Bank *of* Zambia

FINANCIAL SYSTEM SUPERVISION ANNUAL REPORT

2024

Bank *of* Zambia

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VISION

To be a dynamic and credible Central Bank that contributes to the sustainable economic development of Zambia.

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

MISSION

PREFACE

The Bank of Zambia Act, No.5 of 2022, mandates the Bank of Zambia (hereinafter referred to as the 'Bank') to licence, regulate and supervise the activities of financial service providers and credit reporting agencies. The Bank discharges this mandate in accordance with provisions of the Banking and Financial Services Act, 2017.

This Financial System Supervision Report focuses on the activities relating to the oversight of commercial banks, deposit-taking non-bank financial institutions (DTIs), and non-deposit taking financial institutions (NDTFIs).

SUPERVISORY AND REGULATORY STRUCTURE

The Bank has two financial system supervision departments, namely: Prudential Supervision Department (PrSD) formerly known as Bank Supervision Department (BSD) and Financial Conduct Supervision Department (FCSD), formerly known as Non-Bank Financial Institutions Supervision Department (NBFISD). PrSD supervises and regulates all commercial banks and deposit-taking financial institutions and administers a deposit protection fund to safeguard depositors in the event of insolvency[1] . The FCSD focuses on regulating the financial services and markets to promote consumer protection. In addition, the Department licences and regulates all NDTFIs as well as supervise and provide oversight on matters relating to anti-money laundering and countering the financing of terrorism and proliferation for all regulated financial service providers. In line with the expanded mandate following the enactment of the Bank of Zambia Act, 2022, the financial stability division was hived off from BSD and a new Financial Stability Department was established to implement macro-prudential policy and support the newly established Financial Stability Committee.

The two supervision departments have the following functional areas:

- **Examinations and Surveillance** – responsible for the off-site and on-site monitoring of the performance and condition of financial service providers. This is done through the evaluation of periodic prudential returns and conducting on-site examinations. The objectives of these evaluations are to assess the risk management and internal control practices and effectiveness of the board and senior management oversight.
- **Regulatory Policy, Licencing and Liquidations** – responsible for reviewing the adequacy of the regulatory framework for financial service providers, assessing licence applications, and undertaking the orderly exit of institutions. In addition, this function oversees consumer protection and market conduct activities.
- **Problem Bank and Deposit Protection -** responsible for conducting onsite and offsite analysis of distressed institutions and implementation of prompt corrective action. In addition, the Division is responsible for Resolution planning and execution to orderly manage failures of banks and financial institutions. Further, the Division has the primary responsibility to manage the Deposit Insurance Scheme and administration of the Fund.
- **Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Supervision -** responsible for monitoring and ensuring that all financial and payment services providers under the ambit of the Bank of Zambia comply with AML/CFT obligations under the Financial Intelligence Centre Act.
- **Consumer Protection and Market Conduct -** responsible for ensuring that regulated entities operate in a fair, transparent, and accountable manner. Additionally, the division plays a pivotal role in strengthening financial regulation and consumer education for purposes of protecting and empowering consumers.
- **Financial Sector Development** – responsible for the coordination and implementation of financial sector reforms including financial inclusion and other related activities.

1 The Deposit Protection Fund is expected to be operationalised during 2025.

GOVERNOR'S FOREWORD

I am pleased to present the 2024 Financial Sector Supervision Annual Report. The Report updates the structure, financial performance and condition of commercial banks, deposit-taking and non-deposit-taking financial institutions licensed and supervised by the Bank of Zambia. The report also summarises key regulatory actions and macro-financial developments during the year.

During 2024, the most severe drought since Independence sharply curtailed agricultural output and hydroelectric generation. At the same time, the global economy slowed amid Middle East tensions, the prolonged war in Ukraine and softer growth in China, generating currency pressures across many emerging markets, including Zambia. Domestically, GDP was initially expected to fall to 1.2 percent, but proved more resilient, expanding by an estimated 4.0 percent (2023: 5.4 percent). Inflation, however, rose to an average of 16.4 percent, well above the 6–8 percent target band.

To anchor expectations, the Monetary Policy Committee raised the Policy Rate by a cumulative 300 basis points to 14.0 percent and increased the statutory reserve ratio to 26.0 percent. Although these actions, complemented by other reforms that deepened and improved the efficiency of the foreign-exchange market, the sector experienced tight liquidity in the first half of 2024 but adjusted, and liquidity conditions improved in the second half of the year.

Despite headwinds, the sector remained sound and well capitalised. Risk-weighted capital ratios stayed above regulatory minimum, asset quality was satisfactory, and profitability was underpinned by solid operating income. To cushion drought-affected sectors and preserve stability, the Bank launched a Stability and Resilience Facility (SRF) to provide targeted liquidity for onward lending to viable agriculture and energy projects.

While the effects of the drought are expected to linger through 2025, the financial system is expected to remain resilient, supported by strong capital buffers, enhanced risk-management practices and vigilant supervision. Priorities for the coming year include deeper assessments of climate-related and cyber risks, expanded data-analytics capabilities, and continued alignment of our frameworks with evolving international standards.

The Financial Sector Supervision Departments (FSSDs) remain steadfast in promoting the safety and soundness of regulated institutions in line with the Banking and Financial Services Act, 2017 and international best practice.

I extend my sincere appreciation to the Board, Management and staff of the Bank of Zambia, and to our supervised institutions, for their dedication during an exceptionally demanding year. Together, we remain committed to safeguarding the stability of Zambia's financial system in support of sustainable economic growth.

Dr. Denny H. Kalyalya
GOVERNOR

THE DIRECTORS' REMARKS

The overall financial performance and condition of the sector remained resilient in 2024 and was rated satisfactory. The rating was based on favourable ratings on capital adequacy, asset quality, earnings, and sensitivity to market risk. Liquidity conditions were tight in the first half of the year, but the sector held sufficient stock of liquid assets to source extra funding to meet short term obligations. Profitability was sustained despite the additional operating costs incurred in implementing alternative power sources on account of the extended rationing of power supply.

The sector 's balance sheet grew by 14.7 percent, albeit a slower annual growth when compared to the 21.8 percent growth in 2023. Growth in assets, which was largely funded by deposit liabilities, was mostly noted in balances with Bank of Zambia, specifically statutory reserves, following an upward adjustment in the statutory reserve ratio to 26.0 percent from 17.0 percent in 2023. The banking sector also recorded a notable increase in balances with financial institutions abroad and net loans and advances while investment in Government securities reduced marginally.

The overall financial performance and condition of the NDTFIs sector was rated satisfactory at end-December 2024. The sector regulatory capital, asset quality, liquidity management and earnings performance were rated satisfactory. However, despite the sector's overall satisfactory performance, market risk was rated unsatisfactory. This was due to the significant exposure to foreign currency risk, with the sector's net open position standing at 34.6 percent of regulatory capital, well above the benchmark limit of 25.0 percent. At this level of exposure, the institutions were vulnerable to adverse movements in the exchange rate.

To make the sector more responsive to sectoral developments including addressing emerging regulatory gaps and strengthening coordination with other regulators, the Bank commenced the process of revising the Banking and Financial Services Act (2017), and other subsidiary regulations such as Banking and Financial Services Corporate Governance Directives, and Capital Adequacy Rules.

The Bank remains committed to providing a regulatory environment that supports growth, promotes innovation and maintains financial stability.

Lyness Phiri Mambo (Ms)
Director - Prudential Supervision

Freda Tamba (Ms)
Director – Financial Conduct Supervision

1. OVERVIEW

In 2024, the financial sector remained strong and resilient. This was despite operating in a challenging environment, particularly, the drought-driven prolonged power rationing which drove operational expenses up as financial service providers invested in alternative energy sources. In 2024, the number of licensed commercial banks decreased to 15 from 17 following the Bank of Zambia possession[1] of one bank and the acquisition and subsequent merger of two banks. The number of deposit-taking financial institutions remained unchanged at ten. The number of non-deposit taking financial institutions (NDTFIs) decreased to 102 from 107 in 2023 as two bureaux de change and four microfinance institution licences were cancelled while one bureau de change licence was issued (Table 1).

Table 1: Structure of the Financial System as at 31 December 2024

Type of Institution	Number of Financial Service Providers		
	2022	2023	2024
Banks	17	17	15
Deposit-Taking Financial Institutions	**10**	**10**	**10**
Microfinance Institutions	7	7	7
Building Societies	2	2	2
Savings and Credit Institutions	1	1	1
Non-Bank Financial Institutions	**120**	**107**	**102**
Leasing Finance Institutions	7	7	5
Building Societies	2	2	2
Enterprise Lending Microfinance Institutions	9	3	3
Consumer Lending Microfinance Institutions	28	25	23
Bureaux de Change	71	67	66
Credit Reference Agency	1	1	1
Savings and Credit Institutions	1	1	1
Development Finance Institutions	1	1	1

Source: Bank of Zambia

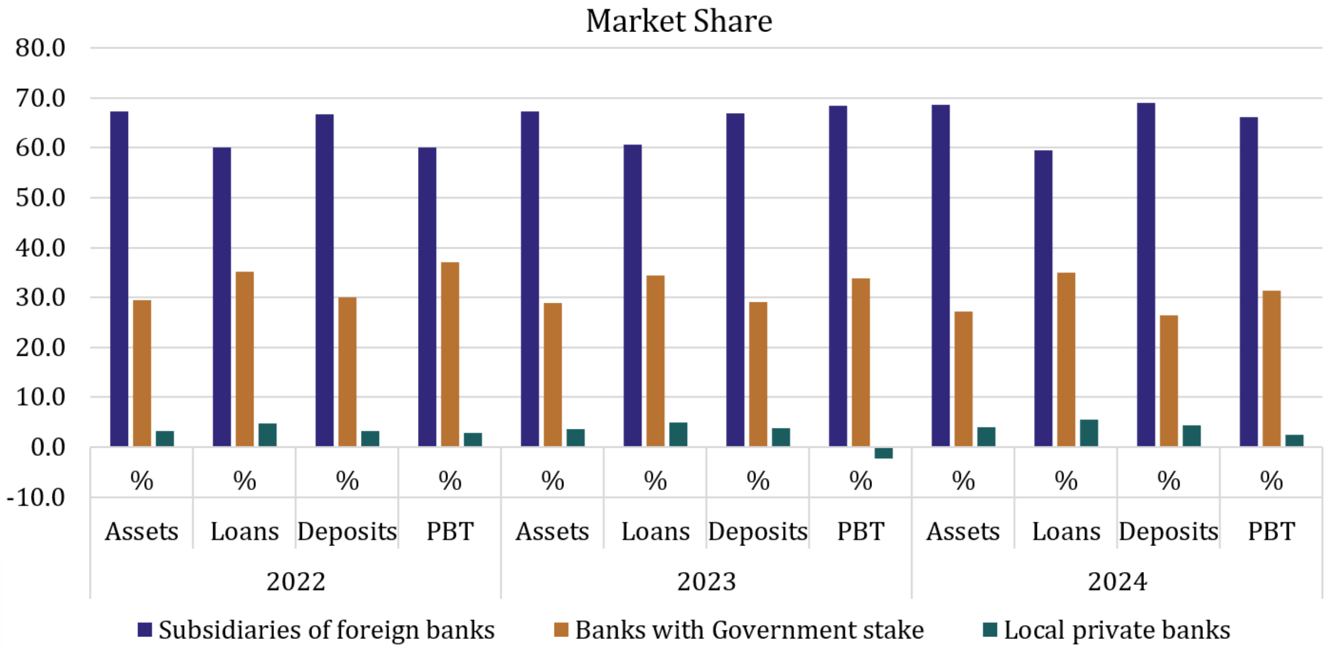
1.1. Banking Sector Structure

At end-December 2024, the Zambian banking sector comprised 15 banks, with a total asset base of K274.1 billion. This was primarily funded by deposit liabilities amounting to K209.0 billion. The sector was dominated by five banks which collectively accounted for 66.7 percent of total sector assets and 66.2 percent of total deposits.

The number of licensed banks reduced to 15 from 17 in 2024 as the Bank took possession of Investrust Bank Plc while Access Bank Zambia Limited and African Banking Corporation Zambia Limited (trading as Atlas Mara) merged in April. In terms of the structure of the 15 banks by ownership, nine banks were subsidiaries of foreign banks which at end-December 2024, accounted for 68.7 percent and 69.0 percent of total sector assets and deposits, respectively. Three banks were partially owned by the Government of the Republic of Zambia and represented 27.3 percent of total assets and 26.5 percent of total deposits. The remaining three were locally owned private banks which held 4.1 percent share of total assets and 4.4 percent of total deposits (Chart 1).

1 The Bank took possession of Investrust Bank Plc on April 2 due to insolvency https://www.boz.zm/Investrust_Notice.pdf

Chart 1: Distribution of Bank's Assets, Net Loans and Deposits by Ownership



Source: Bank of Zambia

1.2. Banking Sector Delivery Channels

In 2024, the number of bank branches increased slightly to 298 from 296 in 2023, while the number of Automated Teller Machines (ATMs) declined to 899 from 944 (Table 2).

Table 2: Delivery Channels – Banking Sector, 2022 - 2024

Bank	Branches			Automated Teller Machines		
	2022	2023	2024	2022	2023	2024
AB Bank Zambia Limited	9	8	8	0	0	0
Access Bank Zambia Limited	19	18	63	43	39	155
Atlas Mara	45	45	0	116	117	0
Bank of China Zambia Limited	2	2	2	0	0	0
Absa Bank Zambia Plc	31	34	34	105	119	121
Citibank Zambia Limited	2	2	2	0	0	0
Ecobank Zambia Limited	6	6	6	41	46	38
First Alliance Bank Limited	6	6	6	5	5	6
First Capital Bank Limited	7	8	7	7	7	8
First National Bank Zambia Limited	23	23	23	143	147	138
Indo Zambia Bank Limited	28	32	37	63	68	78
Investrust Bank Plc	20	19	0	39	41	0
Stanbic Bank Zambia Limited	30	28	28	94	99	100
Standard Chartered Bank Zambia Plc	3	3	3	63	45	36
United Bank for Africa Zambia Limited	6	8	9	13	18	19
Zambia Industrial Commercial Bank Limited	3	3	19	4	5	13
Zambia National Commercial Bank Plc	52	51	51	191	188	187
Total	**292**	**296**	**298**	**927**	**944**	**899**

Source: Bank of Zambia

1.3. Deposit-Taking Financial Institutions

At end-December 2024, deposit-taking financial institutions (DTIs) comprised seven microfinance institutions, two building societies, and one savings and credit institution, with a combined asset base of K14.8 billion. This was primarily funded by deposit liabilities totalling K6.5 billion. The sector was dominated by three financial institutions, which collectively accounted for 72.0 percent of total sector assets and 70.2 percent of total deposits.

