports fell by 26.4 percent to US$4.8 billion due to the slowdown in domestic economic activity, depreciation of the Kwacha and COVID-19 related disruptions to international trade. The fall in imports was broad-based, with consumer goods and raw materials declining the most (Chart 2.24).

Chart 2.23: Current Account (US$ billion), 2016 - 2020

Source: Bank of Zambia.

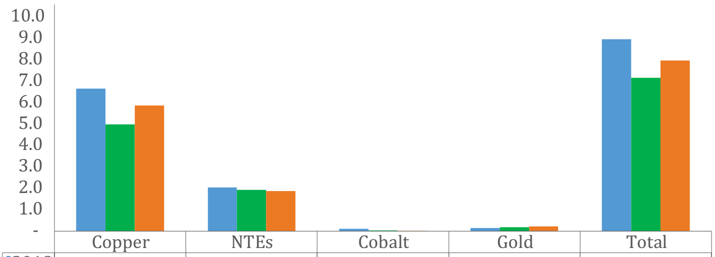
Chart 2.24: Components of Merchandise Imports (US$ billion), 2016 - 2020



Source: Bank of Zambia.

Merchandise export earnings rose by 10.5 percent to US$8.0 billion following the increase in copper export volumes and the recovery in copper prices (Chart 2.25 and Table 2.7). A faster than expected recovery in China and supply disruptions at some major mines in South America (Chile and Peru) largely explained the rise in copper prices. In addition, increased production after the commissioning of refurbished plants at some mines, higher capacity utilisation, favourable ore grades, and reduction in cash costs at major mines contributed to the rise in export volumes. Gold export earnings also rose due to higher throughput and realised prices. However, cobalt earnings declined following the shutdown of operations by a major producer. Non-traditional export (NTE) earnings were broadly unchanged at US$1.9 billion in 2020 (Table 2.8).

Chart 2.25: Export Earnings (US $ billion), 2018 - 2020



	Copper	NTEs	Cobalt	Gold	Total
2018	6.7	2.0	0.1	0.1	9.0
2019	5.0	1.9	0.0	0.2	7.2
2020	5.9	1.9	0.0	0.2	8.0

Source: Bank of Zambia.

Table 2.7: Realised Prices and Export Volumes, 2018-2020

	2018	2019	2020
Realised Prices			
Copper (US$/mt)	6,385.8	5,972.5	6,106.3
Cobalt (US$/mt)	67,382.0	33,575.7	28,945.5
Gold (US$/ounce)	1,173.9	1,421.7	1,793.6
Export Volumes			
Copper (mt)	1,045,987.1	836,258.2	930,969.1
Cobalt (mt)	1,766.2	1,271.3	366.9
Gold (ounces)	126,064.0	138,135.0	123,157.0

Source: Bank of Zambia

Table 2.8: Major Non-Traditional Exports (US$ million, f.o.b), 2018-2020

Commodity/ Product	2018	2019	2020
Gemstones	10.7	157.8	68.8
Sulphuric Acid	171.3	148.8	94.5
Industrial Boilers and Equipment	126.6	139.3	90.0
Cane Sugar	124.8	141.8	115.5
Gasoil/Petroleum Oils	9.6	7.6	11.2
Cement & Lime	113.6	167.2	191.0
Electricity	83.1	86.5	123.7
Raw hides, Skins & Leather	5.4	4.7	5.3
Burley Tobacco	104.6	69.8	116.6
Copper Wire	78.9	53.2	48.3
Maize & Maize Seed	44.4	37.0	38.8
Electrical Cables	21.2	17.3	12.7
Cotton Lint	49.2	53.4	17.7
Soap	53.1	55.4	73.8
Fresh Fruits & Vegetables	13.0	9.4	12.1
Manganese Ores/Concentrates	27.0	18.0	9.9
Fresh Flowers	10.1	8.6	7.6
Total	**2,036.1**	**1,937.4**	**1,872.6**

Source: Bank of Zambia

The deficit on the services account increased to US$598.7 million from US$522.2 million in 2019 as travel restrictions constrained earnings from tourism.

Capital and Financial Accounts

The capital account surplus declined to US$79.8 million from US$96.6 million in 2019 while the financial account deficit significantly increased to US$2.7 billion from US$0.2 billion.

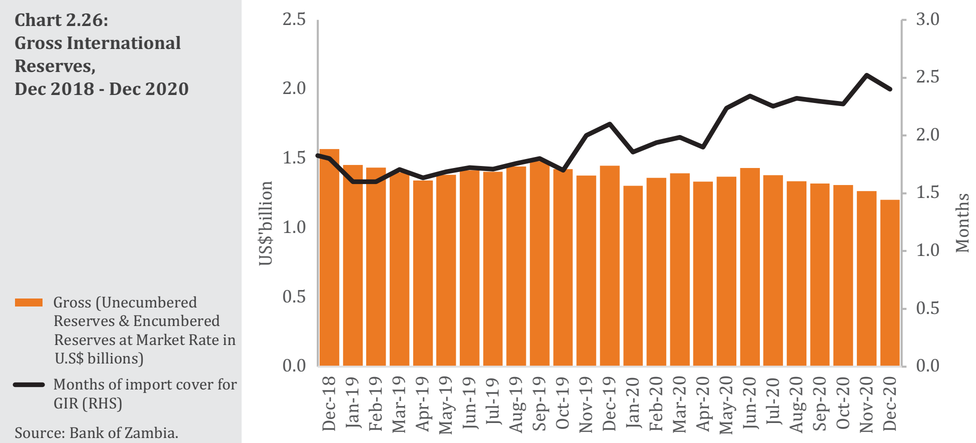
A substantial accumulation of financial assets by the private sector, mostly mining companies, coupled with subdued foreign direct investment inflows led to the widening in the deficit on the financial account.

The deficit on the financial account more than offset the surplus on the current and capital accounts resulting in an overall balance of payments deficit and a drawdown in international reserves.

Gross International Reserves

Gross international reserves declined to US$1.2 billion (equivalent to 2.4 months of import cover[23]) at end-2020 from US$1.4 billion (2.1 months of import cover) at end-2019 (Chart 2.26). The decline was largely attributed to Government debt service payments. However, project receipts (US$150.4 million) and net BoZ foreign exchange purchases (US$132.7 million) moderated the decrease in reserves.

Chart 2.26: Gross International Reserves, Dec 2018 - Dec 2020



Source: Bank of Zambia.

Direction of Trade

Major Export Markets

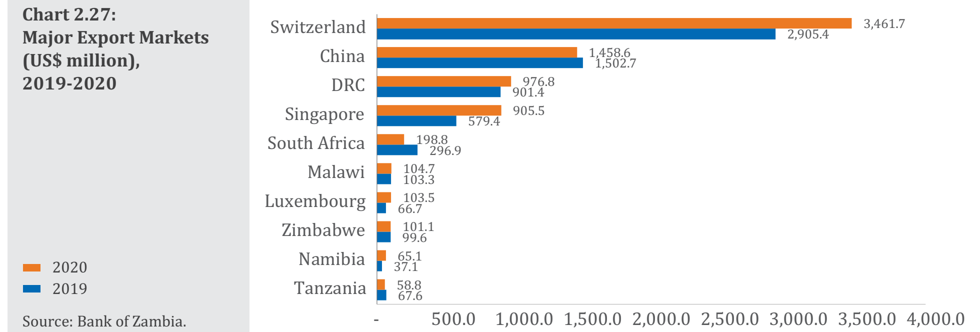
The top five major export destinations in 2020 were Switzerland, China, Democratic Republic of Congo (DRC), Singapore and South Africa (Chart 2.27). These countries accounted for 89.6 percent of total exports, an increase from 88.0 percent in 2019. Copper continued to be the major export commodity to Switzerland[24], China and Singapore.

The major export commodities to the DRC included salt, sulphur, lime and cement (19.3 percent); inorganic chemicals and compounds of precious metals (10.2 percent); ores, slag and ash (8.9 percent); beverages, spirits and vinegar (8.2 percent); and sugars and sugar confectionery (7.0 percent). The top five export commodities to South Africa included natural/cultured pearls, precious stones and metals (34.9 percent); nuclear reactors, boilers, and mechanical appliances and parts (9.5 percent); copper and articles thereof (8.0 percent); sugars and sugar confectionery (7.7 percent); and articles of iron and steel (6.3 percent).

[23]The increase in months of import cover despite the fall in reserves was due to the substantial decline in imports of goods and services.

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

Chart 2.27: Major Export Markets (US$ million), 2019-2020

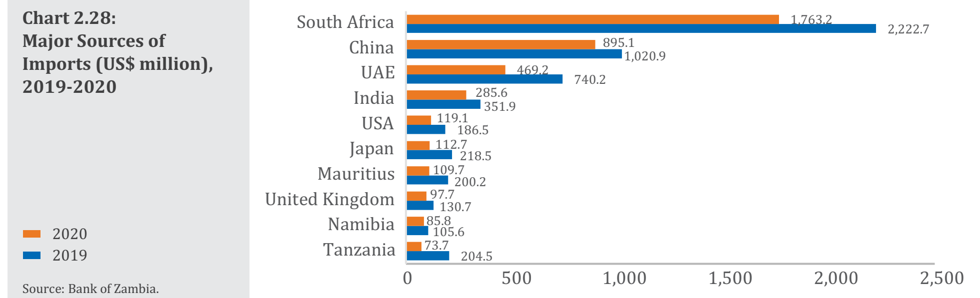


Source: Bank of Zambia.

Major Source Countries for Imports

The top five source countries for imports were South Africa, China, United Arab Emirates, India, and United States of America, and accounted for 66.4 percent of total imports in 2020, up from 63.3 percent in 2019 (Chart 2.28 and Table 2.9).

Chart 2.28: Major Sources of Imports (US$ million), 2019-2020



Source: Bank of Zambia.

Table 2.9: Main Products Imported from Major Source Countries (US$ million), 2018-2020

Country	Main Products	2018	2019	2020	Percent Change	Total imports in 2020 Percent Share
South Africa	Nuclear reactors and boilers	440.3	323.1	229.2	-29.1	13.0
	Vehicles and vehicle accessories	167.1	212.3	163.5	-23.0	9.3
	Plastics and articles thereof	121.6	146.7	124.6	-15.1	7.1
	Salt, Sulphur, plastering material, Lime and Cement	139.5	133.6	50.7	-62.1	2.9
China	Electrical Machinery	241.5	195.8	109.1	-44.3	12.2
	Nuclear reactors and boilers	335.0	182.9	166.0	-9.2	18.5
	Articles of iron and steel	164.6	116.2	51.4	-55.8	5.7
	Vehicles and vehicle accessories	173.4	103.3	78.0	-24.5	8.7
United Arab Emirates	Mineral fuels, oils and products of their distillation	379.0	573.2	300.7	-47.5	64.1
	Organic chemicals	44.6	28.6	27.1	-5.3	5.8
India	Pharmaceutical products	151.5	106.4	97.4	-8.5	34.1
	Nuclear reactors and boilers	59.6	86.1	42.4	-50.7	14.8
	Plastics and articles thereof	24.8	29.4	25.3	-13.9	8.9
USA	Nuclear reactors and boilers	72.9	57.4	43.2	-24.7	36.3
	Rubber and articles thereof	12.3	11.9	10.8	-9.4	9.1
	Articles of Iron and Steel	3.3	53.4	9.9	-81.5	8.3

Source: Zambia Statistics Agency and Bank of Zambia

2.4 EXTERNAL DEBT

Government Debt Stock

Preliminary data indicate that Government's external debt stock increased to US$12.7 billion at end-2020 from US$11.7 billion at end-2019, representing a growth of 8.9 percent (Table 2.10). This was mainly on account of disbursements mostly from multilateral institutions, private banks and export creditors. Public external debt as a ratio of GDP went up to 82.3 percent from 50.2 percent in 2019.

Of the total Government external debt stock, 78.1 percent was owed to commercial, export and supplier creditors; 19.8 percent to multilateral creditors; and 2.1 percent to bilateral creditors (Table 2.10).

Table 2.10: Government External Debt Stock by Creditor, 2018 – 2020

	2018		2019		2020*	
Creditor	US $'million	Percent share	US $'million	Percent share	US $'million	Percent share
Bilateral	332.6	3.3	343.1	2.9	265.14	2.1
Paris Club	101.3	1	119	34.7	53.42	
Non Paris Club	231.3	2.3	224.1	65.3	211.72	
Multilateral	1,871.00	18.6	2,132.30	18.3	2,525.81	19.8
IMF	90	0.9	17.8	0.8	2.65	
World Bank Group	1,011.70	10.1	1,110.60	52.1	1,460.06	
African Development Bank Group	499	5	579.2	27.2	776.54	
Others	270.3	2.7	424.6	19.9	286.56	
Suppliers/ Export/Banks	7,844.17	78.1	9,183.40	78.8	9,947.35	78.1
Total Govt. Debt	**10,047.80**	**100**	**11,658.70**	**100**	**12,738.30**	**100**

Source: Bank of Zambia and Ministry of Finance
*Preliminary

Government External Debt Service

According to preliminary data, Government external debt service was lower in 2020 than 2019. A total of US$691.7 million was paid compared with US$1,196.2 million in 2019 (Table 2.11). The fall in domestic revenue, exacerbated by COVID-19, constrained external debt service. In addition, Government's application of the pari-passu principle of treating all creditors equally with the exception of multilateral institutions and a few creditors financing selected priority projects limited overall debt service in 2020. Debt service constituted principal repayments of US$347.9 million while interest and other charges amounted to US$343.8 million.

Table 2.11: Zambia's Official External Debt Service by Creditor (US $'million), 2018 – 2020

Creditor	2018	2019	2020*
Bilateral	60.4	31.8	0.8
Paris Club	6.5	2.4	0.8
Others	58.6	29.4	-
Multilateral	99.7	89.2	73.9
World Bank Group	17.4	17.0	23.5
IMF	60.7	46.7	18.5
ECU/EIB	1.9	2.9	6.2
Others	19.7	22.6	25.7
Suppliers/Bank(commercial)/Export	814.6	1,075.2	543.1
Total	**974.7**	**1,196.2**	**691.7**

Source: Bank of Zambia
*Preliminary

Private and Parastatal Non-Guaranteed External Debt Stock

Preliminary data indicated that total external debt owed by the private sector and non-guaranteed parastatal sector increased to US$16.4 billion from US$15.2 billion in 2019 (Table 2.12). This was mainly due to disbursements mostly in the mining sector.

Table 2.12: Private and Non-Guaranteed Parastatal External Debt Stock, 2018 – 2020

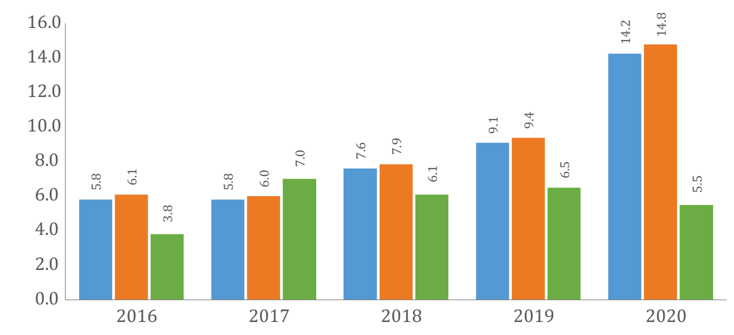
	2018		2019		2020*	
Creditor	US $'million	Percent Share	US $'million	Percent Share	US $'million	Percent Share
Private	11,238.0	91.4	12,603.0	82.7	15,457.5	94.0
Multilateral	47.0	0.4	41.3	0.3	47.2	
Financial Institutions	1,392.8	11.3	1,264.1	10.2	1,617.1	
Parent and Related Company	9,227.7	75.0	10,649.2	85.6	11,679.4	
Other	411.8	4.6	648.5	3.9	2,113.9	
Parastatal	1,062.6	8.6	2,604.7	17.3	987.4	6.0
Total Private and Non-Guaranteed Parastatal Debt	**12,300.6**	**100.0**	**15,207.7**	**100.0**	**16,445.0**	**100.0**

Source: Bank of Zambia
* Preliminary

2.5 FISCAL SECTOR DEVELOPMENTS

The 2020 fiscal position deteriorated significantly as a result of the unprecedented impact of COVID-19 which raised expenditure and weakened revenue. Preliminary data indicate a cash fiscal deficit of 14.2 percent of GDP or K46.6 billion against a target of 5.5 percent. Excluding grants, the fiscal deficit was higher, at 14.8 percent of GDP (Chart 2.29).

Chart 2.29: Government Budget Deficit (Percent of GDP), 2016 - 2020



Source: Ministry of Finance

Revenue and Grants

Total revenue and grants in 2020, at K67.4 billion (20.6 percent of GDP), were 10.1 percent lower than the projected K75.0 billion (Table 2.13). This outturn was largely attributed to the slowdown in economic activity and various tax waivers granted to mitigate the adverse effects of the pandemic on economic activity.

Tax Revenue

As shown in Table 2.13, total tax revenue, at K52.2 billion (16.0 percent of GDP), was 3.1 percent below the target of K53.9 billion (16.5 percent of GDP). The negative effect of COVID-19 was most pronounced on trade taxes, particularly VAT and customs with 23.3 percent and 19.1 percent lower collections, respectively. However, income tax outperformed as a result of high company tax collections from mining companies.

Non-Tax Revenue

Non-tax revenue exceeded the target of K11.3 billion by 19.5 percent (Table 2.13). This was largely due to higher collections from dividends and improved mineral loyalty receipts.

Grants

Total grants, at K1.7 billion, were 44.8 percent lower than the target of K3.1 billion due to non-disbursement of funds by the donors.

Table 2.13: Central Government Revenue and Grants, 2018 – 2020

	2018		2019		2020			
					Target		Preliminary	
	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP
Revenue and Grants	**53.4**	**19.3**	**61.3**	**21.6**	**75.0**	**23.0**	**67.4**	**20.6**
Domestic Revenue	**52.8**	**19.1**	**60.5**	**21.3**	**71.9**	**22.0**	**65.7**	**20.1**
Tax Revenue	44.2	16.0	48.4	17.1	53.9	16.5	52.2	16.0
Income Tax	20.2	7.3	23.8	8.4	25.6	7.8	29.3	9.0
Personal Tax	10.4	3.8	11.7	4.1	12.5	3.8	14.3	4.4
Company Tax	6.0	2.2	7.5	2.7	7.9	2.4	9.5	2.9
Other Income Tax	3.8	1.4	4.6	1.4	5.2	1.6	5.5	1.7
Excise Taxes	3.4	1.2	4.0	1.2	4.8	1.5	4.7	1.4
Domestic VAT	17.3	6.3	6.1	2.2	6.8	2.1	3.4	1.0
International Trade Taxes	14.0	5.0	14.4	4.8	16.6	5.1	14.6	4.5
Import Duties	3.1	1.1	3.5	1.2	4.2	1.3	3.4	1.0
Import VAT	10.9	3.9	10.6	3.8	12.2	3.7	11.1	3.4
Export Duties	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.0
Non-tax Revenue	8.6	3.1	12.1	4.3	11.3	3.5	13.5	4.1
Fees and Charges	3.9	1.4	5.5	1.9	5.0	1.5	4.8	1.5
Dividends and Interest	0.1	0.0	1.8	0.6	0.6	0.2	3.2	1.0
Extraction Royalty	3.9	1.4	4.3	1.5	4.8	1.5	5.2	1.6
Grants	**0.6**	0.2	**0.8**	**0.3**	**3.1**	**1.0**	**1.7**	**0.5**
Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	17.4	6.3	0.8	0.3	3.1	1.0	1.7	0.5

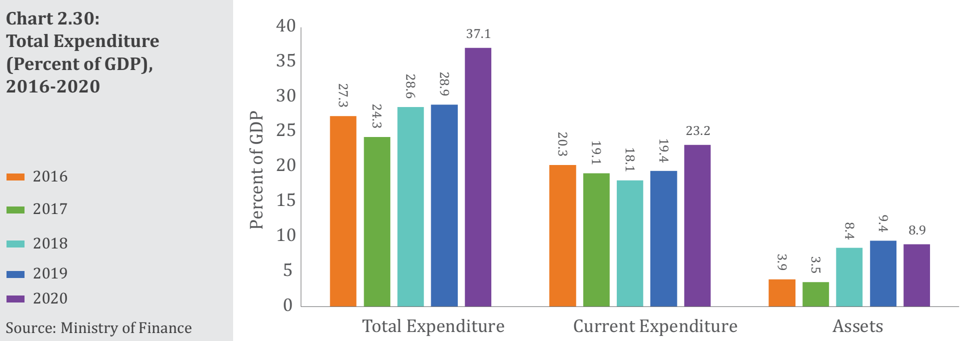
Source: Ministry of Finance

Newly constructed Munali Bridge on Great East Road in Lusaka

Total Expenditure

Total expenditure was K121.2 billion (37.1 percent of GDP) in 2020 against the projected K106.0 billion (Chart 2.30). Excluding amortisation, total expenditure, at K113.2 billion exceeded he budget of K93.1 billion by 21.6 percent. This overrun in expenditure was driven by agricultural subsidies and unplanned spending on the COVID-19 response programmes.

Chart 2.30:
Total Expenditure (Percent of GDP), 2016-2020



Source: Ministry of Finance

Current Expenditure

Total current expenditure, at K75.8 billion, was 20.3 percent higher than the target of K63.0 billion (Table 2.14). Grants, use of goods and services as well as social benefits significantly accounted for current expenditure overruns.

Table 2.14: Central Government Expenditures, 2018 – 2020

	2018		2019		2020			
					Target		Preliminary	
	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP
Total Expenditure (excl. amortisation)	**73.7**	**26.6**	**84.6**	**29.8**	**93.1**	**28.5**	**113.2**	**34.5**
Current Expenditure	**50.1**	**18.1**	**57.4**	**20.2**	**63.0**	**19.3**	**75.8**	**23.1**
Wages and Salaries	21.9	7.9	23.0	8.1	25.6	7.8	26.9	8.2
Use of Goods and Services	5.7	2.1	4.2	20.2	6.5	2.0	9.2	2.8
Interest on Public Debt	13.6	4.9	18.0	1.5	20.8	6.4	19.8	6.0
Domestic Debt	7.4	2.7	9.0	6.4	12.3	3.8	14.5	4.4
Foreign Debt	6.2	2.2	9.0	3.2	8.5	2.6	5.2	1.6
Grants & Other Payments	7.4	2.7	11.5	3.2	8.3	2.5	17.7	5.5
Social Benefits	1.0	0.3	0.2	4.1	1.8	0.6	2.3	0.7
Other Expenses	0.6	0.2	0.4	0.1	0.0	0.0	0.0	0.0
Liabilities	**0.4**	**0.2**	**0.2**	**0.2**	**2.3**	**0.7**	**8.2**	**2.5**
Assets	**23.1**	**8.4**	**26.9**	**0.1**	**27.8**	**8.5**	**29.2**	**8.8**
Non-Financial Assets	23.1	8.3	26.9	9.5	27.1	8.3	27.6	8.3
Financial Assets	0.0	0.0	0.0	9.5	0.7	0.2	1.5	0.5

Source: Ministry of Finance

Assets

Expenditure on assets exceeded the target of K27.8 billion by 5.0 percent. Higher disbursements on dismantling of arrears, empowerment funds and the recapitalisation of some state-owned enterprises accounted for this outturn.

Deficit Financing

Due to limited external programme financing, the budget was mainly financed through domestic borrowing that included the issuance of the COVID-19 Bond (Table 2.15).

Table 2.15: Budget Deficit Financing, 2018 – 2020

	2018		2019		2020			
					Target		Preliminary	
	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP	K'bn	Percent of GDP
Total Financing	**21.1**	**7.6**	**27.3**	**9.1**	**18.0**	**5.5**	**46.6**	**14.2**
Domestic	**7.1**	**2.6**	**8.9**	**3.0**	**3.1**	**1.0**	**31.0**	**9.5**
Bridge loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Com. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carry-over funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	2.1	-0.8	-3.0	-1.0	-0.3	-0.1	-2.8	-0.9
External	**14.0**	**5.1**	**18.4**	**6.1**	**14.9**	**4.6**	**15.6**	**4.8**
Programme Loans	0.0	0.0	0.0	0.0	4.4	1.3	0.0	0.0
Project Loans	17.4	6.3	25.2	8.4	23.2	7.1	20.8	6.3
Amortisation	-3.4	-1.2	-6.7	-2.2	-12.6	-3.8	-5.2	-1.6

Source: Ministry of Finance

2.6 REAL SECTOR DEVELOPMENTS

Preliminary data indicate that real GDP contracted by 3.0 percent in 2020 compared to a positive growth of 1.4 percent in 2019 (Chart 2.31 and Table 2.16). This outturn is less severe than the projected growth of -4.2 percent. Largely accounting for the recession was negative growth in wholesale and retail trade, education, construction as well as tourism sectors attributed to the COVID-19 shock.

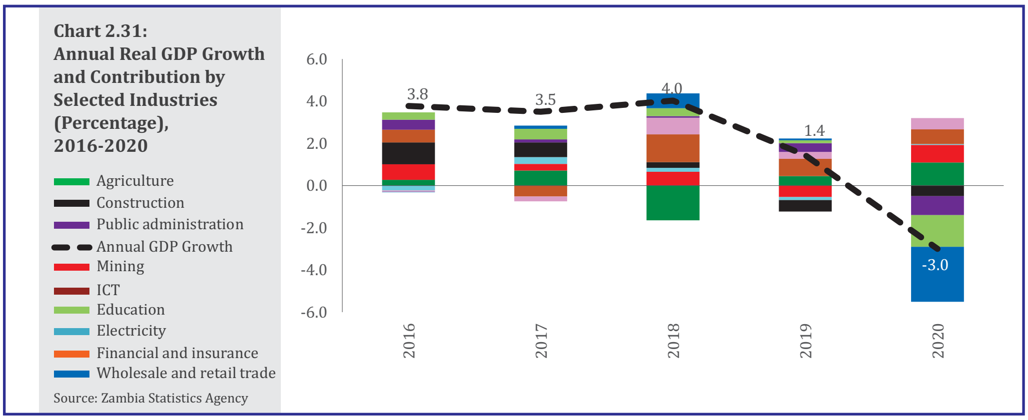


Chart 2.31: Annual Real GDP Growth and Contribution by Selected Industries (Percentage), 2016-2020

Source: Zambia Statistics Agency

Table 2.16: Real GDP Growth (Percent), 2018 – 2020 and Percentage Point Contribution in 2020

	2018	2019	2020*	
Kind of Economic Activity	Growth Rate	Growth Rate	Growth Rate	Contribution to Growth
Agriculture, forestry, and fishing	-21.2	7.7	17.2	1.1
Mining and quarrying	6.3	-5.1	8.0	0.8
Manufacturing	4.1	2.4	-1.5	-0.1
Electricity generation and supply	11.7	-8.1	3.1	0.0
Water supply; sewerage	5.1	-1.2	2.1	0.0
Construction	2.4	-5.0	-5.3	-0.5
Wholesale and retail trade;	3.3	0.4	-12.5	-2.6
Transportation and storage	7.7	-2.8	13.8	0.5
Accommodation and food service	1.7	2.2	-23.7	-0.4
Information and communication	40.1	18.6	14.3	0.7
Financial and Insurance	23.5	8.1	13.0	0.5
Real estate	3.3	3.5	3.5	0.1
Professional, scientific and technical activities	2.5	-0.9	6.3	0.1
Administrative & support service	6.1	0.3	2.3	0.0
Public administration and defence	1.6	8.3	-15.9	-0.9
Education	4.8	1.8	-19.3	-1.5
Human health and social work	11.0	8.3	7.4	0.1
Arts, entertainment and recreation	12.2	3.8	-71.6	-0.3
Other services	3.3	3.5	3.5	0.0
Taxes less subsidies on products	3.8	0.4	-12.5	-0.7
Gross Domestic Product (GDP)	**4.0**	**1.4**	**-3.0**	**-3.0**

Source: Zambia Statistics Agency and Ministry of Finance
*Preliminary

The wholesale and retail trade sector shrank by 12.5 percent and contributed the most (-2.6 percentage points) to the contraction in real GDP. Accounting for this was largely the erosion of consumer spending to a five-year low due to elevated inflation and exchange rate depreciation. The COVID-19 restrictive measures also contributed to the decline in consumer spending.

The education sector also declined by 19.3 percent and contributed -1.5 percentage points to overall growth. This largely reflected the temporary closure of schools, universities and colleges in response to the COVID-19 pandemic. The slowdown in capital projects in the public sector and weaker macroeconomic conditions to support private sector construction in the COVID-19 era contributed to the contraction in the construction sector by 5.3 percent. The construction sector contributed -0.5 percentage points to real GDP growth. This was despite Government support to the sector through the partial dismantling of arrears owed to local contractors.

Further, tourism activities (accommodation and food services as well as arts, entertainment and recreation) contracted by 23.7% as Government imposed restrictions on the operations of bars, restaurants and nightclubs to contain COVID-19. Widespread restrictions on non-essential travel led to a sharp fall in international tourist arrivals at the major airports. This was compounded by Government's decision to suspend international flights at three out of the four major international airports from March 26 to June 26 as part of COVID-19 emergency response. As a result, there were mass cancellations of reservations and flights as well as international meetings, conferences and exhibitions that traditionally support tourism.

The positive growth in agriculture, forestry and fishing, information and communication (ICT), mining, as well as electricity, gas and water sectors moderated the overall contraction.

The agriculture, forestry and fishing recovered strongly in 2020, growing by 17.2 percent and contributed 1.1 percentage points to overall growth. This was largely on account of improved maize output. Maize production increased by 69.0 percent to 3.3 million metric tonnes due to early delivery of inputs (fertilisers, crop chemicals and seeds under FISP) and favourable rainfall.

Increased maize production accounted for the strong expansion in agriculture

The ICT sector grew by 14.3 percent and contributed 0.7 percentage points to overall growth. This was on account of the expansion in mobile payment solutions, continued investment in modern data and voice infrastructure as well as rising migration to digital platforms in the COVID-19 era. The mobile penetration rate increased to 106 per 100 inhabitants from 96 in 2019. This was driven by the increase in the total number of mobile subscriptions and internet adoptions by 11.0 percent and 11.8 percent to 19.1 million and 10.3 million, respectively. Mobile money transactions more than doubled as the authorities promoted the usage of electronic payment methods due to COVID-19.

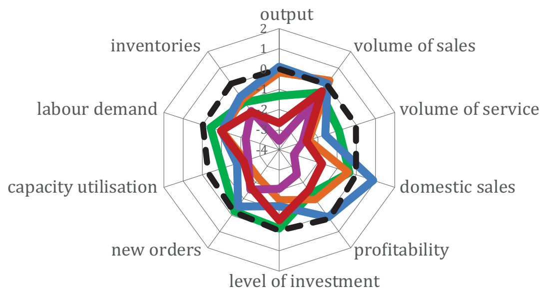
The mining sector grew by 8.0 percent and contributed 0.8 percentage points to growth as copper production increased by 9.7 percent to 882,061 metric tonnes in 2020. Copper output rose following the commissioning of refurbished plants at some mines, higher capacity utilisation, favourable ore grades, and reduction in cash costs. However, the production of gemstones reduced by more than half to 9,783 kilograms (kgs) from 23,705 in 2019 following the suspension of operations by major producers in the wake of COVID-19. Gold production also declined by 8.5 percent to 3,578 kgs, attributed to reduced ore grades.

Mopani Copper Mines Plc, Mufulira Deep Project

The electricity, gas and water sector grew by 3.1 percent, supported by the increase in electricity generation, especially during the second half of 2020. This followed the improvement in dam water levels that consistently exceeded the 2019 levels due to adequate rainfall in the 2019/2020 rainy season and the commissioning of the 15 megawatts Lusiwasi Upper Hydro Power Station.

Overall, the private sector business environment worsened in 2020. This was reflected in the Quarterly Business Opinion and Expectations Surveys undertaken by the Bank of Zambia and the Purchasing Managers' Index produced by Stanbic Bank Zambia (Charts 2.32 and 2.33).

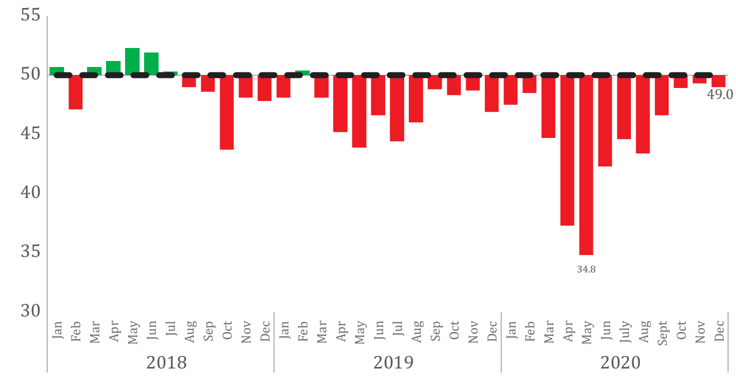
Chart 2.32
Bank of Zambia Business Opinion Survey, 2019-2020



Source: Bank of Zambia

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

Chart 2.33
Stanbic Bank Zambia Purchasing Manager's Index,
2018 – 2020

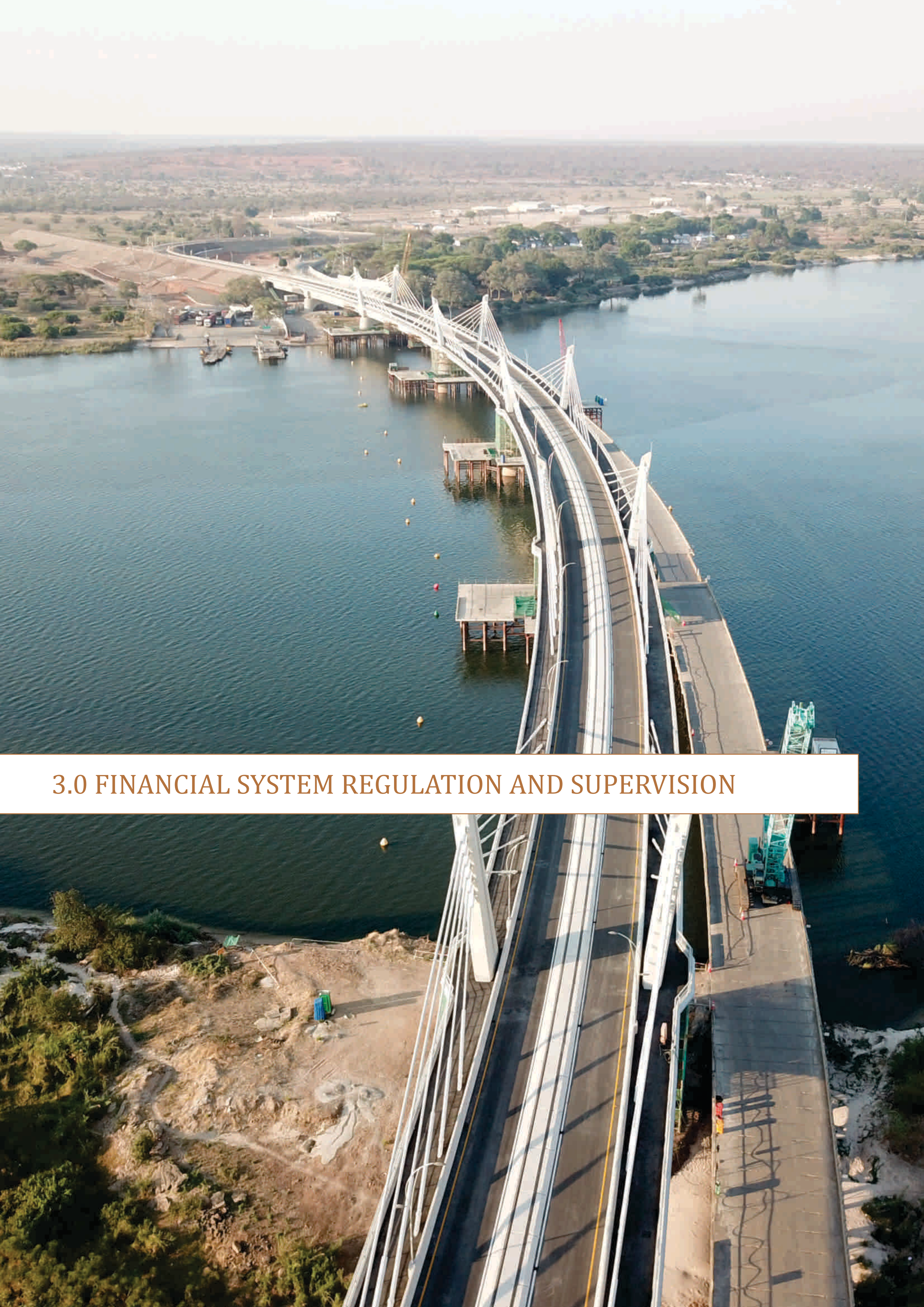


Source: Bank of Zambia

Notes: 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. Below 50 means business conditions deteriorated; above 50 means it improved and 50 means no change in business environment.

