ZAMBIA NATIONAL COMMERCIAL BANK PLC - "ZANACO" (UNSOLICITED)

ICRA Rating Agency Limited
Registered Office & Corporate Office: Plot No.20848, Corporate Park, Alick Nkhata Road, Mass Media, Lusaka, Zambia.

www.icraratingzm.com
www.icrallc.com
Info@icrallc.com
+260 97 9843525

CREDIT RATING REPORT

Date of issue	:	17th March 2025
Report validity	:	Unsolicited rating
Prepared for	:	Zambia National Commercial Bank PLC
Corporate Address	:	Plot 2118 – 2121, Cairo Road, Lusaka
Rating Type	:	Financial Institution | Banking
Report prepared and published by	:	ICRA Rating Agency Limited Zambia Office: Plot no 20848, Corporate Park, Alick Nkhata Road, Mass Media, Lusaka, Zambia www.icrallc.com www.icraratingzm.com
Analysts	:	**Ernest Chisongo** ernest@icrallc.com *Senior Credit Risk Analyst* **Ravin Bandara** ravini@icrallc.com *Credit Risk Manager*
Currency used in this report	:	This report is presented in the Zambian Kwacha (ZMW) unless otherwise noted.

Table 1

ICRA Assigned Rating

AAA	AA	A	BBB	BB	B	CCC	CC	C	D

Based on ICRA National Scale for Credit Ratings
Table 2

RATING RATIONALE

ICRA assigned a **"A"** rating (unsolicited) with a "**Positive**" outlook to **"Zambia National Commercial Bank"** on **17th March 2025**, assuming no material adverse events affecting the business activities occur during the validity period. The assigned rating reflects a balanced assessment of the group's business model, competitive advantages, market conditions and overall financial stability which contribute to the overall credit worthiness of the company based on ICRA credit rating methodology for insurance entities.

Below are the key points including credit strengths as well as credit challenges reflected in assigned the rating.

Strong business profile supported by sustainable leadership in Zambian banking sector: ZANACO boasts a robust business profile, underpinned by its position as a government-established institution with over 55 years of trusted operation in the Zambian banking sector. Based on the capitalization ZANACO is the largest among all the financial institutions in Zambia and based on the asset size and revenue ZANACO is the #1 banker in Zambia with 23% of market share. As the market leader, ZANACO demonstrates a commitment to accessibility and financial inclusion, operating through an extensive network of 62 branches and 188 ATMs nationwide. With a skilled workforce of 1,316 professionals, the bank combines decades of experience with sustainable leadership, reinforcing its reputation as a cornerstone of Zambia's financial landscape.

Very strong stable Capital adequacy for a long time at tier 1 level as well as tier 2 level: The bank showcases exceptional financial strength through sustained capital adequacy at Tier 1 and Tier 2 levels. Tier 1 Capital Adequacy, exceeding the 5% regulatory minimum requirement, consistently remained in double digits during the review period. The Tier 1 capital buffer notably improved from 8 ppts in FY20 to 15 ppts in FY23, reflecting reduced risk and enhanced stability. Additionally, the Total Capital Adequacy ratio aligns closely with Tier 1 levels, emphasizing a resilient core capital structure. This solid capital base underscores the bank's robust capacity to absorb losses, ensure regulatory compliance, support growth, and maintain stability during financial stress.

Conservative asset liability management with improving asset quality and healthy liquidity: The bank demonstrates strong asset-liability management through a conservative approach and diversified asset allocation, ensuring balance across asset types and loan categories. This prudent strategy contributes to improving credit quality, reflected in consistently declining NPL ratios that have remained below 3% during the review period. Furthermore, the institution maintains healthy liquidity, with an LCR exceeding 200% throughout the period, showcasing its ability to meet short-term obligations and regulatory requirements. Together, these factors underline the bank's commitment to stability, resilience, and operational efficiency, reinforcing its robust financial position. "However, BOZ increased the regulatory reserve levels for banks in 2024 across the banking industry to manage inflationary pressures, strengthen financial stability, and address economic risks. Although this increases liquidity pressure on the overall banking industry to a certain level, ZANACO has not reflected any major liquidity pressures yet.

Impressive topline growth backed by diversified revenue streams with stable bottom-line: The bank exhibits a strong topline performance, supported by well-diversified revenue streams. Over the review period (FY20–24), topline revenue achieved consistent growth at an impressive CAGR of 27%. This growth is underpinned by a balanced mix of interest and non-interest revenue, ensuring stability across income sources. Furthermore, all interest-generating segments demonstrated robust profitability, except for the digital banking segment. However, the digital banking segment's marginal impact, being the smallest contributor, was fully offset by the strong performance of other segments. This highlights the bank's ability to leverage its diversified portfolio for sustained growth and financial resilience

Increased operating expenses hinder the profitability growth in FY24 despite topline growth.: Despite a 12% y/y increase in operating income, profitability growth was hindered in FY24 due to a 34% rise in total expenses, resulting in a flat bottom line with a marginal 0.5% decline y/y. This indicates certain level of inefficiencies in the cost structure during the period, may hinder the continuation of the bank’s profitability growth trajectory. Although the net impact on profitability remains flat, it is crucial to identify and resolve these inefficiencies to sustain future bottom-line growth and maintain financial resilience. This emphasizes the importance of proactive cost management for long-term performance stability.

In conclusion, ZANACO's creditworthiness is supported by several positive factors, including a strong business profile driven by sustainable leadership in Zambia’s banking sector, robust capital adequacy at both Tier 1 and Tier 2 levels, effective asset-liability management, improving asset quality, and healthy liquidity. Additionally, its well-diversified revenue streams and consistent topline growth underline resilience and adaptability. On the other hand, rising operating expenses have constrained profitability growth, reflecting inefficiencies in cost structure that require attention to sustain long-term stability. These factors collectively support the "Positive" outlook assigned by ICRA, reflecting ZANACO’s overall financial strength and creditworthiness.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO AN UPGRADE

An upgrade to the assigned rating can be reviewed based on the following factors:

- **Sustained Growth Trajectory in Performance:** The bank's ability to maintain consistent growth in both topline and bottom-line performance over time.
- **Strategic Partnerships and Alliances:** Establishing partnerships and alliances with strong international or regional players to enhance synergies, expand market presence, and strengthen competitive positioning.
- **Optimization of Assets and Investments:** Improved margins through an optimal mix of investments and a well-structured loan book, achieved without requiring additional operational capacity.
- **Significant Improvement in Profit Margins and Returns:** Achieving stable and enhanced profit margins and net returns, increasing the bank's appeal to stakeholders.
- **Stable Economic and Industry Outlook:** A favorable and stable economic environment, coupled with a positive industry outlook, providing the foundation for sustainable growth and stability.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO A DOWNGRADE