As of December 2024, the number of deposit-taking non-bank financial institutions remained unchanged from 2023 (Table 11).

1.4. Non- Deposit Taking Financial Institutions Delivery Channels

The total branch network for NDTFIs increased to 526 from 507 in 2023 (Table 3). The increase in branches was largely due to the expansion of micro-finance institutions and building societies in 2024.

Table 3: Delivery Channels - Non-Bank Financial Institutions Sector, 2022 - 2024

Type of Institution	2022	2023	2024
Leasing Finance Companies	10	10	6
Building Societies	35	32	35
Bureaux de change	146	147	146
Savings and credit institutions	47	47	43
Microfinance institutions	261	269	294
Development finance institution	2	1	1
Credit reference bureaux	1	1	1
Total	**502**	**507**	**526**

Source: Bank of Zambia

2. BANKING SECTOR

2.1. Overview of the Financial Performance and Condition of Banks

The overall financial performance and condition of the banking sector was satisfactory in the year 2024. The favourable rating was on account of the strong capital position which was supported by consistent satisfactory earnings performance. Asset quality was assessed as satisfactory owing to the low proportion of gross non-performing loans (NPLs) to gross loans. Notwithstanding the deterioration in liquidity conditions in the first half of the year, banks maintained a sufficient level of liquid assets and a high liquidity ratio relative to the prudential benchmark. At end-December 2024, all the banking sector performance indicators were favourable when compared to the set benchmarks (Table 4).

Table 4: Financial Performance Indicators (percent), 2022–2024

	Benchmark	2022	2023	2024
Primary capital adequacy ratio	5.0 or higher	22.0	22.8	23.0
Total regulatory capital adequacy ratio	10.0 or higher	22.8	23.5	24.5
Net non-performing loans to regulatory capital	10.0 or lower	0.8	0.9	0.9
Gross non-performing loans to total loans	10.0 or lower	5.0	4.2	4.1
Net non-performing loans to total loans	2.5 or lower	0.3	0.3	0.4
Allowance for loan losses to gross non-performing loans	80.0 or higher	93.5	92.2	91.2
Return on assets	4.0 or higher	5.0	5.9	5.1
Return on equity	20.0 or higher	29.3	33.8	29.7
Efficiency ratio	60.0 or lower	44.8	50.0	44.6
Liquid assets to deposits and short-term liabilities	25.0 or higher	52.2	42.9	39.5

Source: Bank of Zambia

Banking sector assets closed the year at K274.1 billion from K238.9 billion in 2023 representing an increase of 14.7 percent. This growth was mainly observed in balances with Bank of Zambia which rose by 35.0 percent to K57.6 billion as well as net loans and balances which grew by 15.4 percent to K78.7 billion. Net Loans and advances accounted for the largest share of total assets at 28.7 percent followed by investments in securities at 22.3 percent.

Correspondingly, liabilities also increased by 14.7 percent to K274.1 billion at end-2024 primarily due to deposits. Deposit liabilities remained the main source of funding and funded 76.3 percent of total asset.

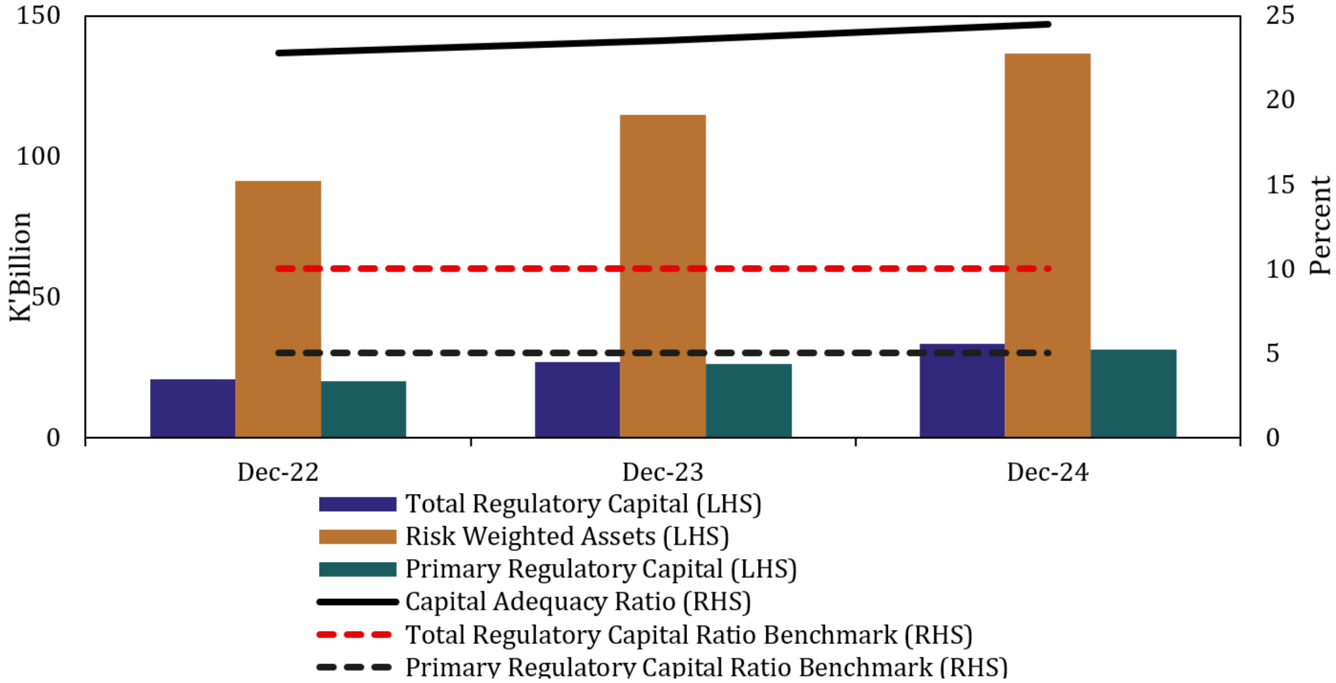
2.2. Performance Indicators

2.2.1. Capital Adequacy

At end-December 2024, the banking sector's capital adequacy position remained strong. Both primary regulatory capital adequacy ratio (PCAR) and total regulatory capital adequacy ratio (TCAR) remained above the required regulatory minimum of 5.0 and 10.0 percent, respectively (Table 4). In absolute terms, primary and total regulatory capital rose by 20.2 percent and 23.9 percent to K31.4 billion and K33.4 billion, respectively (Chart 2). The growth in capital was augmented by retained earnings which increased by 33.6 percent to K22.8 billion in the year under review.

The above notwithstanding, the risk profile of the banking sector balance sheet increased as reflected by the rise in the risk-weighted assets (RWAs) by 19.1 percent to K136.5 billion. The lower percentage increase in RWAs compared to the growth in capital resulted in an increase in PCAR to 23.0 percent from 22.8 percent in 2023 and TCAR to 24.5 percent from 23.5 percent.

Chart 2: Capital Adequacy ratio, 2022 - 2024



Source: Bank of Zambia

2.2.2. Asset Quality

Asset quality remained satisfactory as the ratio of non-performing loans to total loans (NPL ratio) was at 4.1 percent at end-December 2024 despite a slight increase from 4.2 percent at end-December 2023 and remained below the prudential maximum benchmark of 10.0 percent (Table 5). The decrease in the sector's NPL ratio was wholly attributed to the growth in the gross loans balance by 15.2 percent which outweighed the 11.6 percent increase in the stock of gross NPLs.

Table 5: Gross Loans and Non-Performing Loans (K' billion), 2022-2024

	2022	2023	2024
Gross loans (K' billion)	52.5	71.0	81.8
NPLs (K 'billion)	2.6	3.0	3.3
Substandard (K' billion)	0.1	0.4	0.2
Doubtful (K' billion)	0.5	0.4	0.6
Loss (K' billion)	1.8	2.2	2.0
NPL ratio (percent)	5.0	4.2	4.1
Prudential benchmark	10.0	10.0	10.0
Percentage in Total Gross Loans			
Substandard	0.1	0.2	0.2
Doubtful	0.9	0.4	0.7
Loss	3.4	3.1	2.5

Source: Bank of Zambia

The stock of NPLs grew in 2024, owing to heightened credit risk arising from increased production costs induced by investment in alternative power sources because of electricity shortages and adverse movement in the exchange rate. In absolute terms, NPLs denominated in local currency (LCY) and foreign currency (FCY) increased by 8.9 percent and 3.9 percent, respectively (Table 6).

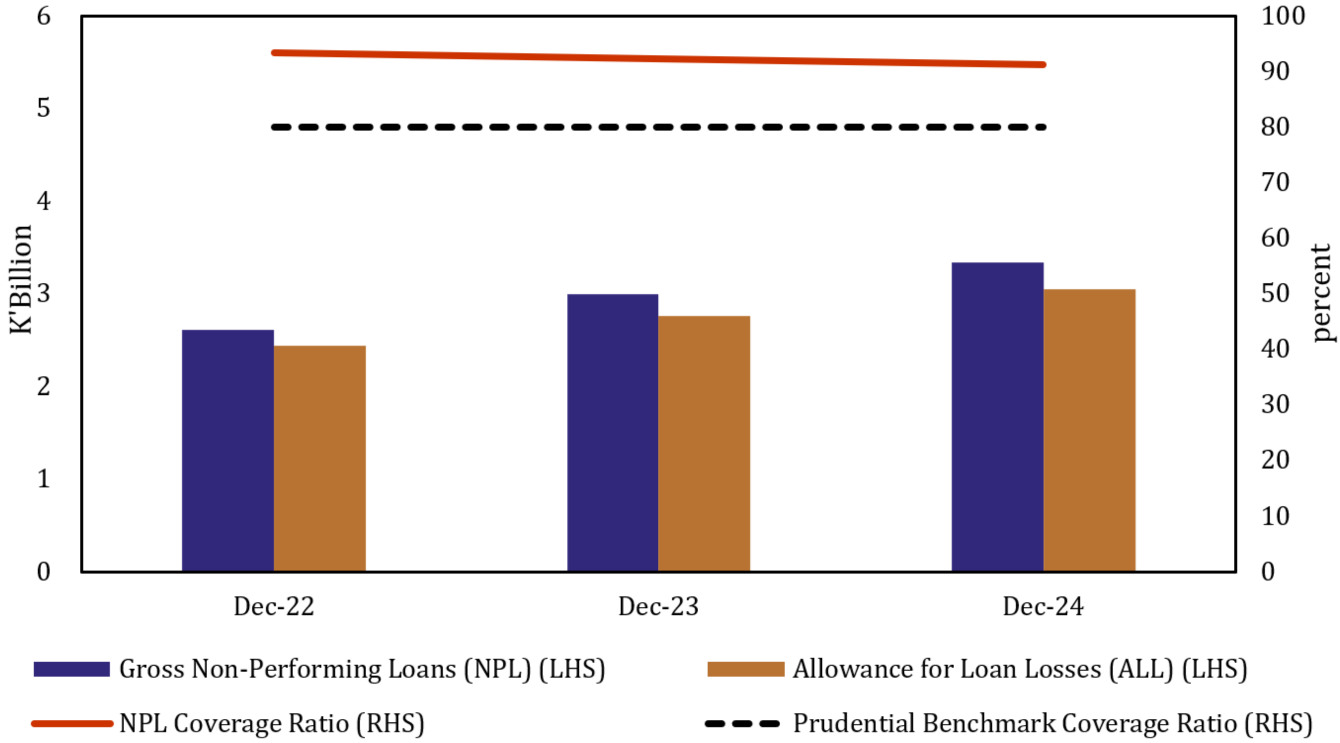
Table 6: Non-Performing Loans by Currency (K' billion), 2023 - 2024

	Dec-2023	Dec-2024	Change in nominal amounts	Percentage Change
Kwacha NPLs	1.57	1.71	0.14	8.9
Kwacha equivalent of FX NPLs	1.43	1.61	0.18	12.6
Total	2.99	3.32	0.33	11.0
Memoranda				
FX NPLs (in US$ dollar million)	55.47	57.65	2.18	3.9
BoZ Mid-Rate (ZMW/USD	25.7	27.9	2.2	8.6

Source: Bank of Zambia

The NPL coverage ratio declined, albeit marginally to 91.2 percent in 2024 from 92.2 percent in 2023 but remained well above the prudential benchmark of 80.0 percent (Chart 3). This decline was primarily attributed to a higher percentage increase in NPLs, without an equal corresponding increase in loan loss reserves.

Chart 3: Non-Performing Loans Coverage Ratio, 2022 - 2024



Source: Bank of Zambia

In terms of sectoral distribution, manufacturing sector accounted for the highest proportion of loans, followed by wholesale and retail trade and agriculture, forestry and fishing sectors (Table 7). Generally, provision of credit to the various sectors of the economy was sustained in 2024 funded by the rise in deposits.

