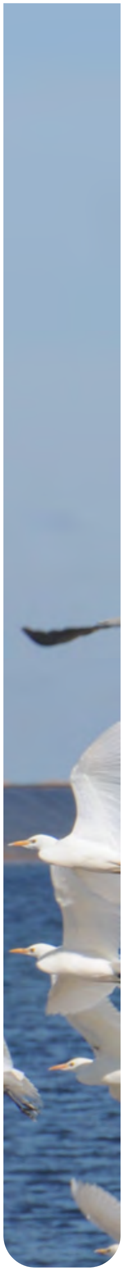
Bank Of Zambia

ANNUAL REPORT 2016





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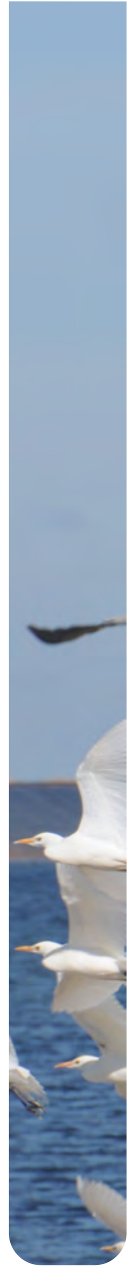

Bank Of Zambia

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

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

REGISTERED OFFICES

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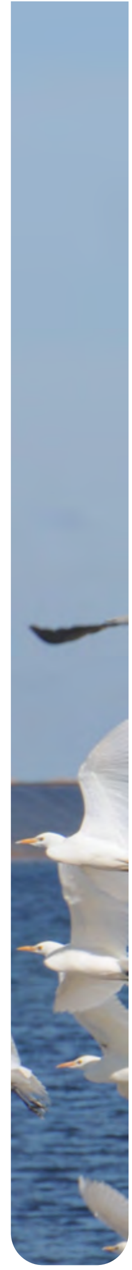
VICE CHAIRPERSON

MR. ESAU S. S. NEBWE

*All members of the Board are non-executive with the exception of the Chairman



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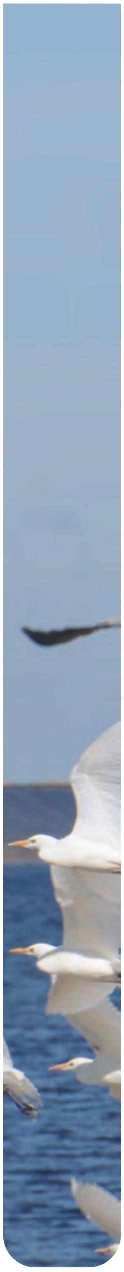
SENIOR MANAGEMENT AS AT 31 DECEMBER 2016



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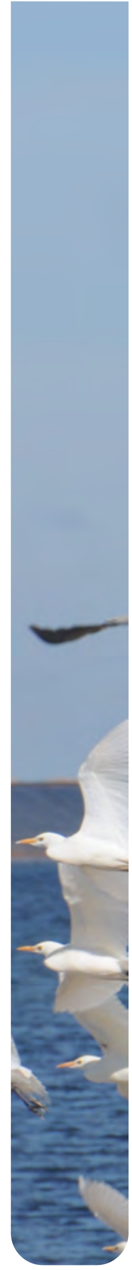
SENIOR MANAGEMENT - OPERATIONS AS AT 31 DECEMBER 2016



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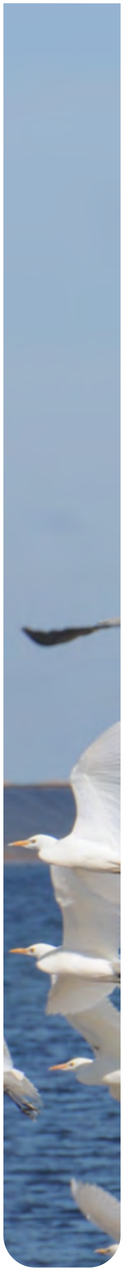
DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS



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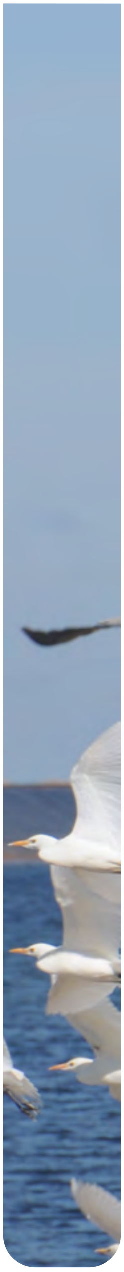
MR. EVANS LUNETA
DIRECTOR - PROCUREMENT AND MAINTENANCE SERVICES

GOVERNOR'S OVERVIEW



GOVERNOR'S OVERVIEW

DR. DENNY H. KALYALYA
GOVERNOR

This Report reviews developments in the global and Zambian economies as well as operations of the Bank of Zambia (Bank or BoZ) in 2016 in its quest to fulfill the price and financial system stability mandate. The Report also presents the Bank's financial statements for the year ended 31st December 2016 and provides statistical annexures.

In 2016, monetary policy faced significant challenges of restoring stability in the foreign exchange market and containing the surge in inflation that began in the fourth quarter of 2015 and pushed annual inflation above 20.0%. In this regard, monetary policy focused on restoring single digit inflation, with an end-year inflation target of 7.7%, and anchoring inflation expectations in single digits over the medium-term. In implementing monetary policy, the Bank continued to be mindful of the need to avoid constraining domestic economic activity severely and to ensure that financial system stability was maintained. In line with the inflation objective, the Bank of Zambia maintained a tight monetary policy stance and kept the Policy Rate at 15.5% throughout the year. To contain the prevailing inflationary pressures during the first half of 2016, the Bank allowed the monetary operating target, the interbank rate, to remain above the Policy Rate corridor. However, to strengthen the forward looking monetary policy framework and improve financial intermediation to promote economic growth, the Bank removed some quantitative restrictions on commercial banks' access to central bank liquidity in November, 2016. As liquidity conditions improved, the interbank rate fell and gradually trended towards the Policy Rate and ended the year at 15.8%, down from a high of 26.0% at end-December 2015.

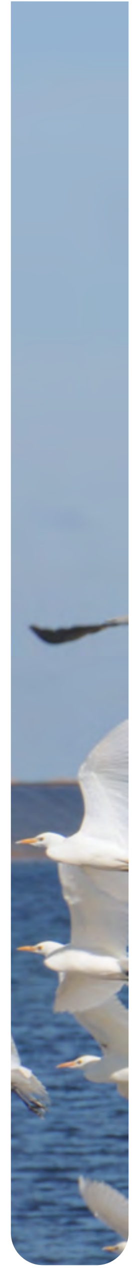
Annual overall inflation decelerated sharply to 7.5% in December 2016 from a peak of 22.9% in February 2016, having ended the year 2015 at 21.1%. The sharp fall in inflation reflected mainly the dissipation of the *base effect* in the fourth quarter, effects of the tight monetary policy stance, and the pass-through from the appreciation and relative stability of the Kwacha against the U.S. dollar. The strengthening of the Kwacha against the US dollar was mainly driven by the recovery in copper prices towards the end of the year, inflows from non-resident investors in Government securities, and constrained aggregate demand due to the tight monetary policy stance.

Broad money and credit to the private sector contracted in 2016. The fall in broad money was largely due to the decline in gross international reserves which reduced to US$2.4 billion in 2016 from US$3.0 billion in 2015 mostly on account of external debt service. At US$2.4 billion in 2016, the reserves were equivalent to 3.6 months of import cover. The reduction in lending by banks largely reflected constrained credit conditions on account of a relatively tight monetary policy stance, the removal of caps on lending rates, low risk appetite by banks and rising non-performing loans stemming from shocks to the economy. In this environment, commercial banks raised their lending rates and preferred to lock up funds in Government securities thereby reducing the amount of loanable funds to households and private enterprises. Yield rates on Government securities also edged up, attributed mainly to the increase in Government financing needs, especially higher spending on subsidies for fuel, electricity and agricultural inputs. As a result, the estimated fiscal deficit of 5.8% of GDP exceeded the target of 3.6%.

Despite the rise in non-performing loans, the performance of the financial system, especially the banking sector, remained satisfactory in 2016. This was largely on account of a strong capital adequacy position and satisfactory earnings. The liquidity position of the banking sector improved in 2016 due to net Government spending, BoZ purchase of foreign exchange, and the removal of some quantitative restrictions by the Bank of Zambia, which eased access to central bank liquidity.

The overall balance of payments deficit reduced to US$187.6 million in 2016 from US$393.3 million in 2015. However, the current account deficit widened to US$819.6 million from US$767.7 million. This was largely due to an increase in interest payments on both sovereign bonds and private sector external debt. The current account deficit was financed mostly by the financial account surplus that resulted from foreign direct investment inflows and the reduction in the acquisition of other investment assets abroad by the private sector. Export earnings, especially from copper, remained subdued largely on account of low export volumes and average realised prices, despite the increase in copper production in 2016. Merchandize imports fell mainly due to subdued domestic economic activity. The average crude oil and agriculture commodity prices declined, with the fall in oil prices being driven by excess supply by OPEC members.

Global economic growth slowed down to 3.1% in 2016 from 3.2% in 2015, reflecting mainly lower economic activity in advanced countries. The uncertainty surrounding the impact of Brexit and weaker than expected economic growth in the United States of America, were among the major factors that constrained growth.



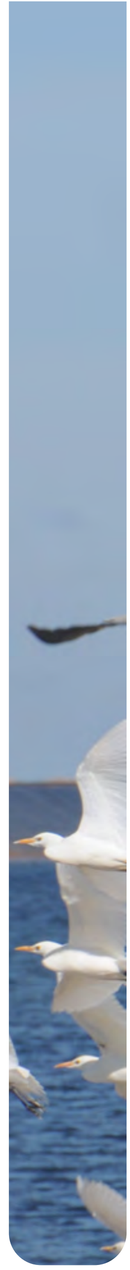
Inflation generally trended upwards in advanced economies due to high energy prices, modest recovery in economic activity and the depreciation of the Euro as well as increased food prices. The weakening of domestic currencies of most Sub-Saharan African countries and high food prices due to the drought and unfavourable weather conditions, largely contributed to the rise in inflation in the region.

Zambia's real GDP growth for 2016 was estimated at 3.4%, up from 2.9% registered in 2015. The mining, manufacturing, wholesale and retail trade, transport and storage and tourism sectors were the major drivers. Nonetheless, growth in 2016 was constrained by the electricity supply deficit, and the increase in fuel prices, following the removal of fuel subsidies, that raised production and transportation costs. However, the removal of fuel subsidies was expected to support fiscal consolidation and macroeconomic stability over the medium-term.

During the year, the Bank of Zambia launched a new Strategic Plan covering the period 2016-2019 under the theme "Excellence in Execution". The main objectives of the Plan were in the areas of price stability, financial system stability, financial inclusion, gender mainstreaming and human capital as well as technological efficiency and effectiveness. The theme for the Plan underscores the need to pursue excellence as the Bank discharges its mandate. The Vision, Mission and Values of the Bank were also revised. This was done as part of the Strategic Plan formulation process to recognise the role played by other stakeholders in achieving national development, make the Bank's contribution to economic development more measurable, and ensure that the value system encapsulates the Bank's desire to be fair and impartial in all its dealings both internally among its staff and externally with its stakeholders in the pursuit of its mandate of price and financial system stability.

DR DENNY H. KALYALYA
GOVERNOR

STATEMENT ON CORPORATE GOVERNANCE



STATEMENT ON CORPORATE GOVERNANCE

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

The Bank of Zambia Board of Directors is established under the Constitution of Zambia (Amendment) Act[1]. It is vested with all the powers of the Bank and is responsible for formulating policies of the Bank[2]. The Board is composed of eight members who include the Governor (Chairperson), six Non-Executive Directors (NEDs) and an ex-officio member being the Secretary to the Treasury.

The President appoints the Governor for a renewable period not exceeding five years while the Minister of Finance appoints NEDs for a renewable period of three years. The NEDs are independent and are not officials or employees of the Bank.

The Board is by law required to meet at least four times a year. Accordingly, all the four statutory meetings were held in 2016. In addition, three special Board meetings were held. The resolutions passed during these meetings included the approval of the following:

i. The Bank of Zambia Strategic Plan 2016-2019, with a revised Mission Statement and Vision as well as expanded Values;
ii. Possession of Intermarket Banking Corporation Zambia Limited; and
iii. Phased Implementation of the Re-organisation Programme of the Bank of Zambia.

The Board operates through three regular Board Committees, namely; Audit and Finance, Appointments and Remuneration, and Governance and Risk. Their roles and functions are spelt out in the Committee Charters and their membership is exclusively composed of NEDs.

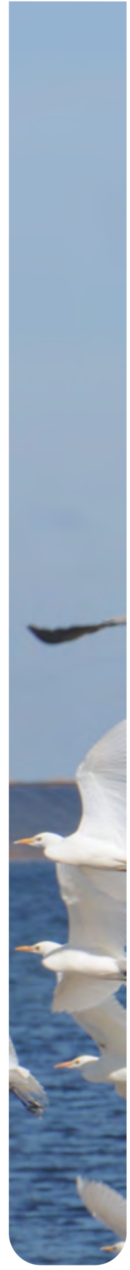
The Board of Directors also establishes the Monetary Policy Advisory Committee, which is mandated to facilitate consultation, promote transparency and provide advice to the Bank on monetary policy.

The Bank of Zambia (Bank or BoZ), as part of its corporate social responsibility, disbursed funds to support various activities in 2016. These included medical care and hospice services, educational activities (donations of books and ICT equipment), orphanage care, and support to Habitat for Humanity Zambia.

The Bank of Zambia donated catering equipment to the Widows Association of Zambia

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

1.0 DEVELOPMENTS IN THE GLOBAL ECONOMY



1.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

World Economy

Preliminary data indicate that the global economy slowed down to 3.1% in 2016 from 3.2% in 2015 (Table 1.1). The slowdown in global economic growth mainly reflected lower economic activity in advanced countries attributed largely to the uncertainty surrounding the impact of Brexit[3] and weaker than expected economic growth in the United States of America.

Inflation developments in 2016 varied across regions (Table 1.1). In advanced economies, inflation generally trended upwards due to high energy prices, modest recovery in economic activity and the depreciation of the Euro as well as increased food prices. The weakening of domestic currencies of most Sub-Saharan Africa (SSA) countries and high food prices due to the drought and unfavourable weather conditions largely contributed to the rise in inflation in the region (Table 1.2). Other regions, however, recorded decreases in inflation due to favourable food prices.

External sector performance was mixed, with most regions recording current account deficits, partly reflecting the impact of declining commodity prices (Table 1.1). Preliminary data suggest that global current account balances in 2016 narrowed marginally although for commodity exporting countries, the current account balances worsened, reflecting the decline in commodity prices, particularly in the first half of the year. Some countries like Japan, however, recorded current account surpluses driven by favourable terms of trade, and a sharp decline in the volume, and price of energy imports. The rise in US yields since early November 2016 led to a notable tightening of global financing conditions in some Emerging Markets and Developing Economies (EMDEs) resulting in significant currency depreciations, portfolio outflows, drop in international reserves and high debt servicing costs.

Table 1.1: World Real GDP, Inflation and Current Account Positions, 2014-2016 (Annual % change unless otherwise stated)

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2014	2015	2016*	2014	2015	2016*	2014	2015	2016*
World	**3.4**	**3.2**	**3.1**	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	**1.8**	**2.1**	**1.6**	**1.4**	**0.3**	**0.8**	**0.4**	**0.6**	**0.7**
United States	2.4	2.6	1.6	0.8	0.7	1.2	-2.2	-2.6	-2.5
Euro Area	0.9	2.0	1.7	-0.2	0.0	0.3	2.0	3.2	3.4
Japan	0.0	1.2	0.9	2.4	0.8	-0.2	0.5	3.3	3.7
Commonwealth of Independent States (CIS)	**1.0**	**-2.8**	**-0.1**	**8.1**	**15.5**	**8.4**	**2.2**	**3.0**	**1.3**
Russia	0.6	-3.7	-0.6	7.8	15.5	7.2	3.2	5.2	3.0
Excluding Russia	1.9	-0.5	1.1	8.7	15.3	11.2	-0.4	-2.6	-3.7
Middle East and North Africa (MENAP)	**2.8**	**2.5**	**3.8**	**6.7**	**5.8**	**5.1**	**5.6**	**-4.0**	**-4.6**
Emerging Markets and Developing Countries	**4.6**	**4.0**	**4.2**	**4.5**	**4.7**	**4.5**	**0.5**	**-0.1**	**-0.3**
Sub - Saharan Africa (SSA)	5.0	3.4	1.6	6.4	7.0	11.3	-5.4	-5.9	-4.5

Source: IMF WEO October 2016 and January 2017 WEO update. * Preliminary numbers

Advanced Economies

Growth in advanced economies slowed down to 1.6% in 2016 from 2.1% in 2015. Accounting for the reduction in growth was mainly the slowdown in U.S. economic growth to 1.6% in 2016 from 2.6% recorded in 2015, largely affected by weak exports and low private investment (especially in the energy sector). A strong U.S. dollar and weak global demand mainly affected by the slowdown and rebalancing[4] in China, continued to weigh on U.S. exports and fixed investment. Following the improvement in labour market conditions and expansion in economic activity, the U.S. Federal Reserve (Fed) increased its policy interest rate range in December 2016 from 0.25% - 0.5% to 0.5% - 0.75%. The expectation of the rate rise early November 2016 and its eventual increase in December led to a notable tightening of financing conditions in some EMDEs, Zambia inclusive, resulting in significant currency depreciation and portfolio outflows.

In the Euro area, preliminary data indicate that growth was weaker at 1.7% in 2016 compared to 2.0% in 2015 as domestic demand and exports declined. Despite the Brexit, labour market and credit conditions as well as confidence in the Euro area improved. Investment rates, however, remained low particularly in countries that were most affected by the Euro area debt crisis. The United Kingdom also registered a low growth rate of 2.0% in 2016, down from 2.2% in 2015 largely due to the uncertainty surrounding Brexit. Headline inflation in advanced economies went up to 0.8% in 2016 from 0.3% in 2015, largely reflecting high energy prices and currency depreciations (Table 1.1).

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[3]Vote by the United Kingdom to leave the European Union

[4]China's economy's transition away from reliance on investment and exports in favour of consumption and services which has implications for commodity and machinery exporters. China has reduced her reliance on manufacturing, encouraging the service sector as the export sector continues to struggle.

The performance of the current account in advanced economies was mixed with most recording surpluses with the exception of the United States, which was affected by weaker export growth due to subdued external demand and the appreciation of the U.S. dollar (Table 1.1). The weaker euro on the other hand boosted the volume of exports thus positively affecting the current account balance in the Euro area.

Emerging Markets and Developing Economies

The EMDEs grew by 4.2% in 2016, up from 4.0% in 2015, with Brazil and Russia being the main drivers of growth (Table 1.1). In China, the economy is estimated to have grown by 6.7% in 2016, albeit lower than 6.9% recorded in 2015. Fiscal and credit-based stimulus measures focussing on infrastructure investment and efforts to stimulate household credit supported growth in China. China's transition to focus on consumption and services continued to influence other emerging market economies, notably commodity producers and countries exposed to China's manufacturing sector.

Inflation in EMDEs generally decelerated to 4.5% in 2016 from 4.7% in 2015 largely due to the diminishing effects of earlier currency depreciations and a slowdown in economic activities in some economies (Table 1.1).

The current account deficit worsened in emerging market economies in 2016 largely reflecting a general fall in commodity prices, which contributed to the weakening of currencies (Table 1.1). The U.S. dollar appreciation driven by prospects of tighter Fed policies, resulted in large portfolio outflows from emerging markets.

Sub-Saharan Africa

The SSA region grew by 1.6% in 2016, down from 3.4% in 2015 mainly due to the continued fall in commodity prices (Table 1.1 and 1.2). In addition, a strong U.S. dollar and the slowdown in the Chinese economy continued to dampen foreign direct investment flows to SSA. The continued weak economic performance in South Africa, the region's largest economy and one of Zambia's major trading partners, also contributed to weaker growth in the region.

Inflation in most SSA countries rose reflecting the pass-through from large domestic currency depreciations, high food prices due to drought, and energy deficits (Table 1.2). With regard to the external sector, most countries in the SSA recorded current account deficits in 2016 due to low commodity prices (Table 1.2).

Table 1.2: Selected African Countries GDP, Inflation and Current Account Balance, 2013-2015 (Annual % change unless otherwise stated)

	Real GDP			Inflation			Current Account Positions (% of GDP)		
Countries	2014	2015	2016*	2014	2015	2016*	2014	2015	2016*
Angola	5.4	3.0	0.4	7.5	14.3	48.0	-2.9	-8.5	-5.4
Kenya	5.3	5.6	6.0	6.0	8.0	5.6	-10.3	-6.8	-6.4
Nigeria	6.3	2.7	-1.5	8.0	9.6	18.5	0.2	-3.1	-0.7
South Africa	1.5	1.3	0.3	5.3	5.2	6.8	-5.3	-4.3	-3.3
Tanzania	7.0	7.0	7.2	4.8	6.8	5.0	-9.5	-8.8	-8.8
Uganda	4.9	4.8	4.9	2.2	8.5	5.2	-8.7	-9.4	-8.7
Zambia	4.7	2.9	3.4	7.9	21.1	7.5	2.2	-4.6	-5.9
Sub - Saharan Africa	5.0	3.4	1.6	6.4	7.0	11.3	-5.4	-5.9	-4.5

Source: Trading Economics, IMF WEO October 2016 and January 2017 WEO update, Central Statistical Office * Preliminary

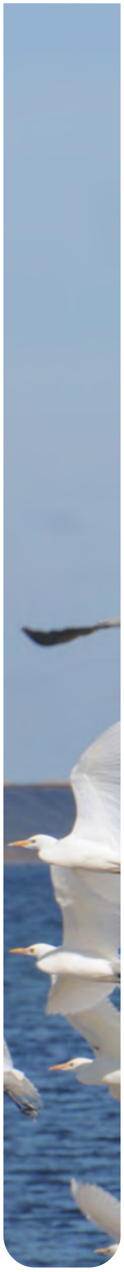
Commodity Prices

The price of copper averaged US$4,871.3/ton in 2016, a decline from US$5,510.0/ton recorded in 2015. The average crude oil prices also declined to US$49.0/barrel in 2016 from US$51.2/barrel in 2015 on account of excess supply by OPEC members. Agriculture commodity prices too declined in 2016. In particular, maize and wheat prices fell to US $169.0 per mt and US$167.0 per mt in 2016, from US$174.0 per mt and US$206.4 per mt in 2015, respectively.

However, most commodity prices rose in the fourth quarter from their lows in early 2016, with an exception of agricultural commodity prices. In the case of oil, prices trended upwards due to the OPEC's Agreement[5] to freeze oil production.

[5]September 2016 Agreement and the eventual actualisation of the intention at the OPEC's November 2016 meeting which was also later affirmed in December 2016 by Non-OPEC producers, most notably Russia.

2.0 MACROECONOMIC DEVELOPMENTS IN ZAMBIA



2.0 MACROECONOMIC DEVELOPMENTS IN ZAMBIA

Government's major macroeconomic objectives in 2016 were to:

(a) Achieve real GDP growth of at least 3.4%;
(b) Achieve an end-year inflation rate of no more than 7.7%;
(c) Contain domestic financing to no more than 1.2% of GDP; and
(d) Increase international reserves to at least 4 months of import cover.

Broadly, macroeconomic performance improved in 2016. Real GDP is estimated to have grown by 3.4% compared to 2.9% in 2015. This growth was mainly driven by mining and quarrying, construction, and manufacturing sectors. Inflation decelerated sharply to 7.5% at end-2016 from 21.1% at end-2015 as the base effect dissipated, the exchange rate of the Kwacha against the U.S. dollar appreciated, and the supply of some food items increased. Further, the overall balance of payments deficit narrowed mainly on account of favourable financial account performance. However, the fiscal deficit remained elevated mainly due to higher spending on energy and agricultural subsidies.

2.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Stance

In 2016, monetary policy focussed on restoring inflation to single digits with an end-year inflation target of 7.7%. In implementing its monetary policy, the Bank continued to be mindful of the need to ensure that domestic economic activity was not severely constrained and that financial system stability was maintained. In line with this objective, the Bank maintained a tight monetary policy stance and kept the Policy Rate at 15.5% throughout the year and restricted commercial banks' access to central bank liquidity for most of the year. However, in November 2016, the Bank removed some of these restrictions in order to strengthen the forward looking monetary policy framework and enhance the ability of the financial system to play a stronger role in financial intermediation in support of economic growth. Specifically, banks were allowed to access the Overnight Lending Facility (OLF) more than once a week and roll over intraday credit into overnight loans. In addition, commercial banks' compliance to statutory reserves requirements reverted to weekly from daily average.

Monetary Policy Challenges

The Bank of Zambia continued to address structural challenges to the implementation of monetary policy and the strengthening of the transmission mechanism. These challenges included the underdeveloped nature of the financial market characterised by low secondary trading in Government securities, limited financial inclusion, illiquid and thin capital market, and money market segmentation. In particular, the concentration of liquidity in a few banks negatively impacted the transmission mechanism of monetary policy and the efficient functioning of the interbank market. In addition, the high budget deficits in recent years continued to put a strain on the ability of monetary policy to achieve its objectives.

To address these challenges, the Bank developed and lauched its Strategic Plan for the period 2016-2019, which provides clear targets and strategies to anchor inflation to single digits over the medium term (with a target range of 6.0 - 8.0%), strengthen the implementation of monetary policy and the transmission mechanism, and develop the money market yield curve.

Market Liquidity, Policy and Interbank Rates

Money market liquidity conditions eased in 2016 evidenced by the rise in the aggregate current account balance of banks to K2.7 billion from K1.1 billion in 2015 (Table 2.1). The increase in market liquidity was largely attributed to net Government spending and BoZ foreign exchange purchases[6] for international reserves build-up.

[6]The Bank of Zambia purchased US$383.2 million from the market for international reserves buildup and sold US$53.0 for market support.

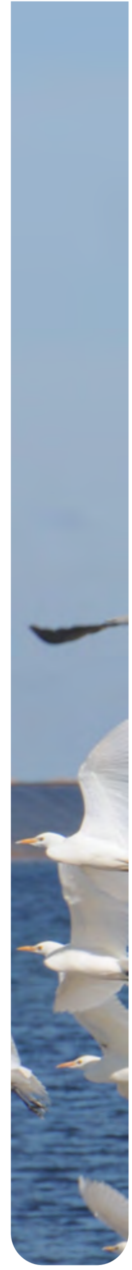


Table 2.1 Liquidity Influence (K' Billion)

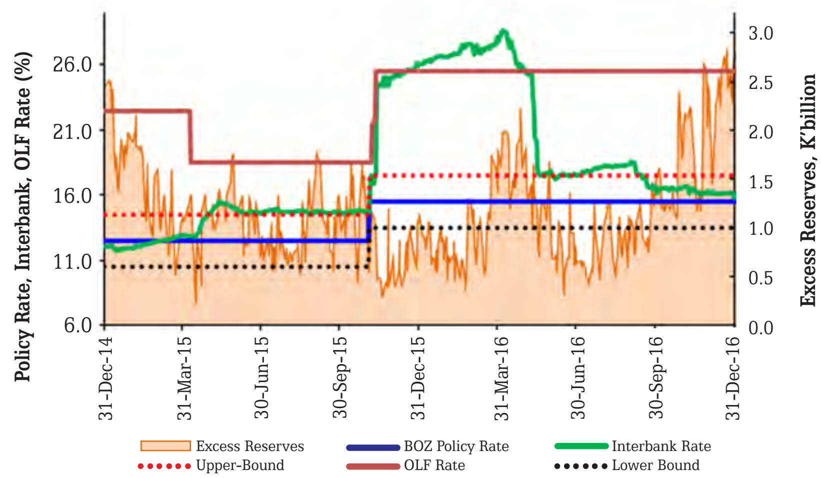
	2014	2015	2016
Opening balance	**1.1**	**2.40**	**1.1**
Net Government spending	6.8	6.0	1.8
BoZ FX influence	-4.2	-7.6	3.4
Change in CIC	-0.7	-0.4	-0.1
Change in SR deposits	-1.9	-4.3	-3.9
OLF	-0.06	-7.5	-0.3
Net Government Sec Influence	-0.03	1.7	-2.6
Open market operations	-1.8	0.2	0.04
Miscellaneous	3.2	10.6	3.3
Closing balance	**2.4**	**1.1**	**2.7**

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

As market liquidity improved, particularly from the second half of the year, the interbank rate fell into the Policy Rate corridor and gradually trended towards the Policy Rate of 15.5%. The rate ended the year at 15.8%, down from a high of 26.0% at end-December 2015 (Chart 2.1). However, it should be noted that to contain the prevailing inflationary pressures, the Bank of Zambia allowed the interbank rate to remain above the Policy rate corridor during the first half of 2016.

Chart 2.1:

Market Liquidity and Interbank rate, Dec. 2014-Dec.2016

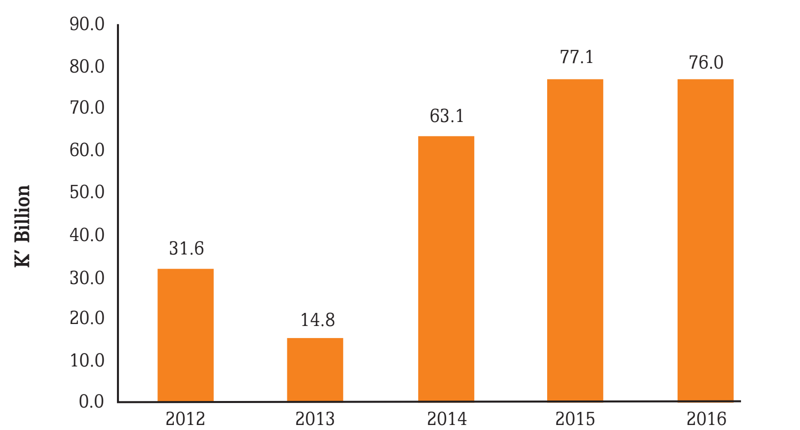


Source: Bank of Zambia

The volume of funds traded in the interbank market declined to K76.0 billion in 2016 from K77.1 billion in 2015 as liquidity conditions eased (Chart 2.2). As a result, commercial banks' dependence on the OLF declined significantly to K15.9 billion in 2016 compared to K47.0 billion accessed in 2015. Further, commercial banks' demand for foreign exchange swap contracts declined by 14.9% to K2.3 billion in 2016 as the supply of Kwacha liquidity in the market improved.

Chart 2.2:

Interbank Money Market Trading Activity (K'billion), 2012 - 2016



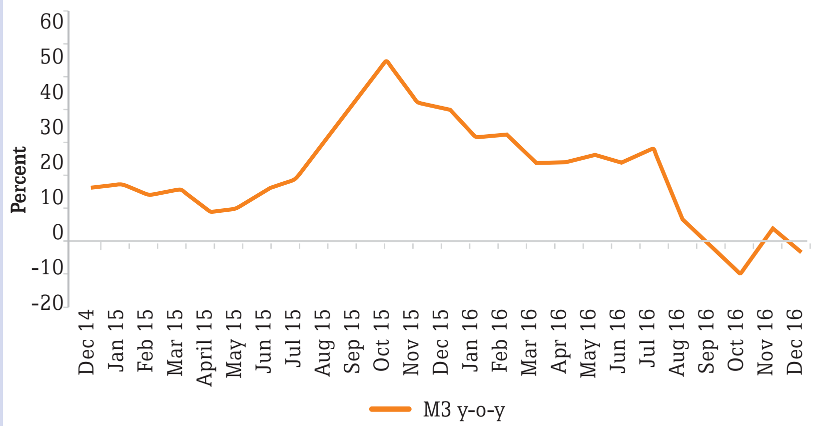
Source: Bank of Zambia

Broad Money

Broad money (M3)[7] shrunk by 5.7% to K44.7 billion in 2016 against an expansion of 35.2% in 2015 (Chart 2.3 and Table 2.2). The contraction in M3 was largely on account of the reduction in gross international reserves due to external debt service.

Chart 2.3:

Annual Broad Money Growth (%), Dec. 2014 – Dec. 2016



Source: Bank of Zambia

Table 2.2: Sources of Growth in Broad Money (%), 2014 – 2016

Description	2014	2015	2016	Contributions to change in M3 (2016)
Broad Money (M3)	12.3	35.2	-5.7	-5.7
Of which				
Net Foreign Assets	27.9	88.3	-24.0	-23.8
Net Domestic Assets	-1.2	-24.1	44.9	16.1
Domestic Credit	11.3	26.4	2.8	2.6
Net Claims on Gov't.	-11.3	19.1	22.6	10.5
Public Enterprises	-1.7	23.1	-22.0	-0.2
Private Enterprises	17.8	45.3	-7.7	-3.9
Households	32.6	10.5	-12.0	-3.9
NBFIs	49.5	36.4	3.1	2.0

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

Domestic Credit

Domestic credit (including foreign currency loans) grew by 2.8% to K48.9 billion compared to 21.2% in 2015 due to a rise in lending to Government (Table 2.3). Excluding lending to Government, domestic credit contracted by 9.3% in 2016 against a growth of 29.3% the previous year. This contraction in lending largely reflected tight credit conditions on account of a relatively tight monetary policy stance, low risk appetite by banks, and a preference to lock up funds in more lucrative Government securities.

Commercial banks' lending by industry fell except to the construction, real estate as well as electricity, gas and water industries. Constrained lending to the private sector was more marked in Kwacha than foreign currency registering a contraction in growth of 7.6% and 5.9%, respectively (Charts 2.4 and 2.5).

Table 2.3: Developments in Domestic Credit, 2014 – 2016

Description	2014			2015			2016		
	K' mn	% Change	% Share	K' mn	% Change	% Share	K' mn	% Change	% Share
Domestic Credit	39,270.9	11.2	100	47,614.0	21.2	100	48,945.9	2.8	100.0
Government	16,502.8	-2.7	42.0	18,181.7	10.2	38.2	22,287.5	22.6	45.5
Public Enterprises	231.6	-1.7	0.6	285.2	23.1	0.6	222.6	-21.9	0.5
Private Enterprises	12,062.7	17.8	30.7	17,524.5	45.3	36.8	16,168.5	-7.7	33.0
Households	10,272.1	32.6	26.2	11,347.4	10.5	23.8	9,983.7	-12.0	20.4
NBFIs	201.8	49.5	0.5	275.2	36.4	0.6	283.7	3.1	0.6

Source: Bank of Zambia, K'mn: Kwacha million
NBFIs: Non-Bank Financial Institutions

[7] Broad money includes currency in circulation, Kwacha deposits and foreign currency deposits.

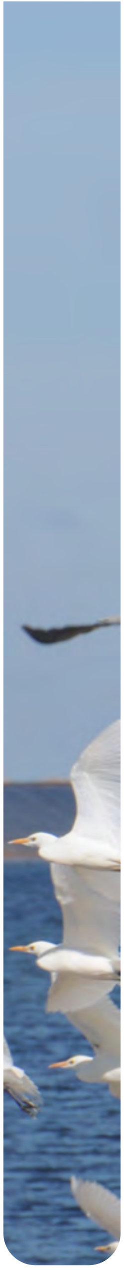
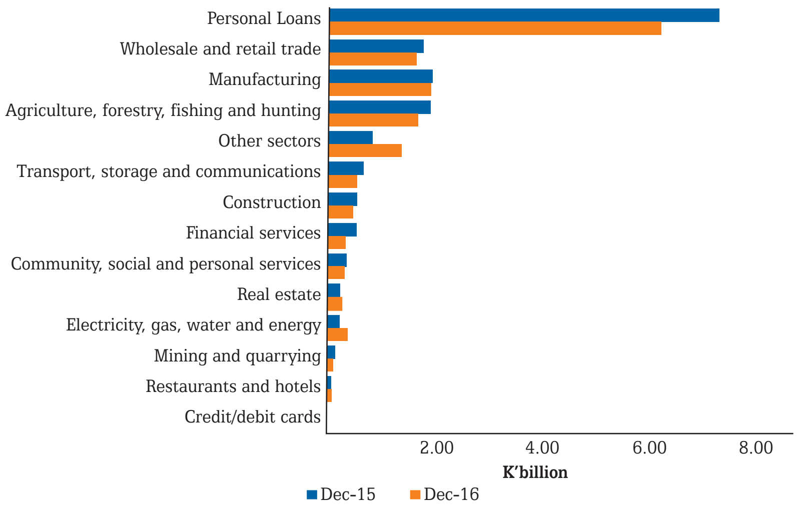


Chart 2.4:

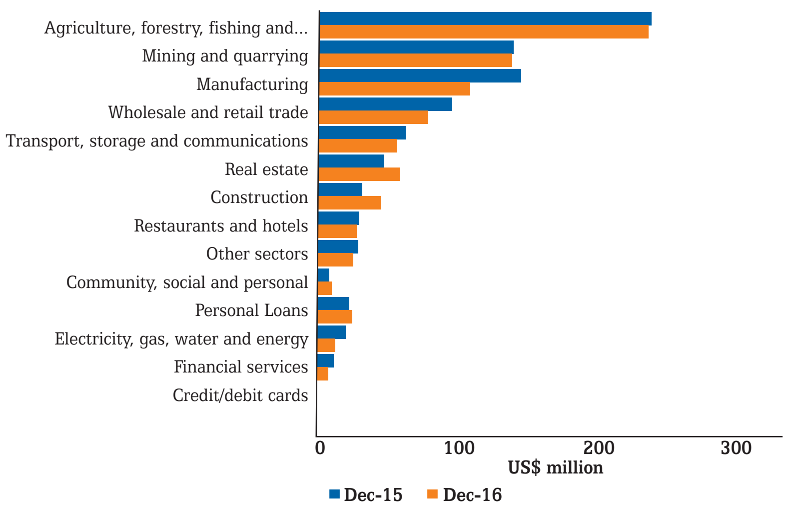
Kwacha Denominated Commercial Banks Loans by Industry (K'billion), 2015 - 2016



Source: Bank of Zambia

Chart 2.5:

Foreign Currency Commercial Banks Loans by Industry (US$ million), 2015-2016



Source: Bank of Zambia

Interest Rates

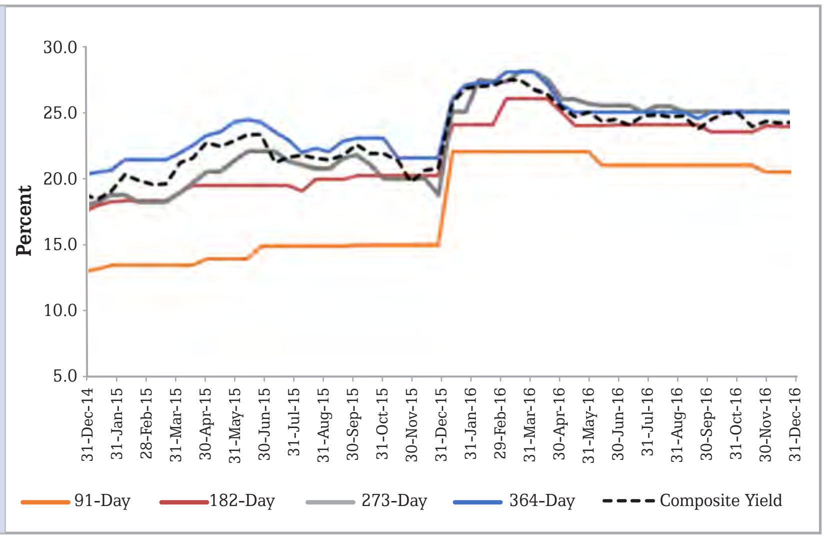
Yield Rates on Government Securities

Yield rates on Government securities edged up in 2016. This was mainly attributed to the increase in Government's financing needs. The tender size for Treasury bills and bonds were revised upwards to K900.0 million and K1,000.0 million from K700.0 million and K800.0 million, respectively. In addition, the frequency of bond auctions was changed from being held quarterly to every two months.

The weighted average composite yield rate for Treasury bills increased by 4.7 percentage points to 23.6% from 18.9% in 2015 (Chart 2.6). Yield rates on the 91- and 182-day Treasury bills increased by 5.5 and 3.6 percentage points to 20.5% and 23.9%, respectively. Similarly, yield rates on the 273- and 364-day Treasury bills increased by 6.2 and 3.4 percentage points to about 24.9% each.

Chart 2.6:

Treasury Bills Weighted Average Yield Rates (%), Dec.2014 - Dec.2016

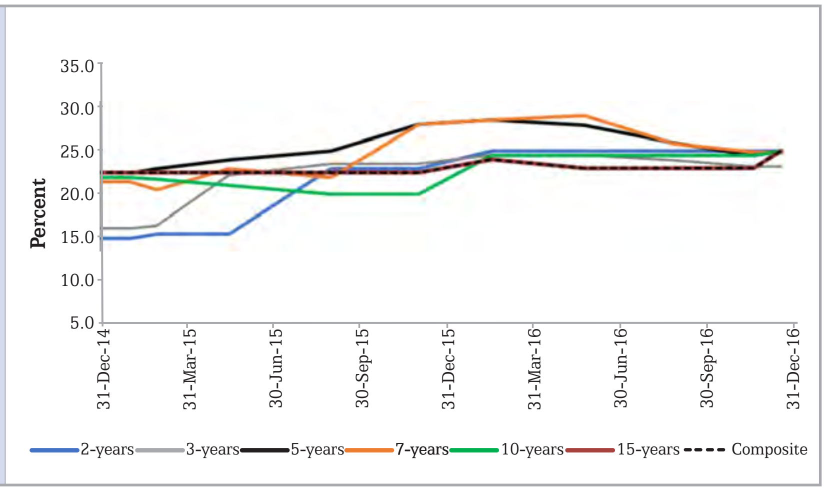


Source: Bank of Zambia

The composite bond yield rate increased marginally to 24.7% from 24.2% in 2015 (Chart 2.7). The weighted average yield rate on the 2-, and 10- year bond rates increased by 2.0 and 5.0 percentage points to 25.0% each. The 15-year bond rate also increased by 2.5 percentage points to 25.0%. However, the 3-, 5- and 7- year bond rates fell by 0.3, 2.9 and 3.2 percentage points to 23.2%, 25.0% and 24.8%, respectively.

Chart 2.7:

Government Bond Yield Rates(%), Dec.2014 - Dec.2016



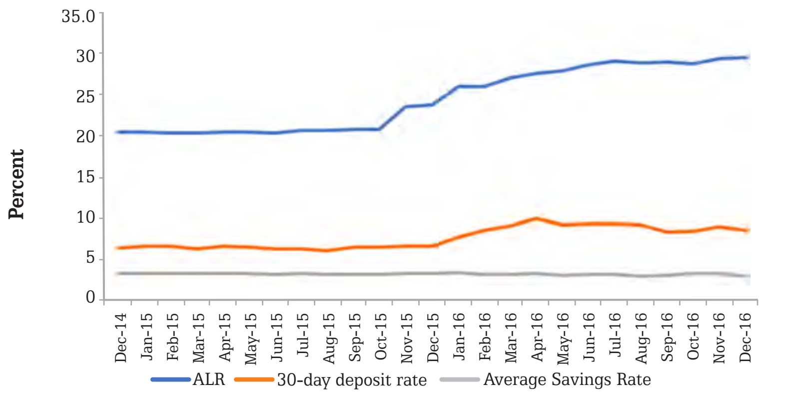
Source: Bank of Zambia

Commercial Bank Interest Rates

Commercial banks' nominal average lending rate (ALR) edged up to 29.5% at end-December 2016 from 25.8% in December 2015 (Chart 2.8). The rising trend in lending rates mainly reflected higher cost of funds given the tight credit conditions, rising non-performing loans, and high yield rates on Government securities. The 30-day deposit rate for amounts exceeding K20,000.00 rose to 8.2% at end-December 2016 from 7.2% recorded in December 2015. The average savings rate (ASR) for amounts above K100.00, however, declined to 2.8% at end-December 2016 from 3.3% recorded in December 2015.

Chart 2.8:

Lending and Savings Rates (%), Dec. 2014 - Dec. 2016

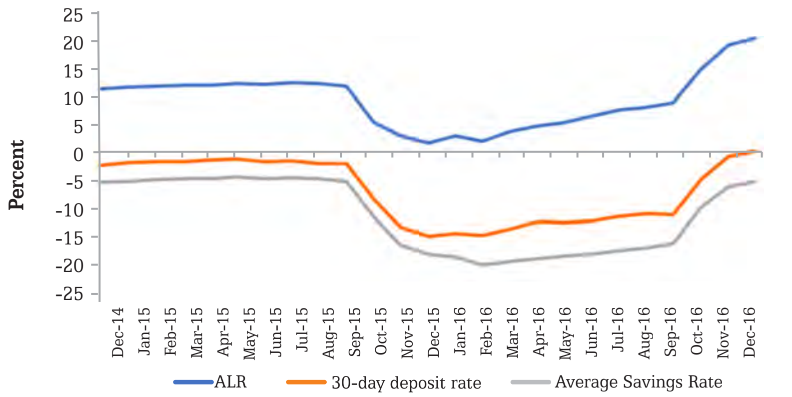


Source: Bank of Zambia

The real ALR edged up to 22.0% in December 2016 from 2.7% in December 2015 following the rise in nominal interest rates coupled with the sharp decline in inflation (Chart 2.9). The real ASR for amounts exceeding K100.00 also rose to -5.3% from -17.7% and the real average 30-day deposit rate for amounts above K20,000.00 increased to 0.7% from -14.4%.

Chart 2.9:

Real Lending and Savings Rates (%), Dec. 2014 - Dec. 2016



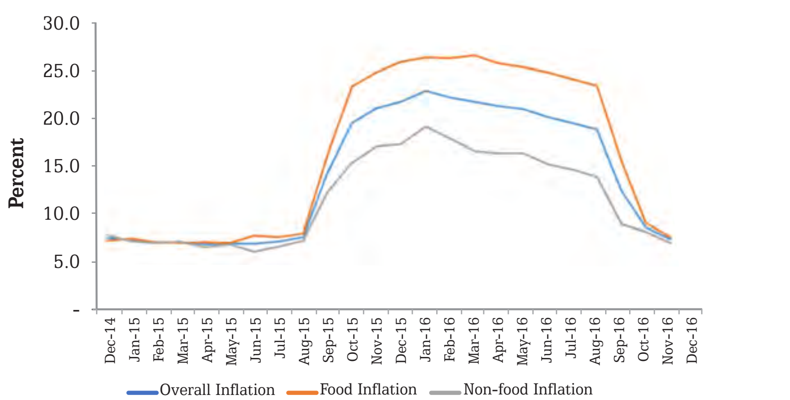
Source: Bank of Zambia

Inflation

Annual overall inflation decelerated sharply to 7.5% in December 2016 from a peak of 22.9% in February 2016 having ended at 21.1% in 2015 (Chart 2.10). Both food and non-food inflation slowed down to 7.8% and 7.1% in December 2016 from 24.8% and 17.1% in December 2015, respectively. The sharp fall in inflation reflected mainly the dissipation of the base effect[8] in the fourth quarter and the pass-through from the appreciation of the Kwacha against the U.S. dollar. In addition, the tight monetary policy stance contributed to the fall in inflation by constraining aggregate demand. The ample supply of food items, in particular the increase in maize grain production during the 2015/2016 farming season, notwithstanding the regional maize grain deficit, also helped to moderate food prices and ultimately overall inflation.

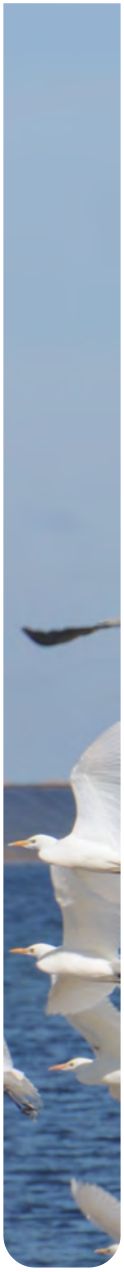
Chart 2.10:

Annual Inflation Developments (%), Dec. 2014 - Dec. 2016



Source: Bank of Zambia

[8]The base effect in this case related to the upward shift in the consumer price index following a significant depreciation in the exchange rate in September 2015



2.2 FINANCIAL MARKETS

Government Securities Market

Market Bidding Behaviour

Broadly, investors bidding behaviour was characterised by preference for longer dated securities (Table 2.4). The bidding behaviour in the Treasury bills market remained virtually unchanged in 2016 with the preference for the 364-day tenor, driven largely by competitive yields. In the bond market, investors preferred the 7- and 15- year tenors (Table 2.4).

Table 2.4: Government Securities Transactions, 2014-2016

	2014			2015			2016		
	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (%)	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (%)	Amount Offered (K bn)	Bid Amount (K' bn)	Subscription Rate (%)
91-day bills	1.5	0.3	20.6	2.3	0.7	31.5	1.4	1.1	83.0
182-day bills	3.9	2.7	68.6	5.5	2.3	42	3.3	2.6	80.0
273-day bills	4.3	1.8	43	5.9	2.4	41.4	4.4	3.6	82.0
364-day bills	6.9	8.1	117.1	9.8	9.8	101	8.2	8.3	101.0
TOTAL	**16.7**	**13.0**	**77.8**	**23.4**	**15.3**	**65.4**	**17.3**	**15.6**	**91.0**
2-year bond	0.3	0.1	121.1	0.3	0.2	55.4	0.3	0.3	84.2
3-year bond	1.0	0.9	133.5	1.1	0.6	54.6	1.1	1.1	100.8
5-year bond	1.4	1.5	85.7	1.5	1.8	118.6	1.6	3.8	244.7
7-year bond	0.3	0.3	106.2	0.3	0.2	65	0.3	1.5	482.5
10-year bond	0.5	0.7	66.1	0.6	0.3	53.4	0.6	1.6	275.6
15-year bond	0.2	0.2	45.1	0.2	0.2	90.7	0.2	0.9	599.9
TOTAL	**3.7**	**3.7**	**99.1**	**4.0**	**3.2**	**81.2**	**4.0**	**9.1**	**228.6**

Source: Bank of Zambia
K'bn: Kwacha billion

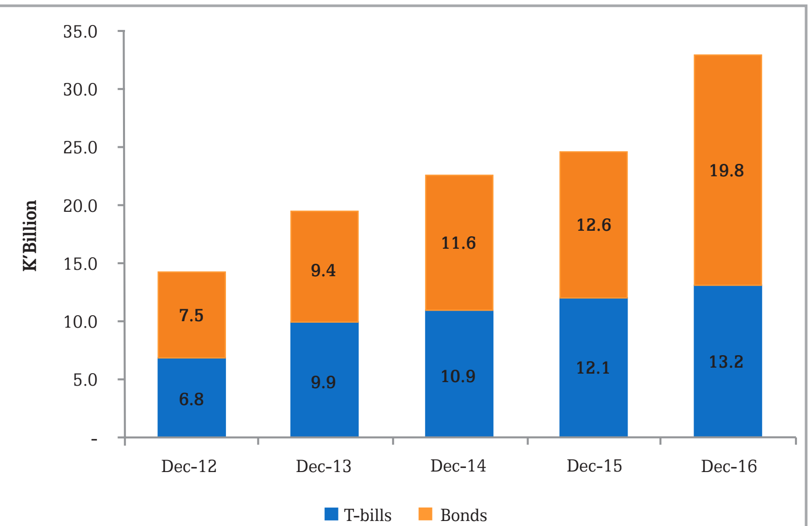
Stock of Government Securities

In 2016, a total of K16.1 billion was raised through Government securities auctions against a total maturity of K13.0 billion resulting in a surplus of K3.2 billion.