The assigned rating could further be downgraded if:

- **Significant Deterioration in capital adequacy**: : A sustained decline in capital adequacy, coupled with a weakened capital buffer, could negatively impact the bank’s financial stability.
- **Deterioration in the Performance of Key Revenue Segments**: A decline in profitability or margins within the major revenue-generating business segments could pose risks to overall financial health.
- **Unexpected Bank Run**: Negative market sentiment or internal issues leading to a bank run could create challenges in maintaining solvency and liquidity.
- **Increased Exposure to High-Risk Assets or Deterioration in Asset Quality**: A decline in the credit quality of the loan portfolio or significant exposure to high-risk investments could weaken the bank’s asset base.
- **Unstable Economic Conditions**: Economic volatility, adverse industry trends, or disruptions caused by social, natural, or political factors could lead to unfavourable operational or financial outcomes.

CONTENTS

ICRA RATING APPROACH

SCOPE OF THE REPORT

ICRA conducts a comprehensive evaluation of the financial institution's overall business and financial performance before assigning the final credit rating. The objective of the credit rating report is to provide a thorough assessment of the issuer's creditworthiness. To achieve this, ICRA utilizes a combination of financial and non-financial factors, along with qualitative and quantitative credit analysis tools and techniques based on the BASEL standards and CAMELS frameworks. ICRA aims to offer valuable insights into the institution's credit profile, helping investors and stakeholders make well-informed decisions regarding their investment and lending activities.

SOURCES OF THE INFORMATION

The unsolicited credit analysis conducted by ICRA was based on publicly available information. ICRA has not been in direct contact with the entity regarding the unsolicited rating actions. Publicly accessible data has been gathered from reputable online domains, research reports, news articles, and third-party databases. The main categories of information sources are as follows:

- Annual audited financial reports from publicly available sources such as the company website, stock exchange libraries, etc.
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (both paid and unpaid)

METHODOLOGY

The credit analysis is carried out based on the *'ICRA methodology for financial institutions credit rating'* which was designed by the in-house ICRA credit risk department. We continuously review the methodology for improvements in line with industry peers and the latest developments in the rating world.

RATING COMPONENTS	Weightage
Business Model/Profile Review Market Share/Size of the Business Competitive Advantages Uncertainty (Future Revenues & Profitability) Concentration Risk	**15%**
Management Quality Governance, Regulatory, and Legal Compliance Board of Directors Management Team Ownership	**10%**
Industry Risk Country Risk with Economic, Political, and Social Stability Industry Risk	**15%**
Financial Analysis Performance Financial Position Cash Flows	**20%**
Ratio Analysis Capital Adequacy Earnings Asset Quality Liquidity	**40%**

Table 3

ICRA CREDIT RATING SCALE

CATEGORY	SCALE	DEFINITION
Extremely Low Credit Risk	**AAA**	The entity is in an exceptionally stable and strong position to fulfil its financial commitments. There is a zero or minimal risk of being adversely affected by foreseeable events.
Very Low Credit Risk	**AA**	The entity is in a highly stable and strong position to fulfil its financial commitments. There is a low risk of being adversely affected by foreseeable events.
Low Credit Risk	**A**	The entity is in a stable and strong position to fulfil its financial commitments. There is a marginal risk of being adversely affected by foreseeable events.
Moderate Credit Risk	**BBB**	The entity has a controllable risk level to fulfil its financial commitments. There is a moderate risk of being adversely affected by foreseeable events.
Elevated Credit Risk	**BB**	The entity has a considerable risk level to fulfil its financial commitments. There is a considerable risk of being adversely affected by foreseeable events.
Substantial Credit Risk	**B**	The entity has a high-risk level of fulfilling its financial commitments. There is a high risk of being adversely affected by foreseeable events.
Very High Credit Risk	**CCC**	The entity is in a doubtful position to fulfil its financial commitments. There is a significantly high risk of being adversely affected by foreseeable events.
Extremely High Credit Risk	**CC**	The entity is in a highly unlikely position to fulfil its financial commitments. The entity has a high vulnerability to being adversely affected by foreseeable events.
On the Verge of Default	**C**	The entity is incapable of fulfilling its financial commitments and is on the verge of default. The continuity of the business is highly doubtful.
Default Entity	**D**	The entity is already defaulted on or in the process of bankruptcy filing, liquidation, or winding up procedures.
No Rating Assigned	**NRA**	A rating has not been assigned due to insufficient information, legal or regulatory requirements, a lack of reliability of information, or a new or unique entity structure.

Based on ICRA National Scale for Credit Ratings

Outlook: *(+) Positive - Entity's creditworthiness is expected to improve in the near future, potentially leading to rating upgrade.*
( ) Stable - Entity's creditworthiness is expected to remain stable in the near future, with no significant changes anticipated.
(-) Negative - Entity's creditworthiness is expected to deteriorate, potentially leading to rating downgrade.

Table 4

BUSINESS PROFILE

Zambia National Commercial Bank PLC

Company Details	
Registered Name	Zambia National Commercial Bank PLC
Address	Plot 2118 – 2121, Cairo Road, Lusaka
Industry Classification	Financial Institutions | Banking
Incorporation Date	In 1969
Regulatory Authority	Bank of Zambia (BOZ)
Listed Exchange	Lusaka Securities Exchange (LuSE)
Website	https://ZANACOinvestor.com/

Table 5

SHAREHOLDING PATTERN	
Type of Shareholders	**Shareholding**
Arise B.V.	45.59%
Industrial Development Corporation (IDC)	25.00%
Luse Free Float	19.69%
National Pensions Scheme Authority (NAPSA)	7.72%
Total	**100.00%**

Table 6

COMPANY BACKGROUND

Zambia National Commercial Bank (ZANACO) is a leading financial institution in Zambia operating for 55 years, committed to providing innovative and inclusive banking services that empower individuals and businesses. Established in 1969, the bank has been instrumental in fostering the country's economic growth by offering essential financial solutions to a wide range of customers. A major milestone in its history occurred in 2007 when it underwent partial privatization, followed by its public listing on the Lusaka Securities Exchange (LuSE) in 2008. It is the largest financial institution by market capitalization in Zambia.