Table 7: Sectoral Distribution of Loans (Percent), 2022 - 2024

Sector	2022	2023	2024
Manufacturing	18.4	21.3	24.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	9.7	11.0	11.4
Agriculture, forestry and fishing	9.6	9.7	10.2
Electricity, gas, steam and air conditioning supply	3.5	8.9	9.9
Mining and quarrying	7.6	8.3	7.3
Personal Loans	7.6	7.0	7.0
Financial and insurance activities	3.9	4.6	5.7
Public administration and defense; compulsory social security	16.9	6.4	4.6

Sector	2022	2023	2024
Transportation and storage	4.8	5.6	4.3
Real estate activities	5.4	4.5	3.5
Information and communication	4.8	4.7	3.5
Construction	1.4	1.6	1.7
Education	1.4	1.3	1.3
Administrative and support service activities	1.1	1.1	1.1
Human health and social work activities	1.0	1.1	1.1
Other service activities	0.7	0.8	0.8
Water supply; sewerage, waste management and remediation activities	1.0	0.8	0.8
Accommodation and food service activities	0.5	0.5	0.5
Professional, scientific and technical activities	0.2	0.3	0.3
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.2	0.2	0.1
Activities of extraterritorial organizations and bodies	0.1	0.1	0.1
Arts, entertainment and recreation	0.1	0.1	0.0
Other	0.1	0.2	0.3
Total	100.0	100.0	100.0

Source: Bank of Zambia

In terms of sectoral credit performance, wholesale and retail trade accounted for the largest portion of NPLs followed by manufacturing (Table 8). Higher impairments in the mining sector arose from the suspension of plant operations due to electricity load management at one of the mines.

Table 8: Sectoral Distribution of Non-Performing Loans (Percent), 2022 – 2024

Sector	2022	2023	2024
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.1	19.2	16.3
Manufacturing	27.0	23.6	16.0
Agriculture, forestry and fishing	15.3	15.2	11.3
Mining and quarrying	11.6	4.8	9.8
Transportation and storage	6.5	7.9	9.5
Personal loans	8.9	8.2	8.2
Real estate activities	6.8	5.4	6.7
Electricity, gas, steam and air conditioning supply	1.6	0.6	4.0
Construction	3.9	3.5	3.3
Accommodation and food service activities	3.2	3.1	3.0
Public administration and defence; compulsory social security	1.7	1.6	2.5
Financial and insurance activities	2.2	1.6	2.3
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.4	0.4	2.1
Professional, scientific and technical activities	0.3	0.0	2.0
Information and communication	0.3	0.5	0.7
Education	0.6	0.7	0.5
Human health and social work activities	0.3	0.5	0.5
Other service activities	2.3	1.8	0.3
Administrative and support service activities	0.5	0.5	0.3
Activities of extraterritorial organizations and bodies	0.0	0.1	0.1
Water supply; sewerage, waste management and remediation activities	0.1	0.1	0.0
Arts, entertainment and recreation	0.0	0.0	0.0
Other	0.5	0.7	0.4
Total	100.0	100.0	100.0

Source: Bank of Zambia

In terms of intra-sector NPLs , accommodation and food service activities sector was the worst performing sector followed by the transportation and storage and construction sectors (Table 9).

Table 9: Intra-Sector Non-Performing Loan Ratios (Percent), 2022-2024

Sector	2022	2023	2024
Accommodation and food service activities	29.2	25.2	22.8
Transportation and storage	6.7	5.9	8.9
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	8.7	8.2	8.5
Construction	14.0	9.5	7.9
Real estate activities	6.3	5.0	7.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.1	7.3	5.9
Mining and quarrying	7.6	2.5	5.5
Personal loans	5.9	5.0	4.8
Arts, entertainment and recreation	0.2	0.5	4.6
Agriculture, forestry and fishing	7.9	6.6	4.5
Activities of extraterritorial organizations and bodies	3.9	5.9	2.9
Manufacturing	7.3	4.7	2.7
Public administration and defence; compulsory social security	0.5	1.1	2.2
Human health and social work activities	1.7	1.9	1.9
Electricity, gas, steam and air conditioning supply	2.2	0.3	1.7
Education	2.1	2.3	1.6
Financial and insurance activities	2.8	1.5	1.6
Other service activities	16.8	9.6	1.6
Administrative and support service activities	2.4	1.7	1.1
Information and communication	0.3	0.5	0.8
Professional, scientific and technical activities	6.6	0.6	0.7
Water supply; sewerage, waste management and remediation activities	0.4	0.3	0.3
Other	18.0	13.7	6.1

Source: Bank of Zambia

2.2.3. Earnings Performance

The sector earnings performance was sustained amidst the various macro-economic challenges presented by adverse developments such as prolonged power rationing on account of the drought. Profitability improved further in 2024 as the sector recorded profit before tax (PBT) of K13.0 billion, 6.2 percent higher than 2023 (Table 10). The sustained profitability was explained by an increase in interest income from loans and advances and interest income from investment in Government securities.

In addition, the return on assets (ROA) and return on equity (ROE) at 5.1 percent and 29.7 percent in 2024, remained above the prudential benchmarks of 4.0 percent and 20.0 percent, respectively.

Table 10: Summarised Income Statement (K' billion), 2022 - 2024

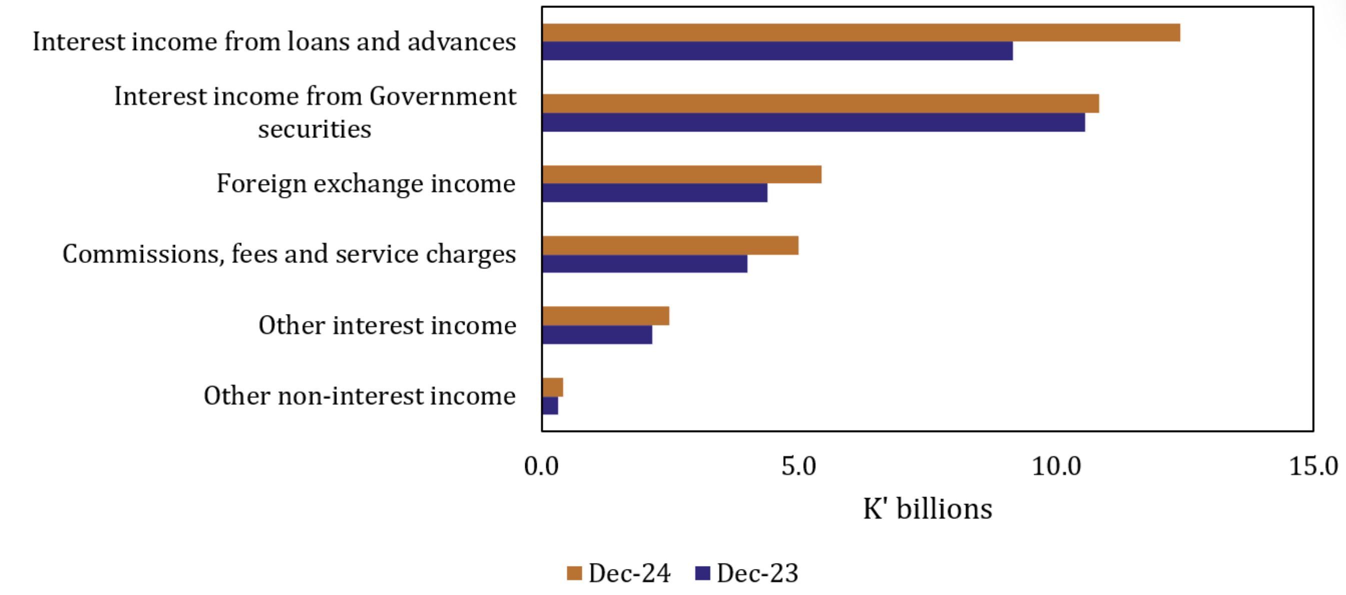
Particulars	2022	2023	2024
	K' Billion	K' Billion	K' Billion
Interest Income	17.7	21.9	25.7
Interest Expenses	4.5	5.5	8.1
Net Interest Income	13.2	16.4	17.6
Non-Interest Income	6.6	8.7	10.9
Net Operating Income	19.8	25.1	28.5
Non-Interest Expenses	10.6	12.7	14.3
Pre-Provision Operating Profit	9.2	12.5	14.1

Particulars	2022	2023	2024
	K' Billion	K' Billion	K' Billion
Loan Loss Provisions	0.7	0.2	1.1
Profit Before Tax	8.5	12.3	13.0
Tax	2.8	3.9	4.1
Net Profit	5.7	8.3	8.9

Source: Bank of Zambia

Interest earned on loans and advances was the largest source of income at 33.9 percent, followed by interest income from Government securities at 29.6 percent and foreign exchange income at 14.9 percent (Chart 4). Loans and advances were the main income source during the review period, driven by increased loan volume and higher average lending rates, which rose to 26.2 percent in 2024 from 25.1 percent in 2023.

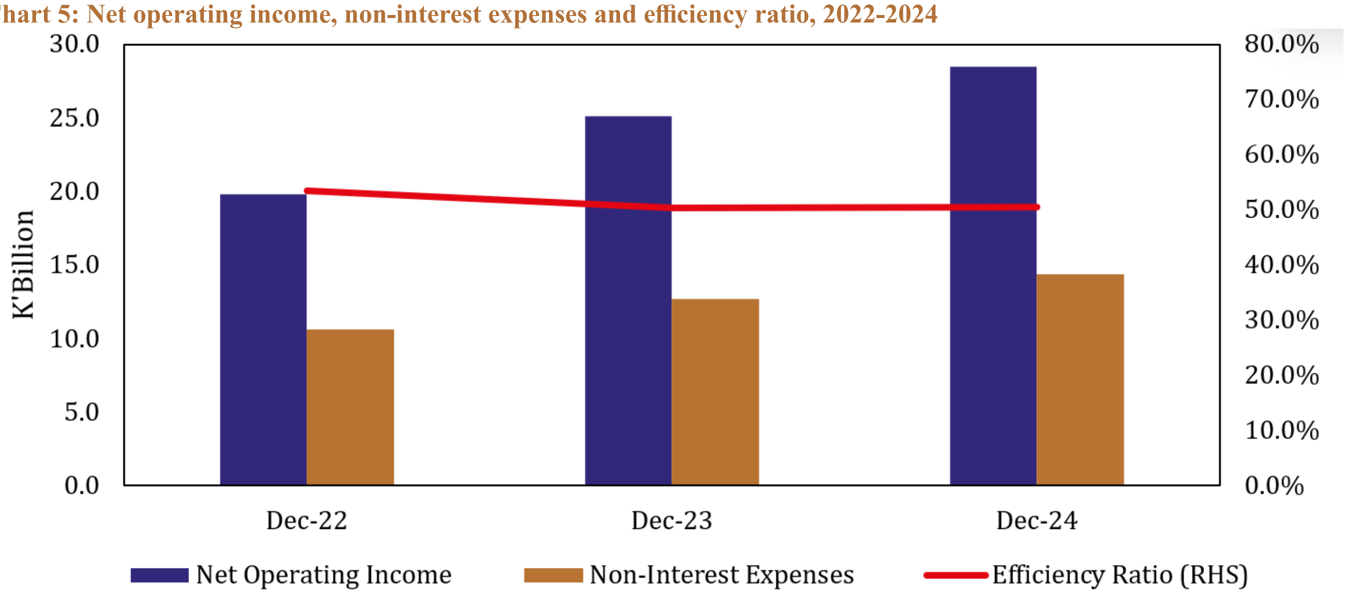
Chart 4: Principal Sources of Income (K' billion), 2022– 2024



Source: Bank of Zambia

The cost-to-income ratio improved to 44.6 percent in 2024 from 50.0 percent in 2023 and remained within the prudential threshold of 60.0 percent. The improved cost-to-income ratio was due to a higher percentage growth in net operating income relative to the rise in overhead costs (Chart 5).

Chart 5: Net operating income, non-interest expenses and efficiency ratio, 2022-2024

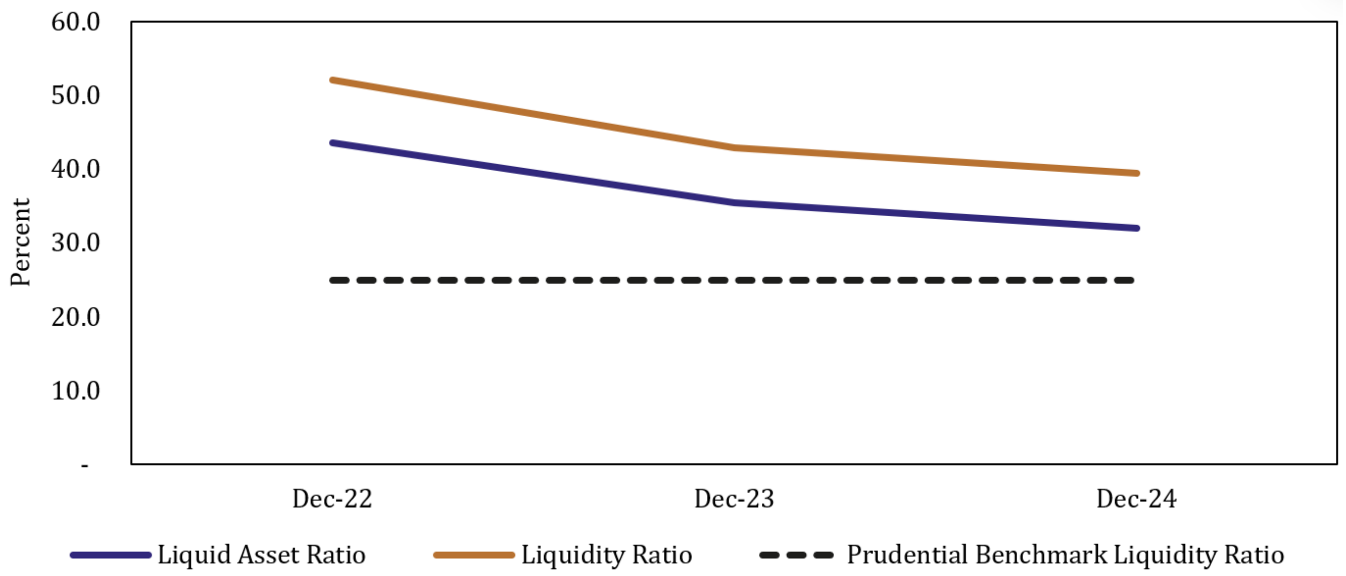


Source: Bank of Zambia

2.2.4. Liquidity

Liquidity conditions were fair in 2024 primarily due to heightened borrowing from the Overnight Lending Facility alongside sustained interbank activity which tapered in the second half of the year. The sector's liquidity ratio decreased slightly to 39.5 percent from 42.8 percent on an annual basis but remained above the minimum prudential benchmark of 25.0 percent (Chart 6). The sector held sufficient liquid assets accounting for 32.0 percent of total assets.