The deterioration in economic conditions was reflected in company shutdowns, job and income losses, declining business output, and a notable weakening in consumer demand. The majority of the surveyed firms cited the persistent depreciation of the Kwacha, electricity load shedding and the associated rise in input costs as well as tight credit conditions as the major factors that weighed on the performance of the private sector.

Pinnacle Mall, Woodlands Lusaka. Consumer demand weakened in 2020 on account of the COVID-19 shock



3.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

3.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

3.1 BANKING SECTOR

3.1.1 Structure of the Banking Sector

The number of licensed commercial banks remained unchanged at 18 in 2020. Nine of these banks were subsidiaries of foreign banks, five were locally owned private banks and four were partially owned by the Government of the Republic of Zambia. Subsidiaries of foreign banks continued to dominate the sector in terms of total assets, loans and deposits (Table 3.1).

Table 3.1: Assets, Loans and Deposits and Profit before Tax by Ownership Type (share of industry, percent), 2018-2020

	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	73.1	67.9	72.2	68.3	74.9	71.1	74.0	74.4	73.8	68.2	74.6	42.1
Banks with Government stake	18.2	21.8	19.7	28.1	20.6	22.8	22.1	24.1	23.1	27.1	22.6	48.1
Local private banks	8.7	10.3	8.1	3.6	4.5	6.1	4.0	1.6	3.1	4.7	2.8	9.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia
*PBT – Profit before tax

3.1.2 Overall Financial Condition and Performance

The overall financial performance and condition of the banking sector at end-December 2020 remained satisfactory despite the adverse macroeconomic environment compounded by the negative effects of the COVID-19 pandemic. This was largely on account of adequate capital, satisfactory earnings performance and liquidity conditions (Table 3.2). Asset quality was, however, adversely rated as the level of non-performing loans remained high largely due to the deterioration in business conditions which impaired the cash flows of most businesses and households. In addition, profitability reduced largely on account of International Financial Reporting Standard (IFRS9) impairment losses on Government securities following the sovereign credit rating downgrade to default status. Further, a few banks recorded unfavourable performance and were under close surveillance (Tables 3.3 and 3.4).

Table 3.2: Financial Performance Indicators (Percent), 2018-2020

Performance Indicators	Benchmark	2018	2019	2020
Primary capital adequacy ratio	5.0 or higher	20.1	20.1	17.8
Total regulatory capital adequacy ratio	10.0 or higher	22.1	22.2	20.1
Net non-performing loans to regulatory capital	10.0 or lower	4.3	2.3	9.2
Gross non-performing loans to total loans	10.0 or lower	11.0	8.9	11.6
Net non-performing loans to total loans	2.5 or lower	1.5	0.8	2.8
Allowance for loan losses to gross non-performing loans	80.0 or higher	83.8	91.6	75.9
Minimum Regulatory Provisions	80.0 or higher	98.2	98.9	86.5
Return on assets	4.0 or higher	2.8	3.3	2.1
Return on equity	20.0 or higher	15.4	16.2	12.9
Efficiency ratio	60.0 or lower	67.4	65.9	72.5
Liquid assets to total assets	25.0 or higher	45.9	42.1	48.6
Liquid assets to deposits and short-term liabilities	Lower than 100.0	57.0	51.5	57.4
Loan to deposit ratio	Lower than 100.0	47.3	51.5	41.0

Source: Bank of Zambia

Table 3.3: Composite Ratings of Banking Sector Financial Performance and Condition, 2018 - 2020

Performance Rating	Number of Banks			Percent of Total Assets			Percent of Total Deposits		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Satisfactory	10	10	9	82.2	84.1	70.8	84.5	86.3	72.7
Fair	3	4	4	6.8	5.3	23.8	5.7	4.4	22.2
Marginal	3	3	4	9.8	9.4	4.5	8.5	8.0	3.9
Unsatisfactory	1	1	1	1.2	1.2	0.9	1.3	1.3	1.2
Total	**17.0**	**18.0**	**18.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 3.4: Component Ratings of the Banking Sector Financial Performance, 2018 - 2020

Performance Rating	Capital Adequacy			Asset Quality			Earnings			Liquidity		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Satisfactory	12	12	11	10	8	8	12	11	10	12	10	10
Fair	1	2	2	4	6	5	3	3	2	4	6	6
Marginal	2	1	1	2	3	3	0	0	1	0	1	1
Unsatisfactory	3	3	4	2	1	2	3	4	4	2	1	1
Total	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**

Source: Bank of Zambia

3.1.3. Asset and Liability Structure

Total assets grew by 47.6 percent to K137.5 billion at end-December 2020 with notable increases in balances with financial institutions abroad and investments in Government securities. However, the banking sector asset structure remained broadly unchanged with net loans and advances accounting for the largest component of total assets at 28.7 percent. This was followed by investments in securities (24.4 percent) and balances with financial institutions abroad (22.6 percent) as shown in Table 3.5.

Table 3.5: Asset Structure, 2018 - 2020

	2018		2019		2020		
	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	26.2	32.0	32.6	35.0	39.4	28.7	20.9
Investments in Securities	20.5	25.0	21.1	22.7	33.5	24.4	58.8
Balances with Foreign Financial Institutions	19.5	23.8	18.4	19.8	31.1	22.6	69.0
Balances with Bank of Zambia	5.1	6.2	8.3	8.9	14.1	10.3	69.9
Other	10.7	13.0	12.7	13.6	19.3	14.0	52.0
Total	**82.0**	**100.0**	**93.1**	**100.0**	**137.4**	**100.0**	**47.6**

Source: Bank of Zambia

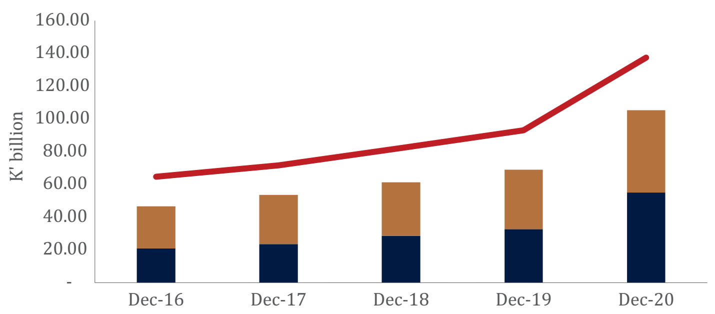
Liabilities rose by 52.4 percent to K125.4 billion at end-December 2020. This largely reflected an increase in deposits by 52.7 percent to K105.2 billion (Table 3.6). Accounting for the increase in deposits was largely the valuation effects following the sharp depreciation of the Kwacha. As a result, the share of foreign currency deposits in total deposits increased to 52.2 percent from 47.4 percent in 2019 (Chart 3.1). Deposits continued to be the major source of funding for the sector's assets, at 76.6 percent (Table 3.7).

Table 3.6: Liability Structure, 2018-2020

	2018		2019		2020		
	K 'billion	Percent Share of Total Liabilities	K' billion	Percent Share of Total Liabilities	K' billion	Percent Share of Total Liabilities	Annual Percentage Change in 2020
Deposits	61.2	84.1	68.9	83.7	105.2	83.9	52.7
Other Liabilities	4.5	6.2	6.0	7.3	8.4	6.7	40.0
Other Borrowed Funds	1.6	2.2	1.6	1.9	3.1	2.5	93.8
Balances Due to Financial Institutions Abroad	4.7	6.5	5.0	6.1	2.7	2.2	-46.0
Balances Due to Financial Institutions in Zambia	0.5	0.6	0.3	0.4	0.9	0.7	200.0
Others	0.3	0.4	0.5	0.6	5.1	4.1	920.0
Total	**72.8**	**100.0**	**82.3**	**100.0**	**125.4**	**100.0**	**52.4**

Source: Bank of Zambia

Chart 3.1: Total Assets and Deposit Liabilities (K' billion), 2016 – 2020



Foreign Currency Deposits
Kwacha Deposits
Total assets

Source: Bank of Zambia

Table 3.7: Banking Sector Funding of Assets (Percent of total assets), 2018 - 2020

	2018	2019	2020
Customer deposits	74.6	74.0	76.6
Borrowings	8.7	8.2	9.5
Shareholders' funds	11.3	11.4	8.7
All other liabilities	5.4	6.4	5.2
Total funding	**100.0**	**100.0**	**100.0**

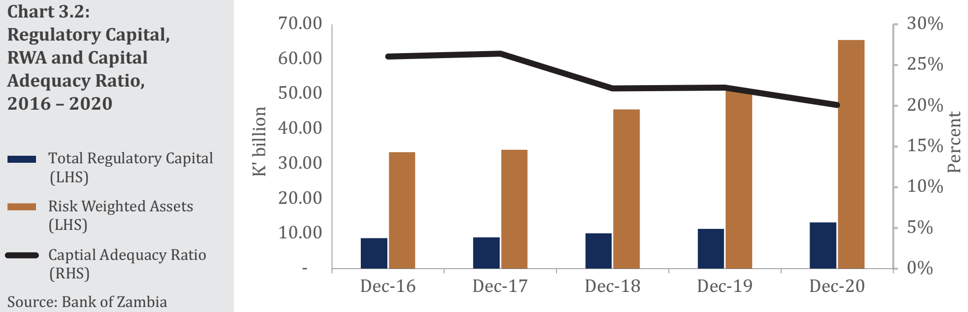
Source: Bank of Zambia

Capital Adequacy

The sector remained adequately capitalised. Capital adequacy ratios (CARs) of 17.7 percent and 20.0 percent for primary and total regulatory capital, respectively, were above the regulatory minimum of 5.0 percent and 10.0 percent.

Primary and total regulatory capital grew by 12.8 percent and 15.5 percent to K11.6 billion and K13.2 billion, respectively. Increases in retained earnings by 18.8 percent and paid-up common shares by 6.8 percent accounted for the growth in capital. The sector's risk weighted assets (RWA) also increased by 27.8 percent to K65.5 billion partly due to the depreciation of the Kwacha. Consequently, the CARs trended downwards (Chart 3.2).

Chart 3.2: Regulatory Capital, RWA and Capital Adequacy Ratio, 2016 – 2020



Source: Bank of Zambia

Asset Quality

Asset quality deteriorated following the unprecedented rise in non-performing loans (NPLs). NPLs rose by 56.3 percent against a decline of 0.5 percent in 2019 as macroeconomic conditions worsened in the wake of the COVID-19 shock. Consequently, the ratio of non-performing loans to total gross loans rose to 11.6 percent at end-2020 from 8.9 percent at end -December 2019 (Table 3.8).

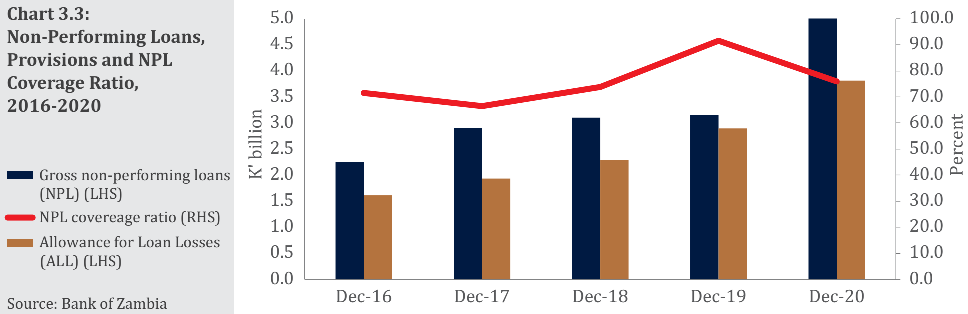
Table 3.8: Gross Loans and Non-Performing Loans, 2018 -2020

	2018	2019	2020
Gross loans (K' billion)	29.0	35.5	43.2
NPLs (K 'billion)	3.2	3.2	5.0
Substandard (K' billion)	0.3	0.2	0.3
Doubtful (K' billion)	0.2	0.1	0.7
Loss (K' billion)	2.7	2.8	4.0
NPL ratio (percent)	11.0	8.9	11.6
	Percentage share of total gross loans		
Substandard	1.0	0.6	0.7
Doubtful	0.7	0.3	1.6
Loss	9.3	8.0	9.3

Source: Bank of Zambia

The reserves for potential loan losses increased by 31.8 percent to K3.8 billion in 2020. Due to a lower increase in the allowance for loan losses (ALL) relative to non-performing loans, the NPL coverage ratio dropped to 75.9 percent from 91.6 percent in 2019 and remained below the prudential benchmark of 80.0 percent (Chart 3.3). The lower percentage increase in the ALL was as a result of banks applying relief measures provided by the BoZ on classification and provisioning of loans[25].

Chart 3.3: Non-Performing Loans, Provisions and NPL Coverage Ratio, 2016-2020



Source: Bank of Zambia

Personal loans as well as agriculture, forestry, fishing and hunting sectors continued to account for a significant proportion of loans (Table 3.9).

[25]This involved the use of collateral to discount loan loss provisioning amounts and allowing banks to modify loan agreements for borrowers that were affected by the COVID-19 pandemic.

Table 3.9: Sectoral Distribution of Loans (Percent), 2018 - 2020

Sector	Dec-18	Dec-19	Dec-20
Personal loans	27.5	24.0	20.7
Agriculture, forestry, fishing and hunting	16.8	16.3	16.0
Manufacturing	9.2	9.0	10.0
Transport, storage and communication	6.2	8.8	8.6
Wholesale and retail trade	11.1	11.5	8.4
Mining and quarrying	7.1	7.5	6.4
Electricity, gas, water and energy	3.0	4.4	4.5
Financial services	4.2	2.1	1.9
Construction	3.0	2.1	1.6
Restaurants and hotels	1.0	0.7	0.9
Other sectors	10.9	13.6	21.0
Total Loans	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

The agriculture, forestry, fishing and hunting sector continued to account for the largest proportion of NPLs (Table 3.10).

Table 3.10: Sectoral Distribution of NPLs (Percent), 2018 - 2020

Sector	Dec-18	Dec-19	Dec-20
Agriculture, forestry, fishing and hunting	33.3	36.0	40.4
Personal Loans	11.0	16.6	12.9
Manufacturing	10.9	12.1	9.2
Mining and quarrying	3.1	2.9	7.7
Wholesale and retail trade	10.6	9.8	6.2
Restaurants and hotels	7.3	6.2	5.6
Transport, storage and communication	3.3	2.2	5.5
Construction	10.0	6.2	5.4
Electricity, gas, water and energy	0.7	0.0	0.6
Financial services	3.3	0.3	0.4
Other Sectors	6.5	7.7	6.1
Total	**100**	**100**	**100**

Source: Bank of Zambia

With regard to intra-sector[26] NPL ratios, the performance of all the sectors deteriorated due to the adverse effects of the COVID-19 shock. The restaurant and hotels sector had the highest default rate followed by the construction sector (Table 3.11). Nonetheless, the exposure of the banking sector to these two sectors was relatively small at 0.8 percent and 1.6 percent, respectively (Table 3.9)

Table 3.11: Intra-Sector NPL Ratios (Percent), 2018 – 2020

Sector	2018	2019	2020
Restaurants and hotels	74.8	72.0	90.5
Construction	40.1	26.5	42.7
Agriculture, forestry, fishing and hunting	28.3	25.7	30.4
Manufacturing	14.4	12.1	16.1
Electricity, gas, water and energy	2.4	0.3	14.5
Mining and quarrying	4.8	3.5	14.3
Wholesale and retail trade	14.0	8.9	11.1
Transport, storage and communication	7.1	2.4	8.5
Personal loans	4.4	6.1	8.1
Financial services	9.0	1.3	3.8

Source: Bank of Zambia

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

Earnings Performance

The banking sector continued to record profits, albeit lower that the preceding year. Profit before tax (PBT) reduced by 10.7 percent to K2.5 billion in 2020 (Table 3.12). The decrease in profitability was primarily due to impairment losses on Government securities in line with the IFRS 9 requirement following the sovereign credit rating downgrade to default status. In addition, overhead costs increased as a result of the change in the working environment requiring staff to operate remotely and overall compliance with the health guidelines in the wake of the COVID-19 pandemic. This raised the cost to income ratio to 72.0 percent relative to the prudential threshold of 60.0 percent (Chart 3.4). Consequently, the return on assets (ROA) and return on equity (ROE) ratios deteriorated to 2.1 percent and 12.9 percent from 3.3 percent and 16.2 percent, respectively.

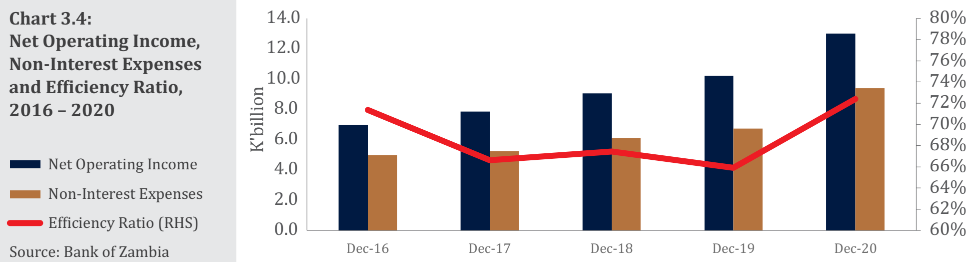
Notwithstanding the less favourable earnings performance, the banking sector continued to record net profit after tax, which contributed to capital growth through retained earnings.

Table 3.12: Summarised Income Statement (K' billion), 2018 - 2020

Particulars	2018	2019	2020
Interest Income	7.5	9.7	12.5
Interest Expenses	-2.0	-3.2	-4.2
Net Interest Income	5.5	6.5	8.3
Non-Interest Income	3.5	3.6	4.7
Net Operating Income	9.0	10.1	13.0
Non-Interest Expenses	-6.1	-6.7	-9.4
Pre-Provision Operating Profit (PPP)	2.9	3.4	3.6
Loan Loss Provisions	-0.7	-0.6	-1.1
Profit Before Taxation	2.2	2.8	2.5
Taxation	-0.9	-1.2	-1.0
Net Profit	1.3	1.6	1.5

Source: Bank of Zambia

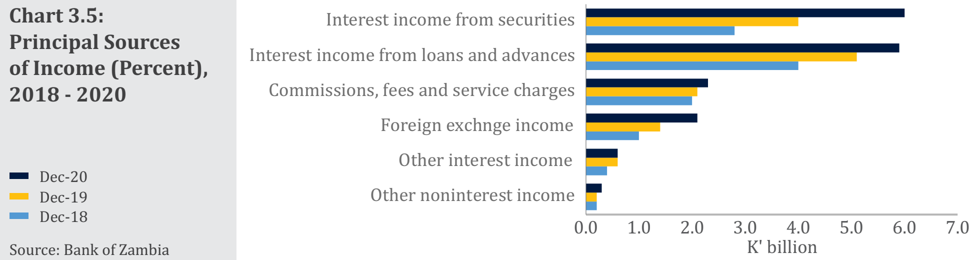
Chart 3.4: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2016 – 2020



Source: Bank of Zambia

Interest income from loans and advances as well as Government securities continued to be the principle sources of income for the banking sector, each contributing 34.6 percent to total operating income (Chart 3.5).

Chart 3.5: Principal Sources of Income (Percent), 2018 - 2020

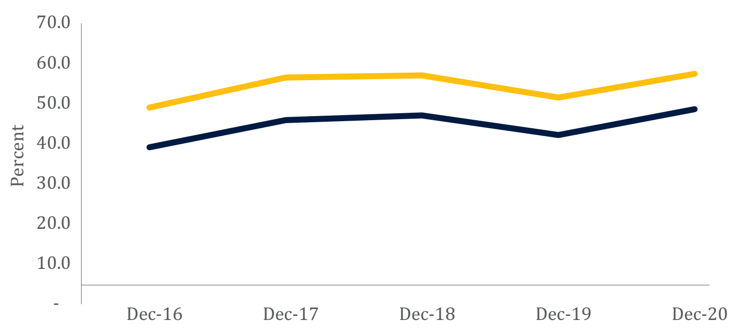


Source: Bank of Zambia

Liquidity

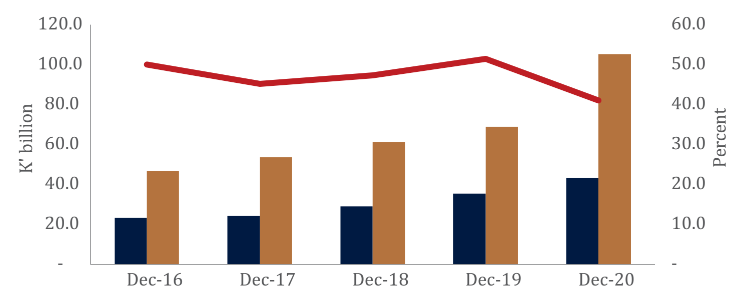
Liquidity conditions in the banking sector improved in 2020 on the back of the accommodative monetary policy stance. In particular, the implementation of the Secondary Market Bond Purchase Programme, scaling up of open market operations to provide short-term liquidity on flexible terms, and disbursement of funds from the Bank of Zambia Targeted Medium-Term Refinancing Facility (TMTRF) contributed to the improvement in liquidity conditions. As a result, the ratio of liquid assets to deposits and short-term liabilities (liquidity ratio) edged up to 57.4 percent from 51.5 percent in 2019 and remained well above the minimum prudential threshold of 25.0 percent. The ratio of liquid assets to total assets also rose to 48.6 percent (Charts 3.6 and 3.7).

Chart 3.6:
Liquid Assets Ratio and Liquidity Ratio (Percent), 2016 - 2020



Source: Bank of Zambia

Chart 3.7:
Loans, Deposits, and Loan-to-Deposit Ratio, 2016 - 2020



Source: Bank of Zambia

3.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

3.2.1 Structure of the Non-Bank Financial Institutions

The number of licensed non-bank financial institutions (NBFIs) reduced to 116 in 2020 from 119 in 2019 as license cancellations exceeded new issuances (Tables 3.13, 3.14 and 3.15). The cancellation was mainly due to voluntary surrender of licenses and failure to operate.

Table 3.13: Structure of NBFIs, 2018 – 2020

	Number of Institutions		
Type of Institution	**2018**	**2019**	**2020**
Bureaux de Change	80	75	72
Consumer Lending Microfinance Institutions	27	26	26
Enterprise Lending Microfinance Institutions	8	7	7
Leasing Finance Institutions	8	7	6
Building Societies	3	1	2
Credit Reference Bureaux	1	1	1
Savings and Credit Institutions	1	1	1
Development Finance Institutions	1	1	1
Total	**129**	**119**	**116**

Source: Bank of Zambia

Table 3.14: Licences Cancelled in 2020

	Bureaux de Change	Date Cancelled
1.	M and T Bureau de Change Limited	6 May 2020
2.	Munikam Bureau de Change Limited	1 October 2020
3.	Variety Bureau de Change Limited	29 October 2020
4.	Forex King Bureau de Change limited	7 December 2020
5.	APT Bureau de Change Limited	31 December 2020
	Leasing and Finance Companies	
1.	Greenbelt Finance Limited	3 November 2020
	Microfinance Institutions	
1.	Bomach Finance Limited	23 July 2020
2.	Premier Choice Finance Limited	9 October 2020

Source: Bank of Zambia

Table 3.15: Licences Issued in 2020

	Institution Licensed	Date Licensed
	Building Societies	
1.	LOLC Finance Zambia Limited	28 September 2020
	Bureaux de Change	
1.	Lawak Bureau de Change Limited	10 July 2020
2.	Laxmi Bureau de Change Limited	4 November 2020
	Microfinance Institutions	
1.	Dsight Finance Limited	9 September 2020
2.	Emerald Finance Limited	8 December 2020

Source: Bank of Zambia

3.2.2 Performance and Condition of the Non-Bank Financial Institutions Sector

The overall financial performance and condition of the Non-Bank Financial Institutions (NBFIs) sector was assessed to be marginal in 2020. Of the 39[27] assessed institutions, 10 were rated satisfactory, 17 were rated fair, five were rated marginal while seven were rated unsatisfactory (Tables 3.16 and 3.17).

Table 3.16: Financial Performance Indicators of the NBFI Sector, 2018 - 2020

Indicator (percent)	Benchmark	2018	2019	2020
Primary capital adequacy ratio	5.0 or higher	22.4	22.5	34.6
Total regulatory capital adequacy ratio	10.0 or higher	29.3	23.2	33.1
Net NPLs to regulatory capital	10.0 or lower	12.6	19.0	8.1
Gross non-performing loans to total loans	10.0 or lower	17.6	22.4	20.4
Net non-performing loans to total loans	2.5 or lower	4.4	4.6	2.8
Provisions to non-performing loans	80.0 or higher	75.0	79.3	86.2
Earning assets to total assets	80.0 or higher	79.4	79.1	81.6
Net operating income to total assets	10.0 or higher	20.0	18.7	18.8
Non-interest expense to total assets	60.0 or lower	18.9	20.3	16.5
Return on assets	4.0 or higher	2.7	3.1	(0.2)
Return on equity	20.0 or higher	29.1	15.1	(0.8)
Efficiency ratio	60.0 or lower	86.4	86.9	76.5
Liquid assets to total assets	15.0 or higher	14.1	17.3	31.9
Liquid assets to deposits and short-term liabilities	15.0 or higher	23.6	27.4	55.3

Source: Bank of Zambia

[27] Out of the 116 licenced institutions, only 43 were eligible for assessment. Only 39 out of the 43 NBFIs eligible for assessment were assessed because one was on suspension while three had not yet commenced operations. Bureaux (72) and the Credit Reference Bureaux (1) were only assessed on capital.

Table 3.17: Performance Ratings and Financial Condition, 2018 – 2020

Performance Rating	Licence Type	Number of Institutions			2020
		2018	2019	2020	Total Assets (Percent)
Strong	Deposit-taking	0	0	0	0.0
	Non-Deposit-taking	0	0	0	0.0
Satisfactory	Deposit-taking	3	2	3	28.7
	Non-Deposit-taking	29	29	7	4.6
Fair	Deposit-taking	6	5	4	6.7
	Non-Deposit-taking	32	30	13	11.6
Marginal	Deposit-taking	2	3	1	15.6
	Non-Deposit-taking	21	16	4	1.1
Unsatisfactory	Deposit-taking	3	1	2	17.6
	Non-Deposit-taking	6	7	5	14.0
Total		**102**	**93**	**39**	**100**

Source: Bank of Zambia

Regulatory capital, liquidity management and sensitivity to market risk were rated satisfactory while earnings performance and asset quality were unsatisfactory on account of losses and high non-performing loans (NPLs). The sector reported a loss before tax of K23.6 million while the NPL ratio remained high, at 20.4 percent, 10.4 percentage points above the prudential limit of 10.0 percent.

Leasing and Financial Business Institutions

The overall financial condition and performance of the Leasing and Financial Businesses sub-sector for the year ended 31st December 2020 was rated marginal due to unsatisfactory asset quality, earnings performance and sensitivity to market risk (Table 3.18). However, regulatory capital and liquidity were rated satisfactory.

Table 3.18: Composite Rating for the Leasing Finance Sub-Sector, 2018 – 2020

Performance Category	Number of Leasing Companies			Proportion of Sub-Sector Assets (percent)		
	2018	2019	2020	2018	2019	2020
Strong	0	0	0	0	0	0
Satisfactory	1	2	1	16	52	27
Fair	2	2	1	49	11	7
Marginal	3	1	2	35	24	31
Unsatisfactory	0	1	2	0[28]	13	33
Total	**6**	**6**	**6**	**100**	**100**	**100**

Source: Bank of Zambia

The total assets of the sub-sector rose by 13.6 percent to K383.1 million in 2020 following the increase mostly in shareholder loans (Tables 3.19 and 3.20). Leasing and Financial Business institutions opted to invest in Government securities and increase their balances with commercial banks due to heightened credit risk in traditional loans as the macroeconomic environment deteriorated.

Table 3.19: Asset Structure (K'million), 2018-2020

Asset Class	2018 (K'm)	2019 (K'm)	2020 (K'm)	2020 (Percent)
Net loans and advances	285.4	208.6	235.4	61.4
Investments in Government Securities	9.6	2.5	21.0	5.5
Balances with Domestic Institutions	36.9	46.2	73.2	19.1
Other	156.2	80.1	53.5	14.0
Total	**488.1**	**337.4**	**383.1**	**100.0**

Source: Bank of Zambia

[28] In 2018, the Leasing sub-sector had no unsatisfactory institutions.

Table 3.20: Liability Structure (K'million), 2018-2020

Liability Class	2018 (K'm)	2019 (K'm)	2020 (K'm)	2020 (Percent)
Deposits	43.6	0.0	0.0	0.0
Balances Due to Bank of Zambia	0.0	0.0	3.0	1.0
Balances due to Foreign Institutions	57.7	62.7	31.2	9.8
Other Borrowed Funds	153.1	158.0	188.2	59.1
Other Liabilities	93.8	52.0	95.9	30.1
Total	**348.2**	**272.7**	**318.3**	**100.0**

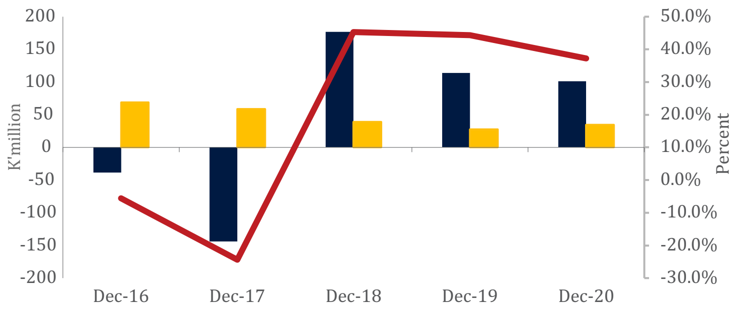
Source: Bank of Zambia

As at end-December 2020, the regulatory capital of the Leasing and Financial Businesses sub-sector was satisfactory despite the capital adequacy ratio reducing to 37.3 percent from 44.3 percent in 2019 due to poor earnings performance (Chart 3.8). The regulatory capital ratio therefore remained above the prudential minimum of 15.0 percent.

Chart 3.8: Leasing Finance Regulatory Capital (K' million), 2016 – 2020

Regulatory Capital
Minimum Capital
Regulatory Capital Ratio (RHS)

Source: Bank of Zambia

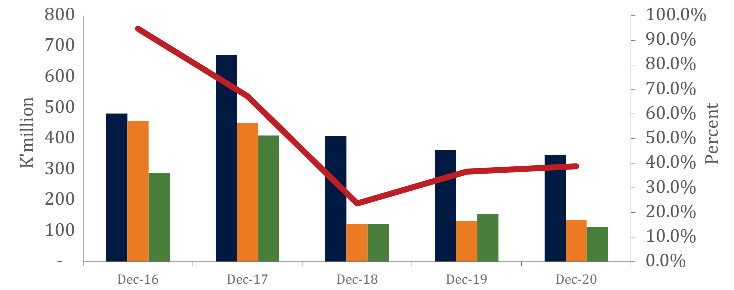


The asset quality of the sub-sector remained unsatisfactory with the NPL ratio increasing further to 38.8 percent from 36.6 percent in 2019. The ratio remained high and above the maximum prudential limit of 10.0 percent (Chart 3.9). This was attributed to the deterioration in business conditions in the wake of the COVID-19 pandemic. Further, the NPL coverage ratio decreased to 83.4 percent from 116.3 percent but was still adequate to absorb loan losses.

Chart 3.9: Leasing Finance Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans, 2016 – 2020

Total Loans
Gross NPLs
Provisions for NPLs
NPL Ratio (RHS)

Source: Bank of Zambia

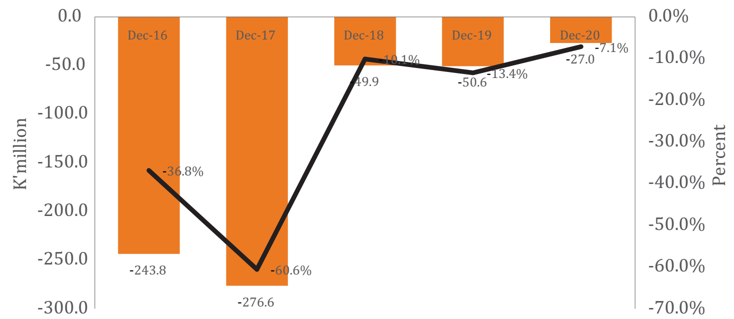


Earnings performance of the Leasing and Financial Businesses sub-sector was rated unsatisfactory. This was mostly on account of the loss before tax of K27.0 million attributed to the decline in interest income and an increase in non-interest expenses (Chart 3.10). The reduction in interest income was largely reflected in the fall in the stock of loans and advances.

Chart 3.10: Leasing Finance Profit Before Tax (K' million), 2016 – 2020

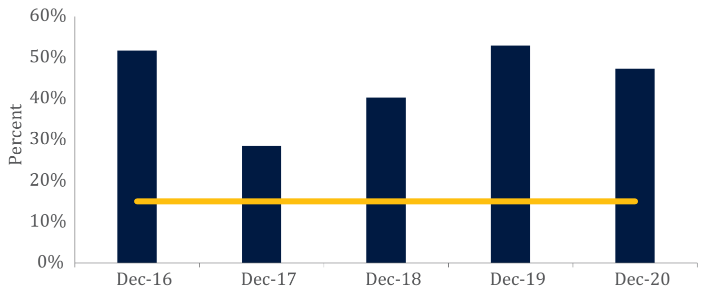
Annual Profit Before Tax
ROA (RHS)

Source: Bank of Zambia



The liquidity position of the Leasing and Financial Businesses sub-sector was satisfactory. Despite the ratio of liquid assets to total deposits and short-term liabilities decreasing to 47.3 percent from 52.9 percent in 2019, it remained significantly above the prudential minimum requirement of 15.0 percent (Chart 3.11).

Chart 3.11: Leasing Finance Liquidity Trend (Percent), 2016 – 2020



Liquidity Ratio
Acceptable Minimum

Source: Bank of Zambia

The foreign exchange exposure of the Leasing and Finance Businesses sub-sector remained unsatisfactory. The ratio of overall foreign exchange exposure to regulatory capital increased to 199.7 percent from 40.6 percent largely due to the sharp depreciation of the Kwacha. The ratio was significantly above the maximum prudential limit of 25.0 percent. This contributed to the losses in the subsector as most of the institutions hold foreign denominated liabilities.

Enterprise Lending Microfinance Institutions

The overall financial performance and condition of the Enterprise Lending Microfinance Institutions (MFIs)[29] sub-sector was marginal. The ratings for capital adequacy, sensitivity to market risk and liquidity position remained satisfactory while asset quality and earnings performance were unsatisfactory.