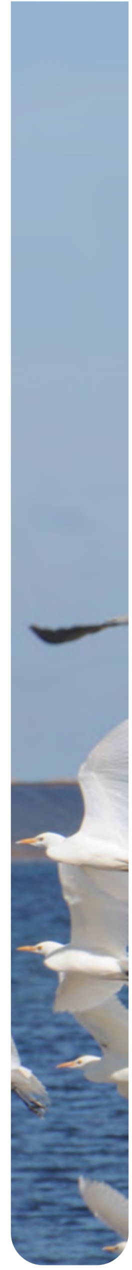
The outstanding stock of Government securities at end-December 2016 was K33.0 billion, up from K24.7 billion at end-December 2015. This represented a year-on-year growth rate of 33.6% (Chart 2.11). The increase in the outstanding stock was attributed largely to the growth in the stock of Government bonds by 57.0% to K19.8billion. The stock of Treasury bills, however, declined by 9.0% to K13.2 billion.

Chart 2.11:

Stock of Government Securities, (K'billion)
Dec. 2012 - Dec. 2016



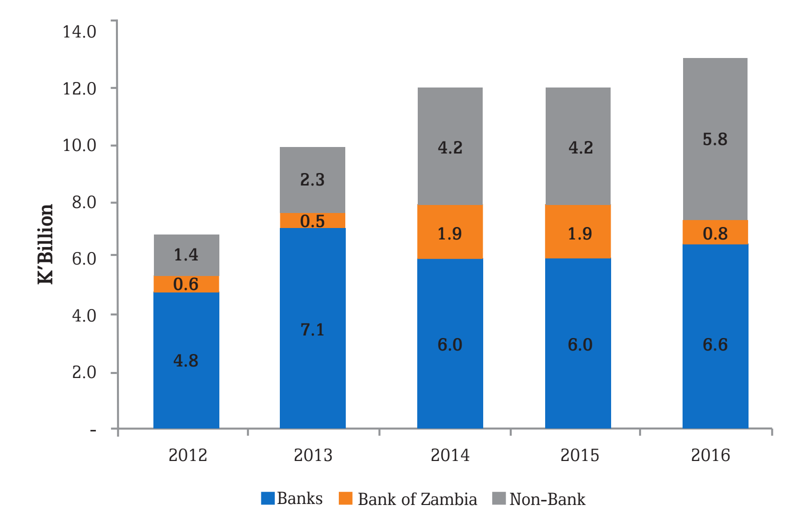
Source: Bank of Zambia



Commercial banks continued to be the major holders of Treasury bills followed by non-bank financial institutions (Chart 2.12). The bulk of the bonds was held by non-bank financial institutions (especially pension funds) and non-resident investors (Chart 2.13).

Chart 2.12:

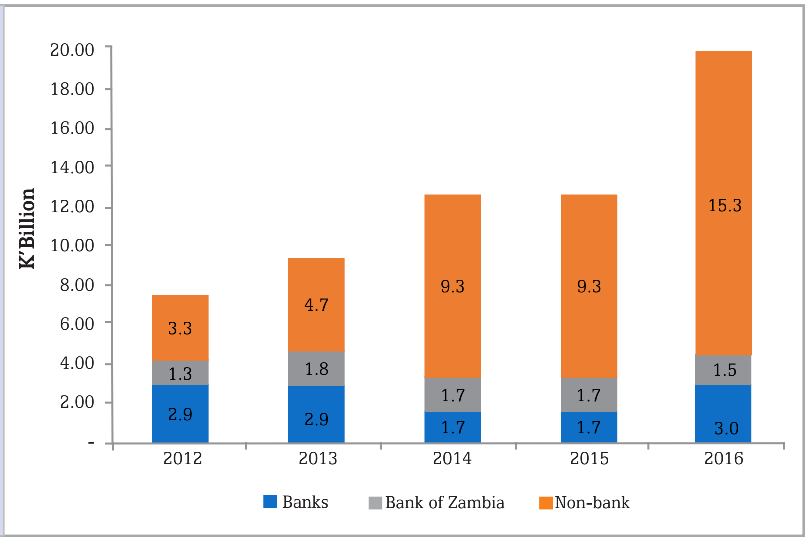
Treasury Bills Holdings, (K'billion) 2012 - 2016



Source: Bank of Zambia

Chart 2.13:

Government Bond Holdings (K'billion), 2012-2016



Source: Bank of Zambia

Non-resident Holdings of Government Securities

Government securities holdings by non-resident investors more than doubled to K6.6 billion buoyed by attractive yield rates, relative stability in the exchange rate and reduced uncertainty following the conclusion of the August 2016 General Elections (Chart 2.14).

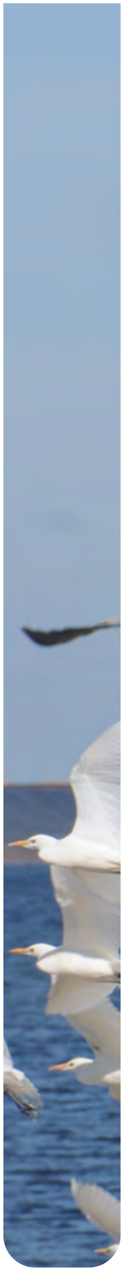
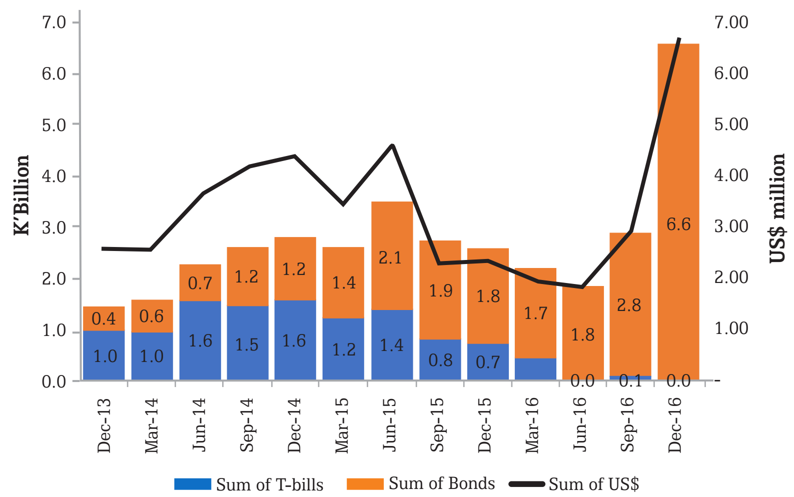


Chart 2.14:

Non-Resident Investors Government Securities Holdings (K'billion), Dec. 2013 - Dec. 2016



Source: Bank of Zambia

Foreign Exchange Market

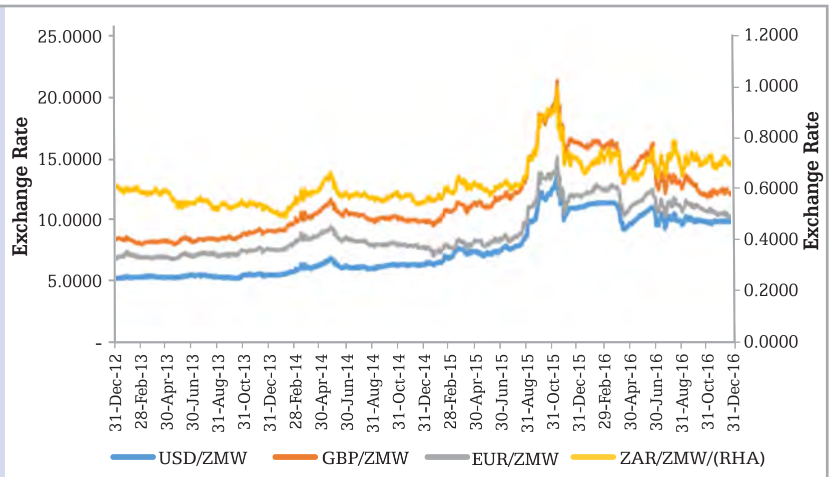
Nominal Exchange Rate

The Kwacha appreciated against all major trading partner currencies in 2016. It appreciated by 9.2% against the U.S. dollar to K9.8364 (Chart 2.15). Against the British Pound, Euro and South African rand, the Kwacha gained by 24.3%, 11.9% and 1.7% to K12.2914, K10.3883, K0.7112, respectively.

Underlying the strengthening of the Kwacha were mainly the recovery in copper prices towards the end of the year, inflows from non-resident investors in Government securities, and constrained aggregate demand due to the tight monetary policy stance. Although net supply from the mining and quarry sector declined to US$1,029.0 million from US$1,958.9 million in 2015, overall net market supply increased to US$912.9 million from US$828.1 million, boosted by supply from non-resident portfolio investors.

Chart 2.15:

Exchange Rate of Kwacha against Major Currencies, Dec. 2012 - Dec. 2016



Source: Bank of Zambia

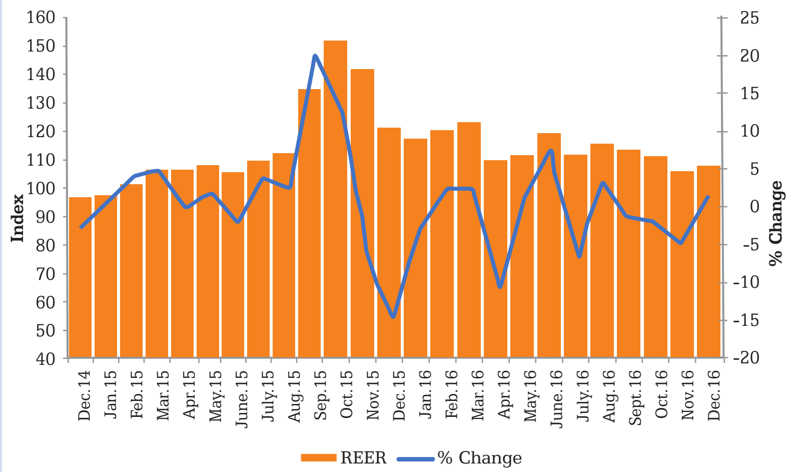
Real Effective Exchange Rate

In real terms, the Kwacha appreciated by 11.2% against a basket[9] of major trading partner currencies. The real effective exchange rate (REER) index declined to 106.6 at end- December 2016 from 120.0 recorded at end- December 2015 (Chart 2.16). The real appreciation was mainly attributed to the strengthening of the nominal effective exchange rate (NEER) and relatively higher domestic inflation.

[9]The basket of Zambia's major trading partner currencies comprises; the Swiss Franc, British Pound, South African Rand, Euro, Chinese Yuan, and the US dollar.

Chart 2.16:

Real Effective Exchange Rate Index, Dec. 2014 - Dec. 2016



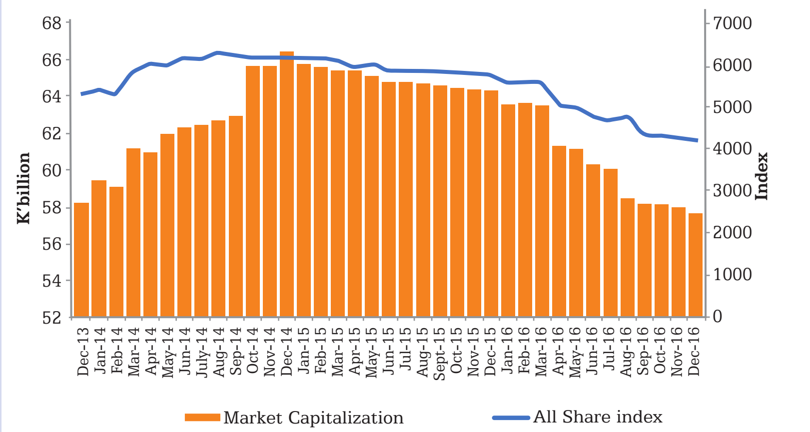
Source: Bank of Zambia

Capital Markets

Trading activity at the Lusaka Securities Exchange (LuSE) slowed down further in 2016, with market capitalisation decreasing by 10.0% to K57.7 billion (Chart 2.17). Consequently, the LuSE All-Share index declined by 27.0% to 4,195.95 as shares of some companies fell due to weak profitability and subdued economic activity. Despite the reduction in overall trading activity, the stock market recorded a net foreign portfolio inflow of US$26,980.00 against a net outflow of US$41,069.00 in 2015 mainly due to reduced uncertainty following the conclusion of the August 2016 General Elections

Chart 2.17:

Indicators of LuSE Activity, Dec. 2013 - Dec. 2016



Source: Lusaka Securities Exchange and Bank of Zambia

2.3 BALANCE OF PAYMENTS

Preliminary data show that Zambia recorded a reduction in the overall balance of payments (BoP) deficit in 2016 to US$187.6 million from US$393.3 million in 2015 (Table 2.5). The increase in the financial account surplus mainly explained the reduction in the overall BoP deficit.

Current Account

The current account deficit widened to US$819.6 million in 2016 from US$767.7 million in 2015 largely explained by the primary income account deficit that expanded to US$489.5 million from US$349.1 million. The current account deficit was mostly financed by the financial account surplus.

The expansion in the primary income deficit was mainly on account of an increase in interest payments on both sovereign bonds and private sector external debt. In addition, an increase in income on equity payments by non-financial corporations contributed to the rise in the primary income deficit.

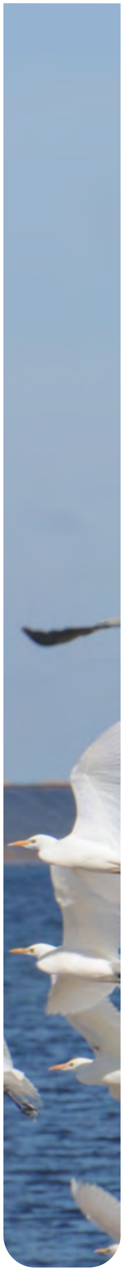


Table 2.5: Balance of Payments, [US $' million, f.o.b], 2014 – 2016*

BPM6 Concept	2014	2015^r	2016*
A. Current Account, n.i.e.	**581.2**	**-767.7**	**-819.6**
Balance on goods	1,625.4	-74.3	-33.9
Goods: exports f.o.b.	10,220.2	7,362.0	6,504.7
Of which Copper	7,618.5	5,233.6	4,399.1
Cobalt	123.9	70.7	112.9
NTEs	2,272.0	1,848.6	1,740.1
Gold	152.2	151.8	191.2
Goods: imports f.o.b.	8,594.8	7,436.2	6,538.5
Balance on Services	793.5	-570.9	-508.2
Services: Credit	850.9	861.5	885.0
Of which transportation	61.1	43.7	38.2
Travel	641.5	660.1	682.6
Services: Debit	1,644.4	1,432.4	1,393.3
Of which transportation	902.8	825.3	769.1
Travel	222.2	234.5	247.4
Insurance and Pension Services	116.3	113.7	112.8
Balance on Primary income	552.0	-349.1	-489.5
Primary income: credit	5.9	8.3	8.8
Primary income: debit	557.9	357.3	498.2
Balance on secondary income	301.4	226.6	211.9
Secondary income, n.i.e: credit	353.7	268.8	246.4
Secondary income: debit	52.3	42.2	34.5
B. Capital Account, n.i.e.	**202.0**	**81.0**	**55.0**
Capital account, n.i.e.: credit	202.0	81.0	55.0
C. Financial Account, n.i.e.	**462.6**	**-279.9**	**-564.1**
Direct investment: assets	1,706.1	127.4	36.9
Direct investment: liabilities, n.i.e.	1,488.8	1,582.7	1,658.0
Portfolio investment: assets	-11.7	-14.9	-27.0
Portfolio investment: liabilities, n.i.e.	1,184.8	1,207.0	386.7
Equity and investment fund shares	6.1	0.2	0.0
Debt securities	1,178.7	1,206.8	386.7
Financial derivatives: net	-25.4	18.1	-15.3
Financial derivatives: assets	1.4	4.4	-8.8
Financial derivatives: liabilities	26.8	-13.7	6.5
Other investments: assets	5,301.2	3,328.2	1,744.4
Other debt instruments	5,301.2	3,328.2	1,744.4
Central Bank	125.7	223.2	-284.9
Deposit-taking corporations	0.0	230.0	235.6
Other sectors	5,175.5	2,875.0	1,793.7
Nonfinancial corporations, HHS and NPISHs	5,175.5	2,875.0	1,793.7
Other investment: liabilities, n.i.e.	421.8	948.9	258.3
Other debt instruments	421.8	948.9	258.3
Deposit-taking corporations	-148.9	1.9	51.5
General government	120.2	823.0	100.8
Other sectors	450.4	123.9	106.0
Nonfinancial corporations, HHS and NPISHs	450.4	123.9	106.0
D. Net Errors and Omissions	**0.9**	**13.5**	**13.0**
E. Overall Balance	**-321.6**	**393.3**	**187.6**
F. Reverse and Related items	**321.6**	**-393.3**	**-187.6**
Reverse assets	315.1	-446.1	-249.7
Credit and loans from the IMF	-29.5	-52.8	-62.1
Exceptional financing	23.0	0.0	0.0

Source: Bank of Zambia

(*) preliminary

(r) revision

The reduction in the secondary income account surplus to US$211.9 million from US$226.6 million also contributed to the deterioration of the current account deficit. The decline in the secondary income was partly attributed to lower donor inflows.

In contrast, improvements were recorded in the goods and services accounts. The balance on goods deficit dropped to US$33.9 million from US$74.3 million due to a sharper fall in imports relative to export earnings.

Merchandise imports fell by 12.1% to US$6,538.5 million as demand for iron and steel, industrial boilers and equipment, chemicals, and vehicles declined, reflecting subdued economic activity.

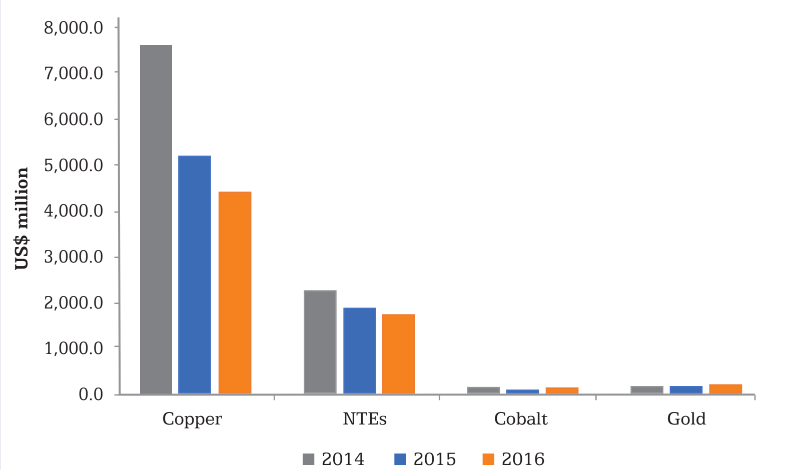
Exports fell by 11.6% to US$6,504.7 million in 2016 largely due to a reduction in earnings from copper exports and non-traditional exports (Chart 2.18). Copper earnings declined to US$4,399.1 million from US$5,233.6 million. A decline in export volumes and average realised prices explained lower copper export earnings. Despite an increase in copper production, copper export volumes fell by 8.2% to 937,985.0 metric tonnes (mt) due to lower re-exports of copper following a decline in imports of copper ores and concentrates from the Democratic Republic of Congo (DRC). The average realised copper price declined by 8.4% to US$4,690.0 per mt. Copper prices were subdued during the first three quarters of the year before posting improvements in the fourth quarter. The subdued copper prices were mainly attributed to low global demand especially the slow growth in China.

Non-traditional export (NTEs) earnings fell to US$1,740.1 million from US$1,848.6 million largely due to lower exports of gemstones, scraps of precious metals, maize and cane sugar (Table 2.6). The reduction in maize exports was attributed to the export ban[10]. In addition, exports to the Democratic Republic of Congo, the major market for Zambia's NTEs, have progressively declined due to restrictions by the DRC Government[11].

However, gold and cobalt earnings rose as both export volumes and average realised prices increased (Table 2.5). Gold export earnings grew by 26.0% to US$191.2 million with average realised prices and export volumes rising by 8.5% and 16.1% to US$1,174.0 per ounce and 162,892.0 ounces, respectively. Cobalt export earnings rose by 59.7% to US$112.9 million due to an increase in volumes exported by 67.2% to 4,981.8mt despite a 4.5% fall in average realised price to US$22,666.0 per mt.

Chart 2.18:

Export Earnings (US $ million), 2014-2016



Source: Bank of Zambia

The services account deficit declined to US$508.2 million from US$570.9 million as outlays on import-related transportation and insurance services declined.

[10] Government imposed a maize ban on April 5, 2016 to facilitate the verification of the stocks in the country. The ban was lifted after a week. Subsequently, the Government imposed other restrictions on maize exports.
[11] Exports to DRC declined from a high of US$1.2 billion in 2013 to USD428.9 million in 2016

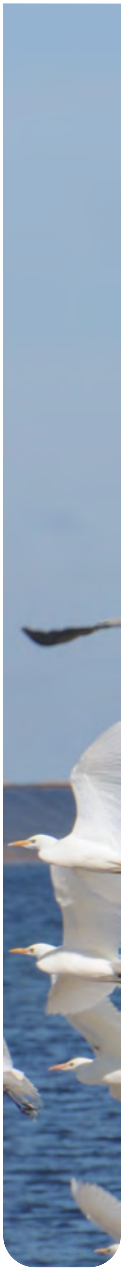


Table 2.6: Major Non-Traditional Exports (c.i.f.) (US$ million), 2015 – 2016

Commodity/Product	2015	2016	% Change
Gemstones	111.3	28.4	-74.5
Sulphuric A cid	57.3	39.1	-31.9
Industrial Boilers and Equipment	95.7	117.9	23.3
Cane Sugar	146.6	120.0	-18.1
Gasoil/Petroleum Oils	12.3	118.3	864.6
Cement & Lime	65.1	71.6	10.0
Electricity	39.0	13.6	-65.2
Raw hides, Skins & Leather	12.5	11.5	-7.6
Sulphur	19.6	2.7	-86.0
Burley Tobacco	106.4	89.6	-15.8
Copper Wire	58.6	67.3	14.9
Scrap of precious metals	49.1	0.2	-99.6
Maize & Maize Seed	215.9	188.5	-12.7
Electrical Cables	20.7	14.4	-30.6
Cotton Lint	54.1	64.5	19.2
Soaps	51.4	45.5	-11.6
Fresh Fruits & Vegetables	12.5	13.9	11.4
Manganese Ores/Concentrates	1.5	6.6	343.3
Wheat & Meslin	12.0	7.2	-40.2
Fresh Flowers	13.3	10.8	-19.1

Source: Bank of Zambia

Capital and Financial Accounts

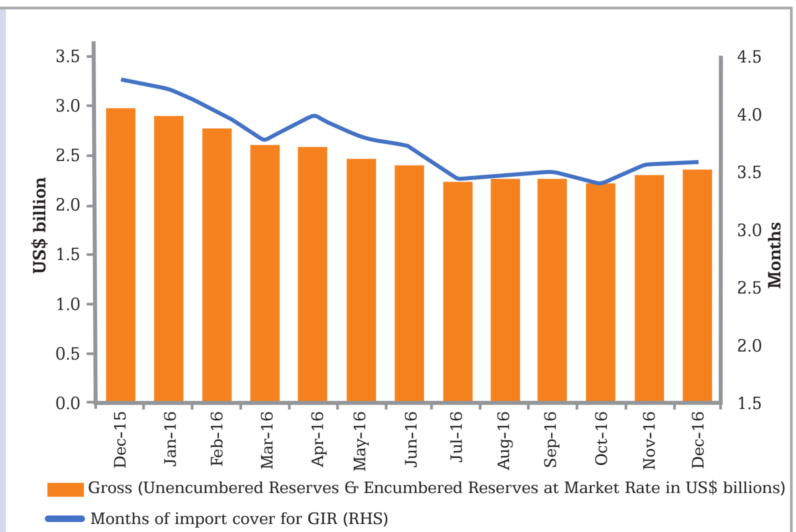
The surplus on the capital account declined to US$55.0 million from US$81.0 million in 2015, largely due to a decrease in inflows of project grants. In contrast, the financial account surplus increased to US$564.1 million from US$279.9 million in 2015, due to an increase in foreign direct investment inflows and the reduction in the acquisition of other investments assets abroad by the private sector.

Gross International Reserves

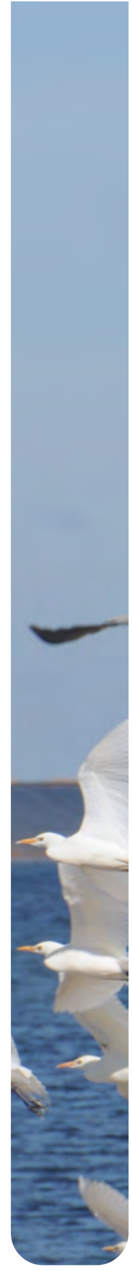
Gross international reserves (GIR) declined to US$2.4 billion in 2016 from US$3.0 billion in 2015 (Chart 2.19). The level of reserves in 2016 was equivalent to 3.6 months of imports cover. The payment for fuel arrears (US$358.5 million) and external debt service payments (US$585.0 million) mainly accounted for the decline in reserves. The decline in GIR was moderated by the Bank of Zambia net foreign exchange purchases from the market amounting to US$330.2 million.

Chart 2.19:

Gross International Reserves, (US$ billion) Dec.2015 - Dec.2016



Source: Bank of Zambia



Direction of Trade

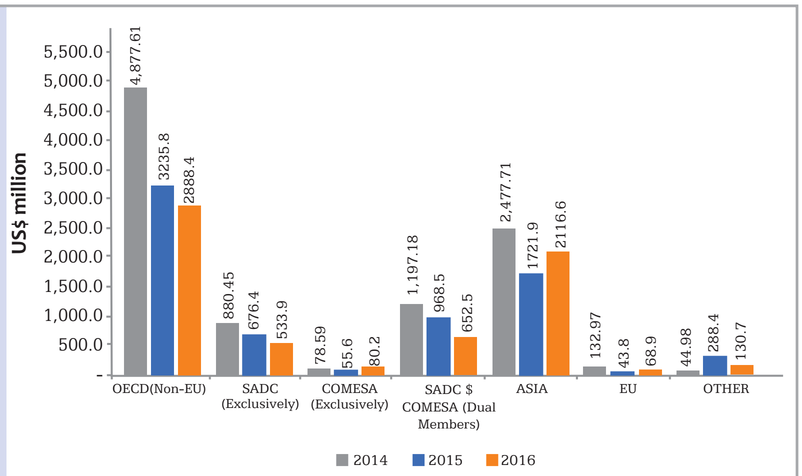
In 2016, Zambia's merchandise exports to the Common Market for Eastern and Southern Africa (COMESA) exclusively, Asia and the European Union (EU) registered an increase. However, merchandise exports to the Southern African Development Community (SADC) exclusively, SADC and COMESA (dual members), and the Non-EU Organisation for Economic Cooperation and Development (OECD) countries decreased.

The Non-EU OECD region maintained its position as Zambia's major export partner, accounting for 44.6% of total exports. This was despite a 10.7% decrease in exports to the region to US$2.89 billion in 2016 (Chart 2.20). Copper exports to Switzerland accounted for most of Zambia's exports to the Non-EU OECD region. Asia ranked second, accounting for 32.7% of total export earnings. The rise in exports to Asia was attributed to increased copper exports to new destinations such as India.

SADC and COMESA (dual members) maintained third position, accounting for 11.9% of Zambia's total exports despite a 20.8% decline in earnings (Chart 2.20). The outturn was largely explained by a sharp fall in exports to the Congo DR by 28.3% to US$428.9 million. This was due to a decline in exports of sugar and sugar confectionaries as well as electricity. SADC (exclusively) maintained the fourth rank, representing 8.3% of Zambia's total export earnings. However, exports to South Africa declined due to a fall in copper and other base metal exports.

Chart 2.20:

Direction of Exports by Region (US$ millions), 2014-2016



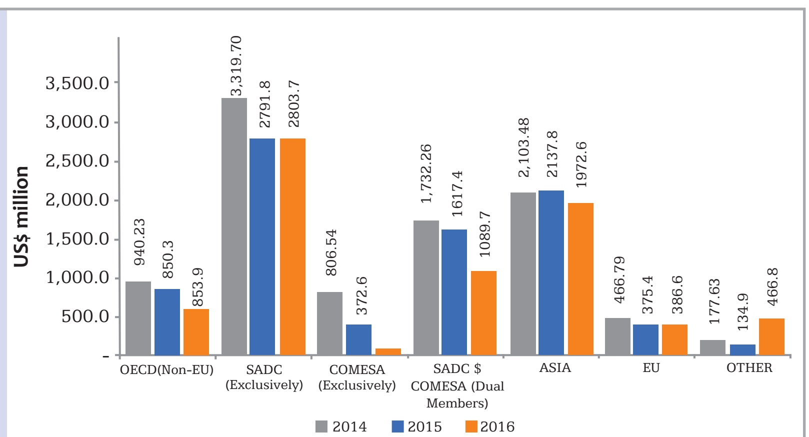
Source: Bank of Zambia

With regard to Zambia's main sources of imports by region, SADC (exclusively) maintained its top rank accounting for 38.0% of the county's total imports (Chart 2.21). Imports from the region rose by 0.4%, largely attributed to an increase in mineral fuels from Tanzania. However, South Africa maintained its first position as the major source of imports despite a reduction by 6.2%.

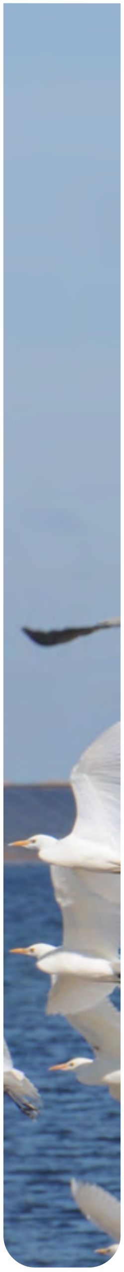
Asia maintained the second rank, representing 26.8% despite a 7.7% fall following a reduction in imports from China, India and Singapore. The SADC and COMESA (dual members) ranked third, accounting for 19.5%. However, there was a large drop in imports of copper ores and concentrates from Congo DR. Imports from Non-EU OECD and COMESA (exclusively), the fourth and fifth ranked sources of imports, also recorded declines by 31.3% and 80.9%, respectively.

Chart 2.21:

Direction of Imports by Region (US$ millions), 2014-2016



Source: Bank of Zambia



2.4 EXTERNAL DEBT

Government Debt Stock

Preliminary data indicate that the external debt stock of Government[12] increased by 3.8% to US$6,850.9 million at end-December 2016 (Table 2.7). The increase was mainly on account of disbursements.

The public external debt as a ratio of GDP was 37.0%. This was below the internationally accepted threshold of 40.0%. Inclusive of domestic debt, the ratio of total public debt to GDP at 58.0%, was 7.3 percentage points below the internationally accepted threshold of 56.0%.

Of the total Government external debt stock, 71.9% was owed to commercial, export and supplier creditors; 21.4% to multilateral creditors; and 6.7% to bilateral creditors (Table 2.7).

Table 2.7: Government External Debt Stock by Creditor, 2014 - 2016

	2014		2015		2016*	
Creditor	**US$'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	**199.40**	**4.2**	**209.60**	**3.2**	**459.3**	**6.7**
Paris Club	137.90	2.9	149.40	2.3	219.9	3.2
Non Paris Club	61.50	1.3	60.20	0.9	239.3	3.5
Multilateral	**1,494.50**	**31.60**	**1,509.50**	**22.9**	**1,464.6**	**21.4**
IMF	331.40	7.0	256.80	3.9	182.09	2.7
World Bank Group	667.40	14.1	689.90	10.4	695.7	10.2
African Development Bank group	327.30	6.9	351.90	5.3	376.5	5.5
Others	167.50	3.5	210.90	3.2	210.3	3.1
Suppliers/ Banks	**3,035.70**	**64.2**	**4,883.50**	**74.0**	**4,927.1**	**71.9**
Total Govt. Debt	**4,729.60**	**100.00**	**6,602.60**	**100.00**	**6,851.0**	**100.00**

Source: Bank of Zambia/Ministry of Finance
Note: * Preliminary.

Government External Debt Service

As at end-2016, preliminary data indicate that Government external debt service increased by 53.3% to US$585.0 million. Principal maturities during the year amounted to US$158.2 million while interest and other charges were US$426.5 million (Table 2.8).

Table 2.8: Zambia's Official External Debt Service by Creditor (US $'million), 2014 – 2016

Creditor	2014	2015	2016
Bilateral	-	-	**39.7**
Paris Club	-	-	1.0
Others	-	-	38.7
Multilateral	**49.2**	**92.5**	**102.9**
World Bank Group	8.5	3.2	7.6
IMF	29.4	52.8	69.1
ECU/EIB	-	-	0.4
Others	11.3	36.5	25.8
Suppliers/Bank(commercial)/Export	**199.3**	**289.2**	**442.4**
Total	**248.5**	**381.7**	**585.0**

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed External Debt Stock

Preliminary data show that the total external debt owed by the private sector and the non-guaranteed parastatal sector increased by 13.9% to US$9,208.8 million at end-December 2016 (Table 2.9). The increase was mainly attributed to disbursements to the mining sector for operations and infrastructure expansion.

[12] Public and publicly guaranteed debt

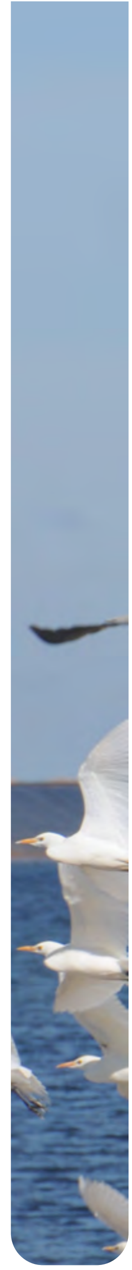


Table 2.9: Private and Non-Guaranteed Parastatal External Debt Stock, 2014 - 2016

Creditor	2014 US $'million	2014 % Share	2015 US $'million	2015 % Share	2016* US $'million	2016* % Share
Private	**3,937.6**	**78.4**	**7,259.8**	**89.8**	**8,548.0**	**92.8**
Multilateral	57.1	1.5	0.0	0.0	0.0	0.0
Financial Institutions	3,186.1	80.9	2,798.2	38.5	1,297.8	15.1
Parent Company	694.4	17.6	4,461.6	61.5	7,250.2	84.8
Other	452.2	**9.0**	**158.7**	**2.0**	**158.7**	**1.7**
Parastatal	**629.8**	**12.5**	**663.3**	**8.2**	**502.2**	**5.5**
Total Private and Non-Guaranteed Parastatal Debt	**5,019.6**	**100.0**	**8,081.8**	**100.0**	**9,208.8**	**100.0**

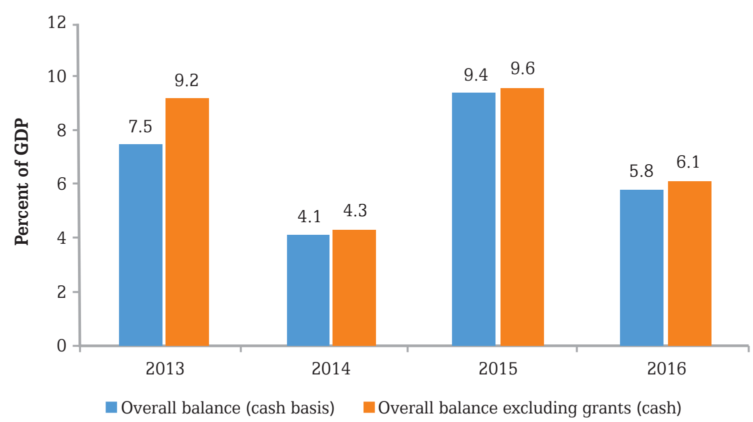
Source: Bank of Zambia
Note: * Preliminary

2.5 FISCAL SECTOR DEVELOPMENTS

Preliminary data indicate that the fiscal deficit for 2016, at 5.8% of GDP or K12.4 billion (on cash basis), exceeded the target of 3.6% (Chart 2.22). This largely reflected higher spending on subsidies for fuel, electricity and agricultural inputs.

Chart 2.22:

Government Budget Deficit (% of GDP), 2013-2016



Source: Ministry of Finance

Revenue and Grants

Total revenue and grants in 2016, at K39.4 billion, were 7.6% lower than the target of K42.7 billion. Domestic revenue accounted for 98.7% of the total revenue while grants accounted for only 1.3%. As a percentage of GDP, total revenue and grants, at 18.5%, were 1.5% lower than the target. The lower outturn in revenue was largely attributed to lower Value Added Tax (VAT), international trade taxes and non-tax revenue (Table 2.10).

Tax Revenue

Total tax revenue, at K28.0 billion, was 7.8% below the target of K30.4 billion. As a percentage of GDP, tax revenue was 13.2%, which was below the target of 14.3%. This outturn was mainly due to under collections in VAT as well as customs and excise. VAT collections were lower mainly due to reduced import volumes while customs duties underperformed on account of various concessions under the SADC Protocols. Excise duty underperformed mainly due to relatively low economic activity.

Non-Tax Revenue

Non-tax revenue, at K10.9 billion, was 7.2% below the target of K11.7 billion largely due to lower than projected user fees and fines as well as farmer input recoveries. However, mineral royalty exceeded the target by 5.7% mainly due to higher production and higher copper prices on the international market than forecasted.

Grants

Total foreign grants at, K525.1 million, were 0.2% lower than the programmed target of K545.9 million.

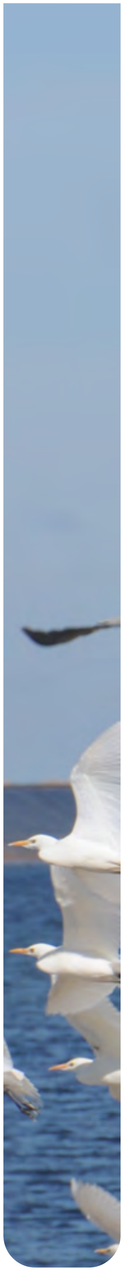


Table 2.10: Central Government Revenue and Grants, 2014 – 2016

	2014		2015		2016			
					Target		Prel (Releases)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	**3006**	**18.3**	**34.4**	**18.7**	**42.7**	**20.0**	**39.4**	**18.5**
Domestic Revenue	**30.3**	**18.2**	**34.1**	**18.5**	**42.1**	**19.8**	**38.9**	**18.2**
Tax Revenue	**25.8**	**15.5**	**26.4**	**14.4**	**30.4**	**14.3**	**28.0**	**13.2**
Income Tax	**11.5**	**6.9**	**12.9**	**7.0**	**14.3**	**6.7**	**14.9**	**7.0**
Personal Tax	6.4	3.9	7.4	4.1	7.9	3.7	8.1	3.8
Company Tax	3.5	2.1	2.9	1.6	3.2	1.5	4.0	1.9
Other Income Tax	1.6	1.0	2.6	1.4	3.2	1.5	2.7	1.3
Excise Taxes	2.9	1.7	3.3	1.8	3.6	1.7	3.1	1.5
Domestic VAT	3.1	1.9	1.7	0.9	1.5	0.7	0.0	0.0
International Trade Taxes	**8.4**	**5.0**	**5.2**	**2.8**	**6.1**	**2.7**	**5.1**	**2.4**
Import Duties	1.9	1.2	1.9	1.0	2.5	1.2	1.9	0.9
Import VAT	6.4	3.8	6.7	3.6	8.4	3.9	7.9	3.7
Export Duties	0.02	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non - tax Revenue	**4.5**	**2.7**	**7.6**	**4.1**	**11.7**	**5.5**	**10.9**	**5.1**
Fees and Charges	1.3	0.8	2.5	1.2	7.4	3.5	2.3	1.1
Dividends and Interest	0.3	0.2	0.6	0.3	0.2	0.1	4.1	1.9
Extraction Royalty	1.8	1.1	3.7	2.0	2.9	1.4	3.1	1.4
Grants	**0.3**	**0.2**	**0.4**	**0.2**	**0.5**	**0.2**	**0.5**	**0.2**
Programme	0.2	0.1						
Projects	0.01	0.0	0.4	0.2	**0.5**	0.2	**0.5**	0.2

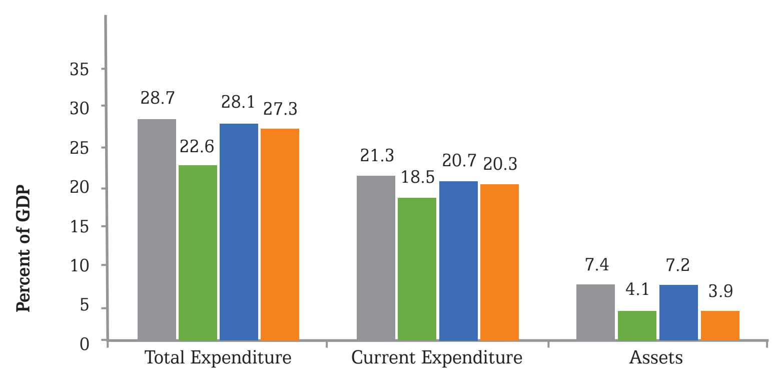
Source: Ministry of Finance

Total Expenditure

Total expenditure (excluding amortisation), at K51.9 billion, or 24.3% of GDP was 2.8% above the programmed level of K50.4 billion (Chart 2.23). With amortisation, total expenditure in 2016 stood at K58.5 billion against a target of K53.1 billion.

Chart 2.23:

Central Government Expenditure (% of GDP), 2103 -2016



Source: Ministry of Finance

Current Expenditure

Total current expenditure in 2016 was K43.3 billion, 7.0% higher than the target of K40.5 billion (Table 2.11). This outturn was due to unforeseen expenditures related to fuel and electricity subsidies, higher expenditures on farmer input support as well as higher than expected disbursements on foreign financed projects.

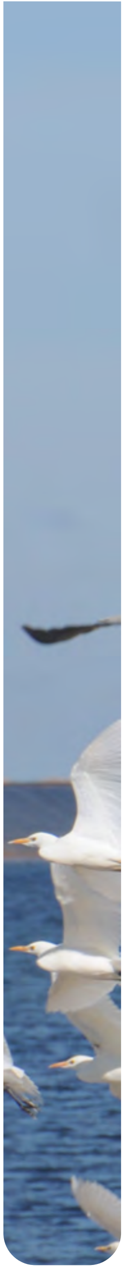


Table 2.11: Central Government Expenditures, 2014 – 2016

	2014		2015		2016			
					Proj		Prel	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Expenditure (excl amortisation)	**37.60**	**22.6**	**51.7**	**28.1**	**50.4**	**23.7**	**51.9**	**24.3**
Current Expenditure	**30.8**	**18.5**	**38.1**	**20.7**	**40.5**	**19.1**	**43.3**	**20.3**
Wages and Salaries	15.8	9.5	16.1	8.8	20.4	9.6	18.9	8.8
Use of Goods and Services	4.6	2.8	5.1	2.8	5.0	1.8	4.5	2.1
Interest on Public Debt	2.8	1.7	5.2	2.8	7.1	3.3	7.4	3.5
Domestic Debt	2.0	1.2	3.3	1.8	3.5	1.7	4.0	1.9
For eign Debt	0.8	0.5	2.0	1.1	3.5	1.7	3.4	1.6
Grants & Other Payments	5.0	3.0	9.0	4.9	6.1	2.9	10.9	5.1
Social Benefits	0.7	0.4	0.8	0.5	1.1	0.5	0.5	0.2
Other Expenses	1.5	0.9	1.9	1.0	0.8	0.4	0.9	0.4
Liabilities	0.4	0.3	0.4	0.2	0.1	0.1	0.0	0.1
Assets	**6.8**	**4.1**	**13.2**	**7.2**	**9.8**	**4.6**	**8.4**	**3.9**
Non - Financial Assets	6.2	3.7	12.8	7.0	8.8	4.1	8.1	3.8
Financial Assets	0.6	0.3	0.4	0.2	1.0	0.5	0.2	0.1

Source: Ministry of Finance

Assets

Total expenditure on assets in 2016, at K8.4 billion, was 14.4% below the target of K9.8 billion. The lower expenditure was partly attributed to less than programmed expenditure on roads infrastructure, the sinking fund for long term debt as well as empowerment programmes. Expenditure on road infrastructure, at K2.9 billion, was below the target by 56.5%.

An aerial view of a section of Mongu-Kalabo road across the Zambezi River.

Deficit Financing

Total budget financing of K12.5 billion in 2016 exceeded the target of K7.8 billion (Table 2.12). The deficit was financed mainly through domestic borrowing and project loans.

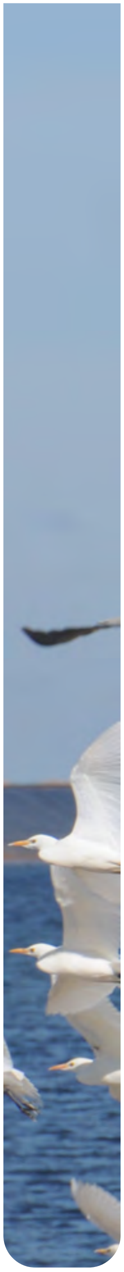


Table 2.12: Budget Deficit Financing, 2013 – 2016

	2013		2014		2015		2016			
							Proj		(Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Financing	9.4	7.5	99.4	7.5	18.3	9.9	7.8	3.6	12.4	5.8
Domestic	6.8	5.4	6.8	5.4	1.7	0.9	1.8	0.8	8.2	3.8
Bridge loan							0.0	0.0	5.8	2.7
Com. Banks							0.0	0.0	0.4	0.2
Carry-over funds							0.0	0.0	0.0	0.0
Amortisation							-0.8	-0.4	-4.7	-2.2
External	2.6	2.1	2.6	2.1	15.2	8.2	6.0	2.8	4.2	2.0
Programme Loans	2.1	1.7	2.1	1.7	10.0	5.5	3.1	1.5	0.0	0.0
Project Loans	1.2	1.0	1.2	1.0	5.2	2.8	4.0	1.9	4.8	2.2
Amortisation	-0.7	-0.6	-0.7	-0.6	-1.0	-0.6	-2.0	-0.9	-2.0	-0.9

Source: Ministry of Finance

2.6 REAL SECTOR DEVELOPMENTS

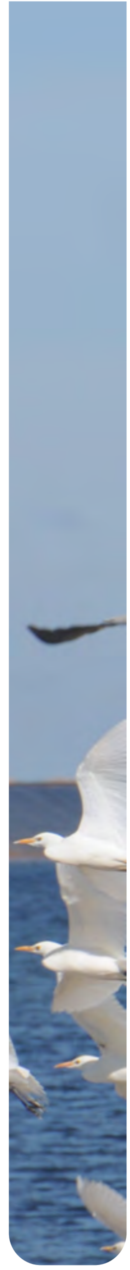
National Output

Real GDP growth for 2016 was estimated at 3.4%, up from 2.9% registered in 2015 (Table 2.13). This was mainly driven by mining, manufacturing, wholesale and retail trade, transport and storage and tourism sectors. However, growth in 2016 was constrained by the electricity supply deficit and the increase in fuel prices, which raised production, and transportation costs.

Table 2.13: Real GDP Growth (%), 2014 – 2016

Kind of Economic Activity	2014	2015	2016*
Agriculture, Forestry and Fishing	1.1	-7.7	-0.4
Mining and Quarrying	-2.3	0.2	7.2
Manufacturing	6.5	5.6	5.3
Electricity, Gas, steam and air	1.9	-1.5	-8.1
Water supply, sewerage, waste management	-7.9	-6.7	-3.2
Construction	10.6	18.0	4.5
Wholesale and Retail Trade	3.4	1.4	2.0
Accommodation and food services activities	4.0	0.2	4.9
Transport, & Storage	6.6	0.6	2.5
Information and communications	7.5	2.5	3.0
Financial Institutions & Insurance	15.1	12.1	9.3
R eal Estate & Business Services	2.6	3.1	3.0
Public admin. & defence; compulsory social services	4.5	2.0	4.5
Education	10.9	0.5	5.0
Human health and social work activities	10.9	2.9	3.0
Arts, entertainment and recreation	14.6	3.8	3.9
Other activities	2.4	3.1	3.1
Growth in Real GDP (%)	**4.7**	**2.9**	**3.4**

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



Agriculture, Forestry and Fisheries

The performance of the sector as a whole remained poor in 2016, with output declining by 0.4% compared to a decline of 7.7% in 2015 (Table 2.13). However, in the Agriculture sector the output for most major crops increased. Crop production in the 2015/16 farming season increased despite the El Niño effects, which led to poor distribution of rainfall at the beginning of the farming season. Maize production, estimated at 2,873,052 mt, increased by 9.7% in 2016. Production of other crops such as sorghum, rice, groundnuts, seed cotton, sweet potatoes, mixed beans and burley tobacco also increased (Table 2.14).