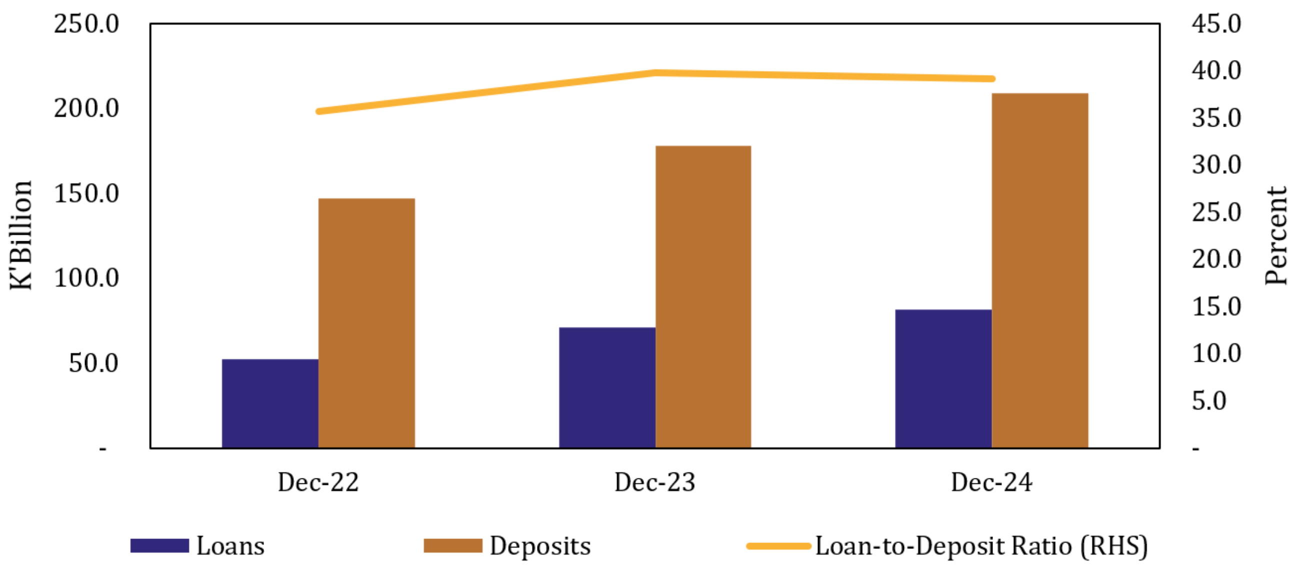
Chart 6: Liquid Assets Ratio and Liquidity Ratio (Percent), 2022-2024



Source: Bank of Zambia

The loan to deposit ratio (LDR) decreased to 39.1 percent in 2024 from 39.8 percent in prior year, denoting that most of the banks' deposits were invested in more liquid assets than the less liquid loans (Chart 7).

Chart 7: Loan to Deposit Ratio, 2022-2024

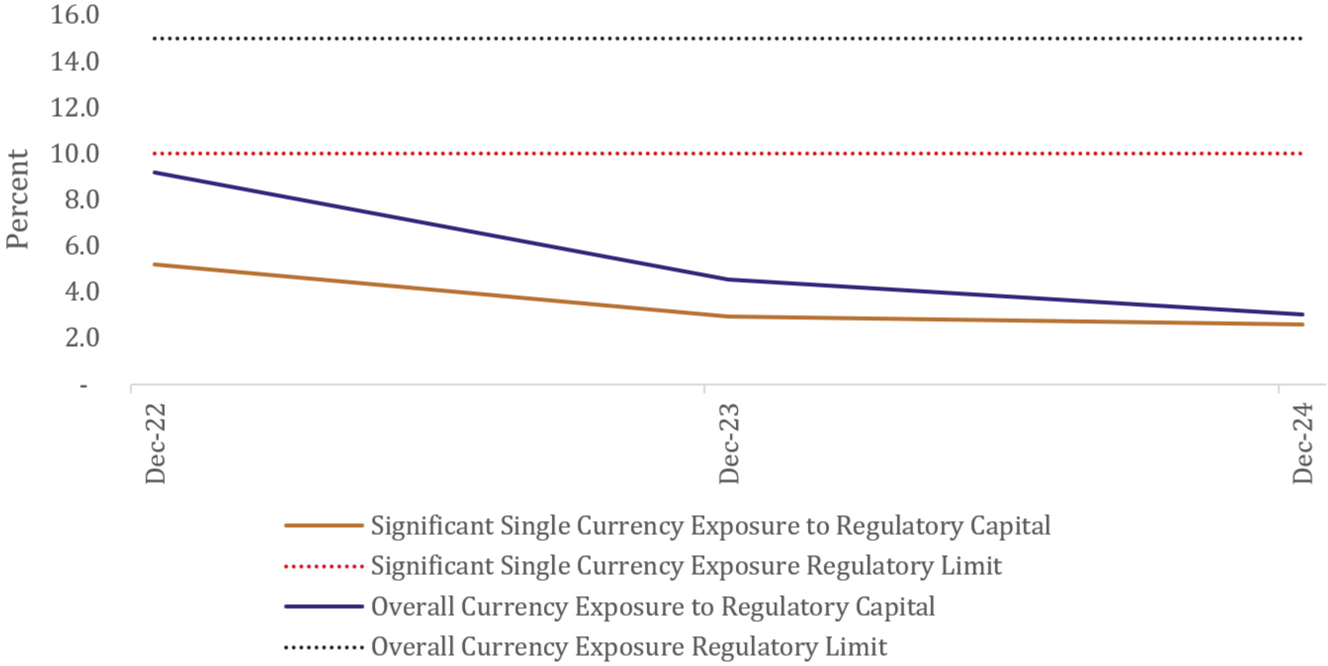


Source: Bank of Zambia

2.2.5. Foreign Exchange Risk

The sector exposure to foreign currency remained satisfactory. Both the significant single and overall currency exposures relative to regulatory capital were below the prudential limits at end-December 2024 (Chart 8).

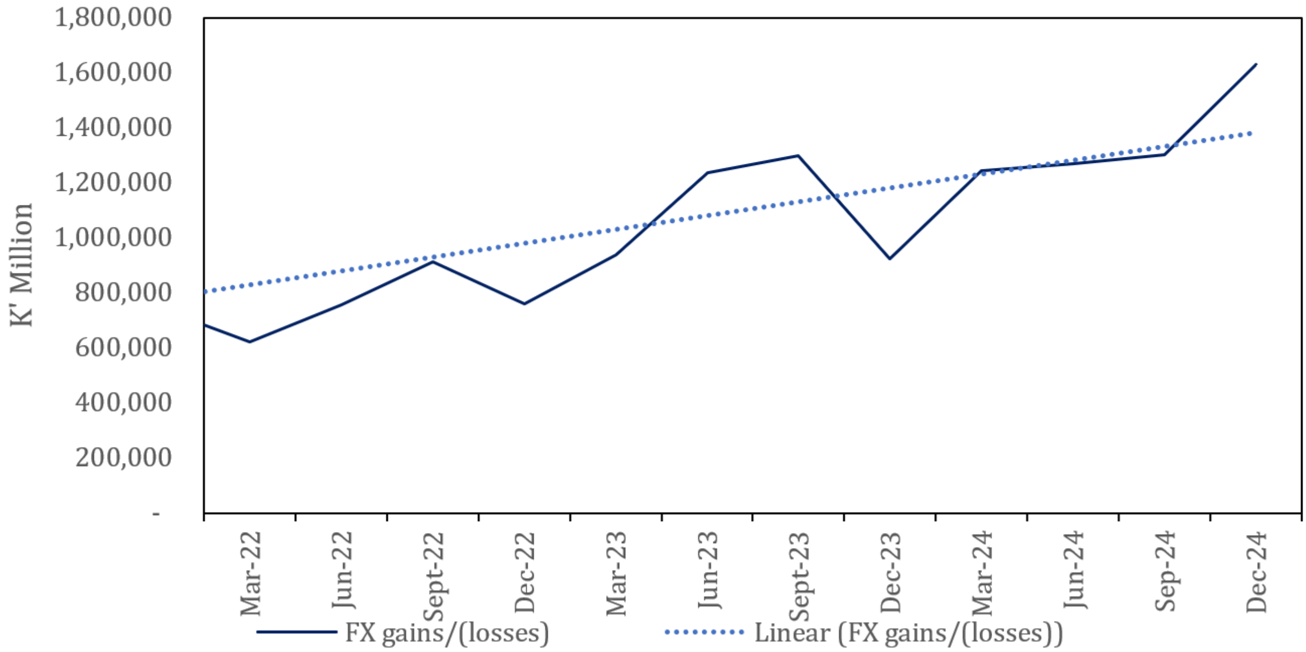
Chart 8: Net Foreign Exchange and Overall Foreign Currency Exposure to Capital (Percent), 2022-2024



Source: Bank of Zambia

However, the fluctuations in the exchange rate continued to cause variations in income through foreign exchange gains and losses. These fluctuations were driven by both translation gains and losses on closing foreign currency positions as well as trading income (Chart 9).

Chart 9: Volatility in Foreign Exchange Income (K' million), 2022-2024



Source: Bank of Zambia

3. DEPOSIT-TAKING FINANCIAL INSTITUTIONS SECTOR

As at end-December 2024, deposit-taking non-bank financial institutions consisted of seven microfinance institutions, two building societies and one savings and credit institution (Table 11).

Table 11: Structure of DTIs, 2022 - 2024

	Number of Institutions		
Type of Institution	2022	2023	2024
Microfinance Institutions	7	7	7
Building Societies	2	2	2
Savings and Credit Institutions	1	1	1
Total	10	10	10

Source: Bank of Zambia

The overall financial performance and condition of the DTIs was rated satisfactory based on favourable ratings on regulatory capital, asset quality, earnings performance, liquidity management and sensitivity to market risk (Table 12).

Table 12: Financial Performance Indicators of the DTI Sector (percent), 2022-2024

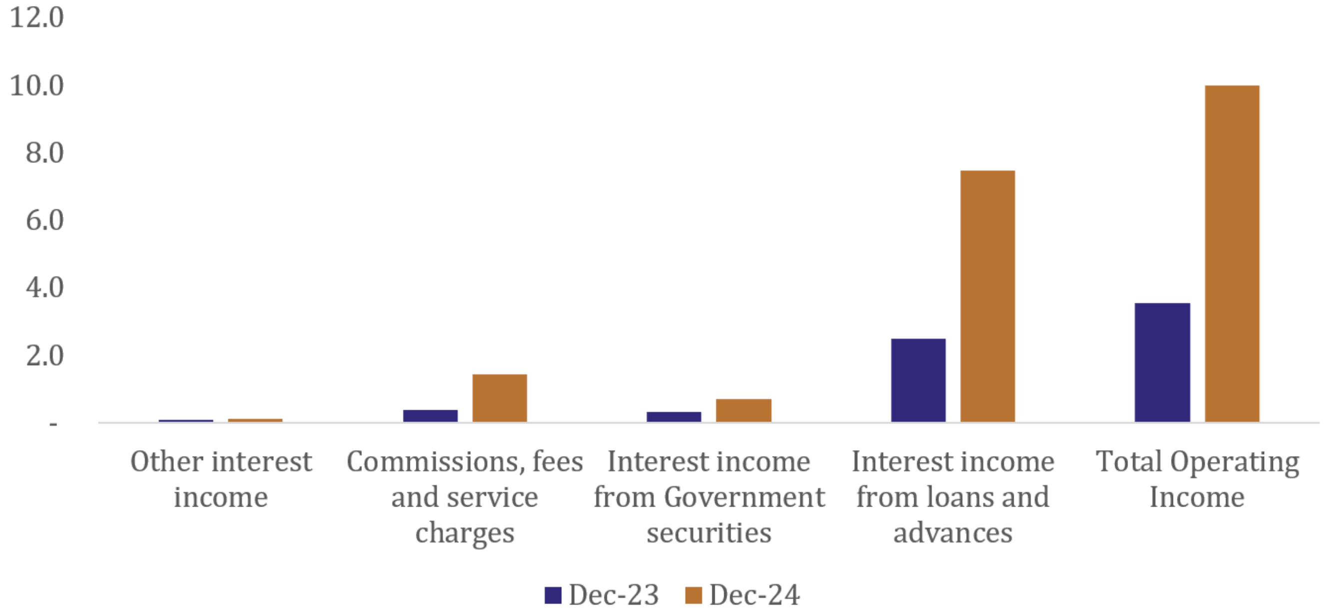
	Benchmark	2022	2023	2024
Primary capital adequacy ratio	5.0 or higher	28.1	28.1	30.8
Total regulatory capital adequacy ratio	10.0 or higher	27.9	27.9	31.3
Net NPLs to regulatory capital	10.0 or lower	2.4	1.5	0.7
Gross non-performing loans to total loans	10.0 or lower	9.0	8.6	7.1
Net non-performing loans to total loans	2.5 or lower	1.0	0.5	0.2
Provisions to non-performing loans	80.0 or higher	89.5	93.7	87.4
Return on assets	4.0 or higher	7.5	8.0	9.3
Return on equity	20.0 or higher	26.6	21.8	29.9
Efficiency ratio	60.0 or lower	64.4	55.1	58.5
Liquid assets to total assets	15.0 or higher	27.9	29.5	15.7
Liquid assets to deposits and short-term liabilities	15.0 or higher	50.4	48.3	24.5

Source: Bank of Zambia

Retained earnings through profitability augmented the aggregate primary and total regulatory capital adequacy ratios which were above the minimum regulatory requirements. Primary and total regulatory capital rose by 17.9 percent and 17.8 percent to K3.56 billion and K3.61 billion, respectively.

The sector remained profitable in 2024 and recorded a profit before tax of K2.9 billion, up from K1.9 billion in 2023, supported by interest income from loans and advances as well as Government securities (Chart 10).

Chart 10: Sources of Operating Income, K' billion



Source: Bank of Zambia

Assets grew by 14.0 percent to K14.8 billion in 2024, largely funded by deposit liabilities, which accounted for 59.0 percent of the total liabilities. The growth in loans and advances, which increased by 22.0 percent to K10.9 billion, was notable and accounted for the largest share of total assets (Table 13).