The total assets of the sub-sector increased by 9.4 percent to K1,008.4 million as these institutions accessed the TMTRF. This was largely driven by the rise in investment in relatively less risky assets, particularly Government securities (Table 3.21). Consequently, loans declined by 14.4 percent to K544.3 million at end-2020. However, loans continued to constitute the largest proportion of total assets at 54.0 percent.

Table 3.21: Asset Structure, 2018-2020

	2018		2019		2020		2020
Asset Class	**(K'm)**	**Proportion (percent)**	**(K'm)**	**Proportion (percent)**	**(K'm)**	**Proportion**	**Annual change (percent)**
Loans and advances	454.4	69.2	635.6	69.0	544.3	54.0	(15.0)
Investments in Government Securities	1.5	0.2	13.7	1.5	110.0	10.9	9.4
Balances with Domestic Institutions	67.0	10.2	97.3	10.5	103.1	10.2	(0.3)
Other	133.6	20.4	174.8	19.0	251.0	24.9	5.9
Total	**656.5**	**100.0**	**921.4**	**100.0**	**1,008.4**	**100.0**	**100.0**

Source: Bank of Zambia

Total liabilities of the sub-sector increased by 12.7 percent to K794.3 million largely on account of some institutions accessing the TMTRF, which ultimately increased the balances due to Bank of Zambia. However, deposits continued to account for the largest component of liabilities at 25.6 percent (Table 3.22).

[29]These are MFIs whose percentage of loans to micro and small-scale enterprises constitutes more than 80 percent of the total loan portfolio. They are traditional MFIs whose loan books are not skewed to salary backed loans.

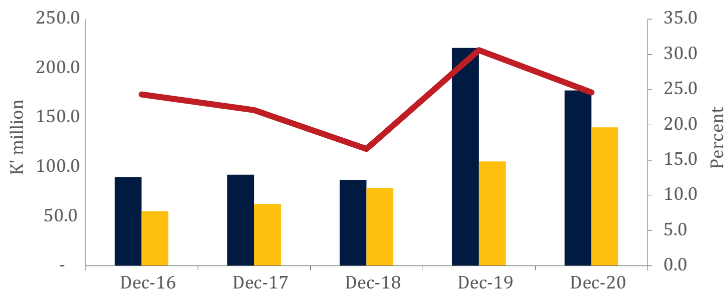
Table 3.22: Liability Structure (K' million), 2018-2020

Liability Class	2018 (K' mn)	2018 Proportion 2018 (percent)	2019 (K' mn)	2019 Proportion 2019 (percent)	2020 (K' mn)	2020 Proportion 2020 (percent)	2020 Annual change (percent)
Deposits	201.7	36.3	220.7	31.3	203.7	25.7	(5.6)
Other Borrowed Funds	81.9	14.7	155.6	22.1	161.7	20.4	(1.7)
Other Liabilities	84.5	15.2	162.5	23.0	154.7	19.5	(3.5)
Balances due to Foreign Institutions	169.2	30.5	162.8	23.1	142.5	17.9	(5.2)
Balances due to Bank of Zambia	0.0	0.0	0.0	0.0	84.5	10.6	10.6
Balances due to Domestic Institutions	18.2	3.3	3.4	0.5	47.2	5.9	5.4
Total	**555.5**	**100.0**	**705.0**	**100.0**	**794.3**	**100.0**	**100.0**

Source: Bank of Zambia

Despite the regulatory capital ratio remaining above the minimum prudential threshold of 15.0 percent, it declined to 24.6 percent from 30.6 percent in 2019 (Chart 3.12). This was on account of poor earnings performance.

Chart 3.12: Regulatory Capital of the Enterprise-Lending MFI, 2016 – 2020

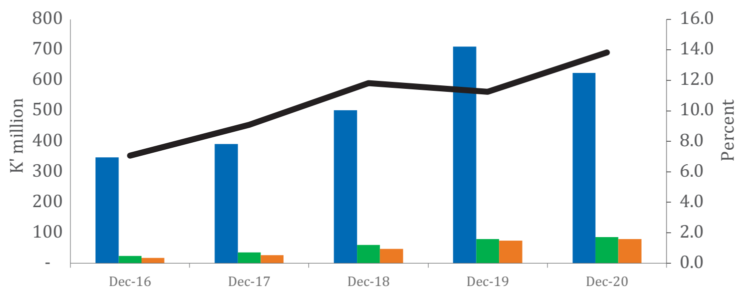


Regulatory Capital
Minimum Capital
Regulatory Capital Ratio (RHS)

Source: Bank of Zambia

The asset quality of the Enterprise Lending MFIs sub-sector was unsatisfactory as at end-December 2020. This was largely due to the increase in the NPL ratio which rose to 13.8 percent from 11.2 percent (Chart 3.13). Although the ratio remained above the maximum prudential limit of 10.0 percent, the sub-sector had sufficient loan loss absorption capacity reflected in the NPL coverage ratio of 92.3 percent.

Chart 3.13: Total Loans, Gross NPLs, Provision for NPLs and NPL Ratio, 2016 - 2020

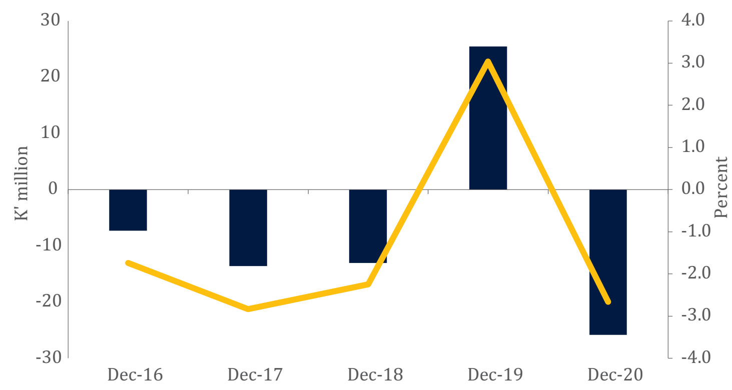


Total Loans
Gross NPLs
Provisions for NPLs
NPL Ratio (RHS)

Source: Bank of Zambia

The earnings performance of the sub-sector was rated unsatisfactory. The sub-sector recorded a loss before tax of K25.8 million compared to a profit before tax of K25.5 million in 2019 (Chart 3.14). This was largely explained by the 14.1 percent decrease in total interest income to K323.9 million following a reduction in gross loans.

Chart 3.14: Profit Before Tax, 2016-2020



Source: Bank of Zambia

The overall foreign exchange exposure of the sub-sector increased to 22.3 percent from 18.6 percent at end-2019, but remained below the statutory limit of 25.0 percent. The increase was explained by the sharp depreciation of the Kwacha.

Consumer Lending Microfinance Institutions

The overall financial performance and condition of the Consumer Lending MFIs sub-sector was rated satisfactory. The capital adequacy position, earnings performance, sensitivity to market risk and liquidity management were satisfactory while asset quality was unsatisfactory.

The total assets declined by 4.4 percent to K5,621.9 million largely due to the reduction in shareholder loans[30] (Table 3.23). Consequently, net loans and advances declined, exacerbated by the rise in credit risk attributed to the COVID-19 pandemic. Despite the decrease in the loan book, loans and advances continued to constitute the largest proportion of the sub-sector total assets at 73.9 percent.

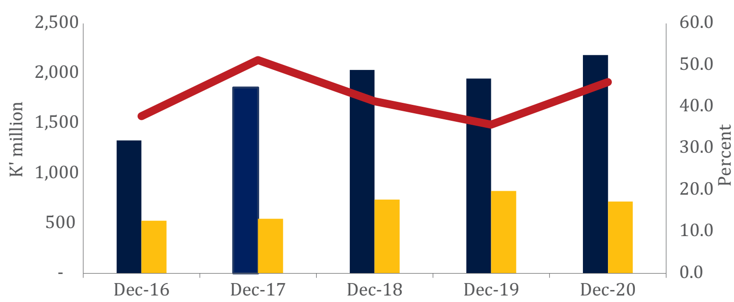
Table 3.23: Asset Structure of the Consumer-Lending MFIs, (K' million and Percent), 2018 - 2020

Asset Class	2018		2019		2020		
	(K'm)	Proportion	(K'm)	Proportion	(K'm)	Proportion	Annual change
Loans and advances	4,576.3	88.2	5,055.6	86.0	4,153.5	73.9	(12.1)
Balances with Domestic Institutions	261.5	5.1	344.9	5.9	904.1	16.0	10.1
Other	349.4	6.7	475.4	8.0	487.7	8.7	0.7
Investments in Securities	0.0	0.0	5.0	0.1	76.5	1.4	1.3
Total	**5,187.2**	**100.0**	**5,880.9**	**100.0**	**5,621.8**	**100.0**	**-4.1**

Source: Bank of Zambia

The regulatory capital of the Consumer Lending MFIs sub-sector was rated satisfactory. At 45.9 percent, the regulatory capital ratio was higher than the 35.1 percent reported at end- 2019. This was well above the minimum regulatory limit of 15.0 percent (Chart 3.15). The increase in the ratio was as a result of a rise in paid up capital and retained earnings.

Chart 3.15: Regulatory Capital of the Consumer Lending MFIs, 2016-2020

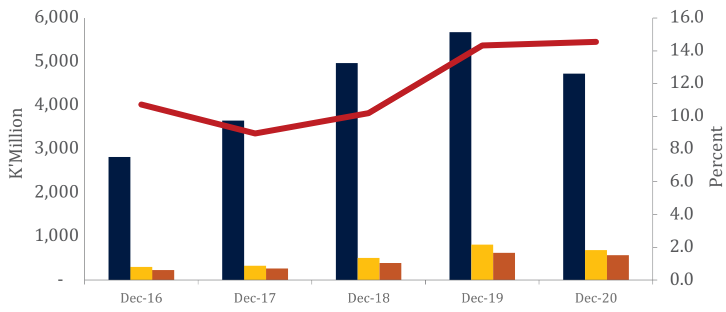


Source: Bank of Zambia

[30] Total liabilities decreased by 12.9 percent to K3,429.4 million.

The asset quality of the Consumer Lending MFIs sub-sector was rated unsatisfactory. The NPL ratio marginally increased to 14.5 percent from 14.3 percent at end-December 2019 and remained above the prudential limit of 10.0 percent (Chart 3.16). Despite the high NPL ratio, the sub-sector had adequate capacity to absorb potential loan losses reflected in the coverage ratio of 83.2 percent.

Chart 3.16: Total Loans, Gross NPLs, Provision for NPLs and NPL Ratio, 2016-2020

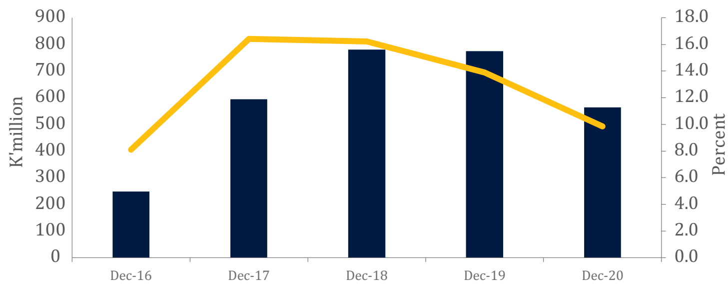


Total Loans
Gross NPLs
Provisions for NPLs
NPL Ratio (RHS)

Source: Bank of Zambia

The earnings performance of the sub-sector was rated satisfactory largely due to a profit before tax (PBT) of K563.2 million. The PBT was K774.5 million in 2019. The reduction in the PBT was due to the fall in interest income earned from loans and advances (Chart 3.17).

Chart 3.17: Profit Before Tax of the Consumer Lending Microfinance, 2016-2020



Annual Profit Before Tax
ROA (RHS)

Source: Bank of Zambia

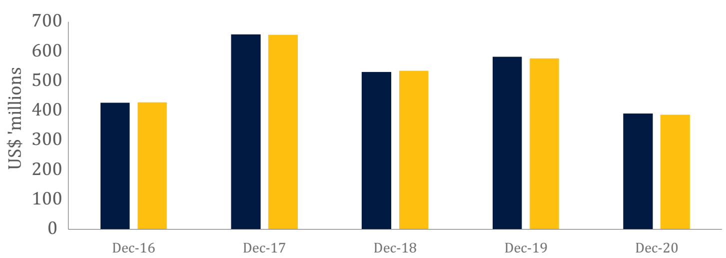
As at end-December 2020, the ratio of liquid assets to deposits and short-term liabilities was satisfactory at 125.3 percent. In addition, the overall foreign exchange exposure of the sub-sector remained satisfactory despite increasing to 4.4 percent in 2020 from 1.8 percent in 2019.

Bureaux de Change

The bureau de change sub-sector was adequately capitalised as at end-December 2020.

The volume of transactions declined in 2020. Foreign currency sales decreased to US$387.2 million in 2020 from US$576.6 million in 2019. Foreign currency purchases also declined to US$391.2 million from US$581.4 million (Chart 3.18). The reduction in both sales and purchases was due to reduced cross border activities as a result of COVID-19 lockdown measures. The bureau sub-sector predominantly supports cross-border traders and tourists who were adversely affected by restrictions imposed by several countries in the sub-region.

Chart 3.18: Bureau de Change Volume of Transactions (US$ million), 2016 – 2020



Purchases of currency
Sales of currency

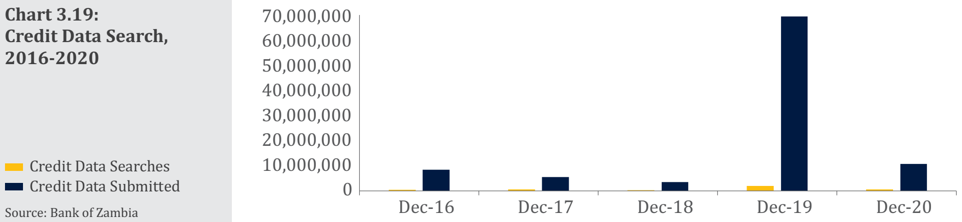
Source: Bank of Zambia

Credit Reference Bureau

The Bank of Zambia continued to monitor the Credit Reference Bureau (CRB) with respect to the quality of data provided by credit providers. This was with the view to ensuring compliance and assisting credit providers overcome the challenge of NPLs and reduce the loan default risk.

In 2020, the number of credit files submitted to the CRB decreased to 10,915,261 from 14,066,973[31] (Chart 3.19). The number of credit reports searched also declined to 654,169 from 742,943. This followed a reduction in credit activities attributed to the outbreak of the COVID-19 pandemic, which increased credit risk.

Chart 3.19: Credit Data Search, 2016-2020



Source: Bank of Zambia

3.3 PRUDENTIAL MEASURES TAKEN BY THE BANK TO SAFEGUARD FINANCIAL STABILITY

In 2020, the Bank of Zambia took specific measures to enhance the resilience of the financial sector in the wake of the COVID-19 pandemic. These included:

- Establishment of a K10 billion Targeted Medium-Term Refinancing Facility with tenors ranging from 3-5 years for eligible Financial Service Providers to on-lend to priority sectors and households (Box 2.0);
- Revision of the Loan Classification and Provisioning rules to enhance the collateral type coverage allowed in the computation of the loan loss provisions. In addition, the period in which collateral could be considered in the computation of loan loss provisions was increased from one year to five years to accommodate lending, refinancing, and restructuring of facilities to critical sectors of the economy, which normally require long-term financing;
- Allowance for commercial banks to restructure existing facilities which had been adversely impacted by the COVID-19 pandemic;
- Extension of the initial 3-year transitional period for Financial Service Providers (FSPs) to amortise the 'Day 1 Impact' of the implementation of the IFRS 9 for capital adequacy purposes for a further two years up to December 31, 2022. In the computation of regulatory capital, FSPs include the IFRS 9 Day 1 Impact and any increase in provisions on account of the COVID-19 pandemic; and
- Allowed eligible NBFIs to partially use capital instruments that would not ordinarily qualify as common equity Tier 1 and Tier 2 capital for purposes of computing regulatory capital.

[31]17 commercial banks, one leasing company, 29 microfinance institutions, four building societies and 10 money lenders submitted data to the CRB.

Box 2: Targeted Medium-Term Refinancing Facility

The Bank of Zambia introduced the Targeted Medium-Term Refinancing Facility (TMTRF) in April 2020. The main aim of the Facility was to strengthen and enhance financial sector resilience by providing liquidity, particularly in the wake of the COVID-19 pandemic.

Liquidity was provided to eligible Financial Service Providers (FSPs) for onward lending to viable non-financial corporates and households. Agriculture, manufacturing, energy and tourism sectors were identified as priority sectors in line with the Seventh National Development Plan. Sixty percent of the funds were allocated to the priority sectors and given a longer repayment period of up to 5 years. The remaining 40.0 percent was allocated to the rest of the sectors with repayment period of up to 3 years.

Structure of the TMTRF

As provided for in the Terms and Conditions of the TMTRF, access to the Facility is restricted to FSPs regulated by the Bank of Zambia. The FSPs on-lend the funds after conducting regular credit assessment and screening procedures of all their clients. The full credit risk is borne by FSPs. In addition, the size of the FSPs balance sheet dictates the maximum amount that can be accessed under the TMTRF.

There are necessary safeguards in place to ensure that the funds and any attendant benefits, such as low interest rates and payment holidays, reach the intended beneficiaries of the TMTRF.

Terms and Conditions

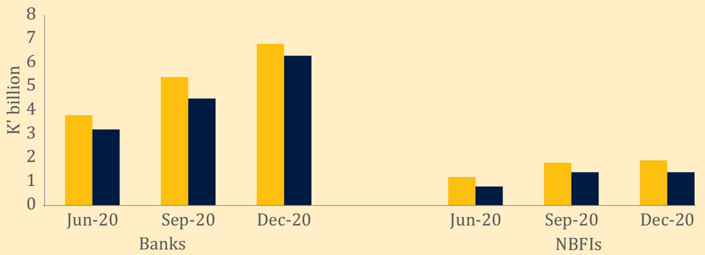
The Terms and Conditions were revised in September after consultations with the Bankers Association of Zambia and the Association of Microfinance Institutions. This was intended to improve accessibility of the funds under the Facility and make them more affordable. The key changes to the Facility included the:

a. Reduction of the applicable interest rate on the TMTRF by removing the 100 basis point margin on the Monetary Policy Rate;
b. Removal of the 50.0 percent maximum limit on the initial borrowing allowance to enable FSPs access up to 100 percent of the value of their eligible outstanding loans;
c. Introduction of a 14-day offer validity period beyond which the offer lapses if an FSP does not accept the offer; and
d. Introduction of a 30-day validity period for drawdowns after acceptance of the offer. In case of a partial drawdown, the maximum number of drawdowns are restricted to three at intervals of 30 days.

Performance of the TMTRF as at 31 December 2020

As at end-2020, 31 applications worth K8.7 billion were received: K6.8 billion from banks and K1.9 billion from NBFIs (Chart 1.0). Twentythree applications worth K7.8 billion were approved: K6.3 billion from banks and K1.4 billion from NBFIs. However, disbursements were low as only K3.3 billion (on trasaction date basis) was drawn down from the Facility: K2.2 billion by banks and K1.1 billion by NBFIs. This was largely attributed to heightened credit risk in view of COVID-19. Most of the funds accessed under the TMTRF were used to refinance existing loans.

Chart 1.0: End-Quarter TMTRF Applications and Approvals (K' billion), April-December 2020

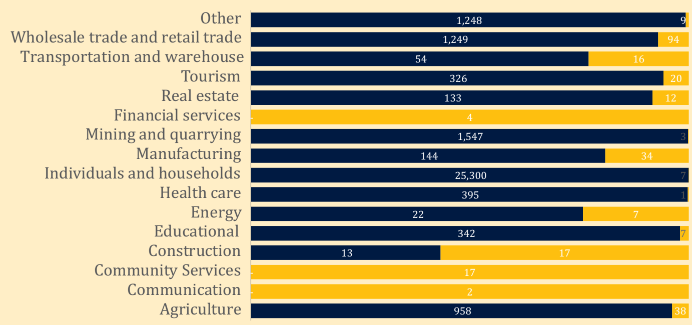


Applications
Approvals

Source: Bank of Zambia

A total of 32,019 customers benefited from the TMTRF, the majority of whom were individuals and households (Chart 2.0).

Chart 2.0: Number of Beneficiaries as at end-December 2020



Non Banks
Banks

Source: Bank of Zambia

3.4 HIGHLIGHTS OF THE 2020 FINSCOPE SURVEY

In collaboration with stakeholders[32], the Bank of Zambia conducted a FinScope[33] Survey and disseminated the findings in December 2020. The Survey findings revealed that financial inclusion increased to 69.4 percent in 2020 from 59.3 percent in 2015. The level of formal financial inclusion also rose to 61.3 percent from 38.2 percent. This growth was mainly attributed to the substantial increase in the uptake of mobile money services to 58.0 percent from 14.0 percent.

Deputy Governor – Administration, Ms Rekha C. Mhango, officially launching the 2020 FinScope Survey Findings

The main barriers to financial inclusion identified were lack or inadequate money, low awareness and unemployment. These factors pose significant downside risks to the achievement of the 80.0 percent financial inclusion target by 2022 outlined in the National Financial Inclusion Strategy.

3.5 CONSUMER PROTECTION AND MARKET CONDUCT

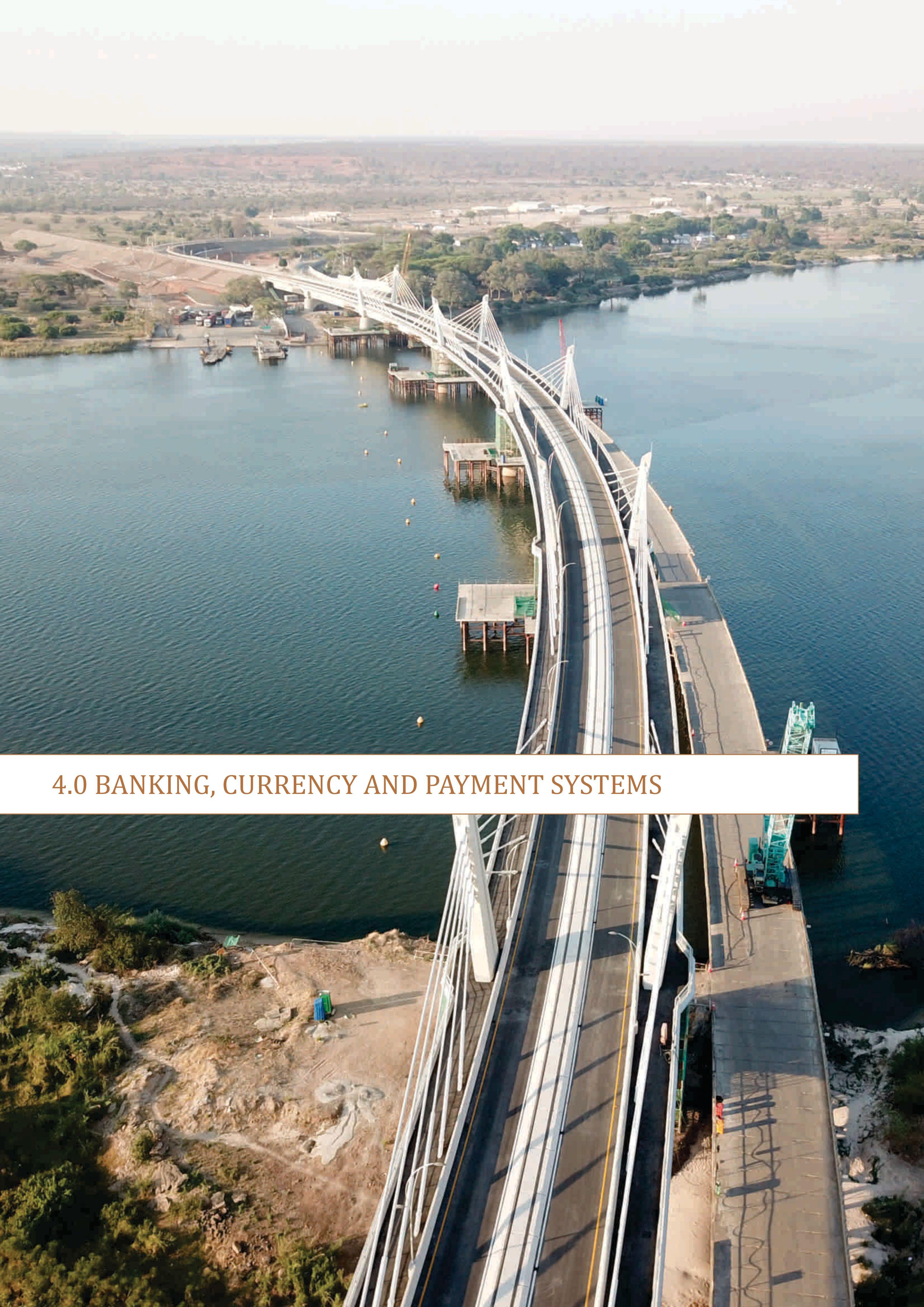
In April 2020, the Bank of Zambia issued Customer Complaints Handling and Resolution Directives to enhance consumer protection and market conduct. The Directives require all regulated entities to establish frameworks for customer complaints handling and resolution.

The Directives contributed to the reduction in customer complaints received by the Bank from both commercial banks and NBFIs. Most of the complaints were from provincial capitals and along the line of rail. The Bank received 67 customer complaints from commercial banks compared to 82 in 2019. The complaints mostly related to the unilateral variation to loan contracts, particularly the repayment period. The number of complaints received from NFBIs also reduced to 40 from 42. The complaints mostly related to unfair debt collection practices, extended loan repayment periods without customer consent and over deductions on loan repayments.

The Bank could not conduct on-site examinations as part of market conduct supervision due to COVID-19 restrictions and guidelines.

[32] These include Ministry of Finance, Securities and Exchange Commission, Pensions and Insurance Authority, Zambia Statistics Agency, United Nations Capital Development Fund, Financial Sector Deepening Zambia, Rural Finance Expansion Programme, and German Savings Bank Foundation for International Cooperation.

[33] The Financial Scoping (FinScope) Survey is a research tool developed by FinMark Trust to assess, among other things, progress in financial inclusion in countries.



4.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

4.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

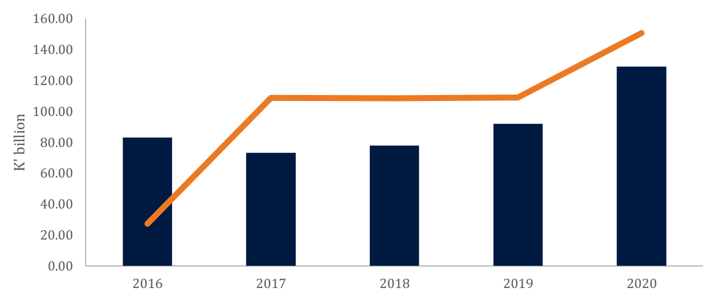
In 2020, the Bank continued to provide banking services to Government and commercial banks, overseeing the national payment system, as well as supplying clean banknotes and withdrawing soiled notes.

4.1 BANKING SERVICES

The Bank of Zambia closely monitored activities of commercial banks accounts to ensure that all transactions processed settled on time. In addition, receipt of revenue and transmission of payments to Government suppliers of goods and services and funding of line Ministries, Provinces and Spending Agencies (MPSAs) were facilitated.

The value of transactions processed through the Treasury Single Account (TSA) rose to K128. 9 billion from K91.8 billion in 2019 while the volume increased to 150,670 from 109,082 (Chart 4.1). The increase was mainly due to Government spending. The total number of accounts migrated to the TSA remained unchanged at 59.

Chart 4:1:
Treasury Single Account Transactions,
2016 - 2020



Value
Volume

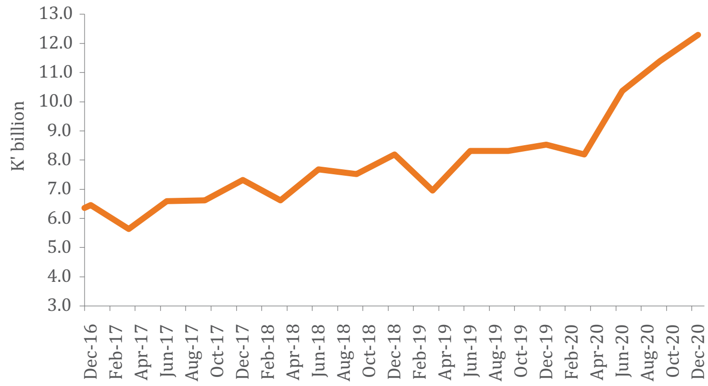
Source: Bank of Zambia

4.2 CURRENCY MANAGEMENT

Currency in circulation sharply increased in 2020, rising by 44.7 percent to K12.3 billion (Chart 4.1). As shown in Table 4.1, the bulk of the currency was in banknotes, which accounted for 98.4 percent (K12.1 billion).

The surge in currency demand, which occurred mostly in the second half of the year was despite the promotion of digital financial services to help reduce the spread of COVID-19. This was partly attributed to the growing need to settle some trade payments between Zambia and Tanzania directly in respective local currencies following the operationalisation of the memorandum of understanding in February 2020 signed between the two central banks in September 2018. It also reflects, to some extent, panic driven hoarding of banknotes in the wake of COVID-19 also observed in other jurisdictions.

Chart 4.2:
Currency in Circulation (K' billion),
Dec 2016 – Dec 2020



Source: Bank of Zambia

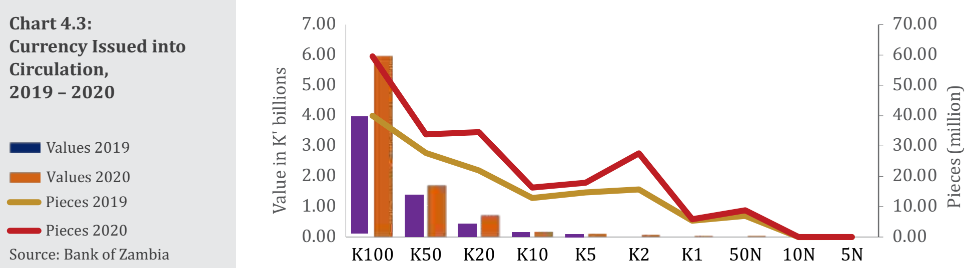
Table 4.1: Currency in Circulation, 2018 – 2020

	Values (ZMW)			Pieces		
	2018	2019	2020	2018	2019	2020
Banknotes						
K100	5,266,779,300	5,814,103,200	8,913,139,700	52,667,793	58,141,032	89,131,397
K50	2,159,563,300	1,980,858,350	2,368,547,250	43,191,266	39,617,167	47,370,945
K20	281,913,660	295,299,360	501,754,540	14,095,683	14,764,968	25,087,727
K10	108,725,660	130,650,780	163,774,310	10,872,566	13,065,078	16,377,431
K5	120,835,505	90,101,670	99,656,335	24,167,101	18,020,334	19,931,267
K2	49,173,344	31,447,319	49,503,319	24,586,672	15,723,660	24,751,659
Coins						
K1	132,235,024	109,494,990	115,438,992	132,235,024	109,494,990	115,438,992
50N	63,123,927	62,246,428	67,238,928	126,247,854	124,492,856	134,477,856
10N	8,452,672	8,685,472	8,685,472	84,526,724	86,854,724	86,854,723
5N	3,722,859	3,723,059	3,723,059	74,457,189	74,461,189	74,461,189
Total	**8,194,525,250**	**8,526,610,629**	**12,291,461,906**	**587,047,871**	**554,635,997**	**633,883,187**

Source: Bank of Zambia

The Bank issued 204.4 million pieces of banknotes and coins valued at K8.7 billion into circulation in 2020 compared to 145.3 million pieces valued at K6.1 billion in 2019 (Chart 4.3 and Table 4.2). Most of the currency issued was in high value banknotes: K100 (68.8 percent) and K50 (20 percent). The middle value (K20 and K10) and low value (K5 and K2) banknotes both accounted for 11.1 percent while coins accounted for 0.1 percent.

Chart 4.3: Currency Issued into Circulation, 2019 – 2020



Source: Bank of Zambia

Table 4.2: Currency Issued into Circulation, 2018 - 2020

	Values (ZMW)			Pieces		
	2018	2019	2020	2018	2019	2020
K100	1,296,800,000	3,997,600,000	5,954,000,000	12,968,000	39,976,000	59,540,000
K50	1,500,750,000	1,383,900,000	1,690,000,000	30,015,000	27,678,000	33,800,000
K20	277,140,000	439,570,000	692,390,000	13,857,000	21,978,500	34,619,500
K10	85,490,000	128,630,000	163,450,000	8,549,000	12,863,000	16,345,000
K5	96,745,000	73,280,000	89,410,000	19,349,000	14,656,000	17,882,000
K2	37,804,000	31,446,000	55,272,000	18,902,000	15,723,000	27,636,000
K1	15,071,000	5,419,000	5,822,000	15,071,000	5,419,000	5,822,000
50N	5,359,000	3,502,000	4,390,000	10,718,000	7,004,000	8,780,000
10N	110,900	2,100	0	1,109,000	21,000	0
5N	7,600	200	0	352,000	4,000	0
Total	**3,315,287,500**	**6,063,349,300**	**8,654,734,000**	**130,890,000**	**145,322,500**	**204,424,500**

Source: Bank of Zambia

A total of 153.7 million pieces of unfit banknotes valued at K5.9 billion were withdrawn from circulation in 2020 compared to 138.4 million pieces valued at K5.6 billion in 2019. The bulk of the currency withdrawn was in high value banknotes (K100 and K50), which accounted for 86.8 percent (Chart 4.4 and Table 4.3).

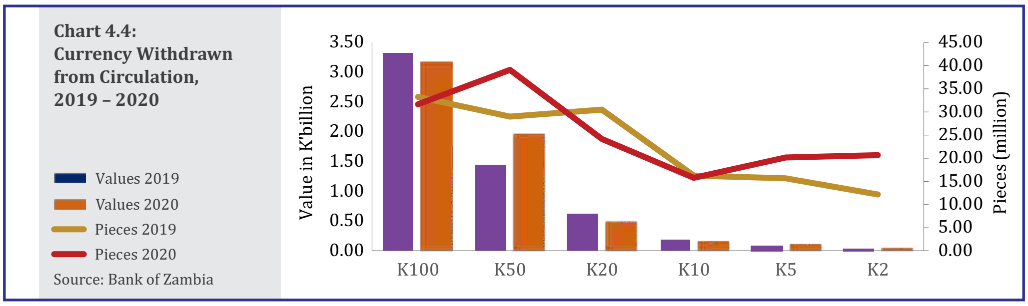


Chart 4.4: Currency Withdrawn from Circulation, 2019 – 2020

Source: Bank of Zambia

Table 4.3: Currency Withdrawn from Circulation, 2018 – 2020

	Values (ZMW)			Pieces		
	2018	2019	2020	2018	2019	2020
K100	1,615,045,300	3,323,418,900	3,167.709,800	16,150,453	33,234,189	31,677,098
K50	985,543,200	1,447,743,250	1,954,084,900	19,710,864	28,954,865	41,338,633
K20	277,468,600	609,074,120	482,465,720	13,873,430	30,453,706	24,123,286
K10	94,645,000	161,855,000	157,440,000	9,464,500	16,185,500	15,744,000
K5	63,968,500	78,286,305	100,715,500	12,793,700	15,657,261	20,143,100
K2	20,551,000	24,294,000	41,353,000	10,275,500	12,147,000	20,676,500
Total	**3,057,221,600**	**5,644,671,575**	**5,903,768,920**	**82,268,447**	**136,632,521**	**153,702,617**

Source: Bank of Zambia

A total of 10,676 pieces of counterfeits were detected by the Bank, commercial banks and other Government Security Agencies in 2020. This was lower than the 20,698 pieces detected in 2019. The Bank and Security Agencies continued with sensitisation programmes on the identification of genuine banknotes (Table 4.4 and Table 4.5).