Vision: ZANACO aims to be Zambia's foremost, most trusted, and innovative financial institution, recognized for excellence in transactional banking. The bank is committed to delivering top-value solutions to clients while promoting financial inclusion across the country.

Mission: ZANACO is committed to being the leading universal financial institution, recognized for excellence in transactional banking across all market segments. The bank strives to deliver superior financial services with efficiency, leveraging the right client service model and a highly motivated, empowered workforce. With a strong dedication to financial inclusion, ZANACO actively contributes to economic growth while creating lasting value for shareholders, customers, and the communities it serves.

The services and product offerings of the bank it can be presented as follows,

ZANACO Product Hierachy

Personal Banking

- Transactional Accounts
- Savings and Investements
- Loans
- Insurance

Business Banking

- Business Accounts
- Business Insruance
- Cash Management Solutions
- Trade Soliutions

Corporate and Investement Banking

- Current Accounts
- Public Sector Accounts
- Financing & Investement Solutions

Other

- Private Banking
- Vehicle & Asset Finance
- Solar Finance
- Treasury & Investement
- Green Finance
- Visa Cards

Exhibit 1

BUSINESS MODEL/BUSINESS PROFILE REVIEW

Zambia National Commercial Bank (ZANACO), established in 1969, operates as a universal bank offering diverse financial services. With a focus on digital innovation, financial inclusion, and sustainability, ZANACO leverages partnerships and an expansive product portfolio to empower communities, ensuring profitability, growth, and exceptional customer service across Zambia's dynamic economic landscape.

Revenue Model:

The revenue model of ZANACO can be explained as follows which combined interest income, fees from digital services, and treasury investments, ensuring stability and adaptability in a dynamic market.

- **Interest Income:** Derived from loans and advances to customers, including personal, SME, and corporate loans.
- **Non-Interest Income:** Includes fees and commissions from services like account maintenance, digital banking, and transaction processing.
- **Treasury Operations:** Revenue from investments in government securities and foreign exchange trading.
- **Corporate and Investment Banking:** Earnings from tailored financial solutions for large businesses and institutions.
- **Retail Banking:** Income from savings and current accounts, as well as consumer banking products.

Competitive Position:

ZANACO is a prominent financial institution in the Zambian market, ranked as the #1 bank based on market capitalization. It also holds the leading position in terms of revenue, commanding a 23% market share, outpacing its closest competitors, ABSA (17%) and Stanbic (16%). Additionally, ZANACO boasts the largest asset base in the industry, reflecting its strong financial foundation and capital strength. Operating successfully for over 55 years, ZANACO has established itself as a trusted and resilient player in the market.

The Zambian banking sector is highly regulated, with significant barriers to entry, which provide protection against new competition. This favourable regulatory environment, coupled with ZANACO's substantial size, dominant market share, and sustainable operations, minimizes the risk of major competitive pressures. ICRA observes that these factors have solidified ZANACO's position as a leader in Zambia's banking industry and support its continued growth and stability.

Banking Network:

The bank boasts an extensive nationwide network to effectively serve its growing customer base. With a strategic goal to exceed 5 million customers by 2025, ZANACO operates through 62 branches and agencies across the country. The bank also provides accessibility through 188 ATMs and 4,890 Point-of-Sale (POS) machines, ensuring seamless transactions. Complementing its physical presence, ZANACO has established a robust network of over 27,000 ZANACO Xpress agents, bringing essential banking services closer to customers, especially in underserved and rural areas. This expansive infrastructure underscores ZANACO's commitment to financial inclusion and accessibility for all Zambians.

Product Portfolio:

With a strong focus on accessibility and inclusivity, ZANACO caters to diverse customer segments through a comprehensive range of products and services. Below are the key verticals of their offerings:

- Digital Banking: Provides 24/7 banking and payment services via mobile apps, USSD, ATMs, agency banking, and merchant POS/QR, with collaborations to enhance value-added services and microloans.
- Retail Banking: Serves personal customers across informal and formal sectors, offering savings, loans, investment accounts, and exclusive private banking privileges.
- Business Banking: Focuses on SMEs, commercial enterprises, and agriculture with specialized financing, trade finance, and cash management solutions.
- Corporate and Investment Banking (CIB): Delivers tailored services like term loans, trade finance, and FX solutions for corporates, institutions, and public entities, supported by a relationship-driven model.

Overall, Strength of the Business Model

ZANACO has a robust business model and a very strong banking profile, solidifying its position as Zambia's largest financial institution by market capitalization and a leader in financial inclusion. Its diversified revenue streams spanning interest income from loans, non-interest income from fees, treasury operations, and tailored corporate solutions underscore its financial resilience and adaptability. An expansive physical network, complemented by innovative digital banking platforms and partnerships with fintechs, enables ZANACO to bridge financial access gaps nationwide. While reliance on Zambia's economic stability poses some risks, including vulnerability to currency fluctuations and external economic shocks, the bank's strategic focus on innovation, customer-centric solutions, and sustainable growth ensures its continued competitiveness and resilience in a dynamic market landscape.

MANAGEMENT & GOVERNANCE

MANAGEMENT TEAM & BOARD OF DIRECTORS

MANAGEMENT TEAM QUALITY

The management team comprises 13 key leadership positions, including experienced individuals with expertise across finance, risk management, digital transformation, and customer-centric strategies. The team is led by Mukwandi Chibesakunda, an experienced CEO with a strong track record in banking and is a non-board member. Collectively, the management team has an average tenure of 4.2 years, reflecting a balance of stability and fresh perspectives. Recent milestones achieved under their leadership include exceeding ZMW 1bn in profit after tax for three consecutive years and achieving a 34% growth in group revenue in 2023. ZANACO emphasizes robust succession planning, ensuring leadership continuity and resilience. The bank's strategic focus on talent development and internal promotions supports its long-term vision. The management team’s expertise spans finance, risk management, digital transformation, and customer-centric strategies, positioning ZANACO as a market leader and there are no significant concerns regarding the management team of the bank.

CEO - Mukwandi Chibesakunda: Mukwandi is the first female Chief Executive Officer of ZANACO and the first female Managing Director at Access Bank Zambia, is a seasoned leader with over 14 years of banking experience. She has held executive roles at Stanbic Bank and Standard Chartered. A recognized advocate for growth and governance, she holds an MBA and has received prestigious awards for her leadership excellence.