Table 2.14: Comparative National Crop Production Estimates (mt), 2013/14– 2015/16

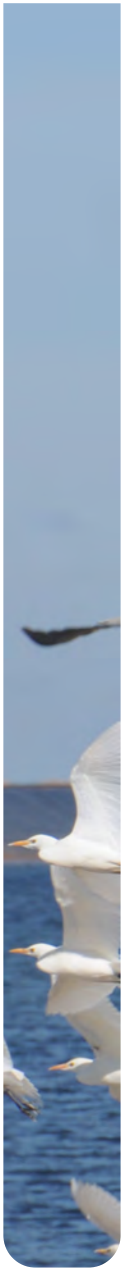
Crop	2013/14	2014/15	2015/16	Growth (%)
Maize	3,350,671	2,618,221	2,873,052	9.7%
Seed cotton	120,314	103,889	111,902	7.7%
Sorghum	11,557	8,123	14,107	73.7%
Rice	49,640	25,514	26,675	4.5%
Sunflower	34,264	34,726	61,073	75.9%
Groundnuts	143,591	111,429	131,562	18.1%
Soya beans	214,179	226,323	267,490	18.2%
Mixed Beans	61,749	50,398	45,351	10.0%
Sweet Potatoes	150,158	118,330	231,882	96.0%
Virginia Tobacco (kg)	26,105	19,811	12,540	36.7%
Burley Tobacco (kg)	9,564	6,083	6,476	6.5%

Source: Ministry of Agriculture and Livestock

Mining and Quarrying

The mining and quarrying sector grew by 7.2% in 2016 compared to 0.2% in 2015 (Table 2.13). Increased copper (8.4%), emeralds (64.9%), and coal (21.9%) production mainly drove this growth. Gold production, however, declined by 6.1%. Copper production increased to 770,597 mt in 2016 from 710,860mt in 2015 largely due to the ramping up of production at Kalumbila and Kansanshi mines. Coal production increased as Collum Coal Mine stepped up operations in 2016 after coming out of care and maintenance in August 2015 whilst Emerald production was boosted by increased mineralisation. However, the production of gold declined, reflecting lower gold content in copper ore at Kansanshi mine. Challenges to mining production related mainly to electricity supply shortages.

Luanshya Copper Mine, Luanshya.



Manufacturing

The manufacturing sector grew by 5.3% in 2016, lower than the 5.6% registered in 2015 (Table 2.13). Production of plastic, alcoholic and non-alcoholic beverages were the main sub-sectors that supported manufacturing growth. However, the production of wood and wood products, rubber, fabricated metals and textile and leather declined as the demand for these products slowed down. Electricity rationing, high cost of operations and limited access to credit were the key challenges that affected the sector.

Zambian Breweries plant, Lusaka South MFEZ.

Tourism

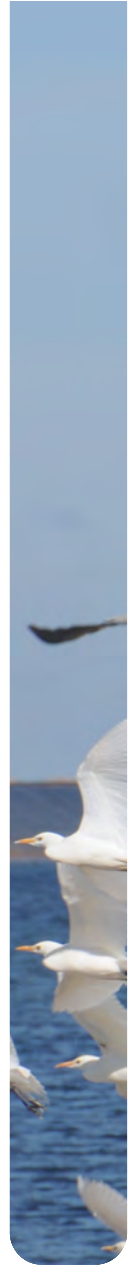
The tourism[13] sector grew by 4.9% in 2016 from 0.2% in 2015, supported by Government's incentives to the sector such as the simplification of visa requirements and the hosting of international conferences (African Development Bank Annual Meetings and Inter-Parliamentary Union Conference) as shown in Table 2.13. In addition, tourist accommodation establishments, average room occupancy rates and tourist visits to major national parks increased. International passenger arrivals increased by 3.3% to 962,518 in 2016. Similarly, tourist entries into the country's major national parks rose by 21.9% to 107,464 (Table 2.15).

Table 2.15: Tourist Arrivals at Major National Parks, 2014-2016

National Park	2014	2015	2016	% Change 2016/15
Kafue	9,718	12,950	11,347	-12.4
Lower Zambezi	9,298	9,011	12,143	34.8
Mosi-o-Tunya	20,985	23,083	20,303	-12.0
South Luangwa	41,970	43,113	46,510	7.9
Lusaka national Park		0	17,161	0.0
Total	**81,971**	**88,157**	**107,464**	**21.9**

Source: Zambia Wildlife Authority

[13] Accommodation and food services activities.



Construction

The construction sector registered slower growth in 2016, falling to 4.5% from 18.0% in 2015 (Table 2.13). This was on account of the slowdown in various public infrastructure development projects around the country.

Information and Communications

The sector grew by 3.0% in 2016, an improvement over the 2.5% registered in 2015 (Table 2.13). Growth in this sector was largely driven by the construction of 500 towers for mobile communications in rural areas and enhanced competition following the entry of Vodafone into the market in June 2016.

Electricity, Gas, Steam and Air

Zambia continued to face electricity shortages as water levels in the major bodies used for hydroelectric power generation remained low. Consequently, the electricity, gas and steam sector contracted further by 8.1% as power generation declined by 17.5% to 9,800,094 MWh in 2016 (Table 2.13).

Wholesale and Retail Trade

Growth in the wholesale and retail trade sector rose to 2.0% in 2016 from 1.0% in 2015 (Table 2.13). The opening up of more shopping malls boosted growth in the sector.

Financial and Insurance Activities

The financial sector growth slowed down to 9.3% in 2016 from 12.1% in 2015 (Table 2.13). This slowdown reflected generally tight financial conditions with higher lending rates, reduced lending and rising non-performing loans. The tight monetary policy stance and high budget deficit that crowed- out private sector borrowing were key drivers of the tight financial conditions.

Investment Pledges

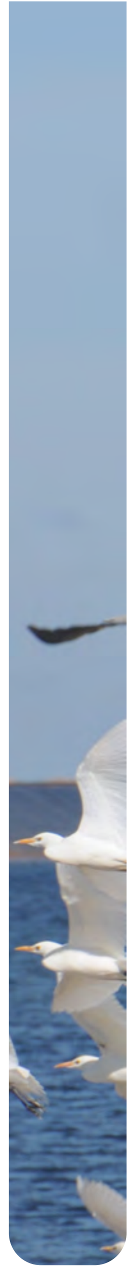
Zambia continued to attract investments in the various sectors of the economy. Total investment pledges were broadly unchanged at about US$3.0 billion in 2016 (Table 2.16). These pledges are expected to generate 13,888 jobs when fully executed.

Table 2.16: Sectoral Investment Pledges and Employment, 2014 – 2016

SECTOR	2014		2015		2016	
	Pledge US $' million	Jobs	Pledge US $' million	Jobs	Pledge US $' million	Jobs
Manufacturing	949	25,522	600	4,479	700	3,738
Mining	76	1,643	43	1,710	190	1,146
Energy	26	175	1,461	149	888	733
Real Estate	224	1,476	528	4,405	260	1,743
Education	2	4	34	423	0	0
Agriculture	140	2,458	113	2,074	456	1,825
ICT	174	49	5	35	44	499
Tourism	83	1,087	228	2,384	141	578
Service	168	2,119	59	1,132	82	1,978
Construction	3,234	9,358	160	2,244	301	1,191
Health	27	138	55	135	4	56
Transport	25	291	32	624	47	401
Other	0	0	3	17	0	0
TOTAL	**5,128**	**44,320**	**3,321**	**19,811**	**3,113**	**13,888**

Source: Zambia Development Agency

3.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION



3.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

3.1 BANKING SECTOR

The number of operating commercial banks reduced to 18 at end-December 2016 from 19 at end-December 2015 following the possession of Intermarket Banking Corporation Zambia Limited by the Bank of Zambia on 29th November 2016. Of the operating commercial banks, eight were subsidiaries of foreign banks[14], eight locally owned private banks[15], and two partially owned by Government.

The overall financial performance and condition of the banking sector for the year ended 31 December 2016 was satisfactory largely due to a strong capital adequacy position and satisfactory earnings. In addition, the sector's liquidity position improved. However, the sector's asset quality deteriorated as reflected in the rising trend of the non-performing loans (Tables 3.1, 3.2 and 3.3).

Table 3.1: Composite Ratings of the Banking Sector Financial Performance and Condition, 2014 - 2016

Performance Rating	Number of Banks			% of Total Assets			% of Total Deposits		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Satisfactory	11	10	10	90.1	87.3	86.1	89.7	88.1	88.4
Fair	6	4	6	6.1	5.2	11.6	5.6	5.0	8.6
Marginal	1	3	1	3.2	5.0	0.3	4.0	3.9	1.0
Unsatisfactory	1	2	1	0.6	2.5	2.0	0.7	3.0	2.0
Total	**19**	**19**	**18**	**100.0**	**100.0**	**100.0**	**100.0**	**100**	**100**

Source: Bank of Zambia

Table 3.2:Component Ratings of the Banking Sector Financial Performance and Condition, 2014 - 2016

Performance Rating	Capital Adequacy			Asset Quality			Earnings			Liquidity		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Satisfactory	15	14	11	11	11	8	8	7	7	8	10	14
Fair	0	2	3	3	1	4	4	5	6	9	6	2
Marginal	0	0	1	4	5	5	4	5	3	1	2	1
Unsatisfactory	4	3	3	1	2	1	3	2	2	1	1	1
Total	**19**	**19**	**18**	**19**	**19**	**18**	**19**	**19**	**18**	**19**	**19**	**18**

Source: Bank of Zambia

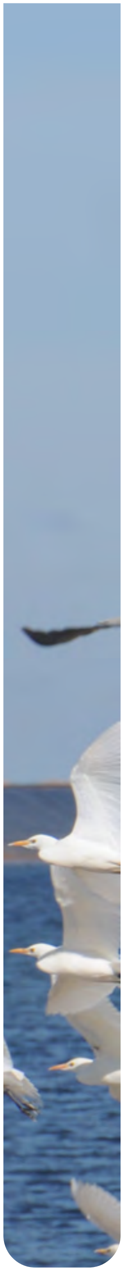
Table 3.3: Financial Performance Indicators (%), 2014 - 2016

	2014	2015	2016
Primary capital adequacy ratio	24.6	19.1	23.4
Total regulatory capital adequacy ratio	27.0	21.0	26.2
Net non-performing loans to regulatory capital	4.3	7.2	7.6
Gross non-performing loans to total loans	6.1	7.3	9.7
Net non-performing loans to total loans	1.4	2.1	2.8
Net non-performing loans to net loans	1.5	2.3	3.0
Provisions to non-performing loans	76.5	68.4	69.6
Earning assets to total assets	74.3	73.8	69.2
Net operating income to total assets	10.9	9.6	10.8
Non - interest expense to total assets	7.0	6.7	7.7
Provision for loan losses to total assets	0.4	0.5	0.7
Net interest income to total assets	6.2	5.5	6.1
Return on assets	3.7	2.8	2.5
R eturn on equity	17.3	13.1	12.3
Efficiency ratio	76.0	71.8	81.5
Liquid assets to total assets	35.8	34.8	39.1
Liquid assets to deposits and short-term liabilities	45.7	42.7	49.0

Source: Bank of Zambia

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

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



BALANCE SHEET

Assets

The growth in banking sector's total assets slowed down in 2016 to 1.3% from 31.4% in 2015, attributed mainly to tight credit conditions that resulted in reduced lending to the private sector. Total assets increased to K64.7 billion at end-December 2016 from K63.9 billion at end-December 2015 (Chart 3.1). The increase in total assets was mainly noted in balances with the Bank of Zambia, investments in Government securities and balances with financial institutions abroad, which increased by 19.0%, 13.2% and 10.3% to K11.7 billion, K10.0 billion and K12.4 billion, respectively. However, the sector's net loans and advances to the private sector declined by 12.7% to K21.7 billion.

The asset structure of the banking sector remained broadly unchanged in 2016, with net loans and advances accounting for the largest component at 33.6% (Table 3.4a). This was followed by balances with financial institutions abroad, balances with the Bank of Zambia and investments in Government securities.

Table 3.4a: Asset Structure (%), 2014 - 2016

	2014	2015	2016
Net Loans and advances	42.6	38.9	33.6
Balances with Foreign Financial Institutions	11.1	17.8	19.2
Balances with Bank of Zambia	15.1	15.4	18.1
Investments in Government Securities	18.9	13.9	15.5
Other	12.3	14.0	13.6
Total	**100.0**	**100**	**100.0**

Source: Bank of Zambia

Liabilities

The growth in the banking sector's total liabilities slowed down in 2016 to 0.2% from 35.8% in 2015. Total liabilities stood at K56.2 billion at end-December 2016, slightly up from K56.1 billion at end-December 2015.

The liability structure remained broadly unchanged in 2016 with total deposits accounting for the largest component of the total liabilities at 83.2% (Table 3.4b). Deposit liabilities also contributed the largest portion of total asset funding at 72.1% (Chart 3.1). With regard to composition, demand deposits constituted 66.7% of total deposits followed by time deposits at 23.8% and savings deposits at 9.5%.

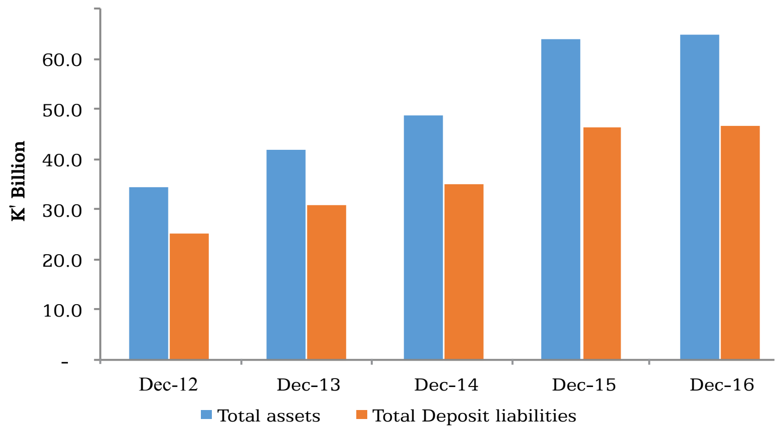
Table 3.4b: Liability Structure (%), 2014 - 2016

	2014	2015	2016
Deposits	84.3	83.2	83.2
Other Liabilities	6.3	5.4	6.8
Balances Due to Financial Institutions Abroad	4.8	6.1	5.9
Other Borrowed Funds	2.9	3.0	2.9
Balances Due to Financial Institutions in Zambia	1.4	2.3	1.1
Others	0.2	0.0	0.2
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Chart 3.1:

Total Assets and Deposit Liabilities (K'billion), 2012-2016



Source: Bank of Zambia

PERFORMANCE INDICATORS

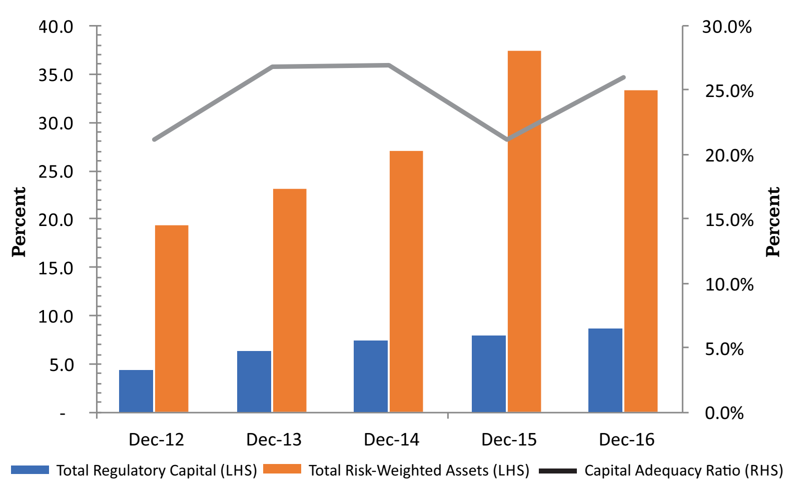
Capital Adequacy

The sector's total regulatory capital increased by 10.1% to K8.7 billion at end-December 2016. This was largely attributed to an increase in primary regulatory capital, which went up by 9.9% to K7.8 billion (Chart 3.2). Retained earnings (K360.1 million) and fresh injection of paid-up share capital (K256.8 million) accounted for the rise in primary regulatory capital. Paid-up share capital continued to account for the largest component of the sector's primary capital at 57.2% (December 2015: 59.2%) followed by retained earnings at 28.5% (December 2015: 26.3%).

The primary regulatory capital and total regulatory capital adequacy ratios rose to 23.4% and 26.2% in 2016 from 19.1% and 21.0% in 2015, respectively due to the increase in regulatory capital coupled with a decline in total risk-weighted assets (RWA). The fall in RWA by 10.8% to K33.4 billion was due to the fall in the loan portfolio to the private sector. The capital adequacy ratios were well above the minimum regulatory requirement of 5.0% and 10.0%, respectively.

Chart 3.2:

Regulatory Capital, RWA and Capital Adequacy Ratios, 2012 - 2016



Source: Bank of Zambia

The ratio of net non-performing loans (NPLs) to regulatory capital increased to 7.6% at end-December 2016 from 7.2% at end-December 2015. This was as a result of a higher increase in net NPLs, which went up by 14.2% compared to the 11.1% increase in total regulatory capital. The risk profile of the banking sector as measured by the average risk weight (ratio of RWA to total assets) declined to 51.6% in 2016 from 58.6% in 2015.

Asset Quality

The asset quality of the banking sector remained satisfactory in 2016 despite the rise in the gross non-performing loans to total loans ratio (NPL ratio). The NPL ratio increased to 9.7% at end-December 2016 from 7.3% at end-December 2015, almost reaching the prudential benchmark of 10.0% (Table 3.5).

The increase in the NPL ratio was due to a rise in NPLs. NPLs grew by 21.1% to K2.3 billion, largely attributed to the rise in the loan default rate occasioned by the challenging economic environment, including the slowdown in economic activity and high lending rates.

Table 3.5: Gross Loans and Non-Performing Loans, 2014 - 2016

	2014	2015	2016
Gross loans (K'billion)	**21.7**	**26.2**	**23**
NPLs (K'billion)	1.3	1.9	2.3
Substandard (K' billion)	0.2	0.2	0.2
Doubtful (K' billion)	0.1	0.2	0.2
Loss (K' billion)	1.0	1.5	1.8
NPL ratio (%)	**6.1**	**7.3**	**9.7**
Substandard	0.8	0.8	1.0
Doubtful	0.6	0.7	0.9
Loss	4.7	5.8	7.8

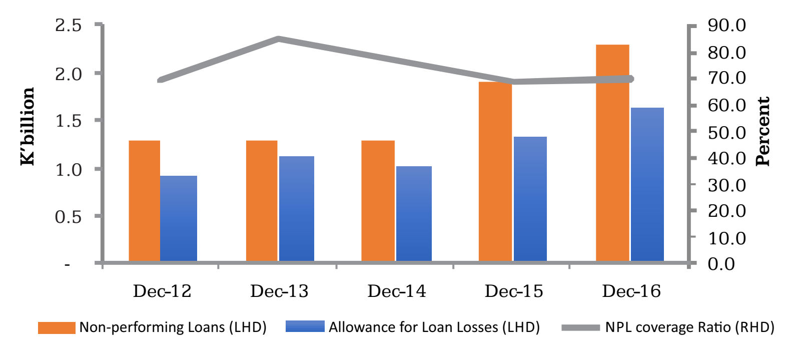
Source: Bank of Zambia

Risk-Absorbing Capacity

The banking sector's capacity to absorb potential loan losses improved due to an increase in the allowances for loan losses (ALL). The ALL increased by 19.0% to K1.6 billion at end-December 2016 as NPLs rose (Chart 3.3). As a result, the NPL coverage ratio[16] increased in 2016 to 69.6% from 68.4% in 2015 resulting in an improvement in the sector's capacity to absorb expected loan losses.

Chart 3.3:

Non- Performing Loans, Provisions and NPL Coverage Ratio, 2012-2016



Source: Bank of Zambia

Sectoral Distribution of Loans and Advances

In terms of the sectoral distribution of loans and advances, personal loans continued to account for the largest share of the total loans and advances at 27.3%. This was followed by the agriculture, forestry, fishing and hunting sector, manufacturing sector and wholesale and retail trade (Table 3.6).

Table 3.6: Sectoral Distribution of Loans (%), 2014 – 2016

Sector	2014	2015	2016
Agriculture, forestry, fishing and hunting	16.6	17.3	17.0
Mining and quarrying	5.0	6.4	6.3
Manufacturing	11.5	13.5	12.8
Electricity, gas, water and energy	2.2	1.7	2.2
Construction	3.4	3.4	3.9
Wholesale and retail trade	7.8	10.8	10.2
Restaurants and hotels	1.5	1.5	1.4
Transport, storage and communication	5.6	5.1	4.6
Financial services	2.5	2.7	1.8
Personal loans	35.4	29.3	27.3
Other sectors	8.5	8.3	12.5
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

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

With regard to the sectoral distribution of NPLs, the agriculture, forestry, fishing and hunting sector accounted for the largest proportion at 26.7%. This was followed by personal loans, wholesale and retail trade, and restaurants and hotels (Table 3.7).

Table 3.7: Sectoral Distribution of NPLs (%), 2014 – 2016

Sector	2014	2015	2016
Agriculture, forestry, fishing and hunting	22.0	20.8	26.7
Mining and quarrying	4.4	4.5	1.9
Manufacturing	5.3	5.1	6.6
Electricity, gas, water and energy	1.2	0.7	0.5
Construction	7.0	8.8	7.1
Wholesale and retail trade	7.7	8.1	11.7
Restaurants and hotels	13.1	13.3	10.6
Transport, storage and communication	5.3	4.2	5.4
Financial services	1.2	0.7	2.9
Personal loans	23.3	20.7	12.3
Other sectors	9.5	13.1	14.4
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

The restaurants and hotels as well as construction sectors continued to be the worst performing as reflected in the high intra-sector[17] NPL ratio of 74.1% (December 2015: 65.9%) and 17.7% (December 2015: 18.7%), respectively (Table 3.8). Notwithstanding the above, the share of the restaurants and hotels, and construction sectors in the banking sector's total loans and advances remained insignificant at 1.4% (December 2015: 1.5%) and 3.9% (December 2015: 3.4%), respectively (Table 3.6).

Table 3.8: Intra-Sector NPL Ratios (%), 2014 – 2016

Sector	2014	2015	2016
Agriculture, forestry, fishing and hunting	8.1	8.7	15.2
Mining and quarrying	5.4	5.1	2.9
Manufacturing	2.8	2.8	5.0
Electricity, gas, water and energy	3.3	3.0	2.3
Construction	**12.5**	**18.7**	**17.7**
Wholesale and retail trade	6.1	5.5	11.1
Restaurants and hotels	**53.5**	**65.9**	**74.1**
Transport, storage and communication	5.8	6.1	11.4
Financial services	2.9	1.9	15.5
Personal loans	4.5	5.8	4.4

Source: Bank of Zambia

Earnings Performance and Profitability

The banking sector's earnings performance remained satisfactory as sufficient income was generated to cover operating costs and boosted the capital position through retained earnings.

On a year-on-year basis, the sector's profit before tax of K1.6 billion was unchanged in 2016. The increase in loan loss provisions by 33.3% to K0.4 billion was mainly as a result of high credit risk (Table 3.9).

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

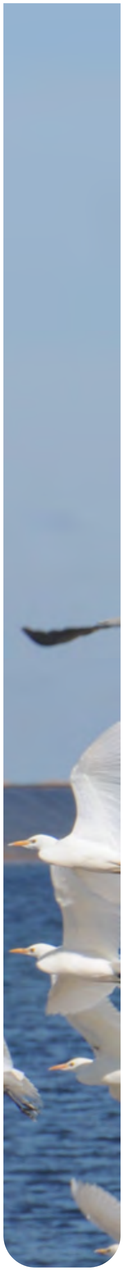


Table 3.9: Summarised Income Statement, 2014 - 2016

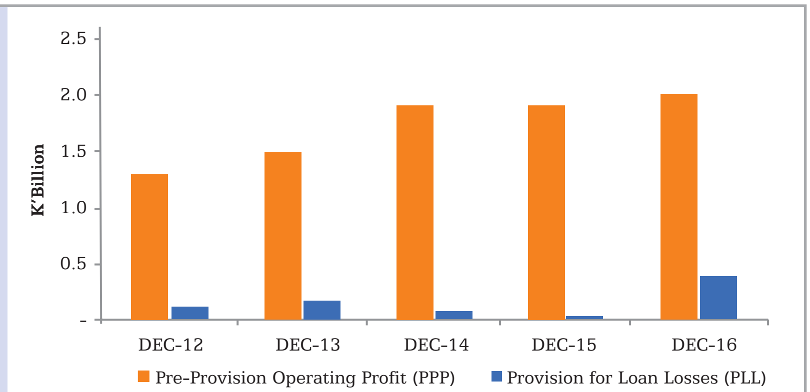
Particulars	2014	2015	2016
	K' Billion	K' Billion	K' Billion
Interest Income	4.5	5.4	6.6
Interest Expenses	1.4	1.9	2.6
Net Interest Income	**3.0**	**3.5**	**3.9**
Non-Interest Income	2.3	2.7	3.0
Net Operating Income	**5.3**	**6.2**	**7.0**
Non-Interest Expenses	3.4	4.3	5.0
Pre-Provision Operating Profit (PPP)	**1.9**	**1.9**	**2.0**
Loan Loss Provisions	0.1	0.3	0.4
Profit Before Taxation	**1.8**	**1.6**	**1.6**
Taxation	0.6	0.6	0.6
Net Profit	**1.2**	**1.0**	**1.0**

Source: Bank of Zambia

The sector's level of the pre-provision operating profit (PPP)[18] increased by 5.3% in 2016 to K2.0 billion due to higher net operating income (NOI). The higher NOI was attributed to a rise in both net interest income of K456.4 million (11.4%) and non-interest income of K357.8 million (11.1%). The increase in net interest income was as a result of higher lending rates. The monthly average lending rate increased to 29.5% in December 2016 from 25.8% in December 2015. The rise in non-interest income was from foreign exchange trading. However, the ratio of PPP to loan loss provisions, reduced to 4.7 from to 6.2 owing to the increase in loan loss provisions. Most banks increased loan loss provisions as defaults rose. In addition, following on-site examinations, banks that had not made adequate provisions were directed to do so (Chart 3.4).

Chart 3.4:

Pre-Provision operating Profit and Provision for Loan Loss Expenses, 2012-2016

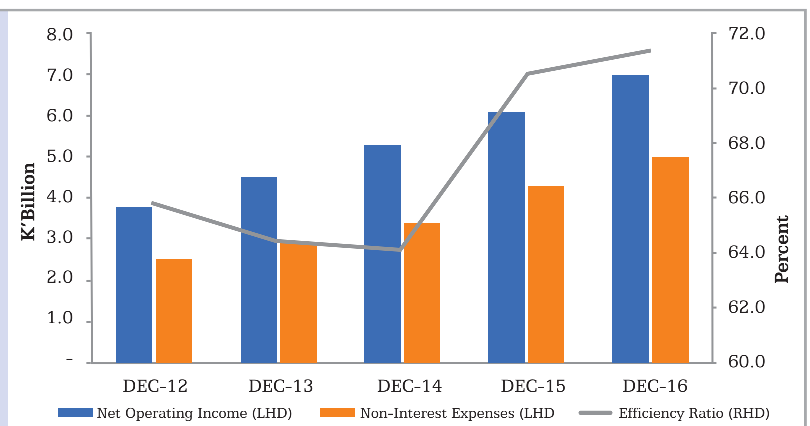


Source: Bank of Zambia

The banking sector's operational efficiency, as measured by the efficiency ratio[19], deteriorated to 71.4% in 2016 from 70.5% in 2015 due to a proportionately higher increase in non-interest expenses of 16.3% compared to an increase of 12.9% in net operating income (Chart 3.5).

Chart 3.5:

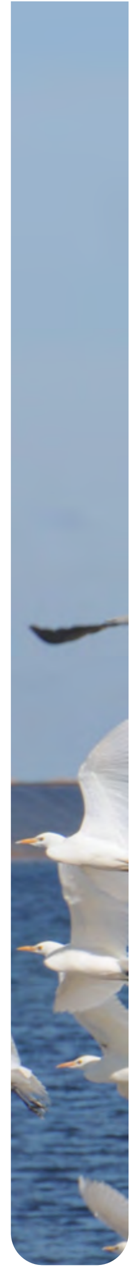
Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2012-2016



Source: Bank of Zambia

[18] Gross profit before provision for loan losses and taxation

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

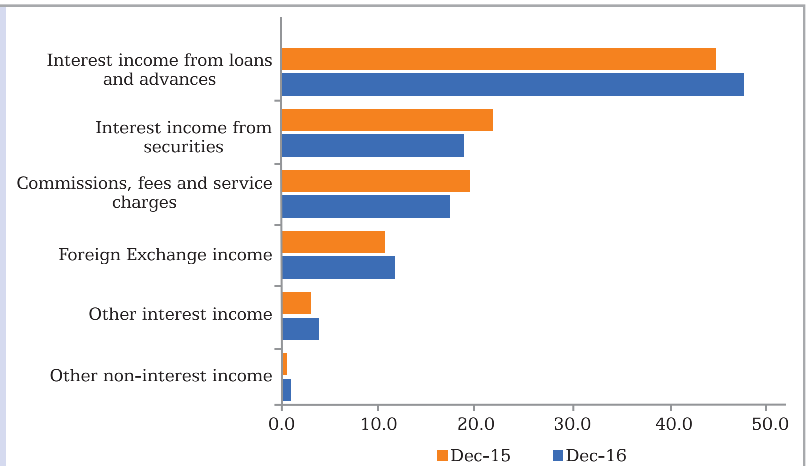


The banking sector's return on assets and the return on equity declined to 2.5% and 12.4%, from 2.8% and 13.1% in 2015, respectively. The decline was mainly due to the decrease in profits.

The principal sources of income for the banking sector continued to be interest income from loans and advances (47.4%); interest income from securities (18.8%); commissions, fees and service charges (17.3%); and foreign exchange income (11.6%) as shown in Chart 3.6.

Chart 3.6:

Operating Income (%), Dec. 2015 - Dec.2016



Source: Bank of Zambia

Liquidity and Funds Management

The banking sector's liquidity position was rated fair, evidenced by an increase in the sector's liquid assets. The rise in liquid assets was reflected in the increase in commercial banks' current account balances at Bank of Zambia and with foreign financial institutions. The current account balance rose on account of net Government spending and Bank of Zambia purchase of foreign exchange. In addition, the removal of the quantitative restrictions by the Bank of Zambia eased access to central bank liquidity.

Overall, customer deposits continued to contribute significantly to the sector's total asset funding. At end-December 2016, deposits accounted for 72.1% of the sector's total asset funding, almost the same as in the previous year when it stood at 72.7% (Table 3.10).

Table 3.10: Banking Sector Funding of Assets (percentage of total assets), 2014 – 2016

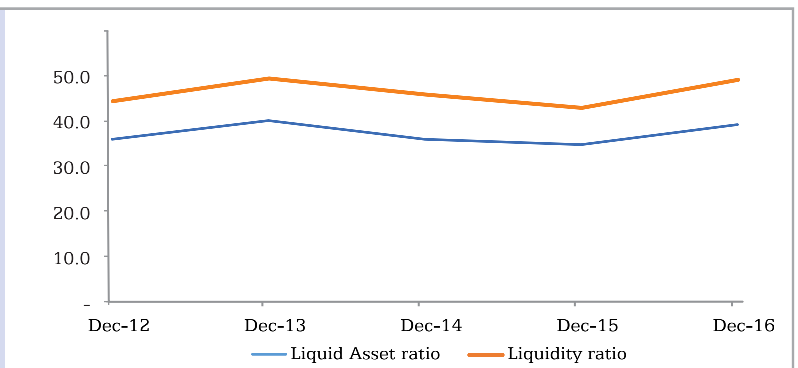
	2014	2015	2016
Customer deposits	71.9	72.7	72.1
Borrowings	7.8	10.4	9.0
Shareholders' funds	15.0	12.1	13.0
All other liabilities	5.3	4.8	5.9
Total funding	**100**	**100**	**100.0**

Source: Bank of Zambia

In 2016, both the liquid assets ratio and the liquidity ratio increased to 39.1% and 49.0%, respectively (Chart 3.7) as the sector's liquid assets grew by 13.9%. In addition, there was a reduction in the loan-to-deposit ratio[20] to 50.0% from 56.4% due to a decline in gross loans (Chart 3.8).

Chart 3.7:

Liquid Assets Ratio and Liquidity Ration (%), 2012 -2016



Source: Bank of Zambia

[20] A loan to deposit ratio of 57.6% is an indication that the banking sector still had capacity to fund loan growth from stable deposits

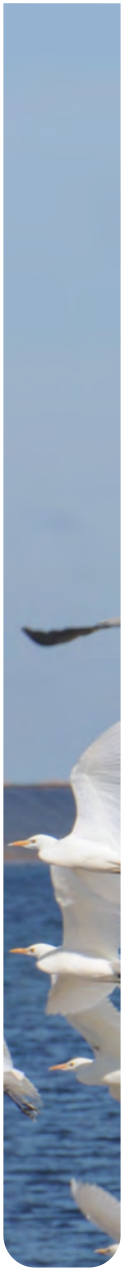
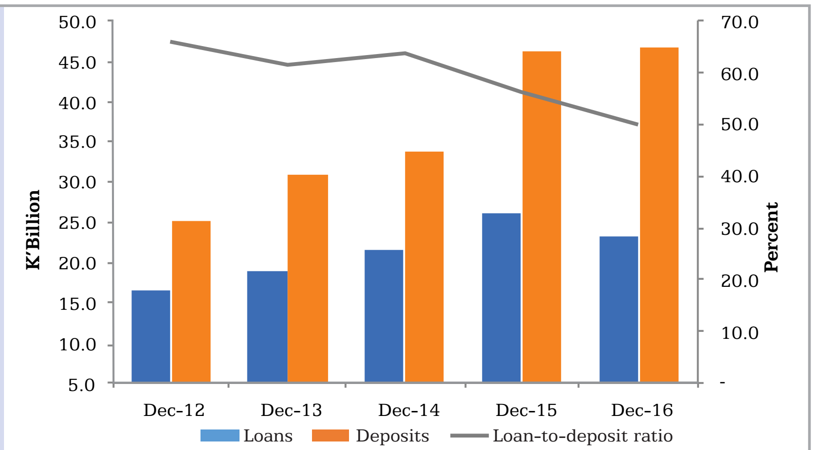


Chart 3.8:

Loans, Deposits and loan-to-Deposit Ratio, 2012-2016



Source: Bank of Zambia

Market Share

Subsidiaries of foreign banks continued to dominate the banking sector in terms of total assets, loans and deposits. These were followed by banks partly owned by the Government. With regard to profitability, subsidiaries of foreign banks accounted for the largest portion of the banking industry profit before tax (Table 3.11).

Table 3.11: Distribution of the Assets, Loans and Deposits by Ownership Type (%), 2014 - 2016

	2014				2015				2016			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	65.8	66.5	64.6	69.2	69.9	70.3	69.3	81.5	70.8	68.1	70.4	97.2
Banks with Government stake	18.6	18.5	19.1	18.2	16.6	17.2	17.1	15.1	16.6	19.6	17.7	8.9
Local private banks	15.7	15.0	16.3	12.6	13.1	12.5	13.5	3.4	12.6	12.3	11.9	-6.1
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Bank of Zambia

Bank Branches

The number of bank branches and agencies increased to 408 in 2016 from 391 in 2015 (Table 3.12). Bank branches continued to be concentrated in Lusaka and Copperbelt Provinces.

Table 3.12: Bank Branches, 2014 – 2016

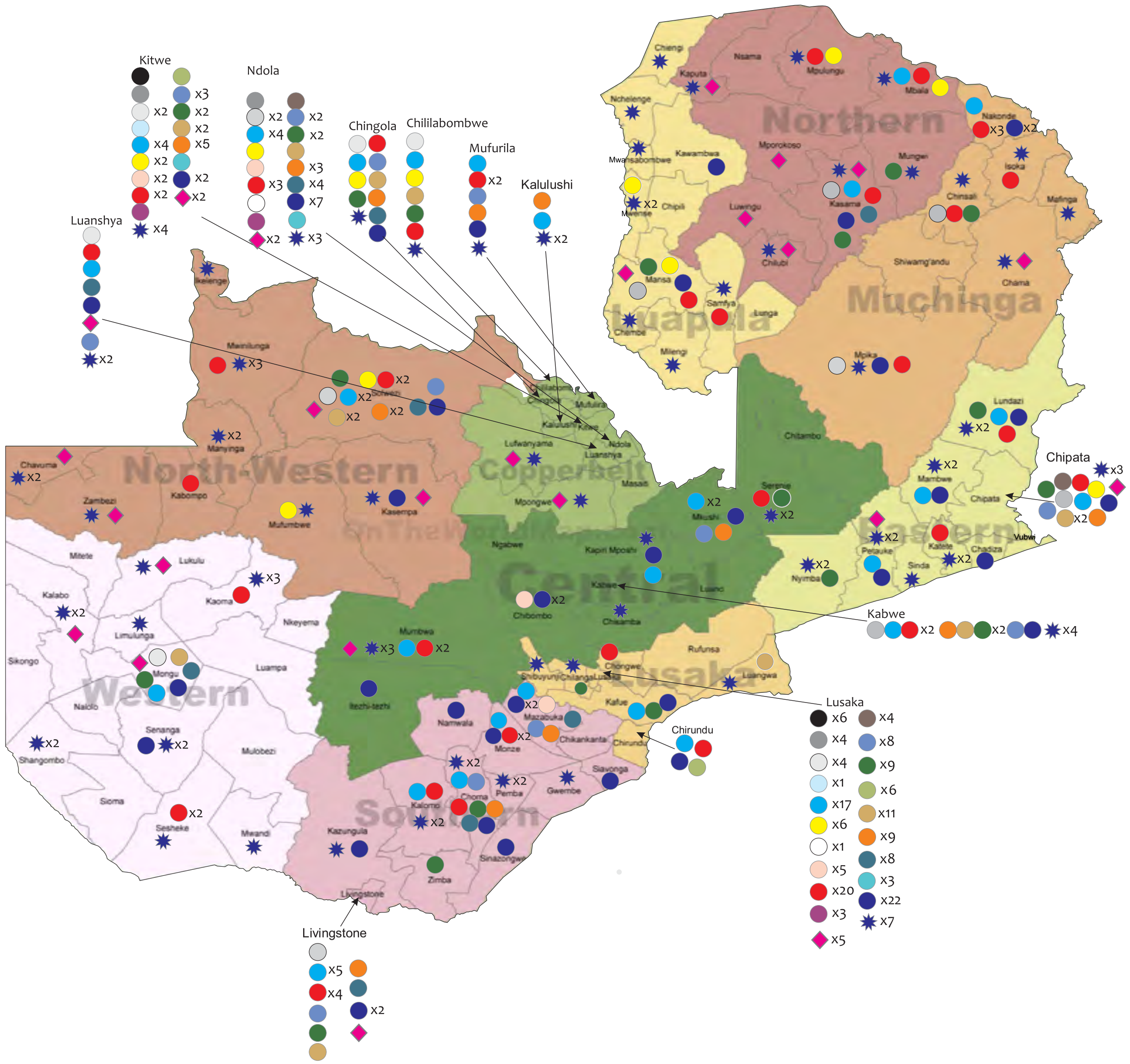
Bank	No. of Branches		
	2014	2015	2016
AB Bank Zambia	5	6	7
Access Bank Zambia	5	6	6
Banc ABC Zambia	17	20	20
Bank of China Zambia	2	2	2
Barclays Bank Zambia	54	56	56
Cavmont Bank	18	18	18
Citibank	2	2	2
Ecobank Zambia	9	10	10
Finance Bank	56	63	67
First Alliance Bank	4	5	5
First Capital Bank	3	5	5
First National Bank	17	21	24
Indo Zambia Bank	27	29	32
Intermarket Bank	7	7	7
Investrust Bank	25	25	25
Stanbic Bank Zambia	22	24	28
Standard Chartered Bank	21	21	21
United Bank for Africa	4	4	5
ZNCB	66	67	68
Total	**364**	**391**	**408**

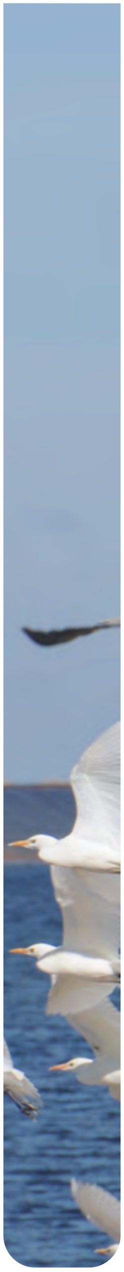
Source: Bank of Zambia

Commercial Banks Branch network in Zambia in 2016

Key

- AB Bank Zambia
- Access Bank Zambia
- BancABC Zambia
- Bank of China Zambia
- ZANACO Express
- National Savings and Credit Bank
- Barclays Bank Zambia
- Cavmont Bank
- Citibank
- Ecobank Zambia
- Finance Bank
- First Alliance Bank
- First Capital Bank
- First National Bank
- Indo Zambia Bank
- Intermarket Bank
- Investrust Bank
- Stanbic Bank Zambia
- Standard Chartered Bank
- United Bank for Africa
- ZNCB





REGULATORY POLICY AND LICENSING DEVELOPMENTS

Regulatory Developments

The Bank of Zambia issued Corporate Governance Directives. The Directives were gazetted (Government Gazette Notice No. 237 of 2016) in April 2016.

In accordance with Section 81 of the Banking and Financial Services Act (BFSA), the Bank took possession of Intermarket Banking Corporation Zambia Limited to undertake a comprehensive assessment of the financial condition of the bank.

Licensing

One banking license was granted by the Registrar of Banks, Financial Institutions and Financial Businesses in 2016.

Acquisition

The Bank of Zambia granted approval to Atlas Mara Co-Nvest Limited (Atlas Mara) to acquire Finance Bank Zambia Plc (FBZ) through its shareholding in African Banking Corporation (BancABC) Zambia.

3.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

The number of Non-Bank Financial Institutions (NBFIs) fell to 122[20] in 2016 from 126 in 2015 (Table 3.13). This was mainly due to the reduction in the number of bureaux de change, leasing finance and microfinance institutions.

Table 3.13: Structure of Non-Bank Financial Institutions, 2014 – 2016

Type of Institution	Number of Institutions		
	2014	2015	2016
Leasing Finance Institutions	9	10	8
Building Societies	4	4	4
Bureaux de Change	66	74	73
Savings and Credit Institutions	1	1	1
Microfinance Institutions	34	35	34
Development Finance Institutions	1	1	1
Credit Reference Bureaux	1	1	1
Total	**116**	**126**	**122**

Source: Bank of Zambia

The overall financial performance and condition of the NBFIs sector was rated fair. The regulatory capital position and liquidity were rated satisfactory while asset quality, earnings performance and sensitivity to market risk were rated unsatisfactory. Consumer and enterprise-lending microfinance and building societies sub-sectors accounted for 67.7% of the NBFIs total assets and had satisfactory regulatory capital, asset quality and liquidity (Table 3.14).

Of the 107 rated NBFIs, 8 institutions were strong, 34 were satisfactory, 36 were fair, and 24 were marginal, while 5 were unsatisfactory on account of regulatory capital deficiency (Table 3.14).

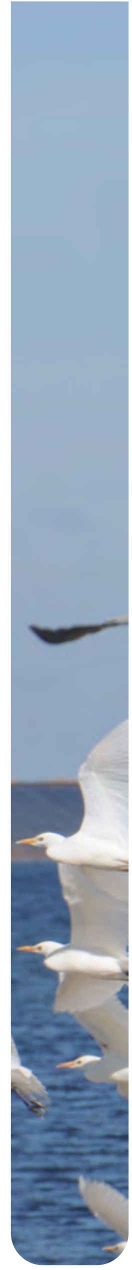


Table 3.14: Performance Ratings and Financial Condition, 2014 – 2016

Performance Rating	Licence Type	Number of Institutions			% of Total Assets for 2016
		2014	2015	2016	
Strong	Deposit - taking	1	1	2	12.4
	Non- Deposit -taking	7	7	6	21.0
Satisfactory	Deposit - taking	2	5	6	27.0
	Non - Deposit - taking	24	28	28	20.3
Fair	Deposit - taking	4	2	2	12.7
	Non- Deposit - taking	34	32	34	2.3
Marginal	Deposit - taking	1	1	1	1.0
	Non - Deposit - taking	19	15	23	3.6
Unsatisfactory	Deposit - taking	5	6	3	2.6
	Non - Deposit - taking	1	0	2	2.1
Total		**98**	**108**	**107**[21]	**100**

Source: Bank of Zambia

PERFORMANCE AND CONDITION OF THE SUB-SECTORS

LEASING FINANCE INSTITUTIONS

The overall financial condition and performance of the leasing finance sub-sector was rated unsatisfactory in 2016 (Table 3.15). Only liquidity was rated fair while the rest of the performance indicators were rated unsatisfactory.

Table 3.15: Composite Rating for the Leasing Finance Sub-Sector, 2014 – 2016

Performance Category	Composite Rating Scale	Number of Leasing Companies			Proportion of Industry Assets (%)		
		2014	2015	2016	2014	2015	2015
Strong	1.0 - 1.5	2	0	0	45.0	0.0	0.0
Satisfactory	1.6 - 2.4	1	1	2	28.0	22.0	45.0
Fair	2.5 - 3.4	0	4	0	0.0	75.0	0.0
Marginal	3.5 - 4.4	2	2	3	26.0	2.0	11.5
Unsatisfactory	4.5 - 5.0	1	2	1	1.0	1.0	43.5
Total		**6**	**9**	**6**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Assets

Total assets declined by 8.7% to K0.6 billion at end-December 2016. The decrease was mainly driven by the 31.9% fall in net loans and leases to K0.3 billion following the increase in the provision for losses. The asset structure of the leasing sub-sector was dominated by loans and advances (Table 3.16)

Table 3.16: Asset Structure of the Leasing Finance Sub-sector (%), 2014-2016

Asset Class	2014	2015	2016
Loans and advances	71.2	70.1	70.9
In vestments in Government Securities	0.0	0.0	0.0
Balances with Foreign Financial Institutions	0.0	0.0	0.0
Balances with Domestic Institutions	7.6	8.6	7.6
Other	21.2	22.3	21.5
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

[21]The total number of licensed NBFIs was 122. Out of the 122 licensed, 5 had not yet started reporting as at the reporting date while 9 institutions had been sanctioned for non-compliance. The other institution is a credit reference bureau that is not required to submit prudential returns.

Liabilities

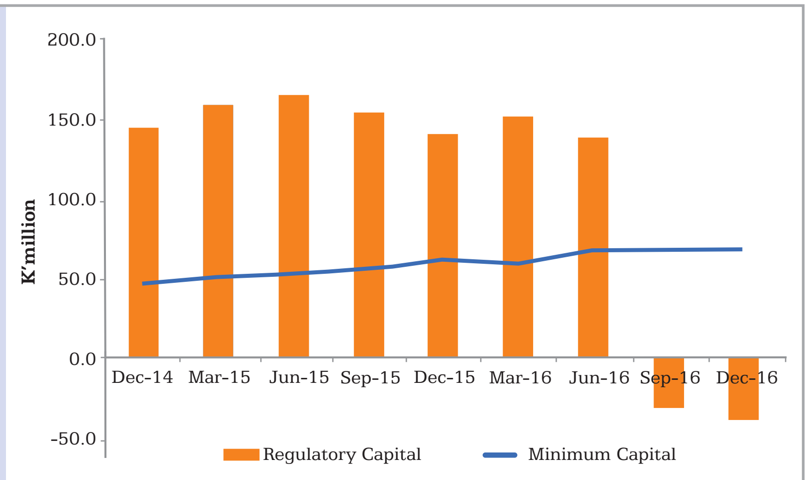
Total liabilities grew by 45.6% to K634.0 million in 2016 mainly on account of the increase in balances due to both domestic and foreign institutions. Balances due to domestic institutions grew by 17.6% to K193.6 million while borrowings from foreign institutions went up by 44.5% to K154.2 million at end-December 2015. Shareholder loans and borrowings from foreign institutions constituted the largest funding proportions at 38.2% and 25.9%, respectively.

Capital Adequacy

The sub-sector regulatory capital was unsatisfactory at end-December 2016. The regulatory capital at negative K38.6 million, was below the required minimum capital of K68.9 million, resulting in a capital deficiency of K107.5 million. The regulatory capital declined from K140.5 million at end-December 2015 due to a rise in the provision for loan and lease losses of K251.2 million to K284.7 million at end-December 2016 (Chart 3.9).

Chart 3.9:

Leasing Finance Regulatory Capital, K'billion, 2014-2016



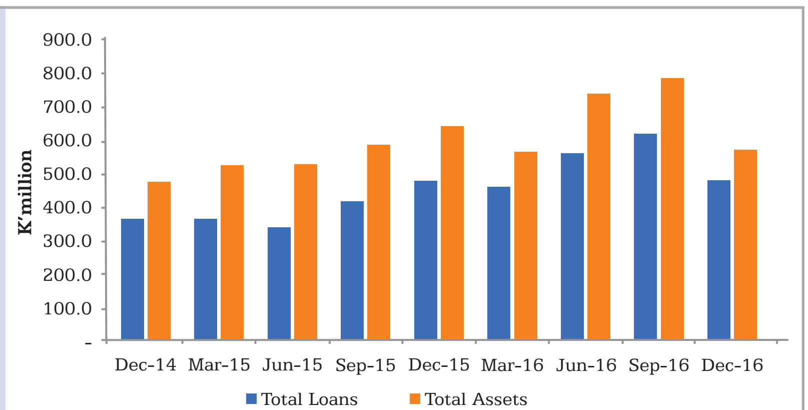
Source: Bank of Zambia

Asset Quality

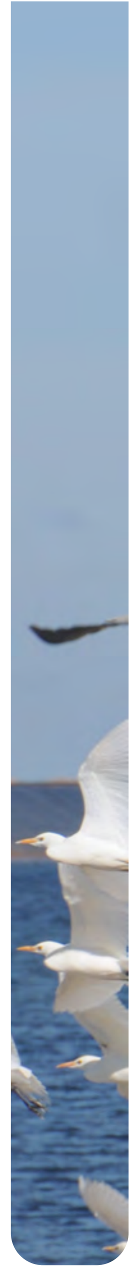
The asset quality of the sub-sector was unsatisfactory as at end-December 2016. The ratio of gross NPLs to total loans deteriorated to 50.4% from 12.4% at end-December 2015. The rise in the ratio was largely attributed to one leasing institution, which had an NPL ratio of 82.0%. However, the NPL coverage ratio improved to 92.5% from 50.7% at end-December 2015 (Chart 3.10).