Table 4.4: Counterfeit Notes Detected, 2018 – 2020

Denomination	2018	2019	2020
K100	32,778	19,888	7,524
K50	227	586	3,116
K20	461	199	35
K10	10	22	1
K5	9	3	0
K2	0	0	0
Total	**33,485**	**20,698**	**10,676**

Source: Bank of Zambia

Table 4.5: Counterfeit Notes Interception by Organisation, 2020

Denomination	Bank of Zambia	Commercial Banks	Drug Enforcement Commission & Zambia Police	Others	Total
K100	20	303	7,175	26	7,524
K50	20	59	3,035	2	3,116
K20	11	18	5	1	35
K10	0	1	0	0	1
K5	0	0	0	0	0
K2	0	0	0	0	0
Total	**51**	**381**	**10,215**	**29**	**10,676**

Source: Bank of Zambia

4.3 PAYMENT SYSTEMS

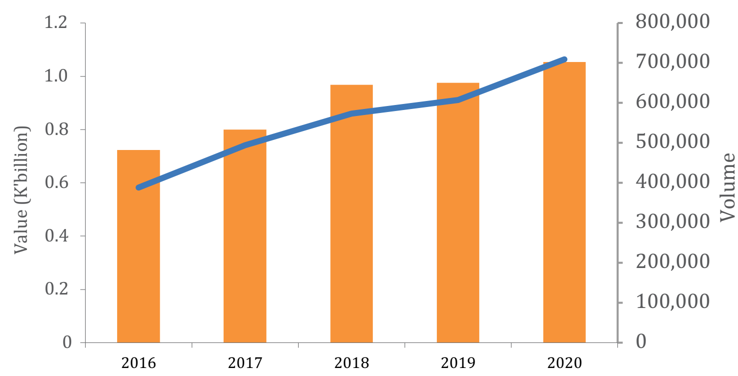
The operation of the national payment systems was satisfactory in 2020, recording high availability levels and improvements in values and volumes of transactions processed.

Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) recorded an average availability level of 99.3 percent, slightly higher than 98.7 percent in 2019. However, the system availability rate was below the target of 99.9 percent on account of technical challenges that were experienced on the core infrastructure.

The value of transactions processed rose by 8.0 percent to K1.1 billion while the volume of transactions increased by 16.8 percent to 709,044 (Chart 4.5). This outturn was due to the increase in Government payments, interbank foreign currency settlements and Government securities transactions.

Chart 4.5:
ZIPSS Volumes and Values,
2016 – 2020



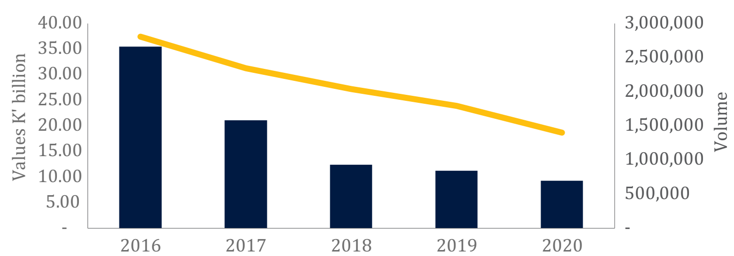
Value
Volume

Source: Bank of Zambia

Cheque Image Clearing System

The volume and value of cheques cleared continued to decline in 2020 due to increased utilisation of electronic payment methods. The volume of cheques cleared reduced by 21.9 percent to 1,401,153 (Chart 4.6). The value of cheques cleared also decreased by 17.1 percent to K9.3 billion.

Chart 4.6:
Cheque Images Cleared,
2016 – 2020

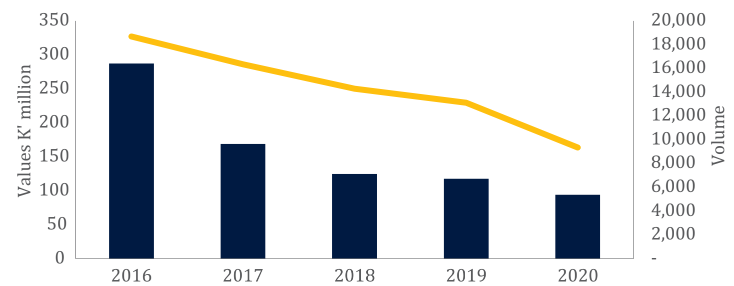


Values
Volumes

Source: Bank of Zambia

The volume and value of cheques returned unpaid due to insufficient funds declined by 28.7 percent and 20.1 percent to 9,350 and K93.9 million, respectively (Chart 4.7). This was partly due to the reduction in the usage of cheques.

Chart: 4.7:
Unpaid Cheques,
2016 – 2020



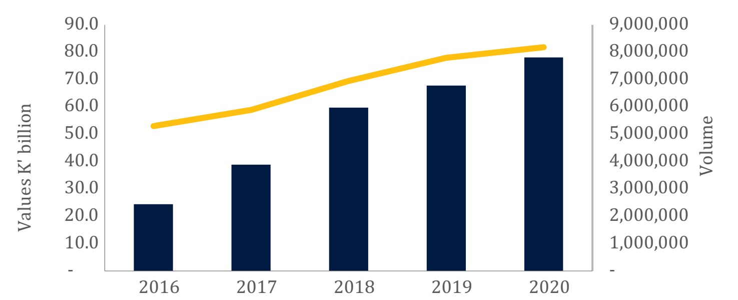
Values
Volume

Source: Bank of Zambia

Electronic Funds Transfer Clearing System

The volume and value of transactions processed on the Electronic Funds Transfer (EFT) payment stream rose by 4.9 percent and 15.0 percent to 8,181,743 and K78.0 billion, respectively (Chart 4.8). Increased use of digital financial services in the wake of COVID-19 pandemic largely explained the increase in EFT transactions.

Chart 4.8: Electronic Funds Transfers Processed, 2016 – 2020

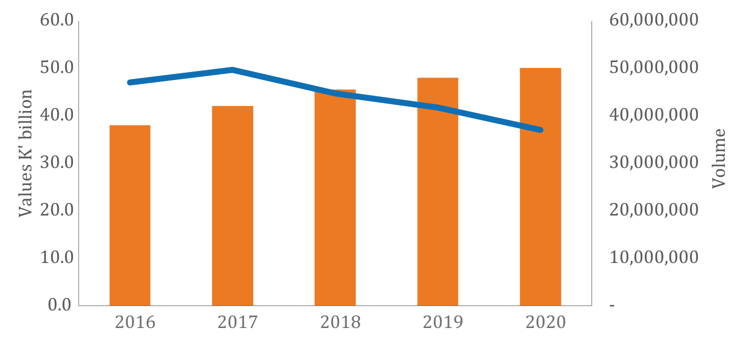


Values
Volumes
Source: Bank of Zambia

Automated Teller Machines

The volume of transactions processed through Automated Teller Machines (ATMs) declined by 11.3 percent to 37,051,708 in 2020 partly due to customers opting to use electronic payment methods such as the PoS (Chart 4.9). However, the value of transactions rose by 4.3 percent to K50.1 billion mainly as a result of the increase in the average amount drawn per transaction to K1,352.83 from K1,150.35 in 2019.

Chart: 4.9: Automated Teller Machines, 2016 – 2020



Values
Volume
Source: Bank of Zambia

In 2020, the number of ATMs increased to 1,032 from 1,006 in 2019, attributed to the continued rollout of service points to enhance customer service away from the branches. However, the distribution of ATMs across the country remained virtually unchanged (Chart 4.6).

Table 4.6 Nationwide Deployment of ATMs by Province, 2019 - 2020

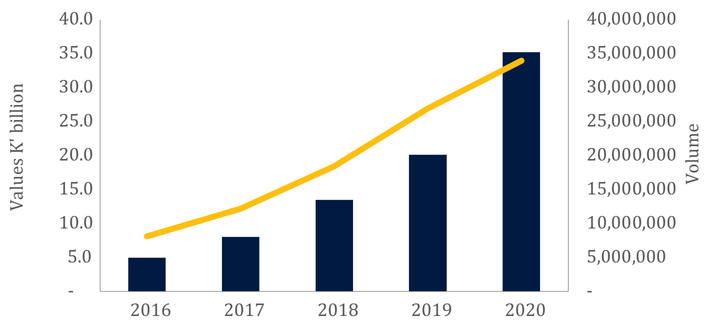
Province	2019	2020
Lusaka	466	492
Copperbelt	230	240
Southern	76	74
North-Western	61	61
Central	47	46
Eastern	45	40
Luapula	21	21
Northern	22	20
Western	19	19
Muchinga	19	19
Total	**1,006**	**1,032**

Source: Bank of Zambia

Point of Sale Terminals

The volume of transactions processed on the Point of Sale (PoS) terminals rose by 26.1 percent to 33,964,326 in 2020 (Chart 4.10). The value of transactions processed also increased by 75.3 percent to K35.2 billion. The promotion of digital financial services to help reduce the spread of COVID-19 coupled with the increase in the number of terminals to 22,822 from 17,795 in 2019 largely accounted for the significant growth in the use of PoS. Debit cards were widely used, recording the highest increase in both volume and value at 26.3 percent and 75.8 percent, respectively. The distribution of PoS terminals across the country was largely unchanged (Table 4.7).

Chart: 4.10:
POS Terminals,
2016 – 2020



Values
Volumes

Source: Bank of Zambia

Table 4.7 Nationwide Deployment of POS Terminals by Province, 2019 - 2020

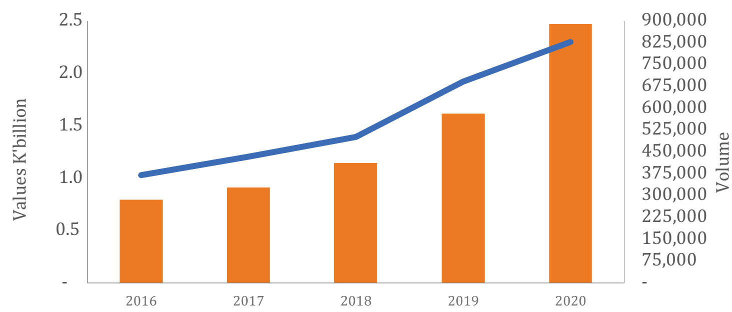
Province	2019	2020
Lusaka	8,829	11,364
Copperbelt	3,392	4,534
Southern	1,636	1,867
Central	971	1,274
Eastern	1,024	1,191
North-western	643	769
Luapula	316	500
Muchinga	330	475
Northern	366	438
Western	288	410
Total	**17,795**	**22,822**

Source: Bank of Zambia

International Remittances

The volume of in-bound international remittances rose by 19.7 percent to 828,108 in 2020(Chart 4.11).The value of in-bound remittances also increased by 52.9 percent to K2.5 billion partly due to upward adjustment of the daily maximum Kwacha limit and the depreciation of the Kwacha (raised the domestic value of value of remitted funds). The US, United Kingdom, Canada, and Australia continued to be the main source countries.

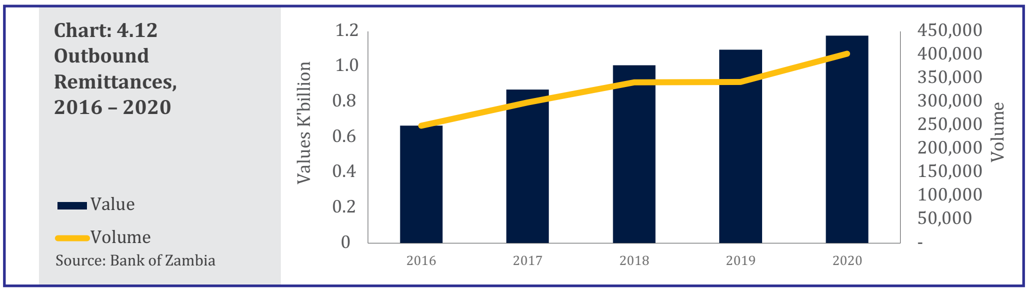
Chart: 4.11:
In-bound Remittances,
2016 – 2020



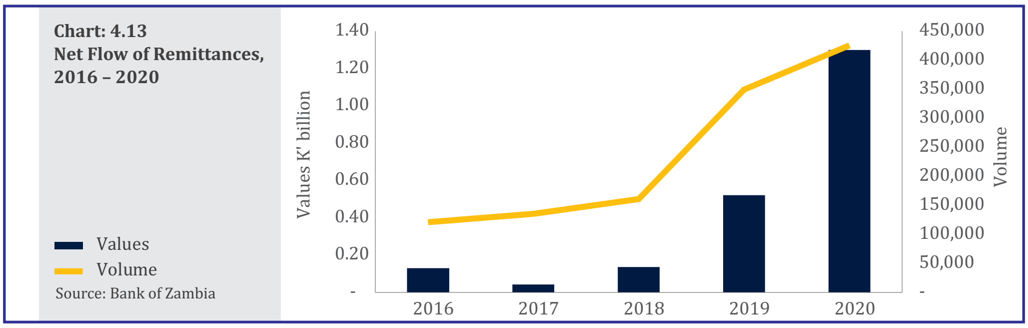
Value
Volume

Source: Bank of Zambia

The volume and value of out-bound international remittances rose by 17.6 percent and 7.2 percent to 402,541 and K1.2 billion in 2020, respectively (Chart: 4.12). This was partly due to the upward adjustment of the daily maximum Kwacha limit and the depreciation of the Kwacha. The major recipient countries were India, Tanzania, Zimbabwe and the Democratic Republic of Congo.

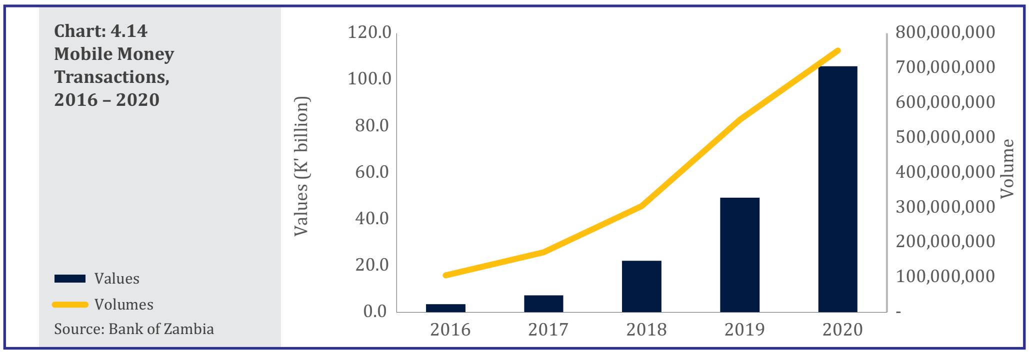


The net value of international remittances rose to K1.3 billion in 2020 from K0.5 billion in 2019 (Chart 4.13).



Mobile Money Transactions

The volume of transactions processed on mobile money platforms increased by 35.8 percent to 750,514,157 in 2020 (Chart 4.14). The value of transactions also grew by 114.0 percent to K105.8 billion. This largely followed measures taken by the Bank to sensitise the public on the use of digital channels and contactless mobile payment mechanisms, including the upward adjustment of holding limits for wallets as well as the waiver of fees on charges on all person to person (P2P) electronic money transactions on amounts up to K150.



Regional Cross Border Payment Systems

In 2020, the volumes and value of payments processed on the SADC Real Time Gross Settlement System (SADC RTGS) by Zambian commercial banks declined by 33.0 percent and 20.9 percent to 13,703 and ZAR5,240.8 million, respectively (Charts 4.15 and 4.16). The reduction was mainly attributed to subdued intra-regional trade in light of the COVID-19 pandemic.

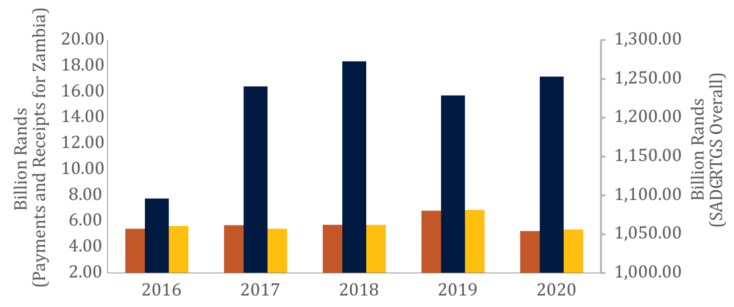


Chart4.15– ValuesofSADC-RTGS Transactions

Source: Bank of Zambia

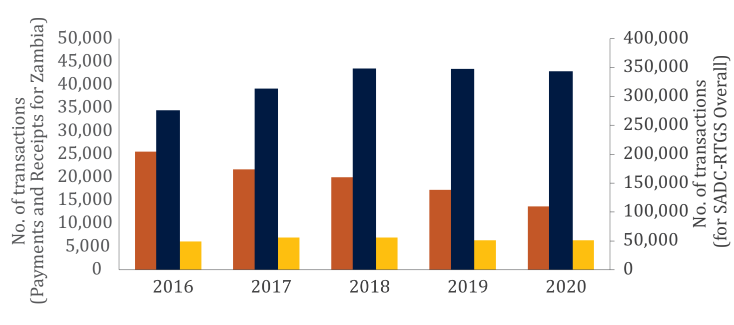


Chart4.16– VolumesofSADC-RTGS Transactions

Source: Bank of Zambia

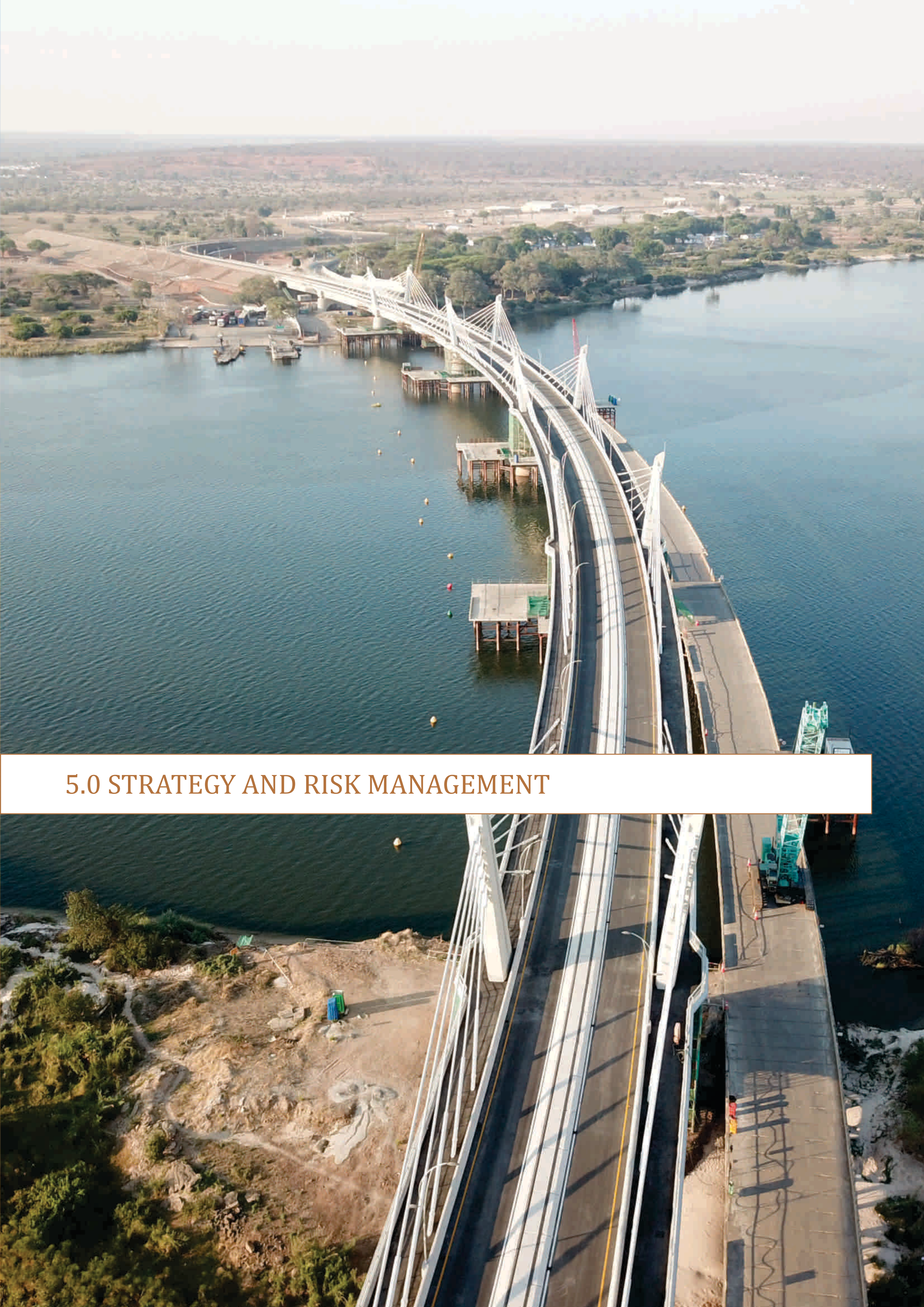
The volume of transactions received by Zambian banks on the COMESA Regional Electronic Payments and Settlement System (REPSS) increased to 121 transactions in US dollars from 85 and 1 transaction in euros from zero in the previous year. The value of US dollar receipts increased to 18.4 million from 14.7 million. The euro transaction was worth 0.3 million. There were no payments made from Zambia on this platform.

Zambia and Kenya were the major users of the COMESA REPSS due to increased trade between the two countries as well as preference by Kenyan importers to capitalise on the efficiency of the system for cross-border payments.

National Financial Switch

The National Financial Switch (NFS) project was completed in 2020 following the implementation of the mobile payments module in April. At end-2020, a total of 13 Payment Service Providers, comprising four (4) e-money issuers and nine (9) commercial banks, went live on the mobile money functionality. The remaining participants will come on-board once necessary changes to their infrastructure to support the processing of mobile payments are concluded.

Twelve million transactions comprising ATMs, PoS and mobile payments valued at K8.0 billion were processed on the NFS in 2020. This was higher than the 7.0 million transactions valued at K5.0 billion in 2019. The increase in the number of PoS participants and inclusion of additional Bank Identification Numbers switching through the NFS as well as the going live of the e-money payment stream led to the higher usage of the NFS.



5.0 STRATEGY AND RISK MANAGEMENT

5.0 STRATEGY AND RISK MANAGEMENT

5.1 Performance of the 2020-2023 Strategic Plan

The Bank commenced the implementation of the 2020-2023 Strategic Plan whose theme is *"Building an Inclusive and Resilient Financial Sector"*. The Plan has two focus areas, namely *Financial Stability and Financial Inclusion*. The focus areas are underpinned by six strategic initiatives (Table 5.1).

Table 5.1: Performance against Strategic Objectives as at end-2020

	Strategic Initiatives	2020	
		Expected Percent on Target	Actual Percent on Target
1	Strengthen Microprudential Regulations and Supervision	100	30
2	Strengthen Macroprudential Regulation and Supervision	100	51
3	Develop and strengthen financial market infrastructure and oversight	100	32
4	Enhance data collection, management, and application	100	20
5	Formulate and implement a financial inclusion strategy for the Bank	100	30
6	Mainstream gender in the financial sector	100	20
	Overall Performance	**100**	**31**

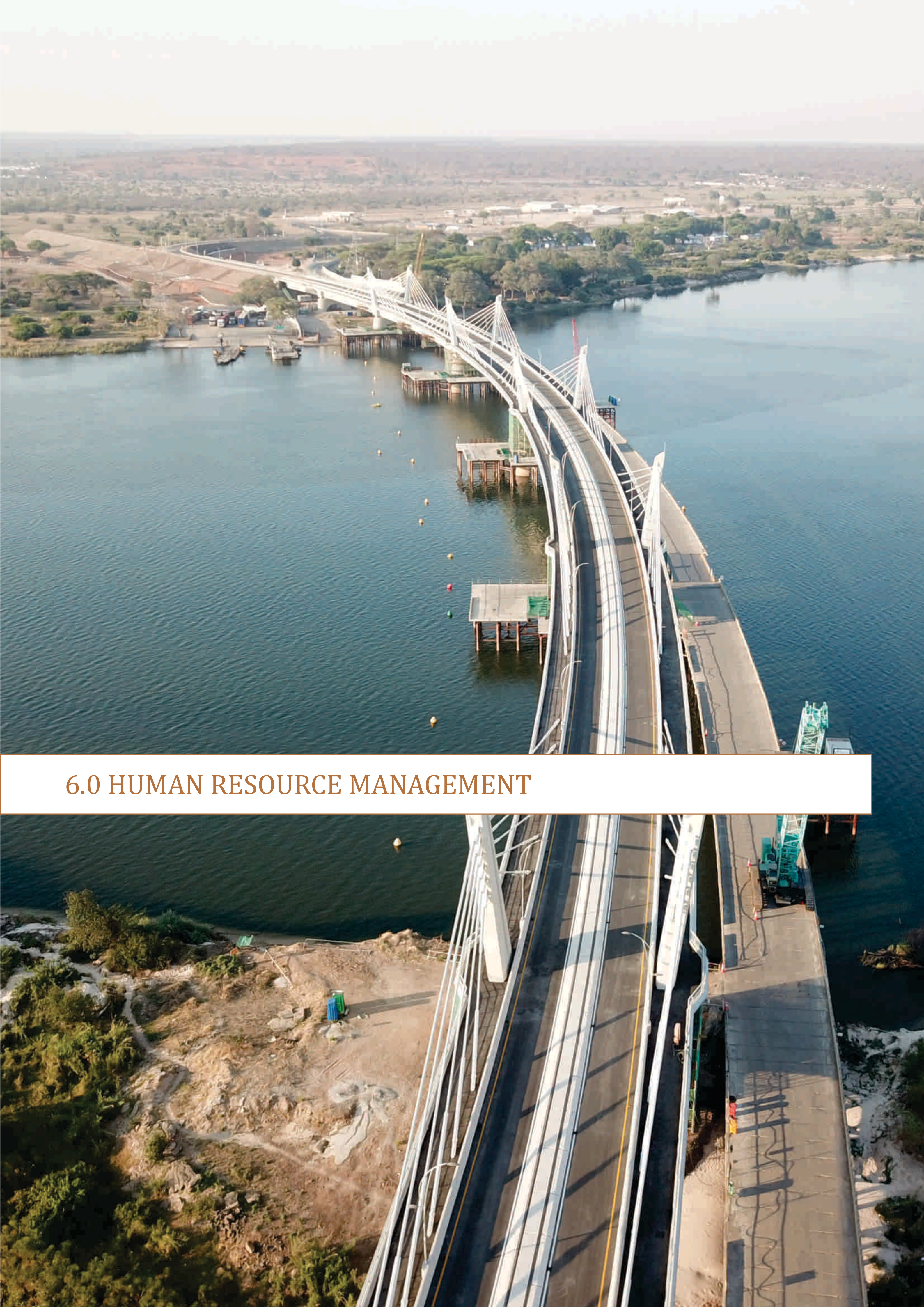
Source: Bank of Zambia

The implementation of the Plan was adversely impacted by the COVID-19 pandemic. Operations within the Bank and in stakeholder institutions scaled down due to the infectious and widespread nature of the pandemic. In adherence to COVID-19 mitigation measures outlined by the Government, activities that required physical interaction could not be undertaken. The pandemic also resulted in some of staff falling ill in the later part of the year. In response, the Bank instituted mass COVID-19 testing for staff and introduced rotational and work from home arrangements. As a result of the COVID-19 impact, the Bank only achieved an overall completion rate of 31.0 percent of the strategic initiatives.

5.2 Enterprise Risk Management

The Bank's overall risk profile continued to improve, supported by risk action plans and enhanced controls implemented to mitigate the identified risks. Response strategies were activated in the wake of the COVID-19 pandemic to ensure that the Bank remained operationally resilient and continued to deliver on its mandate. In addition, contingency arrangements for financial market infrastructures and other prioritised processes against business disruptions were regularly tested in line with the Business Continuity Policy.

6.0 HUMAN RESOURCE MANAGEMENT



6.0 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

As at end- 2020, the total number of staff in employment stood at 514 (310 male and 204 female) against an establishment of 684. Of the total staff establishment, 362 (70 percent) employees were on Fixed-Term Employment Contract while 152 (30 percent) were on Permanent and Pensionable Service (Tables 6.1 and 6.2).

Table 6.1: Staffing Levels

Functions	2018			2019			2020		
	Estab.	Actual	Diff	Estab.	Actual	Diff	Estab.	Actual	Diff
Executive	15	12	-3	15	11	-4	15	10	-5
Subtotal	**15**	**12**	**-3**	**15**	**11**	**-4**	**15**	**10**	**-5**
Core Departments									
Bank Supervision	54	44	-10	54	39	-15	54	43	-11
Banking, Currency & Payment Systems	85	72	-13	94	68	-26	94	69	-25
Economics	56	41	-15	55	46	-9	55	44	-11
Financial Markets	36	32	-4	37	36	-1	37	36	-1
Non-Banks Financial Institutions Supervision	43	36	-7	43	37	-6	43	32	-11
Strategy & Risk Management	13	10	-3	13	12	-1	13	11	-2
Subtotal	**287**	**235**	**-52**	**296**	**238**	**-58**	**296**	**235**	**-61**
SupportServicesDepartments									
Board Services	21	15	-6	21	18	-3	21	17	-4
Finance	37	34	-3	37	30	-7	37	29	-8
Human Resources	26	19	-7	26	19	-7	26	20	-6
Information & Communications Technology	35	30	-5	34	29	-5	34	29	-5
Legal Services	9	7	-2	9	9	0	9	7	-2
Internal Audit	17	16	-1	17	16	-1	17	15	-2
Procurement & Maintenance Services	85	71	-14	83	74	-9	83	66	-17
Security	85	40	-45	85	36	-49	85	32	-53
Subtotal	**315**	**232**	**-83**	**312**	**231**	**-81**	**312**	**215**	**-97**
Regional Office	62	54	-8	61	56	-5	61	54	-7
Subtotal	**62**	**54**	**-8**	**61**	**56**	**-5**	**61**	**54**	**-7**
TOTAL	**679**	**533**	**-146**	**684**	**536**	**-148**	**684**	**514**	**-170**

Source: Bank of Zambia

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

Office	Permanent & Pensionable	Fixed Term Contract	Gender		Total
			Male	Female	
Lusaka	118	304	251	171	422
Ndola	34	58	59	33	92
Total	**152**	**362**	**310**	**204**	**514**
Percent share	**29.6**	**70.4**	**60.3**	**39.7**	**100**

Source: Bank of Zambia

Staff Movements

The Bank recruited 13 employees in 2020 while 32 separated from the Bank (Tables 6.3 and 6.4). Separations were as a result of statutory early retirement, voluntary separation, resignation, expiry of contracts, dismissal and death.

Table 6.3: Staff Recruitments in 2020

Department	Number
Bank Supervision	4
Economics	1
Finance	1
Governor's Office	1
Human Resources	2
Non-Bank Financial Institutions Supervision	1
Procurement and Maintenance Services	2
Security	1
Total	**13**

Source: Bank of Zambia

Table 6.4: Staff Separations in 2020

Mode of Separation	Number
Statutory Early Retirement	16
Voluntary Separations/Early Separation	10
Resignation	5
Contract Expiration	2
Dismissal	1
Death	1
Total	**32**

Source: Bank of Zambia

Reorganisation Programme

As part of the on-going reorganisation exercise, the Bank established the positions of Chief of Staff and Advisor to the Governor in the Executive Office after abolishing the roles of Senior Director.

Staff Welfare

The Bank of Zambia Management and the Zambia Union of Financial Institutions and Allied Workers commenced negotiations for the 2020-2022 Collective Agreement. However, the negotiations were not concluded due to disruptions from COVID-19. Further, the Bank organised a number of health awareness bulletins on the COVID -19 pandemic in addition to the medical services offered to employees and their immediate families.

Capacity Building Programmes

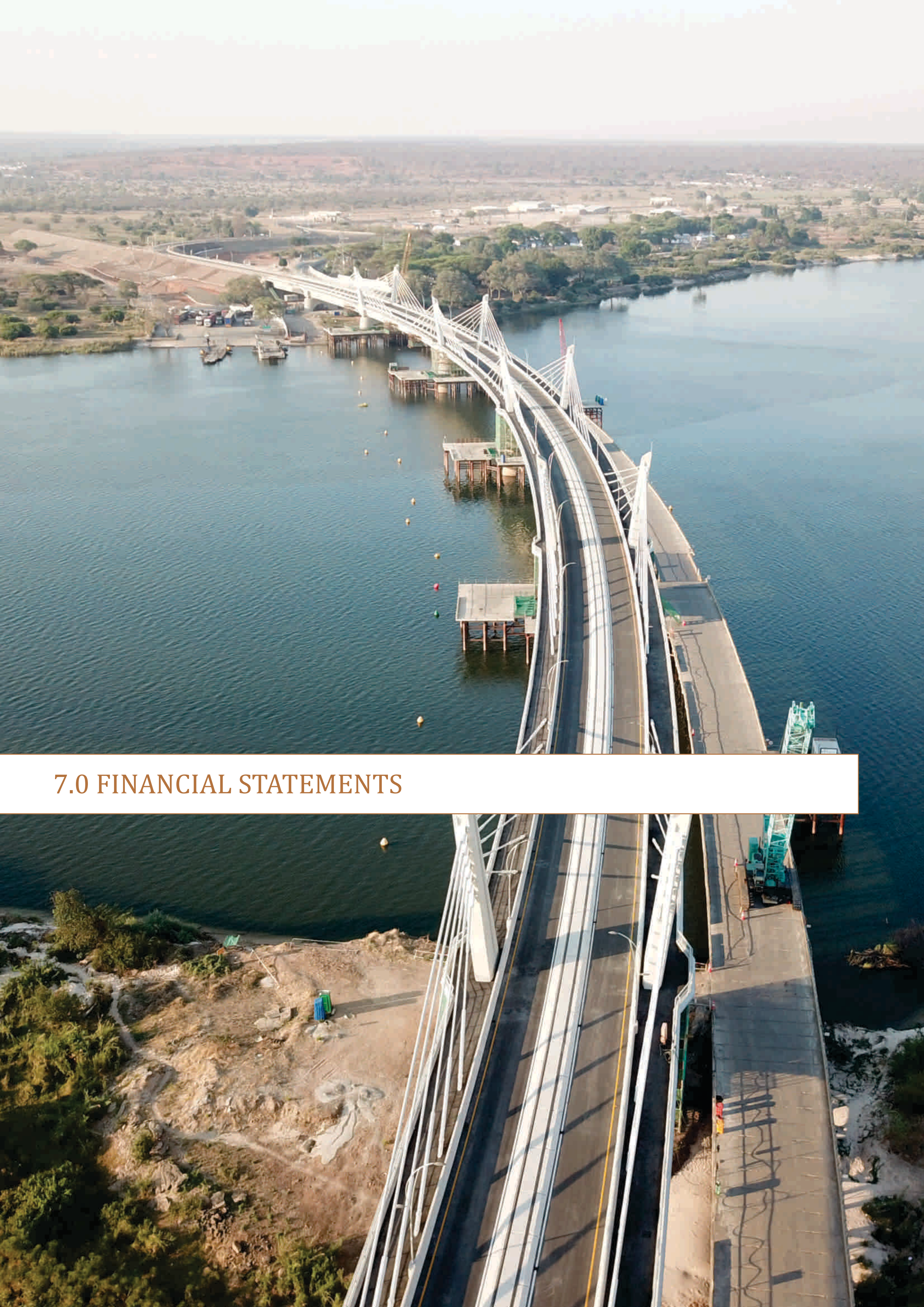
Various capacity building programmes through relevant workshops and seminars (locally and abroad) were provided by the Bank. In addition, the Bank sponsored a number of employees on various programmes to upgrade their qualifications (Table 6.5).