COO - Vincent Chuunga: Vincent brings over 20 years of banking experience with expertise in operations, trade product management, governance, and business transformation. Passionate about technology-driven growth and talent development, he has held senior leadership roles in the financial sector. Vincent is a Chartered Management Accountant (CIMA) and holds an MBA from the University of Warwick, UK, reinforcing his dynamic leadership and operational excellence.

CFO - Kalaluka Itwi: He is a seasoned finance executive with over 17 years of experience in banking, accounting, and financial management across Nigerian and South African markets. A Chartered Accountant and FCCA Fellow, he holds a B.Sc. (Hons) in Applied Accounting from Oxford Brookes University and advanced qualifications from ZICA. An alumnus of the University of Pretoria’s General Management Programme, Kalaluka previously held leadership roles at Standard Chartered Bank, Access Bank, and PwC.

BOARD OF DIRECTORS

The Board of Directors at Zambia National Commercial Bank (ZANACO) consists of nine members, including the Chairperson, Vice Chairperson, and seven non-executive directors. Notably, 71% of the board members are classified as independent directors, while 29% are non-independent. The Board Charter stipulates a maximum board size of eleven members and a minimum of five, reflecting the complexities of the banking sector and the operational demands of a large institution.

According to the Bank of Zambia, the tenure for directors is capped at a maximum of six years. Currently, the average tenure of the board members is approximately 2.8 years, reflecting a relatively new composition that combines fresh perspectives with the process of establishing cohesion.

The Board maintains full and effective oversight of the bank, monitoring the performance of the Executive Management Team, shaping policies, and guiding the bank's strategic direction. Key responsibilities also include decisions related to investments and divestments, managing risks inherent to the banking business, and ensuring accountability to stakeholders. ZANACO's board met four times during the year, in addition to conducting one strategy session and one budget session, achieving an impressive 99% attendance rate. Overall, the management board demonstrates strong governance and dedication to prudent management practices, aligning with the bank's mission and stakeholder expectations.

Chairperson Prof. Oliver Saasa: Oliver is a distinguished economist with a Ph.D. in International Economic Studies. He has served on various national and international boards, including TDB and Stanbic Bank (Zambia). Chancellor of Mulungushi University, he also leads corporate task forces and advises Zambia’s President. With consulting experience for the World Bank and OECD, he has extensively published on trade and investment, contributing significantly to corporate governance and international economic relations.

CORPORATE GOVERNANCE

The bank showcases robust corporate governance, emphasizing transparency, accountability, and regulatory compliance. Key focus areas include whistle-blowing policies, anti-money laundering measures, Environmental, Social, and Governance (ESG) initiatives, and diversity in leadership. ZANACO's governance framework is supported by well-structured committees: the Audit Committee, Risk Management and Compliance Committee, Credit Risk and Loan Review Committee, Human Capital Committee, Nomination and Governance Committee, and the Technology, Service Delivery, and Innovation Committee. These committees ensure effective oversight, strategic alignment, and decision-making across all aspects of the bank's operations. The governance structure enables the board to prudently manage risks, monitor executive performance, and uphold the bank's obligations to stakeholders. With its commitment to ethical leadership, inclusivity, and sustainability, ZANACO’s corporate governance reflects high standards of operational excellence and long-term value creation. The overall quality of governance is exemplary, aligning with industry best practices and stakeholder expectations.

ZANACO benefits from strong management, an experienced Board of Directors, and a robust governance framework that fosters interlinked synergies across the bank. ICRA has no concerns regarding the bank's management, board composition, or compliance strategy, reflecting ZANACO's commitment to excellence, sound governance practices, and strategic alignment with industry standards.

SHAREHOLDING/OWNERSHIP STRUCUTRE

ZANACO reflects a blend of local and international stakeholders, ensuring a balance of strategic influence and operational expertise. The bank is majority-owned by Zambians, making it a "citizen-owned" institution. Key shareholders include Arise B.V., a leading African investment company, the Industrial Development Corporation (IDC) of Zambia, and other institutional and individual investors. This diversified ownership structure supports ZANACO's strategic goals, providing access to technical expertise, capital, and governance best practices. Overall, the ownership framework aligns with the bank's mission to drive financial inclusion and economic growth in Zambia.

Name of the Shareholder	Ownership
Arise B.V.	45.59%
Industrial Development Corporation (IDC)	25.00%
Luse Free Float	19.69%
National Pensions Scheme Authority (NAPSA)	7.72%
Total	**100.00%**

Table 7

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

POLITICAL LANDSCAPE

Zambia gained independence from British colonial rule in 1964 and has since maintained a stable democratic government with three arms: the executive, legislature, and judiciary. The country has a multi-party system and a liberalized economy. The President serves as both head of state and government, elected by direct vote for a five-year term, with a maximum of two terms. The current President, Hakainde Hichilema, was elected in August 2021.

Zambia is a landlocked, resource-rich sparsely populated country in Southern Africa. It shares its border with eight countries namely Angola, Botswana, Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe. It is a member of the Africa regional groupings namely SADC and COMESA. The official local currency is the Zambian Kwacha (ZMW), and the capital city is Lusaka.

LEGAL ENVIRONMENT

The constitution is the supreme law of the country from which all other laws and regulations are derived. Generally, there is observance of the rule of law in Zambia. Notable however is that court cases sometimes can take a long time to conclude and there are reported cases of politically exposed people (PEPS) acting without regard for the law. Judicial reforms have been initiated to address such concerns including the establishment of the financial crimes court in 2022 and enhancing law enforcement.

DEMOGRAPHIC LANDSCAPE

Zambia is one of the world's youngest countries by median age. Its population, much of it rural with rapid urbanization, is estimated at about 19. 6m with a growth rate of 2.7% per year. Life expectancy is short, estimated at 64.96 years. (World Bank, 2025). The literacy rate stands at 88% of the adult population at end of 2020. The IMF noted that there is low labour productivity on account of low skills and capacity.

NATURAL AND OPERATING ENVIRONMENT

The country has enjoyed a stable tropical savannah environment for decades. Lately, however, there have been natural calamities such as droughts, floods, army worm invasions and break outs of diseases (both for humans and animals) that have brought devastating impacts on both the environment and the economy.

Zambia is also a member of various international organizations including the UN system, World bank, IMF, AU among others. It has also signed important international agreements such as relating to combating money laundering, financing terrorism, combating proliferation, human trafficking and climate change. Zambia adheres religiously to these protocols.

MACROECONOMIC DEVELOPMENTS AND OUTLOOK

Currently, macroeconomic conditions in Zambia have deteriorated due to the impact of a drought in 2024. The drought has led to increased hours of power blackouts and in turn adversely impacted economic activity.