Chart 3.10:

Leasing Finance Total Assets and Total Loans and Leases (K'million), 2014-2016



Source: Bank of Zambia

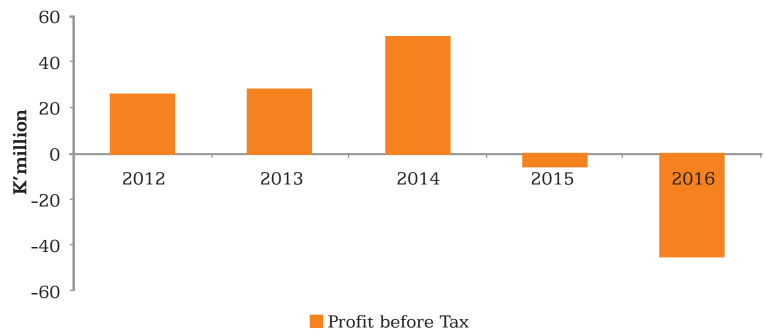


Earnings Performance

The earnings performance of the leasing finance sub-sector was unsatisfactory in 2016. The sub-sector's loss before tax deteriorated to K45.1 million from K5.8 million in 2015 (Chart 3.11). The loss was largely due to an increase in provisions for loan losses of K251.2 million to K284.7 million. This followed a rise in NPLs. The increase in NPLs also led to a 31.3% drop in interest income to K87.2 million from K126.9 million in the previous year.

Chart 3.11:

Leasing Finance Profit before Tax K'million, 2012-2016



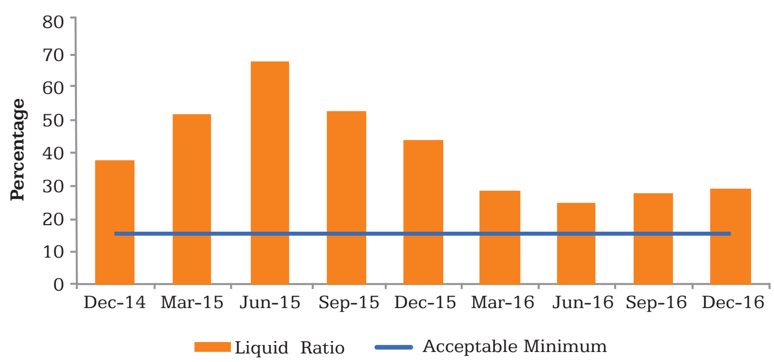
Source: Bank of Zambia

Liquidity

The liquidity position of the leasing finance sub-sector was satisfactory. The ratio of liquid assets to total deposits and short-term liabilities was 23.5% in 2016 compared to 43.7% in 2015 (Chart 3.12). The increase in the ratio was largely due to a proportionately higher increase in liquid assets of 76.1% compared to the increase in total deposits and short-term liabilities of 42.2%.

Chart 3.12:

Leasing Finance Liquidity Trend, 2014 -2016



Source: Bank of Zambia

Foreign Exchange Exposure

The foreign exchange exposure of the leasing finance sub-sector was unsatisfactory. The sub-sector's overall foreign exchange exposure at 53.6% of regulatory capital was above the maximum prudential limit of 25.0%. The overall foreign exchange exposure also reflected an increase from 18.7% at end-December 2015. The increase in the foreign exchange exposure was largely as a result of the growth in foreign denominated liabilities by 32.1% to K140.1 million as at end-December 2016.

BUILDING SOCIETIES

The overall financial performance and condition of the building societies sub-sector was fair (Table 3.17). Regulatory capital and earnings performance were rated satisfactory while asset quality, liquidity management and foreign currency exposure were rated unsatisfactory.

Table 3.17: Composite Rating for the Building Societies Sub-Sector, 2014 – 2016

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2014	2015	2016	2014	2015	2016
Strong	1.0 - 1.5	0	0	0	0	0	0
Satisfactory	1.6 - 2.4	0	2	2	0	93	75
Fair	2.5 - 3.4	1	0	0	73	0	0
Marginal	3.5 - 4.4	1	0	0	20	0	0
Unsatisfactory	4.5 - 5.0	1	1	1	7	7	25
Total		3	3	3	100	100	100

Source: Bank of Zambia

Assets

Total assets increased by 3.7% to K1,033.7 million at end-December 2016. The increase was driven by balances with domestic institutions which rose by 6.6% to K116.9 million at end-December 2015. The asset structure of the sub-sector was dominated by loans and advances which accounted for 79.1% of total assets (Table 3.18).

Table 3.18: Asset Structure of Building Societies Sub-Sector (%), 2014-2016

Asset Class	2014	2015	2016
Loans and advances	68.3	78.8	79.1
Investments in Government Securities	6.5	6.3	4.3
Balances with Foreign Financial Institutions	0.0	0.8	2.4
Balances with Domestic Institutions	25.0	14.0	13.0
Others	0.2	0.1	1.2
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

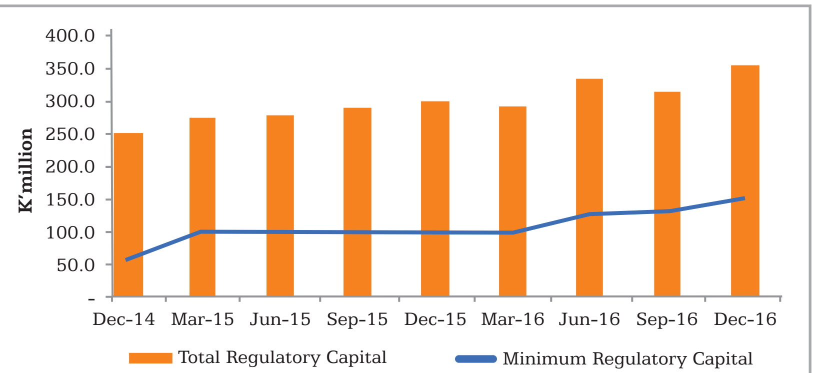
Total liabilities grew by 17.0% to K779.7 million in 2016 mainly on account of increases in both balances due to domestic and foreign institutions. Deposits, at 54.3%, continued to constitute the largest component of the sector's total liabilities.

Capital Adequacy

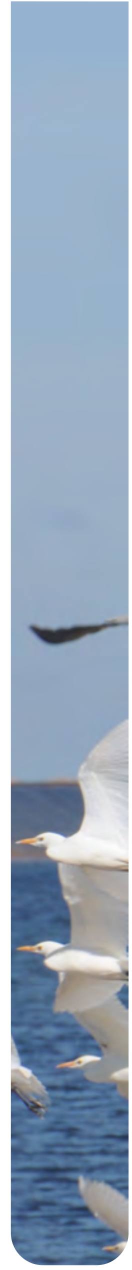
The regulatory capital position of the sub-sector was satisfactory at end-December 2016. The regulatory capital ratio, at 23.2%, was above the minimum prudential limit of 10.0% but lower than the previous year's ratio of 30.1%. The decline was on account of a proportionately higher increase of 17.7% in risk-weighted assets (RWA) compared to the increase of 12.9% in regulatory capital. The growth in regulatory capital was largely attributed to a profit after tax of K51.2 million while the increase in RWA was due to an increase of 6.9% in the loan portfolio (Chart 3.13).

Chart 3.13:

Building Societies Regulatory Capital (K'million), 2014-2016



Source: Bank of Zambia



Asset Quality

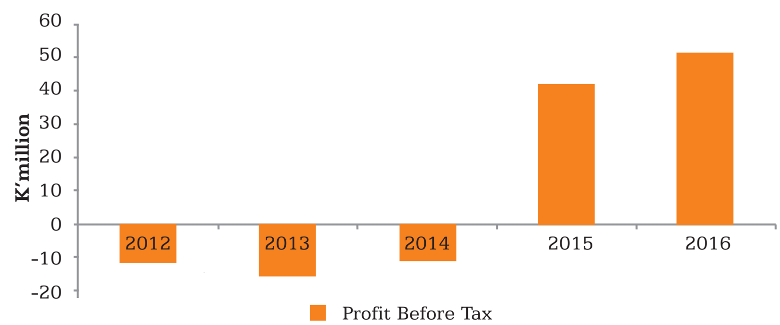
Asset quality of the sub-sector was unsatisfactory due to the rise in the gross NPL ratio. The ratio deteriorated to 18.2%, exceeding the prudential maximum limit of 10.0% from 10.1% in 2015. The NPL coverage ratio of 72.4% was an improvement from 64.9% in 2015. Earning assets accounted for 65.6% of total assets, out of which mortgages and loans accounted for 92.9%.

Earnings Performance

The earnings performance in 2016 was satisfactory. The return-on-assets ratio rose to 5.1% from 4.8% in the previous year, due to a rise in profit before tax to K51.2 million (Chart 3.14). The profit before tax was attributed to the increase in both interest and non-interest income. The rise in non-interest income was largely due to debt write-off in favour of one of the building societies.

Chart 3.14:

Building Societies Profit before Tax (K'million), 2014-2016



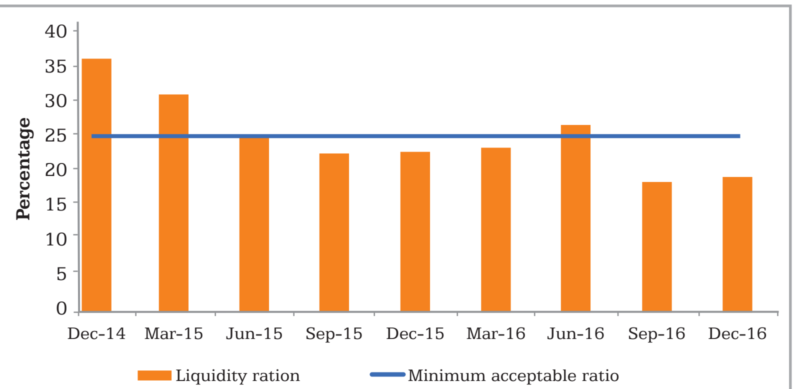
Source: Bank of Zambia

Liquidity

The liquidity position of the sub-sector was rated unsatisfactory at end December 2016. The ratio of liquid assets to total deposits and short-term liabilities at 19.2% in 2016 was below the prudential minimum ratio of 25.0% from 22.8% in 2015 (Chart 3.15). The ratio declined largely on account of a 17.5% fall in liquid assets to K125.1 million as institutions in the sub-sector grew their loan books.

Chart 3.15:

Building Societies Liquidity Ratio, 2014-2016



Source: Bank of Zambia

MICROFINANCE INSTITUTIONS

Enterprise-Lending Microfinance Institutions[22]

The overall financial condition and performance of the Enterprise-Lending Microfinance Institutions (MFIs) sub-sector continued to be rated fair. The sub-sector's capital position and asset quality were rated fair while earnings performance was rated unsatisfactory.

Assets

Total assets increased by 8.4% to K456.2 million in 2016 due to investments in Government securities and balances with other financial institutions. The asset structure of the sub-sector was dominated by loans and advances (Table 3.19).

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

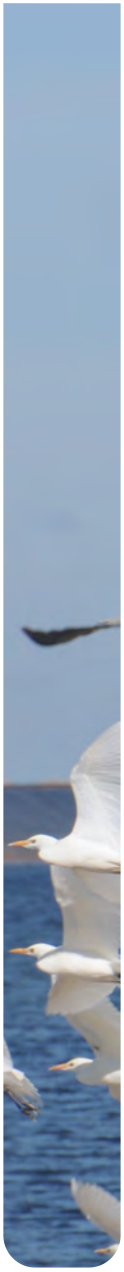


Table 3.19: Asset Structure of the Enterprise-Lending MFI Subs-Sector (%), 2014-2016

Asset Class	2014	2015	2016
Loans and advances	80.0	80.4	72.4
Investments in Government Securities	3.2	0.5	3.3
Balances with Foreign Financial Institutions	0.0	0.0	0.0
Balances with Domestic Institutions	5.6	6.0	10.0
Other	11.2	13.1	14.3
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

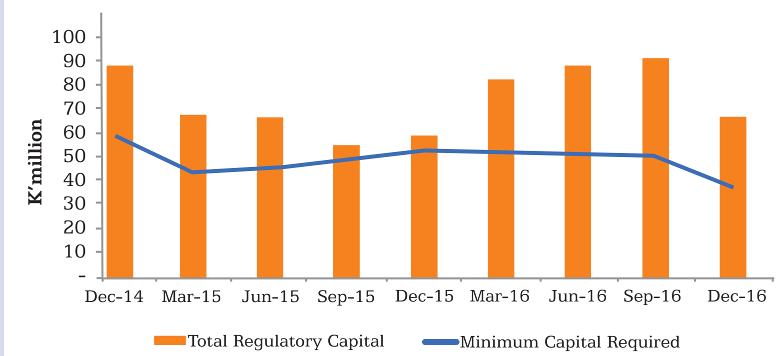
Total liabilities grew by 15.0% to K371.0 million in 2016. Borrowing from foreign institutions and deposits constituted the largest proportions of liabilities at 45.9% and 25.4%, respectively.

Capital Adequacy

The regulatory capital of the sub-sector was rated fair at 31 December 2016. The regulatory capital ratio at 24.3% was above the required minimum capital ratio of 15.0% of risk-weighted assets (Chart 3.16). The improvement in regulatory capital was mainly due to adjustments of K40.4 million relating to retained earnings for three MFIs that were under compulsory liquidation.

Chart 3.16:

Regulatory Capital of Enterprise-Lending MFI Sub-Sector (K'million), 2014-2016



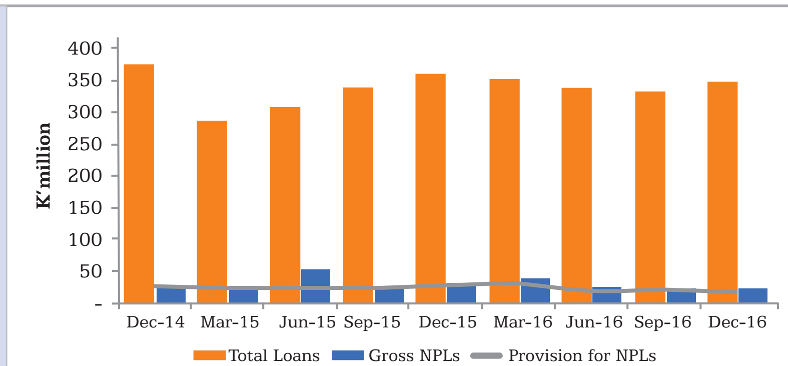
Source: Bank of Zambia

Asset Quality

The asset quality of the sub-sector was rated satisfactory in 2016 as reflected by the NPL ratio of 7.1%, which was below the maximum prudential limit of 10.0%. This reflected an improvement over the 2015 position of 9.0%. The improvement in the NPL ratio was driven by a 3.1% decrease in gross loans to K347.8 million which was lower than the 18.6% reduction in NPLs to K24.6 million (Chart 3.17). The NPL coverage ratio, though satisfactory at 71.4%, declined from 86.3% at end-December 2015.

Chart 3.17:

Total Loans, Gross Non-Performing Loans and Provisions for Non-Performing Loans (K'million) ,2014-2016



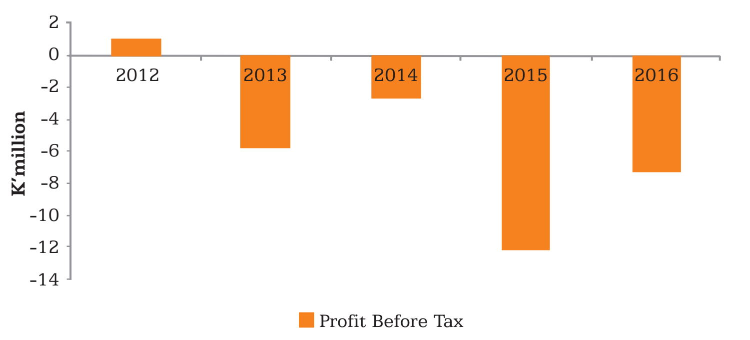
Source: Bank of Zambia

Earnings Performance

The earnings performance was rated unsatisfactory. The sector recorded a loss before tax of K7.3 million compared to K12.2 million in 2015 (Chart 3.18). The decrease in the loss before tax was largely attributed to a 34.5% rise in interest income to K178.4 million due to a 6.5 percentage point increases in the average loan yield rate to 49.6%.

Chart 3.18:

Profit before Tax - MFI Sub-Sector (K'million), 2014-2016



Source: Bank of Zambia

Consumer-Lending Microfinance Institutions

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

Assets

The total assets of the sub-sector increased by 5.3% to K3.0 billion mainly driven by 4.3% growth in net loans to K2.6 billion. The asset structure of the sub-sector was dominated by loan and advances (Table 3.20).

Table 3.20: Asset Structure of the Consumer-Lending MFI Sub-Sector (%), 2014-2016

Asset Class	2014	2015	2016
Loans and advances	85.0	86.5	85.7
Investments in Government Securities	0.0	0.1	0
Balances with Foreign Financial Institutions	0.0	0.0	0.1
Balances with Domestic Institutions	6.6	3.3	6.8
Other	8.4	10.1	7.4
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

Total liabilities grew by 48.4% to K2.4 billion in 2016 mainly on account of an increase in balances due to foreign institutions. Shareholder loans constituted the largest proportion of liabilities at 65.8%.

Capital Adequacy

The regulatory capital position of the sub-sector was rated satisfactory as the regulatory capital ratio at 37.7%, was above the minimum required of 15.0% largely due to a 30.5% increase in regulatory capital to K1.3 billion (Chart 3.19).

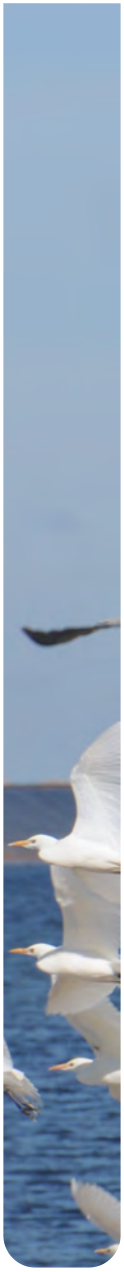
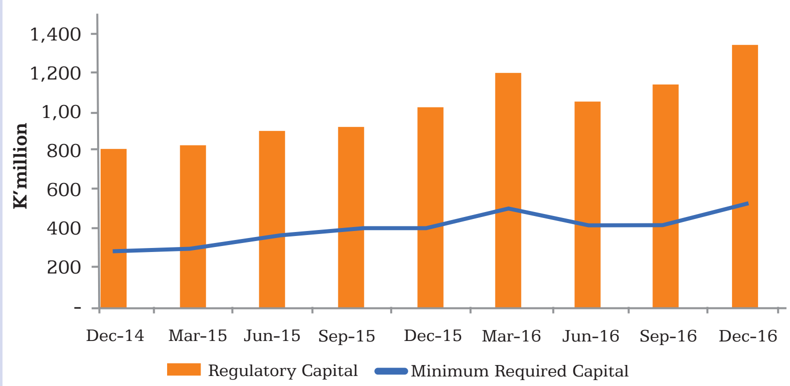


Chart 3.19:

Regulatory Capital of the Consumer-Lending MFI Sub-Sector (K'million), 2014-2016



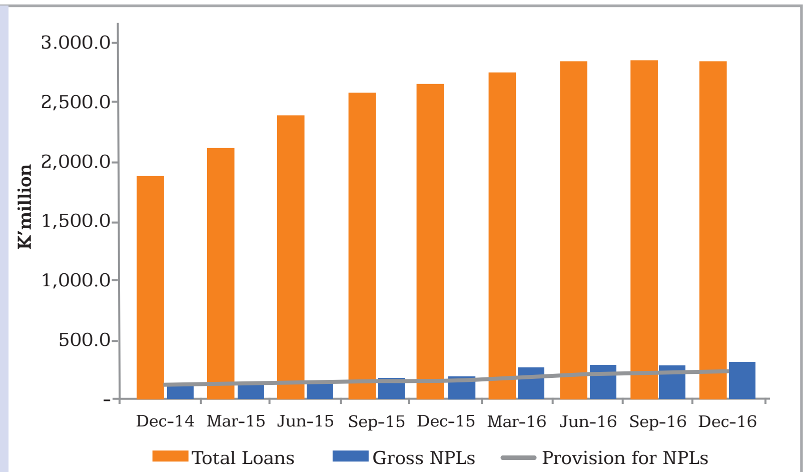
Source: Bank of Zambia

Asset Quality

The asset quality of the sub-sector was rated marginal at end-December 2016. The ratio of gross NPLs to gross loans increased to 10.7% from 6.8% at end-December 2015, and was marginally above the maximum acceptable limit of 10.0%. The increase in the NPL ratio was due to a 26.1% increase in NPLs to K302.6 million, which was higher than the 7.0% increase in gross loans (Chart 3.20). The NPL coverage ratio, at 75.4%, was rated fair though it declined from the end-December 2015 position of 83.3% due to an increase in gross NPLs.

Chart 3.20:

Total Loans, Gross Non-Performing Loans and Provisions for Non-Performing Loans- Consumer-Lending Microfinance (K'million), 2014-2016



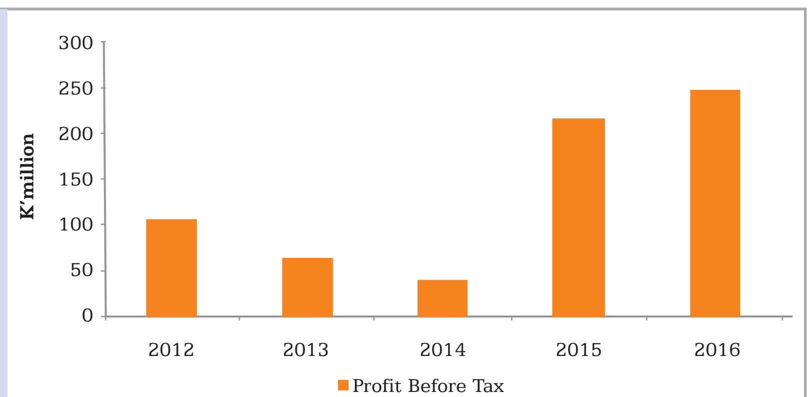
Source: Bank of Zambia

Earnings Performance

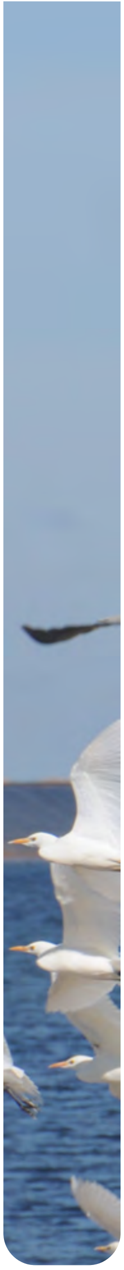
The earnings performance of the sub-sector was rated satisfactory in the period under review. The return on assets increased to 8.1% from 8.0% in 2015 due to the rise in profit before tax which went up to K247.9 million from K215.7 million (Chart 3.21). The increase in profit before tax was largely attributed to the growth in interest income to K1.2billion in 2016 from K887.4 million.

Chart 3.21:

Profit before Tax of the Consumer-Lending Microfinance (K'million), 2012-2016



Source: Bank of Zambia



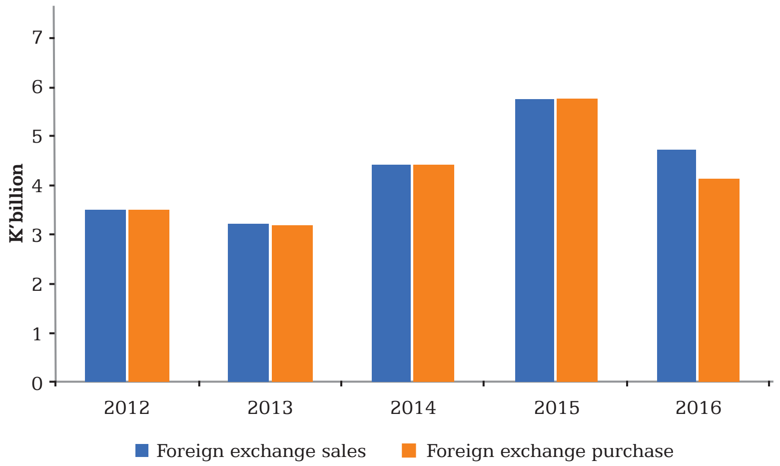
BUREAUX DE CHANGE

The bureau de change sub-sector was adequately capitalised as at end-December 2016. All the bureaux de change met the minimum paid-up capital of K250, 000.00. The sub-sector's aggregate capital and reserves increased by 3.7% to K61.4 million at end-December 2016. This was on account of new paid-up capital from the three bureaux de change that commenced operations during the year.

The value of foreign currency sold, in Kwacha terms, decreased by 17.6% to K4.7 billion from K5.7 billion in 2015. The value of foreign currency purchased also decreased by 29.4% to K4.1 billion in 2016 compared to K5.8 billion in 2015 (Chart 3.22).

Chart 3.22:

Bureau De Change Volumes of Transactions (K'billion), 2012-2016



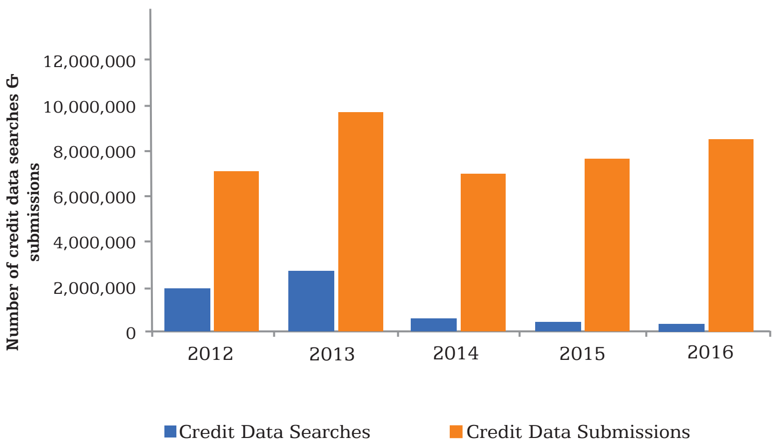
Source: Bank of Zambia

OPERATIONS OF THE CREDIT REFERENCE BUREAU

The total number of credit files submitted to the Credit Reference Bureau (CRB) increased to 8,521,791 in 2016 from 7,675,751 in 2015. However, the total number of credit reports searched declined to 374,811 from 456,125 over the same period owing to lower credit extension largely caused by tight liquidity conditions (Chart 3.23).

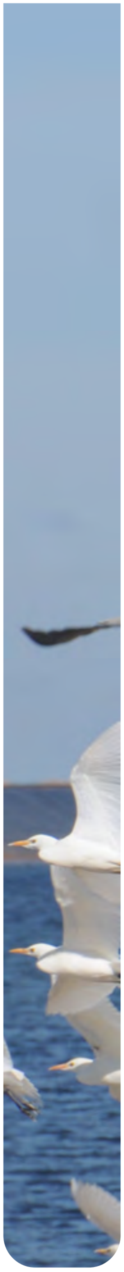
Chart 3.23:

Trend of use of Credit Reference System by Financial Service Providers 2012 - 2016



Source: Credit Reference Bureau Africa/TransUnion

The total credit account records on the Credit Reference Bureau Africa Limited (CRBAL) database increased to 2,436,510 in 2016 from 2,209,048 in 2015. Further, the total number of persons (both natural and corporates) on the CRBAL database increased to 1,469,916 from 1,308,463 in the previous year. Individuals (natural persons) comprised the largest portion of customers on the CRBAL database at 1,119,280 compared to 1,010,118 in 2015. The total corporate persons' records increased to 350,636 in 2016 from 298,345 in 2015.



REGULATION, SUPERVISION AND FINANCIAL INCLUSION

Licencing

During the year, eight NBFIs licences were granted, seven were revoked, and three NBFIs were placed under liquidation (Table 3.21).

Table 3.21: Licences Issued and Revoked in 2016

Licences Issued	
Bureau de Change	**Date Licensed**
1. Ka sinja Bureau de Change Limited	3-Feb-16
2. Contech Bureau de Change Limited	27-Jun-16
3. Khondwani Bureau de Change Limited	27-Jun-16
Microfinance Institution	
1. JMAAC	16-Mar-16
2. Altus Financial Services Limited	6-Sep-16
3. Premier Choice Finance Limited	6-Sep-16
4. YesCash Zambia Limited	9-Dec-16
Leasing and Finance Company	
Tsusho Capital Limited	10-Apr-16
Licences Revoked	
Bureau de Change	**Date Revoked**
1. Manna Bureau de Change Ltd	25-Jul-16
2. Supernova Bureau de Change Ltd	21-Nov-16
Leasing Company	
1. Nu-Bridge Financial Services Limited	14-Jun-16
2. Prime Circle Microfinance Limited	17-Oct-16
3. Micro Bankers Trust	1-Nov-16
4. Metropolitan Finance Corporation Limited	21-Nov-16
Leasing Company	
Afgri Leasing Limited	4-Oct-16
Institutions Liquidated	
Microfinance Institution	**Date Liquidated**
1. Genesis Finance Limited	2-Aug-16
2. CETZAM Limited	2-Aug-16
3. Commercial Leasing Limited	2-Aug-16

Source: Bank of Zambia

The branch network of NBFIs increased to 349 in 2016 from 334 in 2015 on account of new branches approved. The new branches comprised 13 bureaux de change, one building society and one savings and credit institution, (see Tables 3.22, 3.23 and 3.24).

Table 3.22: Bureaux de Change Branches approved in 2016

No	Name of Institution	No. of Branches	Date Approved
1	Zamica Bureau de change Limited	2	
	· Livingstone; and		11-May-16
	· Nakonde		11-May-16
2	Golden Coin Bureau de Change Limited -	5	
	· Cosmopolitan Mall;		16-Mar-16
	· Embassy Mall;		19-Feb-16
	· Society Building Society Lusaka, Livingstone and Solwezi		8-Jun-16
4	C & A Bureau de Change Limited-	2	
	· Cosmopolitan Mall Lusaka; and		18-Feb-16
	· Solwezi Mall, Solwezi		13-Jun-16
5	Top Rate Bureau de Change Limited-East Park Mall, Lusaka	1	29-Apr-16
6	Superstar Bureau de Change Limited-Cosmopolitan Mall Lusaka	1	6-Jul-16
7	Stero Bureau de Change Limited-Solwezi	1	28-Nov-16
8	Dondou Bureau de Change Limited-Mukuba Mall, Kitwe	1	10-Nov-16
	Total	13	

Source: Bank of Zambia

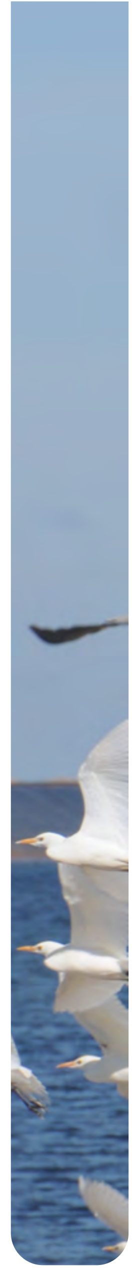


Table 3.23: Building Societies Branches Approved in 2016

Name of Institution	No. of Branches	Date Approved
Zambia National Building Society-Nyimba	1	5 Dec 2016

Source: Bank of Zambia

Table 3.24: Savings and Credit Institutions Branches Approved in 2016

Name of Institution	No. of Branches	Date Approved
National Savings and Credit Bank-Choma	1	12 Dec 2016

Source: Bank of Zambia

Collateral Registry

The Movable Property (Security Interest) Regulations and the Movable Property Security Interest (Fees) Regulations were gazetted in 2016. The two Regulations were issued to operationalise the Movable Property (Security Interest) Act No. 3 of 2016.

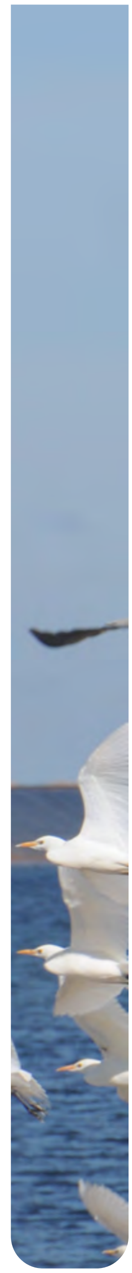
Admission of the NBFIs to the Zambia Electronic Clearing House

The Bank of Zambia and the Bankers Association of Zambia permitted NBFIs to participate directly in the Zambia Electronic Clearing House for clearing cheques and electronic funds transfer (EFT). This measure is aimed at addressing the challenge of delays experienced by customers of NBFIs in the clearance of cheques and EFTs and to enhance financial inclusion.

Financial Education

The Bank of Zambia continued to conduct financial literacy campaigns. In this regard, the 2016 World Savings Day under the theme 'A better life through saving – open your account now' was commemorated on 31 October 2016. In addition, a concept note on developing mechanisms to encourage outreach of financial services to rural areas was also developed.

4.0 BANKING, CURRENCY AND PAYMENT SYSTEMS



4.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

The Bank continued the implementation of the Clean Note Policy, the provision of banking services to both Government and commercial banks as well as the development, management and oversight of the national payment systems.

4.1 BANKING

Commercial Bank Current Accounts

The Bank closely monitored commercial banks' current accounts to ensure that all the transactions processed were settled on time. In general, commercial banks operated the current accounts in a satisfactory manner, with most transactions settled on time. However, there were transactions that were not settled on time due to insufficient funds on settlement accounts.

Banking Services to Government

The BoZ continued to provide banking services to Government to facilitate revenue collections and transfer of funds to Ministries, Provinces and Spending Agencies (MPSAs). The Bank worked with the Ministry of Finance to facilitate the rollout of the Treasury Single Account (TSA) to other MPSAs. In 2016, The following eight ministries and one Government department were migrated to the TSA:

1. Ministry of Agriculture;
2. Ministry of Local Government
3. Ministry of Higher Education;
4. Ministry of Commerce Trade and Industry;
5. Ministry of Youth, Sports and Child Development;
6. Ministry of Health;
7. Ministry of General Education;
8. Ministry of National Planning and Development; and
9. Office of the Auditor General

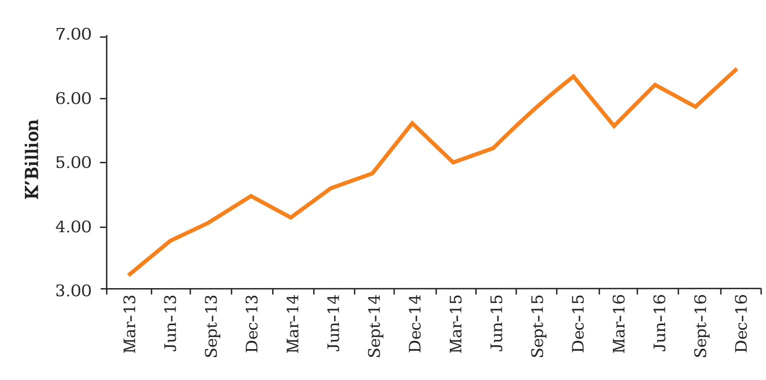
4.2 CURRENCY

Currency in Circulation

In 2016, currency in circulation (CIC) increased by 1.7% to K6.4 billion (Chart 4.1 and Table 4.1). The bulk of this currency was in banknotes, which accounted for 97.9% (K6.3 billion) while coins constituted 2.1% (K0.1 billion).

Chart 4.1:

Currency in Circulation (K'billion), Dec. 2013 - Dec.2016



Source: Bank of Zambia

Table 4.1: Currency in Circulation 2014 - 2016

	Values (ZMW)			Pieces		
	2014	2015	2016	2014	2015	2016
K100	3,217,801,900	4,228,092,400	4,631,055,100	32,178,019	42,280,924	46,310,551
K50	1,593,372,810	1,401,959,700	1,165,800,850	31,867,456	28,039,194	23,316,017
K20	435,876,510	331,886,130	278,325,730	21,793,826	16,594,307	13,916,287
K10	175,339,875	150,765,555	126,280,450	17,533,988	15,076,556	12,628,045
K5	72,328,996	83,994,111	77,851,669	14,465,799	16,798,822	15,570,334
K2	47,920,186	40,210,705	38,666,312	23,960,093	20,105,352	19,333,156
K1	38,336,145	56,908,548	73,951,556	38,336,145	56,908,548	73,951,556
50N	34,296,384	43,426,637	48,358,940	68,592,768	86,853,273	96,717,879
10N	4,935,084	6,636,440	7,609,240	49,350,845	66,364,405	76,092,405
5N	2,977,225	3,239,225	3,618,425	59,544,503	64,784,503	72,368,502
Total	**5,623,185,115**	**6,347,119,451**	**6,451,518,271**	**357,623,441**	**413,805,883**	**450,204,730**

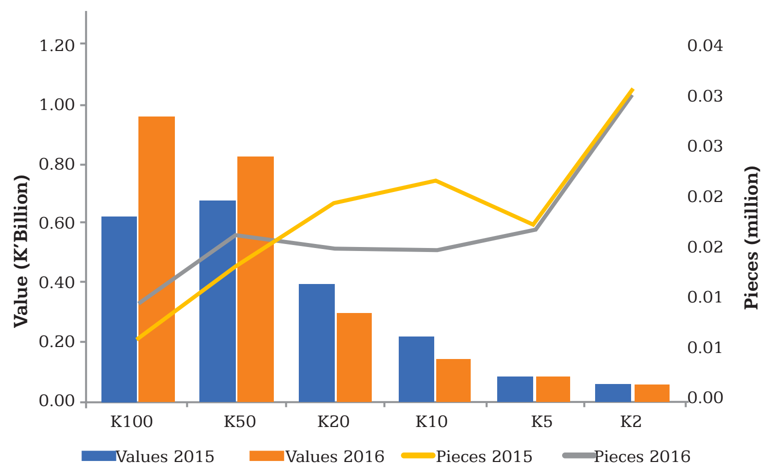
Source: Bank of Zambia

Currency Management

In implementing the Clean Note Policy, the Bank withdrew a total of 103.0 million pieces of soiled banknotes from circulation in 2016 valued at K2.4 billion compared to 109.4 million pieces valued at K2.1 billion in 2015. In value terms, the bulk of the currency withdrawn was in high value banknotes (K100 and K50) which accounted for 75.0% (Chart 4.2 and Table 4.2.).

Chart 4.2:

Currency Withdrawn from Circulation, 2015-2016

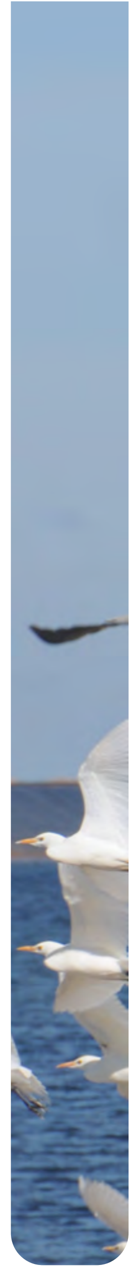


Source: Bank of Zambia

Table 4.2: Currency Withdrawn from Circulation 2014 - 2016

	Values (ZMW)			Pieces		
	2014	2015	2016	2014	2015	2016
K100	404,437,650	622,716,100	959,764,700	4,044,377	6,227,161	9,597,647
K50	685,929,825	675,129,375	826,106,525	13,718,597	13,502,588	16,522,131
K20	521,926,210	394,898,020	300,557,370	26,096,311	19,744,901	15,027,869
K10	228,158,070	217,933,475	148,583,665	22,815,807	21,793,348	14,858,367
K5	70,389,053	87,372,513	85,118,758	14,077,811	17,474,503	17,023,752
K2	49,476,059	61,376,006	60,012,838	24,738,030	30,688,003	30,006,419
Total	**1,960,316,867**	**2,059,425,489**	**2,380,143,856**	**105,490,931**	**109,430,503**	**103,036,183**

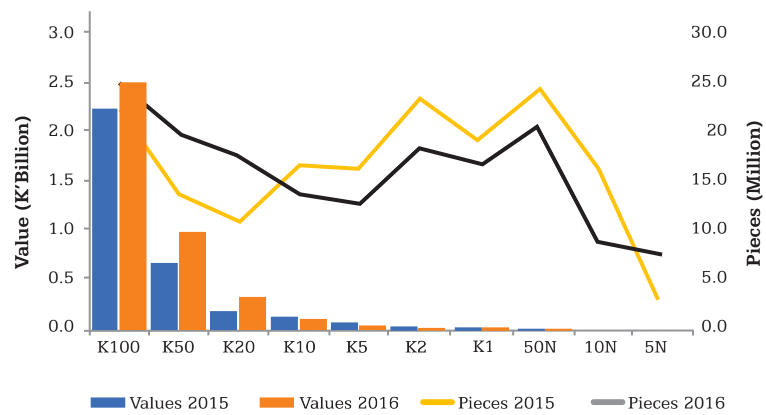
Source: Bank of Zambia



In 2016, the Bank issued into circulation 163.1 million pieces of mint banknotes and coins valued at K4.1 billion compared to 167.7 million pieces valued at K3.5 billion in 2015. In value terms, the bulk of the currency issued were high value banknotes: K100 (60.5%) and K50 (24.4%). The low value banknotes (K2 and K5) and middle value banknotes (K10 and K20) both accounted for 14.4% while coins accounted for 0.7% (Chart 4.3 and Table 4.3).

Chart 4.3:

Currency issued into Circulation 2015-2016



Source: Bank of Zambia

Table 4.3: New Currency Issued 2014 – 2016

	Values (ZMW)			Pieces		
	2014	2015	2016	2014	2015	2016
K100	1,213,100,000	2,247,500,000	2,505,800,000	12,131,000	22,475,000	25,058,000
K50	818,750,000	692,750,000	01,10,500,000	16,375,000	13,855,000	20,210,000
K20	383,160,000	223,060,000	354,590,000	19,158,000	11,153,000	17,729,500
K10	284,180,000	168,130,000	140,300,000	28,418,000	16,813,000	14,030,000
K5	94,175,000	83,297,000	64,825,000	18,835,000	16,659,400	12,965,000
K2	80,790,000	46,899,960	37,154,000	40,395,000	23,449,980	18,577,000
K1	14,199,000	19,293,000	16,982,000	14,199,000	19,293,000	16,982,000
50N	14,145,000	12,211,500	10,415,500	28,290,000	24,423,000	20,831,000
10N	2,150,200	1,637,100	905,800	21,502,000	16,371,000	9,058,000
5N	948,400	159,349	384,250	18,968,000	3,186,980	7,685,000
Total	**2,905,597,600**	**3,494,937,909**	**4,141,856,550**	**218,271,000**	**167,679,360**	**163,125,500**

Source: Bank of Zambia

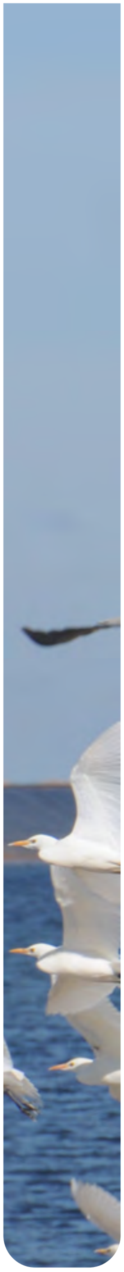
A total of 1,559 pieces of counterfeit notes were detected by the Bank and commercial banks in 2016 compared to 504 pieces in 2015, representing an increase of 209% (Table 4.4). The counterfeit notes were largely of poor quality produced using high resolution scanners.

In view of the increased counterfeits, the Bank conducted countrywide sensitization campaigns to educate the public on how to identify genuine banknotes and issued press releases alerting the public.

Table 4.4: Counterfeit Notes Detected, 2014-2016

Denomination	2014	2015	2016
K100	484	314	1,064
K50	128	136	357
K20	35	42	119
K10	6	4	6
K5	52	8	11
K2	-	-	2
Total	**705**	**504**	**1,559**

Source: Bank of Zambia



4.3 PAYMENT SYSTEMS

The performance of the national payment systems operated satisfactorily in 2016 recording high availability levels with high values and volumes of transactions

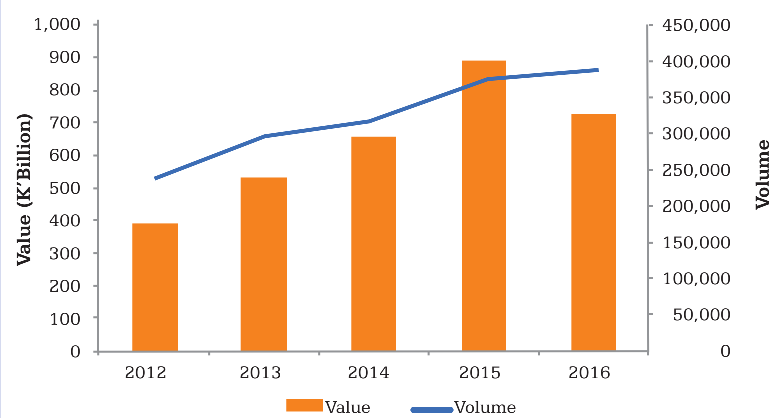
Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) continued to operate satisfactorily in the year under review. The system's availability remained high at 97.8% compared to 98.3% reported in 2015. The marginal drop in availability was mainly due to network connectivity challenges.

The value of transaction processed on ZIPSS decreased to K728.6 billion in 2016 from the previous year's K887.5 billion (Chart 4.4). The reduction in the value of transactions was mainly on account of a decline in the value of Overnight Loan Facility (OLF), open market operations (OMO) and interbank transactions. On the other hand, the volumes of transactions processed on ZIPSS increased by 4.4% to 390,972 transactions in 2016 mainly due to a rise in the number of customer-to-customer transactions processed by banks, partly attributed to the increase in the use of electronic payment methods.

Chart 4.4:

ZIPSS Volumes and Values, 2012 - 2016



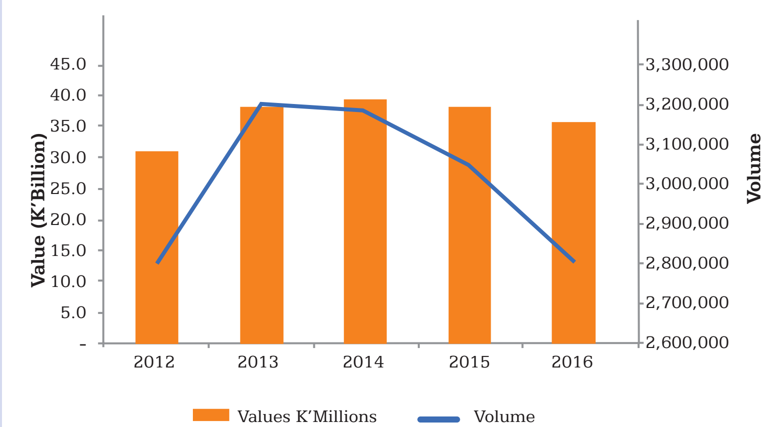
Source: Bank of Zambia

Cheque Image Clearing System

The volume of cheques cleared decreased by 7.8% to 2,807,390 in 2016. Similarly, the value of cheques cleared through the Cheque Image Clearing system decreased by 6.4% to K35.5 billion in 2016. The fall in both the volume and value of cheques cleared was due to the increase in the use of electronic payment streams by agents (Chart 4.5).

Chart 4.5:

Volumes and Values of Cheques Cleared, 2012 - 2016



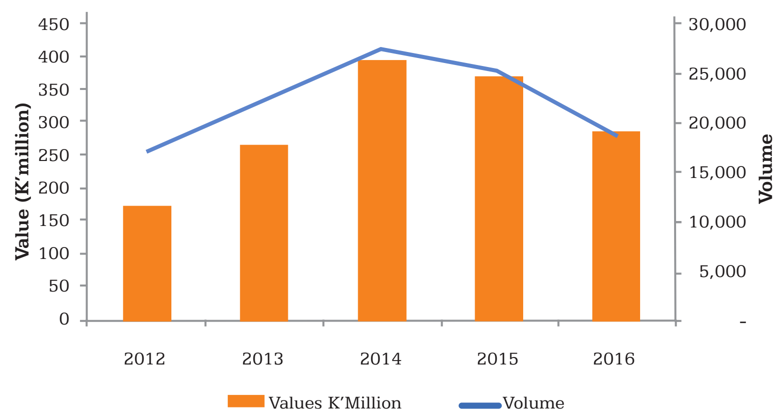
Source: Bank of Zambia

Cheques Returned Unpaid on Account of Insufficient Funds

The volume of cheques returned unpaid on account of insufficient funds in customers' accounts decreased by 26.0% to 18,689 in 2016 (Chart 4.6). Similarly, the value of cheques returned unpaid decreased by 22.4% to K287.4 million. The decrease in the number of unpaid cheques was partly attributed to a reduction in the volume of cheques issued during the period and financial literacy campaign programs.

Chart 4.6:

Unpaid Cheques, 2012 -2016



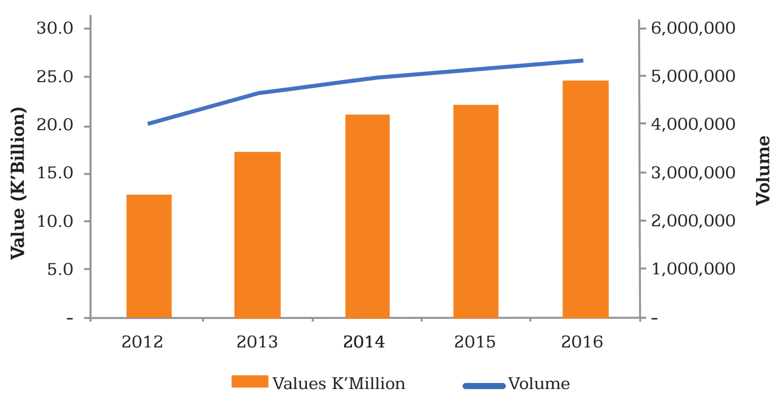
Source: Bank of Zambia

Electronic Funds Transfer Clearing System

The volume and value of transactions processed through the Electronic Funds Transfer (EFT) payment stream increased in 2016. The volume of transactions increased by 2.4% to 5,297,462 while the value grew by 12.2% to K24.5 billion (Chart 4.7). The increase in the use of the EFTs was partly as a result of the Bank of Zambia scaling up sensitization campaigns to promote the usage of electronic payment methods.