Table 6.5: Number of Students Pursuing Study Programmes, 2018–2020

	2018	2019	2020
PhD/DBA	5	8	5
Masters Degrees	0	0	0
Bachelor's Degrees	0	0	0
Professional Qualifications	2	2	4
TOTAL	**7**	**10**	**9**

Source: Bank of Zambia

7.0 FINANCIAL STATEMENTS



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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 International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Approval of the financial statements

The financial statements of the Bank set out on pages 70 to 125 were approved by the Board of Directors on 24 March, 2021 and signed on their behalf by:

....	....
Governor	Director

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 2020, 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 70 to 125 and comprise:

- the statement of financial position as at 31 December 2020;
- 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.

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T: +260 (0) 211 334 000, F: +260 (0) 211 256 474, www.pwc.com/zm

A list of Partners is available from the address above

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment 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 2020, the Bank's portfolio of these instruments comprised loans and advance and investment securities. 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, 15, 16, 18, 19, 21, 22, and 41.	We carried out the following procedures: 1. Obtained an understanding of the Bank's methodology in arriving at the PDs, LGDs and EADs used in the ECL calculation and assessed this against the requirements of IFRS 9. 2. Tested the impairment of financial assets carried at amortised including the basis for their judgments and reasonableness of key inputs and assumptions. 3. For financial assets measured at amortised cost, tested a sample of accounts to understand their performance and appropriateness of staging in line with IFRS 9 by recalculating the number of days past due. 4. Tested the formulae driving the model calculations and re-performed the calculation of certain key model inputs which involves a detailed data check, full recalculation of the model assumptions and an independent rerun of the model. 5. Tested forward looking information and evaluated it against external sources of information. 6. For investment securities, agreed assumptions relating to PDs and LGDs to information from reputable, independent third parties. 7. Tested the financial statement disclosures.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Defined Benefit Pension Obligation The Bank recognized an obligation of ZMW 495 million at 31 December 2020 with respect to its defined benefit pension scheme. Estimating the obligation requires the use of assumptions and judgement such as: • The discount rate (the rate used to discount post-employment benefit obligation); • The rate at which salaries increase into the future; • The mortality (deaths) expected of the members in the fund before retirement; and • The rates of employee turnover and disability. Additional information on valuation of defined benefit pension obligation is presented in Note 35.	We carried out the following procedures: 1. Obtained an understanding of the Bank's methodology used to estimate the defined benefit obligation and assessed this against the requirements of IAS 19 (Employee Benefits) and IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). 2. Challenged the assumptions made by comparing the amounts determined to historical trends as well as future expected outcomes based on data available from independent sources. 3. Using an Actuary as an Auditor's Expert, we re-performed the calculation of the defined benefit obligation recognised in the financial statements; 4. Reviewed the financial statement disclosures.

Other information

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

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

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

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

Responsibilities of the Directors for the annual financial statements

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

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

Responsibilities of the Directors for the annual financial statements (continued)

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

- 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 pwc

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

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

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

31 March 2021

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 K'000	2019 K'000
Interest income	*5*	3,771,442	1,517,627
Interest expense	*5*	(93,843)	(8,010)
Net interest income		**3,677,599**	**1,509,617**
Fee and commission income	*6*	266,241	193,836
Fee and commission expense	*6*	(8,830)	(6,809)
Net fee and commission income		**257,411**	**187,027**
Trading income	*43*	172,212	85,616
Other Gains	*7*	5,315,797	1,914,019
		5,488,009	1,999,635
Total operating income		**9,423,019**	**3,696,279**
Depreciation and amortisation	*23,24*	(41,387)	(42,943)
Impairment	*8*	(585,246)	1,724
Personnel expenses	*9*	(635,406)	(494,637)
Operating expenses	*10*	(1,190,599)	(274,908)
Net expense		(2,452,638)	(810,764)
Profit for the year		**6,970,381**	**2,885,515**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	*20*	513,575	58,374
Net defined benefit obligation	*35*	(494,848)	-
Total comprehensive income for the year		**6,989,108**	**2,943,889**

Notes to the financial statements on pages 74 to 125 form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	**2020 K'000**	2019 K'000
Assets			
Domestic cash in hand		**3,196**	4,920
Foreign currency cash and bank accounts	*12*	**25,460,219**	20,469,918
Items in course of settlement	*13*	**201**	208
Financial assets at FVOCI	*14*	**88,986**	89,533
Loans and advances	*15*	**2,527,520**	662,361
Financial derivative asset	*42*	**23,195**	-
Financial assets at amortised cost	*16,17*	**22,709,527**	14,011,260
Prepayments and other assets	*18*	**58,310**	57,855
Equity investments at FVOCI	*20*	**738,676**	196,407
IMF funds receivable from Government	*21*	**7,653,019**	4,854,175
Property, plant and equipment	*23*	**582,261**	594,231
Intangible assets	*24*	**57,247**	12,293
Non-Refined Gold	*40*	**59,701**	-
Targeted Medium-Term Refinancing Facility	*41*	**3,400,764**	-
IMF Subscriptions	*22,33*	**24,961,309**	17,242,617
Total assets		**88,324,131**	58,195,778
Liabilities			
Deposits from the Government	*26*	**2,940,414**	2,342,487
Deposits from financial institutions	*27*	**15,192,959**	8,366,209
Foreign currency liabilities to other institutions	*28*	**53,043**	32,229
Other deposits	*29*	**105,428**	134,916
Financial derivative liability	*42*	**405,213**	-
Notes and coins in circulation	*30*	**12,391,883**	8,627,031
Other liabilities	*31*	**755,841**	108,294
Provisions	*32*	**973,677**	160,558
Domestic currency liabilities to IMF	*22,33*	**24,961,309**	17,242,617
Foreign currency liabilities to IMF	*34*	**58,640**	237,625
SDR allocation	*36*	**14,301,539**	9,151,771
Total liabilities		**72,139,946**	46,403,737
Equity			
Capital	*37*	**500,020**	500,020
General reserve fund	*38*	**2,550,373**	2,261,822
Property revaluation reserves	*38*	**325,738**	340,161
Retained earnings	*38*	**12,808,054**	8,690,038
Total equity		**16,184,185**	11,792,041
Total liabilities and equity		**88,324,131**	58,195,778

Notes to the financial statements on pages 74 to 125 form an integral part of the financial statements

The financial statements on pages 70 to 125 were approved for issue by the Board of Directors on 24 March, 2021 and signed on its behalf by:

……………………… **Governor** ……………………… **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Note	Share capital	General reserve fund	Property revaluation reserve	Retained earnings	Total equity
		K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2019		**500,020**	**1,929,377**	**354,584**	**7,757,471**	**10,541,452**
Profit for the year		-	-	-	2,885,515	2,885,515
Transfer to general reserve fund		-	332,445	-	(332,445)	-
Other comprehensive income						
Changes in the fair value of equity investments at fair value through other comprehensive income		-	-	-	58,374	58,374
Amortisation of revaluation surplus relating to properties		-	-	(14,423)	14,423	-
Total comprehensive income		**-**	**332,445**	**(14,423)**	**2,625,867**	**2,943,889**
Transactions with owners:						
Dividend paid		-	-	-	(1,693,300)	(1,693,300)
Total transactions with owners		-	-	-	(1,693,300)	(1,693,300)
Balance at 31 December 2019		**500,020**	**2,261,822**	**340,161**	**8,690,038**	**11,792,041**
Balance at 1 January 2020		**500,020**	**2,261,822**	**340,161**	**8,690,038**	**11,792,041**
Profit for the year		-	-	-	6,970,381	6,970,381
Changes in the fair value of equity investments at fair value through other comprehensive income		-	-	-	513,575	513,575
Actuarial loss on defined benefit		-	-	-	(494,848)	(494,848)
Transfer to general reserve		-	288,551	-	(288,551)	-
Amortisation of revaluation surplus relating to properties		-	-	(14,423)	14,423	-
Total comprehensive income		**-**	**288,551**	**(14,423)**	**6,714,980**	**6,989,108**
Transactions with owners:						
Dividend paid		-	-	-	(2,596,964)	(2,596,964)
Total transactions with owners		-	-	-	(2,596,964)	(2,596,964)
Balance at 31 December 2020		**500,020**	**2,550,373**	**325,738**	**12,808,054**	**16,184,185**

Notes to the financial statements on pages 74 to 125 form an integral part of the financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020	2019
Cash flows from operating activities		**K'000**	K'000
Profit for the year		6,970,381	2,885,515
Adjustment for:			
Depreciation/amortisation	*23,24*	41,387	42,943
Dividends received		(362)	(49)
Gain on disposal of plant and equipment		(120)	(818)
Impairment loss on other assets		-	(1,724)
Effects of exchange rate changes on cash and cash equivalents	*7*	1,518,604	1,410,366
Provisions made during the year	*32*	813,119	114,399
		9,343,009	4,450,632
Changes in operating assets and liabilities			
Change in items in course of settlement	*13*	7	29
Change in FVOCI	*14*	547	10
Change in loans and advances	*15*	(1,865,159)	6,376,214
Change in amortised financial assets	*16,17*	(8,698,267)	(10,017,175)
Change in other Prepayments and other	*18*	(455)	6,793
Non-Refined Gold	*40*	(59,701)	-
Targeted Medium-Term Refinancing Facility	*41*	(3,400,764)	-
Change in financial assets through OCI	*20*	(35,505)	0
Change in IMF funds receivable from Government	*21*	(2,798,844)	(811,862)
Financial derivative asset	*42*	(23,195)	-
Change in deposits from Government	*26*	597,927	501,772
Change in deposits from financial institutions	*27*	6,826,750	3,144,046
Change in foreign currency liabilities to other institutions	*28*	20,814	5,540
Change in other deposits	*29*	(29,488)	58,875
Change in other liabilities	*31*	152,699	(71,545)
Financial derivative liability	*42*	405,213	-
Change in foreign currency liabilities to IMF	*34*	(178,985)	(491,819)
Change in notes and coins in circulation	*30*	3,764,852	329,984
Change in SDR allocation	*36*	5,149,768	1,371,828
Net cash generated from operating activities		**9,171,223**	**4,853,322**
Cash flows from financing activities			
Dividends paid shareholders		(2,596,964)	(1,693,300)
Cash flows from investing activities			
Dividends received		7,173	49
Purchase of property, plant and equipment and intangible assets	*23,24*	(74,924)	(37,122)
Proceeds from sale of property, plant and equipment	*23,24*	673	819
Net cash out flows from investing activities		**(67,078)**	**(36,254)**
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		20,474,838	18,761,436
Effects of exchange rate changes on cash and cash equivalents	7	(1,518,604)	(1,410,366)
Cash and cash equivalents at the end of the year		**25,463,415**	**20,474,838**
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		3,196	4,920
Foreign currency cash and bank accounts		25,460,219	20,469,918
		25,463,415	20,474,838

Notes to the financial statements on pages 74 to 125 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 24 March, 2021

2 Principal accounting policies

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

2.1 Basis of preparation

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

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

(a) New Standards effective 1 January 2020

Amendments to IAS 1 and IAS 8
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Changes and Estimates. The amendment was to align the definition of 'material' across the standards. The new definition of material is contained in IAS 1. The amendments have no material impact on the Bank.

Amendments to the Conceptual Framework for Financial Reporting
The Conceptual Framework is not a standard itself but provides general guidance on IFRS. Main improvements in the revised Conceptual Framework include the introduction of concepts for measurement, presentation, disclosures and guidance for derecognition of assets and liabilities. The amendments do not have a significant impact on the financial statements.

Amendments Interest Rate Benchmark Reform (IBOR) Phase 1
The IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 had 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 16 proceeds before intended use, effective 1 January 2022. The proposed amendments shall require management to distinguish costs relating to producing and selling an asset before it is available for use and costs related with making the asset available for its intended use.
- Amendments on classification of Liabilities as Current or Non-current – IAS 1, effective 1st January 2023. The amendment to the standard specifies conditions that should exist at the reporting date to be those that will be used to determine if a right to defer settlement of a liability exists.
- Amendment on disclosure of accounting policies – IAS 1 and IFRS Practice Statement 2, effective 1 January 2023. The proposed amendments to IAS 1 will require entities to disclose material accounting policies as opposed to significant accounting policies. IFRS Practice Statement 2 provides guidance on the application of the materiality process to accounting process.
- Amendments on Accounting Estimates – IAS 8, effective 1 January 2023. The amendment provides guidance on the need to distinguish between Accounting Policies and Accounting Estimates.

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

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

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

Interest income and expense presented in the 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 2020

2 Principle accounting policies *(continued)*

The Bank is guided by the provisions of IFRS 15 in revenue recognition and follows the five-step process by:

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

(f) Dividends

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

(g) Rental income

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

(h) Foreign currency transactions and balances

In preparing the financial statements of the Bank, transactions in foreign currencies are recognised at the exchange rates 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.

(I) Classification

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

Business model assessment

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

The features assessed may include:

- In case of variable interest instruments, determination of the significance of impact of a rate reset on cash flows;
- Extent to which contractual terms, such as prepayment callable or extension, could change the timing or amount of cash flows;

For asset backed securities to assess underlying assets to determine if they are classified as SPPI.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principle accounting policies *(continued)*

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

In carrying out the assessment, "principal" refers to the fair value of the financial asset on initial recognition. "Interest" is consideration for the time value of money, for credit risk associated with the principal amount outstanding during the period of holding the asset and for other basic lending risks and costs as well as a 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 whether 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 basic lending arrangements; and
- Assesses nature and effect of complex features to determine if they are de minims or not genuine.

Financial Assets at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as loans and advances to commercial banks and non-banks financial institutions and staff. The Bank has classified the following financial assets as financial assets at amortised cost:

- GRZ consolidated bond;
- Other GRZ securities;
- Staff savings securities; and
- Loans and receivables, including 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 for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL. The Bank has irrevocably designated at FVOCI, equity investments in Afreximbank and Zambia Electronic Clearing House Limited (ZECHL). The Bank chose this classification alternative because both investments were made for strategic purposes rather than with a view to profit on subsequent sale. There are no plans to dispose of these investments in the short or medium term.

Financial Assets Measured at Fair Value Through Profit or loss (FVTPL)

All other financial assets not classified at Amortised cost or FVOCI as described above are measured at FVTPL.

(ii) Subsequent measurement

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 OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

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

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

Equity investments at FVOCI

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

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

(iii) Derecognition

The Bank de-recognises financial assets or a portion thereof when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

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

(iv) Impairment

IFRS 9 requires impairment assessment of all financial instruments that are not measured at FVTPL under the Expected Credit Loss model (ECL). 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 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 2020

2 Principal accounting policies *(continued)*

Measurement of ECL

IFRS 9 establishes a three-stage impairment model, based on whether there has been a significant increase in the credit risk 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 months ECL, and recognise interest on a gross basis;
- Stage 2 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, recognize.

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

ECL is calculated based on, Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. In this context, “forward looking” information is necessary to conclude the impairment assessment and determine the key parameters i.e., PD, LGD and EAD.

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

As at 31 December 2020 the Bank recognised an ECL of less than K600 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. 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. The Bank's minimum credit rating for counterparties and instruments shall be “A- or A3” assigned by at least two internationally recognized credit rating agencies.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

b. Financial liabilities

(I) Classification

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

Financial liabilities at FVTPL

Financial liabilities are classified 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) Derecognition of financial liabilities

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

(iii) Other financial liabilities

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

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

(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 2020

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

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.

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 2020

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:

	2020	2019
Buildings	2%	2%
Fixtures and fittings	4%	4%
Plant and machinery	5%	5%
Furniture	10%	10%
Security systems and other equipment	10-20%	10-20%
Motor vehicles	25%	25%
Armoured Bullion Vehicles	10%	10%
Armoured Escort Vehicles	16.7%	16.7%
Computer equipmen - hardware	25%	25%
Office equipment	33.3%	33.3%

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

(v) De- recognition

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

(vi) Capital work-in-progress

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

(m) Intangible assets - computer software

Intangible assets acquired separately

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

(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) Defined contribution plan

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

In line with the above defined scheme, the Bank contributes to the Statutory Pension Scheme in Zambia, namely National Pension Scheme Authority (NAPSA) where the Bank pays an amount equal to the employees' contributions.

Defined benefit plan

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

(iii) Termination benefits

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

Until 31 December 2020, the Bank had a device referred to as Voluntary Separation Scheme (VSS) designed to exit permanent and pensionable staff who volunteer under the rules and conditions as defined and approved by the Board of Directors. VSS costs were recognised as an expense in full when the Bank approved a separation request of a member of staff who met eligibility conditions stipulated under the VSS rules. At its sitting on 30 November 2020, the Board approved the abolishment of VSS effective 1 January 2021.

(iv) Short-term benefits

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

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

(v) Other staff benefits

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

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

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

(r) Provisions

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

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

(s) Currency in circulation

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

(t) Currency printing and minting expenses

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

(u) Sale and repurchase agreements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

(v) Financial derivatives

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

The Bank uses FX Swaps to manage the US dollar liquidity needed for FX market support. Currencies to be exchanged in the swap transaction is the Kwacha (ZMW) and the United States dollar (USD). To operationalize 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 BoZ in discharging its mandate of promoting an efficient and stable foreign exchange market.

The spot rate is the interbank mid-rate of ZMW/USD 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 will be expected to receive in the Swap, BoZ provides an option to the bank to invest the Kwacha in a fixed term deposit. Placing the Kwacha receipts on the BoZ 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) Non-Refined and Monetary Gold

The Bank is holding the gold for strategic purposes so as to enhance the foreign reserves. The Bank has opened a non-interest gold account with the Bank for International Settlements, BIS Basle while gold custody will be at the Bank of England.

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 the BIS and consequently form part of the foreign reserves position at the prevailing market gold price.

All residual gold holdings that are neither monetary gold nor antique gold shall be classified as non-monetary gold. Examples may include bullion gold, scrap jewellery, unrefined gold, alluvial gold dust and nuggets and antique gold.

These are treated the same as a commodity with initial recognition undertaken at cost. Subsequent measurement is at the lower of cost and net realisable value.

Monetary Gold

Gold designated as monetary gold shall be recognized when the Bank acquires the contractual rights to the economic risks and rewards ownership of the Gold and upon receipt of a credit balance of refined ounces of gold deposit on the account at BIS.

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

- Refining costs-Costs that are essential to bring the gold to the desired level form for classification as monetary gold; and
- Transport costs-These shall be costs necessary to deliver the gold to a recognized market location.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Principal accounting policies *(continued)*

Any unrealized revaluations shall not be considered for determining annual profits and loss, but will be reported in the statement of Other Comprehensive Income (SOCI).

(x) Targeted Medium-Term Refinancing Facility

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 was made available to Financial Service Providers (FSP) that met the eligibility criteria as defined under the facility's terms and conditions. It provided 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 IFRS9.

(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 as stipulated in the staff loans and advances policy.

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

3.1 Realised foreign exchange revaluation gains

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

If the kwacha depreciates against the US dollar by more than 6% there should be a significant change in amounts recognised as realised foreign exchange gains or losses in the profit or loss as disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

3.2 Defined benefits obligations

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

3.3 Measurement of the expected credit loss allowance

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

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

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

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

3.4 Fair Value measurement

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

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

(a) Overview and risk management framework

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 **Risk management policies** *(continued)*

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

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

Financial instruments by category				
Financial assets	**FVOCI**	**Amortised cost**	**FVTPL**	**Total**
At 31 December 2020	**K'000**	**K'000**	**K'000**	**K'000**
Domestic cash in hand	-	3,196	-	3,196
Foreign currency cash and bank accounts	-	25,460,219	-	25,460,219
Items in course of settlement	-	201	-	201
Sundry receivables	-	4,727	-	4,727
Financial assets held at FVOCI	88,986	-	-	88,986
Loans and advances	-	2,527,520	-	2,527,520
Financial assets at amortised cost	-	22,709,527	-	22,709,527
Financial derivative	-	-	23,195	23,195
Targeted Medium-Term Refinancing Facility	-	3,400,764	-	3,400,764
Equity investments at FVOCI	738,676	-		738,676
IMF funds recoverable from GRZ	-	7,653,019	-	7,653,019
IMF Subscriptions	-	24,961,309	-	24,961,309
	827,662	**86,720,482**	**23,195**	**87,571,339**
At 31 December 2019				
Domestic cash in hand	-	4,920	-	4,920
Foreign currency cash and bank accounts	-	20,469,918	-	20,469,918
Items in course of settlement	-	208	-	208
Sundry receivables	-	3,562	-	3,562
Financial assets held at FVOCI	89,533	-	-	89,533
Loans and advances	-	662,361	-	662,361
Financial liabilities at amortised cost	-	14,011,260	-	14,011,260
Equity investments at FVOCI	196,407	-	-	196,407
IMF funds recoverable from the GRZ	-	4,854,175	-	4,854,175
IMF Subscriptions	-	17,242,617	-	17,242,617
	285,940	**57,249,021**	**-**	**57,534,961**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

	2020
Financial liabilities	**K'000**
At 31 December 2020	**2,940,414**
Deposits from the Government of the Republic of Zambia	**15,192,959**
Deposits from financial institutions	**53,043**
Foreign currency liabilities to other institutions	**105,428**
Other deposits	**755,841**
Other liabilities	**24,961,309**
Domestic currency liabilities to the IMF	**58,640**
Foreign currency liabilities to the IMF	**12,391,883**
Notes and coins in circulation	**14,301,540**
SDR allocation	**70,761,057**
Financial liability at FVTPL	
Financial derivative liability	**405,213**

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

(a) Credit risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

Counterparty ratings

Counterparty	Rating Agency			BoZ Minimum Acceptable Rating
	Moody's	S&P	Fitch	
Federal Reserve Bank	Aaa	AA+	AAA	A-
Citi Bank New York	A3	BBB+	A	A-
Bank of New York Mellon (BNY)	Aa1	AA-	AA+	A-
Deutsche Bundesbank	Aaa	AAA	AAA	A-
Bank of England (BOE)	Aa3	AA	AA-	A-
South African Reserve Bank	Baa2	BB-	BB-	A-
Bank of Mauritius	Baa1	N/A	N/A	A-
World Bank	Aaa	AAA	AAA	A-
*Bank for International Settlement	N/A	N/A	N/A	A-

** counterparty does not have external credit ratings*

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

(i) GRZ bonds and Treasury Bills

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

(ii) Fixed term deposits

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

Financial Asset	Ratings - 2020					
	A1	Aa1	Aa1	Baa1	Baa2	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Cash balances	**24,786**	**14,472**	**14,472**	**6,722**	**1,275**	**5,739,371**
Deposits	**-**	**-**	**-**	**-**	**-**	**7,619,835**
Securities	**-**	**-**	**-**	**-**	**-**	**8,288,349**
Special drawing rights	**-**	**-**	**-**	**-**	**-**	**3,812,664**
Total	**24,786**	**14,472**	**14,472**	**6,722**	**1,275**	**25,460,219**

Financial Asset	Ratings - 2019					
	A1	Aa1	Aa1	Baa1	Baa2	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Cash balances	86,842	3,188	3,188	484	869	3,108,852
Deposits	-	-	-	-	-	9,354,729
Securities	-	-	-	-	-	5,328,380
Special drawing rights	-	-	-	-	-	2,677,957
Total	86,842	3,188	3,188	484	869	20,469,918

(iii) Staff loans and advances

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

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

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

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

Loans and advances (Note 15)	2020	2019
	K'000	K'000
Against neither past due nor impaired		
- Property	**12,199**	7,737
- Gratuity and leave days	**67,672**	67,276
- Motor vehicles	**21,888**	23,565
	101,759	98,578

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

All staff loans are neither past due nor impaired.

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

Loans and advances (Note 15)	**2020**	2019
	K'000	K'000
Carrying amount		
- Staff loans	**90,095**	96,992
- Staff advances	**3,699**	1,224
	93,794	98,216
Concentration by nature		
- House loans	**12,199**	7,737
- Multi-purpose loans	**47,353**	55,594
- Motor vehicle loans	**21,888**	23,565
- Other advances	**3,699**	1,224
- Personal loans	**5,990**	5,802
- Other	**2,665**	4,294
	93,794	98,216

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

Advances extended to banks and non-banks financial institutions mainly consisted of open market operations, term deposits and targeted medium term financing facility which were fully collaterised. Advances made to banks and non-banks financial institutions under the Targeted Medium-Term Refinancing Facility (TMTRF) are well collateralized and takes into account applicable haircuts as prescribed under section 8 of the terms and conditions of the TMTRF. Further credit risk is 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: Financial Service Providers 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.

(v) Collateral and other credit enhancements

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

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

(vi) Impairment assessment

Collateral and other credit enhancements

Lending to commercial banks and Non-Bank Financial Institutions are secured and some loans extended to staff are secured against residential property and motor vehicles. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

Collateral and other credit enhancements *(continued)*

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

The Bank's internal rating and PD estimation process

The Bank's Investment Committee and the Budget and Finance Committee handles its internal rating scale. The scale incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. The internal credit grades are then assigned into IFRS 9 stages as appropriate as is shown in the table below:

Bank's Internal rating

Low credit risk

- Foreign currency cash and bank accounts
- IMF funds receivable from Government
- Investments in government securities (Financial assets at amortised cost)
- Recoverable from GRZ
- Targeted medium term refinancing
- Loans and advances to Banks and non-banks and members of staff
- Equity investment at FVOCI

Unrated

- Loans and advances – former staff
- Other assets

For purposes of impairment, the bank has assigned a low credit risk rating for all financial assets rated as Investment grade. In coming up with the rating, the bank has considered the following factors:

- The relationship between the holders of the financial assets and the Bank;
- Whether or not there has been a significant increase in the credit risk of the counter parties based on the Bank's credit risk rating;
- The capacity of the counterparty to pay, taking into account the historical payment profiles as well as the changes in the economic conditions; and
- The currency denomination of the financial assets.

The low credit risk as set in the Bank's internal risk management has the same meaning as per IFRS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

(i) Impairment assessment

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

	Stage 1	Stage 2	Stage 3	Total
	K'000	K'000	K'000	K'000
Investment grade				
Financial assets at FVOCI	88,986	-	-	88,986
Recoverable from GRZ	7,653,019	-	-	7,653,019
Investments in TBs and Bonds	23,294,778	-	-	23,294,778
(Assets at amortised cost)				
Equity investments at FVOCI	738,676	-	-	738,676
Targeted Medium Term Refinancing	3,400,764	-	-	3,400,764
Loans and advances	2,645,129			2,645,129
Unrated				
Loans and advances	1,657	-	-	1,657
Gross carrying amount	37,823,009	-	-	37,823,009
Loss allowance	(585,251)	-	-	(585,251)
Net carrying amount	**37,237,758**	-	-	**37,237,758**

(ii) Allowances for impairment

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

Probability of Default (PD) estimation process

The Bank generates probabilities of default using the external rating agencies such as Moody's and S&P for all investments rated 'Investments grade'. In line with the guidance in IFRS 9, these financial assets have been assigned a low credit rating and the bank has applied the 'investment grade' rating or BBB investments as per S&P as their base. In addition to this, the Bank has applied scenarios weights to the PDs.

For all unrated investments, the Bank has used a transition matrix using historical data to assess for the probability of default.

(i) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

Concentration of risks of financial assets with credit risk exposure

31 December 2020	**Financial Institutions K'000**	**Government K'000**	**Individuals K'000**	**Others K'000**	**Total K'000**
Foreign currency cash and bank accounts	**25,460,219**	-	-	-	**25,460,219**
Items in course of settlement	**201**	-	-	-	**201**
Domestic financial assets at FVOCI	**88,986**	-	-	-	**88,986**
Loans and advances	**2,527,520**	**25,472**	**93,794**	-	**2,646,786**
Domestic financial assets at amortised cost	-	**22,709,527**	-		**22,709,527**
Financial derivative	**23,195**	-	-	-	**23,195**
Targeted Medium Term Refinancing Facility	**3,400,764**	-	-	-	**3,400,764**
Equity investments at FVOCI	**738,676**	-	-	-	**738,676**
IMF funds recoverable from GRZ	-	**7,653,019**	-	-	**7,653,019**
IMF subscriptions	**24,961,309**	-	-	-	**24,961,309**
	57,200,770	**30,388,018**	**93,794**	-	**87,682,682**
31 December 2019					
Foreign currency cash and bank accounts	20,469,918	-	-	-	20,469,918
Items in course of settlement	208	-	-	-	208
Domestic financial assets at FVOCI	89,533	-	-	-	89,533
Loans and advances	532,080	33,406	96,875	-	662,361
Domestic financial assets at amortised cost		14,011,260			14,011,260
Equity investments at FVOCI	196,407		-	-	196,407
IMF funds recoverable from GRZ	-	4,854,175	-	-	4,854,175
IMF subscriptions	17,242,617	-	-	-	17,242,617
	38,530,763	18,898,841	96,875	-	57,526,479

(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 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

Financial assets and liabilities held for managing liquidity risk

31 December, 2020	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Due after 5 years K'000	Total K'000
Assets held for managing liquidity risk						
Domestic cash in hand	3,196	-	-	-	-	3,196
Foreign currency cash and bank accounts	18,523,646	6,758	6,929,815		-	25,460,219
Targeted Medium Term Refinancing Facility	-	-	-	3,400,764	-	3,400,764
Financial Assets held at amortised cost	-	-	-	22,709,527	-	22,709,527
Financial Assets held at FVOCI	-	88,986	-	-	-	88,986
Financial derivative	-	-	23,195	-	-	23,195
Loans and advances	628,955	33,406	373,032	1,492,127	-	2,527,520
IMF funds recoverable from GRZ	7,653,019	-	-	-	-	7,653,019
IMF Subscription	24,961,309	-	-	-	-	24,961,309
Total assets held	51,770,125	129,150	7,326,042	27,602,418	-	86,827,735
Notes and coins in circulation	12,391,883	-	-	-	-	12,391,883
Foreign currency liabilities to other institutions	53,043	-	-	-	-	53,043
Foreign currency liabilities to IMF	58,640	-	-	-	-	58,640
Domestic currency liabilities to IMF	24,961,309	-	-	-	-	24,961,309
Deposits from the Government	2,940,414	-	-	-	-	2,940,414
Deposits from financial institutions	15,192,959	-	-	-	-	15,192,959
Other deposits	105,428	-	-	-	-	105,428
Financial derivative	-	-	405,213		-	405,213
Other liabilities	-	64,497	196,496	-	494,848-	755,841
Total non-derivative liabilities	55,703,676	64,497	601,709	-	494,848	56,864,730
Net exposure	(3,933,551)	64,653	6,724,333	27,602,418	(494,848)	29,963,005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

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

Assets held for managing liquidity risk

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

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

(d) Exposure to currency risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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 2020 was as shown in the table below:

At 31 December 2020	**USD**	**GBP**	**EUR**	**SDR**	**Other**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**Kwacha**
Foreign currency assets						
Foreign currency cash and bank accounts	**20,371,369**	**27,465**	**1,643**	**3,812,664**	**1,247,053**	**25,460,194**
IMF Subscriptions	**-**	**-**	**-**	**24,961,308**	**-**	**24,961,308**
Total foreign currency assets	**20,371,369**	**27,465**	**1,643**	**28,773,972**	**1,247,053**	**50,421,502**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**39,827**	**9,307**	**3,909**	**-**	**-**	**53,043**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**58,640**	**-**	**58,640**
SDR allocation	**-**	**-**	**-**	**14,301,540**	**-**	**14,301,540**
Total foreign currency liabilities	**39,827**	**9,307**	**3,909**	**14,360,180**	**-**	**14,413,222**
Net exposure	**20,331,542**	**18,158**	**(2,266)**	**14,413,792**	**1,247,078**	**36,008,279**
At 31 December 2019						
Foreign currency assets						
Foreign currency cash and bank accounts	14,742,106	856,617	215	2,677,957	2,193,023	20,469,918
IMF Subscriptions	-	-	-	17,242,617	-	17,242,617
Total foreign currency assets	14,742,106	856,617	215	19,920,574	2,193,023	37,712,535
Foreign currency liabilities						
Foreign currency liabilities to other institutions	27,931	2,691	1,607	-	-	32,229
Foreign currency liabilities to IMF	-	-	-	237,625	-	237,625
SDR allocation	-	-	-	9,151,771	-	9,151,771
Total foreign currency liabilities	27,931	2,691	1,607	9,389,396	-	9,421,625
Net exposure	14,714,175	853,926	(1,392)	10,531,178	2,193,023	28,290,910

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

	Spot rate	
	2020	2019
	K'000	K'000
SDR 1	**30.48**	19.51
GBP 1	**28.40**	18.51
EUR 1	**25.75**	15.78
USD 1	**21.17**	14.11

Foreign currency sensitivity

The following table illustrates the impact of a 6% weakening of the Kwacha against the relevant foreign currencies. 6% 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 6% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in thousands of Kwacha

	Equity	**Profit or (loss)**
	K'000	**K'000**
31 December 2020		
SDR	**864,828**	**864,828**
USD	**1,219,894**	**1,219,894**
EUR	**(136)**	**(136)**
GBP	**1,090**	**1,090**
31 December 2019		
SDR	1,263,741	1,263,741
USD	1,765,701	1,765,701
EUR	(167)	(167)
GBP	102,471	102,471

A 6% strengthening of the Kwacha against the above currencies at 31 December would have had an equal but opposite effect to the amounts shown above.