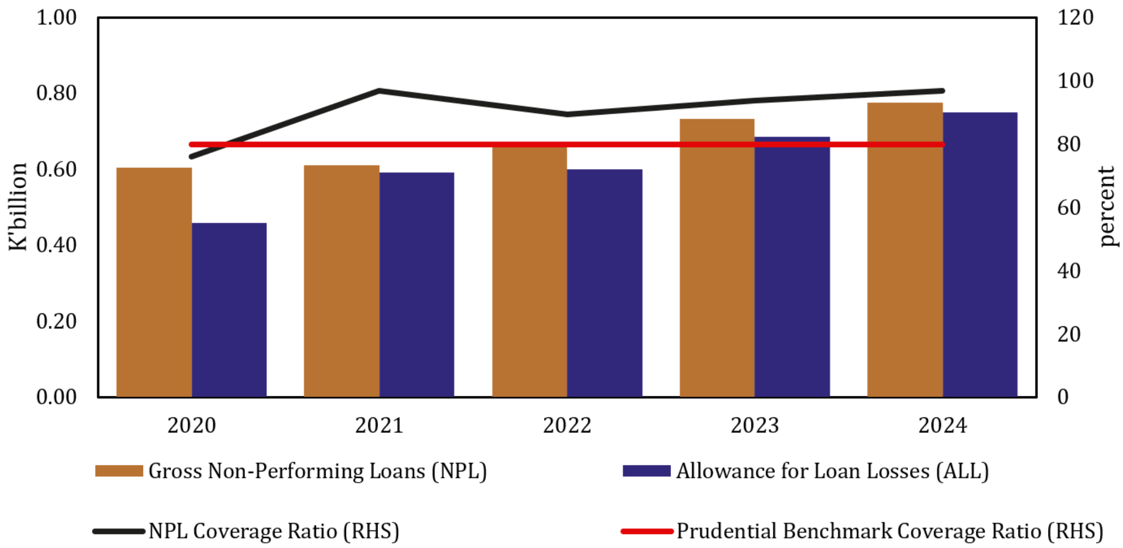
Table 13: Asset Composition of the DTIs (K' billion), 2022-2024

	2022	2023	2024
Net Loans and advances	6.9	7.8	10.2
Balances with Domestic Financial Institutions	1.4	1.9	1.4
	1.3	1.6	1.4
Other	1.0	1.4	1.8

Source: Bank of Zambia

Asset quality remained satisfactory as the NPL ratio reduced to 7.1 percent at end-December 2024 from 8.6 percent at end-December 2023 (Table 12). The lower NPL ratio was underpinned by improved underwriting practices and loan administration. The capacity of the sector to absorb potential loan losses was adequate. This was reflected in a high NPL coverage ratio of 96.9 percent compared to the prudential benchmark of 80.0 percent (Chart 11).

Chart 11: Non-Performing Loans, Provisions and NPL Coverage Ratio, 2022-2024



Source: Bank of Zambia

The return on assets and equity improved to 9.3 percent and 29.9 percent from 8.0 percent and 21.8 percent, respectively, and remained above the prudential benchmarks of 4.0 percent and 20.0 percent (Table 12). The higher ratios were due to the growth in retained earnings supported by sustained profitability.

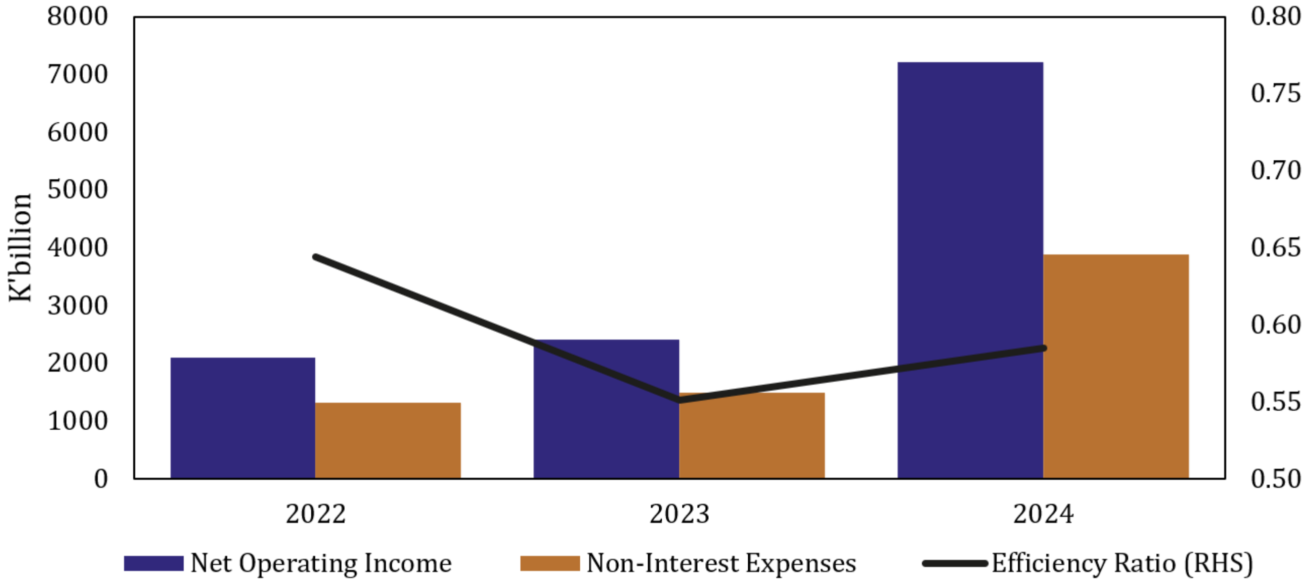
The efficiency ratio (cost-to-income ratio) also remained below the prudential threshold of 60.0 percent at 56.2 percent (Table 14 and Chart 12). The rise in non-interest expenses, as a result of investment in alternative sources of energy due to extended load-shedding hours occasioned by the drought, had a marginal negative impact on the efficiency ratio as it slightly increased from 55.1 percent in 2023 (Table 14).

Table 14: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2022–2024, K' billion

	Net Operating Income	Non-Interest Expenses	Efficiency Ratio, Percent
2022	2.1	1.3	64.0
2023	2.4	1.5	55.1
2024	7.2	3.9	56.2

Source: Bank of Zambia

Chart 12: Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2022–2024



Source: Bank of Zambia

The liquidity ratio of 24.5 percent was marginally below the prudential benchmark of 25.0 percent while the liquid asset ratio was 15.7 percent. The loan-to-deposit ratio stood at 24.5 percent.

4. NON-DEPOSIT TAKING FINANCIAL INSTITUTIONS SECTOR

4.1. Performance and Condition of the Non-Deposit Taking Financial Institutions Sector

The financial performance and condition of NDTFIs was rated satisfactory as end-December 2024. The rating was on account of satisfactory earnings performance, regulatory capital, liquidity management, and sensitivity to market risk. However, sensitivity to market risk was unsatisfactory due to a foreign currency exposure of 34.6 percent which was above the prudential limit of 25 percent (Table 15).

Table 15: Financial Performance Indicators of the Non-Deposit Taking Financial Institutions Sector (Percent), 2022-2024

Indicator (percent)	Benchmark	2022	2023	2024
Primary capital adequacy ratio	5.0 or higher	37.0	38.1	37.7
Total regulatory capital adequacy ratio	10.0 or higher	35.3	37.4	35.8
Net NPLs to regulatory capital	10.0 or lower	4.0	-2.5	-0.8
Gross non-performing loans to total loans	0.0 or lower	23.6	6.4	8.6
Net non-performing loans to total loans	2.5 or lower	1.6	-1.0	-0.3
Net non-performing loans to net loans	2.5 or lower	2.1	-0.1	-0.3
Provisions to non-performing loans	80.0 or higher	93.1	116.3	103.5
Earning assets to total assets	80.0 or higher	83.0	85.7	85.1
Provision for loan losses to total assets	80.0 or higher	9.7	6.2	7.6
Net interest income to total assets	10.0 or higher	38.3	39.5	23.1
Return on assets	4.0 or higher	12.8	20.2	13.1
Return on equity	20.0 or higher	37.3	53.5	36.2
Efficiency ratio	60.0 or lower	68.6	56.8	57.4
Liquid assets to total assets	15.0 or higher	17.5	11.3	9.8
Liquid assets to deposits and short-term liabilities	15.0 or higher	44.5	25.0	20.1

Source: Bank of Zambia

At end-2024, 27 credit providers were assessed out of which one was rated strong, 11 were rated satisfactory, 12 were rated fair and three were rated marginal (Table 16).

Table 16: Performance and Financial Condition of the Non- Deposit Taking Financial Institutions Sector, 2022– 2024

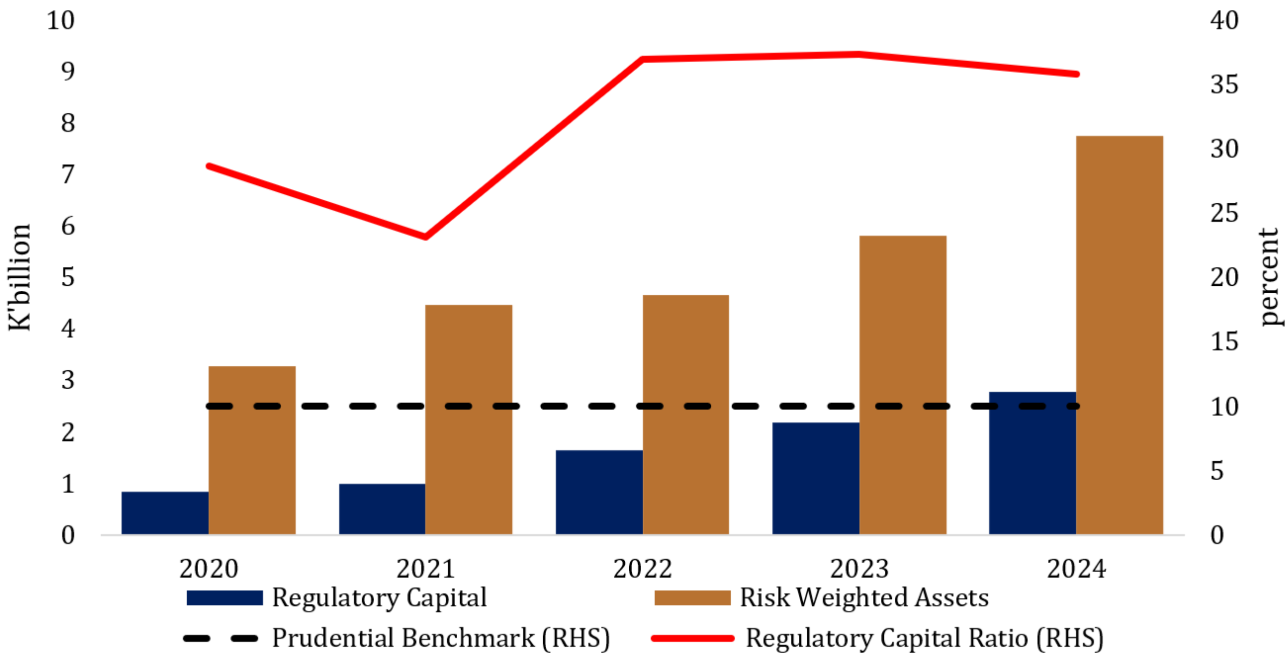
Performance Rating	Licence Type	Number of Institutions			2024 Total Assets (percent)
		2022	2023	2024	
Strong	Leasing Finance Institution	0	1	0	0.0
	Micro-Finance Institutions	3	8	1	12.7
Satisfactory	Micro-Finance Institutions	16	13	10	66.8
	Leasing Finance Institution	3	0	1	1.9
Fair	Leasing Finance Institution	0	2	2	3.7
	Micro-Finance Institutions	4	2	10	12.2
Marginal	Leasing Finance Institution	1	0	2	2.7
	Micro-Finance Institutions	1	1	1	0.0
Unsatisfactory	Leasing Finance Institution	1	0	0	0.0
	Micro-Finance Institutions	0	1	0	0.0
Total		29	28	27	100.0

Source: Bank of Zambia

4.1.1. Capital Adequacy

The regulatory capital of the NDTFIs sector was rated satisfactory with the capital adequacy ratio (CAR) of 35.8 percent which was higher than the minimum threshold of 10.0 percent. However, the CAR declined by 157 basis points, reflecting a disproportionate rise in risk-weighted assets by 33.2 percent, outpacing the 27.6 percent increase in regulatory capital (Chart 13). The rise in risk-weighted assets was attributed to a higher growth in loans. Regulatory capital was largely driven by a growth in retained earnings that increased by 55.9 percent to K1.8 billion as profitability rose in line with the expansion in credit. Despite the increase in profitability, there was a slowdown in the regulatory capital ratio due to license cancellations for two bureau de change and four microfinance institutions coupled with a higher stock of non-performing loans.