Chart 4.7:

Volumes and Values of Electronic Funds Transfers Processed, 2012-2016



Source: Bank of Zambia

Transactions Processed through the Automated Teller Machines

The volume of Automated Teller Machines (ATMs) transactions decreased by 22.9% to 47,081,469 from 61,102,749 in 2015 while the value of transactions rose by 16.1% to K38.1 billion (Chart 4.8). The decrease in the volume of transactions was mainly on account of a rise in the use of Point of Sale (PoS) terminals.

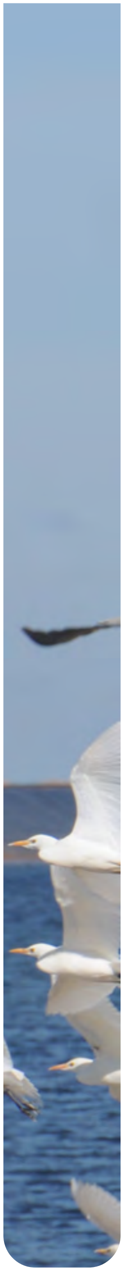
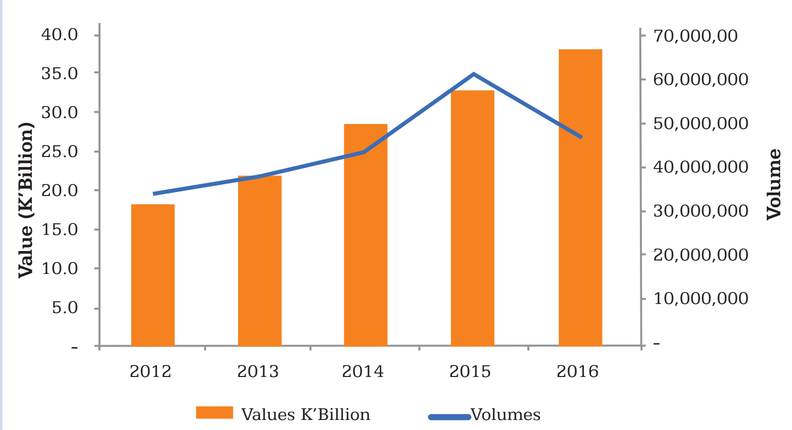


Chart 4.8:

Automated Teller Machines, 2012-2016



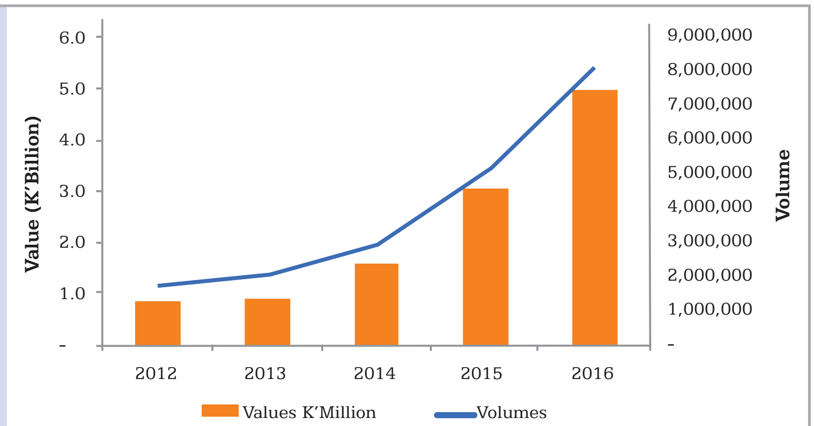
Source: Bank of Zambia

Transactions Processed through Point of Sale Terminals

The volume of transactions processed through the Point of Sale terminals went up by 60.7% to 8,103,127 in 2016. Similarly, the value of transactions increased by 64.1% in 2016 to K4.9 billion (Chart 4.9). The significant rise in the value and volume of transactions was mainly attributed to increased deployment of Point of Sale terminal by commercial banks. The number of PoS terminals increased to 9,356 in 2016 from 6,915 in 2015.

Chart 4.9:

POS Machines, 2012-2016



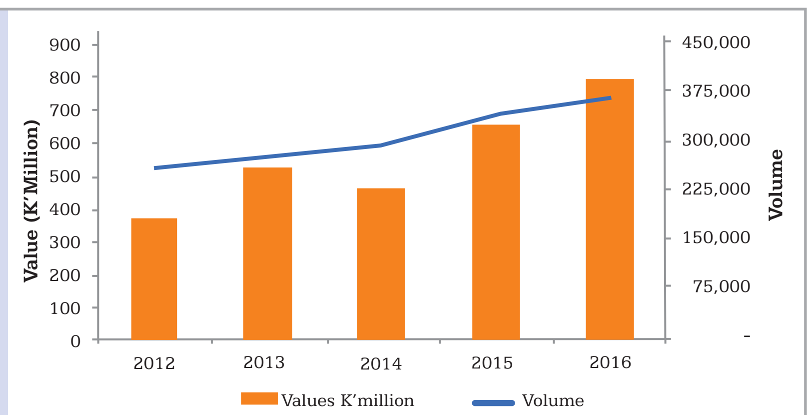
Source: Bank of Zambia

International Remittances

The volume of in-bound international transactions increased by 8.2% to 370,466 transactions in 2016. The value also increased by 21.1% to K794.8 million (Chart 4.10). This was largely a result of the increase in amounts remitted by Zambians living abroad. The source countries which dominated included the United States of America and the United Kingdom.

Chart 4.10:

Inbound Remittances, 2012 - 2016

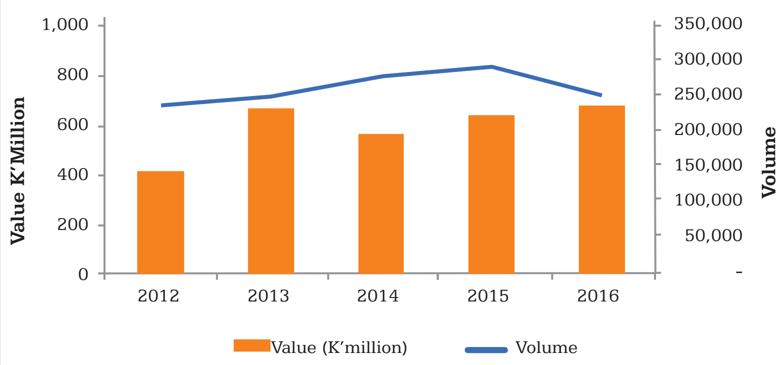


Source: Bank of Zambia

The volume of international out-bound transactions decreased by 13.2% to 249,488 in 2016. However, the value increased by 6.3% to K664.9 million mainly due to the rise in cross-border trading with Tanzania, Uganda and Kenya (Chart 4.11).

Chart 4.11:

Out-Bound Remittances, 2012 - 2016



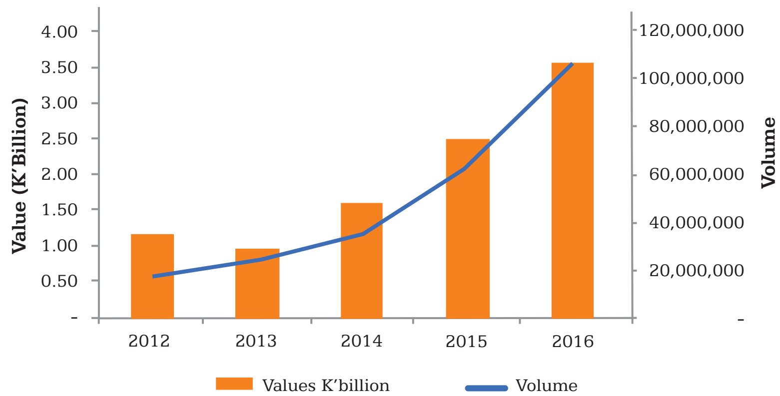
Source: Bank of Zambia

Mobile Money Transactions

The volume of transactions processed through the mobile money platform increased by 60.9% to 102,971,002 in 2016. The value also increased by 13.3% to K2.8 billion. The increase in both volume and value of transactions can be attributed to the rise in the number of users of mobile money for the payment of bills and funds transfers partly due to the financial inclusion campaigns. In addition, the number of active agents for mobile payments increased by 75.0% to 8,043 in 2016 from 4,599 in 2015 (Chart 4.12). The rise is largely attributed to the increase in the number of access points as the service providers expanded their operations.

Chart 4.12:

Mobile Money Transactions, 2012 - 2016



Source: Bank of Zambia

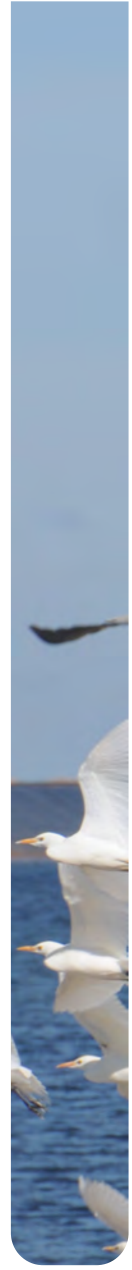
4.4 Regional Cross Border Payment Systems

The number of payments processed on the SADC Integrated Regional Electronic Settlement System (SIRESS) by commercial banks was 25,525 representing ZAR5,425.8 million in value. The value of receipts was ZAR5,630.3 million in 6,166 transactions. On a net basis, Zambia received ZAR204.54 million in 2016, up from ZAR70.0 million in 2015. This was largely as a result of on-boarding of BancABC, Cavmont bank, Finance bank and Standard Chartered bank on SIRESS. For the SADC region, a total of ZAR1, 095,923.00 million was processed on the SIRESS in 2016. In 2016, there were no transactions processed on the COMESA Regional Payment and Settlement System.

4.5 National Financial Switch

In its effort to increase the level of financial inclusion by extending access to financial services to the unbanked and under-banked adult population, the Bank of Zambia, in conjunction with the Zambia Electronic Clearing House and the Bankers Association of Zambia, continued to work on the implementation of the National Financial Switch (NFS) in Zambia. In 2016, the system vendor delivered the required hardware and software, and the majority of the upgrade works on the NFS local infrastructure were completed.

5.0 STRATEGY AND RISK MANAGEMENT



5.0 STRATEGY AND RISK MANAGEMENT

5.1 Strategic Management

The Bank of Zambia launched a new Strategic Plan in 2016 covering the period 2016-2019 under the theme, "Excellence in Execution". The main objectives of the Plan were in the areas of price stability, financial system stability, financial inclusion, gender mainstreaming and human capital as well as technological efficiency and effectiveness (Table 5.1). The theme for the Plan underscores the need to pursue excellence as the Bank discharges its mandate.

Table 5.1: Bank of Zambia Strategic Objectives, 2016- 2019

Ref	Strategic Objectives
1	To achieve average Inflation of between 6% and 8% over the Strategic Plan Period.
2	To strengthen the resilience of the financial sector against economic and financial shocks.
3	Increase formal financial inclusion by 16 percentage points in order to contribute to enhanced living standards.
4	Entrench Gender Mainstreaming within the Bank and financial sector so as to contribute to gender equality in Zambia.
5	Develop and strengthen the Bank's Talent Management and Technologies so as to achieve operational efficiency and effectiveness.

Source: Bank of Zambia

The Vision, Mission and Values of the Bank were revised as part of the Strategic Plan formulation process as follows:

Vision

New Vision: To be a Dynamic and Credible Central Bank that **Contributes** to the Economic Development of Zambia.

Old Vision: To be a Dynamic and Credible Central Bank that **Adds Value** to the Economic Development of Zambia.

Mission

New Mission: To Achieve and Maintain Price and Financial System Stability to ***Foster Sustainable Economic Development.***

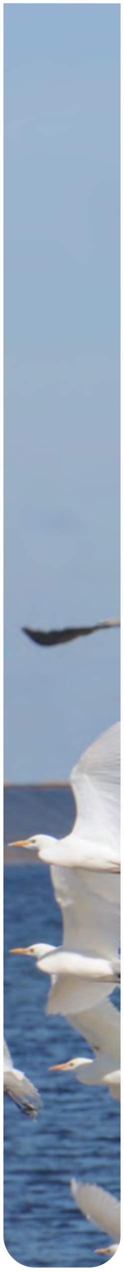
Old Mission: To Achieve and Maintain Price and Financial Systems Stability ***for Balanced Macroeconomic Development.***

Values

The Bank revised its value system with inclusion of the letter "E" to ACTION. Thus, the revised value system is underpinned by the slogan "The BoZ Way means ACTIONE" where:

A	Accountability	We will take responsibility for our decisions and actions.
C	Commitment to Excellence	We will honour commitments we make efficiently and to the highest quality standards.
T	Timeliness	We will always be on time to attend to Bank business.
I	Integrity	We will be honest, transparent, professional and sincere.
O	Objectivity	We will set ourselves challenging and SMART objectives.
N	New Ideas	We will innovate and be open to new ideas.
E	Equity	We will be fair and impartial in all our dealings.

Source: Bank of Zambia



The rationale for including Equity to the value system was to encapsulate the Bank's desire to be fair and impartial in all its dealings both internally among its staff as well as when pursuing its mandate externally. Thus, the Bank will not discriminate against anyone on the basis of religious beliefs, gender, race and tribe.

5.2 Project Management

The Bank implemented most of the strategic objectives through projects. The number of projects in the Bank portfolio was 47 at end-December 2016: 38 were strategic and nine were operational. To enhance efficiency and effectiveness in the implementation of projects, the Bank embarked on an initiative to build capacity through the training of project managers in the PMBOK® Standard and PRINCE 2.

5.3 Enterprise Risk Management

The Bank's Enterprise Risk Management (ERM) Framework encompasses financial, operational, compliance and business continuity risk. In an effort to improve the Framework, the Bank initiated the process of aligning the ERM to ISO Standards. In addition, the Bank initiated a project to automate the risk management processes through the implementation of a Governance, Risk and Compliance (GRC) Application. The Bank also embarked on an extensive review of Departmental Risk Registers to develop guidelines for risk based decision making at all levels of operations.

The Bank approved amendments to the Whistle blower Policy and Code of Ethics to provide protection for whistle blowers and encourage ethical conduct of staff.

The Bank completed the installation of facilities and equipment at the Business Continuity Management (BCM) Centre to ensure resilience against major business disruptive incidents to safeguard continued availability of time-critical business systems and processes.

5.4 Leadership Development Programme

The Bank implemented a leadership development programme based on the Franklin Covey Seven Habits of Highly Effective People® and the Four Disciplines of Execution®. All Senior Management Staff and selected Champions were trained directly and these subsequently conducted training for other members of staff.

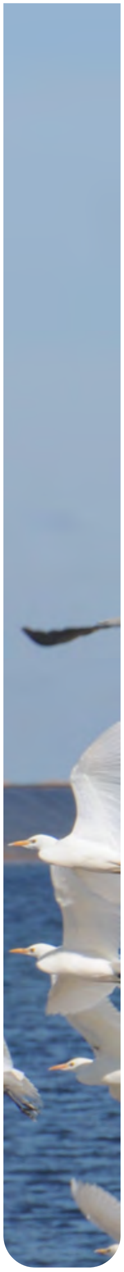
5.5 Gender Mainstreaming

The Bank continued to undertake various activities aimed at promoting gender mainstreaming internally and within the financial sector. Some of the activities undertaken during the year included:

(i) The Participatory Gender Audit (PGA);
(ii) Gender sensitisation sessions for all members of staff;
(iii) Chairing of the Task Force on Financial Inclusiveness of Women;
(iv) Roll out of the Female And Male Operated Small Enterprises (FAMOS) in the financial sector; and
(v) Co-hosting of a workshop on "Access to Finance for Women - Promoting Gender Equality, Economic Growth and Decent Work".

The Bank also revised its Gender Policy in line with its aspiration of being an equitable employer. In addition, a Gender Strategy was developed, detailing initiatives to mainstream gender both within the Bank and the financial sector.

6.0 HUMAN RESOURCE MANAGEMENT



6.0 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

As at 31st December 2016, the total staff strength of the Bank was 524 (327 male, 197 female) against an establishment of 676. This staff complement comprised 257 (49.0%) employees on Permanent and Pensionable Service and 267 (51.0%) on Fixed-Term Employment Contracts (Tables 6.1 and 6.2).

Table 6.1: Staffing Levels

Functions	2014			2015			2016		
	Estab	Actual	Diff	Estab.	Actual	Diff	Estab.	Actual	Diff
Executive	14	4	-10	14	9	-5	15	11	-4
Subtotal	**14**	**4**	**-10**	**14**	**9**	**-5**	**15**	**11**	**-4**
Core Departments									
Bank Supervision	46	21	-25	46	27	-19	46	30	-16
Banking, Currency & Payment Systems	84	66	-18	84	55	-29	84	63	-21
Economics	45	37	-8	45	42	-3	45	42	-3
Financial Markets	36	32	-4	36	32	-4	36	32	-4
Non - Banks Financial Institutions Supervision	38	20	-18	38	23	-15	38	24	-14
Strategy & Risk Management	13	9	-4	13	11	-2	13	10	-3
Balance of Payments Monitoring	10	3	-7	10	4	-6	10	4	-6
Financial System Stability	4	3	-1	4	4		4	4	0
Financial Sector Development	3	3		3	2	-1	3	3	0
Subtotal	**279**	**194**	**-85**	**279**	**200**	**-79**	**279**	**212**	**-67**
Support Services									
Board Services	19	12	-7	19	11	-8	19	11	-8
Finance	36	31	-5	36	29	-7	36	22	-14
Human Resources	21	15	-6	21	18	-3	22	19	-3
Information & Communications Technology	35	25	-10	35	33	-2	35	31	-4
Legal Services	8	5	-3	8	6	-2	8	8	0
Internal Audit	17	15	-2	17	17		17	15	-2
Procurement & Maintenance Services	92	52	-40	92	73	-19	92	70	-22
Security	91	88	-3	91	88	-3	91	63	-28
Subtotal	**319**	**243**	**-76**	**319**	**275**	**-44**	**320**	**239**	**-81**
Regional Office	62	82	20	62	58	-4	62	62	0
Subtotal	**62**	**82**	**20**	**62**	**58**	**-4**	**62**	**62**	**0**
TOTAL	**674**	**523**	**-151**	**674**	**542**	**-132**	**676**	**524**	**-152**

Source: Bank of Zambia

Table 6.2: Distribution of Staff

Location	Permanent & Pensionable		Fixed Term Contract		Sub Total		Total
	M	F	M	F	M	F	
Lusaka	127	63	125	96	252	159	411
Ndola	46	21	29	17	75	38	113
Total	173	84	154	113	327	197	524

Source: Bank of Zambia

Staff Movements

Thirty-eight employees were recruited (Table 6.3) while 58 separated from the Bank (Table 6.4). The separations were due to dismissals, deaths, expiry of contracts, resignations, statutory early retirements and voluntary early separations.

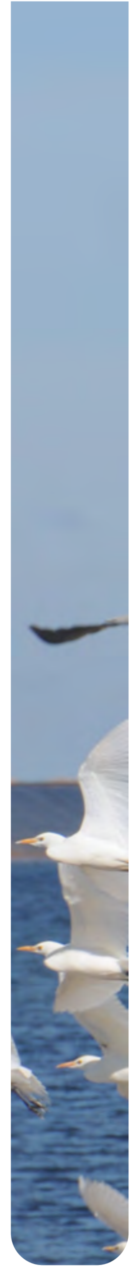


Table 6.3: Staff Recruitments in 2016

Department	Number
Bank Supervision	2
Banking, Currency & Payment Systems	18
Board Services	1
Economics	1
Executive	1
Financial Markets	2
Human Resources	1
Internal Audit	1
Legal Services	1
Non-Bank Financial Institutions Supervision	1
Procurement & Maintenance Services	4
Regional Office	5
Total	**38**

Source: Bank of Zambia

Table 6.4: Staff Separations in 2016

Mode of Separation	Number
Dismissals	1
Deaths	2
Expiry of Contracts	25
Resignations	5
Statutory Early Retirements	12
Voluntary Early Separation Scheme	13
Total	**58**

Source: Bank of Zambia

Staff Welfare

The Bank continued to enjoy a harmonious industrial relations climate in 2016. The salary negotiations for the 2016-2018 Collective Agreement were concluded before the expiry of the 2014-2016 Collective Agreement.

Medical Services

The Bank continued to provide medical services to its employees through the BoZ Clinics and selected medical service providers. As part of the employee welfare programme, the Bank organised breast and cervical cancer screening and presentations on health matters such as hypertension awareness.

Capacity Building Programmes

The Bank continued to provide capacity building programmes through relevant workshops and seminars both locally and abroad. In addition, some members of staff are pursuing various programmes to upgrade their qualifications as highlighted in Table 6.5. The Bank also continued to provide support to the University of Zambia, Copperbelt University, University of Lusaka and Mulungushi University in accordance with the Memoranda of Understanding between the Bank and the four universities.

Table 6.5: Number of Students Pursuing Study Programmes: 2014 – 2016

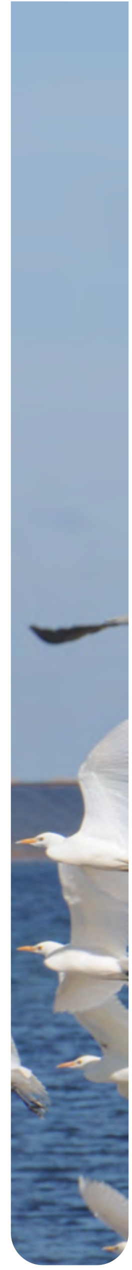
PROGRAMME	YEAR		
	2014	2015	2016
PhD/DBA	3	5	5
Masters Qualifications; MBA, LLM, MSc	3	3	3
Bachelor's Degrees in Law, Banking & Financial Services, Public Administration & Computing	0	1	0
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	3	3	3
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	0	0	0
TOTAL	**9**	**15**	**11**

Source: Bank of Zambia

Performance Management System

The Bank conducted performance management upskilling sessions in order to embed a culture of high performance.

7.0 FINANCIAL STATEMENTS



Financial statements
for the year ended 31 December 2016

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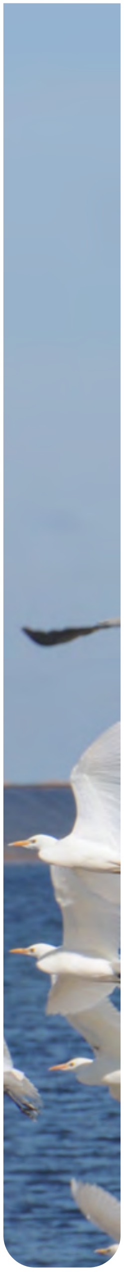


Statement of Directors' responsibilities

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 and the requirements of the Bank of Zambia Act, No. 43 of 1996. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Approval of the financial statements

The financial statements of the Bank set out on pages 72 to 129 were approved by the Board of Directors on 28 February 2017 and signed on their behalf by:

....	....
Governor	*Director*

Independent auditor's report

To the members of Bank of Zambia

Report on the audit of Bank of Zambia financial statements

Our opinion

In our opinion, the Bank's financial statements give a true and fair view of the financial position of Bank of Zambia (the Bank) as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the and the Bank of Zambia Act, No. 43 of 1996.

What we have audited

The financial statements of Bank of Zambia are set out on pages 72 to 129 and comprise:

- the Bank's statement of financial position as at 31 December 2016;
- the Bank's statement of comprehensive income for the year then ended;
- the Bank's statement of changes in equity for the year then ended;
- the Bank's statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 Bank's 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

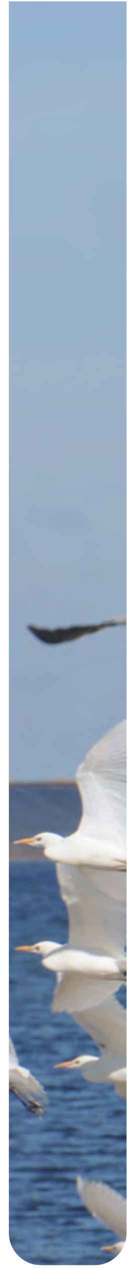
Other information

The Directors are responsible for the other information. The other information comprises the statement of Directors' Responsibilities but does not include the Bank's financial statements and our auditor's report thereon.

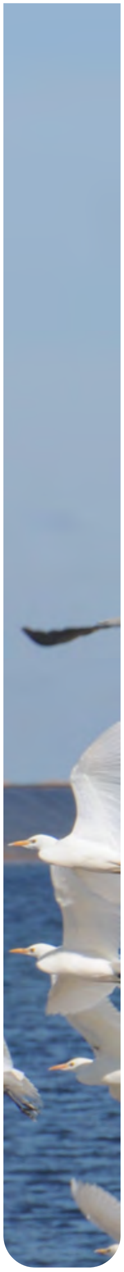
Our opinion on the Bank's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Bank's 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 Bank's financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.



Nasir Ali
Practicing Certificate Number: F005226
Partner signing on behalf of the firm



Independent auditor's report

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the Bank's financial statements in accordance with International Financial Reporting Standards 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 Bank financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Bank's 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 Bank's financial statements

Our objectives are to obtain reasonable assurance about whether the Bank's 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 Bank's 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 Bank's 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 Bank's 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 Bank's financial statements, including the disclosures, and whether the Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

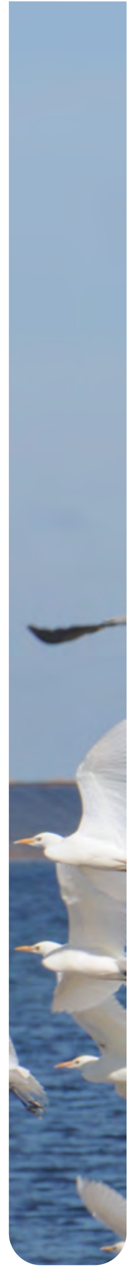
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

31 March 2017

Nasir Ali
Practicing Certificate Number: F005226
Partner signing on behalf of the firm

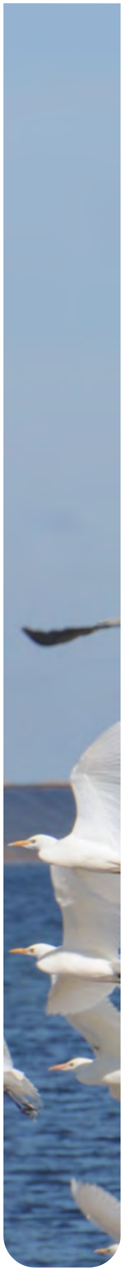


Statement of comprehensive income
for the year ended 31 December 2016

In thousands *of Zambian Kwacha*

	Notes	**2016**	2015
Interest income	5	**1,209,235**	534,205
Interest expense	5	**(50,703)**	(33,968)
Net interest income		**1,158,532**	500,237
Fee and commission income	6	**217,782**	162,594
Fee and commission expense	6	**(3,006)**	(3,539)
Net fee and commission income		**214,776**	159,055
Net income from foreign exchange transactions		**222,743**	112,315
Other gains/(losses)	7	**(1,849,317)**	10,829,662
Net income from foreign exchange transactions and other gains/(losses)		**(1,626,574)**	10,941,977
Net income		**(253,266)**	11,601,269
Net impairment credit on financial assets	8	**199**	3,589
Employee benefits	9	**(380,733)**	(337,393)
Depreciation and amortisation	23, 24	**(29,770)**	(29,085)
Operating expenses	10	**(246,711)**	(517,802)
Net expense		**(657,015)**	(880,691)
Profit/(loss) for the year		**(910,281)**	10,720,578
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	35	**-**	(45,070)
Total comprehensive income/(loss) for the year		**(910,281)**	10,675,508

The notes on page 76 to 129 are an integral part of these financial statements.



Statement of financial position

at 31 December 2016

In thousands of Zambian Kwacha

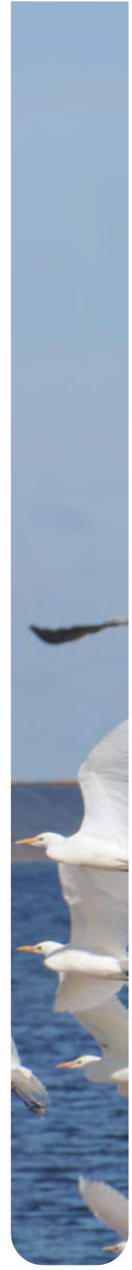
	Notes	2016	2015
Assets			
Domestic cash in hand		**3,428**	3,582
Foreign currency cash and bank accounts	12	**23,289,524**	32,628,264
Items in course of settlement	13	**1,455**	2,489
Held-for-trading financial assets	14	**88,986**	574,101
Loans and advances	15	**6,769,671**	2,707,832
Held-to-maturity financial assets	16	**2,025,109**	2,005,508
Other assets	18	**16,647**	14,884
Available-for-sale investments	20	**27,509**	27,509
IMF funds recoverable from Government of the Republic of Zambia	21	**3,001,875**	3,466,334
IMF subscriptions	22,3 3	**13,312,392**	5,094,506
Property, plant and equipment	23	**444,875**	406,288
Intangible assets	24	**5,330**	12,418
Total assets		**48,986,801**	46,943,715
Liabilities			
Deposits from the Government of the Republic of Zambia	26	**1,616,403**	2,895,330
Deposits from financial institutions	27	**11,742,136**	9,647,906
Foreign currency liabilities to other institutions	28	**39,861**	155,886
Other deposits	29	**51,857**	34,684
Notes and coins in circulation	30	**6,554,140**	6,449,796
Other liabilities	31	**179,295**	219,674
Provisions	32	**666,425**	582,441
Domestic currency liabilities to IMF	22, 33	**13,312,392**	5,094,506
Foreign currency liabilities to IMF	34	**1,793,950**	2,822,442
SDR allocation	36	**6,233,618**	7,145,130
Total liabilities		**42,190,077**	35,047,795
Equity			
Capital	37	**500,020**	500,020
General reserve fund	38	**388,047**	386,635
Property revaluation reserve	38	**235,506**	240,893
Retained earnings	38	**5,673,151**	10,768,372
Total equity		**6,796,724**	11,895,920
Total liabilities and equity		**48,986,801**	46,943,715

The financial statements on pages 72 to 129 were approved for issue by the Board of Directors on 28 February 2017 and signed on its behalf by:

....

Governor *Director*

The notes on page 76 to 129 are an integral part of these financial statements.



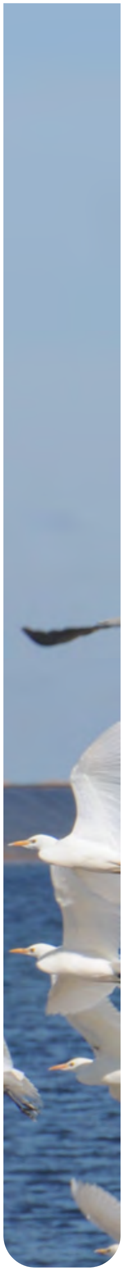
Statement of changes in equity

for the year ended 31 December 2016

In thousands of Zambian Kwacha

	Share capital	General reserve fund	Property revaluation reserve	Retained earnings	Total Equity
Balance at 1 January 2015	500,020	175,794	246,279	981,792	1,903,885
Profit for the year	-	-	-	10,720,578	10,720,578
Transfer to general reserve fund	-	210,841	-	(210,841)	-
Other comprehensive income:					
Actuarial gain on defined benefit plan	-	-	-	(45,070)	(45, 070)
Amortisation of revaluation surplus relating to properties	-	-	(5,386)	5,386	-
Total comprehensive income	-	210,841	(5,386)	10,470,053	10,675,508
Transactions with owners:					
Dividend paid to shareholders	-	-	-	(632,548)	(632,548)
Unwinding of fair value adjustment	-	-	-	(50,925)	(50, 925)
Total transactions with owners	-	-	-	(683,473)	(683,473)
Balance at 1 January 2016	**500,020**	**386,635**	**240,893**	**10,768,372**	**11,895,920**
Profit for the year	**-**	**-**	**-**	**(910,281)**	**(910,281)**
Transfer to general reserve fund	**-**	**1,412**	**-**	**(1,412)**	**-**
Other comprehensive income:					
Actuarial gain on defined benefit plan	**-**	**-**	**-**	**-**	**-**
Amortisation of revaluation surplus relating to properties	**-**	**-**	**(5,386)**	**5,386**	**-**
Total comprehensive income	**-**	**1,412**	**(5,386)**	**(906,307)**	**(910,281)**
Transactions with owners:					
Dividend paid to shareholders	**-**	**-**	**-**	**(4,236,668)**	**(4,236,668)**
Amortised cost adjustment on the capitalization bond				**47,753**	**47,753**
Total transactions with owners	**-**	**-**	**-**	**(4,188,915)**	**(4,188,915)**
Balance at 31 December 2016	**500,020**	**388,047**	**235,507**	**5,673,150**	**6,796,724**

The notes on page 76 to 129 are an integral part of these financial statements.



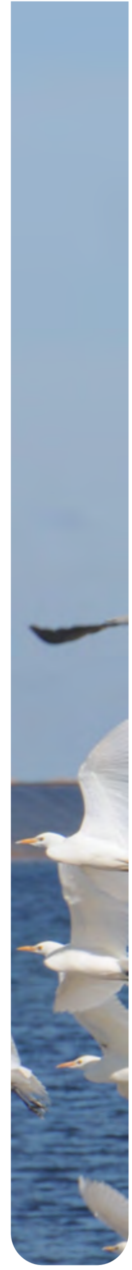
Statement of cash flows

for the year ended 31 December 2015

In thousands of Zambian Kwacha

	Notes	2016	2015
Cash flows from operating activities			
Profit for the year		**(910,281)**	10,720,578
Adjustment for:			
- Depreciation/amortisation	23, 24	**29,770**	29,085
- Dividend income		**(2,343)**	(3,230)
- (Profit)/Loss on disposal of property, plant and equipment		**(265)**	(301)
- Impairment effect on other assets	8	**-**	(972)
- Impairment effect on amounts due from closed banks	8	**(199)**	(2,617)
- Impairment effect on loans and advances	8	**-**	-
- Effects of exchange rate changes on cash and cash equivalents		**6,036,133**	(5,026,419)
- Provisions made during the year	32	**83,984**	293,114
- Property, plant and equipment adjustments	24	**10**	
		5,236,809	6,009,238
Changes in operating assets and liabilities			
Change in items in course of settlement		**1,034**	2,426
Change in held for trading financial assets		**485,115**	(495,776)
Change in loans and advances		**(4,061,839)**	(603,263)
Change in held-to-maturity financial assets		**(19,601)**	(16,013)
Change in other assets		**(1,763)**	(1,159)
Change in amounts due from closed banks		**199**	2,617
Change in available-for-sale investments		**-**	(3,230)
Change in IMF funds receivable from Government of the Republic of Zambia		**464,459**	(2,274,443)
Change in IMF subscription		**(8,217,886)**	(294,125)
Change in deposits from the Government of the Republic of Zambia		**(1,278,927)**	61,319
Change in deposits from financial institutions		**2,094,230**	2,091,005
Change in foreign currency liabilities to other institutions		**(116,025)**	131,949
Change in other deposits		**17,173**	(48,406)
Change in other liabilities		**(40,379)**	91,406
Change in domestic currency liabilities to IMF		**8,217,886**	294,125
Change in foreign currency liabilities to IMF		**(1,028,492)**	701,475
Change in notes and coins in circulation		**104,344**	722,581
Change in SDR allocation		**(911,512)**	2,801,292
		944,825	9,173,018
Dividends received		**2,343**	3,230
Claims paid	32	**-**	(2,187)
Readjusted fair value on capitalization bond		**47,753**	(50,925)
Dividends paid to shareholders		**(4,236,668)**	(632,548)
Net cashinflow/(outflow) from operating activities		**(3,241,747)**	8,490,588
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	23, 24	**(61,279)**	(80,591)
Proceeds from sale of property, plant and equipment		**265**	1,941
Net cash used in investing activities		**(61,014)**	(78,650)
Net change in cash and cash equivalents		**(3,302,761)**	8,411,938
Cash and cash equivalents at the beginning of year		**32,631,846**	19,193,489
Effects of exchange rate changes on cash and cash equivalents		**(6,036,133)**	5,026,419
Cash and cash equivalents at the end of the year		**23,292,952**	32,631,846
Cash and cash equivalents at the end of the year comprises:			
Domestic cash in hand		**3,428**	3,582
Foreign currency cash and bank accounts		**23,289,524**	32,628,264
Cash and cash equivalents excluding effects of exchange rate changes		**23,292,952**	32,631,846

The notes on page 76 to 129 are an integral part of these financial statements.



Notes to the financial statements
for the year ended 31 December 2016

1 Principal activity

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

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

The Board of Directors approved these financial statements for issue on 28 February 2016. Neither the Bank's owner nor others have the power to amend the financial statements after issue.

2 Significant 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.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards adopted by the Bank

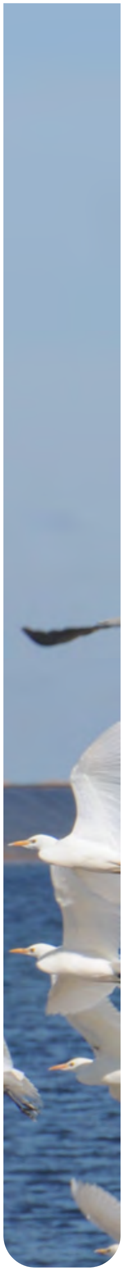
The following standards and amendments have been applied by the Bank for the first time for the financial year beginning 1 January 2016:

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.1 New and amended standards adopted by the Bank *(Continued)*

- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.

- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

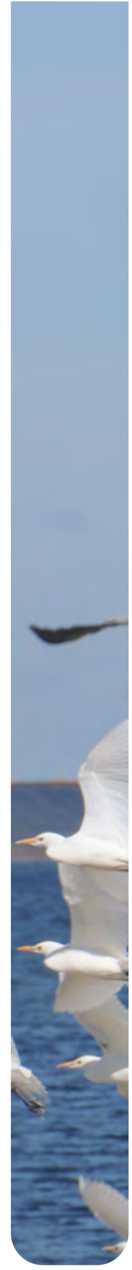
Amendments to IAS 16 and IAS 38; The IASB has amended IAS 16 Property, Plant and
Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or \

- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Bank.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.2 New standards and interpretations that are not yet effective and have not been early adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

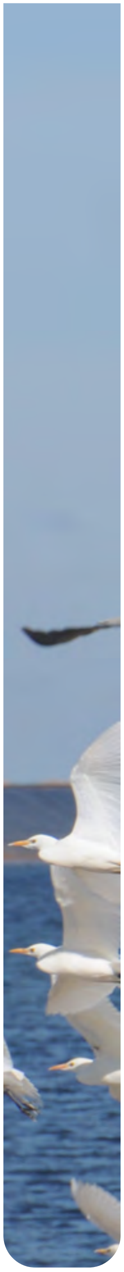
IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through Profit and Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in Other Comprehensive Income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

Based on initial assessment, the directors of the Bank anticipate that the application of IFRS 9 is not expected to have a material impact on the Bank. This is because the financial instruments currently measured at fair value through profit or loss (FVTPL) will continue to be measured at FVTPL under IFRS 9. Likewise, those currently measured at amortised cost will continue to be measured at amortised cost, thereby causing no shift in valuations. However, some moderate impact is anticipated on the amounts reported in respect of the Bank's financial assets currently classified as available-for-sale investment (e.g. the Bank's investments in Zambia Electronic Clearing House Limited and Africa Export Import Bank). Financial assets currently classified as available-for-sale investment presently held at cost will have to be measured at fair value at the end of subsequent reporting periods, with changes in fair value being recognised in profit or loss. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is concluded.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Bank is assessing the impact of IFRS 15.

Disclosure Initiative – Amendments to IAS 7; Effective 1 January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.2 New standards and interpretations that are not yet effective and have not been early adopted by the Bank *(Continued)*

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a net debt reconciliation. However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

2.3 Functional and presentation currency

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

2.4 Interest income and expense

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

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

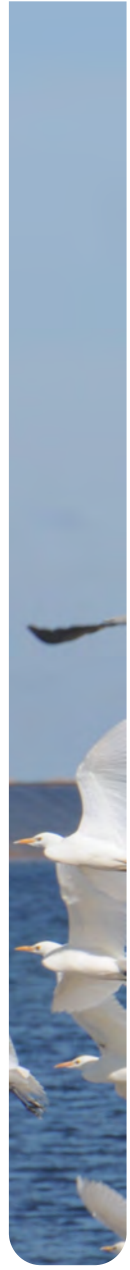
The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial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

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

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

- interest on available-for-sale investment securities calculated on an effective interest basis.

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued*

2.5 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.

2.6 Dividend income

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

2.7 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.

2.8 Foreign currency transactions and balances

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

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

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

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

2.9 Financial instruments

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

2.9.1 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.

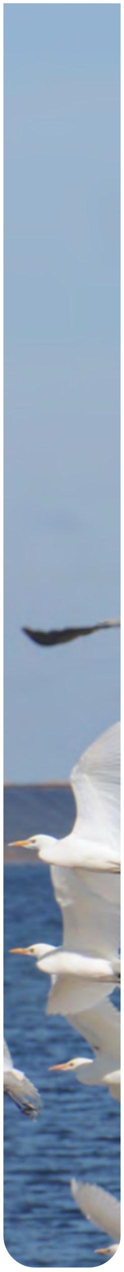
(a) Classification

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

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 **Significant accounting policies** *(Continued*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification *(Continued)*

A financial asset is classified as held for trading if:

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

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

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

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

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

Held-to-maturity

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

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

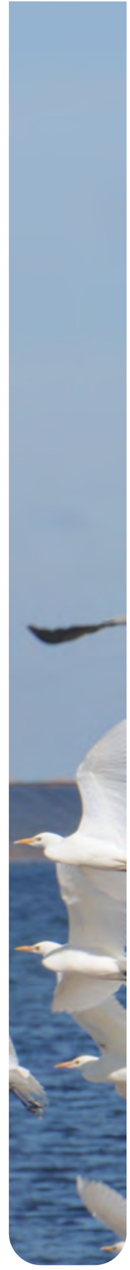
The Bank has classified the following financial assets as held-to-maturity investments:

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

Available-for-sale investment

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification *(Continued)*

Loans and receivables

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

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

(b) Recognition and measurement

Held-to-maturity investments

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

Available-for-sale

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

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

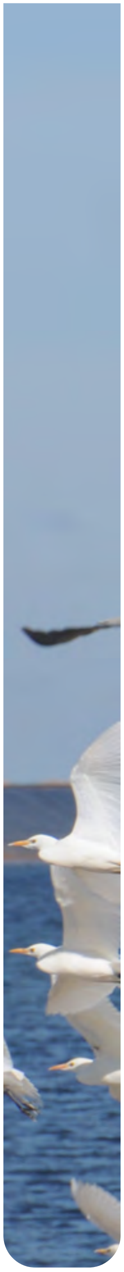
(c) Derecognition

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

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

(d) Impairment of financial assets

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(d) Impairment of financial assets

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

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

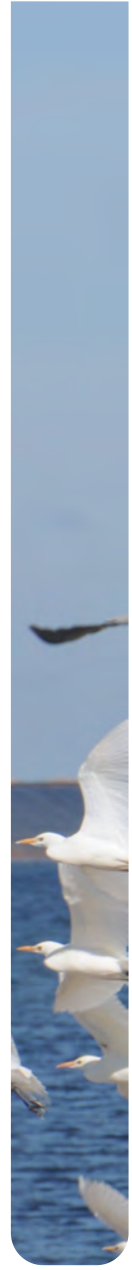
In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the directors judgement as to whether current economic and credit conditions are such that the actual losses are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

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

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

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

2.9 Financial instruments *(Continued)*

2.9.2 Financial liabilities

(a) Classification

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

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

The Banks has not classified any financial liabilities as FVTPL.

2.9.3 Other financial liabilities

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

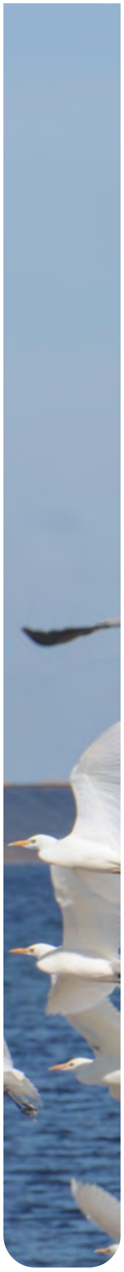
Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

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

2.10 Determination of fair value

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.10 Determination of fair value *(Continued)*

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

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

The Bank does not hold positions with its financial instruments.

2.11 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.

2.12 Property, plant and equipment

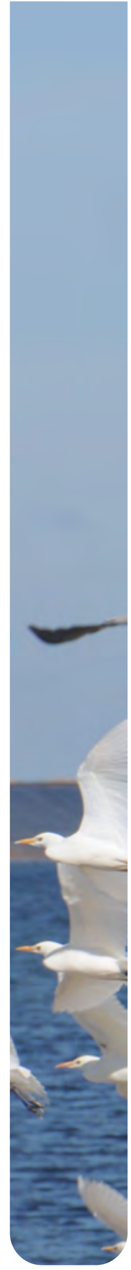
(a) Property

Properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Bank obtains an independent valuation of properties every five years.

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

(b) 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.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.12 Property, plant and equipment *(Continued)*

(c) 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.

(d) Depreciation

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

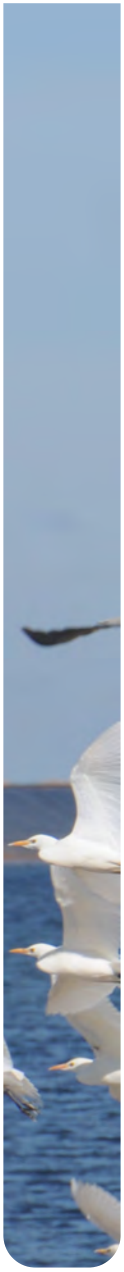
Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. A portion of the surplus equal to the difference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

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

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

	2016	2015
Buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture	**10%**	10%
Security systems and other equipment	**10-20%**	10-20%
Motor vehicles	**25%**	25%
Armoured Bullion Vehicles	**10%**	10%
Armoured Escort Vehicles	**16.7%**	16.7%
Computer equipment-hardware	**25%**	25%
Office equipment	**33.3%**	33.3%

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



Notes to the financial statements (Continued)
for the year ended 31 December 2016

2 **Significant accounting policies** (Continued)

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

(e) 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.

(f) 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.

2.13 **Intangible assets - computer software**

(a) 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.

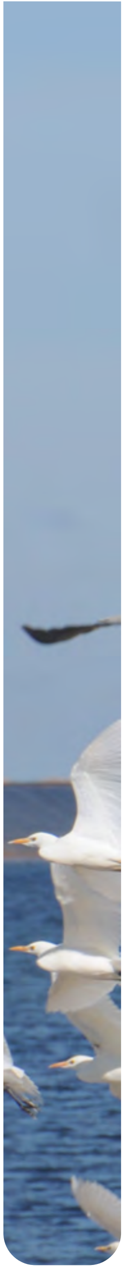
(b) Internally-generated intangible assets

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

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.14 Impairment of non-financial assets

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

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

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

2.15 Employee benefits

(a) Defined contribution plan

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

The Bank contributes to the Statutory Pension Scheme in Zambia, namely National Pension Scheme Authority (NAPSA) where the Bank pays an amount equal to the employees' contributions. Membership, with the exception of expatriate employees is compulsory.

(b) Defined benefit plan

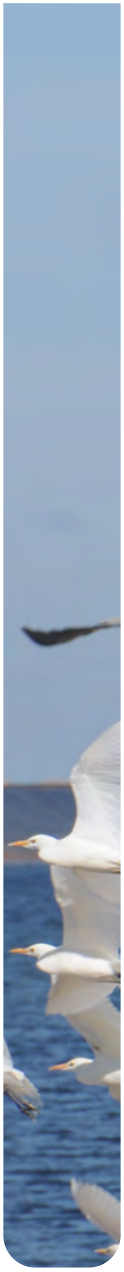
The Bank provides for retirement benefits (i.e. a defined benefit plan) for all permanent employees in accordance with established pension scheme rules as well as the provisions of Statutory Instrument No. 119 of the Laws of Zambia. A defined benefit plan is a post-employment benefit plan other than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

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

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

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

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



Notes to the financial statements (Continued)
for the year ended 31 December 2016

2 Significant accounting policies (Continued)

2.15 Employee benefits (Continued)

(c) Termination benefits

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

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

(d) 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.

(e) Other staff benefits

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

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

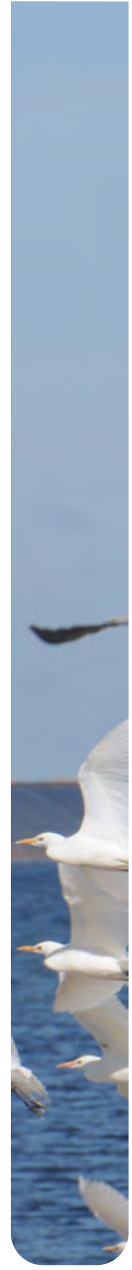
2.16 Cash and cash equivalents

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

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

2.17 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.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

2 Significant accounting policies *(Continued)*

2.17 Transactions with the International Monetary Fund ("IMF") *(Continued)*

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

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

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

2.18 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.

2.19 Currency in circulation

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

2.20 Currency printing and minting expenses

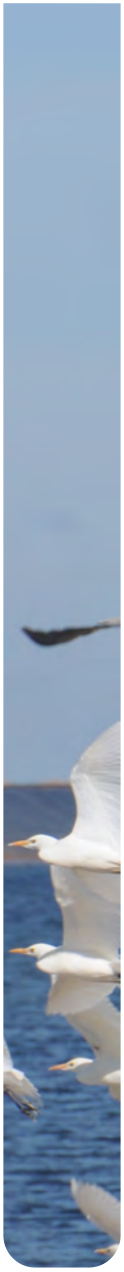
Notes printing and coins minting expenses which include ordering, printing, minting, freight, insurance and handling costs are expensed in the period the cost is incurred.

2.21 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 *(Continued)*
for the year ended 31 December 2016

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

3.1 Realised foreign exchange revaluation gains

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

3.2 Defined benefits obligations

Whereas the directors relied on a qualified Actuary to determine the present value of the retirement benefit obligations the assumptions and judgements used by the Actuary were considered by the directors and deemed reasonable in the light of the prevailing and anticipated future economic conditions. See also note 36.