GDP GROWTH

Owing to the drought, annual GDP growth for 2024 has been revised downwards to 1.2% from the earlier 2.3 % reflecting contractions in the agriculture and energy sectors, and subdued performance in administrative and support services, despite some gains in mining.

Growth prospects for the 2025-2027 period however remain optimistic. GDP growth is projected at 6.6% in 2025, 5.9% in 2026 and 5.6% in 2027, (BoZ, National Symposium on the 2025 National Budget, 2025). This optimistic outlook assumes increased mining production, effective implementation of reforms, restoration of debt sustainability, and normalization of rainfall patterns.

INFLATION OUTTURN

The Bank of Zambia (BoZ) annual inflation target is between 6% and 8%. In 2024, annual inflation stood at 16.7% well above the target range and is projected at 13.9% in 2025 and 10.8% by end June 2026 (Bank of Zambia, 2025). The major factors attributed to the high inflation were higher maize and fuel prices, increase in electricity tariffs and the exchange rate depreciation.

EXCHANGE RATE DEPRECIATION AND VOLATILITY

The Zambian currency (ZMW), the Kwacha is subject to wild swings against major convertible currencies namely, the USD, the Swiss Franc, The South African Rand and the Euro. The ZMW depreciated by about 7.74% in 2024 and by about 42.4% in 2023 against the USD. The ZMW depreciated by 6.0% in Q3/24 compared to 4.9% in Q2/24 against a basket of currencies of the major trading partners, (BoZ, National Symposium on the 2025 National Budget, 2025). Currency depreciation is a major source of inflation in Zambia as the country is import dependent.

TRADE PERFORMANCE

After a trade deficit in 2023, the current account recovered into surplus in Q2/24 thanks to increased grants from cooperating partners, remittances, and reduction in imports. The current account surplus expanded to USD 0.19 bn (2.7% of GDP) by end Q3/24 from USD 0.04 bn (0.6 % of GDP) in Q2/24, (BoZ,2025). The projection for 2025 and 2026 is more optimistic at USD 1.5bn (5.6% of GDP) and USD 2.3 bn (8.4% of GDP), respectively. This is based on the projected faster growth in exports relative to imports.

FISCAL PERFORMANCE

The Zambian National budget has run fiscal deficits for decades on account of low revenue performance. The budget deficit for 2024 stands at 2.7% of GDP and is projected at 3.1 % of GDP for 2025, (MoFNP, 2025). Risks to the medium-term fiscal outlook remain tilted to the upside based on lower copper prices associated with weaker global demand, adverse effects of geopolitical tensions on energy and food prices, depreciation of the exchange rate, and constrained production and hydropower generation.

INTERNATIONAL RESERVES

Gross official international reserves were sufficient at USD 4.15bn by the end of September 2024, covering more than 4.6 months of projected imports (USD3.91bn at the end of June 2024) (MoFNP,2025), largely because of project disbursements from the World Bank and revenues from mining taxes. Additionally, the central bank's gold purchases/holdings totalled USD 217.2m as at Q3/24 since it began purchasing gold locally in December 2020 (BoZ, 2024).

INTEREST RATES

Interest rates remain high in Zambia with commercial banks' average nominal lending rate on locally denominated loans at 28.4% at the end of September 2024. This makes credit expensive for businesses and consumers negatively impacting economic activity and GDP growth. In the medium term, lending rates are expected to remain elevated premised on the anticipated tight monetary policy stance to curb rising inflationary pressures in the country.

ZAMBIA'S DEBT POSITION

Zambia's public debt remains high at over 127% of GDP in 2023 and at USD 26.67bn as at the date of this report, (MoFNP, 2025). Zambia became the first African country to default on its foreign debt in November 2020. In June 2023, the Ministry of Finance and National Planning reached preliminary agreements with its official creditors, including China to restructure its debt. As of 22nd January 2025, Zambia had agreed to restructure 90% of its debt stock with its creditors. Zambia's public debt is sustainable, but the country remains at high risk of overall and external debt distress.

IMF ECF PROGRAMME

Zambia is currently on an IMF Extended Credit Facility (ECF) programme. In December 2024, the IMF disbursed SDR 139.88 m (about USD 184m), bringing total disbursement to SDR 992.86m (about USD 1.3bn). The program seeks to entrench macroeconomic stability, attain debt and fiscal sustainability, enhance public governance, and foster inclusive growth. The IMF assessed the Zambian Government performance under the programme as satisfactory, (IMF, 2024).

FINANCIAL SECTOR PERFORMANCE AND STABILITY

Zambia's banking sector has adequate liquidity, profitability, and capitalization. Primary and total regulatory capital adequacy ratios were above the minimum regulatory requirements of 5% and 10%, respectively (BoZ, 2024). Asset quality was also satisfactory. Risks to financial system stability are on an upward trend on account of reduced economic activities due to drought, low financial intermediation, sovereign-bank nexus, concentration of banks' loans and deposits, dollarization of loans, as well as maturity mismatches. Further, inflation, higher geopolitical tensions, and higher exchange rate volatility represented other sources of financial instability. Despite the elevated risks, the banking sector remained resilient. Noteworthy is that the financial system in Zambia remains underdeveloped when measured using the Financial Development Index (FDI) compiled by the World Bank, (World bank, 2025).

CONCLUSION

Zambia's political landscape is generally stable. Economic risks have risen lately, driven by a high debt burden, fiscal deficits, a decline in copper prices and adverse effects of the drought. Social risks are also a concern, with elevated levels of poverty, inequality, and unemployment. The country's healthcare and education systems are underdeveloped with limited access to basic services.

ICRA is of the view that Zambia poses a moderate risk. The government has shown commitment to economic recovery and in dealing with shocks, which is further evidenced by the IMF ECF programme currently in place.

INDUSTRY ANALYSIS

OVERVIEW

Zambia's banking sector, regulated by the Bank of Zambia (BoZ), has evolved from a foreign-dominated system to a more diversified market. After independence in 1964, nationalization led to the establishment of Zambia National Commercial Bank (Zanaco), but liberalization in the 1990s paved the way for foreign banks, enhancing competition and regulatory oversight. Presently, 15 commercial banks operate in Zambia, with foreign institutions controlling over 60% of total assets. Despite this, local banks like Zanaco are expanding in retail banking. Digital banking is growing rapidly, driven by high mobile penetration, though cybersecurity concerns and currency depreciation pose challenges. The industry's future hinges on digital adoption, financial inclusion, and macroeconomic stability.