Chart 13: Trend in Total Regulatory Capital of the Non- Deposit Taking Financial Institutions, 2020-2024



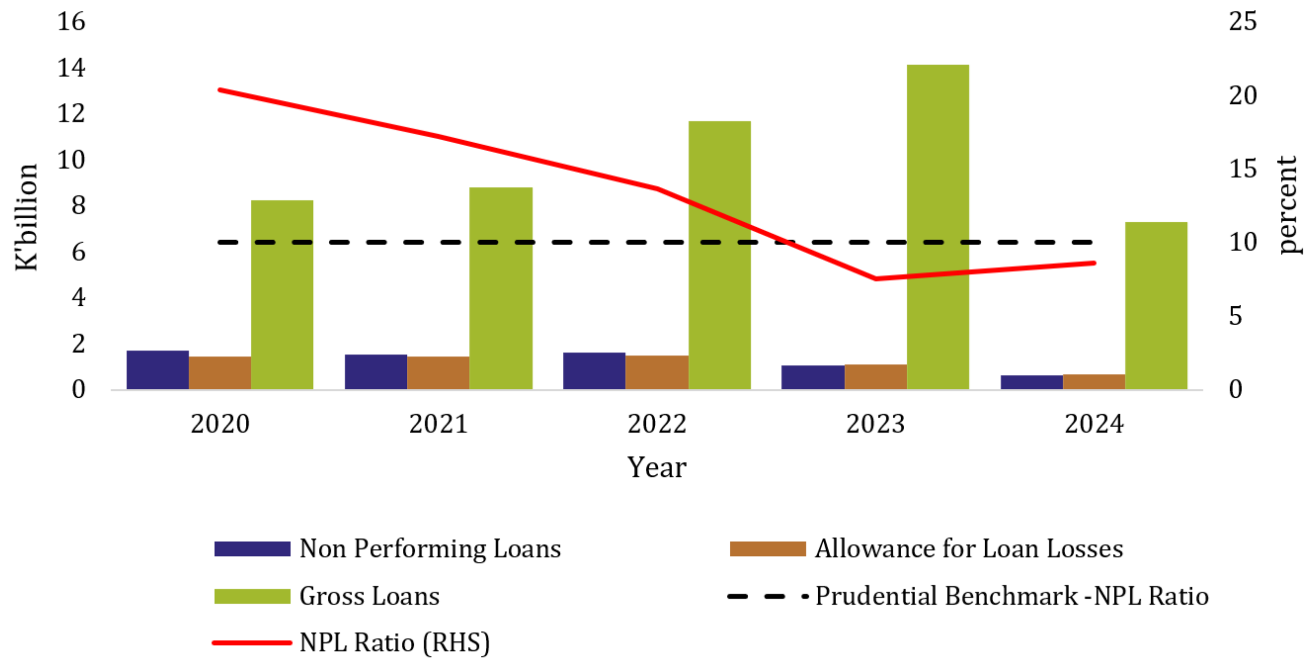
Source: Bank of Zambia

4.1.2. Asset Quality

The quality of assets in the NDTFIs sector was rated satisfactory. The NPL ratio at 8.6 percent remained below the prudential benchmark of 10.0 percent (Chart 14). The NPL ratio rose slightly from 7.5 percent in 2023 due to the deterioration in macroeconomic conditions which affected the ability of most borrowers to meet their loan obligations. At the end of the year, gross loans moved up to K7.3 billion from K5.3 billion in 2023 while NPLs increased to K627.3 million from K335.1 million.

The increase in NPLs was primarily driven by four institutions, namely three microfinance institutions and one financial business, which collectively accounted for 67.9 percent or K425.7 million of the total sector NPLs. These institutions granted digital loans which recorded a sharp rise in NPLs partly attributed to dishonest behaviour of some borrowers.

Chart 14: Trend in Total Loans and Non-Performing Loans of the Non- Deposit Taking Financial Institutions, 2020-2024

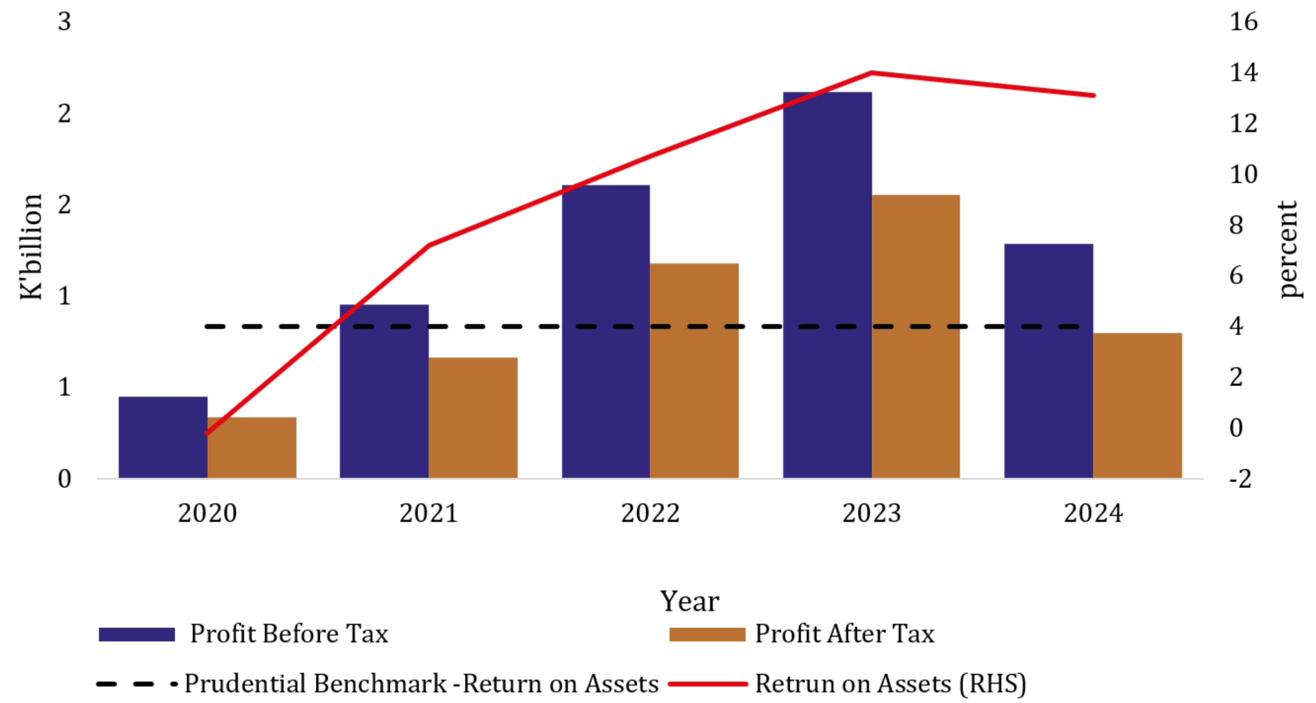


Source: Bank of Zambia

4.1.3. Earnings Performance

The earnings performance of the NDTFIs sector was rated satisfactory due to the sector recording a profit before tax of K1.2 billion. The return on assets at 13.1 percent was well above the satisfactory prudential benchmark of 4.0 percent.

Chart 15: Trend in Earnings of the Non-Deposit Taking Financial Institutions, 2020-2024



Source: Bank of Zambia

4.1.4. Liquidity

The liquidity position of the NDTFIs sector was rated satisfactory at end-2024 as the ratio of liquid assets to short term liabilities stood at 20.1 percent and remained above the minimum prudential limit of 15 percent. This was despite a drop from 25.0 percent in 2023. The decrease in the liquidity ratio was due to tight liquidity conditions in the money market, which is a primary source of liquidity for non-deposit taking financial institutions. The commercial bank liquidity conditions were strained due to tight monetary policy stance by the Bank.

4.1.5. Foreign Exchange Risk

Foreign exchange risk exposure of the NDTFIs sector was rated unsatisfactory. The foreign currency exposure ratio increased significantly to 34.6 percent from 6.8 percent in 2023 and breached the prudential limit of 25 percent. This was due to the rise in foreign denominated shareholder loans and unpaid management fees to foreign group companies by some NDTFIs, exacerbated by the depreciation of the Kwacha against major currencies.

4.2. Performance of Bureaux de Change

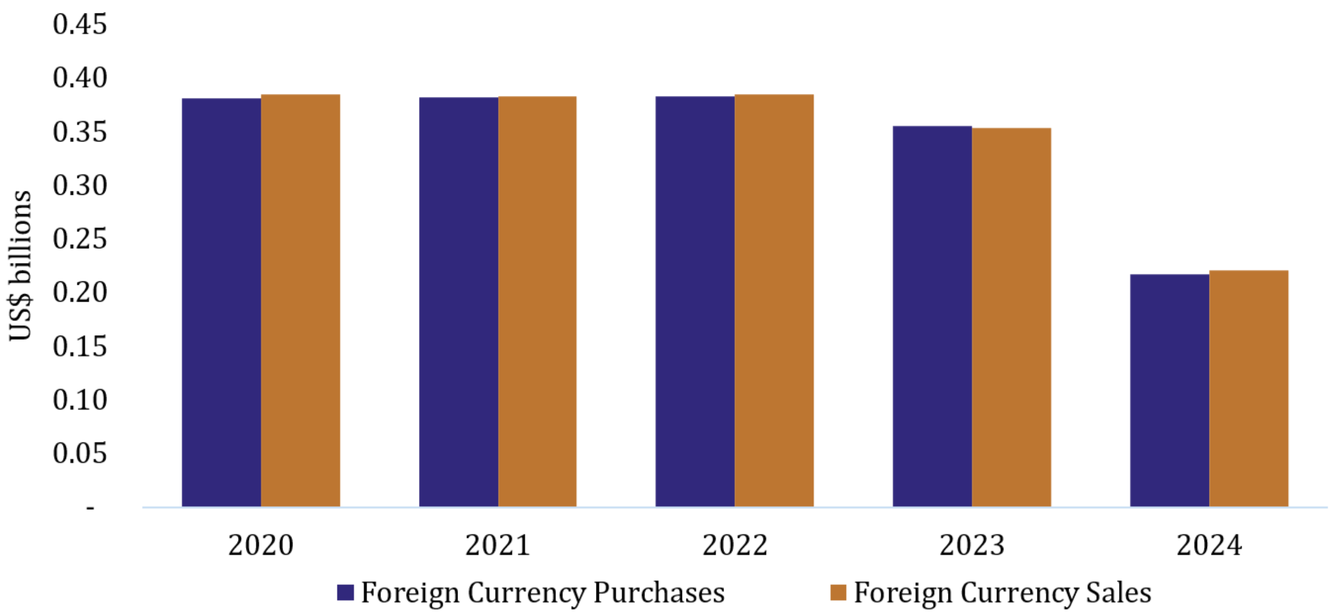
As of end-December 2024, bureaux de change were adequately capitalised. The number of licensed bureaux de change remained unchanged at 66 as reported in 2023.

The aggregate capital and reserves of bureaux de change decreased by 2.71 percent to K93.3 million at end-December 2024. The decrease in regulatory capital was due to a decrease in paid up capital, retained earnings and reserves. The regulatory capital at K93.3 million was above the minimum capital requirement of K13.5 million.

4.2.1. Foreign Currency Sales and Purchases

In 2024, both foreign currency sales and purchases went down by 38.2 percent to US$220.7 million and US$217.3 million, respectively (Chart 16). Consequently, profit before tax reduced by about half (50.7 percent) to K7.3 million. The sub-sector was, however, adequately capitalised with aggregate capital and reserves of K93.3 million.

Chart 16: Bureaux De Change Transactions, 2020 – 2024



Source: Bank of Zambia

4.3. Credit Support Infrastructure

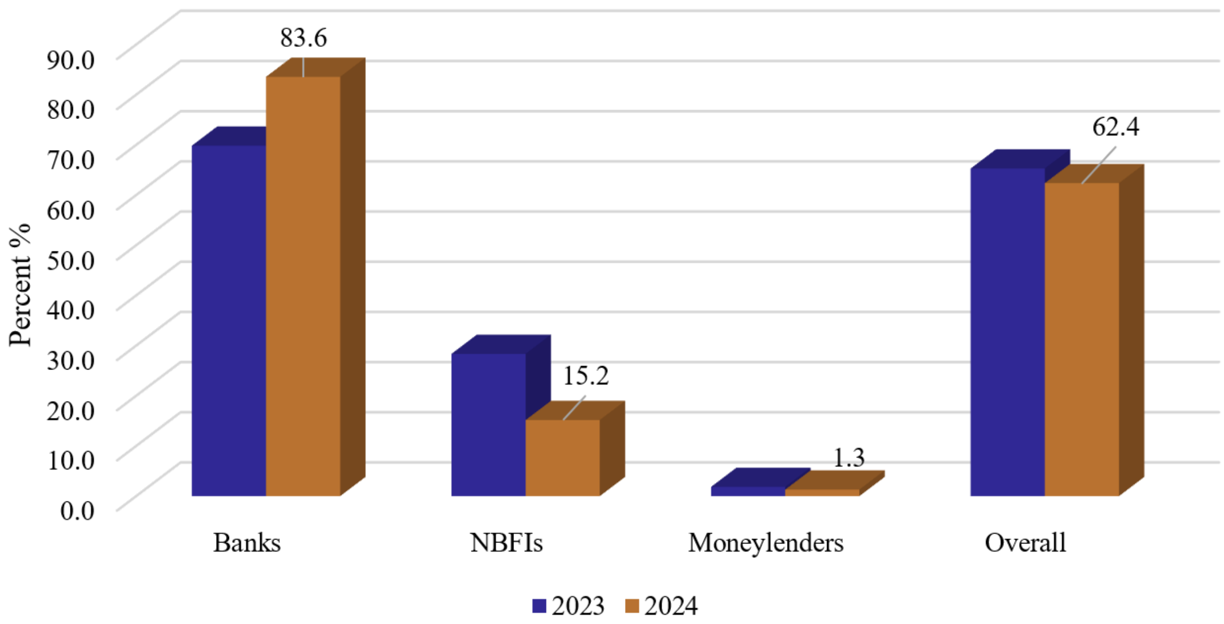
4.3.1. The Credit Reference Agency

In the year under review, regulated entities continued to submit credit data to the credit reference agency

(CRA). These comprised commercial banks, microfinance institutions (MFIs), building societies, savings and credit institutions and money lenders. The cumulative number of accounts submitted to the CRA during 2024 increased to 163.9 million from 98.9 million in 2023. This was largely attributed to an increase in new account submissions from digital loan providers from the Financial Technology (Fintech) sector.

The number of credit history enquiries increased to 3.8 million from 2.1 million in 2023. Most enquiries were from commercial banks and accounted for 83.6 percent, followed by the NDTFIs sector with 15.2 percent (Chart 17).