3.3 Impairment losses on loans and advances

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

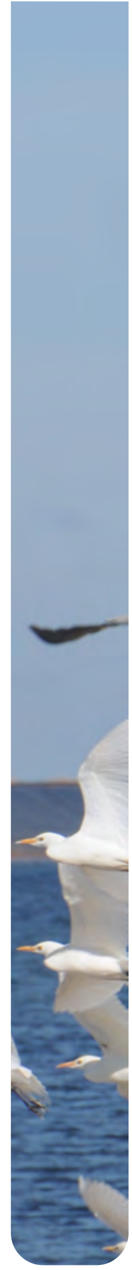
4 Risk management policies

(a) Overview and risk management framework

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

4 Risk management policies *(Continued)*

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

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

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

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

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

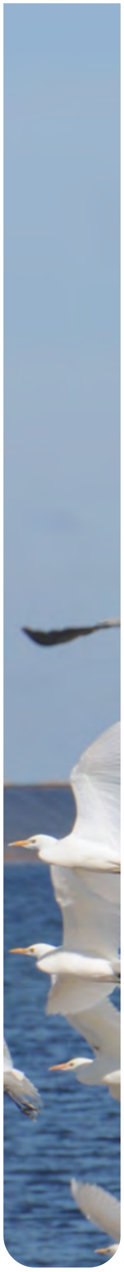
ii) Implementation of adequate policies, guidelines and procedures. The existing policies, procedures and guidelines are reviewed and communicated to relevant users to maintain their relevance.

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

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

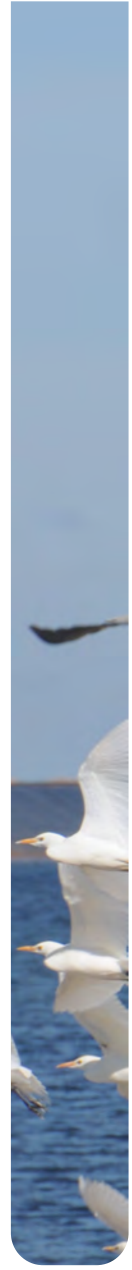
In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

Financial instruments by category

Financial assets	Held for trading	Held to maturity	Loans and receivables	Available-for-sale	Total
At 31 December 2016					
Domestic cash in hand	**3,428**	**-**	**-**	**-**	**3,428**
Foreign currency cash and bank accounts	**23,289,524**	**-**	**-**	**-**	**23,289,524**
Items in course of settlement	**-**	**-**	**1,455**	**-**	**1,455**
Held-for-trading financial assets	**88,986**	**-**	**-**	**-**	**88,986**
Loans and advances	**-**	**-**	**6,769,971**	**-**	**6,769,971**
Held to maturity financial assets	**-**	**2,025,109**			**2,025,109**
Available-for-sale investments	**-**	**-**	**-**	**27,509**	**27,509**
IMF funds recoverable from the Government of the Republic of Zambia	**-**	**-**	**3,001,875**	**-**	**3,001,875**
IMF Subscriptions	**-**	**-**	**13,312,392**	**-**	**13,312,392**
	23,381,938	**2,025,109**	**23,085,693**	**27,509**	**48,520,249**
At 31 December 2015					
Domestic cash in hand	3,582	-	-	-	3,582
Foreign currency cash and bank accounts	32,628,264	-	-	-	32,628,264
Items in course of settlement	-		2,489		2,489
Held-for-trading financial assets	574,101	-	-	-	574,101
Loans and advances	-	-	2,707,832	-	2,707,832
Held to maturity financial assets	-	2,005,508	-	-	2,005,508
Available-for- sale investments	-	-	-	27,509	27,509
IMF funds recoverable from the Government of the Republic of Zambia	-	-	3,466,334	-	3,466,334
IMF Subscriptions	-	-	5,094,506	-	5,094,506
	33,205,947	2,005,508	11,271,161	27,509	46,510,125

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

Financial instruments by category *(Continued)*

Financial liabilities	**Financial liabilities at amortised cost**
At 31 December 2015	
Deposits from the Government of the Republic of Zambia	2,895,330
Deposits from financial institutions	9,647,906
Foreign currency liabilities to other institutions	155,886
Other deposits	34,684
Other liabilities	6,449,796
Domestic currency liabilities to the IMF	219,674
Foreign currency liabilities to the IMF	859,716
Notes and coins in circulation	5,094,506
SDR allocation	7,145,130
	32,502,628

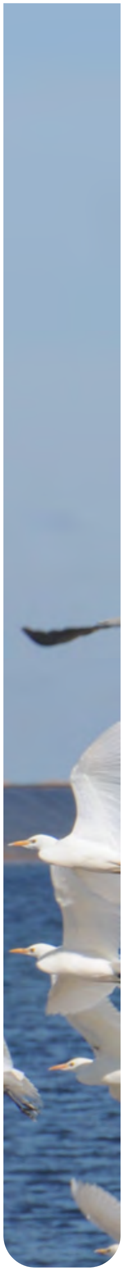
(b) Credit risk

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

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(b) Credit risk *(Continued)*

Counterparty ratings

Counterparty	Rating Agency			BoZ Minimum Acceptable Rating
	Moody's	S&P	Fitch	
Citi Bank New York	A1	A	A+	A-
Bank of New York Mellon (BNY)	A1	A	AA-	A-
Deutsche Bundesbank	Aaa	AAAu	AAA	A-
Bank of England (BOE)	Aa1	AAAu	AA+	A-
South African Reserve Bank	Baa2	BBB-	BBB-	A-
Bank of Mauritius	Baa1	N/A	N/A	A-
Bank for International Settlement	Aaa	AAA	AAA	A-

Exposure to credit risk

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

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

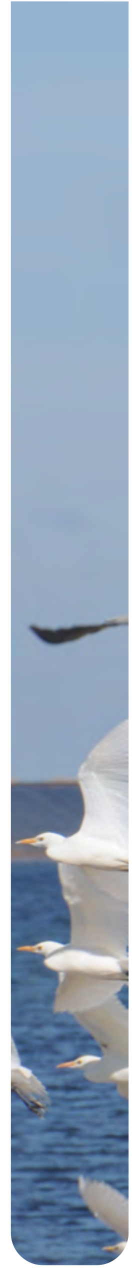
The maximum exposure to credit risk for financial assets is similar to the carrying amounts shown on the statement of financial position.

(i) GRZ bonds and Treasury Bills

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

(ii) Fixed term deposits

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk (Continued)

Neither past due nor impaired - Institutional credit risk exposure analysis

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

Financial Asset	**Ratings-2016**					
	Aaa	**A 1**	**Aa1**	**Baa 1**	**Baa2**	**Total**
Cash balances	**3,027,755**	**11,183**	**28,638**	**2,937**	**6**	**3,070,519**
Deposits	**13,151,370**	**-**	**-**	**-**	**-**	**13,151,370**
Securities	**3,529,723**	**-**	**-**	**-**	**-**	**3,529,723**
Special drawing rights	**3,537,912**	**-**	**-**	**-**	**-**	**3,537,912**
Total	**23,246,760**	**11,183**	**28,638**	**2,937**	**6**	**23,289,524**

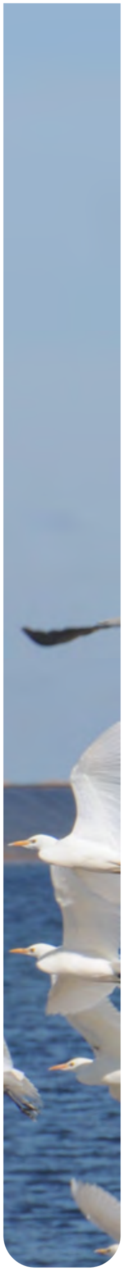
Financial Asset	**Ratings-2015**					
	Aaa	**A1**	**Aa1**	**Baa 1**	**Baa2**	**Total**
Cash balances	2,281,705	226,966	5,301	3,253	6	2,517,231
Deposits	21,387,187	-	-	-	-	21,387,187
Securities	3,908,305	-	-	-	-	3,908,305
Special drawing rights	4,815,541	-	-	-	-	4,815,541
Total	32,392,738	226,966	5,301	3,253	6	32,628,264

(iii) Staff loans and advances

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk (Continued)

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

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

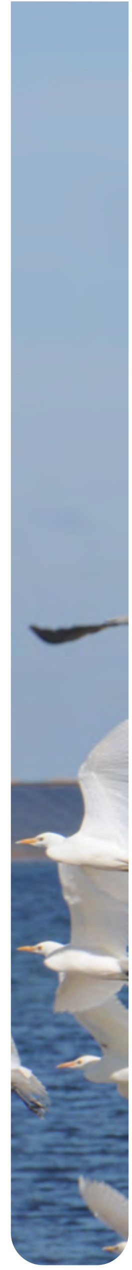
	Loans and advances … (Note 15)	
	2016	2015
Against neither past due nor impaired		
- Property	**10,789**	10,636
- Gratuity and leave days	**43,945**	30,944
- Motor vehicles	**16,667**	14,253
	71,401	55,833

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

All staff loans are neither past due nor impaired.

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

	Loans and advances (Note 15)	
	2016	2015
Carrying amount		
- Staff loans	**87,882**	68,978
- Staff advances	**1,831**	4,668
	89,713	73,646
Concentration by nature		
- House loans	**10,789**	10,636
- Mu lti -purpose loans	**53,583**	40,753
- Motor vehicle loans	**16,677**	14,253
- Other advances	**4,386**	4,668
- Personal loans	**4,278**	3,336
	89,713	73,646



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

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

Government has a rating of B stable from S & P and advances to them are considered low risk. Advances extended to commercial banks were fully collaterised. As at 31 December 2016, all amounts were neither past due nor impaired.

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

(v) Impaired loans and investment debt securities

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

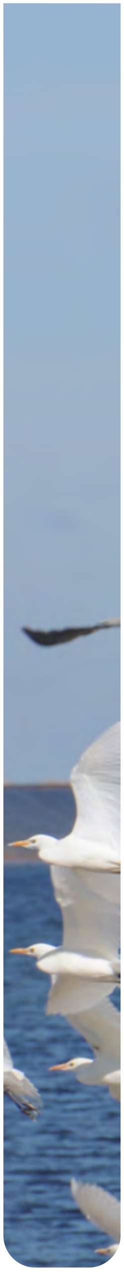
As shown in Note 19 amounts due from closed banks of **K124,4 million** (2015: K126.9 million) were also fully provided for. No collateral was held against these assets.

(vi) Allowances for impairment

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

(vii) Write-off policy

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

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

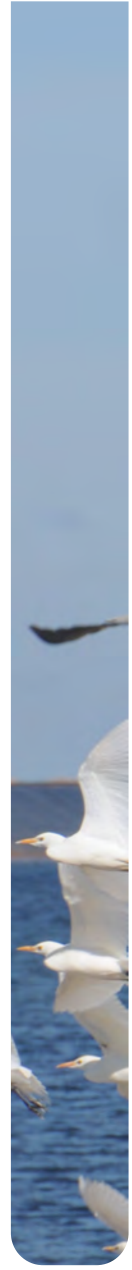
Concentration of risks of financial assets with credit risk exposure

31 December 2016

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

31 December 2015

	Financial institutions	Government	Individuals	Others	Total
Foreign currency cash and bank accounts	32,628,264	-	-	-	32,628,264
Items in course of settlement	2,489	-	-	-	2,489
Held-for-trading financial assets	574,101	-	-	-	574,101
Loans and advances	124,767	2,509,419	73,646	-	2,707,832
Held-to-maturity financial assets	-	2,005,508	-	-	2,005,508
Available-for-sale investments	27,509	-	-	-	27,509
IMF funds recoverable from Government of the Republic of Zambia	-	3,466,334	-	-	3,466,334
IMF subscriptions	5,094,506	-	-	-	5,094,506
	38,451,636	7,981,261	73,646	-	46,506,543



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk

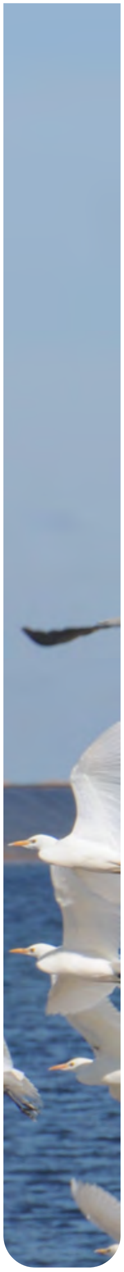
This is the risk of being unable to meet financial commitments or payments at the correct time, place and in the required currency. The Bank as a central bank does not face Zambian Kwacha liquidity risks.

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

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2016.

Financial assets and liabilities held for managing liquidity risk

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

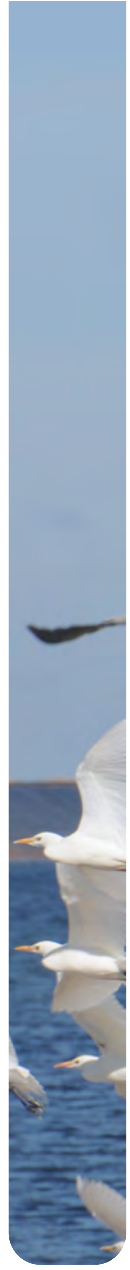
In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

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

31 December 2015	**On demand**	**Due within 3 months**	**Due between 3-12 months**	**Due between 1 – 5 years**	**Due after 5 years**	**Total**
Non-derivative liabilities						
Deposits from the GRZ	2,895,330	-	-	-	-	2,895,330
Deposits from financial institutions	9,647,906	-	-	-	-	9,647,906
Foreign currency liabilities to other institutions	155,886	-	-	-	-	155,886
Other deposits	34,684	-	-	-	-	34,684
Notes and coins in circulation	6,449,796	-	-	-	-	6,449,796
Other liabilities	-	-	219,674	-	-	219,674
Domestic currency liabilities to IMF	5,094,506	-	-	-	-	5,094,506
Foreign currency liabilities to IMF	-	-	-	2,822,442	-	2,822,442
SDR allocation	-	-	-	-	7,145,130	7,145,130
Total non-derivative liabilities	24,278,108	-	219,674	2,822,442	7,145,130	34,465,354
Assets held for managing liquidity risk						
Domestic cash in hand	3,582	-	-	-	-	3,582
Foreign currency cash and bank accounts	29,558,370	4,932	3,095,660	-	-	32,658,962
Held-for-trading financial assets	-	654,618	-	-	-	654,618
Held-to-maturity financial assets	-	-	788,506	2,193,774	-	2,982,280
Loans and advances	151,182	2,421,770	130,000	260,000.	-	2,962,952
IMF funds recoverable from the Government of the Republic of Zambia	3,466,334	-	-	-	-	3,466,334
IMF Subscription	5,094,506	-	-	-	-	5,094,506
Total assets held for managing liquidity risk	38,273,974	3,081,320	4,014,166	2,453,774	-	47,823,234
Net exposure	13,995,866	3,081,320	3,794,492	(368,668)	(7,145,130)	13,357,880



Notes to the financial statements (*Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

Assets held for managing liquidity risk

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

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

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

(d) Market risk

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

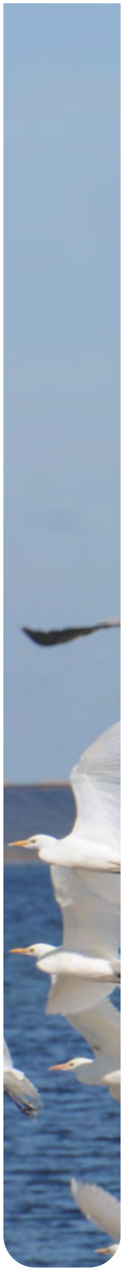
The Bank sets its strategy and tactics on the level of market risk that is acceptable and how it would be managed through the Investment Committee. The major thrust of the strategy has been to achieve a sufficiently diversified portfolio of foreign currency investments to reduce currency risk and induce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

(e) Exposure to currency risk

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

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

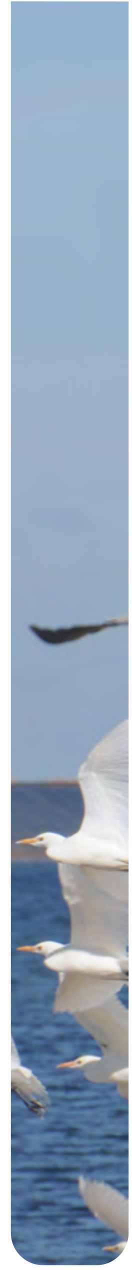
4 Risk management policies *(Continued)*

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure expressed in Kwacha as at 31 December 2015 was as shown in the table below:

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

At 31 December 2015	**USD**	**GBP**	**EUR**	**SDR**	**Other**	**Total Kwacha**
Foreign currency assets						
Foreign currency cash and bank accounts	23,912,634	2,135,254	94,962	4,815,541	1,669,873	32,628,264
IMF Subscriptions	-	-	-	5,094,507	-	5,094,507
Total foreign currency assets	23,912,634	2,135,254	94,962	9,910,048	1,669,873	37,722,771
Foreign currency liabilities						
Foreign currency liabilities to other institutions	154,840	61	985	-	-	155,886
Foreign currency liabilities to IMF	-	-	-	2,822,442	-	2,822,442
SDR allocation	-	-	-	7,145,129	-	7,145,129
Total foreign currency liabilities	154,840	61	985	9,967,571	-	10,123,457
Net exposure	23,757,794	2,135,193	93,977	(57,523)	1,669,873	27,599,314



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

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

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

	Spot rate	
	2016 ZMW	2015 ZMW
SDR 1	**13.29**	15.23
GBP 1	**12.15**	16.26
EUR 1	**10.36**	11.99
USD 1	**9.92**	10.98

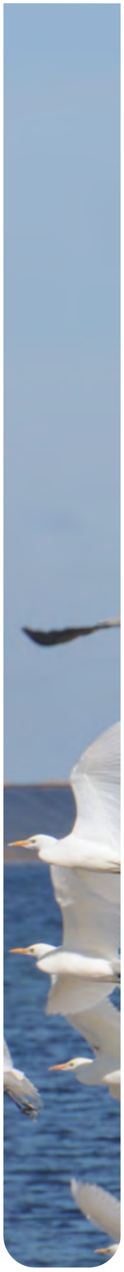
Foreign currency sensitivity

The following table illustrates the impact of a **12%** (2015: 12%) strengthening of the Kwacha against the relevant foreign currencies. 12% is based on long term observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The performance of the Kwacha against major currencies, in 2015, where on average 72% depreciation was recorded is considered an outlier and is ignored in the determination of the likely percentage change. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in thousands of Kwacha

	Equity ZMW	**Profit or (loss) ZMW**
31 December 2016		
SDR	**(1,058,728)**	**(1,058,728)**
USD	**(2,038,157)**	**(2,038,157)**
EUR	**(97)**	**(97)**
GBP	**(148,164)**	**(148,164)**
31 December 2015		
SDR	6,903	6,903
USD	(2,850,935)	(2,850,935)
EUR	(11,277)	(11,277)
GBP	(256,223)	(256,223)

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(f) Exposure to interest rate risk

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

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors approves levels of borrowing and lending that are appropriate for the Bank to meet its objective of maintaining price stability at reasonable cost. The Bank benchmarks its overall foreign exchange portfolio duration against BofA Merrill Lynch 0 – 3 Year U.S Treasury Index. The portfolio duration closed the month of December 2016 at 1.34 years against the benchmark of 1.35 years. This implies that had interest rates changed by 100 basis points, the portfolio was expected to change by 1.34% while the benchmark would change by 1.35%.

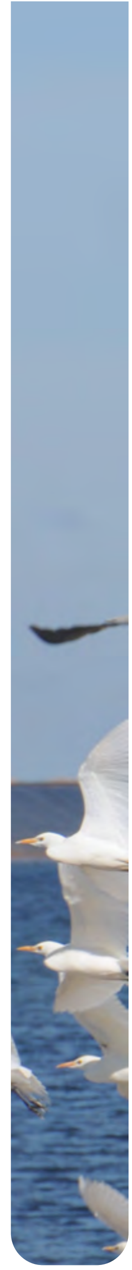
Foreign currency balances are subject to floating interest rates. Interest rate changes threaten levels of income and expected cash flows. The Bank holds a net asset position of foreign exchange reserves and interest income far outweighs interest charges on domestic borrowing and staff savings.

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

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

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

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



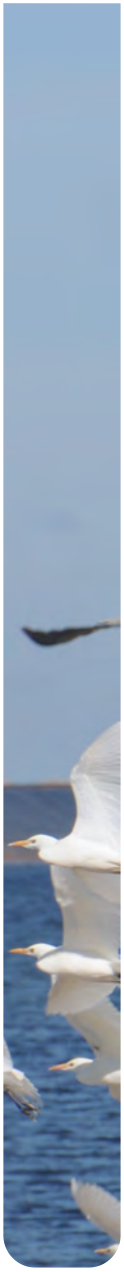
Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

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

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



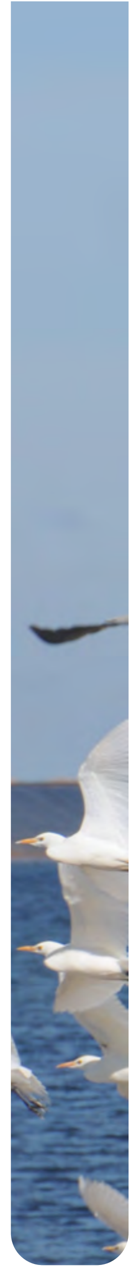
Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

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

	Less than 3 months	**Between 3 months and one year**	**Over 1 year**	**Non-interest bearing**	**Total**
At 31 December 2015					
Assets					
Domestic cash in hand				3,584	3,584
Foreign currency cash and bank accounts	32,623,381	-	-	4,883	32,628,264
Items in course of settlement	-	-	-	2,489	2,489
Held-for-trading financial assets	574,101	-	-	-	574,101
Loans and advances	148,806	72,385	2,196,096	290,545	2,707,832
Held-to-maturity financial assets	-	625,775	1,379,733		2,005,508
Available-for-sale investments	-	-	23,959	3,550	27,509
IMF funds receivable from Government	-	-	-	3,466,334	3,466,334
IMF Subscriptions	-	-	-	5,094,506	5,094,506
Total financial assets	33,346,288	698,160	3,599,788	8,865,891	46,510,127
Liabilities					
Deposits from the GRZ	-	-	-	2,895,330	2,895,330
Deposits from financial institutions	-	-	-	9,647,906	9,647,906
Foreign currency liabilities to other institutions	-	-	-	155,886	155,886
Other deposits	34,684	-	-	-	34,684
Other liabilities	-	-	-	6,449,796	6,449,796
Domestic currency liabilities to IMF	-	-	-	219,674	219,674
Foreign currency liabilities to IMF	-	-	-	5,094,506	5,094,506
Notes and coins in circulation	-	-	-	2,822,442	2,822,442
SDR allocation	-	-	-	7,145,130	7,145,130
Total financial liabilities	34,684	-	-	34,430,670	34,465,354
Net exposure at 31 December 2015	33,311,604	698,160	3,599,788	(25,564,779)	12,044,773



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

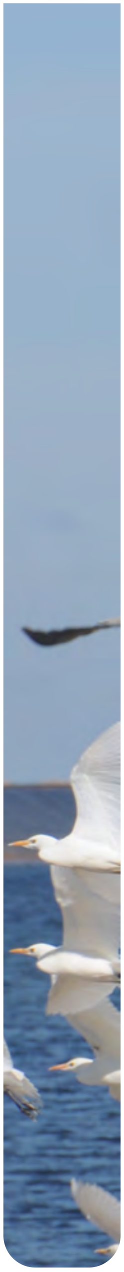
In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(g) Fair values

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

	Carrying amount 2016	Fair value 2016	Carrying Amount 2015	Fair value 2015
Assets				
Domestic cash in hand	**3,428**	**3,428**	3,582	3,582
Foreign currency cash and bank accounts	**23,289,524**	**23,289,524**	32,628,264	32,628,264
Items in course of settlement	**1,455**	**1,455**	2,489	2,489
Held-for-trading financial assets	**88,986**	**88,986**	574,101	574,101
Loans and advances	**6,769,671**	**6,769,671**	2,707,832	2,707,832
Held-to-maturity financial assets	**2,025,109**	**2,025,109**	2,005,508	2,005,508
Available-for-sale investments	**27,509**	**27,509**	27,509	27,509
IMF funds receivable from GRZ	**3,001,875**	**3,001,875**	3,466,334	3,466,334
IMF Subscriptions	**13,312,392**	**13,312,392**	5,094,506	5,094,506
Total financial assets	**48,519,949**	**48,519,949**	46,510,125	46,510,125
Liabilities				
Deposits from the GRZ	**1,616,403**	**1,616,403**	2,895,330	2,895,330
Deposits from financial institutions	**11,742,136**	**11,742,136**	9,647,906	9,647,906
Foreign currency liabilities to other institutions	**39,861**	**39,861**	155,886	155,886
Other deposits	**51,857**	**51,857**	34,684	34,684
Notes and coins in circulation	**6,554,140**	**6,554,140**	6,449,796	6,449,796
Other liabilities	**179,295**	**179,295**	219,674	219,674
Domestic currency liabilities to IMF	**13,312,392**	**13,312,392**	5,094,506	5,094,506
Foreign currency liabilities to IMF	**1,793,950**	**1,793,950**	2,822,442	2,822,442
SDR allocation	**6,233,618**	**6,233,618**	7,145,130	7,145,130
Total financial liabilities	**41,523,652**	**41,523,652**	34,465,354	34,465,354



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(g) Fair values *(Continued)*

Fair value hierarchy

IFRS7 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 Group market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange) and exchanges traded derivatives like futures (for example, NASDAQ, S&P 500).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the swaps and forwards. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

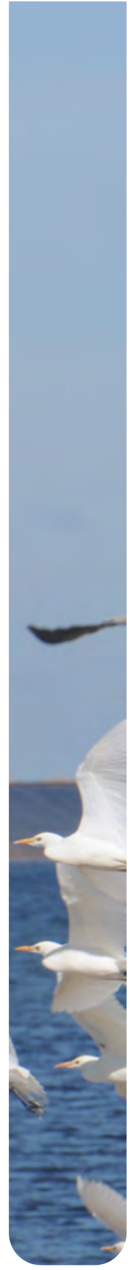
• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading financial assets	**-**	**88,986**	**-**	**88,986**
Available-for-sale financial instrulments	**-**	**-**	**27,509**	**27,509**
	-	**88,986**	**27,509**	**116,495**

31 December2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading financial assets	-	574,101	-	574,101
Availa ble-for-sale financial instruments	-	-	27,509	27,509
	-	574,101	27,509	601,610

At 31 December 2016, the Bank did not have financial liabilities measured at fair value (2015: nil).



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(h) Management of capital

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

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

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

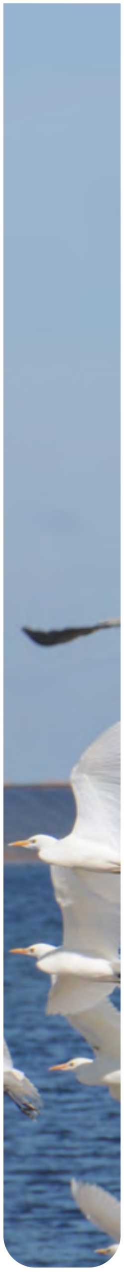
Distributable profits as described in the provisions of Sections 7 and 8 of the Bank of Zambia Act 43, 1996 are inclusive of unrealised gains. The Board is of the opinion that the distribution of unrealised gains would compromise the Bank's capital adequacy especially that such gains are not backed by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

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

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

	Notes	**2016**	2015
Capital	37	**500,020**	500,020
Retained earnings	38	**5,673,151**	10,768,372
General reserve fund	38	**388,047**	386,635
Property revaluation reserve	38	**235,506**	240,893
Total		**6,796,724**	11,895,920

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



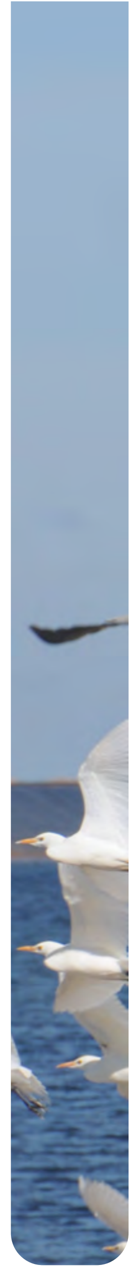
Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

		2016	2015
5	**Interest income**	**2016**	2015
	Interest on held-to-maturity Government securities	**263,796**	242,579
	Interest on loans and receivables	**823,724**	214,648
	Interest on foreign currency investments and deposits	**121,715**	76,978
	Total interest income	**1,209,235**	534,205
	Interest expense	**2016**	2015
	Interest arising on open market operations	**45,279**	30,802
	Interest arising on staff savings	**5,424**	3,166
	Total interest expense	**50,703**	33,968

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

		2016	2015
6	**Fees and commission income**	**2016**	2015
	Fees and commission income on transactions with the GRZ	**108,064**	75,536
	Supervision fees	**86,712**	69,155
	Penalties	**13,493**	8,533
	Other	**8,357**	8,241
	Licences and registration fees	**1,156**	1,129
	Fees and commission income	**217,782**	162,594
	Fees and commission expense		
	Arising on foreign exchange transactions	**3,006**	3,539



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

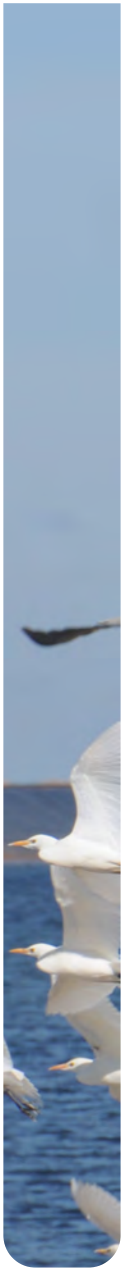
In thousands of Zambian Kwacha

7	Other gains and losses	2016	2015
	Net realised foreign exchange gains	**4,181,822**	5,791,371
	Dividend on available-for-sale investments	**2,343**	3,230
	Rental income	**1,568**	723
	Other income	**819**	7,618
	Gain on disposal of property, plant and equipment	**265**	301
	Net unrealised foreign exchange gains/(losses)	**(6,036,134)**	5,026,419
		(1,849,317)	10,829,662

Income earned in respect of net realised foreign exchange gains was mainly on account of continued sale of foreign exchange, during the year, to meet Government debt service and other obligations. The net unrealised losses, on the other hand, manifested after a marked appreciation of the Kwacha against major foreign currencies during the year. The Kwacha appreciated by about **10%** from an opening rate of **K10.98** per US dollars as at 31st December 2015 to close at **K9.91** on 31st December 2016, and had the effect of increasing the net unrealised foreign exchange losses.

8 Impairment of financial assets

	Amounts due from closed banks (Note 19)	Other assets (Note 18)	Loans and advances (Note 15)	Total
At 1 January 2015				
Impairment loss for the year	126,974	1,882	23,525	152,381
- Charge for the year	802	-	-	802
- Reversal during the year	(3,419)	(972)	-	(4,391)
	(2,617)	(972)	-	(3,589)
Balance at 31 December 2015	124,357	910	23,525	148,792
At 1 January 2016	**124,357**	**910**	**23,525**	**148,792**
Impairment loss for the year				
- Charge for the year	**-**	**-**	**-**	**-**
- Reversal during the year	**(199)**	**-**	**-**	**(199)**
	(199)	**-**	**-**	**(199)**
Balance at 31 December 2016	**124,158**	**910**	**23,525**	**148,593**



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

9	Employee benefits	2016	2015
	Wages and salaries	188,138	158,247
	Other employee costs	167,135	150,002
	Employer's pension contributions	17,022	18,027
	Employer's NAPSA contributions	6,052	4,685
	Staff loan benefit (Note 15)	2,386	6,432
		380,733	337,393

10	Operating expenses	2016	2015
	Administrative expenses	169,034	404,007
	Expenses for bank note production	55,676	98,894
	Repairs and maintenance	21,954	14,839
	Kwacha rebasing expense	-	53
	Sundry banking office expenses	47	9
		246,711	517,802

11 Income tax

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

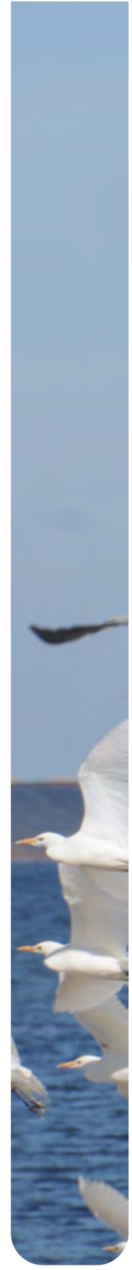
12	Foreign currency cash and bank accounts	2016	2015
	Deposits with non-resident banks	13,149,585	21,387,186
	Special Drawing Rights ("SDRs")	3,537,912	4,815,541
	Current account balances with non-resident banks	3,515,675	3,061,756
	Clearing correspondent accounts with other central banks	3,081,651	3,358,897
	Foreign currency cash with banking office	4,701	4,884
		23,289,524	32,628,264

13 Items in course of settlement

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

14 Held-for-trading financial assets

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks. The high variance between holdings outstanding as at 31 December 2015 and those recorded as at 31 December 2016 is due to lower levels of rediscounts on account of the commercial banks finding alternative financing and adapting to the tight monetary policy actions undertaken by the Bank during the last couple of years.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

15 Loans and advances	2016	2015
Staff loans	**75,149**	62,047
Staff loans benefit at market value	**12,733**	10,347
Total staff	**87,882**	72,394
Budgetary advances to the Government	**6,205,130**	2,219,611
Capitalisation bond (Note 41)	**337,047**	289,294
Credit to banks	**161,306**	148,806
Staff advances	**1,831**	1,252
	6,793,196	2,731,357
Specific allowances for impairment (Note 8)	**(23,525)**	(23,525)
Total loans and advances	**6,769,671**	2,707,832

Staff loans

Movement in staff loans benefit

	2016	2015
Balance at 1 January	**10,347**	3,915
Current year fair value adjustment of new loans	**4,772**	12,864
	15,119	16,779
Amortised to statement of comprehensive income (Note 9)	**(2,386)**	(6,432)
Balance at 31 December	**12,733**	10,347

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

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

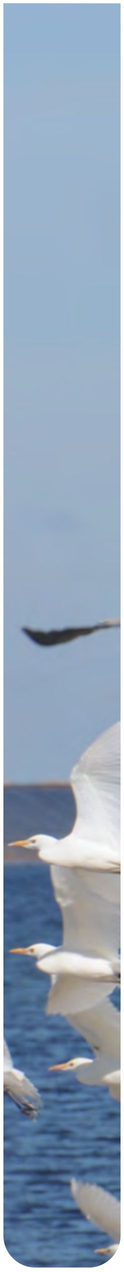
The maximum prevailing interest rates on staff loans were as follows:

	2016	2015
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

Recapitalisation bond

The capitalisation bond of **K337.0 million** represents a series of equity bonds authorised by the GRZ for the purpose of financing the outstanding called up capital of the Bank. Details are as illustrated below

	2016	2015
Total Capitalisation bond	**390,000**	390,000
Amortised cost adjustment	**(100,706)**	(100,706)
	289,294	289,294
Unwinding of fair value adjustment	**47,753**	-
Capitalisation bond after adjustments	**337,047**	289,294



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

15 Loans and advances *(Continued)*

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

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

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

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

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

(b) The 2013A bonds shall not bear any interest.

(c) The 2013A bonds shall be non-transferable

(d) The 2013A bonds shall be issuable in such denominations as the Bank deems appropriate.

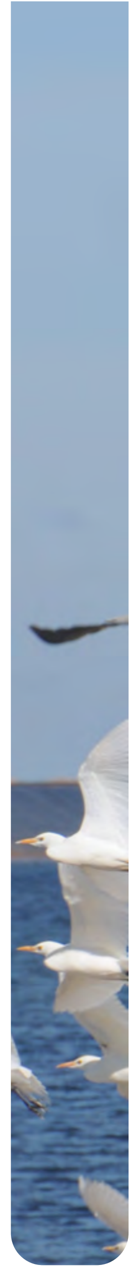
(e) The principal amount on the 2013A bonds shall be payable through the accounts established at the Bank for the purposes of the bond indenture.

16 Held-to-maturity financial assets

	2016	2015
GRZ consolidated Securities (Note 17)	**1,797,186**	1,794,288
Other GRZ securities	**203,003**	196,895
Staff savings treasury bills	**24,920**	14,325
	2,025,109	2,005,508

17 The GRZ consolidated securities

	2016	2015
6% GRZ consolidated bond	**1,154,273**	1,154,874
364 days Treasury Bills	**642,913**	639,414
	1,797,186	1,794,288



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

17 The GRZ consolidated securities *(continued)*

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

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

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

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

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

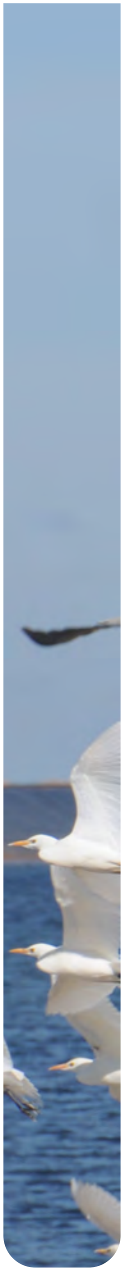
18 Other assets

	2016	2015
Prepayments	**10,330**	9,996
Sundry receivables	**5,516**	4,003
Stationery and office consumables	**1,711**	1,795
	17,557	15,794
Specific allowances for impairment (Note 8)	**(910)**	(910)
	16,647	14,884

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

19 Amounts due from closed banks

	2016	2015
Advances	**124,158**	124,357
Specific allowances for impairment (Note 8)	**(124,158)**	(124,357)
	-	-



Notes to the financial statements (Continued)
for the year ended 31 December 2016

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20 Available-for-sale investments

Zambia Electronic Clearing House Limited	**3,550**	3,550
African Export Import Bank	**23,959**	23,959
	27,509	27,509

Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution of K3.550 million, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered to be an available-for-sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of **K0.034 million** (2015: K0.060 million) are included in administrative expenses.

Africa Export Import Bank

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

The investment in AEIB includes dividend equivalent to **K 3.230 million** received in 2015, all of which was converted into equity. This was in line with AEIB's call for equity increase to strengthen its capital and enable improved pursuance of its mandate.

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

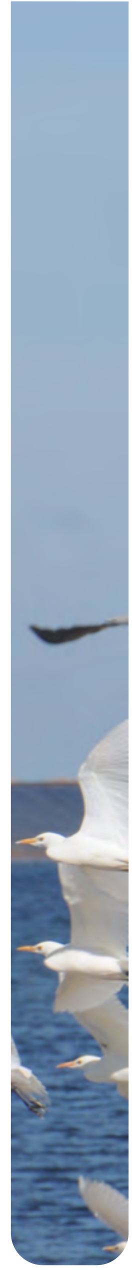
	2016	2015
Poverty Reduction and Growth Facility (PRGF)*	**2,998,514**	3,461,211
Accrued charges-SDR Allocation	**3,361**	5,123
	3,001,875	3,466,334

* 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 35).

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

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22 IMF subscriptions

The IMF subscription represents membership quota amounting to **SDR 489,100,000** (2015: SDR 489,100,000) assigned to the GRZ by the IMF and forms the basis for the GRZ's financial and organisational relationship with the IMF. The financial liability relating to the IMF subscription is reflected under Note 34. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability have the same value.

The movement on IMF subscription is on account of currency valuation adjustments between 2016 and 2015. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23 Property, plant and equipment

	Leasehold buildings	Furniture, Fittings, computer, plant, machinery and equipment	Motor vehicles, bullion truck and escort vehicles	Capital work-in progress	Total
Cost or valuation					
At I January 2015	269,257	130,124	32,237	19,090	450,708
Additions	-	14,414	7,355	57,970	79,739
Transfers	137	6,002	1,157	(8,148)	(852)
Revaluation	-	-	-	-	-
Disposals	(16)	(790)	(1,656)	-	(2,462)
31 December 2015	269,378	149,750	39,093	68,912	527,133
At I January 2016	**269,378**	**149,750**	**39,093**	**68,912**	**527,133**
Additions	**320**	**3,742**	**3,094**	**54,123**	**61,279**
Transfers	**2,360**	**62,045**	**-**	**(64,405)**	**-**
Disposals	**-**	**-**	**-**	**-**	**-**
31 December 2016	**272,058**	**215,537**	**42,187**	**58,630**	**588,412**
Accumulated depreciation					
At I January 2015	5,811	77,286	18,511	-	101,608
Charge for the year	5,386	10,576	4,902	-	20,864
Disposals	-	(162)	(1,465)	-	(1,627)
At 31 December 2015	11,197	87,700	21,948	-	120,845
At I January 2016	**11,197**	**87,700**	**21,948**	**-**	**120,845**
Charge for the year	**5,406**	**11,605**	**5,681**	**-**	**22,692**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31 December 2016	**16,603**	**99,305**	**27,629**	-	**143,537**
Carrying amounts					
At 31 December 2016	**255,455**	**116,232**	**14,558**	**58,630**	**444,875**
At 31 December 2015	258,181	62,050	17,145	68,912	406,288

Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

23 Property, plant and equipment *(Continued)*

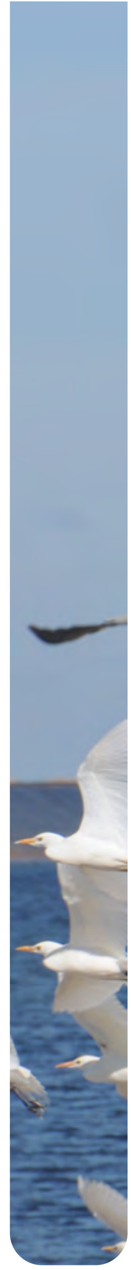
(a) The fair value measurement of the leasehold buildings as at 31 December 2013 were performed by Messrs Pam Golding Properties, independent valuers not related to the Bank. Messrs Pam Golding Properties are members of the Royal Institute of Chartered Surveyors, and they have appropriate qualifications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

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair value was 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 **ZMW12.1 million** (2015: ZMW12.1 million)

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

24 Intangible assets

	Purchased Software
Cost	
At 1 January 2015	51,852
Additions	843
Adjustments	(796)
Transfer from work-in-progress (Note 23)	852
At 31 December 2015	52,751
At 1 January 2016	**52,751**
Additions	**-**
Adjustments	**(10)**
Transfer from-in-progress (Note 23)	**-**
At 31 December 2016	**52,741**
Amortisation and impairment	
At 1 January 2015	32,112
Amortisation charge for the year	8,221
At 31 December 2015	40,333
At 1 January 2016	**40,333**
Amortisation charge for the year	**7,078**
At 31 December 2016	**47,411**
Carrying amounts	
At 31 December 2016	**5,330**
At 31 December 2015	12,418



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

25. Capital expenditure commitments

	2016	2015
Authorised by the directors and contracted for	**105,489**	132,735

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

26 Deposits from the Government of the Republic of Zambia

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

27 Deposits from financial institutions

	2016	2015
Statutory minimum reserve requirements	**9,023,254**	8,666,970
Commercial bank current accounts	**2,717,522**	979,497
Term deposits from financial institutions	**965**	1,044
Deposits from other international financial institutions	**361**	361
Deposits from other central banks	**34**	34
	11,742,136	9,647,906

The deposits except for term deposits are non-interest bearing and are payable on demand. Term deposits from financial institutions arise from open market operations (OMO). These are short term instruments with maximum maturity of up to 90 days and are used as a means of implementing monetary policy. The instruments bear interest at rates fixed in advance for periods up to maturity. No collateral was provided against any deposits at 31 December 2016.

28 Foreign currency liabilities to other institutions

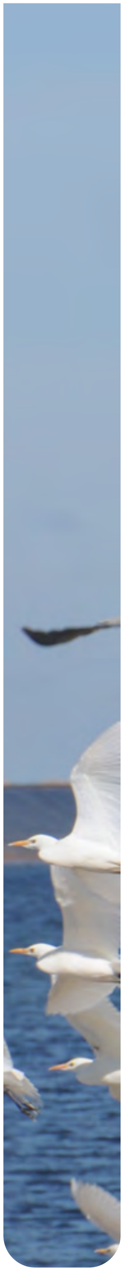
These are deposits by foreign governments and institutions, are non-interest bearing and are repayable on demand. Balances at end of year relate mainly to funds provided to the Bank by foreign institutions in respect of project support.

	2016	2015
Donor funds	**39,861**	155,886

29 Other deposits

	2016	2015
Staff savings, deposits and clearing accounts	**51,857**	34,684

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 *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Notes and coins in circulation

	2016	2015
Bank notes issued by denomination		
K 100	**4,263,092**	4,228,092
K 50	**1,416,960**	1,401,960
K20	**336,886**	331,886
K10	**151,086**	150,766
K5	**84,174**	83,994
K 2	**40,206**	40,211
Unrebased notes	**102,395**	102,451
Bank notes issued	**6,394,799**	6,339,360
Coins issued	**159,341**	110,436
	6,554,140	6,449,796

31 Other liabilities

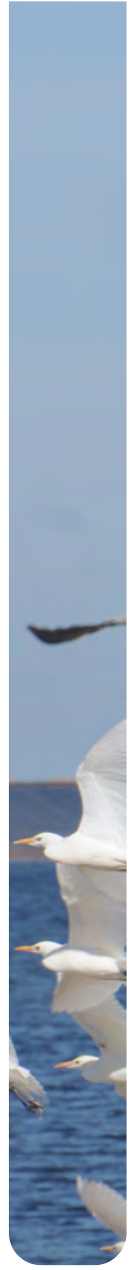
	2016	2015
Accounts payable	**149,749**	113,682
Accrued expenses payable	**29,546**	105,992
	179,295	219,674

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

32 Provisions

	2016	2015
Balance at 1 January	**582,441**	291,514
Provisions made during the year	**83,984**	293,114
Payments made during the year	**-**	(2,187)
Balance at 31 December	**666,425**	582,441

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

33 Domestic currency liabilities to IMF

	2016	2015
International Monetary Fund:		
Securities account	**13,278,844**	5,080,152
No. 1 account	**33,281**	14,150
No. 2 account	**267**	204
	13,312,392	5,094,506

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 2016 and 2015, as advised by the IMF.

34 Foreign currency liabilities to IMF

	2016	2015
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	**1,790,589**	2,818,251
- Charges on SDR allocation (b)	**3,361**	4,191
	1,793,950	2,822,442

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 2017. The loan bears interest at one-half per cent per annum. The balance has reduced on account of repayments and exchange rate movements during the year.

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

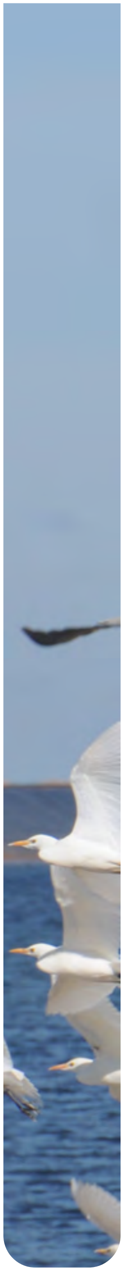
35 Employee benefits

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

	2016	2015
Fair value of plan assets	**470,881**	465,645
Present value of defined benefit obligations	**(276,648)**	(422,596)
Impact of asset ceiling	**(194,233)**	(43,049)
Recognised asset for defined benefit obligations	**-**	-

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

	2016	2015
Net asset at 1 January	**-**	45,070
Remeasurements recognised in other comprehensive income	**-**	(45,070)
Net asset at 31 December	**-**	-



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

35 Employee benefits *(Continued)*

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

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

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

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

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

(a) Asset volatility

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

(b) Changes in bond yields

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

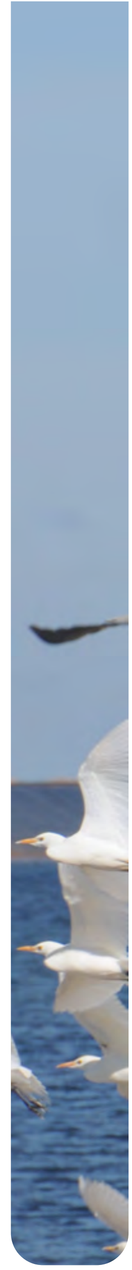
(c) Life expectancy

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

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method after every three years. However, the directors retain discretion to alter the timing of reviews to enable provision of reasonable estimates and more relevant information that achieves the fairest presentation. The latest actuarial review and valuation was carried out by Quantum Consultants and Actuaries on 3 February 2017 in respect of results as at 31 December 2016.

Remeasurements to be recognised in other comprehensive income:

	2016	2015
Charge due to impact of asset ceiling	**139,482**	43,049
Return on plan assets (excluding amounts in net interest)	**58,880**	20,764
Experience (gains)/losses	**(5,420)**	31,128
Gain fro m change in financial assumptions	**(87,015)**	(49,871)
Gain from change in demographic assumptions	**(105,927)**	-
Remeasurements	**-**	45,070



Notes to the financial statements (Continued)
for the year ended 31 December 2016

In thousands of Zambian Kwacha

35 Employee benefits (Continued)

The charge due to impact of asset ceiling arises due to the fact that even though the fund recorded an actuarial surplus, the Bank as sponsor will not enjoy any break in contributions and should, therefore, not recognise an actuarial asset in its books. The asset stays in the fund to improve members' benefits. The most significant changes resulting in the gains highlighted above are change in retirement age from **55** years to **60** years for normal retirement and change in discount rate from **22.5%** in 2015 to **25.0%** in 2016.