(e) Exposure to interest rate risk

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

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

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

31 December 2020	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Non-interest bearing K'000	Total K'000
Assets						
Domestic cash in hand						
Foreign currency cash and bank accounts	-	-	-	-	3,196	3,196
Items in course of settlement	25,453,461	-	-	-	6,758	25,460,219
Loans and advances	-	-	-	-	201	201
Targeted Medium Term Refinancing Facility	-	-	90,095	2,464,183	29,171	2,583,449
Financial assets at FVOCI	-	-	-	4,622,769	-	4,622,769
Financial assets at amortised cost	-	-	-	88,986	-	88,986
Financial derivative asset	-	-	-	29,655,986	-	29,655,986
Equity investments at FVOCI	-	-	23,195	-	-	23,195
Other assets	-	-	-	-	738,676	738,676
IMF funds receivable form GRZ	-	-	-	-	58,310	58,310
IMF Subscription	-	-	-	-	7,653,019	7,653,019
Total financial assets	-	-	-	-	24,961,307	24,961,307
	25,453,461	-	113,290	36,831,924	33,450,638	95,849,313
Liabilities						
Deposits from the GRZ						
Deposits from financial institutions	-	-	-	-	2,940,414	2,940,414
Foreign currency liabilities to other	-	-	-	-	15,192,959	15,192,959
institutions	-	-	-	-	53,043	53,043
Other deposits	105,428	-	-	-	-	105,428
Notes and coins in circulation	-	-	-	-	12,391,884	12,391,884
Other liabilities	-	-	30,768	-	725,073	755,841
Financial derivative liability	-	-	405,213	-	-	405,213
Domestic currency liabilities to IMF	-	-	-	-	24,961,309	24,961,309
Foreign currency liabilities to IMF	-	-	-	-	58,640	58,640
	105,428	-	435,981	-	56,323,322	56,864,731
Net exposure	25,348,033	-	(322,691)	36,831,924	(22,872,684)	38,984,582

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

31 December 2019	On demand K'000	Due within 3 months K'000	Due between 3 - 12 months K'000	Due between 1 – 5 years K'000	Non -interest bearing K'000	Total K'000
Assets						
Domestic cash in hand	-	-	-	-	4,920	4,920
Foreign currency cash and bank accounts	20,463,779	-	-	-	6,139	20,469,918
Items in course of settlement	-	-	-	-	208	208
Loans and advances	-	-	95,650	565,486	1,224	662,360
Financial assets at FVOCI	-	-	-	89,533	-	89,533
Financial assets at amortised cost	-	-	-	14,011,260	-	14,011,260
Equity investments at FVOCI	-	-	-	-	196,407	196,407
Other assets	-	-	-	-	57,855	57,855
IMF funds receivable form GRZ	-	-	-	-	4,854,175	4,854,175
IMF Subscription	-	-	-	-	17,242,617	17,242,617
Total financial assets	20,463,779	-	95,650	14,666,279	22,363,545	57,589,253
Liabilities	-	-	-	-	2,342,487	2,342,487
Deposits from the GRZ	-	-	-	-	8,366,209	8,366,209
Deposits from financial institutions	-	-	-	-	32,229	32,229
Foreign currency liabilities to other institutions	134,916	-	-	-	0	134,916
Other deposits	-	-	-	-	8,627,031	8,627,031
Notes and coins in circulation	-	-	-	-	108,294	108,294
Other liabilities	-	-	-	-	17,242,617	17,242,617
Domestic currency liabilities to IMF	-	-	-	-	237,625	237,625
Foreign currency liabilities to IMF	134,916	-	-	-	36,956,492	37,091,408
Net exposure	20,328,863	-	95,650	14,666,279	(14,592,947)	20,497,845

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

(f) Fair values

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

	Carrying amount 2020 K'000	Fair value 2020 K'000	Carrying Amount 2019 K'000	Fair value 2019 K'000
Assets				
Domestic cash in hand	**3,196**	**3,196**	4,920	4,920
Foreign currency cash and bank accounts	**25,460,219**	**25,460,219**	20,469,918	20,469,918
Items in course of settlement	**201**	**201**	208	208
Domestic financial assets at FVOCI	**88,986**	**88,986**	89,533	89,533
Loans and advances	**2,527,520**	**2,527,520**	662,361	662,361
Targeted Medium Term Refinancing Facility	**3,400,764**	**3,400,764**	-	-
Financial assets at amortised cost	**22,709,527**	**22,709,527**	14,011,260	14,011,260
Financial derivative asset	**23,195**	**23,195**	-	-
Equity investments at FVOCI	**738,676**	**738,676**	196,407	196,407
IMF funds receivable from GRZ	**7,653,019**	**7,653,019**	4,854,175	4,854,175
IMF Subscriptions	**24,961,309**	**24,961,309**	17,242,617	17,242,617
Total financial assets	**87,566,612**	**87,566,612**	57,531,399	57,531,399
Liabilities				
Deposits from the GRZ	**2,940,414**	**2,940,414**	2,342,487	2,342,487
Deposits from financial institutions	**15,192,959**	**15,192,959**	8,366,209	8,366,209
Foreign currency liabilities to other institutions	**53,043**	**53,043**	32,229	32,229
Other deposits	**105,428**	**105,428**	134,916	134,916
Notes and coins in circulation	**12,391,883**	**12,391,883**	8,627,031	8,627,031
Other liabilities	**775,841**	**775,841**	108,294	108,294
Domestic currency liabilities to IMF	**24,961,309**	**24,961,309**	17,242,617	17,242,617
Financial derivative liability	**405,213**	**450,182**	-	-
Foreign currency liabilities to IMF	**58,640**	**58,640**	237,625	237,625
SDR allocation	**14,301,539**	**14,301,539**	9,151,771	9,151,771
Total financial liabilities	**71,186,269**	**71,231,238**	46,243,179	46,243,179

During the year, the Bank recognised a net liability position of K48.3million on the financial derivative.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

- **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.

31 December 2020	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
ASSETS				
Financial assets at FVOCI	-	88,986	-	88,986
Property plant & equipment	-	-	582,261	582,261
Financial Derivative	-	23,195	-	23,195
Equity investment at FVOCI	-	738,676	-	738,676
	-	850,857	582,261	1,433,118
LIABILITIES				
Financial derivative liability	-	405,213	-	405,213
31 December 2019				
Financial assets at FVOCI	-	89,533	-	89,533
Equity investment at FVOCI	-	196,407	-	196,407
	-	285,940	-	285,940

(g) Management of capital

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 Risk management policies *(continued)*

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

	Notes	2020 K'000	2019 K'000
Capital	37	**500,020**	500,020
Retained earnings	38	**12,808,054**	8,690,038
General reserve fund	38	**2,550,373**	2,261,822
Property revaluation reserve	38	**325,738**	340,161
Total		**16,184,185**	11,792,041

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

5 Net interest income

	2020 K'000	2019 K'000
Interest on Government securities	**3,247,956**	851,625
Interest on loans and advances	**299,425**	327,556
Interest on financial derivative	**23,195**	-
Interest on foreign currency investments and deposits	**200,866**	338,446
Total interest income	**3,771,442**	1,517,627
Interest expense		
Interest paid on open market operations	**33,403**	-
Interest paid on staff savings	**8,701**	8,010
Interest paid on financial derivative	**51,739**	-
Total interest expense	**93,843**	8,010

6 Fees and commission income

	2020 K'000	2019 K'000
Fee and commission income		
Fees and commission income on Government transactions	**98,630**	60,458
Supervision fees	**137,359**	118,578
Penalties	**22,165**	2,560
Licences and registration fees	**983**	963
Other	**7,104**	11,277
Fees and commission income	**266,241**	193,836
Fee and commission expense		
Fees and commission paid on foreign exchange transactions	**8,830**	6,809
Net fee and commission income	**257,411**	187,027

The fees comprise those that are recognized at a point in time and those recurring over a period of time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7	Other Gains	2020	2019
		K'000	K'000
	Dividend on equity investment at FVOCI	**362**	49
	Realised foreign exchange gains	**6,727,203**	3,303,584
	Unrealised foreign exchange losses	**(1,518,604)**	(1,410,366)
	Rental income	**2,223**	2,366
	Profit on disposal of property, plant and equipment	**121**	819
	Other income	**104,492**	17,567
		5,315,797	1,914,019

The increase in net realised foreign exchange gains is as a result of the depreciation of the local currency against major currencies. In 2020, the kwacha depreciated against the US dollar by 50% from K14.11 in December 2019 to K21.17 in December 2020.

8	Impairment	2020	2019
		K'000	K'000
	Impairment loss	**(585,251)**	-
	Reversal during the year	**5**	1,724
		(585,246)	1,724

The Bank recorded an expected credit loss of K585 million. Further, the reversal of K5 million recorded relate to closed banks.

Reversal during the year	Amounts due from closed banks (Note 19) K'000	Other assets K'000	Total K'000
At 1 January 2019	99,669	1,724	101,393
Reversal during the year	-	(1,724)	(1,724)
Balance at 31 December 2019	**99,669**	-	**99,669**
Balance at 1 January 2020	99,669	-	99,669
Impairment loss for the year	-	-	-
Reversal during the year	(5)	-	(5)
Balance at 31 December 2020	**99,664**	-	**99,664**

9	Personnel expenses	2020	2019
		K'000	K'000
	Wages and salaries	**274,282**	242,110
	Staff benefit costs	**132,259**	91,317
	Other Employee costs	**128,978**	89,052
	Leave costs	**57,763**	39,882
	Employer's pension contributions	**17,476**	15,990
	Employee welfare costs	**11,118**	7,676
	Employer's NAPSA contributions	**7,136**	6,880
	Staff loan benefit	**3,706**	1,341
	Employer's NHI contributions	**2,688**	389
		635,406	**494,637**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10 Operating expenses

	2020 K'000	2019 K'000
Administrative expenses	**995,019**	168,471
Expenses for bank note production	**158,955**	82,239
Repairs and maintenance costs	**36,625**	24,190
Other banking office expenses	**-**	8
	1,190,599	274,908

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

	2020 K'000	2019 K'000
Current account balances with non-resident banks	**6,929,813**	3,827,237
Clearing correspondent accounts with other central banks	**7,091,423**	4,598,478
Foreign currency cash with banking office	**6,758**	6,139
Deposits with non-resident banks	**7,619,560**	9,360,107
Special Drawing Rights (“SDR's”)	**3,812,665**	2,677,957
	25,460,219	20,469,918

13 Items in course of settlement

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

	2020 K'000	2019 K'000
Items in course of settlement	**201**	208

14 Financial assets at Fair Value through other Comprehensive Income (FVOCI)

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

	2020 K'000	2019 K'000
Financial assets at FVOCI	**88,986**	89,533

15 Loans and advances

	2020 K'000	2019 K'000
Transaction fees	**25,472**	33,406
Credit to banks and non-banks	**2,419,682**	532,080
Staff loans	**90,095**	96,992
Staff advances	**3,699**	1,224
Total staff loans and advances	**2,538,948**	663,702
Mark to market adjustment - Staff Loans	**(11,428)**	(1,341)
	2,527,520	662,361

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

a) **Staff loans**

Movement in staff loans benefit

	2020 K'000	2019 K'000
Balance at 1 January	**13,151**	9,044
Current year fair value adjustment of new loans	**(2,958)**	5,448
	10,193	14,492
Amortised to statement of comprehensive income	**(3,706)**	(1,341)
Balance at 31 December	**6,487**	13,151

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

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

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

	2020 K'000	2019 K'000
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

16 Financial Assets at Amortised Cost

	2020 K'000	2019 K'000
GRZ Consolidated Securities (Note 17)	**10,015,387**	9,356,741
Other GRZ securities	**13,228,352**	4,614,160
Staff savings treasury bills	**51,039**	40,359
IFRS 9 Provision for impairment	**(585,251)**	-
	22,709,527	14,011,260

17 GRZ consolidated securities

	2020 K'000	2019 K'000
6% GRZ Consolidated Bond	**8,960,357**	8,324,625
364 days Treasury Bills	**1,055,030**	1,032,117
	10,015,387	9,356,742

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

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

Consolidated Bond No. 3 being the outstanding accrued interest was issued on 24 September 2019 with a face value of K4,104.4 million with interest rate of 6% per annum. The Bond shall be a zero-coupon bond with a tenure to maturity of 7 years with effect from date of issue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17 GRZ consolidated securities *(continued)*

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

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

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

	2020	2019
	K'000	K'000
Other government securities	**13,228,352**	4,614,160

The Bank implemented the GRZ Bond Purchase Programme for the Backstop Repo Facility to enhance secondary market development. The K13.2 billion represents securities holdings as at 31 December 2020 following the purchase of bonds by the Bank for Secondary Market Operations.

18 Prepayments and other assets

	2020	2019
	K'000	K'000
Prepayments	**47,523**	48,513
Stationery and office consumables	**6,065**	5,759
Sundry receivables	**4,727**	3,583
	58,315	57,855
Specific allowances for impairment (note 8)	**(5)**	-
	58,310	57,855

19 Amounts due from closed banks

	2020	2019
	K'000	K'000
Overdrawn current accounts	**99,664**	99,669
Specific allowances for impairment (note 8)	**(99,664)**	(99,669)
	-	-

The amounts consist of various expenditures that the Bank settled on behalf of the closed banks.

20 Equity investments at FVOCI

	K'000	K'000
Zambia Electronic Clearing House Limited	**3,550**	3,550
African Export Import Bank	**735,126**	192,857
	738,676	196,407

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20 Equity investments at FVOCI *(continued)*

a) Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution of K3.550 million, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered an equity investment at FVOCI. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the period under review of K0.036 million (2019: K0.021 million) are included in administrative expenses. In line with the agreement, no dividend is expected from ZECHL.

b) Africa Export Import Bank

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

The Banks holding in AFREXIM increased from to 676 shares in 2019 to 692 shares in 2020. During the year, the AFREXIM shares were revalued at a market price of USD$50,896.03 per share. Further the increase was also on account of movements in the foreign exchange rates. The Kwacha depreciated against the major currencies from K14.11/USD in December 2019 to K21.17/USD in December 2020.

The investment in AFREXIM includes dividends equivalent to K6.8 million received in 2020, which was converted into equity of 16 additional shares. This was in line with AFREXIM's call for equity increase to strengthen its capital and enable improved pursuance of its mandate.

	2020	2019
	K'000	K'000
Opening balance	**192,857**	134,483
Fair value gain	**513,574**	54,349
Exchange gains	**28,695**	4,025
Closing balance	**735,126**	192,857

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

	2020	2019
	K'000	K'000
Poverty Reduction and Growth Facility (PRGF)*	**7,266,558**	4,649,978
Accrued charges - SDR Allocation	**386,461**	204,197
	7,653,019	4,854,175

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 IMF subscriptions

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

The movement on IMF subscription is on account of currency valuation adjustments between 2019 and 2020. The valuation is conducted every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23 Property, Plant and equipment

	Leasehold buildings K'000	Furniture fittings computers, plant, machinery and equipment K'000	Motor vehicles, bullion trucks and escort vehicles K'000	Tangible work-in progress K'000	Total K'000
Cost or valuation					
At 1 January 2019	388,296	238,400	47,658	66,768	741,122
Additions	14	1,520	7,989	18,171	27,694
Transfers	4,454	24,741	3,270	(32,176)	289
Disposals	-	(1,752)	(2,974)	-	(4,726)
31 December 2019	392,764	262,909	55,943	52,763	764,379
At 1 January 2020	**392,764**	**262,909**	**55,943**	**52,763**	**764,379**
Additions	**-**	**2,577**	**5,528**	**47,586**	**55,691**
Transfers	**96**	**11**	**-**	**(107)**	**-**
adjustment	**-**	**(29)**	**-**	**-**	**(29)**
Disposals	**-**	**(364)**	**(2,378)**	**-**	**(2,742)**
31 December 2020	**392,860**	**265,104**	**59,093**	**100,242**	**817,299**
Depreciation					
At 1 January 2019	89	129,756	35,080	-	164,925
Charge for the year	14,567	21,263	5,397	-	41,227
Transfer to reserves	-	-	-	-	-
Adjustments	-	-	-	-	-
Disposals	-	(1,751)	(2,974)	-	(4,725)
At 31 December 2019	14,656	149,268	37,503	-	201,427
At 1 January 2020	**14,656**	**149,268**	**37,503**	**-**	**201,427**
Charge for the year	**14,642**	**15,603**	**5,585**	**-**	**35,830**
Transfer to reserves	**-**	**-**	**-**	**-**	**-**
Adjustments	**-**	**(118)**	**99**	**-**	**(19)**
Disposals	**-**	**(296)**	**(1,904)**	**-**	**(2,200)**
At 31 December 2020	**29,298**	**164,457**	**41,283**	**-**	**235,038**
Carrying amounts					
At 31 December 2020	**363,562**	**100,647**	**17,810**	**100,242**	**582,261**
At 31 December 2019	**378,108**	**113,641**	**18,440**	**52,763**	**562,952**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

23 Property, plant and equipment *(Continued)*

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

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair values were based on the market comparable approach that reflects recent transaction prices for 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 K20.8 million (2019: K21.2 million).

	2020 **K'000**	2019 K'000
Opening balance	**21,151**	17,117
Net movement	**(384)**	4,034
	20,767	21,151

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

24 Intangible assets

	Purchased Software K'000	Intangible work-in progress K'000	Total K'000
Cost			
At 1 January 2019	54,308	34,003	88,311
Additions	428	8,981	9,409
Transfers	11,415	(11,704)	(289)
At 31 December 2019	66,151	31,280	97,431
At 1 January 2020	**66,151**	**31,280**	**97,431**
Additions	**1,617**	**17,616**	**19,233**
Transfers	-	-	-
At 31 December 2020	**67,767**	**48,896**	**116,664**
Amortisation and impairment			
At 1 January 2019	52,142	-	52,142
Charge for the year	1,716	-	1,716
Disposals	-	-	-
At 31 December 2019	53,858	-	53,858
At 1 January 2020	**53,858**	-	**53,858**
Charge for the year	**5,557**	-	**5,557**
Adjustments	**2**	-	**2**
Disposals	-	-	-
At 31 December 2020	**59,417**	-	**59,417**
Carrying amounts			
At 31 December 2020	**8,351**	**48,896**	57,247
At 31 December 2019	12,293	31,280	43,753

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25 Capital expenditure commitments

	2020 K'000	2019 K'000
Authorised by the directors and contracted for	85,300	60,726

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

26 Deposits from the Government of the Republic of Zambia

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

27 Deposits from financial institutions

	2020 K'000	2019 K'000
Commercial bank current accounts	3,296,381	2,016,584
Minimum reserve requirements	11,008,098	6,345,226
Term deposits from financial institutions	1,930	1,340
Deposits from other international financial institutions	3,026	3,025
Deposits from other central banks	883,524	34
	15,192,959	8,366,209

All deposits, except for term deposits, are non-interest bearing and are payable on demand. Term deposits from financial institutions arise from Open Market Operations (OMO). These are short-term instruments with maximum maturity of up to 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.

28 Foreign currency liabilities to other institutions

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

	2020 K'000	2019 K'000
Donor funds	53,043	32,229

29 Other deposits

	2020 K'000	2019 K'000
Staff savings, deposits and clearing accounts	105,428	134,916

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 2020

30	Notes and coins in circulation	2020	2019
		K'000	K'000
	Bank notes issued by denomination		
	K100	8,913,140	5,814,103
	K50	2,368,547	1,980,858
	K20	501,755	295,299
	K10	163,774	130,651
	K5	99,656	90,102
	K2	49,503	31,447
	unrebased	100,196	100,196
	Bank notes issued	12,196,571	8,442,656
	Coins issued	195,312	184,375
		12,391,883	8,627,031

31	Other liabilities	2020	2019
		K'000	K'000
	Accrued expenses payable	165,728	77,861
	Interest Payable on OMO	30,768	-
	Accounts payable	64,497	30,433
		260,993	108,294
	Defined benefit deficit (note 35)	494,848	-
		755,841	108,294

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

32	Provisions	2020	2019
		K'000	K'000
	Balance at 1 January	160,558	46,159
	Legal provisions made during the year	813,260	114,399
	Reduction in doubtful debt provision	(141)	-
	Balance at 31 December	973,677	160,558

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

33	Domestic currency liabilities to IMF	2020	2019
		K'000	K'000
	International Monetary Fund:		
	Securities account	24,894,527	17,196,486
	No. 1 account	66,281	45,785
	No. 2 account	501	346
		24,961,309	17,242,617

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The increase in value is on account of currency valuation adjustments between 2020 and 2019, as advised by the IMF.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

34 Foreign currency liabilities to IMF

	2020 K'000	2019 K'000
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	**56,233**	251,288
- Charges on SDR allocation (b)	**2,407**	(13,663)
	58,640	237,625

a) The facility (formerly the Enhanced Structural Adjustment Facility (ESAF) loan was obtained in 2002 and is repayable semi-annually with the last payment due in 2021. The loan bears interest at one-half per cent per annum. The balance has reduced on account of repayments.

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

35 Employee benefits

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

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

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

The Fund is currently in a surplus of ZMW 67,721,563 on an IAS 19 basis as at 31 December 2020. Further to this, as per the statutory valuation as at 31 December 2019, the Fund is in a deficit on a minimum funding basis amounting to ZMW 507,591,000.

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

Furthermore, Paragraph 20 continues *"If the report of the Actuary shows a surplus in the Fund such surplus shall be credited to the Fund for the purpose of reducing the Employer's cost of funding, or to increase the benefits to Members or Pensioners"*. This means that the surplus may be used to benefit of the Employer or Members and Pensioners, or both groups. There is therefore no certainty that the Employer will benefit from any surplus in the Fund. Based on the above and in line with IFRIC 14 p 23 and 24, a net liability has been be recognised in the annual financial statements. The value of this liability has been estimated to be approximately ZMW 494,850,000 on a funding valuation basis after accounting for payments made into the scheme to fund the deficit.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35 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.

2020 ACCOUNTING TREATMENT FOR EMPLOYEE BENEFIT *(Defined benefit obligation)*

A statutory actuarial valuation of the Kwacha Pension Trust Fund was performed as at 31 December 2019 which revealed a funding deficit of K507.6 million. The statutory actuarial valuation is done at intervals of not more than three years by an independent qualified actuary, with interim reviews in the intervening years using the Attained Age Method. The 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.

To address the net defined benefit liability resulting from the statutory actuarial valuation, the Board approved 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.

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.

The Bank has analysed the minimum funding required to meet the statutory actuarial deficit of K507.8 million in relation to past service as detailed below:

Amounts recognised in other comprehensive income and statement of financial position

	2020 K'000
Fair value of Plan assets	**408,061**
FV of defined obligation	**(915,652)**
	(507,591)
Adjusted for:	
Withdrawal and pension arrears	**67,726**
	(439,865)
Interest at 12.5%	**(54,983)**
Defined Benefit Obligation at 31 December 2020	**(494,848)**

The minimum funding requirement contributions required to meet the net defined benefit liability shall not affect future contributions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35 Employee benefits *(Continued)*

Plan assets for the fund comprised of:

	2020 K'000
Investment properties and equity	247,514
Government securities	110,678
Fixed assets and corporate bonds	26,851
Other assets	25,560
Net Current Assets	(55,569)
Total plan assets	355,034

Actuarial assumptions

Principal actuarial assumptions made were:

	2020 K'000
Future pension increase	10.0%
Salary increase (p.a)	12.0%
Discount rate (p.a)	33.5%
Expected return on plan assets	33.5%

The demographic assumptions used in the valuation are as follows:

	2020 K'000
Pre-retirement mortality (males)	A24/29
Pre-retirement mortality (females)	A24/29
Post-retirement mortality (males)	a (55)
	With no further mortality improvements

	2020 K'000
Post-retirement mortality (females)	a (55)
Expected retirement age (males)	60 years
Expected retirement age (females)	60 years
Percentage married at retirement	100%
	With no further mortality improvements

2019 ACCOUNTING TREATMENT FOR EMPLOYEE BENEFIT *(Defined benefit asset)*

In 2019, the accounting valuation revealed an actuarial surplus of K127.8 million. The charge due to impact of asset ceiling arises due to the fact that even though the fund recorded an actuarial surplus, the Bank as the sponsor is not expected to enjoy any break in contributions and, therefore, not recognise an actuarial asset in the statement of financial position. The asset remains in the fund to improve members' benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35 Employee benefits *(Continued)*

The following disclosures were made:

Accounting actuarial valuation recognised in the statement of financial position:

	2019
	K'000
Fair value of plan assets	409,554
Present value of defined benefit obligations	(281,787)
Impact of asset ceiling	(127,767)
Pension (surplus) / deficit	-

Reconciliation of the net defined benefit obligation i:	2019
	K'000
Net asset at 1 January	-
Remeasurements recognised in other comprehensive income	-
Net asset at 31 December	-

Remeasurements recognised in other comprehensive income:

	2019
	K'000
Charge due to impact of asset ceiling	127,767
Return on plan assets (excluding amounts in net interest)	37,811
Experience losses	40,898
Gain from change in financial assumptions	(173,319)
Gain from change in demographic assumptions	-
Remeasurements	33,157

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35 Employee benefits *(Continued)*

Plan assets comprise:	2019 K'000
Investment properties and equity	251,498
Treasury bills	11,446
Fixed assets and corporate bonds	27,096
Other assets	11,328
GRZ bonds	108,186
Total plan assets	409,554
Movement in the present value of the defined benefit obligations over the period	
Defined benefit obligations at 1 January	427,497
Interest cost	72,674
Current service cost	4,757
Past service cost	
Experience (gains)/losses	40,898
Benefits paid by the plan	(90,720)
Gains from change in Demographic assumptions	-
Gains from change in financial assumptions	(173319)
Defined benefit obligations at 31 December	281,787
Movement in the present value of plan assets	
Fair value of plan assets at 1 January	455,474
Interest income on plan assets	75,852
Contributions	21,075
Administration expenses	(10,206)
Benefits paid by the plan	(40,405)
Return on plan assets, excluding interest	(92,236)
Fair value of plan assets at 31 December	409,554

Actuarial assumptions

Principal actuarial assumptions at the reporting date were:

	2019 **K'000**
Future pension increase	10.0%
Salary increase (p.a)	12.0%
Discount rate (p.a)	29.0%
Expected return on plan assets	29.0%
Inflation rate	8.0%

Average life expectancy at normal retirement age 60

Sensitivity of the defined benefit obligation to actuarial assumptions

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35 Employee benefits *(Continued)*

	2019
	K'000
Discount rate	
- increase by 1%	(14,353)
- decrease by -1%	16,012
Salary	
- increase by 1%	6,331
- decrease by -1%	(6,014)
Future pension	
- increase by 1%	11,421
- decrease by -1%	(10,311)

The sensitivity of the defined benefit obligation was based on the present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period.

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

36 SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 469,137,515 (2019: SDR 469,136,513) The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF except in the event that (a) the allocation is withdrawn or cancelled; (b) the member country leaves the IMF; or (c) the SDR department of the IMF is liquidated. The translation rate for end of year was ZMW30.48 per SDR (2019: ZMW19.51).

37 Capital	**2020**	2019
	K'000	K'000
Authorised capital	**500,020**	500,020
Issued and fully paid up capital	**500,020**	500,020

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

38 Reserves

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

38 Reserves *Continued)*

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

Property revaluation reserve

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

Retained earnings

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

Appropriation of profits

In accordance with Sections 7 and 8 of the Bank of Zambia Act 43, 1996 Management has proposed appropriation of profits resulting in a transfer of K697 million to the general reserve fund and declaration of a dividend K 6,273 million to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2020 financial year.

39 Related party transactions

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

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

The main services during the year to 31 December 2020 were:

- Provision of banking services including holding the principal accounts of GRZ;
- Provision and issue of notes and coins;
- Holding and maintaining the register of Government securities;
- Implementation of monetary policy; and
- Supervision of financial institutions.

Transactions and balances with the GRZ

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

39 Related party transactions *(Continued)*

	2020 K'000	2019 K'000
Interest on GRZ securities at FVOCI	**3,523,787**	851,625
Interest on advances to GRZ	**-**	279,688
Fees and commission income on transactions with GRZ	**98,630**	60,458
Profit on foreign exchange transactions with GRZ	**175,483**	85,989
Total	**3,797,900**	1,277,760

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

	2020 K'000	2019 K'000
GRZ - year end balances		
Deposits from GRZ Institutions	**(2,940,414)**	(2,342,487)
Holdings of GRZ securities	**23,570,610**	14,001,260
Transaction fees receivable	**25,472**	33,406

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

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

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

Transactions and balances with directors and key management personnel

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

a) Short-term benefits	2020 K'000	2019 K'000
Directors' fees	**2,840**	2,169
Remuneration for key management personnel		
- Salaries and allowances	**47,844**	36,510
- Pension contributions	**2,357**	1,930
	50,201	38,440
Loans and advances to key management personnel		
Balance at 31 December	**3,594**	5,675

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

39 Related party transactions *(Continued)*

	2020 K'000	2019 K'000
b) *Post-employment pension benefits*	13,970	7,722

40 Non-Refined Gold

	2020 K'000	2019 K'000
Non-Refined Gold	59,701	-

The Bank entered into an Agreement with Zambia Gold Company and Kansanshi Mining Plc to purchase non-refined Gold **(Dore Gold)** in order to boost the country's foreign exchange reserves. The Bank purchased and paid 75% down payment on the purchase of 47.96kgs of non-refined Gold from Zambia Gold Company.

41 Targeted Medium Term Refinancing Facility (TMTRF)

	2020 K'000	2019 K'000
Targeted Medium Term Refinancing Facility	3,400,764	-

The amount advanced to banks and non-bank amounts to K3.4 billion as at 31 December 2020.

Interest rates on the Facility is priced off the Monetary Policy Rate (MPR) with a 12 months moratorium on both principal and interest. The Facility became effective on April 15, 2020.

42 Financial derivatives

The Bank entered into a one-year currency swap. The forward contract involves the Bank paying fixed interest rate and receiving an agreed interest rate.

	2020 K'000	2019 K'000
Asset		
Financial derivative asset	23,195	-
Liability		
Financial derivative liability	405,213	-

43 Trading income

	2020 K'000	2019 K'000
Net trading income	172,212	85,616

The amount is comprised of income on foreign exchange to transactions from commercial bank, GRZ transactions and other foreign exchange transactions.

44 Contingent liabilities

The Bank is party to various litigation cases, whose ultimate resolution, in the opinion of the Directors, is not expected to materially impact the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

45 Significant events during the period and impact of Covid-19 on Bank operations

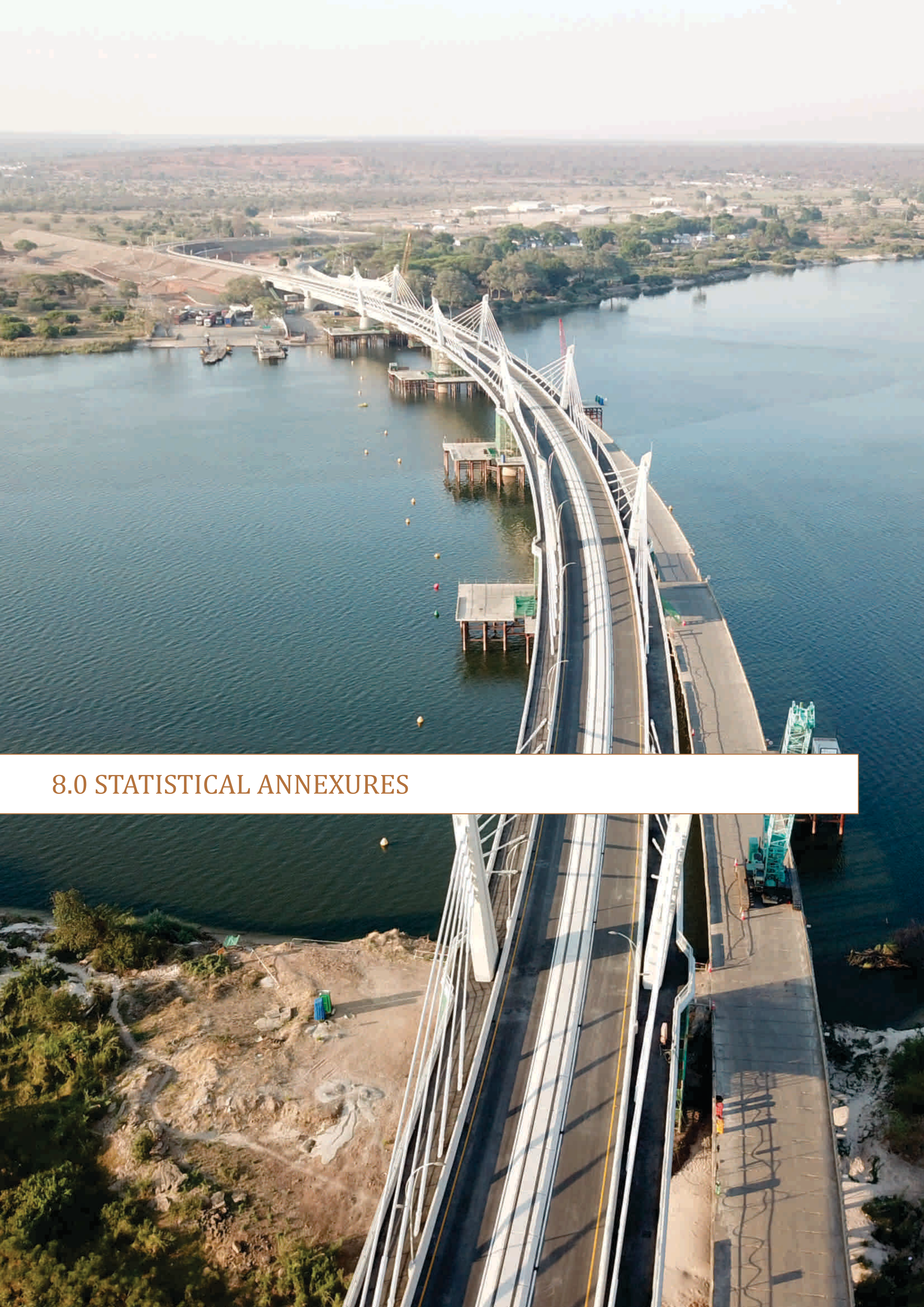
The Covid-19 outbreak had an impact on the normal operations of the Bank. In addressing the challenges brought by the outbreak, the Bank introduced guidelines for work arrangements in response to Covid-19. These guidelines entailed that the Bank continued to operate and perform critical functions. The Directors have determined that the impact of Covid-19 has no material impact on the going concern of the Bank.

46 Events after the reporting date

There have been no significant events subsequent to 31 December 2020 to be disclosed.

The Directors have determined that the Covid-19 is a non-adjusting event and thus the financial position and results as at 31 December 2020 have not been adjusted to reflect its impact. This is because the pandemic, continues to evolve and remains unclear or uncertain as at the reporting date. It is not possible to reliably estimate the duration and severity of these consequences and full impact.