Chart 17: Distribution of Credit Searches, 2024



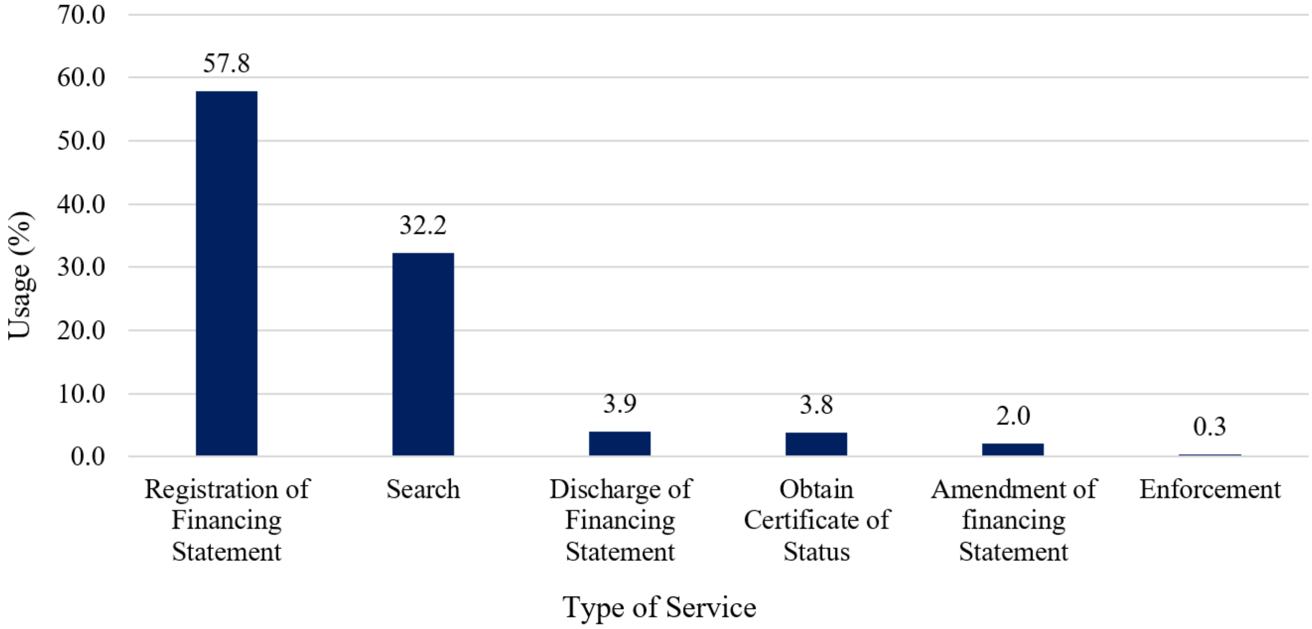
Source: Bank of Zambia

The number of enquiries that matched with a record on the CRA database increased to 2.4 million from 1.4 million in 2023. This increase was attributed to high compliance levels with Circular 8/2020 Provision of Credit Information and Utilisation of Credit Reporting Agencies directive amongst FSPs. The directive requires that all FSPs use the services of the CRA when assessing a customer who has applied for credit where the amount of credit to be extended exceeds K500 or its equivalent.

4.3.2. The Moveable Property Registry System

As at end-December 2024, the number of activities recorded on the Moveable Property Registry System (MPRS) stood at 3,399. The recorded activities on the system included registration, amendment and discharge of financial statements as well as searches and application for certificates of status (Chart 18).

Chart 18: Activities on the Moveable Property Registry System by Service Type (Percent), 2024

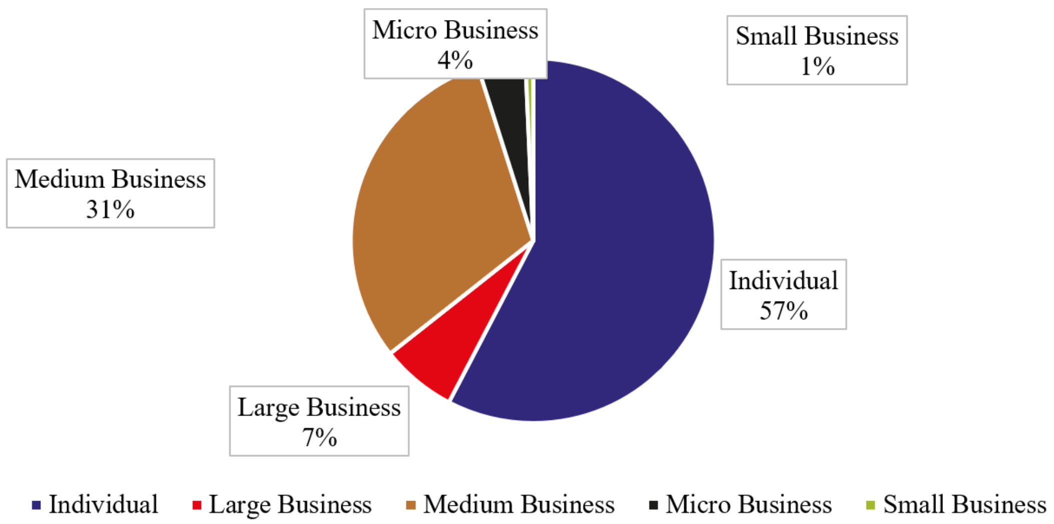


Source: Bank of Zambia

The MPRS system continues to be primarily utilised by individuals (Chart 19). Utilisation by medium-sized businesses has also improved, whereas utilisation by large businesses has declined. This decline among large businesses is mainly due to the low demand for loans secured by movable property, as most large businesses have immovable property, which is preferred by most lenders.

In terms of services, the MPRS remained primarily focused on the registration of financial statements, followed by collateral searches reflecting the types of assets most used by individuals. Despite the rise in registrations by individuals, overall utilisation of the MPRS system remains low, largely due to limited adoption among Financial Service Providers (FSPs). This trend appears to be influenced by a continued preference within the financial sector for immovable property as collateral, which falls outside the scope of the MPRS. While awareness campaigns have continued routinely, they have had minimal impact on increasing uptake. This is particularly notable given the financial sector's high volume of lending transactions, many of which could be secured by movable property.

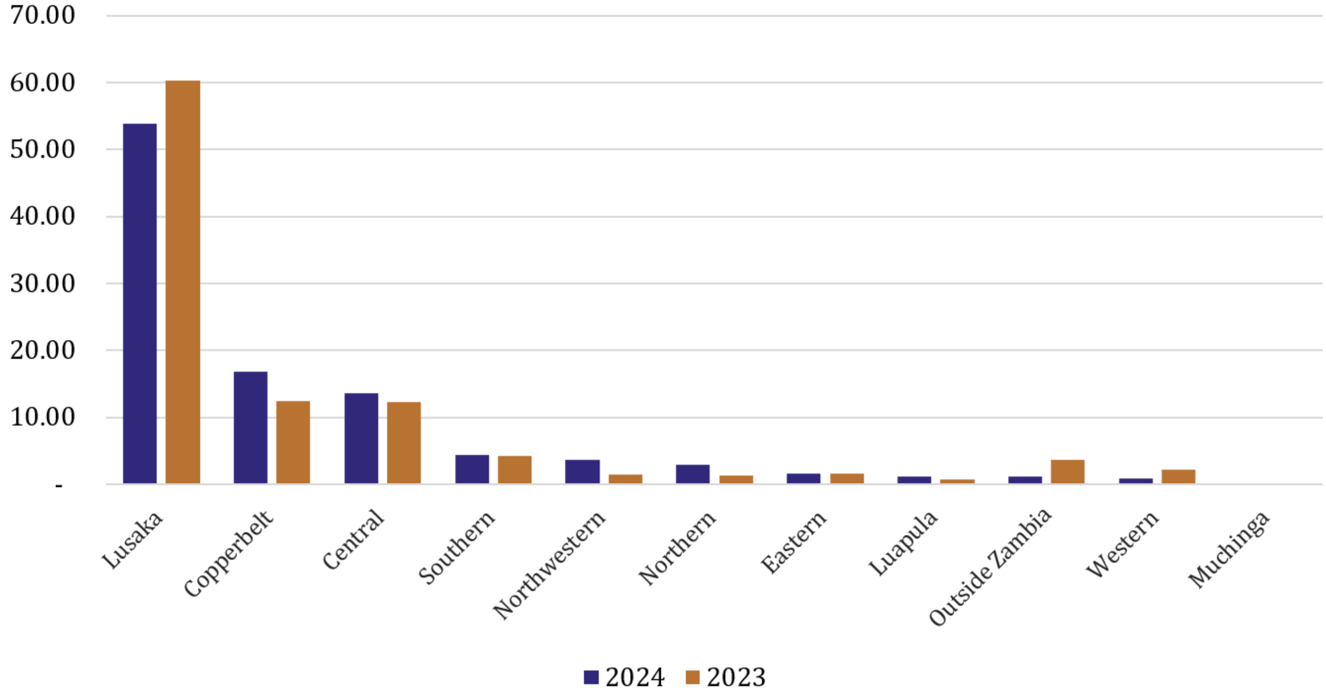
Chart 19: Registration of Financial Statements According to Business Category, 2024



Source: Bank of Zambia

During the review period, usage of the MPRS remained concentrated in three provinces namely Lusaka, Copperbelt and Central, reflecting the stronger presence of FSPs and customers (Chart 20). Penetration in the other provinces remains low due to limited economic activities. Additionally, FSPs are more inclined to accept traditional movable assets such as motor vehicles and household chattels, which are more common in urban areas. In contrast, rural areas predominantly have movable assets like livestock and harvested crops, which most FSPs find difficult to register on the MPRS

Chart 20: Usage of the Moveable Property Registry System in each Province



Source: Bank of Zambia

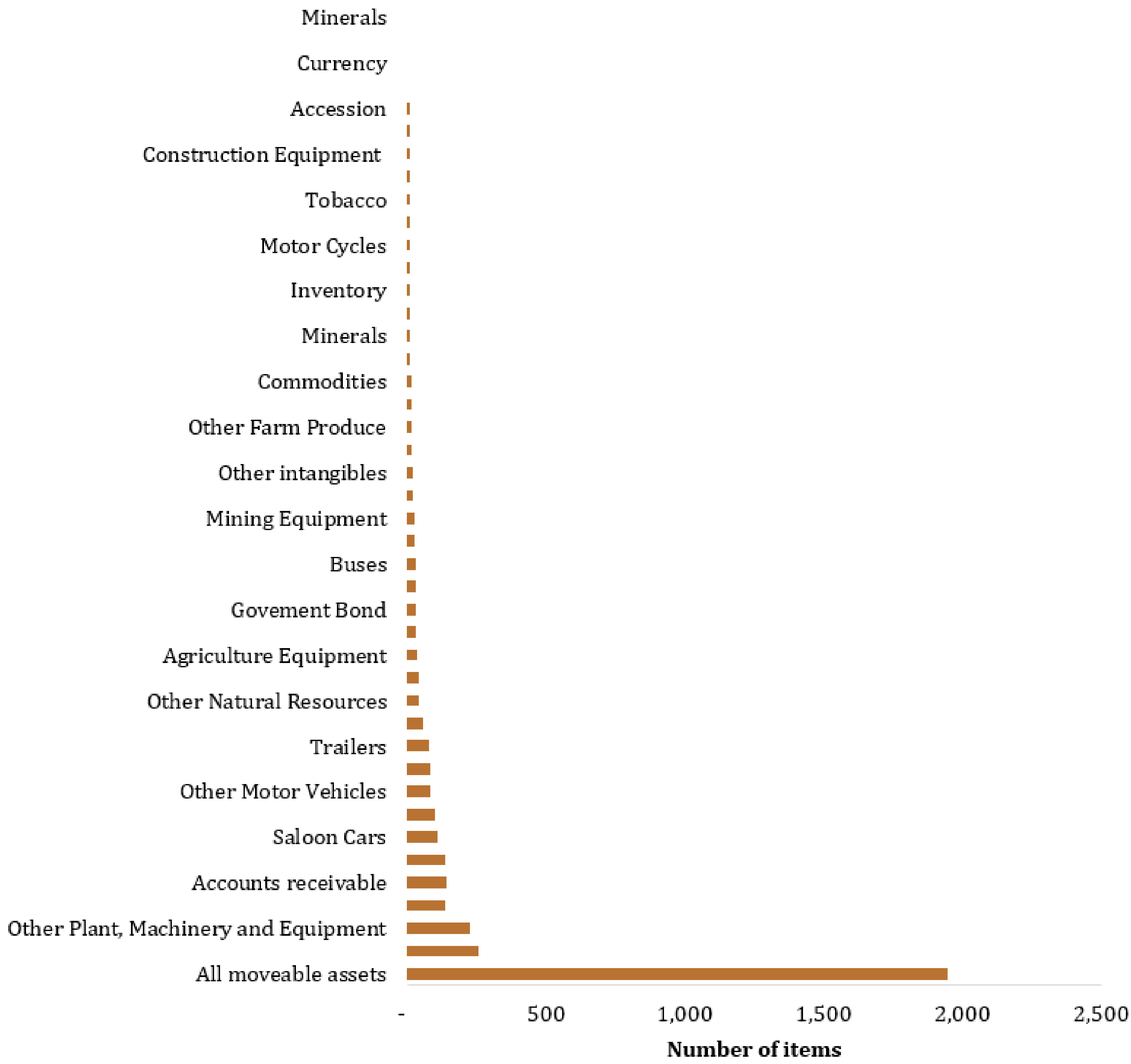
4.3.2.1. Types of Collateral Used

Movable assets[1] in the year under review still accounted for the largest portion of all registered collateral on the MPRS. Other notable categories of collateral type included household goods and plant and equipment.

The total number of collateral items registered on the MPRS across all the various categories in 2024 was 3,580 (Chart 21).

1 Movable assets comprise all assets that are not categorised but can be used as security. Gadgets such as phones, laptops as well as tools and other smaller items fall in this category.

Chart 21: Types of Collateral Used, 2024



Source: Bank of Zambia

5. SUPERVISORY ACTIVITIES

The Bank continued to execute its mandate to supervise and regulate the activities of FSPs in line with the Banking and Financial Services Act of 2017, through on-site examinations and off-site surveillance.

5.1. On-site Examinations

5.1.1. Thematic Cyber and Information Risk Reviews

To enhance cyber resilience, the Bank conducted four cyber and information risk examinations during 2024 which covered the assessment of cyber security strategy and governance; cyber security processes including supporting policies and procedures; cyber and information risk management activities; information technology architecture and information security operations; the disaster recovery and business continuity arrangements; and adequacy of the cyber security awareness and training programs.