BANKING SECTOR STRUCTURE

The sector is dominated by subsidiaries of South African financial institutions, influencing capital flows and lending practices. Major players include Standard Chartered Zambia, Stanbic Bank, and Absa Bank Zambia, with strong corporate banking operations. Local banks such as Zanaco and Indo Zambia Bank primarily serve domestic businesses and retail customers. Banks provide various services, including corporate lending, investment banking, and digital financial solutions, with a growing focus on mobile and agency banking.

MAJOR PLAYERS

The Zambian banking sector consists of commercial banks, development banks, microfinance institutions, and savings & credit cooperatives. There are over 15 licensed commercial banks, including both local and foreign players. Major banks operating in Zambia include:

- Standard Chartered Zambia (foreign-owned, strong corporate banking presence)
- Stanbic Bank Zambia (a subsidiary of Standard Bank, South Africa)
- Absa Bank Zambia (formerly Barclays Zambia, a leading retail and corporate bank)
- Zambia National Commercial Bank (Zanaco) (one of the largest indigenous banks)
- Indo Zambia Bank (a partnership between the Zambian and Indian governments)
- First National Bank (FNB) Zambia (growing presence in retail and SME banking)
- Foreign banks dominate the market, but local banks continue to expand their footprint, especially in retail and SME lending.

REGULATORY FRAMEWORK

The Bank of Zambia (BoZ) enforces regulations under the Bank of Zambia Act (1996, amended 2020) and the Banking and Financial Services Act (BFSA) to maintain sector stability. These laws establish capital adequacy, liquidity, and risk management requirements. The Financial Intelligence Centre (FIC) ensures compliance with anti-money laundering (AML) and counter-terrorism financing (CTF) laws, reinforcing financial integrity.

BANKING SECTOR CAPITALIZATION

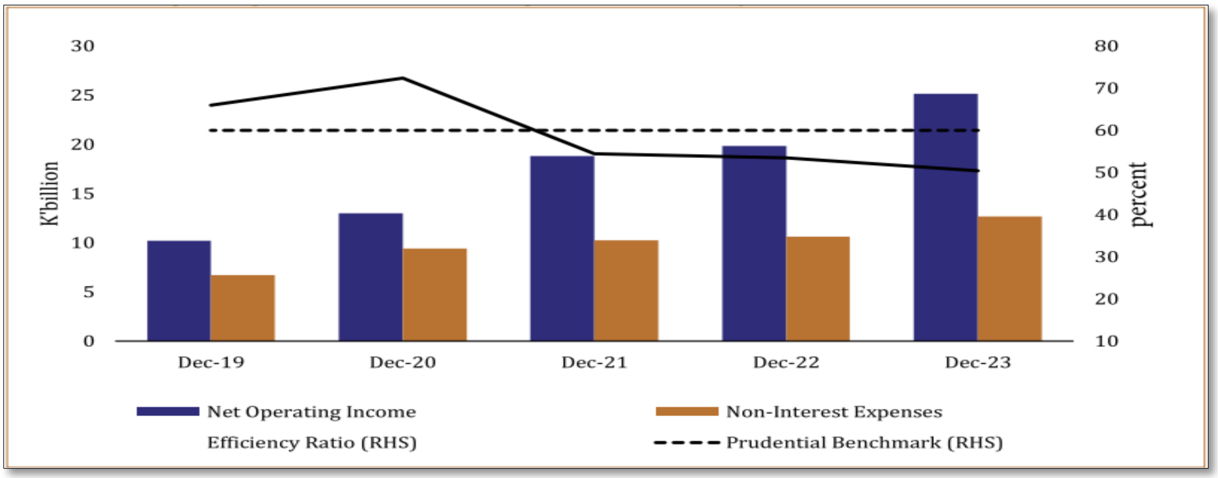
The banking sector's resilience is often gauged by its capital adequacy ratio (CAR), a critical measure of financial stability and an indicator of the sector's ability to withstand economic shocks. Zambia has adopted international banking regulations, specifically Basel II and Basel III frameworks, which establish capital adequacy and risk management standards. The sector follows Basel II and Basel III guidelines for capital adequacy. By the end of Sept 2024, Zambia's banks maintained strong capital buffers, with a Total Regulatory Capital Adequacy Ratio of 23.3% (minimum: 10%). This indicates resilience against financial shocks.

ASSET QUALITY OF BANKING SECTOR

Asset quality is a key consideration in evaluating the health of Zambia's banking industry. Historically, non-performing loans (NPLs) have fluctuated between 6% and 15%, influenced by economic cycles and sectoral vulnerabilities. In September 2024, the gross NPL ratio for Zambia's banking sector reported at 4.8%. which is well below the prudential benchmark of 10%. As per annual report of Bank of Zambia, a sectoral analysis of NPLs reveals that in 2023, the manufacturing sector recorded the highest share of NPLs at 23.6%, followed by wholesale and retail trade at 19.2%, and agriculture, forestry, fishing, and hunting at 15.2%. The sector has also experienced substantial asset growth. Total banking sector assets expanded by 21.8% to K238.9 billion in 2023, with deposit liabilities rising by 21.3% to K178.4 billion. Net loans and advances, along with investments in government securities, constitute a significant portion of the sector's assets.

BANKING SECTOR PERFORMANCE

Zambia's banking sector demonstrated strong performance in 2023, reflecting continued growth in financial intermediation, profitability, and liquidity, despite macroeconomic challenges. This positive performance is further evidenced by a higher profit before tax (PBT) of K2.5 billion in 2023, compared to K1.6 billion in 2022. In terms of PBT distribution within the sector, subsidiaries of foreign banks held the largest share in 2023, accounting for 68.4%. Banks with government stakes also contributed substantially, with 33.9%. Conversely, local private banks reported a negative share of -2.3% during the year, indicating that this category experienced losses. However, it's important to note that the efficiency ratio—the cost-to-income ratio—increased to 50.0% in 2023 from 44.8% in 2022. While this indicates a rise in operational costs relative to income, the ratio remained below the prudential threshold of 60.0%.