Plan assets comprise:

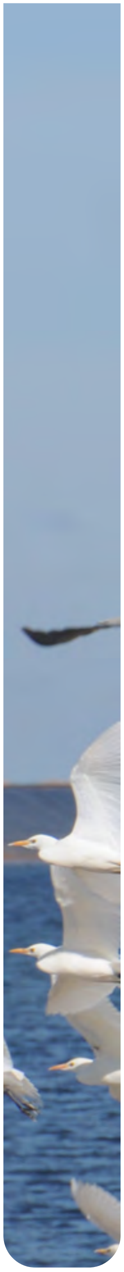
	2016	2015
Investment properties	**260,160**	196,624
Equity securities	**149,142**	34,521
Treasury bills and corporate bonds	**41,164**	55,691
Other assets	**19,365**	12,780
GRZ bonds	**1,050**	166,029
Total plan assets	**470,881**	465,645

Movement in the present value of the defined benefit obligations over the period

	2016	2015
Defined benefit obligations at 1 January	**422,596**	418,068
Interest cost	**96,215**	65,436
Current service cost	**5,985**	12,765
Experience (gains)/losses	**(5,420)**	31,128
Benefits paid by the plan	**(49,786)**	(54,931)
Gains from change in financial assumptions	**(87,015**	(49,870)
Gains from change in demographic assumptions	**(105,927)**	-
Defined benefit obligations at 31 December	**276,648**	422,596

Movement in the present value of plan assets

	2016	2015
Fair value of plan assets at 1 January	**465,645**	463,138
Interest income on plan assets	**101,780**	67,114
Employee contributions	**16,543**	16,982
Employer contributions	**5,248**	5,388
Administration expenses	**(9,669)**	(8,310)
Benefits paid by the plan	**(49,786)**	(54,931)
Return on plan assets, excluding interest	**(58,880)**	(23,736)
Fair value of plan assets at 31 December	**470,881**	465,645



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

35 Employee benefits *(Continued)*

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2016	2015
Future pension increase	**8.0%**	8.0%
Salary increase (p.a)	**14.0%**	16.0%
Discount rate (p.a)	**25.0%**	22.5%
Expected return on plan assets	**25.0%**	22.5%
Inflation rate	**12.0%**	14.0%

Average life expectancy at normal retirement age 55

	2016	2015
Male	**18.3**	21.4
Female	**20.5**	25.3

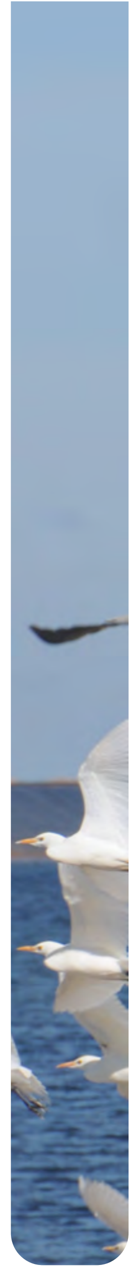
Sensitivity of the defined benefit obligation to actuarial assumptions

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

	2016	2015
Discount rate		
- increase by 1%	**-26,103**	-18,719
- decrease by 1%	**+29,376**	+21,027
Salary increase		
- increase by 1%	**+11,749**	+10,653
- decrease by 1%	**-11,106**	-9,862
Future pension increase		
- increase by 1%	**+18,726**	+12,069
- decrease by 1%	**16,833**	-10,995
Life expectancy		
- increase by 1%	**-5,071**	+18,747
- decrease by 1%	**+4,437**	-16,701

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

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

36 SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to **SDR 469,137,515,** 2015: SDR 469,137,515. The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF except in the event that (a) the allocation is withdrawn or cancelled; (b) the member country leaves the IMF; or (c) the SDR department of the IMF is liquidated. The translation rate for end of year was **ZMW 13.2874** per SDR (2015: ZMW15.2303.)

37 Capital

	2016	2015
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.

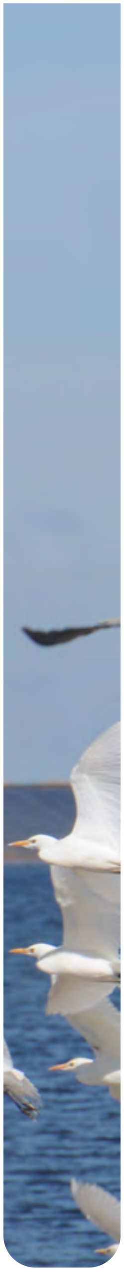
Section 7 of the Bank of Zambia Act, provides that the remainder of the profits after the above transfers should be paid to the GRZ within sixty days following the auditor's certification of the Bank's financial statements.

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.



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

38 **Reserves** *(Continued)*

Appropriation of profits

Due to the loss recorded in respect of the Bank of Zambia financial performance for the 2016 financial year, no dividend is payable. However, in accordance with Sections 7 and 8 of the Bank of Zambia Act 43, 1996 The Board approved the appropriation of profits resulting in a transfer of **K1,342.9 million** to the general reserve fund and payment of **K4,028.9** million as dividend to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2015 financial year. Unrealised foreign exchange gains were excluded in the appropriation to protect the capital position of the Bank from erosion.

39 **Related party transactions**

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

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

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

The main services during the year to 31 December 2016 were:

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

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

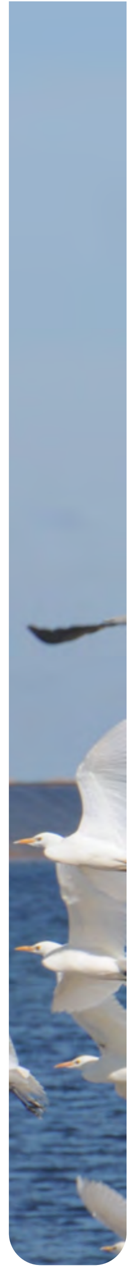
Transactions and balances with the GRZ

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:

	2016	2015
Interest on held-to-maturity GRZ securities	**263,796**	242,579
Interest on advances to GRZ	**778,580**	165,385
Fees and commission income on transactions with the GRZ	**108,064**	75,536
Profit on foreign exchange transactions with GRZ	**177,612**	18,961
Total	**1,328,052**	502,461

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



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

39 Related party transactions *(Continued)*

Transactions and balances with the GRZ *(Continued)*

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

	2016	2015
GRZ - year end balances		
Deposits from GRZ Institutions	**(1,616,403)**	(2,895,330)
Holdings of GRZ securities	**2,025,109**	2,005,508
Bu dgetary advances to the Government	**6,205,130**	2,219,611

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

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

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

Transactions and balances with directors and key management personnel

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

(a) Short-term benefits

	2016	2015
Directors' fees	**861**	730
Remuneration for key management personnel		
- Salaries and allowances	**30,593**	21,470
- Pension contributions	**1,650**	1,542
	33,104	23,742

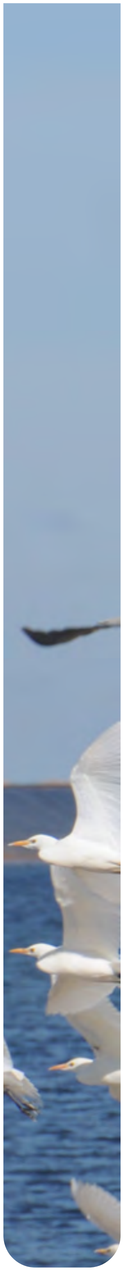
Loans and advances to key management personnel

Balance at 31 December	**4,587**	3,933

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.

	2016	2015
b) Post-employment pension benefits	**4,931**	18,966



Notes to the financial statements *(Continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

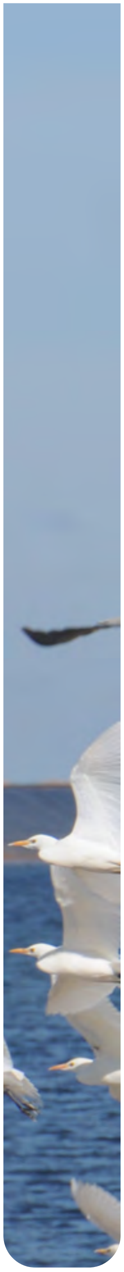
40 Contingent liabilities

The Bank is party to various litigation cases, whose ultimate resolution, in the opinion of the Directors, is not expected to materially impact the financial statements.

41 Events after the reporting date

K130 million receivable from Government in respect of outstanding **K390 million** capitalisation bond securities was redeemed, as scheduled, on 31 January 2017 (see note15). There were no other significant events subsequent to 31 December 2016 that may require to be disclosed.

8.0 2016 ANNUAL STATISTICAL ANNEXURES



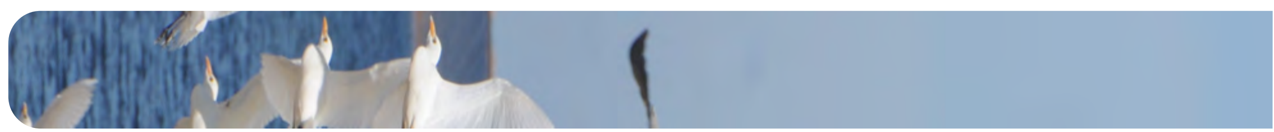
8.0 2016 ANNUAL STATISTICAL ANNEXURES

Table 1

Depository Corporations Survey (K' Million), Dec. 2014 - Dec. 2016

	Dec-14	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
NET FOREIGN ASSETS	18,435.90	34,717.80	34,789.76	34,020.99	31,165.60	27,013.10	28,239.59	27,421.96	26,553.94	23,060.55	24,683.68	23,790.32	27,648.25	26,386.94
CLAIMS ON NONRESIDENTS	21,667.90	39,884.80	40,634.63	39,254.49	36,140.41	31,365.24	33,070.56	32,832.04	32,661.04	30,098.15	32,327.49	30,203.38	34,022.93	32,987.62
LIABILITIES TO NONRESIDENTS	-3,232.00	-5,167.00	-5,844.87	-5,233.50	-4,974.81	-4,352.14	-4,830.97	-5,410.08	-6,107.10	-7,037.60	-7,643.81	-6,413.06	-6,374.68	-6,600.68
DOMESTIC CLAIMS	31,986.70	40,415.80	39,604.13	41,290.00	39,148.18	38,054.28	40,775.82	39,680.14	43,033.89	42,392.72	42,346.08	42,518.13	42,603.65	41,339.31
NET CLAIMS ON CENTRAL GOVERNMENT	9,181.50	10,933.00	9,541.06	11,134.01	9,315.41	9,769.24	11,525.16	10,957.97	13,576.09	14,082.96	14,109.42	14,793.26	14,926.37	14,606.41
CLAIMS ON CENTRAL GOVERNMENT	16,502.80	18,181.70	17,917.40	17,418.02	16,029.07	15,824.89	18,065.66	17,478.47	20,067.87	19,893.37	20,230.85	20,714.94	21,565.78	22,287.50
LIABILITIES TO CENTRAL GOVERNMENT	-7,321.30	-7,248.70	-8,376.34	-6,284.02	-6,713.66	-6,055.65	-6,540.50	-6,520.50	-6,491.78	-5,810.40	-6,121.43	-5,921.69	-6,639.41	-7,681.09
CLAIMS ON OTHER SECTORS	22,805.20	29,482.70	30,063.07	30,155.99	29,832.77	28,285.04	29,250.66	28,722.17	29,457.80	28,309.75	28,236.66	27,724.87	27,677.28	26,732.90
CLAIMS ON OTHER FINANCIAL CORPORATIONS	201.80	275.20	275.65	280.61	273.98	255.53	261.14	345.98	250.23	265.10	241.25	231.64	234.34	283.67
CLAIMS ON STATE AND LOCAL GOVERNMENT	37.00	50.40	63.46	58.38	64.48	68.49	67.19	65.25	63.75	72.05	64.14	69.62	48.56	74.46
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	231.60	285.20	264.72	298.05	253.89	251.84	259.70	253.15	233.50	219.89	245.22	225.89	221.59	222.57
CLAIMS ON PRIVATE SECTOR	22,334.80	28,871.90	29,459.24	29,518.96	29,240.42	27,709.18	28,662.62	28,057.78	28,910.32	27,752.71	27,686.04	27,197.72	27,172.80	26,152.21
BROAD MONEY LIABILITIES	34,959.10	47,262.10	45,526.18	45,771.32	44,941.10	43,844.12	45,729.36	44,129.84	46,378.38	43,753.25	44,218.02	44,239.70	46,625.43	44,567.12
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	4,188.30	4,712.70	4,210.60	4,012.59	4,075.43	4,225.71	4,336.03	4,836.55	5,156.59	4,959.75	4,577.07	4,576.82	4,621.98	4,781.56
TRANSFERABLE DEPOSITS	17,208.50	23,995.70	23,709.45	24,338.88	24,113.52	22,809.00	24,865.21	23,455.57	25,214.20	22,658.00	23,549.52	23,303.72	25,690.60	24,510.40
OTHER DEPOSITS	13,562.40	18,553.70	17,606.14	17,419.85	16,752.16	16,809.42	16,528.11	15,837.71	16,007.59	16,135.50	16,091.43	16,359.16	16,312.85	15,275.16
SECURITIES OTHER THAN SHARES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPOSITS EXCLUDED FROM BROAD MONEY	46.70	46.70	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOANS	2,083.80	2,753.00	3,158.51	3,099.35	2,961.94	2,554.91	2,510.67	2,774.87	2,940.98	2,759.15	2,901.11	2,815.60	2,849.76	2,766.50
FINANCIAL DERIVATIVES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE TECHNICAL RESERVES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SHARES AND OTHER EQUITY	9,944.50	20,848.00	20,772.87	21,257.12	16,716.66	14,492.01	15,953.92	15,460.63	16,177.84	15,475.77	15,887.24	15,474.61	16,095.41	16,138.93
OTHER ITEMS (NET)	3,388.30	4,223.60	4,889.60	5,136.46	5,647.35	4,129.61	4,774.73	4,690.04	4,043.90	3,418.37	3,976.67	3,731.81	4,634.57	4,206.97
IFS Vertical Check	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Bank of Zambia



Central Bank Survey (K' Million), Dec. 2014 - Dec. 2016

Table 2

	Dec-14	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
NET FOREIGN ASSETS	15,851.90	27,667.00	27,556.82	26,387.89	23,787.95	20,320.19	21,114.93	19,597.85	18,687.60	17,548.00	18,596.20	17,360.30	18,967.10	19,722.20
CLAIMS ON NONRESIDENTS	15,883.20	27,835.60	27,725.87	26,557.38	23,931.37	20,466.77	21,264.78	19,644.50	18,737.70	17,595.20	18,645.30	17,407.00	19,015.00	19,772.60
LIABILITIES TO NONRESIDENTS	-31.30	-168.60	-169.05	-169.49	-143.42	-146.59	-149.85	-46.65	-50.10	-47.20	-49.10	-46.70	-47.90	-50.40
CLAIMS ON OTHER DEPOSITORY CORPORATIONS	159.20	420.90	572.11	747.38	273.77	475.04	186.82	218.53	230.70	174.40	191.10	174.90	175.00	290.30
NET CLAIMS ON CENTRAL GOVERNMENT	2,437.80	5,699.30	4,972.84	6,420.21	5,391.10	5,791.83	6,993.01	6,955.57	9,343.30	9,456.80	9,814.60	9,406.00	9,251.10	9,940.40
CLAIMS ON CENTRAL GOVERNMENT	5,274.20	8,678.70	8,564.87	8,501.62	7,339.89	7,465.83	8,851.21	8,414.99	11,247.80	11,148.00	11,458.50	11,375.80	11,384.00	11,546.50
LIABILITIES TO CENTRAL GOVERNMENT	-2,836.30	-2,979.40	-3,592.03	-2,081.41	-1,948.79	-1,673.99	-1,858.19	-1,459.42	-1,904.50	-1,691.30	-1,643.90	-1,969.90	-2,132.80	-1,606.10
CLAIMS ON OTHER SECTORS	65.60	121.80	122.38	71.75	70.92	71.20	87.17	84.96	84.10	85.90	86.60	86.30	89.20	92.00
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLAIMS ON STATE AND LOCAL GOVERNMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLAIMS ON PRIVATE SECTOR	65.60	121.80	122.38	71.75	70.92	71.20	87.17	84.96	84.10	85.90	86.60	86.30	89.20	92.00
MONETARY BASE	13,301.00	16,247.90	15,055.28	15,217.16	15,731.92	15,867.59	15,975.67	15,666.50	16,272.80	16,297.80	16,865.70	15,933.70	16,886.10	18,324.30
CURRENCY IN CIRCULATION	5,724.10	6,446.20	5,655.88	5,263.44	5,671.34	5,597.57	5,719.67	6,312.77	6,600.10	6,372.10	5,966.80	5,926.30	5,889.40	6,550.70
LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	7,556.50	9,774.40	9,375.79	9,926.60	10,031.28	10,244.84	10,227.88	9,327.05	9,647.10	9,898.80	10,873.30	9,976.80	10,967.40	11,741.70
LIABILITIES TO OTHER SECTORS	20.30	27.30	23.61	27.12	29.29	25.17	28.12	26.68	25.50	26.80	25.60	30.60	29.40	31.80
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.30	4.30	3.20	3.20	0.00	0.00
DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE	0.00	0.00	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPOSITS ExCLUDED IN BROAD MONEY	0.00	0.00	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPOSITS EXCLUDED FROM BROAD MONEY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOANS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FINANCIAL DERIVATIVES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SHARES AND OTHER EQUITY	1,835.10	12,068.10	12,121.86	12,602.16	8,048.60	5,763.93	7,007.28	6,092.50	6,799.90	6,015.70	6,726.60	6,273.30	6,763.40	6,885.80
OTHER ITEMS (NET)	3,378.50	5,593.10	6,046.67	5,807.91	5,743.22	5,026.74	5,398.98	5,097.90	5,267.70	4,947.30	5,092.90	4,817.30	4,832.90	4,834.80
IFS Vertical Check	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

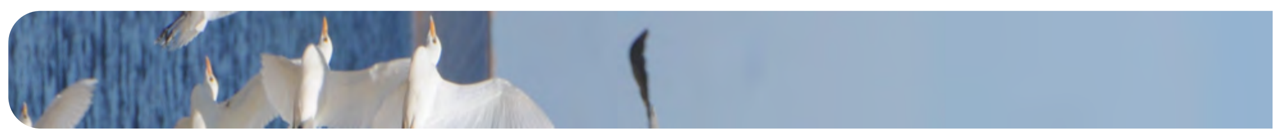
Source: Bank of Zambia

Other Depository Corporations (K' Million), Dec. 2014 - Dec. 2016

Table 3

	Dec-14	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
NET FOREIGN ASSETS	2,584.00	7,050.82	7,232.94	7,633.10	7,377.65	6,692.92	7,124.66	7,824.11	7,866.35	5,512.51	6,087.52	6,429.97	8,681.14	6,664.78
CLAIMS ON NONRESIDENTS	5,784.70	12,049.20	12,908.76	12,697.11	12,209.04	10,898.47	11,805.78	13,187.54	13,923.36	12,502.91	13,682.23	12,796.35	15,007.96	13,215.03
LIABILITIES TO NONRESIDENTS	-3,200.70	-4,998.38	-5,675.82	-5,064.01	-4,831.39	-4,205.55	-4,681.12	-5,363.43	-6,057.00	-6,990.40	-7,594.70	-6,366.38	-6,326.81	-6,550.24
CLAIMS ON CENTRAL BANK	9,109.35	12,196.67	11,369.62	12,003.16	12,491.87	12,369.63	12,390.38	11,845.64	11,898.12	12,023.12	12,942.05	11,907.84	12,846.79	14,092.42
CURRENCY	1,535.87	1,733.50	1,445.28	1,250.85	1,595.91	1,371.86	1,383.64	1,476.22	1,443.54	1,412.38	1,389.71	1,349.48	1,267.38	1,769.15
RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES	7,573.49	10,463.16	9,924.34	10,752.31	10,895.96	10,997.76	11,006.74	10,369.42	10,454.58	10,610.74	11,552.35	10,558.36	11,579.41	12,323.27
OTHER CLAIMS ON CENTRAL BANK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NET CLAIMS ON CENTRAL GOVERNMENT	6,743.65	5,233.70	4,568.22	4,713.79	3,924.32	3,977.41	4,532.15	4,002.41	4,232.77	4,626.17	4,294.87	5,387.29	5,675.23	4,666.02
CLAIMS ON CENTRAL GOVERNMENT	11,228.61	9,503.01	9,352.53	8,916.41	8,689.18	8,359.06	9,214.45	9,063.48	8,820.08	8,745.32	8,772.36	9,339.09	10,181.82	10,740.99
LIABILITIES TO CENTRAL GOVERNMENT	-4,484.96	-4,269.31	-4,784.30	-4,202.61	-4,764.87	-4,381.65	-4,682.31	-5,061.08	-4,587.32	-4,119.15	-4,477.49	-3,951.81	-4,506.59	-6,074.97
CLAIMS ON OTHER SECTORS	22,739.60	29,360.91	29,940.69	30,084.25	29,761.85	28,213.83	29,163.49	28,637.21	29,373.68	31,080.38	31,089.56	27,638.56	27,588.06	26,640.88
CLAIMS ON OTHER FINANCIAL CORPORATIONS	201.81	275.22	275.65	280.61	273.98	255.53	261.14	345.98	250.23	265.10	241.25	231.64	234.34	283.67
CLAIMS ON STATE AND LOCAL GOVERNMENT	37.03	50.44	63.46	58.38	64.48	68.49	67.19	65.25	63.75	72.05	64.14	69.62	48.56	74.46
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	231.60	285.16	264.72	298.05	253.89	251.84	259.70	253.15	233.50	219.89	245.22	225.89	221.59	222.57
CLAIMS ON PRIVATE SECTOR	22,269.15	28,750.09	29,336.87	29,447.21	29,169.50	27,637.98	28,575.45	27,972.82	28,826.19	30,523.33	30,538.95	27,111.41	27,083.58	26,060.19
LIABILITIES TO CENTRAL BANK	20.29	348.12	244.62	638.76	161.47	142.65	65.31	203.22	106.55	79.13	99.26	183.85	41.65	176.76
TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY	17,188.19	23,968.47	23,685.83	24,311.76	24,084.23	22,783.83	24,837.09	23,428.89	25,188.65	22,631.17	23,523.88	23,273.15	25,661.20	24,478.57
OTHER DEPOSITS INCLUDED IN BROAD MONEY	13,562.35	18,553.68	17,605.80	17,419.85	16,752.16	16,809.42	16,528.11	15,837.71	16,007.59	16,135.50	16,091.43	16,359.16	16,312.85	15,275.16
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPOSITS EXCLUDED FROM BROAD MONEY	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOANS	2,083.84	2,753.02	3,158.51	3,099.35	2,961.94	2,554.91	2,510.67	2,774.87	2,940.98	2,759.15	2,901.11	2,815.60	2,849.76	2,766.50
FINANCIAL DERIVATIVES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE TECHNICAL RESERVES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SHARES AND OTHER EQUITY	8,109.46	8,779.94	8,651.01	8,654.97	8,668.06	8,728.08	8,946.64	9,368.13	9,377.94	9,460.07	9,160.67	9,201.34	9,332.01	9,253.11
OTHER ITEMS (NET)	165.74	-607.87	-281.03	262.88	881.10	188.17	276.12	649.82	-297.53	2,130.43	2,590.94	-516.17	547.02	67.27
IFS VERTICAL CHECK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Bank of Zambia



Sources of Liquidity (K' Million), Jan. 2014 - Dec. 2016

Table 4

End of period.	Government Transactions					Foreign Exchange influence.	Other BOZ influence.	Non- bank Bond influence	Non-bank T.B influence.	Total primary influence.
	Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	Total Govt Infuence.					
Monthly										
2014 January	-2,772,275	0	19,302	2,599,948	-153,026	13,911	-64,778	0	0	-203,893
February	-2,114,437	0	47,281	2,640,114	572,959	-564,435	73,891	0	0	82,415
March	-2,344,895	0	165,373	3,002,507	822,985	-741,104	-39,140	0	0	42,741
April	-2,906,346	0	42,450	3,280,271	416,375	-73,296	-45,715	0	0	297,365
May	-2,512,589	0	70,418	2,305,251	-136,921	-1,987,263	1,972,754	0	0	-151,430
June	-2,553,062	0	15,174	3,091,122	553,235	32,223	-1,082,050	0	0	-496,593
July	-3,112,267	0	1,215	3,501,334	390,282	33,880	-870,340	0	0	-446,178
August	-2,497,937	0	104,465	3,142,375	748,903	398,453	56,072	0	0	1,203,428
September	-2,627,128	0	13,914	3,130,389	517,174	-177,417	264,153	0	0	603,910
October	-2,989,562	0	20,391	3,435,293	466,123	-506,031	100,511	0	0	60,603
November	-2,885,733	0	113,598	3,296,187	524,053	-533,673	13,761	0	0	4,141
December	-2,953,914	0	14,416	4,631,755	1,692,258	34,603	68,249	0	0	1,795,109
2015 January	-2,962,217	0	16,969	3,459,758	514,509	-672,106	130,807	0	0	-26,789
February	-2,240,507	0	97,271	2,570,645	427,409	-324,526	19,168	0	0	122,051
March	-2,326,073	0	168,129	3,467,771	1,309,827	-353,000	212,216	0	0	1,169,043
April	-2,849,431	0	10,076	2,632,391	-206,965	5,064	119,587	0	0	-82,314
May	-2,322,715	0	165,923	3,259,229	1,102,437	1,884	224,673	0	0	1,328,994
June	-2,975,614	0	11,415	3,016,917	52,719	7,062	-290,416	0	0	-230,635
July	-3,153,466	0	35,725	4,088,873	971,132	3,093	-365,996	0	0	608,229
August	-2,513,083	0	146,215	3,294,590	927,722	2,950	-93,307	0	0	837,365
September	-2,681,578	0	138,866	3,796,852	1,254,140	-1,661,098	213,737	0	0	-193,221
October	-3,286,644	0	10,778	5,045,449	1,769,583	-1,236,839	-360,705	0	0	172,039
November	-2,745,224	0	205,373	3,284,598	744,748	-3,294,742	951,999	0	0	-1,597,995
December	-3,238,826	0	11,377	4,327,357	1,099,909	-168,438	-511,301	0	0	420,170
2016 January	-3,833,059	0	11,057	2,715,286	-1,106,716	-108,610	-12,371	0	0	-1,227,697
February	-2,874,155	0	64,665	2,582,069	-227,420	4,673	260,983	0	0	38,235
March	-2,637,651	0	0	2,975,585	337,934	17,244	-328,350	0	0	26,828
April	-3,697,839	0	7,521	3,946,618	256,301	461,246	35,112	0	0	752,659
May	-2,489,575	0	202,520	3,151,493	864,438	-157,963	26,690	0	0	733,165
June	-3,193,146	0	10,109	3,251,960	68,923	-293,259	215,336	0	0	-9,000
July	-3,174,383	0	6,726	3,215,349	47,692	177,835	-598,668	0	0	-373,141
August	-2,458,859	0	161,922	2,736,282	439,344	736,597	-65,336	0	0	1,110,606
September	-2,813,345	0	148,909	2,001,534	-662,902	242,210	-12,209	0	0	-620,215
October	-3,408,437	0	3,033	3,154,202	-251,202	235,502	-12,475	0	0	-28,175
November	-2,563,944	0	252,278	4,454,440	2,142,774	1,235,868	674	0	0	3,379,315
December	-3,216,092	0	3,223	5,495,306	2,282,437	-1,368	-372	0	0	2,280,696

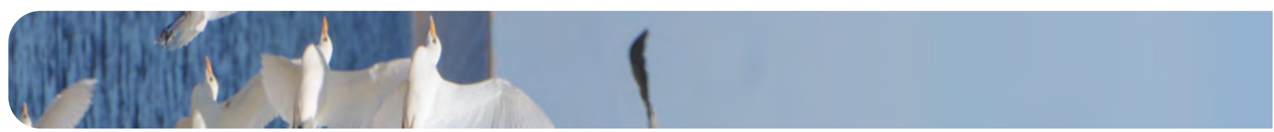
Source: Bank of Zambia

Table 5

Uses of Liquidity (K' Million), Jan. 2014 - Dec. 2016

End of period		Total primary influence	Net currency change	Net Bank TBs influence.	Net change in statutory reserves	Others	Errors and Omissions	Change in current a/c bal. of banks.
Monthly								
2014	January	-203,892.8	479,335.7	-114,990.4	-552,855.1	1,649,551.4	0.0	1,257,148.8
	February	82,414.5	-609.6	-1,258,219.2	367,897.3	-997,651.8	0.1	-1,806,168.7
	March	42,741.0	-182,120.6	618,175.9	-1,529,603.8	1,077,562.0	-0.1	26,754.4
	April	297,364.6	-204,461.1	292,667.9	-727,081.7	745,912.9	-0.1	404,402.5
	May	-151,430.0	-154,454.0	-626,391.4	349,969.4	121,044.5	-4.0	-461,265.5
	June	-496,592.8	-12,874.9	298,533.4	226,731.3	241,695.6	0.6	257,493.2
	July	-446,178.1	-163,610.6	656,044.3	677,948.7	-118,284.5	-0.2	605,919.6
	August	1,203,428.3	-26,552.4	-232,172.1	-431,712.2	-7,347.6	0.0	505,644.0
	September	603,909.8	128,627.4	64,820.3	346,491.7	-83,435.1	0.0	1,060,414.1
	October	60,602.7	-66,866.5	443,844.0	-149,523.1	-1,268,644.0	-0.1	-980,587.0
	November	4,141.0	186,267.1	-246,142.4	12,593.8	658,484.7	-1.2	615,343.0
	December	1,795,109.3	-762,135.7	-356,402.5	-223,949.8	79,628.1	-1.5	532,247.9
2015	January	-26,789.4	164,256.4	-355,308.3	-205,311.1	58,550.7	0.5	-364,601.2
	February	122,051.0	526,579.0	121,743.5	-201,143.2	-931,565.7	2.0	-362,333.4
	March	1,169,043.2	-14,226.2	-1,165,832.3	-82,531.2	-386,749.7	0.2	-480,296.0
	April	-82,313.8	-27,627.6	209,647.4	-1,064,451.3	1,011,274.5	-0.4	46,528.8
	May	1,328,994.3	112,931.3	-209,207.8	-383,211.8	-439,816.3	-1.4	409,688.3
	June	-230,635.2	-113,790.5	-110,459.3	-331,874.9	4,341.3	1.7	-782,416.9
	July	608,229.3	-191,061.4	746,077.4	-137,232.9	-508,793.8	2.1	517,220.7
	August	837,365.5	-65,527.1	-280,837.4	-385,020.7	10,204.3	-0.2	116,184.4
	September	-193,221.0	-52,738.1	-18,207.5	-182,346.6	327,626.4	0.5	-118,886.3
	October	172,039.1	-527,813.6	75,828.5	-334,741.9	597,531.3	-0.8	-17,157.4
	November	-1,597,994.8	282,944.7	296,196.0	-127,568.6	438,370.5	-0.6	-708,052.8
	December	420,169.6	-191,295.2	841,080.2	-584,139.7	24,674.6	-0.3	510,489.2
2016	January	-1,227,697.1	932,329.8	-213,971.6	-226,057.9	579,953.2	1.3	-155,442.3
	February	38,234.8	395,607.1	16,237.8	65,955.4	63,202.8	0.5	579,238.4
	March	26,828.4	-412,168.4	792,627.7	-589,134.9	138,895.7	-0.2	-42,951.7
	April	752,659.1	79,381.4	169,101.6	-472,307.5	-261,962.3	0.6	266,872.9
	May	733,165.2	-118,395.6	59,541.8	-217,668.0	-1,390,837.8	-1.6	-934,196.0
	June	-9,000.2	-590,230.5	-3,535.8	-386,860.2	716,937.9	1.2	-272,687.6
	July	-373,140.9	-285,857.0	312,495.6	-231,095.6	-219,615.1	7.6	-797,205.4
	August	1,110,605.6	250,562.6	2,137,432.1	-209,741.9	-1,083,636.1	8.4	2,205,230.7
	September	-620,215.3	408,031.9	2,443,446.5	-176,439.5	-150,213.8	8.0	1,993,944.6
	October	-28,174.9	42,621.2	-887,428.3	-130,617.6	986,662.4	7.6	-16,929.6
	November	3,379,315.4	23,111.5	-503,635.1	-581,413.7	-1,815,049.8	8.8	502,337.2
	December	2,280,696.3	-636,233.5	-482,136.0	-396,612.4	-1,308,287.0	8.0	-542,564.5

Source: Bank of Zambia



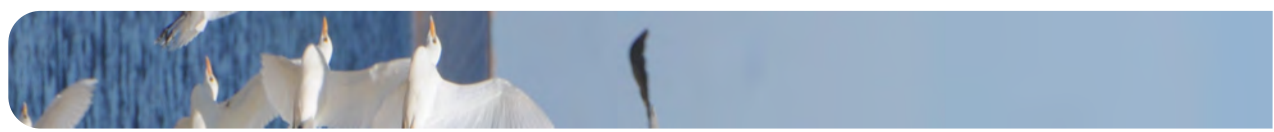
Commercial Banks' Liquidity and Operating Ratios, 2008 - 2016

Table 6

Year	End of period	Core liquid assets (a)	Minimum required	Other liquid assets (b)	Total	Advances plus bills of exchange as percentage of total deposits
2008	December	47.7	9.0	45.0	92.8	66.4
2009	December	60.5	9.0	53.6	114.1	64.3
2010	December	57.1	9.0	55.1	112.2	56.5
2011	December	60.5	9.0	46.5	107.0	61.5
2012	December	53.0	9.0	67.8	120.8	90.5
2013	December	49.5	6.0	49.1	98.6	61.4
2014	January	59.8	6.0	49.9	109.7	61.8
	February	44.4	6.0	51.8	96.2	62.2
	March	43.3	6.0	52.5	95.7	60.1
	April	47.5	6.0	49.7	97.2	60.3
	May	44.7	6.0	48.4	93.1	62.2
	June	89.5	6.0	48.2	137.6	64.7
	July	67.0	6.0	47.7	114.7	64.3
	August	61.5	6.0	48.7	110.2	64.3
	September	63.3	6.0	48.1	111.4	64.1
	October	57.4	6.0	49.7	107.1	63.9
	November	72.8	6.0	48.7	121.5	65.2
	December	71.1	6.0	49.1	120.3	62.0
2015	January	72.1	6.0	51.0	123.1	60.7
	February	71.8	6.0	50.5	122.4	61.1
	March	70.4	6.0	49.3	119.7	61.1
	April	75.6	6.0	51.8	127.5	63.2
	May	75.6	6.0	51.2	126.8	61.6
	June	72.9	6.0	52.9	125.7	63.3
	July	14.1	6.0	51.4	65.4	63.6
	August	65.8	6.0	48.3	114.2	58.5
	September	77.8	6.0	46.1	124.0	57.6
	October	80.7	6.0	43.8	124.6	55.0
	November	87.0	6.0	42.1	129.1	55.7
	December	92.6	6.0	43.3	135.9	56.4
2016	January	16.8	6.0	41.2	58.0	57.7
	February	78.4	6.0	42.8	121.2	57.9
	March	85.6	6.0	42.6	128.3	58.4
	April	87.0	6.0	43.7	130.7	57.3
	May	87.2	6.0	42.1	129.4	56.9
	June	80.0	6.0	42.6	122.5	57.6
	July	83.7	6.0	41.3	125.0	56.9
	August	63.6	6.0	42.6	106.2	56.6
	September	68.6	6.0	43.0	111.6	54.3
	October	103.2	6.0	43.7	146.9	55.1
	November	98.4	6.0	44.8	143.2	51.8
	December	74.8	6.0	47.3	122.1	50.1

Source: Bank of Zambia

Note: (a) Core liquid assets include Zambia notes and coins, current account balances, all Treasury Bills (reported at face value), term deposits and repurchase agreements (Repo) issued under Bank of Zambia (BoZ) open market operations, and net collateralised interbank loans
(b) Other Liquid assets include balances with Bank of Zambia, balances held with banks and other financial institutions in Zambia, Government securities (Treasury Bills, Bonds and Other securities) plus bills of exchange.



Banking System Claims on Government (K'Million), 2008 - 2016

Table 7

		Bank of Zambia Claims					Commercial Banks Claims					
End of Period		Treasury Bills	GRZ Stock	GRZ Position (3)	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	(b) Total	(a+b) Total Claims
2008	December	84,155.20	1,304,102.50	-1,436,746.90	0.00	-48,489.20	1,738,268.30	1,346,046.80	-4,967.70	-635,652.30	2,443,695.10	2,395,205.90
2009	December	455,928.60	1,309,951.50	-2,362,567.70	0.00	-596,687.70	2,417,231.30	1,656,370.70	31,182.30	-537,930.30	3,566,854.00	2,970,166.30
2010	December	625,812.10	188,983.10	-2,369,565.30	0.00	-1,554,770.20	2,307,850.50	1,901,191.30	269,535.30	-479,455.50	4,019,601.70	2,349,954.10
2011	December	655,064.50	1,310,989.20	-4,154,662.00	213,000.00	-1,975,608.30	4,090,178.60	2,694,134.10	441,975.00	-823,616.40	6,402,671.30	4,427,063.00
2012	December	537,014.08	1,310,989.20	-3,535,450.00	637,000.00	-1,050,446.70	4,394,320.20	2,726,081.90	10,136.00	-1,150,579.80	5,979,958.30	4,929,511.60
2013	December	625,775.02	1,800,989.21	-3,595,675.60	1,830,539.00	661,627.60	6,566,194.60	2,653,510.90	120,597.50	-1,158,762.70	8,181,540.40	8,843,168.00
2014	January	625,775.02	1,800,989.20	-3,932,653.0	1,830,539.00	324,650.20	6,156,474.30	2,659,122.00	157,714.70	-1,469,493.70	7,503,817.30	7,828,467.60
	February	625,775.02	1,800,989.20	-4,358,196.1	1,397,539.00	-533,892.90	6,812,659.50	3,159,142.80	124,255.80	-1,120,418.20	8,975,639.90	8,441,747.00
	March	625,775.02	1,800,989.20	-2,764,313.6	1,397,539.00	1,059,989.70	6,399,638.60	2,987,094.00	143,635.50	-1,261,147.50	8,269,220.50	9,329,210.20
	April	658,919.72	1,800,989.20	-9,533,761.2	1,397,539.00	-5,676,313.30	6,111,043.90	2,982,337.90	132,060.00	-1,323,310.10	7,902,131.70	2,225,818.40
	May	658,919.72	1,800,989.21	-8,535,870.3	1,397,539.00	-4,678,422.40	6,146,578.90	2,961,496.90	104,318.00	-1,404,388.90	7,808,004.90	3,129,582.50
	June	804,650.56	1,800,989.21	-8,562,463.8	1,397,539.00	-4,559,285.00	5,760,811.70	2,985,453.40	267,831.00	-1,552,920.60	7,461,175.40	2,901,890.40
	July	795,725.40	2,274,124.25	-7,262,569.1	1,397,539.00	-2,795,180.50	4,433,944.70	2,293,770.20	268,536.30	-1,577,485.10	5,418,766.10	2,623,585.60
	August	890,997.94	1,700,989.21	-6,645,138.9	1,477,539.00	-2,575,612.70	5,586,225.70	2,655,890.30	274,065.10	-1,178,515.90	7,337,665.20	4,762,052.50
	September	847,362.62	1,570,989.21	-6,391,051.9	1,397,539.00	-2,575,161.10	5,098,402.20	2,494,604.40	298,999.80	-1,117,518.00	6,774,488.40	4,199,327.30
	October	833,233.33	1,570,989.21	-6,299,425.3	1,397,539.00	-2,497,663.70	6,652,073.00	2,350,970.50	287,953.40	-1,262,925.20	8,028,071.60	5,530,407.90
	November	833,179.36	1,670,964.32	-5,713,319.4	1,397,539.00	-1,811,636.70	5,513,041.70	2,200,138.20	260,058.10	-1,217,044.60	6,756,193.40	4,944,556.80
	December	710,825.55	1,670,964.32	-4,739,629.5	1,397,541.00	-960,298.70	5,662,625.00	2,366,838.20	661,321.20	-1,573,725.00	7,117,059.50	6,156,760.80
2015	January	792,431.50	1,670,964.32	-3,717,204.98	1,397,539.00	143,729.84	7,362,151.00	2,366,838.20	638,589.80	-1,681,162.50	8,686,416.50	8,830,146.40
	February	698,017.11	1,670,964.32	-2,956,506.51	1,397,539.00	810,013.92	7,347,160.70	2,190,147.10	643,989.30	-1,425,651.30	8,755,645.80	9,565,659.70
	March	693,896.84	1,570,991.65	-3,071,036.10	1,397,539.00	591,391.39	6,703,587.00	2,173,947.40	511,061.00	-1,330,356.10	8,058,239.40	8,649,630.80
	April	826,572.88	1,570,991.65	-2,451,140.59	1,697,539.00	1,643,962.94	6,469,698.80	2,226,536.60	724,977.00	-1,245,552.90	8,175,659.50	9,819,622.40
	May	1,049,671.09	1,646,136.58	-2,825,056.06	1,997,539.00	1,868,290.62	7,410,178.90	2,204,734.30	724,977.00	-1,245,552.90	9,094,337.30	10,962,627.90
	June	754,314.99	1,570,991.65	-2,912,762.10	1,997,539.00	1,410,083.54	6,665,959.60	2,064,261.20	663,780.20	-1,165,662.30	8,228,338.70	9,638,422.20
	July	638,655.55	1,447,307.50	-11,979,111.28	1,997,539.00	-7,895,609.23	7,409,539.60	2,149,415.50	669,666.50	-1,386,140.40	8,842,481.20	946,872.00
	August	384,586.94	1,439,953.97	-11,075,575.37	1,997,539.00	-7,253,495.46	6,983,291.60	2,108,428.30	241,755.90	-1,306,970.30	8,026,505.50	773,010.00
	September	517,701.16	1,355,337.39	-10,214,935.86	1,997,539.00	-6,344,358.31	7,200,058.80	1,762,743.90	488,844.30	-1,107,155.70	8,344,491.30	2,000,133.00
	October	625,775.02	1,444,322.97	-6,176,372.29	1,997,539.00	-2,108,735.31	6,615,383.90	1,528,304.20	496,191.70	-1,296,923.70	7,342,956.10	5,234,220.80
	November	2,781,025.91	1,708,529.36	-4,430,698.93	1,997,539.00	2,056,395.33	4,368,852.30	1,258,574.50	448,930.60	-1,318,347.30	4,758,010.20	5,147,168.00
	December	1,277,345.90	1,615,604.81	-2,607,813.10	1,997,539.00	2,282,676.62	6,184,432.00	1,568,433.90	457,565.90	-1,539,557.10	6,670,874.70	8,953,551.30
2016	January	1,121,835.07	1,489,339.03	-3,439,765.01	1,997,539.00	1,168,948.08	5,053,718.96	5,053,718.96	469,811.38	(1,394,082.06)	5,629,793.71	6,798,741.80
	February	957,715.50	1,444,323.23	-1,613,786.72	1,997,539.00	2,785,791.01	4,686,619.29	4,686,619.29	470,611.04	(813,755.19)	5,787,128.57	8,572,919.58
	March	900,970.12	1,444,323.23	-1,381,818.38	1,071,600.00	2,035,074.98	5,099,796.80	5,099,796.80	468,414.65	(1,142,626.59)	5,902,338.78	7,937,413.75
	April	724,248.01	1,444,323.23	-1,943,353.12	1,814,000.00	2,039,218.13	4,644,969.76	4,644,969.76	448,429.41	(1,282,844.71)	5,408,257.32	7,447,475.44
	May	652,406.66	1,444,323.23	-1,960,124.63	2,976,230.02	3,112,835.28	4,594,729.74	4,594,729.74	741,239.07	(1,561,769.81)	5,618,382.68	8,731,217.96
	June	664,845.37	1,444,323.23	-1,571,531.31	2,721,014.67	3,258,651.96	4,934,451.45	4,934,451.45	740,257.31	(1,258,765.61)	6,238,394.67	9,497,046.64
	July	655,466.11	1,444,323.23	-1,722,149.85	5,321,014.67	5,698,654.17	4,692,280.86	4,692,280.86	726,350.14	(935,571.02)	6,253,184.66	11,951,838.83
	August	655,466.11	1,444,323.23	-1,174,997.93	5,321,014.67	6,245,806.08	4,736,525.37	4,736,525.37	719,947.15	(618,342.59)	6,639,133.43	12,884,939.51
	September	648,184.46	1,444,323.23	-2,099,880.72	5,321,014.67	5,313,641.65	4,622,724.17	4,622,724.17	727,362.27	(1,196,582.64)	6,058,456.73	11,372,098.38
	October	648,184.46	1,444,323.23	-1,542,396.08	5,321,014.67	5,871,126.28	4,619,418.95	4,619,418.95	846,757.74	(896,635.36)	6,425,570.85	12,296,697.13
	November	647,467.61	1,444,323.23	-2,494,389.54	5,321,014.67	4,918,415.98	4,942,187.72	4,942,187.72	834,479.37	(1,095,530.07)	6,877,408.21	11,795,824.19
	December	647,467.61	1,444,323.23	-1,454,842.52	5,321,014.67	5,957,962.99	5,471,394.53	5,471,394.53	819,316.92	(1,762,938.75)	6,777,231.92	12,735,194.91

Source: Bank of Zambia

Currency in Circulation (K'Million), 2008 - 2016

Table 8

End of period		Issued			At banks			Outside banks		
		Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
2008	December	1,934	1,934	0	315	315	0	1,619	1,619	0
2009	December	2,001	2,001	0	407	407	0	1,594	1,594	0
2010	December	2,750	2,750	0	506	506	0	2,244	2,244	0
2011	December	3,408	3,408	0	598	598	0	2,810	2,810	0
2012	December	3,843	3,843	0	801	801	0	3,042	3,042	0
2013	December	4,601	4,551	50	1,130	1,094	36	3,471	3,457	14
2014	January	4,128	4,076	52	942	940	3	3,186	3,137	50
	February	4,090	4,036	55	935	932	3	3,156	3,104	52
	March	4,267	4,211	57	999	996	3	3,268	3,214	54
	April	4,472	4,411	61	1,073	1,070	3	3,398	3,341	58
	May	4,668	4,604	64	1,121	1,096	25	3,547	3,508	39
	June	4,724	4,651	72	1,031	1,028	3	3,693	3,624	69
	July	5,010	4,924	86	1,197	1,193	4	3,813	3,730	82
	August	5,091	5,002	90	1,155	1,092	63	3,937	3,910	26
	September	4,970	4,877	93	1,145	1,142	4	3,825	3,736	89
	October	5,061	4,965	96	1,207	1,204	4	3,854	3,762	92
	November	4,903	4,807	97	1,140	1,134	6	3,764	3,673	91
	December	5,728	5,620	107	1,508	1,504	4	4,220	4,117	103
2015	January	5,552	5,435	118	1,448	1,444	4	4,104	3,991	113
	February	5,049	4,938	112	1,195	1,189	6	3,855	3,749	106
	March	5,113	5,000	114	1,280	1,275	6	3,833	3,725	108
	April	5,175	5,060	115	1,249	1,198	51	3,926	3,862	65
	May	5,106	4,987	118	1,119	1,113	6	3,986	3,874	112
	June	5,324	5,205	119	1,207	1,201	6	4,117	4,004	113
	July	5,727	5,632	95	1,355	1,349	6	4,372	4,283	89
	August	5,813	5,714	99	1,242	1,236	6	4,571	4,478	93
	September	5,944	5,823	121	1,349	1,346	4	4,595	4,478	117
	October	6,490	6,366	124	1,297	1,294	3	5,192	5,072	121
	November	6,234	6,107	128	1,369	1,364	5	4,866	4,743	123
	December	6,450	6,318	132	1,699	1,693	6	4,751	4,625	126
2016	January	5,661	5,525	136	1,419	1,411	8	4,241	4,113	128
	February	5,267	5,128	139	1,216	1,211	6	4,051	3,917	133
	March	5,677	5,536	141	1,564	1,556	8	4,113	3,980	133
	April	5,603	5,460	143	1,343	1,332	11	4,260	4,128	131
	May	5,724	5,579	145	1,349	1,335	14	4,375	4,244	131
	June	6,319	6,172	147	1,427	1,415	12	4,892	4,757	135
	July	6,605	6,455	150	1,393	1,377	16	5,212	5,078	134
	August	6,377	6,225	152	1,351	1,339	12	5,026	4,886	140
	September	5,973	5,818	154	1,361	1,348	13	4,612	4,470	141
	October	5,932	5,774	157	1,300	1,287	13	4,631	4,487	144
	November	5,894	5,735	159	1,181	1,169	12	4,713	4,566	147
	December	6,554	6,395	159	1,714	1,706	8	4,840	4,689	151

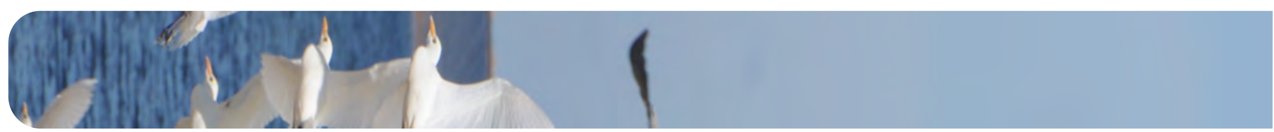
Source: Bank of Zambia

Commercial Banks' Deposits by Institution-Domestic Currency (K'Million), Jan. 2014 - Dec. 2016

Table 9A

End of Period		Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other	Non-resident	Total
2014	January	1,834	1,459	755	10,486	5,146	3,012	231	22,922
	February	1,297	1,259	1,083	10,574	5,383	2,975	261	22,831
	March	1,940	1,227	1,207	10,223	5,669	2,799	288	23,355
	April	1,992	1,415	1,255	9,990	5,479	2,838	334	23,302
	May	1,722	1,512	934	9,418	5,394	2,794	325	22,098
	June	1,981	1,585	792	8,749	5,545	2,846	264	21,763
	July	1,855	1,982	1,013	8,505	5,544	2,813	288	22,000
	August	1,706	1,760	1,044	8,673	5,367	3,436	306	22,292
	September	1,525	1,886	927	9,130	5,590	3,136	287	22,481
	October	1,627	1,898	919	8,788	5,187	3,861	272	22,551
	November	1,722	2,085	1,075	8,691	5,724	2,909	294	22,501
	December	2,163	1,955	1,007	9,349	5,853	3,079	306	23,712
2015	January	2,099	1,582	1,384	9,340	5,765	3,601	316	24,087
	February	1,879	1,777	969	9,410	6,006	3,234	307	23,582
	March	1,635	1,416	1,005	9,015	6,001	3,432	279	22,782
	April	1,613	1,978	929	8,865	5,995	3,109	287	22,777
	May	1,673	1,816	746	9,374	5,989	3,195	304	23,097
	June	1,513	1,867	713	9,061	6,175	3,109	321	22,757
	July	1,746	1,729	694	9,025	6,338	3,176	321	23,029
	August	1,594	1,823	762	9,928	6,143	3,009	305	23,564
	September	1,461	1,860	791	9,046	6,168	3,184	335	22,843
	October	1,698	1,818	695	9,345	6,253	3,483	364	23,656
	November	1,685	2,007	741	9,192	6,126	3,225	331	23,305
	December	1,975	1,397	1,232	9,339	6,361	3,092	299	23,695
2016	January	1,791	1,925	566	8,643	6,277	3,509	273	22,983
	February	1,252	1,890	578	8,764	6,526	3,322	242	22,575
	March	1,488	2,036	782	8,567	6,182	3,604	224	22,882
	April	1,647	1,968	278	8,892	6,610	3,253	159	22,807
	May	1,900	1,917	408	9,065	7,106	2,499	197	23,092
	June	1,646	2,308	244	8,373	7,114	3,199	163	23,048
	July	1,361	2,106	269	8,283	7,415	3,591	201	23,225
	August	934	2,104	765	8,487	7,231	3,401	233	23,153
	September	1,474	1,905	1,814	7,763	7,183	3,178	236	23,554
	October	1,164	1,863	684	8,311	7,804	3,637	266	23,728
	November	1,436	1,830	764	9,000	7,340	3,902	270	24,542
	December	2,220	2,738	599	7,768	8,136	4,169	223	25,853