Supervisory reviews conducted during the year confirmed that Zambia's banking sector continues to enhance its cyber-security posture in line with international best practice. Assessments underscored four priority areas for further improvement: (i) tighter governance over privileged system access; (ii) accelerated replacement of ageing hardware and software; (iii) more frequent, scenario-based testing of business-continuity and disaster-recovery arrangements; and (iv) strengthened performance monitoring of outsourced and third-party technology service providers. Institutions have already launched remediation programmescovering policy updates, technology upgrades, staff training and board-level reporting. The Bank of Zambia will support this work with thematic guidance and follow-up examinations to ensure timely completion of these enhancements in the resilience of the financial system.

5.1.2. Other Examinations

5.1.2.1. Anti-Money Laundering and Counter-Terrorism Financing Proliferation

In 2024, the Bank collaborated with other financial sector regulators and stakeholders on money laundering related issues:

- In conjunction with the Financial Intelligence Centre (FIC), onsite examinations of three commercial banks were conducted in accordance with the provisions of the BFSA, Financial Intelligence Centre Act, 2010 and other relevant pieces of legislation. The examinations revealed inadequacies in board and senior management oversight of money laundering and financing of terrorism risks. This was evidenced by failure to put in place strong internal controls to comply with some of the provisions of the FIC Act, 2010 and subsidiary legislation. Appropriate corrective directives were, therefore, issued;

- Targeted onsite examinations of eight bureaux de change were conducted in collaboration with the FIC. The findings revealed serious breaches of laws and regulations. The violations included deficiencies in customer due diligence processes, suspicious transaction reporting processes and sanctions screening procedures at branches. Supervisory actions were instituted against concerned bureaux de change;

- In September, the Bank, FIC, Securities and Exchange Commission and the Centre for Financial Regulation and Inclusion hosted an inaugural Anti-Money Laundering (AML) and Counter-Terrorism Financing and Proliferation (CFTP) Compliance Forum for banks and other credit service providers. The objective was for the financial sector AML/CFTP supervisory authorities to provide FSPs with insights into emerging issues and their implications for AML/CFTP compliance requirements. The Forum also presented FSPs with an opportunity to share views on how supervisory authorities could support their efforts to achieve higher compliance levels; and

- In November, the Bank hosted a workshop on virtual assets facilitated by the US Department of Treasury and participated in the second Money Laundering/Terrorist and Proliferation Financing National Risk Assessment.

5.2. Off-site Surveillance

The Bank continued to conduct off-site supervisory activities to assess the financial performance and condition and risks of FSPs. These activities were conducted using the Supervisory Risk Assessment and Early Warning System which enables a structured and risk-based evaluation of FSPs' financial soundness, performance metrics, and overall risk profile.

5.3. Consumer Protection and Market Conduct

To enhance market conduct practices, the Bank conducted public awareness campaigns on financial consumer protection and money circulation schemes, mystery shopping activities and onsite examination of licensed institutions were conducted in line with the mandate of the Bank of protecting consumers and overseeing market conduct.

Public awareness campaigns were part of the Go Cashless countrywide sensitization to promote the use of digital financial services (DFS) intended to encourage the use of digital payment channels to increase financial inclusion. The notable issues raised during the campaigns were:

a. High withdrawal fees in business transactions and lengthy transaction reversal processes that discouraged stakeholders from fully embracing DFS;

b. Poor network coverage and limited network infrastructure in most parts of the country, which adversely affects the widespread use of DFS;

c. Sensitization and information gaps in rural areas, coupled with high financial illiteracy, left most members of the public open to scammers and electronic frauds;

d. Slow response by the Bank to customer complaints, which discouraged them from going cashless; and

e. Limited presence of the Bank in providing financial education.

One onsite examination and several mystery shopping exercises were conducted. The onsite examination on a microfinance institution assessed the institutions' compliance with consumer protection and market conduct regulations. Mystery shopping exercises conducted in Copperbelt, Central, Western and Southern provinces assessed compliance by FSPs to the provisions of the BFSA, Consumer Protection and Market Conduct Directives and Circulars, as well as practices in treating customers fairly, focusing on complaints handling, disclosure requirements and transparency. The outcome of both onsite examination and mystery shopping exercise were that:

a. Institutions lacked written complaint procedures for customers in all the branches visited. However, consumers were educated on their rights and obligations under the loan contract, terms of the loan and issues related to the credit reference bureau prior to loan disbursement;

b. There was no indication that consumers were aware that the Bank was an external dispute resolution body if a customer was dissatisfied with the FSPs dispute redress system;

c. There were no records at FSP branches of complaints received and addressed as enshrined in Section 113 (C) of the BFSA;

d. Key Facts Statements (KFS) were not issued to customers during mobile sales, thus breaching CB Circular No.19 of 2015;

e. There were breaches of Section 109 of the BFSA, which provides that an FSP should not impose a charge or penalty on a borrower due to failure to repay or pay in accordance with the contract governing the loan;

f. There were breaches of the Banking and Financial Services (Provision of Credit Data and Utilisation of the Credit Reference Agency) Directives, 2020 CB Circular No. 10 of 2021 that require FSPs to submit relevant credit information of a data subject to whom it has provided credit to a credit reporting agency;

g. There were breaches of Gazette Notice No.370 of 2020 and Section 113 of the Banking and Financial Services Act, 2017 on making available a complaint handling procedure to consumers; and

h. There were breaches of CB Circular No.19 of 2015 (Removal of Interest Rate Caps and Consumer Protection Measures) that requires FSPs to provide KFS to consumers before contracting a loan so that they understand the terms and conditions of the loan.

6. REGULATORY DEVELOPMENTS

6.1. Corporate Governance

During 2024, FSPs were generally compliant to the Banking and Financial Services Corporate Governance Directives, 2016. This compliance was noted in most FSPs who met the vetting requirements for the appointments of the board of directors and senior management.

The gender lens shows that women representation at board and management level is improving. The representation of women in decision-making positions in the sector was improving but still below the SADC target of 50 percent.

The Banking sector had 97 individuals at board level as at end-December 2024, out of which 61 were male and 36 were female. In addition, there were 142 individuals in senior management positions comprised of 86 males and 56 females (Table 17)

Table 17: Gender Disaggregated Data at Board and Senior Management Level for Banks

	Total	Males		Females	
		Number	Percentage	Number	Percentage
Board of Directors	97	61	62.9	36	37.1
Senior Management	142	86	60.6	56	39.4
Total	239	147	61.5	92	38.5

Source: Bank of Zambia

The DTI sector had 47 individuals at board level as at end-December 2024, out of which 28 were male and 19 were female. In addition, there were 91 individuals in senior management positions comprised of 58 males and 33 females (Table 18).

Table 18: Gender Disaggregated Data at Board and Senior Management Level for Deposit-Taking Financial Institutions

	Total	Males		Females	
		Number	Percentage	Number	Percentage
Board of Directors	47	28	59.6	19	40.4
Senior Management	44	30	68.2	14	31.8
Total	91	58	63.7	33	36.3

Source: Bank of Zambia

The NDTFI sector had 411 individuals at board level as at end-December 2024, out of which 151 were female and 260 were male. In addition, there were 359 individuals in senior management positions comprised of 221 males and 138 females (Table 19).

Table 19: Gender Disaggregated Data at Board and Senior Management Level for Non-Deposit Taking Financial Institutions

	Total	Males		Females	
		Number	Percentage	Number	Percentage
Board of Directors	411	260	63.3	151	36.7
Senior Management	359	221	61.6	138	38.4
Total	770	481	62.5	289	37.5

Source: Bank of Zambia

These proportions remained relatively unchanged from 2023 levels and indicate that women have remained underrepresented at board and management level. The representation of women in decision-making positions in the Banking and NDTFIs sector was still below the SADC target of 50 percent.

6.2. Licences Issued in 2024

The Bank did not issue any new banking licences in 2024. However, one bureau de change licence under the NDTFIs sector was issued on 10 October 2024.

6.3. Licences Cancelled in 2024

At end-December 2024, licences for three bureaux de change, three microfinance and one Leasing Finance institutions in the NDTFI sector were cancelled (Table 20).

Table 20: Licences cancelled in 2024

No	Bureau de Change	Date Cancelled
1	Link Bureau de change	Feb-01
2	FX Africa Bureau de Change Limited	Dec-13
	Microfinance Institutions	
1	Direct Finance Services Limited	Feb-01
2	Betternow Finance Company Limited	Jul-15
3	Christian Empowerment Microfinance Limited	Sept-13
	Leasing Finance Institution	
1	Alios Finance Zambia Limited	Mar-06

Source: Bank of Zambia

6.4. Liquidations

The Bank continued to undertake liquidation activities as was necessary for the effective oversight of FSPs under liquidation. As at end-December 2024, there were eight banks and four NDTFIs in liquidation (Tables 21 and 22).

Table 21: Banks in Liquidation, 2024

No	Bank in Liquidation	Date of Liquidation
1	Union Bank Zambia Ltd	29-Mar-01
2	United Bank of Zambia ltd	24-May-06
3	First Merchant Bank Zambia Ltd	16-Mar-98
4	African Commercial Bank Zambia Ltd	21-Feb-96
5	Meridien Biao Bank Zambia Ltd	16-Aug-95
6	Intermarket Banking Cooperation Zambia Ltd	22-Mar-19
7	Commerce Bank Zambia Ltd	14-Dec-00
8	Credit African Bank Zambia Ltd	06-Mar-98

Source: Bank of Zambia

Table 22: Non-Deposit Taking Financial Institutions in liquidation, 2024

No.	Name of non-bank financial institution in Liquidation	Liquidation Date
1	Access Financial Services Limited and Access Leasing Limited	27-Nov-08
2	Zampost Microfinance Limited	16-Oct-19
3	Genesis Finance Limited	02-Aug-16
4	Pan African Building Society	16-Oct-19

Source: Bank of Zambia

6.5. Regulatory Focus

The Bank will continue to focus on aligning its regulatory and supervisory framework to developments in the banking and non-banking sectors. This will ensure that regulatory and supervisory tools are responsive to the needs of the sectors. In this regard, the Bank will be revising some of the key regulatory statements that are currently in issue. These include among others, the Banking and Financial Services Act, Banking and Financial Services Corporate Governance Directives, Outsourcing Guidelines, Basel III Liquidity Regulations, Basel Capital Adequacy Rules and Proportionality Framework. The Bank is also developing new environmental, social and governance (ESG) guidelines to bring about good management and governance standards for disclosure and integrating environmental and social risks in capital and liquidity management, stress testing and scenario analysis of businesses. Supervisory manuals are being developed for the implementation of green loans and ESG disclosure rules for financial service providers (FSPs).

The Bank is also participating in the development of the national green taxonomy, tagging and reporting system and the national green finance strategy and implementation plan.

Other activities that will impact the FSPs, which the Bank is participating in, include the development of the Disaster Risk Financing and Climate Finance Strategies.

7. FINANCIAL SECTOR DEVELOPMENT ACTIVITIES

The Bank engaged and collaborated with key stakeholders to promote financial inclusion and literacy through initiatives which included the launch of Phase II of the National Financial Inclusion Strategy and a survey on forcibly displaced persons.

7.1. Launch of Phase II of the National Financial Inclusion Strategy (2024 – 2028)

The second phase of the National Financial Inclusion Strategy II (NFIS II) was launched in March. This signified renewed dedication to overcoming the limitations and shortcomings identified in the inaugural National Financial Inclusion Strategy I (NFIS I). The NFIS II is based on six thematic areas: financial inclusion for micro, small and medium enterprises; financial inclusion in rural areas; financial inclusion for agriculture; financial inclusion for the underserved population; environmental, social and governance; as well as digital financial services and financial infrastructure. The goal is to increase financial inclusion to 85.0 percent by 2028 from 69.4 percent recorded in 2020.

7.2. Survey on Forcibly Displaced Persons Access to Financial Services

In June, a supply-side survey was conducted to assess the landscape of financial products offered by FSPs to forcibly displaced people. The results revealed that only 28.3 percent of FSPs offered financial products and services to forcibly displaced persons. The widely offered products were remittance services, e-wallets (mobile money services) and loans. Lack of KYC documentation and limited financial literacy and awareness were identified as significant barriers to accessing financial services by forcibly displaced persons

7.3. Conduct of the National 2025 FinScope Survey

Zambia has been undertaking Financial Scoping (FinScope) surveys every five years since 2005 to measure the level of financial inclusion. The last FinScope study was conducted in 2020 and the next cycle which marks fifth will be conducted in 2025. Finscope surveys are a powerful tool for understanding the financial landscape of a country. They delve into various aspects such as access to formal financial services, usage of these services, financial literacy, and overall financial inclusion. Data collected from Finscope surveys is used by Government, regulators, and private sector institutions to make informed decisions, policy or to create effective interventions which lead to the development of a more inclusive financial market.

7.4. Green Finance

As part of the efforts to operationalise the Green Finance Framework and Green Loans Guidelines, the Bank of Zambia is collaborating with the Ministry of Green Economy and Environment, the United Nations Development Programme (UNDP) and the NDC Partnership Action Fund (NDC PAF) on three (3) consultancies under a programme that was initiated in 2023 called "Strengthening Zambia's Institutional and Coordination Capacity Preparedness to Implement the Revised Nationally Determined Contributions (NDCs)".

8. PERFORMANCE OF THE TARGETED MEDIUM-TERM REFINANCING FACILITY

The Targeted Medium-Term Refinancing Facility (TMTRF)[1] closed in August 2022. Out of the approved K10.0 billion allocation, the Bank disbursed K9.96 billion.

The Bank received K2.3 billion in principal and K0.7 billion in interest in 2024, bringing the cumulative principal and interest repayments under the TMTRF to K3.8 billion and K2.5 billion, respectively, at end-December 2024. Below is a breakdown of cumulative principal and interest received as of 31 December 2024 (Table 23). The Bank of Zambia expects to earn a total interest of K3.4 billion when the TMTRF facilities mature in August 2027.

Table 23: Cumulative Principal and Interest Received as at 31 December 2024, (ZMW)

Period	Principal Repayments	Interest Payment
2021	-	56,866,516
2022	42,500,000	591,863,441
2023	1,467,224,061	1,142,929,780
2024	2,315,564,927	727,360,413
Total	3,825,288,988	2,519,020,150

Source: Bank of Zambia

1 The TMTRF was a 2020 policy intervention by the Bank to provide liquidity to FSPs for onward lending to viable non-financial corporations and households during the COVID-19 pandemic.

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