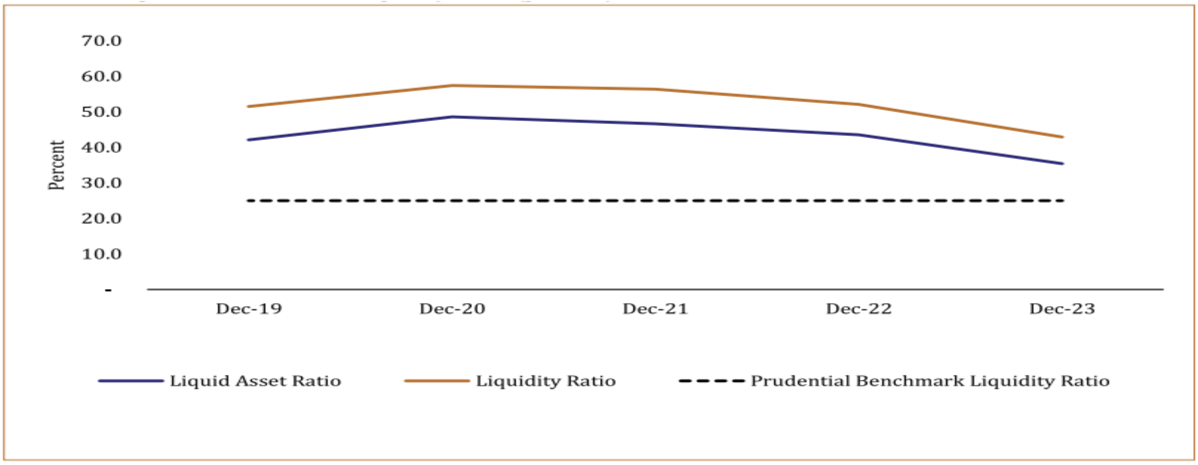


Source: Bank of Zambia annual report 2023.

Extract 1

LIQUIDITY TREND

The Zambian banking sector exhibits robust liquidity, a key strength underpinned by strong deposit mobilization and conservative lending practices. The Liquidity Coverage Ratio (LCR) consistently surpasses regulatory mandates, ensuring banks can readily meet short-term obligations. In 2023, the liquid asset to total deposits and short-term liabilities ratio stood at a healthy 42.9%, significantly above the 25.0% prudential benchmark. A relatively high liquid asset ratio of 35.4% was maintained despite banks adapting to adjusted statutory reserve requirements. The loan-to-deposit ratio, although increasing to 39.8% from 35.7%, remains comfortably below the 70.0% threshold, indicating cautious lending. This conservative approach reinforces the sector's resilience. Deposit growth contributes to this stability, reflecting public confidence. Macroeconomic factors, including inflation and interest rates, are closely monitored for their impact on liquidity. Central bank policies, such as open market operations, play a vital role in regulating liquidity levels. Overall, the Zambian banking sector's liquidity position remains strong, demonstrating its ability to navigate economic challenges effectively.



Source: Bank of Zambia annual report 2023.

Extract 2

INDUSTRY SENSITIVITY AND CHALLENGES

SLOW ECONOMY GROWTH

Zambia's real GDP growth decelerated to 1.9% year-on-year in the first half of 2024, down from 4.3% during the same period in 2023. This slowdown is attributed to contractions in the agriculture and energy sectors, partly due to a severe drought exacerbated by El Niño, affecting 9.8 million people across 84 districts.

FINANCIAL INCLUSION AND RURAL OUTREACH

Despite ongoing modernization efforts, a significant portion of Zambia’s population remains unbanked—estimates indicate that only about 40–45% of adults have access to formal financial services. Rural areas face a dearth of banking infrastructure due to high setup costs and logistical hurdles. This gap in financial inclusion not only limits the market potential for banks but also hampers overall economic development in underserved communities. To bridge this gap, many banks are now exploring alternative delivery channels, such as agent banking and mobile money platforms, though scaling these solutions remains a work in progress.

POLITICAL RISK

Political risk remains a key concern for Zambia’s banking sector, influencing investor confidence, currency stability, and regulatory policies. Frequent policy shifts, changes in tax regimes, and uncertainty surrounding debt restructuring— According to data from CEIC, Zambia's external debt reached $23.1 billion in September 2024 —have created volatility in financial markets. Additionally, political influences on fiscal policies, such as government borrowing from local banks, can crowd out private sector lending, making capital more expensive and limiting economic growth.

GLOBAL ECONOMIC CONDITION

Zambia's banking sector is highly sensitive to global economic trends, particularly fluctuations in commodity prices, interest rates, and investor sentiment. As a major copper exporter, Zambia's economy is vulnerable to global copper price swings, which can affect foreign exchange reserves and currency stability.

OPPORTUNITIES

DIGITAL TRANSFORMATION

Zambia's banking sector is embracing digital transformation through core banking system upgrades, artificial intelligence (AI), blockchain technology, and automation. Banks are investing in cloud computing and data analytics to enhance customer service, improve risk management, and optimize operational efficiency. The adoption of contactless payments, online banking platforms, and biometric authentication is increasing security and convenience for customers.

ECONOMIC RECOVERY

With Zambia undergoing debt restructuring efforts and implementing pro-business policies, economic recovery presents a positive outlook for the banking sector. The IMF and World Bank-backed economic reforms, including debt relief agreements, have improved investor confidence and stabilized inflation. A rebound in copper prices, Zambia's main export, is expected to boost government revenues and strengthen the banking system. This recovery creates opportunities for increased lending to SMEs, agriculture, and infrastructure projects, fostering long-term banking sector growth.

INNOVATION IN PRODUCT OFFERING

The evolving needs of consumers and businesses offer banks an opportunity to expand their product portfolios. Customized financial products such as Islamic banking, green financing, SME lending, and microfinance solutions are gaining traction. Additionally, insurance-linked banking products, wealth management services, and tailored digital lending solutions can help banks diversify revenue streams.

INDUSTRY OUTLOOK

The outlook for Zambia's banking industry in 2025 is optimistic, supported by key policy initiatives from the Central Bank of Zambia aimed at stabilizing inflation within the 6–8% range and strengthening the financial system. Measures to support economic recovery include a K5 billion fund dedicated to mitigating the impact of the 2023/24 drought on the agricultural sector, which is expected to drive financial sector participation in economic revitalization. Additionally, the government's focus on promoting a 24-hour economy, enhancing financial inclusion, and fostering digital transformation will create new growth opportunities for banks. Ongoing debt restructuring efforts backed by the IMF and World Bank have improved investor confidence and macroeconomic stability, reducing fiscal pressures and supporting long-term financial sector growth. With digital banking rapidly expanding, banks are expected to enhance their product offerings, leveraging AI, blockchain, and fintech collaborations to improve efficiency and security. Increased access to SME lending, green financing, and innovative financial products will further drive sector expansion. However, challenges such as currency volatility, high inflation, and global economic uncertainties remain, necessitating strong risk management practices. The banking sector's resilience, bolstered by healthy capitalization and liquidity levels, will be crucial in navigating macroeconomic fluctuations. With a growing emphasis on financial inclusion, regulatory enhancements, and economic diversification, Zambia's banking industry is poised for sustainable growth in the coming years.