8.0 STATISTICAL ANNEXURES



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Depository Corporations Survey (K'million), Dec. 2019 - Dec. 2020 **Table 1**

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Net Foreign Assets	24,248.5	23,089.2	26,536.9	32,881.5	32,060.5	33,505.6	31,940.9	33,434.5	36,582.5	37,144.3	39,507.2	38,301.3	38,980.2
Claims on Nonresidents	40,449.3	39,274.9	42,502.0	51,505.1	50,992.9	51,928.4	50,354.1	51,924.1	55,558.8	57,193.1	59,192.1	59,999.4	61,469.3
Liabilities to Nonresidents	-16,200.8	-16,185.7	-15,965.1	-18,623.6	-18,932.4	-18,422.8	-18,413.2	-18,489.7	-18,976.4	-20,048.8	-19,684.9	-21,698.1	-22,489.0
Domestic Claims	73,134.0	74,502.1	73,987.0	75,651.1	78,304.1	79,728.4	80,079.9	85,961.6	89,627.5	95,038.8	94,474.5	99,279.6	102,654.9
Net Claims on Central Government	34,460.7	36,147.7	35,761.0	34,898.1	37,953.9	40,044.1	40,925.2	47,225.0	49,011.9	53,806.6	51,900.2	55,797.0	60,445.7
Claims on Central Government	44,444.9	46,130.7	45,485.3	49,340.5	50,754.6	53,108.0	59,660.2	62,903.1	65,645.4	69,595.4	71,174.6	73,507.9	75,030.5
Liabilities to Central Government	-9,984.2	-9,983.1	-9,724.3	-14,442.4	-12,800.7	-13,064.0	-18,735.0	-15,678.1	-16,633.5	-15,788.8	-19,274.4	-17,710.9	-14,584.9
Claims on Other Sectors	38,673.3	38,354.4	38,226.0	40,752.9	40,350.2	39,684.3	39,154.7	38,736.5	40,615.6	41,232.3	42,574.3	43,482.6	42,209.2
Claims on Other Financial Corporations	220.7	188.6	174.4	147.6	184.3	153.1	117.0	131.8	113.6	81.9	73.9	168.2	168.3
Claims on State and Local Government	83.3	61.9	63.2	61.4	60.1	57.2	54.3	52.8	48.1	47.6	44.7	45.4	51.4
Claims on Public Nonfinancial Corporations	725.0	587.5	568.5	596.0	566.9	602.6	592.9	522.0	659.3	764.5	853.7	996.6	1,147.6
Claims on Private Sector	37,644.3	37,516.4	37,420.0	39,947.9	39,538.9	38,871.4	38,390.5	38,030.0	39,794.6	40,338.3	41,602.0	42,272.4	40,841.9
Broad Money Liabilities	70,900.1	70,836.3	72,621.6	79,648.9	81,308.2	83,574.4	82,501.7	87,816.4	93,367.3	96,896.1	98,826.2	100,184.9	103,828.7
Currency Outside Depository Corporations	6,791.1	6,441.6	6,167.9	6,707.1	7,009.5	7,966.2	8,799.6	9,198.6	9,557.2	9,511.7	9,750.5	8,967.6	9,838.2
Transferable Deposits	38,261.5	38,414.3	39,748.4	44,920.4	44,870.6	46,946.0	44,831.9	48,779.2	53,446.9	55,230.3	58,488.4	61,280.0	61,663.1
Other Deposits	25,847.5	25,980.4	26,705.3	28,021.5	29,428.1	28,662.2	28,870.2	29,838.6	30,363.1	32,154.1	30,587.3	29,937.3	32,327.5
Securities Other than Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits Excluded from Broad Money	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Securities Other than Shares Excluded from Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	2,476.6	2,566.2	2,562.2	2,904.8	2,687.5	2,636.3	2,613.9	2,336.2	2,443.5	2,549.9	4,057.0	3,597.4	3,521.2
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	23,449.2	24,400.0	24,944.1	24,822.9	25,541.4	25,584.7	25,563.2	27,263.0	28,665.1	29,603.7	30,506.9	31,368.2	32,487.4
Other Items (Net)	520.4	-247.3	359.9	1,119.7	791.3	1,402.5	1,305.8	1,944.3	1,697.9	2,341.4	555.4	2,394.2	1,761.6

Central Bank Survey (K'mllion), Dec. 2019 - Dec. 2020 **Table 2**

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Net Foreign Assets	11,197.2	9,642.5	10,764.8	13,646.7	12,795.3	13,303.5	14,244.3	13,164.3	13,426.9	13,251.0	13,650.7	12,020.5	10,921.2
Claims on Nonresidents	20,640.8	19,436.7	20,750.6	25,675.6	24,992.6	25,353.7	26,219.9	25,411.2	26,129.1	26,687.3	27,398.8	27,184.2	26,230.2
Liabilities to Nonresidents	-9,443.6	-9,794.2	-9,985.7	-12,028.9	-12,197.2	-12,050.2	-11,975.7	-12,246.9	-12,702.1	-13,436.3	-13,748.1	-15,163.7	-15,308.9
Claims on Other Depository Corporations	372.0	380.3	435.5	574.7	1,500.7	2,900.9	4,100.7	3,548.9	4,702.5	4,723.1	4,936.1	5,281.1	5,887.0
Net Claims on Central Government	16,677.9	18,037.4	18,397.7	15,509.3	17,267.9	17,377.8	17,757.2	20,830.6	22,174.0	25,392.4	24,276.4	25,541.1	28,389.5
Claims on Central Government	19,017.5	20,302.8	20,195.0	21,365.1	21,503.5	21,572.4	27,177.8	27,380.2	27,693.5	31,041.8	30,600.3	31,137.2	31,329.9
Liabilities to Central Government	-2,339.6	-2,265.4	-1,797.3	-5,855.8	-4,235.6	-4,194.6	-9,420.6	-6,549.6	-5,519.5	-5,649.4	-6,323.9	-5,596.1	-2,940.4
Claims on Other Sectors	98.2	104.7	98.1	95.7	95.8	95.5	95.4	93.6	91.6	88.6	93.7	91.2	89.7
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	98.2	104.7	98.1	95.7	95.8	95.5	95.4	93.6	91.6	88.6	93.7	91.2	89.7
Monetary Base	17,053.0	15,994.5	16,922.6	17,243.2	18,418.9	20,564.9	22,864.5	23,939.4	24,977.0	26,985.1	26,070.9	25,101.3	27,181.1
Currency in Circulation	8,622.1	7,991.4	7,711.2	8,285.2	8,908.0	9,599.1	10,462.1	10,943.5	11,551.2	11,481.3	11,731.7	11,156.5	12,388.7
Liabilities to Other Depository Corporations	8,363.1	7,936.3	9,127.6	8,901.0	9,453.8	10,906.2	12,346.9	12,942.2	13,362.5	15,448.7	14,290.0	13,820.0	14,708.2
Liabilities to Other Sectors	67.7	66.9	83.8	57.0	57.1	59.6	55.5	53.8	63.4	55.1	49.2	124.9	84.2
Other Liabilities to Other Depository Corporations	0.0	0.0	0.0	0.0	0.0	0.0	2.2	9.8	16.3	10.9	28.5	31.0	30.8
Deposits and Securities other than Shares Excluded from Monetary Base	-0.1	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	-0.1	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	11,736.4	12,447.1	12,983.7	12,775.7	13,451.2	13,417.4	13,453.6	13,900.0	15,252.2	15,935.0	16,575.9	17,516.6	18,421.3
Other Items (Net)	-444.0	-276.8	-210.1	-192.5	-210.4	-304.5	-122.7	-211.8	149.5	-231.7	281.5	285.1	-345.8

Other Depository Corporations Survey (K'million), Dec. 2019 - Dec. 2020 — **Table 3**

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Net Foreign Assets	13,051.3	13,446.7	15,772.1	19,234.7	19,265.2	20,202.1	17,696.6	20,270.1	23,155.5	23,893.3	25,856.5	26,280.8	28,059.0
Claims on Nonresidents	19,808.5	19,838.3	21,751.5	25,829.4	26,000.3	26,574.7	24,134.1	26,512.9	29,429.8	30,505.9	31,793.3	32,815.2	35,239.1
Liabilities to Nonresidents	-6,757.3	-6,391.5	-5,979.4	-6,594.7	-6,735.1	-6,372.6	-6,437.5	-6,242.8	-6,274.2	-6,612.6	-5,936.8	-6,534.4	-7,180.1
Claims on Central Bank	11,022.5	10,532.4	12,221.8	11,722.4	12,420.0	13,066.6	15,136.5	15,160.0	16,330.9	17,511.2	17,704.1	17,056.3	17,794.8
Currency	1,831.0	1,549.8	1,543.3	1,578.1	1,898.5	1,633.0	1,662.5	1,744.9	1,994.0	1,969.6	1,981.2	2,188.8	2,550.5
Reserve Deposits and Securities other than Shares	9,191.6	8,982.6	10,678.4	10,144.3	10,521.4	11,433.7	13,474.0	13,415.1	14,336.9	15,541.7	15,722.9	14,867.4	15,244.3
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	17,782.8	18,110.3	17,363.2	19,388.9	20,686.0	22,666.2	23,168.1	26,394.5	26,837.9	28,414.2	27,623.8	30,255.9	32,056.2
Claims on Central Government	25,427.4	25,827.9	25,290.3	27,975.4	29,251.1	31,535.6	32,482.4	35,522.9	37,951.9	38,553.6	40,574.3	42,370.7	43,700.6
Liabilities to Central Government	-7,644.7	-7,717.6	-7,927.0	-8,586.6	-8,565.1	-8,869.4	-9,314.3	-9,128.5	-11,114.1	-10,139.4	-12,950.5	-12,114.8	-11,644.4
Claims on Other Sectors	38,575.1	38,249.7	38,127.9	40,657.3	40,254.4	39,588.8	39,059.3	38,642.9	40,524.0	41,143.6	42,480.6	43,391.4	42,119.5
Claims on Other Financial Corporations	220.7	188.6	174.4	147.6	184.3	153.1	117.0	131.8	113.6	81.9	73.9	168.2	168.3
Claims on State and Local Government	83.3	61.9	63.2	61.4	60.1	57.2	54.3	52.8	48.1	47.6	44.7	45.4	51.4
Claims on Public Nonfinancial Corporations	725.0	587.5	568.5	596.0	566.9	602.6	592.9	522.0	659.3	764.5	853.7	996.6	1,147.6
Claims on Private Sector	37,546.1	37,411.7	37,321.9	39,852.2	39,443.1	38,775.9	38,295.1	37,936.3	39,703.0	40,249.7	41,508.3	42,181.1	40,752.2
Liabilities to Central Bank	638.7	495.1	395.4	510.4	1,398.5	2,645.4	3,946.6	3,460.3	4,556.6	4,516.3	4,515.9	5,290.8	5,901.0
Transferable Deposits included in Broad Money	38,193.8	38,347.4	39,664.6	44,863.3	44,813.5	46,886.4	44,776.4	48,725.4	53,383.5	55,175.1	58,439.2	61,155.1	61,578.9
Other Deposits included in Broad Money	25,847.5	25,980.4	26,705.3	28,021.5	29,428.1	28,662.2	28,870.2	29,838.6	30,363.1	32,154.1	30,587.3	29,937.3	32,327.5
Securities other than Shares included in Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits Excluded from Broad Money	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Securities other than Shares Excluded from Broad Money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	2,476.6	2,566.2	2,562.2	2,904.8	2,687.5	2,636.3	2,613.9	2,336.2	2,443.5	2,549.9	4,057.0	3,597.4	3,521.2
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	11,712.9	11,952.9	11,960.3	12,047.2	12,090.2	12,167.2	12,109.7	13,363.0	13,413.0	13,668.8	13,931.0	13,851.7	14,066.1
Other Items (Net)	1,526.1	960.9	2,161.0	2,619.8	2,171.5	2,490.1	2,707.5	2,707.7	2,652.3	2,862.0	2,098.4	3,115.9	2,598.7

Banking System Claims on Government (K' mllion), Dec 2011 - Dec 2020 Table 4

		Net Bank of Zambia Claims					Net Commercial Banks Claims					(a+b)
		Treasury Bills	GRZ Stock	GRZ Position	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	(b) Total	Total Claims
End of period										-823,616.4		
2011	December	655,064.5	1,310,989.2	-4,154,662.0	213,000.0	-1,975,608.3	4,090,178.6	2,694,134.1	441,975.0	-1,150,579.8	6,402,671.3	4,427,063.0
2012	December	537,014.1	1,310,989.2	-3,535,450.0	637,000.0	-1,050,446.7	4,394,320.2	2,726,081.9	10,136.0	-1,158,762.7	5,979,958.3	4,929,511.6
2013	December	625,775.0	1,800,989.2	-3,595,675.6	1,830,539.0	661,627.6	6,566,194.6	2,653,510.9	120,597.5	-1,573,725.0	8,181,540.4	8,843,168.0
2014	December	710,825.6	1,714,917.8	-4,739,629.5	1,397,539.0	-916,347.2	6,572,940.0	2,362,441.2	661,321.2	-1,539,557.1	8,022,977.5	7,106,630.2
2015	December	1,277,345.9	1,650,173.5	-2,607,813.1	1,997,539.0	2,317,245.3	6,184,432.0	1,568,433.9	457,565.9	-1,762,938.7	6,670,874.7	8,988,120.0
2016	December	647,467.6	1,444,323.2	-1,454,842.5	5,321,014.7	5,957,963.0	5,471,394.5	2,249,459.2	819,316.9	-1,631,315.0	6,777,231.9	12,735,194.9
2017	December	625,775.0	1,314,325.2	-2,733,230.7	5,321,014.7	4,527,884.2	12,035,101.4	4,348,928.7	844,388.4	-1,395,958.9	15,597,103.5	20,124,987.8
2018	December	642,937.9	3,960,457.5	-1,302,508.7	4,406,714.7	7,707,601.3	12,117,440.3	6,202,396.3	1,576,097.0	-1,374,053.8	18,499,974.7	26,207,576.0
2019	January	762,196.2	2,028,298.4	-1,912,531.6	4,406,714.7	5,284,677.7	11,854,836.7	6,190,611.1	2,665,240.9	-1,213,159.6	19,336,634.8	24,621,312.5
	February	625,775.0	2,016,592.2	-1,275,508.3	4,406,714.7	5,773,573.6	11,971,044.3	5,626,018.5	2,285,327.9	-1,142,210.2	18,669,231.0	24,442,804.6
	March	701,204.1	3,137,562.6	-933,028.2	4,406,714.7	7,312,453.2	11,214,484.1	5,837,836.7	2,253,440.7	-1,113,534.5	18,163,551.4	25,476,004.6
	April	791,283.1	3,137,562.6	-819,642.3	4,406,714.7	7,515,918.1	10,566,427.1	5,811,460.0	2,462,345.9	-1,034,318.8	17,726,698.5	25,242,616.6
	May	804,557.2	3,137,562.6	-1,992,702.7	4,406,714.7	6,356,131.8	11,182,401.8	5,846,648.4	2,446,179.4	-1,185,873.0	18,440,910.8	24,797,042.6
	June	2,110,662.6	3,193,982.4	-2,889,360.1	4,406,714.7	6,821,999.6	10,581,338.2	5,769,426.9	2,346,165.7	-1,538,869.1	17,511,057.8	24,333,057.4
	July	1,402,058.5	3,181,557.9	-2,771,552.6	4,406,714.7	6,218,778.5	10,962,460.1	5,709,168.5	2,317,758.1	-1,327,273.9	17,450,517.7	23,669,296.2
	August	746,611.4	7,551,285.9	-1,878,912.9	0.0	6,418,984.5	11,438,024.4	5,937,164.3	2,523,113.2	-1,411,175.0	18,571,028.1	24,990,012.5
	September	960,637.9	11,657,554.9	-868,903.7	0.0	11,749,289.1	11,667,220.9	5,974,492.8	2,507,729.2	-1,694,806.4	18,738,268.0	30,487,557.0
	October	1,125,956.2	11,646,025.3	-2,193,884.7	0.0	10,578,096.8	11,991,459.9	9,679,232.8	2,583,712.5	-1,713,590.3	22,559,598.8	33,137,695.6
	November	885,718.3	10,330,378.6	-366,070.7	0.0	10,850,026.3	12,802,388.4	6,955,932.4	2,712,650.7	-1,454,850.7	20,757,381.2	31,607,407.5
	December	1,401,554.8	10,281,607.5	-2,468,101.5	0.0	9,215,060.8	11,028,530.9	8,274,830.8	2,507,729.2		20,356,240.3	29,571,301.1
										-1,338,284.5		
2020	January	786,596.3	14,595,367.5	-1,227,803.8	0.0	14,154,160.0	10,989,410.7	9,509,121.3	3,630,947.2	-1,304,674.2	22,791,194.7	36,945,354.7
	February	1,279,190.5	14,657,983.0	-839,961.6	0.0	15,097,211.9	10,591,558.4	8,453,072.5	4,031,370.3	-1,390,543.7	21,771,327.0	36,868,539.0
	March	1,243,092.7	14,659,744.3	-4,351,160.8	0.0	11,551,676.2	11,435,561.4	7,462,281.4	5,778,479.3	-1,282,895.2	23,285,778.3	34,837,454.5
	April	2,171,999.4	14,602,354.3	-3,236,860.7	0.0	13,537,493.1	11,031,059.8	6,655,555.8	5,886,885.8	-1,528,481.8	22,290,606.1	35,828,099.2
	May	3,890,661.6	14,482,646.4	-2,746,227.3	0.0	15,627,080.7	11,201,206.0	6,883,056.8	6,127,534.8	-1,616,944.2	22,683,315.7	38,310,396.4
	June	4,151,157.3	16,667,669.0	-7,568,842.6	0.0	13,249,983.7	12,092,856.4	6,395,489.3	5,655,077.5	-1,599,919.0	22,526,479.1	35,776,462.8
	July	2,917,810.5	19,594,548.3	-5,386,116.5	0.0	17,126,242.3	15,603,119.7	8,123,608.4	5,764,597.4	-1,974,527.4	27,891,406.4	45,017,648.7
	August	3,259,688.9	19,934,709.1	-3,142,225.3	0.0	20,052,172.7	16,020,470.6	8,944,499.1	5,309,379.8	-2,057,916.6	28,299,822.1	48,351,994.8
	September	3,286,087.1	19,706,812.0	-4,036,847.2	0.0	18,956,051.8	17,716,708.9	9,228,765.5	5,358,809.8	-2,790,274.7	30,246,367.5	49,202,419.4
	October	2,987,722.7	21,462,449.4	-4,176,842.2	0.0	20,273,329.9	17,531,391.2	12,112,015.2	5,820,187.7	-2,555,032.0	32,673,319.4	52,946,649.3
	November	2,586,913.9	21,305,353.7	-4,279,557.1	0.0	19,612,710.5	18,790,988.9	12,075,078.1	6,174,978.5	-2,966,590.5	34,486,013.6	54,098,724.1
	December	2,909,413.3	21,318,917.9	-1,580,774.4	0.0	22,647,556.7	18,187,177.1	11,965,000.7	7,240,374.7		34,425,962.0	57,073,518.7

Currency in Circulation (K' million), Dec 2011 - Dec 2020 — Table 5

End of period		Issued			At banks			Outside banks		
		Total	Notes	Coin	Total	Notes	Coin	Total	Notes	Coin
2011	December	3,408.2	3,408.0	0.2	598.2	598.2	0.0	2,809.8	2,809.8	0.2
2012	December	3,842.9	3,842.9	0.0	800.8	800.8	0.0	3,042.1	3,042.1	0.0
2013	December	4,601.1	4,550.9	50.1	1,130.5	1,094.2	36.3	3,470.6	3,456.8	13.8
2014	December	5,727.7	5,620.4	107.3	1,507.7	1,503.6	4.2	4,220.0	4,116.9	103.1
2015	December	6,449.8	6,318.0	131.8	1,698.6	1,692.9	5.6	4,751.2	4,625.1	126.1
2016	December	6,451.5	6,292.4	159.1	1,714.2	1,705.7	8.5	4,737.3	4,586.7	150.6
2017	December	7,315.3	7,134.6	180.8	1,715.6	1,702.2	13.4	5,599.8	5,432.4	167.3
2018	December	8,194.5	7,987.0	207.5	1,757.0	1,740.4	16.6	6,437.6	6,246.6	191.0
2019	January	7,208.7	7,000.4	208.3	1,453.9	1,435.7	18.2	5,754.8	5,564.8	190.1
	February	6,853.9	6,672.2	181.7	1,477.0	1,458.5	18.4	5,376.9	5,213.7	163.2
	March	6,955.6	6,775.4	180.2	1,362.2	1,344.1	18.1	5,593.4	5,431.3	162.1
	April	7,334.8	7,156.1	178.7	1,527.6	1,511.5	16.1	5,807.3	5,644.6	162.6
	May	7,666.7	7,489.2	177.5	1,356.7	1,343.6	13.1	6,310.0	6,145.5	164.4
	June	8,312.1	8,133.6	178.5	1,595.9	1,584.7	11.3	6,716.2	6,549.0	167.2
	July	8,484.5	8,304.6	179.8	1,564.8	1,554.1	10.7	6,919.7	6,750.6	169.1
	August	8,649.4	8,468.0	181.4	1,487.6	1,473.9	13.7	7,161.8	6,994.1	167.7
	September	8,308.4	8,126.6	181.8	1,532.2	1,520.4	11.8	6,776.2	6,606.2	169.9
	October	8,230.0	8,047.4	182.6	1,661.7	1,650.4	11.3	6,568.3	6,397.0	171.3
	November	8,156.3	7,972.4	183.9	1,373.4	1,361.6	11.8	6,782.9	6,610.8	172.1
	December	8,526.6	8,342.4	184.2	1,779.0	1,767.5	11.5	6,747.6	6,574.9	172.7
2020	January	7,897.3	7,712.7	184.6	1,495.9	1,483.2	12.7	6,401.4	6,229.5	171.9
	February	7,617.3	7,432.4	184.8	1,481.8	1,468.3	13.6	6,135.4	5,964.2	171.3
	March	8,189.6	8,004.2	185.4	1,532.3	1,521.4	10.9	6,657.3	6,482.9	174.5
	April	8,814.9	8,628.5	186.3	1,857.2	1,842.3	14.9	6,957.7	6,786.3	171.4
	May	9,503.2	9,316.0	187.1	1,595.7	1,581.4	14.3	7,907.4	7,734.6	172.8
	June	10,367.4	10,179.2	188.2	1,618.0	1,604.0	14.0	8,749.4	8,575.2	174.2
	July	10,847.2	10,654.0	193.2	1,675.1	1,662.4	12.6	9,172.1	8,991.6	180.5
	August	11,455.9	11,266.7	189.2	1,914.6	1,901.8	12.8	9,541.3	9,364.8	176.4
	September	11,387.4	11,196.8	190.6	1,906.2	1,893.1	13.0	9,481.2	9,303.7	177.6
	October	11,636.1	11,444.8	191.3	1,917.5	1,904.9	12.5	9,718.6	9,539.8	178.8
	November	11,060.7	10,867.4	193.3	2,126.3	2,113.6	12.8	8,934.4	8,753.9	180.6
	December	12,291.5	12,096.2	195.2	2,481.8	2,469.1	12.8	9,809.6	9,627.2	182.5

Commercial Banks' Deposits by Institution-Domestic Currency (K' million), Dec 2011 - Dec 2020 **Table 6A**

End of period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2011	December	1,033.4	778.3	692.2	5,378.0	4,512.7	232.5	140.9	12,767.8
2012	December	1,844.4	544.8	324.4	7,402.3	4,625.3	3,313.3	166.5	18,221.1
2013	December	1,567.5	1,833.1	853.4	10,385.9	5,138.6	2,461.4	216.9	22,456.6
2014	December	2,163.4	1,954.7	1,006.7	9,348.6	5,852.6	3,079.4	306.1	23,711.5
2015	December	1,975.0	1,397.4	1,231.9	9,339.4	6,361.1	3,092.1	298.5	23,695.4
2016	December	2,220.5	2,737.9	599.0	7,767.8	8,135.8	4,168.7	223.4	25,853.1
2017	December	2,250.4	1,352.6	1,102.4	9,952.9	9,591.0	5,658.6	365.3	30,273.3
2018	December	1,871.5	2,766.0	834.2	11,540.5	10,328.0	5,474.9	81.8	32,897.0
2019	January	1,913.4	2,661.5	931.0	11,159.0	10,187.6	5,237.5	86.1	32,176.1
	February	1,940.9	2,719.9	893.8	11,271.8	10,143.9	5,492.5	88.0	32,550.7
	March	2,040.2	3,174.3	859.6	11,409.4	9,822.9	4,847.3	72.4	32,226.1
	April	2,171.2	2,594.4	972.0	11,603.1	10,258.5	4,751.8	181.7	32,532.9
	May	2,372.2	2,861.2	1,303.4	12,166.9	9,237.5	5,157.9	112.0	33,211.1
	June	2,222.6	2,842.3	994.5	11,615.6	9,305.2	5,676.5	97.2	32,754.0
	July	2,466.6	2,789.1	906.2	11,525.1	9,414.4	6,322.5	106.7	33,530.7
	August	2,130.1	3,358.5	873.1	11,237.3	9,690.4	6,456.3	118.6	33,864.2
	September	2,159.8	2,854.6	939.2	11,649.3	9,615.6	6,497.4	80.1	33,796.1
	October	2,815.0	3,228.4	953.9	11,703.7	9,655.3	6,429.1	93.3	34,878.7
	November	2,745.2	3,208.5	802.7	11,775.0	9,880.7	6,377.4	65.6	34,855.1
	December	2,577.4	3,359.0	809.4	12,684.7	10,145.4	6,789.9	72.9	36,438.8
2020	January	2,251.8	3,390.7	748.2	12,745.8	10,309.0	6,476.2	57.4	35,979.1
	February	2,324.8	3,537.3	1,027.3	12,206.8	10,915.9	6,276.6	75.7	36,364.2
	March	3,254.4	3,294.4	1,133.7	11,630.0	11,158.5	6,476.3	84.6	37,031.7
	April	2,443.1	3,479.7	914.0	13,826.9	11,292.7	5,980.6	97.5	38,034.5
	May	2,714.2	3,640.2	975.9	13,470.6	11,584.5	6,195.3	90.7	38,671.3
	June	2,891.9	3,784.6	982.7	14,051.2	12,042.6	6,383.7	85.5	40,222.1
	July	2,301.0	4,282.5	1,155.5	15,297.2	12,613.7	7,539.0	59.9	43,248.8
	August	3,421.6	4,365.8	965.5	15,365.7	12,667.3	8,142.9	101.3	45,030.1
	September	3,581.7	3,661.0	1,138.2	17,138.1	12,662.4	7,300.4	74.7	45,556.5
	October	4,471.2	5,229.8	1,135.1	18,663.5	12,012.6	7,345.9	133.1	48,991.3
	November	4,390.4	4,821.4	1,146.1	18,015.7	13,158.1	7,878.8	115.6	49,526.2
	December	5,084.9	4,027.6	950.7	17,679.4	13,831.6	9,003.3	83.4	50,660.9

Commercial Banks' Deposits by Institution-Foreign Currency (K' million), Dec 2011 - Dec 2020 Table 6B

End of period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2011	December	68.92	85	79	5,931	955	932	141	8,191
2012	December	145.27	58	87	4,426	1,061	965	198	6,941
2013	December	307.18	24	258	6,352	868	442	199	8,450
2014	December	155.73	36	401	7,063	1,657	1,276	642	11,231
2015	December	373	101	522	15,219	2,677	1,276	887	22,715
2016	December	611.1	88.4	320.4	12,282.1	2,537.7	2,619.4	2,548.0	21,007.0
2017	December	847.9	491.1	645.9	14,202.0	2,701.3	2,363.7	2,389.0	23,640.9
2018	December	1,266.4	592.6	602.0	17,482.7	3,953.4	3,966.8	698.6	28,562.6
2019	January	1,317.7	510.3	488.1	19,878.4	3,916.1	4,014.4	442.9	30,568.0
	February	1,033.7	566.8	653.3	17,698.8	3,759.7	4,255.5	535.3	28,503.1
	March	1,074.6	669.3	323.1	17,093.2	3,919.2	4,134.5	2,428.9	29,642.9
	April	1,300.1	673.6	566.2	17,660.9	4,100.4	3,978.4	2,421.3	30,701.0
	May	1,129.3	1,026.0	324.3	18,497.5	4,373.1	4,080.6	2,409.7	31,840.5
	June	1,204.2	1,122.4	474.8	17,765.1	4,290.0	3,998.2	2,184.3	31,039.0
	July	1,328.6	1,320.3	480.0	16,618.4	4,393.8	4,156.0	1,759.5	30,056.6
	August	1,234.7	1,299.0	370.4	18,502.9	4,377.0	3,860.1	2,040.7	31,684.8
	September	1,104.2	608.0	521.6	18,618.4	4,419.2	4,039.8	2,171.5	31,482.7
	October	1,141.3	640.3	462.6	17,471.3	4,642.9	3,980.6	2,119.3	30,458.3
	November	1,249.9	821.4	663.2	18,807.1	5,144.1	4,265.1	1,577.9	32,528.5
	December	1,678.6	530.3	558.7	19,630.4	4,947.4	4,480.2	890.3	32,715.8
2020	January	1,577.5	619.5	440.4	20,230.1	5,175.5	4,581.9	1,619.7	34,244.5
	February	1,541.3	675.2	399.7	22,296.6	4,990.4	4,450.7	1,039.6	35,393.4
	March	2,442.5	563.9	668.1	26,249.2	6,101.8	4,849.1	1,179.5	42,054.2
	April	1,534.5	886.3	614.7	25,430.6	6,448.1	6,154.3	1,379.1	42,447.6
	May	1,791.8	801.1	750.3	26,660.6	6,361.3	5,701.6	1,211.2	43,277.8
	June	1,865.2	1,283.8	767.3	23,537.3	6,231.3	5,350.0	1,386.6	40,421.5
	July	1,889.7	486.2	662.0	25,939.8	6,365.9	5,592.9	1,975.8	42,912.2
	August	2,261.2	1,306.1	625.4	33,009.1	6,872.5	2,041.2	1,987.9	48,103.4
	September	2,389.4	858.6	674.2	34,915.1	7,090.7	2,322.9	2,744.5	50,995.4
	October	3,128.8	932.2	1,001.3	34,960.0	6,966.1	1,914.6	2,634.2	51,537.1
	November	2,916.8	719.3	541.6	36,103.8	7,477.7	2,462.1	3,035.5	53,256.8
	December	3,436.7	706.8	411.8	36,813.5	7,716.4	2,048.8	3,779.5	54,913.5

Commercial Banks' Loans and Advances - Local Currency (K' million), Dec 2019 - Dec 2020 **Table 7A**

Sector	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Agriculture, forestry,Fishing and hunting	5,851,283.2	5,933,440.1	6,057,363.0	6,047,257.8	6,335,067.6	6,283,928.3	6,194,227.9	6,313,645.3	7,568,026.5	7,426,411.6	7,749,718.6	7,812,768.4	7,116,834.3
Mining and quarying	2,650,667.4	2,424,568.7	2,554,300.8	3,099,675.3	3,079,925.1	2,866,877.0	2,848,795.5	2,793,969.2	3,090,660.3	2,999,784.8	2,929,010.5	3,042,412.9	2,702,902.1
Manufacturing	3,181,433.0	3,033,987.3	3,133,355.8	3,336,041.6	3,474,293.4	3,881,950.6	3,867,994.8	3,824,285.5	4,028,527.7	4,015,100.1	4,392,400.2	4,544,351.7	4,419,440.8
Electricity, gas, water and energy	1,544,704.0	1,457,165.8	1,458,130.9	1,525,174.7	1,552,127.4	1,573,699.7	1,504,054.9	1,541,484.8	1,436,064.9	1,446,126.2	1,726,959.1	1,800,588.3	1,964,051.9
Construction	767,609.8	787,033.1	743,136.4	797,741.9	807,438.8	783,985.7	775,117.9	764,486.4	745,972.4	716,603.7	756,731.6	747,834.3	748,017.4
Wholesale and retail trade	4,080,127.9	4,243,650.9	3,916,037.0	3,702,136.4	4,064,666.0	3,521,696.6	3,410,755.5	3,522,672.9	3,563,038.9	3,712,766.5	3,720,001.3	4,005,539.0	3,683,531.6
Restaurants and hotels	337,659.9	348,407.8	350,986.6	398,925.9	399,130.7	395,554.1	440,802.5	415,537.4	431,982.1	488,184.5	480,915.7	495,837.1	447,210.0
Transport, storage and communications	3,119,688.5	3,158,650.1	2,819,221.8	3,225,646.7	3,271,842.9	3,223,472.8	3,262,704.7	3,333,389.6	3,273,926.3	3,305,537.6	3,628,049.4	3,586,174.1	3,685,161.5
Financial services	733,579.7	1,003,611.8	1,037,519.6	1,179,041.0	1,236,730.5	1,164,994.0	1,140,332.3	798,651.4	773,525.6	745,166.4	632,677.5	698,603.7	798,301.8
Community, social and perconal services	2,340,552.6	2,239,427.5	2,673,650.1	3,766,665.0	3,718,371.1	3,995,795.3	3,791,672.7	3,940,861.9	3,756,388.1	3,856,468.6	4,400,147.8	4,593,549.3	5,290,229.7
Real estate	1,152,249.3	1,193,695.4	1,296,680.1	1,529,060.3	1,487,772.4	1,479,772.3	1,393,776.0	1,429,893.1	1,747,467.2	1,840,709.7	1,742,500.9	1,820,141.7	1,957,607.0
Credit/debit cards	190.0	190.6	191.0	188.9	204.1	189.4	189.5	189.5	189.9	190.3	189.1	188.7	188.7
Other sectors	9,856,981.8	10,082,030.1	10,160,819.8	10,525,110.5	0,552,076.5	10,576,277.3	10,221,477.1	10,184,524.7	9,891,926.9	9,886,078.1	9,800,861.9	10,543,479.9	10,521,120.0
TOTALS	**35,616,727.1**	**35,905,859.3**	**36,201,393.0**	**39,132,665.8**	**39,979,646.5**	**39,748,193.1**	**38,851,901.4**	**38,863,591.7**	**40,307,696.9**	**40,439,128.2**	**41,960,163.6**	**43,691,469.1**	**43,334,596.8**

Commercial Banks' Loans and Advances - Foreign Currency (US $' 000), Dec 2019 - Dec 2020 Table 7B

Sector	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Agriculture, forestry,Fishing and hunting	305,380	299,942	298,011	239,624	268,164	268,493	258,002	248,952	295,655	273,798	286,084	269,554	231,856
Mining and quarying	178,553	157,001	159,853	163,441	159,586	150,948	151,499	147,563	153,247	145,045	137,240	140,397	123,519
Manufacturing	181,701	165,856	165,600	151,315	154,394	162,993	166,916	164,563	158,569	154,279	146,686	141,399	130,610
Electricity, gas, water and energy	66,033	54,330	53,208	48,513	47,253	48,687	44,410	54,896	58,610	56,404	66,863	65,979	68,697
Construction	36,772	36,751	33,882	32,255	31,502	30,936	29,274	29,016	25,446	22,644	23,125	23,777	25,072
Wholesale and retail trade	159,312	158,978	134,107	92,919	95,407	87,639	80,169	80,712	81,052	82,334	81,187	87,558	78,735
Restaurants and hotels	15,360	15,381	15,137	14,954	14,584	14,716	17,000	15,552	14,783	16,848	16,078	15,973	14,461
Transport, storage and communications	140,308	136,875	129,666	128,096	127,460	126,621	119,119	124,549	112,853	110,856	110,927	111,512	107,686
Financial services	7,272	16,989	16,962	15,901	16,780	16,728	18,029	4,594	4,815	4,942	4,716	4,797	4,519
Community, social and perconal services	36,118	34,285	30,749	51,786	51,682	67,060	69,779	76,110	75,454	57,819	55,215	51,737	42,095
Real estate	68,751	66,944	71,678	72,179	68,799	68,519	65,417	65,414	71,826	73,297	68,251	69,175	69,804
Other sectors	70,285	67,185	65,602	63,471	64,271	65,380	61,297	61,071	53,247	50,749	50,284	49,098	47,041
TOTALS	**1,265,846**	**1,210,515**	**1,174,455**	**1,074,454**	**1,099,881**	**1,108,720**	**1,080,911**	**1,072,993**	**1,105,557**	**1,049,013**	**1,046,656**	**1,030,957**	**944,095**

Structure of Interest Rates (Percent Per Year), Dec 2011 - Dec 2020

Table 8

			Weighted		Treasury bill rates			Government bond rates							Commercial Bank deposits rate	
	End of period	BoZ[1] Policy Rate	Interbank rate	Penalty[2] rate	91 days	182 days	273 days	364 days	24 months	3 year	5 year	7 year	10 year	15 year	Savings	90 day
2011	December	16.6	10.2	35.5	7.0	9.5	11.4	13.5	14.7	15.1	15.4	15.0	15.9	16.2	4.3	5.3
2012	December	9.3	8.8	33.2	9.4	12.4	11.4	12.1	11.0	12.8	13.5	14.5	16.5	16.6	4.3	5.3
2013	December	9.8	9.9	36.4	8.0	14.8	15.0	15.7	14.0	15.5	16.5	16.9	18.2	18.0	3.6	6.6
2014	December	12.5	12.0	39.5	13.0	17.5	18.0	20.4	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.1
2015	December	15.5	26.1	39.8	15.0	20.3	18.7	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.2
2016	December	15.5	16.2	39.8	20.5	23.9	25.0	25.0	25.0	23.2	25.0	24.8	25.0	25.0	3.1	10.8
2017	December	10.3	10.1	39.8	9.5	9.8	13.6	16.3	16.5	18.3	18.0	19.5	20.6	18.5	2.8	6.9
2018	December	9.8	9.8	39.8	15.0	14.8	21.0	23.1	19.5	20.0	20.4	18.5	21.5	17.3	3.0	7.6
2019	January	9.8	9.9	39.8	15.0	15.0	23.0	24.0	19.5	20.0	20.4	18.5	23.5	17.0	3.0	7.6
	February	9.8	9.9	39.8	15.0	15.0	23.0	23.5	24.0	24.5	25.5	24.0	25.9	17.0	3.1	7.4
	March	9.8	9.9	39.8	15.3	15.0	23.0	24.0	24.0	24.5	25.5	24.0	25.9	17.0	3.1	8.2
	April	9.8	9.9	39.8	16.0	16.0	24.3	25.0	29.5	29.8	30.5	25.6	27.0	19.0	3.1	8.3
	May	10.3	9.9	39.8	16.0	16.5	25.3	26.3	29.5	29.8	30.5	25.6	27.0	19.0	3.1	8.3
	June	10.3	10.3	39.8	16.5	16.5	25.3	26.5	29.5	29.8	30.5	25.6	27.0	19.0	3.1	8.2
	July	10.3	10.3	39.8	16.5	16.0	25.3	26.5	29.5	29.8	30.5	25.6	27.0	19.0	3.0	8.2
	August	10.3	10.7	39.8	16.5	19.0	26.0	27.5	29.5	29.8	32.0	25.0	28.0	20.0	3.0	8.3
	September	10.3	11.2	39.8	16.5	19.0	26.5	27.5	29.5	29.8	32.0	25.0	28.0	20.0	3.0	8.4
	October	10.3	10.6	39.8	16.5	19.1	27.0	27.5	29.5	28.8	32.5	25.0	27.0	21.0	3.0	8.7
	November	11.5	10.7	39.8	16.5	19.0	27.0	27.5	29.5	29.8	33.0	25.0	27.0	28.0	3.0	8.8
	December	11.5	10.7	39.8	16.5	19.3	27.0	27.5	29.5	29.8	33.0	25.0	27.0	28.0	3.0	8.8
2020	January	11.5	12.6	39.8	16.5	19.3	27.0	27.8	29.8	29.8	33.0	25.0	7.0	28.4		9.0
	February	11.5	12.5	39.8	16.5	20.5	27.0	28.8	31.0	29.8	33.0	25.0	27.0	30.0	3.0	9.0
	March	11.5	12.6	39.8	16.5	21.2	27.0	29.2	31.0	29.8	33.0	25.0	24.4	30.3	3.0	9.3
	April	11.5	12.6	39.8	16.5	21.2	27.0	29.3	31.0	29.8	33.0	25.0	23.5	31.6	3.0	9.0
	May	9.3	11.5	39.8	16.5	21.2	27.0	29.0	31.0	30.3	33.0	25.0	23.5	32.5	3.0	9.0
	June	9.3	9.2	39.8	17.2	21.1	26.8	28.4	31.0	32.2	33.0	25.0	25.5	32.5	3.0	9.0
	July	9.3	9.0	39.8	15.3	18.9	24.4	26.1	31.0	32.7	33.0	25.0	31.5	32.5	3.0	8.7
	August	8.0	8.4	39.8	14.4	17.4	21.3	25.2	31.5	32.7	33.0	25.0	31.5	32.5	3.0	8.5
	September	8.0	8.2	39.8	14.0	16.6	19.7	24.5	32.0	32.7	33.0	25.0	32.3	32.8	3.0	8.5
	October	8.0	8.1	39.8	14.0	16.1	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.1	3.0	8.3
	November	8.0	8.0	39.8	14.0	16.0	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.5	3.0	8.1
	December	8.0	8.1	39.8	14.0	16.0	19.7	24.5	32.0	32.7	33.0	25.0	33.0	33.5	3.0	8.1

Source: Bank of Zambia

[1]Figures before April 2012 reflect the Commercial Banks' weighted Lending Base Rate while figures after that indicates BoZ Policy rate.