Source: Bank of Zambia



Commercial Banks' Deposits by Institution - Foreign Currency (K'Million), Jan. 2014 - Dec. 2016

Table 9B

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other	Non-resident	Total
2014	January	197	46	281	6,408	855	708	191	8,686
	February	211	36	274	6,588	857	676	248	8,890
	March	268	130	341	6,906	955	1,000	190	9,790
	April	132	118	370	8,115	927	883	208	10,753
	May	219	90	365	9,683	1,105	971	240	12,672
	June	355	96	587	7,699	1,062	1,163	236	11,197
	July	366	96	522	7,391	1,066	1,229	239	10,908
	August	177	68	466	7,365	1,080	1,287	482	10,926
	September	288	64	527	7,317	1,124	1,386	509	11,215
	October	208	33	597	7,354	1,204	1,351	489	11,236
	November	104	35	494	7,641	1,200	1,305	147	10,925
	December	156	36	401	7,063	1,657	1,276	642	11,231
2015	January	232	31	297	7,634	1,475	1,265	620	11,554
	February	346	119	429	8,055	1,658	1,219	696	12,522
	March	221	77	532	9,820	1,460	1,412	914	14,436
	April	194	87	506	9,216	1,426	1,464	734	13,627
	May	191	63	503	9,720	1,482	1,349	739	14,047
	June	197	138	449	8,927	1,562	1,599	654	13,526
	July	164	86	403	9,210	1,552	1,519	761	13,694
	August	168	90	488	12,788	1,814	1,832	965	18,146
	September	523	121	511	16,331	2,695	2,380	1,383	23,944
	October	308	112	972	17,378	3,049	2,789	1,397	26,006
	November	803	131	754	15,126	2,208	2,546	1,090	22,658
	December	373	101	522	15,219	2,677	2,936	887	22,715
2016	January	337	105	690	14,543	2,775	3,518	1,360	23,328
	February	303	217	520	15,427	2,767	2,991	1,069	23,294
	March	545	158	393	14,618	2,794	2,809	890	22,208
	April	323	134	1,192	13,099	2,693	2,313	816	20,569
	May	316	140	915	15,936	2,961	1,125	1,136	22,529
	June	504	89	778	12,984	2,746	2,423	1,112	20,635
	July	556	88	557	14,624	2,497	2,500	1,293	22,114
	August	469	81	1,090	11,179	2,476	2,608	2,621	20,523
	September	406	87	579	12,277	2,841	2,522	3,124	21,835
	October	495	90	427	11,813	2,722	2,552	2,227	20,325
	November	845	106	377	13,210	2,917	2,568	2,015	22,037
	December	611	88	320	12,282	2,538	2,620	2,548	21,007

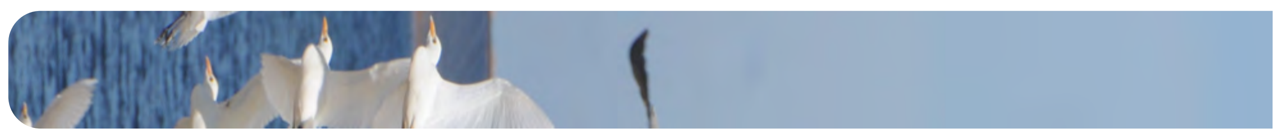
Source: Bank of Zambia

Commercial Bank's Loans and Advances - Local Currency (K' Million), Dec. 2014 - Dec. 2016

Table 10A

Sector	Dec-14	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Agriculture, forestry,Fishing and hunting	3,597	4,535	4,722	4,617	4,646	4,296	4,652	4,396	4,396	4,266	4,289	4,163	4,239	4,035
Mining and quarying	1,083	1,673	1,920	1,840	1,714	1,531	1,678	1,407	1,571	1,500	1,597	1,387	1,386	1,483
Manufacturing	2,499	3,539	3,746	3,743	3,366	3,326	3,083	3,121	3,333	3,215	3,233	3,163	3,020	2,983
Electricity, gas, water and energy	469	435	472	471	434	424	406	382	375	409	452	506	442	516
Construction	743	898	901	893	1,012	955	993	966	989	950	993	948	930	907
Wholesale and retail trade	1,699	2,833	2,635	2,448	2,750	2,378	2,659	2,703	2,870	2,672	2,593	2,569	2,667	2,412
Restaurants and hotels	355	424	427	414	417	368	389	367	409	356	391	373	383	376
Transport, storage and communications	1,220	1,334	1,379	1,371	1,399	1,276	1,471	1,313	1,334	1,123	1,108	1,132	1,114	1,087
Financial services	540	703	724	707	685	606	615	695	592	556	537	572	533	420
Community, social and perconal services	462	446	479	430	586	532	547	535	400	379	403	404	367	407
Real estate	501	755	814	796	807	740	776	764	864	820	896	840	858	829
Credit/debit cards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other sectors	8,554	8,676	8,550	8,877	8,590	8,462	8,750	8,566	8,710	8,515	8,217	8,291	8,233	8,062
TOTALS	**21,722**	**26,253**	**26,770**	**26,606**	**26,405**	**24,893**	**26,021**	**25,214**	**25,843**	**24,760**	**24,709**	**24,347**	**24,172**	**23,517**

Source: Bank of Zambia



Commercial Bank's Loans and Advances - Foreign Currency (US$'000), Dec. 2014 - Dec. Dec. 2016

Table 10B

Sector	Dec-14	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Agriculture, forestry,Fishing and hunting	284,835	239,758	247,379	256,586	263,313	269,134	270,087	262,472	261,377	263,172	270,851	250,230	252,507	236,845
Mining and quarying	140,808	139,509	158,032	151,004	144,381	146,940	148,346	128,246	140,821	144,585	148,371	132,534	128,877	138,696
Manufacturing	195,556	145,441	147,066	132,523	133,283	129,622	123,929	130,345	130,662	118,121	119,839	115,760	113,009	108,383
Electricity, gas, water and energy	33,002	19,479	19,432	19,742	19,513	19,208	17,687	16,953	16,868	17,038	19,393	18,254	11,949	12,137
Construction	28,578	31,160	29,866	29,057	36,966	42,422	41,917	43,447	45,350	45,985	45,993	46,827	45,628	44,867
Wholesale and retail trade	73,493	95,183	81,825	79,555	75,669	83,120	83,416	85,584	97,500	93,455	82,984	86,650	96,714	78,271
Restaurants and hotels	35,489	28,316	28,245	26,183	27,184	26,825	26,628	26,126	28,354	25,055	27,137	27,235	27,247	27,203
Transport, storage and communications	95,448	62,039	60,119	57,345	55,476	55,553	59,236	65,975	60,622	53,519	54,553	53,985	56,406	55,406
Financial services	16,878	11,652	11,143	11,121	10,446	9,458	10,511	18,262	8,837	8,678	8,475	9,123	8,534	7,479
Community, social and perconal services	7,338	7,824	7,793	8,087	20,404	18,510	18,308	17,541	7,568	6,661	7,208	8,629	8,492	9,011
Real estate	39,966	47,051	47,361	46,194	47,952	48,520	48,161	50,293	56,868	56,956	62,413	59,992	59,694	57,979
Other sectors	28,718	50,604	48,281	47,979	46,256	50,601	50,910	53,209	55,853	54,019	58,820	54,888	57,200	49,796
TOTALS	**980,110**	**878,016**	**886,542**	**865,375**	**880,845**	**899,913**	**899,137**	**898,452**	**910,680**	**887,243**	**906,036**	**864,109**	**866,257**	**826,073**

Source: Bank of Zambia

Structure of Interest Rates (Percent Per Year), Dec. 2008 - Dec. 2016

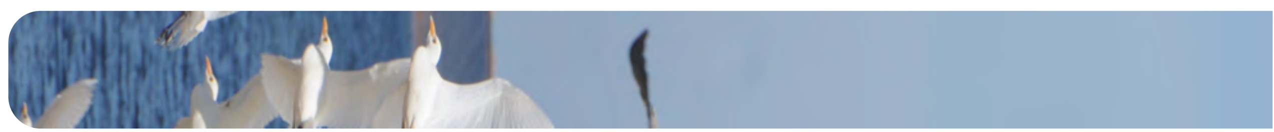
Table 11

End of period		BoZ[1] Policy Rate	Weighted Interbank rate	Penalty[2] rate	Treasury bill rates				Government Bond rates						Commercial Bank deposit rates	
					91 days	182 days	273 days	364 days	24 months	3 year	5 year	7 year	10 year	15 year	Savings	90 day
2008	December	20.8	12.8	37.3	13.9	15.8	16.1	18.4	16.6	16.2	18.2	17.3	18.4	19.3	4.8	6.6
2009	December	22.7	4.2	29.9	6.3	8.5	11.0	11.7	15.5	16.8	17.5	17.9	18.9	18.9	4.7	7.4
2010	December	19.4	6.2	31.2	7.5	8.0	8.2	9.6	8.9	8.0	13.0	14.0	15.0	15.5	4.7	7.4
2011	December	16.6	10.2	35.5	7.0	9.5	11.4	13.5	14.7	15.1	15.4	15.0	15.9	16.2	4.3	5.3
2012	December	9.3	8.8	33.2	9.4	12.4	11.4	12.1	11.0	12.8	13.5	14.5	16.5	16.6	4.3	5.3
2013	December	9.8	9.9	36.4	8.0	14.8	15.0	15.7	14.0	15.5	16.5	16.9	18.2	18.0	3.6	6.6
2014	January	9.8	10.0	35.3	8.0	14.8	15.2	15.8	14.0	15.5	16.5	16.9	18.2	18.0	3.5	6.5
	February	10.3	10.3	35.7	8.0	15.0	15.1	15.3	14.0	15.1	16.1	16.6	18.0	17.9	3.7	6.6
	March	10.3	15.6	35.1	8.4	15.0	15.1	15.4	14.0	15.0	16.0	16.5	17.9	17.9	3.5	6.8
	April	12.0	17.6	34.7	9.5	15.5	15.6	16.2	14.0	15.0	16.0	16.5	17.9	17.9	3.4	7.0
	May	12.0	20.1	34.7	9.3	16.5	15.3	17.4	14.3	15.3	16.3	16.9	18.1	18.1	3.5	7.1
	June	12.0	23.4	34.7	9.4	17.2	16.5	18.8	15.5	16.3	17.5	18.3	18.8	18.9	3.5	8.5
	July	12.0	17.6	34.7	9.5	17.4	17.2	21.5	15.5	16.3	17.5	18.3	18.8	18.9	3.4	7.8
	August	12.0	12.9	37.5	9.5	17.5	17.4	22.6	15.5	16.3	17.5	18.3	18.8	18.9	3.5	6.7
	September	12.0	13.1	39.5	9.5	17.5	16.8	20.5	15.5	16.2	18.7	19.0	19.0	19.5	3.6	9.2
	October	12.0	11.3	39.5	9.5	16.9	16.7	18.1	15.5	16.2	18.7	19.0	19.0	19.5	3.6	8.9
	November	12.5	11.6	39.5	11.3	17.3	18.2	19.2	15.4	16.2	19.6	19.6	19.7	20.2	3.6	8.9
	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	January	12.5	11.9	39.5	13.5	18.3	18.7	20.6	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.3
	February	12.5	12.5	39.7	13.5	18.3	18.3	21.4	15.5	16.5	23.0	20.5	21.8	22.5	3.4	9.3
	March	12.5	10.8	39.8	13.5	18.3	18.2	21.4	15.5	16.5	23.0	20.5	21.8	22.5	3.4	9.2
	April	12.5	14.1	39.8	13.5	19.5	19.8	22.5	15.5	16.5	23.0	20.5	21.8	22.5	3.4	9.2
	May	12.5	14.6	39.8	14.0	19.5	20.5	23.5	15.5	22.2	24.0	23.0	21.0	22.5	3.4	9.1
	June	12.5	14.6	39.8	14.0	19.5	22.0	24.5	15.5	22.2	24.0	23.0	21.0	22.5	3.2	9.0
	July	12.5	14.7	39.8	14.9	19.5	21.2	22.9	15.5	22.2	24.0	23.0	21.0	22.5	3.5	9.0
	August	12.5	14.5	39.8	14.9	20.0	20.8	22.3	23.0	23.5	25.0	22.0	20.0	22.5	3.3	8.5
	September	12.5	14.7	39.8	14.9	20.0	21.5	22.8	23.0	23.5	25.0	22.0	20.0	22.5	3.4	8.8
	October	12.5	14.7	39.8	15.0	20.3	21.0	23.0	23.0	23.5	25.0	22.0	20.0	22.5	3.4	8.7
	November	15.5	24.7	39.8	15.0	20.3	20.0	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.1
	December	15.5	26.1	39.8	15.0	20.3	18.7	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.2
2016	January	15.5	26.6	39.8	22.0	24.0	25.0	27.0	23.0	23.5	28.0	28.0	20.0	22.5	3.6	9.8
	February	15.5	27.5	39.8	22.0	24.0	27.3	27.1	25.0	24.5	28.5	28.5	24.5	24.0	3.3	9.8
	March	15.5	27.3	39.8	22.0	26.0	28.0	28.0	25.0	24.5	28.5	28.5	24.5	24.0	3.4	11.5
	April	15.5	25.9	39.8	22.0	26.0	27.4	27.0	25.0	24.5	28.5	28.5	24.5	24.0	3.2	11.4
	May	15.5	17.6	39.8	22.0	24.0	26.0	25.0	25.0	24.5	27.9	29.0	24.5	23.0	3.3	11.4
	June	15.5	17.7	39.8	21.0	24.0	25.5	25.0	25.0	24.5	27.9	29.0	24.5	23.0	3.2	10.9
	July	15.5	18.0	39.8	21.0	24.0	25.0	25.0	25.0	24.5	27.9	29.0	24.5	23.0	3.2	10.6
	August	15.5	18.2	39.8	21.0	24.0	25.5	25.0	25.0	24.5	27.9	29.0	24.5	23.0	2.7	11.6
	September	15.5	16.4	39.8	21.0	24.0	25.0	24.5	25.0	23.9	25.9	25.8	24.5	23.0	3.2	10.6
	October	15.5	16.5	39.8	21.0	23.5	25.0	25.0	25.0	23.9	25.9	25.8	24.5	23.0	3.4	11.0
	November	15.5	16.5	39.8	20.5	24.0	25.0	25.0	25.0	23.2	24.5	24.9	24.5	23.0	3.4	10.7
	December	15.5	16.1	39.8	20.5	23.9	25.0	25.0	25.0	23.2	25.0	24.8	25.0	25.0	2.8	10.9

Source: Bank of Zambia

1/ Figures before April 2012 reflect the Commercial Banks' weighted Lending Base Rate while figures after that indicates BoZ Policy rate.

2/ Penalty Rates: These are rates applied when a Bank falls short on its Statutory Reserve Requirements.



Commercial Bank Interest Rates (Percent per year), Dec. 2008 - Dec. 2016

Table 12

End of Period		Average Lending Rates	Weighted interbank rate	Savings Rates		Deposits over K20,000						
				less than K100	more than K100	24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2008	December	26.9	12.8	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
2009	December	29.2	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2010	December	26.4	6.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2011	December	24.0	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2012	December	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2013	December	16.4	10.1	2.8	3.5	1.9	3.0	4.1	5.1	6.1	6.6	8.4
2014	January	16.4	10.0	2.8	3.5	1.9	3.9	4.1	5.6	6.0	6.5	8.5
	February	17.1	10.3	3.0	3.7	1.9	3.3	4.3	5.5	5.8	6.6	7.8
	March	17.0	15.6	2.8	3.5	1.9	3.0	3.3	5.2	5.6	6.8	7.8
	April	18.8	18.0	2.8	3.5	1.9	3.0	3.3	5.4	6.0	7.0	8.0
	May	18.3	20.1	2.7	3.7	1.8	3.2	4.3	5.3	6.2	7.1	8.4
	June	19.1	23.4	2.8	3.6	1.9	3.2	4.2	6.8	8.3	8.5	9.8
	July	20.0	14.7	2.8	3.6	1.9	3.7	4.0	7.8	9.1	9.4	10.5
	August	19.0	12.9	2.8	3.4	1.8	3.0	3.3	5.4	5.8	6.7	8.3
	September	19.4	13.1	2.6	3.7	2.0	2.9	3.2	6.9	8.3	9.2	9.6
	October	20.0	11.3	2.7	3.6	1.9	3.7	4.0	6.5	8.1	8.9	10.0
	November	20.4	11.7	2.7	3.6	2.0	3.7	4.0	6.8	8.0	8.9	9.9
	December	20.5	12.0	2.4	3.3	2.0	4.2	4.3	6.8	8.3	9.1	10.5
2015	January	20.9	11.9	2.7	3.6	2.0	4.4	3.5	6.9	7.8	9.1	10.1
	February	20.6	12.5	2.7	3.6	2.0	4.4	3.5	6.3	7.6	9.1	10.1
	March	19.7	10.8	2.4	3.4	2.2	5.1	3.9	6.4	7.9	9.3	10.4
	April	20.6	14.6	2.4	3.4	2.0	5.3	3.9	6.4	8.0	9.2	10.5
	May	20.6	14.6	2.2	3.2	2.2	5.4	3.9	6.8	7.5	8.9	10.5
	June	20.6	14.6	2.5	3.5	2.0	5.4	4.1	6.4	7.8	8.8	10.5
	July	20.7	14.7	2.5	3.5	2.0	4.0	4.1	6.3	7.6	9.0	10.4
	August	20.7	14.5	2.4	3.3	1.8	3.5	3.5	6.0	7.1	8.5	10.3
	September	20.8	14.7	2.4	3.3	1.9	3.6	3.5	6.8	7.1	7.9	10.3
	October	20.7	14.7	2.5	3.4	1.9	4.1	4.2	6.3	7.6	8.4	10.5
	November	23.2	24.7	2.6	3.5	2.1	4.7	4.9	7.2	8.3	9.6	10.8
	December	25.8	26.1	2.5	3.3	1.9	4.0	4.2	7.2	7.9	9.2	10.8
2016	January	25.9	26.6	2.6	3.6	2.1	6.6	6.8	7.8	9.5	9.8	11.3
	February	26.4	27.5	2.6	3.3	2.0	6.5	7.3	8.5	9.8	9.8	11.3
	March	26.9	27.3	2.7	3.4	2.4	8.9	9.5	9.6	11.2	11.5	12.9
	April	26.9	25.9	2.6	3.2	2.2	7.5	8.0	9.5	11.1	11.4	13.0
	May	28.5	17.6	2.4	3.3	2.4	7.0	7.4	9.5	11.7	11.4	13.3
	June	28.7	17.7	2.6	3.2	2.2	6.9	7.4	9.3	10.5	10.9	13.0
	July	29.2	18.0	2.6	3.2	2.2	7.0	7.8	9.2	10.6	10.6	13.1
	August	28.7	18.2	2.0	2.7	2.6	6.7	7.2	9.5	11.8	11.6	13.9
	September	29.3	16.4	2.6	3.2	2.3	5.8	6.5	7.8	10.0	10.6	12.5
	October	29.1	16.5	2.8	3.4	2.5	6.6	7.1	8.5	10.6	11.0	12.6
	November	29.4	16.5	2.8	3.4	2.5	6.7	7.1	9.1	10.6	10.7	12.6
	December	29.5	16.1	2.1	2.8	2.4	6.0	6.5	8.2	10.3	10.9	12.8

Source: Bank of Zambia

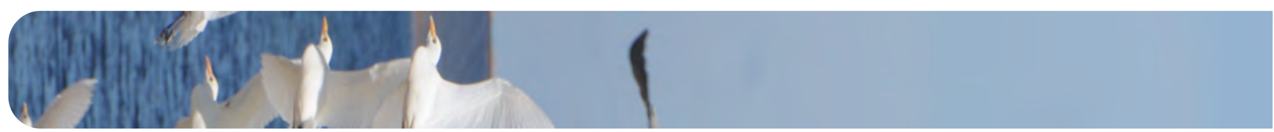
Kwacha/US Dollar Exchange Rates, Dec. 2008 - Dec. 2016

Table 13

Period Monthly Average		Bank of Zambia Rates			Bureau Rates		
		Buying	Selling	Mid	Buying	Selling	Mid
2008	December	4,872.97	4,892.97	4,882.97	4,718.77	4,837.05	4,777.91
2009	December	4,657.86	4,677.80	4,667.83	4,651.92	4,730.93	4,691.43
2010	December	4,725.74	4,745.74	4,735.74	4,716.25	4,813.31	4,764.78
2011	December	5,107.29	5,127.29	5,117.29	5,068.71	5,153.52	5,111.11
2012	December	5,198.47	5,228.97	5,208.46	5,243.33	5,323.62	5,283.47
2013	December	5.52	5.53	5.54	5.06	5.12	5.09
2014	January	5.52	5.53	5.53	2.81	2.86	2.83
	February	5.69	5.70	5.69	5.50	5.61	5.56
	March	6.08	6.10	6.09	5.93	6.09	6.01
	April	6.19	6.21	6.20	6.01	6.13	6.07
	May	6.60	6.62	6.61	6.40	6.51	6.46
	June	6.30	6.32	6.31	6.33	6.51	6.42
	July	6.14	6.16	6.15	6.11	6.22	6.17
	August	6.10	6.12	6.11	6.13	6.24	6.18
	September	6.14	6.16	6.15	6.11	6.26	6.18
	October	6.31	6.34	6.32	6.26	6.37	6.32
	November	6.34	6.36	6.35	6.32	6.42	6.37
	December	6.33	6.35	6.34	6.32	6.42	6.37
2015	January	6.45	6.47	6.46	6.39	6.50	6.45
	February	6.74	6.76	6.75	6.62	6.76	6.69
	March	7.32	7.34	7.33	7.30	7.43	7.36
	April	7.05	7.07	6.55	6.97	7.09	7.03
	May	7.25	7.27	7.26	7.20	7.33	7.26
	June	7.32	7.34	7.33	7.28	7.39	7.33
	July	7.65	7.67	7.66	7.55	7.67	7.61
	August	8.08	8.10	8.09	8.04	8.16	8.10
	September	10.19	10.21	10.20	10.25	10.49	10.37
	October	12.01	12.02	12.02	11.95	12.24	12.09
	November	12.17	12.19	12.18	11.81	12.05	11.93
	December	10.83	10.85	10.84	10.60	10.82	10.71
2016	January	11.12	11.14	11.13	11.08	11.25	11.17
	February	11.32	11.34	11.33	11.28	11.44	11.36
	March	11.33	11.35	11.34	11.26	11.42	11.34
	April	9.73	9.75	9.74	9.62	9.80	9.71
	May	10.04	10.07	10.05	10.03	10.18	10.10
	June	10.68	10.73	10.70	10.73	10.70	10.71
	July	9.88	9.93	9.90	10.04	10.20	10.12
	August	9.99	10.04	10.01	10.06	10.19	9.94
	September	9.96	10.00	9.98	9.98	10.11	10.17
	October	9.86	9.91	9.88	9.89	10.06	9.97
	November	9.80	9.84	9.82	9.77	9.94	9.86
	December	9.81	9.86	9.84	9.79	9.96	9.88

Source: Bank of Zambia

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



Commercial Banks Foreign Exchange Rates, Jan. 2014 - Dec.2016

Table 14

Date	Non Banks US$			Bureaux US$	Interbank US$			UK Pound			EURO			SAR		
	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
Monthly Avg.																
2014																
January	5.58	5.49	5.54	5.57	5.52	5.53	5.53	9.09	9.11	9.10	7.52	7.53	7.53	0.51	0.51	0.51
February	5.75	5.65	5.70	5.71	5.69	5.70	5.69	9.41	9.43	9.42	7.77	7.78	7.77	0.51	0.52	0.52
March	6.10	6.12	6.11	6.15	6.09	6.10	6.09	10.12	10.14	10.13	8.40	8.42	8.41	0.57	0.57	0.57
April	6.16	6.26	6.21	6.23	6.19	6.21	6.20	10.37	10.40	10.38	8.55	8.58	8.56	0.59	0.59	0.59
May	6.58	6.70	6.64	6.67	6.60	6.62	6.61	11.12	11.15	11.13	9.07	9.10	9.08	0.63	0.64	0.63
June	6.28	6.37	6.33	6.36	6.30	6.32	6.31	10.64	10.68	10.66	8.56	8.58	8.57	0.59	0.59	0.59
July	6.11	6.21	6.16	6.32	6.14	6.16	6.15	10.49	10.52	10.50	8.31	8.34	8.33	0.58	0.58	0.58
August	6.07	6.16	6.12	6.14	6.10	6.12	6.11	10.19	10.22	10.21	8.12	8.15	8.14	0.57	0.58	0.58
September	6.10	6.20	6.15	6.17	6.14	6.16	6.15	10.01	10.04	10.03	7.92	7.95	7.93	0.56	0.56	0.56
October	6.29	6.39	6.34	6.37	6.32	6.34	6.33	10.16	10.19	10.18	8.01	8.04	8.03	0.57	0.57	0.57
November	6.30	6.40	6.35	6.58	6.34	6.36	6.35	10.00	10.03	10.01	7.90	7.93	7.91	0.57	0.57	0.57
December	6.29	6.39	6.34	6.37	6.33	6.35	6.34	9.90	9.93	9.91	7.80	7.82	7.81	0.55	0.55	0.55
2015																
January	6.42	6.52	6.47	6.50	6.45	6.47	6.46	9.79	9.83	9.81	7.17	7.54	7.53	0.56	0.56	0.56
February	6.71	6.81	6.76	6.78	6.74	6.76	6.75	10.33	10.36	10.35	7.65	7.67	7.66	0.58	0.58	0.58
March	7.27	7.39	7.33	7.34	7.33	7.35	7.34	10.97	11.00	10.99	7.94	7.96	7.95	0.61	0.61	0.61
April	7.35	7.46	7.41	7.48	7.40	7.42	7.41	11.20	11.25	11.23	8.09	8.12	8.10	0.61	0.61	0.61
May	7.14	7.36	7.25	9.53	9.48	9.50	9.49	11.19	14.56	14.55	10.47	10.50	10.49	0.71	0.71	0.71
June	7.27	7.39	7.33	7.36	7.32	7.34	7.33	11.39	11.42	11.40	8.20	8.22	8.21	0.59	0.60	0.60
July	7.59	7.70	7.65	7.70	7.64	7.66	7.65	11.90	11.93	11.91	8.41	8.43	8.42	0.61	0.62	0.62
August	8.01	8.14	8.07	8.10	8.08	8.10	8.09	12.60	12.64	12.62	9.01	9.03	9.02	0.63	0.63	0.63
September	10.11	10.30	10.21	10.20	10.19	10.21	10.20	15.62	15.66	15.64	11.43	11.45	11.44	0.75	0.75	0.75
October	11.95	12.11	12.03	12.04	12.01	12.03	12.02	18.42	18.46	18.44	13.50	13.52	13.51	0.89	0.89	0.89
November	11.92	12.33	12.13	12.24	12.17	12.19	12.18	18.49	18.53	18.51	13.03	13.06	13.05	0.86	0.86	0.86
December	10.86	10.86	10.89	10.92	10.83	10.85	10.84	16.23	16.26	16.24	11.77	11.80	11.79	0.72	0.72	0.72
2016																
January	11.09	11.22	11.16	11.20	11.12	11.14	11.13	16.00	16.04	16.02	12.08	12.10	12.09	0.68	0.68	0.68
February	11.28	11.35	11.32	11.38	11.32	11.34	11.33	16.19	16.22	16.20	12.55	12.58	12.57	0.72	0.72	0.72
March	11.42	11.28	11.35	11.35	11.33	11.35	11.34	16.13	16.16	16.14	12.59	12.61	12.60	0.74	0.74	0.74
April	9.83	9.67	9.75	9.77	9.73	9.75	9.74	13.93	13.96	13.95	11.04	11.07	11.05	0.67	0.67	0.67
May	9.97	10.07	10.05	10.11	10.04	10.07	10.05	14.58	14.63	14.60	11.35	11.38	11.36	0.65	0.65	0.65
June	10.61	10.75	10.68	10.74	10.68	10.73	10.70	15.19	15.26	15.23	12.00	12.06	12.03	0.71	0.71	0.71
July	9.82	9.89	9.86	9.93	9.88	9.93	9.90	12.99	13.06	13.03	11.15	11.20	11.17	0.69	0.69	0.69
August	9.90	10.03	9.96	10.06	9.99	10.04	10.01	13.10	13.16	13.13	11.20	11.25	11.23	0.73	0.73	0.73
September	9.86	9.98	9.92	10.01	9.96	10.00	9.98	13.08	13.15	13.12	11.16	11.21	11.18	0.71	0.71	0.71
October	9.78	9.93	9.85	9.91	9.86	9.91	9.88	12.17	12.23	12.20	10.88	10.94	10.91	0.71	0.71	0.71
November	9.65	9.89	9.77	9.86	9.80	9.84	9.82	12.17	12.24	12.21	10.58	10.63	10.61	0.70	0.71	0.70
December	9.28	9.92	9.60	9.82	9.82	9.87	9.85	12.26	12.32	12.29	10.36	10.41	10.39	0.71	0.71	0.71

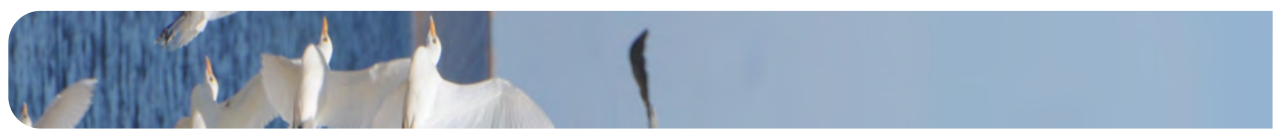
Source: Bank of Zambia

Foreign Exchange Transactions (US $'Million), Dec. 2008 - Dec. 2016

Table 15

Period		Bank of Zambia Inflows			Bank of Zambia Outflows				Gross International Reserves
		Purchases from Mines	Other Non-GRZ	Donor Inflows	Dealing	Other Non-GRZ	GRZ Debt Servicing	GRZ Other Uses	
2008	December	0.00	104.62	8.17	67.50	84.63	2.05	5.96	5,692.70
2009	December	0.00	53.23	171.49	28.00	69.84	2.64	87.10	1,949.18
2010	December	0.00	53.97	103.40	11.00	24.75	43.87	99.86	2,118.72
2011	December	0.00	40.44	28.31	0.00	92.81	3.22	134.34	2,347.03
2012	December	0.00	45.63	74.22	171.00	12.27	18.42	191.47	3,069.00
2014	January	0.00	92.97	19.55	0.00	37.82	5.80	1.28	2,776.41
	February	0.00	28.49	0.55	80.00	15.38	12.01	0.04	2,698.02
	March	0.00	176.96	21.85	128.00	18.69	35.52	0.00	2,714.63
	April	42.00	1,040.94	6.27	11.50	45.70	17.80	1.15	3,727.70
	May	0.00	35.93	2.92	314.00	33.05	6.74	0.01	3,412.74
	June	0.00	124.96	4.85	-2.00	62.90	4.52	1.11	3,449.27
	July	47.49	44.23	2.95	49.15	45.72	74.61	1.24	3,373.24
	August	0.00	47.36	2.39	-65.00	54.01	2.11	4.89	3,426.97
	September	0.00	44.76	2.42	31.00	73.11	43.27	2.37	3,324.40
	October	19.87	37.39	8.30	93.50	32.39	71.36	0.00	3,192.71
	November	0.00	52.23	10.44	88.50	36.62	21.12	0.00	3,109.15
	December	0.89	40.12	4.04	0.00	44.94	4.60	1.48	3,103.18
2015	January	0.00	33.36	0.67	130.50	33.29	26.45	13.96	2,932.98
	February	22.64	56.48	10.37	50.00	23.45	81.97	22.50	2,828.70
	March	3.97	25.27	0.34	50.00	44.19	47.57	21.13	2,695.38
	April	11.20	142.28	0.08	0.00	12.40	116.09	8.20	2,712.26
	May	29.12	47.09	0.42	0.00	69.50	6.52	0.17	2,712.69
	June	35.27	74.11	6.15	0.00	60.88	9.17	1.14	2,757.03
	July	24.94	1,246.70	0.52	0.00	57.77	37.20	0.00	3,936.93
	August	10.55	50.18	2.34	0.00	45.30	7.66	64.82	3,882.22
	September	0.00	42.93	7.53	160.00	31.08	66.30	55.79	3,619.50
	October	0.00	67.13	0.05	156.27	24.45	57.52	75.05	3,373.39
	November	0.00	86.05	12.22	248.50	28.14	9.88	128.26	3,057.03
	December	0.00	60.59	24.51	50.00	49.79	25.54	49.96	2,973.37
2016	January	0.00	41.29	9.03	41.15	57.41	8.72	17.01	2,902.59
	February	0.00	64.11	11.59	71.22	31.96	102.11	4.79	2,773.82
	March	0.00	47.43	1.13	95.00	56.06	53.63	25.94	2,598.82
	April	0.00	45.82	12.45	-36.36	51.41	67.47	1.82	2,575.84
	May	0.00	47.99	4.70	16.00	54.74	93.78	0.49	2,463.52
	June	0.00	104.90	8.73	27.00	104.22	36.17	0.00	2,410.69
	July	0.00	41.61	4.71	40.95	33.47	41.29	107.12	2,234.18
	August	0.00	44.31	2.67	-72.50	21.39	75.68	2.66	2,254.47
	September	0.00	25.18	22.19	-23.00	17.90	33.04	3.36	2,270.53
	October	0.00	39.39	7.63	-22.50	59.47	81.04	2.88	2,209.37
	November	0.00	40.36	7.87	-118.24	38.37	28.89	1.20	2,307.39
	December	0.00	69.43	12.79	-57.29	46.14	28.30	7.78	2,364.68

Source: Bank of Zambia



Percentage changes in the consumer price indices (2009 weights - Base 2009=100), Jan. 2014 - Dec. 2016

Table 16

	Consumer Price Indices (2009=100)			Annual Inflation Rates			Month on Month Inflation Rates		
	Total	Food	Non Food	Total	Food	Non Food	Total	Food	Non Food
Monthly									
2014									
January	136.3	131.6	141.7	7.3	5.9	8.8	0.9	0.8	1.0
February	137.0	132.4	142.2	7.6	7.5	7.7	0.5	0.6	0.4
March	138.7	134.1	144.0	7.7	7.6	7.8	1.3	1.3	1.2
April	139.6	135.0	144.9	7.8	7.6	7.9	0.7	0.7	0.7
May	140.9	136.0	146.4	7.8	8.0	7.6	0.9	0.8	1.0
June	141.5	136.3	147.4	7.9	7.8	8.0	0.4	0.2	0.7
July	142.5	136.2	149.9	8.0	6.9	9.2	0.8	-0.1	1.6
August	143.5	137.5	150.4	8.0	7.0	9.1	0.7	0.9	0.4
September	143.9	137.8	150.9	7.8	6.9	8.8	0.2	0.2	0.3
October	144.0	137.7	151.2	7.9	7.1	8.8	0.1	0.0	0.2
November	144.6	138.5	151.7	8.1	7.3	8.9	0.4	0.5	0.3
December	145.7	140.3	151.9	7.9	7.5	8.4	0.8	1.3	0.2
2015									
January	146.8	141.3	153.1	7.7	7.4	8.0	0.7	0.7	0.7
February	147.1	142.4	152.6	7.4	7.6	7.3	0.3	0.8	-0.3
March	148.6	143.8	154.2	7.2	7.2	7.1	1.0	1.0	1.1
April	149.7	144.6	155.5	7.2	7.1	7.3	0.7	6.0	0.8
May	150.6	145.8	156.2	6.9	7.2	6.7	0.6	0.8	0.4
June	151.5	146.4	157.7	7.1	7.1	7.0	0.6	0.2	1.0
July	152.6	147.0	159.2	7.1	7.8	6.2	0.8	0.6	1.0
August	153.9	148.2	160.6	7.3	7.8	6.9	0.9	0.8	0.9
September	155.0	149.0	162.0	7.7	8.1	7.3	0.7	0.5	0.9
October	164.7	160.0	170.0	14.3	16.2	12.4	6.2	7.4	5.0
November	172.9	170.9	175.2	19.5	23.4	15.5	5.0	6.8	3.1
December	176.5	175.1	178.1	21.1	24.8	17.1	2.1	2.5	1.6
2016									
January	178.7	177.9	179.7	21.8	25.9	17.4	1.3	1.6	0.9
February	180.8	179.9	181.8	22.9	26.4	19.1	1.2	1.2	1.2
March	181.7	181.5	181.9	22.2	26.2	17.9	0.5	0.9	0.0
April	182.2	183.0	181.4	21.8	26.5	16.7	0.3	0.8	-0.3
May	182.7	183.4	181.8	21.3	25.8	16.5	0.2	0.2	0.3
June	183.3	183.0	183.6	21.0	25.3	16.5	0.3	-0.2	1.0
July	183.4	183.4	183.5	20.2	24.8	15.3	0.1	0.2	-0.1
August	184.1	183.9	184.9	19.6	24.1	14.8	0.4	0.3	0.4
September	184.2	183.9	183.6	18.9	23.4	14.0	0.1	0.0	0.2
October	185.2	185.0	185.3	12.5	15.6	9.0	0.5	0.6	0.4
November	188.0	186.6	189.6	8.8	9.2	8.3	1.5	0.8	2.3
December	189.6	188.7	190.8	7.5	7.8	7.1	0.9	1.1	0.6

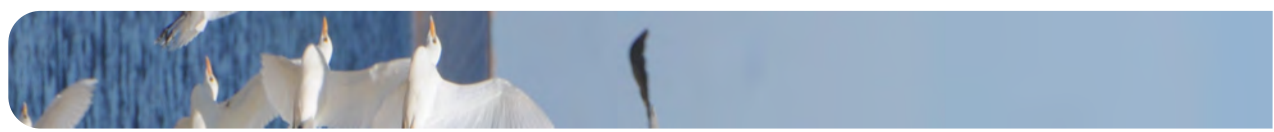
Source: Central Statistical Office

Treasury Bill Transactions (K' million), Dec. 2008 - Dec. 2016

Table 17

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					
2008	December	46,560.0	40,277.0	21,149.0	899,796.1	1,007,782.1	227,808.7	969,121.9	0.0	0.0	3,249,255.1
2009	December	102,184.0	105,042.0	98,063.0	916,244.6	1,221,533.6	474,266.9	408,194.0	0.0	0.0	4,423,113.6
2010	December	108,714.0	131,846.0	134,845.0	306,995.0	682,400.0	644,989.3	424,009.0	0.0	0.0	4,533,570.6
2011	December	87,065.0	110,015.0	164,723.0	335,239.0	697,042.0	638,117.7	471,047.0	0.0	0.0	6,919,518.1
2012	December	53,037.0	167,296.0	172,174.5	374,891.7	767,399.2	0.0	0.0	0.0	0.0	6,840,829.8
2013	December	16,400.0	484,705.0	318,190.0	923,695.0	1,742,990.0	1,552,661.7	548,794.7	15,850.5	0.0	9,525,976.4
2014	January	7,610.0	179,955.0	310,550.0	580,650.0	1,078,765.0	956,688.5	476,123.0	1,683.4	0.0	10,223,560.4
	February	6,980.0	407,405.0	354,495.0	574,310.0	1,343,190.0	1,203,019.4	586,248.0	409.9	0.0	10,653,025.9
	March	9,700.0	73,530.0	19,160.0	103,875.0	206,265.0	185,086.3	620,916.5	6,949.2	0.0	10,058,959.4
	April	4,400.0	116,255.0	110,715.0	226,565.0	457,935.0	405,759.5	575,108.0	644.1	0.0	10,052,929.4
	May	16,680.0	307,430.0	70,120.0	436,490.0	830,720.0	733,878.9	524,773.0	89.0	0.0	10,083,337.4
	June	3,650.0	49,430.0	96,500.0	487,860.0	637,440.0	541,711.5	602,543.0	0.0	0.0	9,881,242.4
	July	3,710.0	80,630.0	3,260.0	559,235.0	646,835.0	537,529.0	778,740.0	1,267.4	0.0	9,621,504.6
	August	8,250.0	178,175.0	38,855.0	1,635,450.0	1,860,730.0	1,543,368.2	1,443,139.5	799.4	0.0	10,113,605.1
	September	1,910.0	292,150.0	116,630.0	988,255.0	1,398,945.0	1,200,105.9	629,665.0	0.0	0.0	9,590,418.5
	October	10,680.0	367,535.0	190,270.0	1,088,638.0	1,657,123.0	1,442,185.7	703,832.0	0.0	0.0	9,876,146.6
	November	32,167.0	180,034.0	126,795.0	217,607.0	556,603.0	491,168.0	825,215.0	0.0	0.0	9,372,760.6
	December	144,610.0	173,153.0	102,920.0	579,915.0	1,000,598.0	871,680.8	710,943.0	0.0	0.0	10,809,484.4
2015	January	261,419.0	380,718.0	124,120.0	976,275.0	1,742,532.0	1,522,175.1	990,349.2	0.0	0.0	11,440,272.2
	February	61,536.0	112,032.0	69,380.0	564,323.0	807,271.0	688,227.9	686,291.0	0.0	0.0	11,458,965.2
	March	197,794.0	281,277.1	428,810.0	1,173,565.0	2,081,446.1	1,801,451.8	396,025.0	0.0	0.0	12,911,925.2
	April	5,278.0	115,165.0	65,862.0	521,430.0	707,735.0	594,943.9	594,170.0	0.0	0.0	12,923,690.2
	May	26,075.0	103,205.0	62,000.0	816,665.0	1,007,945.0	835,369.9	594,410.0	0.0	0.0	13,051,841.2
	June	37,380.0	123,831.0	123,520.0	747,615.0	1,032,346.0	856,807.0	661,013.0	0.0	0.0	13,108,750.2
	July	48,065.0	193,479.0	238,010.0	690,100.0	1,169,654.0	985,902.4	1,281,890.0	0.0	0.0	12,800,966.2
	August	6,805.0	134,045.0	239,800.0	1,231,721.0	1,612,371.0	1,223,176.4	1,407,448.0	0.0	0.0	12,664,964.2
	September	13,883.0	329,260.0	380,815.0	830,295.0	1,554,253.0	1,319,688.1	1,278,181.0	0.0	0.0	12,840,941.2
	October	18,970.0	207,059.0	281,675.0	892,294.0	1,399,998.0	1,175,388.9	1,203,803.0	0.0	0.0	12,864,951.2
	November	14,700.0	69,850.0	25,232.0	350,764.0	460,546.0	386,505.9	320,812.0	0.0	0.0	12,928,500.2
	December	11,265.0	112,952.0	179,295.0	261,361.0	564,873.0	146,913.0	969,945.0	0.0	0.0	12,090,096.5
2016	January	14,570.0	23,318.0	40,200.0	696,939.0	775,027.0	616,185.6	903,555.0	0.0	0.0	11,872,902.5
	February	14,161.0	26,634.0	169,828.3	545,759.0	756,382.4	1,084,406.1	812,670.0	0.0	0.0	11,886,036.5
	March	10,961.0	160,897.0	223,300.0	341,339.0	736,497.0	604,678.2	1,502,825.0	0.0	0.0	11,997,811.5
	April	49,326.0	196,102.0	125,250.0	312,935.0	683,613.0	570,064.6	728,489.0	0.0	0.0	10,687,467.5
	May	100,855.0	191,578.0	245,036.3	486,265.2	1,023,734.5	859,766.8	886,515.0	0.0	0.0	10,600,726.0
	June	97,344.0	316,192.0	345,159.0	474,765.0	1,233,460.0	1,044,692.7	841,216.0	0.0	0.0	10,591,229.0
	July	105,936.0	299,653.0	195,921.0	514,073.0	1,115,583.0	953,106.3	714,125.6	0.0	0.0	10,653,007.0
	August	56,809.0	205,541.0	226,592.0	592,222.0	1,081,164.0	901,937.5	1,143,693.0	0.0	0.0	10,464,391.0
	September	161,502.0	140,573.0	383,550.0	687,275.0	1,372,900.0	1,152,621.5	991,192.0	0.0	0.0	10,492,372.0
	October	84,522.0	141,058.0	285,010.0	1,351,360.0	1,861,950.0	1,528,467.0	1,088,396.0	0.0	0.0	11,196,878.0
	November	99,040.0	273,022.0	441,495.0	631,100.0	1,444,657.0	1,215,654.9	542,342.0	0.0	0.0	11,843,924.0
	December	142,000.0	300,731.0	304,013.8	524,584.0	1,271,328.8	1,080,000.0	235,670.0	0.0	0.0	13,174,213.5

Source: Bank of Zambia



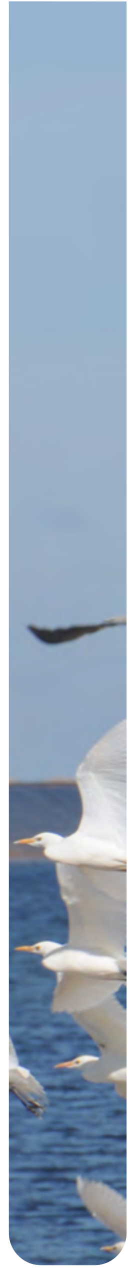
GRZ Bonds Outstanding (K' million) Jan. 2014 - Dec.2016

Table 18

End of period		By Holder		
		Commercial banks	Others[1]	Total Outstanding
2014	January	2,528,446.5	4,922,124.6	7,450,571.1
	February	3,187,892.8	5,118,665.1	8,306,558.0
	March	3,008,843.7	5,148,724.1	8,157,567.8
	April	2,927,213.0	5,206,476.6	8,133,689.6
	May	2,978,575.0	5,537,485.2	8,516,060.3
	June	2,714,345.7	5,744,433.7	8,458,779.5
	July	2,686,228.8	5,678,576.2	8,364,805.0
	August	2,655,890.3	5,643,176.3	8,299,066.7
	September	2,420,653.4	5,964,870.1	8,385,523.5
	October	2,350,970.5	5,944,566.2	8,295,536.7
	November	2,382,978.8	6,591,997.3	8,974,976.1
	December	2,362,441.2	6,711,314.2	9,073,755.4
2015	January	2,304,466.0	6,674,496.9	8,978,962.9
	February	2,332,038.2	7,161,926.4	9,493,964.6
	March	2,235,103.3	7,083,369.2	9,318,472.4
	April	2,177,495.8	7,083,122.2	9,260,618.0
	May	2,099,763.5	7,673,553.4	9,773,316.9
	June	2,134,561.6	7,446,751.2	9,581,312.8
	July	2,149,415.5	7,301,869.9	9,451,285.4
	August	2,164,087.5	7,249,248.2	9,413,335.7
	September	1,613,901.5	7,850,466.6	9,464,368.0
	October	1,603,097.9	7,595,341.1	9,198,439.0
	November	1,582,814.4	7,512,864.7	9,095,679.1
	December	1,568,433.9	7,503,337.9	9,071,771.8
2016	January	1,566,673.7	7,424,906.7	8,991,580.4
	February	1,541,693.9	7,507,726.2	9,049,420.1
	March	1,583,399.9	7,411,945.9	8,995,345.8
	April	1,658,141.6	7,258,030.8	8,916,172.4
	May	1,911,750.3	7,844,070.2	9,755,820.5
	June	1,907,902.9	8,129,239.9	10,037,142.8
	July	1,879,579.9	7,518,303.9	9,397,883.8
	August	2,044,064.4	8,223,115.1	10,267,179.5
	September	1,971,061.2	8,175,996.1	10,147,057.2
	October	1,944,347.7	8,149,636.6	10,093,984.3
	November	2,275,544.8	9,603,869.3	11,879,414.1
	December	2,554,542.6	10,466,890.2	13,021,432.8

Source: Bank of Zambia

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



Metal Production and Exports (metric tonnes)

Table 19

Date		Copper Exports	Copper Production	Cobalt Exports	Cobalt Production
End Year Total					
	2008	584,288	600,033	4,608	4,613
	2009	675,384	697,860	5,868	5,879
	2010	829,728	852,566	8,641	8,648
	2011	832,216	833,450	7,831	7,702
	2012	903,137	824,977	10,029	5,435
	2013	976,306	997,823	5,881	5,919
2014	January	96,094	61,053	340	n/a
	February	88,099	57,901	366	n/a
	March	95,706	60,495	488	n/a
	April	99,822	54,442	192	n/a
	May	89,195	47,558	462	n/a
	June	88,538	43,205	427	n/a
	July	109,113	63,094	375	n/a
	August	87,424	66,788	296	n/a
	September	95,765	63,534	528	n/a
	October	94,711	58,022	363	n/a
	November	93,379	64,830	330	n/a
	December	108,469	67,337	396	n/a
	Total	**1,146,315**	**708,259**	**4,562**	**n/a**
2015	January	75,855	57,203	363	n/a
	February	78,280	52,766	198	n/a
	March	78,452	56,162	429	n/a
	April	81,223	50,472	198	n/a
	May	76,681	63,910	166	n/a
	June	74,757	60,017	33	n/a
	July	93,613	57,376	33	n/a
	August	111,829	69,495	270	n/a
	September	70,503	63,740	270	n/a
	October	74,092	58,758	306	n/a
	November	88,953	55,200	306	n/a
	December	117,859	65,762	407	n/a
	Total	**1,022,097**	**710,860**	**2,979**	**n/a**
2016	January	89,442	63,918	374	n/a
	February	73,632	55,351	561	n/a
	March	74,562	64,053	306	n/a
	April	66,818	58,138	340	n/a
	May	80,426	62,024	411	n/a
	June	85,026	69,020	272	n/a
	July	83,435	69,998	408	n/a
	August	67,662	66,217	476	n/a
	September	70,833	66,356	442	n/a
	October	85,790	62,608	510	n/a
	November	79,824	69,369	476	n/a
	December	80,534	63,547	406	n/a
	Total	**937,985**	**770,598**	**4,982**	**n/a**

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

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