[2]Penalty Rates: These are rates applied when a Bank falls short on Statutory Reserve Ratios.

Commercial Bank Interest Rates (Percent Per Year), Dec 2011 - Dec 2020

Table 9

End of period		Average Lending Rates	Weighted interbank rate	Savings Rates less than K100	Savings Rates more than K100	Deposits Over K20,000 24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2011	December	24.0	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2012	December	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2013	December	16.4	10.1	2.8	3.5	1.9	3.0	4.1	5.1	6.1	6.6	8.4
2014	December	20.5	12.0	2.4	3.3	2.0	4.2	4.3	6.8	8.3	9.1	10.5
2015	December	25.8	26.1	2.5	3.3	1.9	4.0	4.2	7.2	7.9	9.2	10.8
2016	December	29.5	16.2	2.4	3.1	2.4	6.3	6.7	8.7	10.4	10.8	12.7
2017	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	January	24.0	9.9	1.9	3.0	2.4	3.8	3.7	5.4	6.9	7.6	9.0
	February	24.6	9.9	1.9	3.1	2.0	2.9	2.9	5.4	6.6	7.4	8.9
	March	24.6	9.9	1.8	3.1	2.4	3.3	3.2	5.8	7.4	8.2	9.8
	April	24.6	9.9	1.7	3.1	2.3	3.5	3.4	6.1	7.4	8.3	9.8
	May	24.9	9.9	1.7	3.1	2.5	3.4	3.3	5.9	7.5	8.3	10.0
	June	25.4	10.3	1.7	3.1	2.8	3.8	3.6	6.2	7.4	8.2	10.1
	July	25.3	10.3	1.7	3.0	2.8	3.9	3.8	6.6	7.6	8.2	10.0
	August	25.8	10.7	1.7	3.0	2.7	3.9	3.7	6.4	7.7	8.3	10.1
	September	26.1	11.2	1.7	3.0	2.6	3.7	3.5	6.4	7.7	8.4	9.9
	October	26.7	10.6	1.7	3.0	2.6	3.4	3.3	6.4	8.0	8.7	10.0
	November	27.5	10.7	1.7	3.0	2.6	3.5	3.3	6.5	8.2	8.8	10.2
	December	28.0	10.7	1.7	3.0	2.6	3.4	3.3	6.8	8.4	8.8	10.1
2020	January	28.2	12.6	1.7	3.0	2.6	4.0	3.3	6.9	8.5	9.0	10.2
	February	28.3	12.5	1.7	3.0	2.6	3.8	3.3	6.8	8.1	9.0	10.3
	March	28.8	12.6	1.7	3.0	2.9	3.5	3.6	6.9	8.4	9.3	10.7
	April	28.2	12.6	1.7	3.0	2.6	3.2	3.4	6.8	8.4	9.0	10.4
	May	27.9	11.5	1.7	3.0	2.6	2.9	3.3	6.9	7.9	9.0	10.3
	June	26.4	9.2	1.7	3.0	2.5	2.6	2.9	6.5	7.9	9.0	10.3
	July	25.8	9.0	1.6	3.0	2.8	2.9	3.2	6.3	7.7	8.7	10.3
	August	26.3	8.4	1.6	3.0	2.7	2.8	3.0	6.1	7.5	8.5	10.1
	September	25.7	8.2	1.6	2.9	2.7	2.7	3.0	5.9	7.4	8.5	10.1
	October	25.3	8.1	1.6	2.9	2.7	2.8	3.1	5.8	7.2	8.3	9.9
	November	24.9	8.0	1.5	2.8	2.6	2.8	3.1	5.6	6.9	8.1	9.7
	December	25.1	8.1	1.5	2.7	2.7	2.7	3.0	5.9	7.1	8.1	9.8

Kwacha/US Dollar Exchange Rates, Jan 2018 - Dec 2020

Table 10

End of period		Bank of Zambia Rates				Bureau Rates	
		Buying	Selling	Mid	Buying	Selling	Mid
2018	January	9.83	9.88	9.86	9.85	10.02	9.93
	February	9.77	9.82	9.79	9.76	9.92	9.84
	March	9.56	9.61	9.59	9.67	9.83	9.75
	April	9.50	9.55	9.52	9.48	9.63	9.56
	May	10.07	10.12	10.09	9.97	10.13	10.05
	June	10.02	10.07	10.04	10.03	10.20	10.12
	July	9.87	9.92	9.89	9.84	10.01	9.92
	August	10.07	10.12	10.10	10.01	10.18	10.10
	September	10.86	10.91	10.89	10.58	10.75	10.66
	October	11.89	11.94	11.91	11.89	12.08	11.55
	November	11.82	11.87	11.85	11.72	11.90	11.81
	December	11.89	11.94	11.91	11.83	12.00	11.84
2019	January	11.91	11.96	11.93	11.84	12.01	11.90
	February	11.89	11.94	11.92	11.83	11.99	11.91
	March	12.01	12.04	12.04	11.93	12.09	12.01
	April	12.27	12.32	12.30	12.18	12.32	12.25
	May	13.21	13.26	13.24	13.17	13.27	13.22
	June	13.03	13.08	13.05	13.05	13.24	13.14
	July	12.72	12.77	12.75	12.68	12.88	12.78
	August	13.00	13.05	13.03	12.90	13.08	12.99
	September	13.12	13.17	13.14	13.05	13.23	13.14
	October	13.15	13.20	13.18	13.09	13.27	13.18
	November	13.95	14.00	13.98	13.68	13.89	13.79
	December	14.35	14.40	14.38	14.34	14.56	14.45
2020	January	14.39	14.44	14.41	14.10	14.31	14.20
	February	14.67	14.72	14.69	15.83	16.05	15.94
	March	16.50	16.55	16.52	16.06	16.29	16.17
	April	18.56	18.61	18.59	18.29	18.55	18.42
	May	18.20	18.25	18.22	18.16	18.43	18.30
	June	18.16	18.21	18.18	18.08	18.33	18.20
	July	18.13	18.18	18.15	18.03	18.27	18.15
	August	18.76	18.81	18.78	18.51	18.77	18.64
	September	19.80	19.85	19.82	19.75	20.02	19.88
	October	20.17	20.22	20.20	20.21	20.48	20.35
	November	20.81	20.86	20.83	20.85	21.14	21.00
	December	21.06	21.11	21.09	21.10	21.36	21.23

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 2018 - Dec 2020

Table 11

		Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO		
	Monthly Avg.	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
2018	January	9.77	9.95	9.92	9.90	9.83	9.88	9.86	13.58	13.65	13.62	12.00	12.06	12.03
	February	9.71	9.88	9.81	9.83	9.77	9.82	9.79	13.64	13.72	13.68	12.06	12.12	12.09
	March	9.50	9.66	9.58	9.62	9.56	9.61	9.59	13.38	13.45	13.41	11.79	11.86	11.82
	April	9.44	9.59	9.51	9.56	9.50	9.55	9.52	13.36	13.43	13.40	11.66	11.72	11.69
	May	10.00	10.15	10.07	10.12	10.07	10.12	10.39	13.58	13.65	13.62	11.92	11.98	11.95
	June	9.97	10.12	10.05	10.08	10.02	10.07	10.04	13.31	13.38	13.35	11.70	11.76	11.73
	July	9.81	9.98	9.90	9.92	9.87	9.92	9.90	13.02	13.06	13.04	11.53	11.60	11.57
	August	10.00	10.21	10.11	10.12	10.07	10.12	10.09	12.97	13.02	13.00	11.61	11.67	11.64
	September	10.80	11.01	10.91	10.98	10.93	10.98	11.14	14.28	14.35	14.31	12.75	12.81	12.78
	October	11.87	11.99	11.93	11.91	11.89	11.94	11.91	15.48	15.55	15.51	13.66	13.72	13.69
	November	11.73	11.88	11.81	11.88	11.82	11.87	11.85	15.24	15.31	15.28	13.43	13.50	13.46
	December	11.84	12.01	11.93	11.95	11.89	11.94	11.91	15.07	15.14	15.11	13.53	13.73	13.63
2019	January	11.54	12.01	11.78	11.98	11.91	11.96	11.93	15.34	15.41	15.38	13.60	13.66	13.63
	February	11.80	11.94	11.87	11.96	11.89	11.94	11.92	15.47	15.54	15.50	13.50	13.56	13.53
	March	11.94	12.06	12.00	12.07	12.01	12.06	12.03	15.83	15.90	15.86	13.58	13.64	13.61
	April	12.18	12.37	12.27	12.33	12.28	12.33	12.30	16.00	16.07	16.04	13.79	13.85	13.82
	May	13.21	13.21	13.21	13.24	13.21	13.26	13.24	16.95	17.02	16.99	14.77	14.84	14.80
	June	12.86	13.14	13.00	13.10	13.03	13.08	13.05	16.51	16.58	16.55	14.72	14.78	14.75
	July	12.63	12.83	12.73	12.79	12.72	12.77	12.75	15.84	15.91	15.88	14.25	14.31	14.28
	August	12.97	13.12	13.05	13.07	13.00	13.05	13.03	15.80	15.86	15.83	14.46	14.52	14.49
	September	13.02	13.24	13.13	13.21	13.12	13.17	13.14	16.19	16.26	16.23	14.43	14.49	14.46
	October	13.06	13.28	13.17	13.24	13.15	13.20	13.18	16.58	16.64	16.61	14.52	14.58	14.55
	November	13.82	14.07	13.95	14.00	13.95	14.00	13.98	17.97	18.04	18.01	15.42	15.48	15.45
	December	14.26	14.46	14.36	14.38	14.35	14.40	14.38	18.82	18.89	18.86	15.95	16.01	15.98
2020	January	14.26	14.50	14.38	14.43	14.39	14.44	14.41	18.80	18.87	18.84	15.97	16.03	16.00
	February	14.56	14.78	14.67	14.73	14.67	14.72	14.69	19.02	19.09	17.34	15.93	16.05	15.99
	March	16.32	16.69	16.50	16.56	16.50	16.55	16.52	20.30	20.37	20.34	18.19	18.25	18.22
	April	18.40	18.71	18.56	18.60	18.56	18.61	18.59	23.02	23.09	23.06	20.16	20.22	20.19
	May	18.09	18.33	18.21	18.20	18.20	18.25	18.22	22.23	22.30	22.26	19.84	19.91	19.88
	June	18.05	18.31	18.18	18.17	18.16	18.21	18.18	22.73	22.80	22.76	20.43	20.49	20.46
	July	17.99	18.25	18.12	18.17	18.13	18.18	18.15	23.00	23.07	23.03	20.81	20.87	20.84
	August	18.60	18.87	18.74	18.81	18.76	18.81	18.78	24.64	24.72	24.68	22.20	22.27	22.23
	September	19.67	20.02	19.85	19.99	19.80	19.85	19.82	25.67	25.74	25.71	23.35	23.43	23.39
	October	20.13	20.51	20.32	20.44	20.17	20.22	20.20	26.18	26.25	26.21	23.75	23.82	23.78
	November	20.73	21.11	20.92	21.09	20.81	20.86	20.83	27.49	27.57	27.53	24.63	24.70	24.67
	December	20.90	21.29	21.09	21.24	21.06	21.11	21.09	28.28	28.36	28.32	25.63	25.70	25.66

Bank of Zambia Foreign Exchange Transactions (US $ million), Jan 2018 - Dec 2020

Table 12

End of period		Inflows			Dealing	Outflow			International
		Mines	Other Non-GRZ	Donor Inflows		Other Non-GRZ	GRZ Debt Servicing	GRZ Other Uses	Reserves
2018	January	0.0	38.6	8.2	-16.0	9.8	160.7	58.0	1,890.58
	February	0.0	30.7	9.1	-10.0	78.9	18.8	0.0	1,842.76
	March	0.0	25.9	6.7	-20.0	28.2	117.6	-13.3	1,762.94
	April	0.0	34.0	13.0	-114.0	23.2	153.3	-6.1	1,753.62
	May	0.0	50.3	17.4	0.0	58.7	36.3	0.4	1,726.09
	June	23.3	35.7	23.9	-52.0	26.3	41.3	2.4	1,790.96
	July	0.0	57.7	9.7	-52.0	11.6	151.1	1.7	1,745.86
	August	0.0	20.8	7.4	-38.0	22.8	85.7	3.4	1,700.49
	September	0.0	47.8	2.3	0.0	21.0	114.6	9.5	1,605.59
	October	0.0	48.5	5.4	-29.0	17.2	90.2	7.4	1,573.59
	November	0.0	52.2	2.5	0.0	17.0	27.6	0.7	1,582.98
	December	0.0	45.5	9.4	0.0	14.7	76.7	2.6	1,544.20
2019	January	0.0	54.9	6.5	0.0	10.7	164.8	0.6	1,429.65
	February	0.0	56.1	1.8	-10.0	28.1	49.5	9.3	1,410.62
	March	0.0	60.9	3.1	-93.0	20.1	171.4	-0.4	1,375.85
	April	0.0	56.5	5.8	-23.0	-0.8	144.0	-0.9	1,318.12
	May	0.0	61.7	28.9	-23.0	12.1	59.1	1.2	1,358.86
	June	0.0	50.5	8.0	-76.0	4.5	95.3	4.0	1,389.57
	July	0.0	96.3	9.1	-144.4	71.0	187.0	1.2	1,380.30
	August	0.0	36.4	5.5	-104.2	14.6	90.4	3.0	1,418.79
	September	0.0	43.8	7.9	-62.5	11.7	63.5	2.4	1,455.43
	October	0.0	46.2	8.5	-43.5	22.8	113.4	19.9	1,397.79
	November	0.0	41.7	7.0	46.5	13.2	33.9	1.5	1,351.59
	December	0.0	122.3	8.2	3.0	25.2	23.9	5.4	1,424.76
2020	January	0.0	41.9	6.2	-13.5	13.5	204.5	-9.9	1,278.35
	February	0.0	43.6	14.1	-52.0	14.9	29.6	7.7	1,335.94
	March	0.0	52.9	12.5	-29.0	32.5	28.9	0.7	1,368.38
	April	0.0	48.8	10.0	0.5	12.3	101.8	3.5	1,309.02
	May	0.0	92.0	11.4	-13.0	51.8	27.6	2.0	1,343.48
	June	0.0	108.3	7.6	-35.6	36.6	52.8	1.3	1,404.28
	July	0.0	122.5	8.8	16.0	36.8	121.9	6.6	1,354.73
	August	0.0	80.0	9.4	46.7	51.2	35.4	0.0	1,310.62
	September	0.0	147.2	6.9	84.8	42.7	37.9	2.9	1,296.16
	October	0.0	130.5	35.3	52.0	95.4	22.3	9.1	1,283.13
	November	0.0	108.0	11.9	115.4	31.3	15.2	1.2	1,239.90
	December	0.0	132.1	17.2	143.4	52.5	13.8	1.2	1,178.42

Percentage Changes in the Consumer Price Indices (2009 weights - Base 2009 = 100), Dec 2011 - Dec 2020 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
2011	December	117.5	113.4	122.2	6.0	5.3	6.6	0.5	0.6	0.3
2012	December	126.1	123.0	130.0	7.3	8.4	6.1	0.8	1.0	0.6
2013	December	135.1	130.6	140.3	7.1	6.2	8.2	0.9	1.2	0.6
2014	December	145.7	140.3	151.9	7.9	7.5	8.4	0.8	1.3	0.2
2015	December	176.5	175.1	178.1	21.1	24.8	17.1	2.1	2.5	1.6
2016	December	189.6	188.7	190.8	7.5	7.8	7.1	0.9	1.1	0.6
2017	December	201.2	197.8	205.1	6.1	4.8	7.5	0.7	1.1	0.2
2018	December	217.0	213.8	220.7	7.9	8.1	7.6	0.8	0.8	0.7
2019	January	219.3	216.0	223.0	7.9	8.2	7.7	1.1	1.1	1.0
	February	220.9	217.7	224.5	7.8	7.7	7.9	0.7	0.8	0.7
	March	223.3	221.7	225.1	7.5	8.2	6.8	1.1	1.9	0.2
	April	224.9	224.0	225.9	7.7	8.3	6.9	0.7	1.0	0.4
	May	226.8	226.5	227.3	8.1	9.1	7.0	0.9	1.1	0.6
	June	228.5	227.4	229.8	8.6	9.2	8.0	0.7	0.4	1.2
	July	229.6	228.3	231.1	8.8	9.3	8.3	0.5	0.4	0.5
	August	231.3	231.0	231.6	9.3	10.3	8.3	0.7	1.2	0.2
	September	234.1	235.6	232.4	10.5	12.4	8.3	1.2	2.0	0.3
	October	236.3	238.1	234.2	10.7	13.3	7.8	0.9	1.1	0.8
	November	238.6	240.8	236.2	10.8	13.5	7.8	1.0	1.1	0.9
	December	242.4	246.4	237.9	11.7	15.2	7.8	1.6	2.3	0.7
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

Treasurity Bill Transactions (K' million), Jan 2018 - Dec. 2020

Table 14

	Period	Treasury Bills Tender Sales					Settlement value	Maturites	Special Taps & Off-Tender Sales	Re-discounts	Total Outstanding Bills
		91 Days	182 Days	273 Days	364 Days	Total Sales					
2018	January	41,940.0	13,992.0	146,030.0	1,716,550.0	1,918,512.0	1,661,610.1	993,434.0	0.0	0.0	20,545,806.4
	February	116,679.0	87,994.0	1,685.0	1,906,099.0	2,112,457.0	1,839,472.4	1,663,733.0	0.0	0.0	20,781,399.4
	March	286,681.0	322,695.0	111,215.0	2,301,762.0	3,022,353.0	2,646,418.3	2,453,238.0	0.0	0.0	20,287,537.4
	April	16,554.0	58,485.0	4,530.0	524,666.0	604,235.0	521,988.8	212,511.0	0.0	0.0	20,458,237.4
	May	18,726.0	68,336.0	0.0	744,850.0	831,912.0	715,567.3	875,205.0	0.0	0.0	20,278,566.4
	June	54,025.0	5,004.0	12,725.0	640,510.0	712,264.0	611,701.3	1,340,161.0	0.0	0.0	19,221,162.4
	July	26,680.0	33,180.0	150.0	973,305.0	1,033,315.0	879,354.3	1,315,992.0	0.0	0.0	18,694,672.4
	August	168,568.0	333,443.0	622,880.0	1,255,727.0	2,380,618.0	2,072,389.4	2,575,221.0	0.0	0.0	18,273,947.4
	September	109,311.0	163,450.0	262,770.0	1,657,132.5	2,192,663.5	1,857,294.3	2,054,640.0	0.0	0.0	17,469,018.4
	October	133,470.0	3,165.0	159,545.0	615,625.0	911,805.0	772,896.7	810,990.0	0.0	0.0	17,794,641.9
	November	65,916.0	1,670.0	73,150.0	906,372.0	1,047,108.0	1,133,815.7	1,078,740.5	0.0	0.0	17,466,105.9
	December	208,102.0	217,886.0	408,240.0	1,504,949.6	2,339,177.6	2,089,999.5	335,975.0	0.0	0.0	17,515,488.9
2019	January	188,562.0	75,567.0	418,820.0	1,276,757.0	1,959,706.0	1,645,050.6	1,749,730.0	0.0	0.0	18,440,011.2
	February	144,685.0	5,840.0	650,077.0	1,472,018.0	2,272,620.0	1,892,098.1	2,086,969.0	0.0	0.0	18,549,247.2
	March	93,060.0	61,136.0	615,272.0	1,808,905.0	2,578,373.0	2,134,015.5	2,617,785.0	0.0	0.0	18,220,631.2
	April	31,290.0	34,630.0	205,925.0	460,694.0	732,539.0	606,922.6	527,831.0	0.0	0.0	18,057,094.2
	May	177,139.0	217,916.0	433,382.0	1,383,604.0	2,212,041.0	1,832,778.3	746,520.0	0.0	0.0	19,243,649.2
	June	73,684.0	64,016.0	71,375.0	1,753,657.0	1,962,732.0	1,577,045.1	858,396.0	0.0	0.0	20,093,485.2
	July	99,165.0	12,535.0	90,770.0	908,829.0	1,111,299.0	902,060.9	1,048,872.0	0.0	0.0	19,635,042.2
	August	205,371.0	82,258.0	156,036.0	1,264,070.0	1,707,735.0	1,396,292.2	1,320,002.0	0.0	0.0	19,675,106.2
	September	138,405.0	327,326.0	656,004.0	1,657,255.8	2,778,990.8	2,280,000.0	1,660,472.5	0.0	0.0	19,836,934.2
	October	12,069.0	145,725.0	388,480.0	1,099,201.0	1,645,475.0	1,331,200.1	650,255.0	0.0	0.0	20,773,823.6
	November	214,506.0	356,363.0	612,326.0	1,578,885.6	2,762,080.5	2,280,000.0	1,124,288.0	0.0	0.0	21,764,468.8
	December	74,935.0	157,641.0	279,308.0	1,125,052.0	1,636,936.0	1,331,104.0	1,704,667.3	0.0	0.0	21,167,191.5
2020	January	109,095.0	193,500.0	216,961.0	1,211,461.0	1,731,017.0	1,408,215.4	2,045,358.0	0.0	0.0	20,209,794.5
	February	171,431.0	489,030.0	641,570.0	1,945,070.0	3,247,101.0	2,649,946.4	1,149,039.0	0.0	0.0	20,766,121.5
	March	117,868.0	367,407.0	256,955.0	809,637.0	1,551,867.0	1,286,000.3	1,785,402.0	0.0	0.0	21,697,480.5
	April	186,053.0	119,103.0	185,451.0	1,248,919.0	1,739,526.0	1,407,566.8	606,419.0	0.0	0.0	22,415,870.5
	May	303,267.0	694,087.0	458,352.0	2,837,165.2	4,292,871.2	3,500,924.5	1,739,967.0	0.0	0.0	24,654,734.8
	June	277,583.0	583,864.1	940,330.0	2,233,369.2	4,035,146.2	3,348,474.0	1,911,298.0	0.0	0.0	26,297,758.0
	July	621,332.0	607,585.0	1,082,110.0	3,777,598.0	6,088,625.0	5,062,838.7	2,142,137.0	0.0	0.0	29,262,897.0
	August	622,505.0	696,517.0	175,346.0	2,535,648.5	4,030,016.5	3,426,576.3	1,822,823.0	0.0	0.0	30,196,016.0
	September	367,085.0	350,622.0	506,256.0	2,708,312.0	3,932,275.0	3,296,581.0	2,024,662.8	0.0	0.0	32,823,974.4
	October	247,356.0	92,190.0	139,705.0	1,303,157.0	1,782,408.0	1,493,325.7	1,218,304.0	0.0	0.0	32,999,325.6
	November	521,779.0	235,990.0	214,970.0	2,529,376.0	3,502,115.0	2,948,484.5	2,272,972.6	0.0	0.0	32,737,044.0
	December	501,646.0	607,951.0	644,155.0	1,787,630.0	3,541,382.0	3,040,503.6	2,052,315.0	0.0	0.0	33,009,333.0

GRZ Bonds Outstanding (K' million), Dec. 2011 - Dec. 2020

Table 15

		By Holder		
	Period	Commercial banks	Others	Total Outstanding
2011	December	2,694,134.1	2,343,186.3	5,037,320.3
2012	December	2,622,685.6	3,093,705.2	5,716,390.8
2013	December	2,653,510.9	4,924,994.7	7,578,505.7
2014	December	2,362,441.2	6,711,314.2	9,073,755.4
2015	December	1,568,433.9	7,503,337.9	9,071,771.8
2016	December	2,554,542.6	10,466,890.2	13,021,432.8
2017	December	4,760,033.9	14,657,981.0	19,418,014.9
2018	December	5,886,095.6	23,317,926.3	29,204,021.9
2019	January	5,945,532.7	23,497,775.5	29,443,308.2
	February	6,683,183.4	23,271,918.4	29,955,101.9
	March	6,536,893.3	23,499,582.5	30,036,475.8
	April	6,677,715.7	29,415,802.2	36,093,517.9
	May	7,048,569.6	23,321,504.5	30,370,074.1
	June	7,227,171.0	22,056,998.3	29,284,169.4
	July	7,223,017.5	22,535,424.3	29,758,441.8
	August	7,189,487.3	24,293,335.0	31,482,822.3
	September	6,929,580.6	24,050,522.2	30,980,102.8
	October	7,116,054.2	27,162,207.6	34,278,261.8
	November	6,955,932.4	33,486,684.0	40,442,616.4
	December	7,003,999.3	27,529,789.7	34,533,789.0
2020	January	7,323,835.7	29,678,788.2	37,002,623.9
	February	6,145,476.6	28,263,536.4	34,409,013.1
	March	6,298,673.9	30,201,079.0	36,499,752.9
	April	6,202,722.8	30,176,668.4	36,379,391.2
	May	6,273,052.4	29,369,559.3	35,642,611.7
	June	6,312,816.4	36,831,119.6	43,143,936.0
	July	5,788,473.1	37,012,799.8	42,801,272.9
	August	6,478,868.6	37,351,009.7	43,829,878.4
	September	6,159,010.8	39,898,430.3	46,057,441.0
	October	12,112,015.2	39,806,618.6	51,918,633.8
	November	7,746,818.7	42,841,213.6	50,588,032.3
	December	7,916,012.7	44,615,613.3	52,531,626.0

Metal Production and Exports (metric tonnes), Jan 2018 - Dec 2020

Table 16

Date End Year Total		Copper		Cobalt	
		Exports	Production	Exports	Production
2018	January	646,312.4	65,670.4	1,287.3	n/a
	February	657,069.1	64,022.1	1,050.6	n/a
	March	604,228.2	70,336.7	887.7	n/a
	April	529,315.3	63,657.5	905.2	n/a
	May	498,423.3	69,861.7	1,698.5	n/a
	June	613,459.6	77,370.5	1,218.6	n/a
	July	573,619.7	76,444.2	1,103.0	n/a
	August	568,183.7	69,734.9	878.3	n/a
	September	486,836.1	73,951.5	886.9	n/a
	October	482,398.1	77,359.3	453.0	n/a
	November	469,583.8	69,783.2	681.2	n/a
	December	550,048.0	72,896.8	850.6	n/a
	Total	**6,679,477.3**	**851,088.9**	**11,900.9**	n/a
2019	January	552,194.5	66,532.2	186.0	n/a
	February	417,359.3	68,890.3	145.4	n/a
	March	462,348.9	70,669.2	0.0	n/a
	April	458,388.2	62,362.2	0.0	n/a
	May	457,362.6	62,101.8	0.0	n/a
	June	404,517.6	65,404.5	0.0	n/a
	July	348,916.7	64,026.9	0.0	n/a
	August	365,492.5	64,638.4	0.0	n/a
	September	299,318.6	66,399.3	0.0	n/a
	October	401,121.8	70,370.5	226.4	n/a
	November	387,933.0	66,062.3	3,044.2	n/a
	December	439,518.1	70,060.5	666.5	n/a
	Total	**4,994,471.7**	**797,517.9**	**4,268.6**	n/a
2020	January	71,356.0	65,230.6	0.0	n/a
	February	63,514.4	64,807.0	33.0	n/a
	March	71,875.7	70,969.7	0.0	n/a
	April	73,715.6	67,143.3	33.0	n/a
	May	82,284.7	74,291.4	0.1	n/a
	June	61,049.8	78,625.4	206.7	n/a
	July	78,013.2	73,391.6	69.3	n/a
	August	89,191.9	78,661.5	0.0	n/a
	September	98,428.0	73,381.7	24.9	n/a
	October	82,176.0	66,438.5	0.0	n/a
	November	82,411.5	77,766.8	0.0	n/a
	December	76,952.3	78,353.8	0.0	n/a
	Total	**930,969.1**	**869,061.4**	**366.9**	n/a

Table 17: Major Export Destinations for Zambia's Exports (fob, US$million), 2016-2020

COUNTRY	2016	2017	2018	2019	2020
Switzerland	2,585.7	3,633.4	3,809.2	2,905.4	3,461.7
China	1,210.0	1,330.0	1,336.9	1,502.7	1,458.6
Congo DR	428.9	535.4	855.6	911.6	976.8
Singapore	369.8	495.3	699.7	587.8	905.5
South Africa	383.4	453.6	438.7	295.7	198.8
Malawi	122.5	99.7	84.8	67.0	104.7
Luxembourg	14.7	52.2	76.6	86.2	103.5
Zimbabwe	227.1	133.9	137.1	99.7	101.1
Namibia	13.6	21.4	30.9	58.3	65.1
Tanzania, United	91.1	89.1	84.1	27.2	58.8
Hong Kong	101.9	145.5	142.3	12.9	51.5
India	70.6	175.9	185.9	40.9	40.0
Kenya	38.9	72.5	60.1	44.2	39.2
Burundi	11.7	24.3	20.4	9.8	24.5
Botswana	20.1	-	-	31.1	23.6
USA	2.2	4.0	12.5	15.8	22.9
United Arab Emirates	363.0	293.8	236.5	75.2	22.5
Mozambique	20.4	17.6	12.4	16.7	17.9
Germany	32.2	9.5	17.6	24.1	13.0
Belgium	6.5	5.1	5.7	0.6	12.6
Netherlands	13.1	10.4	5.9	8.0	11.0
Rwanda	26.7	33.6	19.4	14.5	9.9
United Kingdom	240.0	184.5	352.9	105.6	9.0
Madagascar	0.2	0.1	0.3	2.1	2.8
Eswatini (Swaziland)	7.0	4.1	5.3	0.1	2.1
Pakistan	0.0	0.0	0.0	0.2	1.9
Sweden	2.0	0.6	1.4	5.7	1.5
Australia	0.7	0.9	7.3	1.0	1.2
France	0.4	0.7	1.5	1.2	0.9
Malaysia	0.0	0.2	0.9	0.5	0.6
Egypt	0.1	0.0	0.0	0.2	0.5
Republic of Thailand	0.2	0.1	0.1	0.2	0.4
Korea, Republic of	4.8	4.0	1.8	0.0	0.3
Sudan	0.1	0.6	0.8	0.1	0.0
Philippines	0.0	0.1	0.2	-	0.0
Saudi Arabia	0.1	0.0	0.0	0.0	0.0
Kuwait	-	-	-	0.1	-
Other	67.4	310.6	422.7	95.3	72.0
Total	6,477.1	8,142.9	9,067.6	7,047.5	7,816.6

Source: Zambia Statistics Agency

Table 18: Major Source Countries for Zambia's Imports (cif, US$million), 2016-2020

COUNTRY	2016	2017	2018	2019	2020
South Africa	2,408.3	2,456.4	2,726.8	2,222.7	1,763.2
China	600.4	1,120.6	1,290.7	1,020.9	895.1
United Arab Emirates	257.4	418.8	595.7	740.2	469.2
India	316.7	246.2	442.6	351.9	285.6
USA	113.6	108.5	194.7	186.5	119.1
Japan	125.0	129.2	168.5	218.5	112.7
Mauritius	344.5	217.5	206.0	200.2	109.7
United Kingdom	124.9	141.8	185.5	130.7	97.7
Namibia	94.5	125.9	104.2	105.6	85.8
Tanzania, United	162.8	165.2	180.8	204.5	73.7
Congo DR	987.9	1,804.4	1,393.7	232.2	71.1
Germany	60.3	70.0	107.5	113.2	70.4
Netherlands	48.1	58.6	50.2	56.7	64.4
Zimbabwe	76.0	74.4	74.2	61.8	62.4
Hong Kong	39.0	49.3	73.3	55.1	52.4
Mozambique	119.9	180.0	135.7	82.3	48.6
Finland	73.6	39.7	56.0	51.2	48.1
Kenya	51.7	35.5	50.2	42.3	46.6
Malaysia	19.8	13.1	15.7	40.6	44.7
Sweden	62.9	53.6	89.5	67.5	36.8
France	42.3	25.2	44.2	28.5	35.3
Australia	45.6	52.5	50.5	44.2	30.4
Belgium	63.0	58.0	44.1	40.8	29.5
Denmark	25.4	34.8	30.6	28.4	29.4
Italy	39.9	14.5	19.4	58.7	27.9
Korea, Republic of	34.5	39.1	45.7	27.5	23.8
Switzerland	39.5	45.4	50.6	24.0	23.7
Singapore	48.9	28.6	33.1	55.4	18.6
Pakistan	5.4	14.2	7.9	6.7	17.9
Botswana	16.6	17.9	23.6	17.2	17.8
Spain	7.1	13.1	23.4	20.9	17.8
Malawi	18.4	14.9	13.3	21.2	15.0
Egypt	12.0	13.6	14.4	15.7	14.6
Eswatini (Swaziland)	11.2	17.1	13.9	19.3	13.7
Republic of Thailand	10.8	9.8	12.4	16.9	12.7
Israel	7.5	3.8	90.1	30.2	11.9
Brazil	8.1	12.3	11.0	11.8	9.4
Indonesia	3.4	10.8	7.7	13.0	9.0
Canada	17.0	20.2	22.6	25.2	8.4
Taiwan	7.4	11.6	13.9	9.9	6.9
Lebanon	5.3	2.8	3.8	6.2	0.7
Kuwait	551.6	466.7	440.4	151.0	0.0
Other	266.3	288.1	303.7	364.1	385.6
Total	7,374.5	8,723.8	9,461.7	7,221.3	5,317.1

Source: Zambia Statistics Agency


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