FINANCIAL ANALYSIS

The credit rating of ZANACO has been conducted on an unsolicited basis, using publicly available and reliable sources of information. Typically, ICRA considers five years of audited annual financial statements along with interim financials up to the latest quarter for its financial analysis. Given that ZANACO recently published unaudited summarized financials for the year ending 31 December 2024 (FY24), we are considering four years of audited financials (FY20-FY23) along with one year of unaudited financials (FY24) for this analysis. The detailed analysis will be based on the FY23 using audited financials and FY24 will be used to evaluate the latest performance due to unavailability of detailed notes and disclosers for FY24 at the time the analysis is conducted.

External Auditor Details

Auditor Name	PricewaterhouseCoopers Zambia
Address	PwC Place, Stand No. 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
Latest Financials	31-December-2023
Publication Date	16-February-2024
Audit Opinion	Unqualified Opinion

Table 8

INCOME STATEMENT ANALYSIS

Key Income Statement Items					
ZMW ('000)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Interest income	2,144,984	3,537,273	3,876,846	4,728,291	5,649,906
Net interest income	1,449,696	2,538,687	2,952,698	3,474,478	3,545,110
Net fee and commission income	296,130	300,679	375,314	430,306	-
Net operating income	2,010,127	3,449,506	3,749,669	5,260,608	5,907,473
Total Operating Expenses	1,642,791	1,971,923	2,005,252	2,541,652	-
Profit before income tax	354,239	1,463,828	1,732,375	2,705,713	2,487,935
Profit after tax	206,658	865,979	1,166,997	1,738,382	1,730,382

Table 9

Absolute figures are in billions Ex. FY24 revenue is ZMW 5.64 billion.

PERFORMANCE ON CONSOLIDATED BASIS

Interest income is the core revenue generator for a bank, as it represents the primary earnings generated from the bank's lending activities. During FY23, the company generated ZMW 4.73bn (+22%), mainly supported by improved performance across all segments. FY24 also marked a growth of 19% y/y to ZMW 5.65bn. Looking at the overall growth, it has grown at a CAGR of 27% in FY20-24. Below is a detailed breakdown of the interest income mix.

- **Interest from Loans & Advances (55% of the interest)**: These are the interest revenues generated from loans given to customers or borrowers of the bank, and it is the largest contributor to interest income. In FY23, it grew by 30% y/y to ZMW 2.25bn, and in FY24, it grew by 39% y/y to ZMW 3.12bn.
- **Interest from Government Securities (43% of the interest)**: These are the interest incomes generated through money invested in government securities. It grew to ZMW 2.37bn in FY23, a 15% y/y increase, and to ZMW 2.43bn in FY24, a 3% y/y increase.
- **Arrangement & Commitment Fees Income (2% of the interest)**: These are other incomes generated through loan arrangements and commitments, which constitute a very small portion of core interest income. It was recorded at ZMW 0.11bn in FY23 (+22% y/y) and at ZMW 0.10bn in FY24 (-10% y/y).

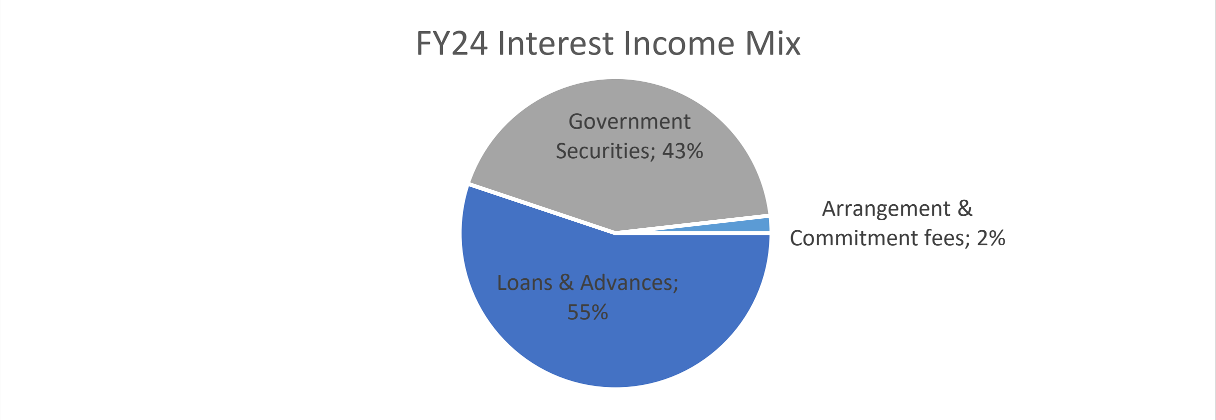


Exhibit 2

When looking at the overall interest income mix, the bank is in a strong position in diversifying its interest income among loan interest and investment interest, rather than depending on only one source.

Net interest income represents the residual interest after deducting interest expenses from interest income. These interest expenses are the funds payable to the bank's lenders, which include deposit holders, other financial institutions, and investors in the bank's debt securities. During FY23, it has grown to ZMW 3.47bn (+18% y/y) and subsequently to ZMW 3.55bn (+2% y/y) in FY24, largely driven by the impressive growth in the interest income despite increased interest expenses of +36% y/y in FY23 and +68% in FY24 due to the depreciation of the local currency and additional borrowing contracts during the year.

Net fee and commission income for a bank is the total revenue earned from fees and commissions after subtracting any related expenses. It represents the net amount the bank retains from providing services like account maintenance, loan processing, investment management, and a variety of banking-related services. During FY23, it has grown to ZMW 0.43bn (+15% y/y), driven by +25% y/y growth in fee and commission income, which was partially offset by a +34% y/y increase in fee and commission expenses.

Other operating income grew by 127% y/y to ZMW 1.38bn in FY23 and by +81% y/y to ZMW 2.50bn in FY24, mainly consisting of income from the sale of securities and investment income.

The net operating income for the bank remained strong at ZMW 5.26bn in FY23 (+40% y/y) and ZMW 5.91bn in FY24 (+12%), reflecting a well-diversified revenue mix for the bank (+31% CAGR in FY20-24).

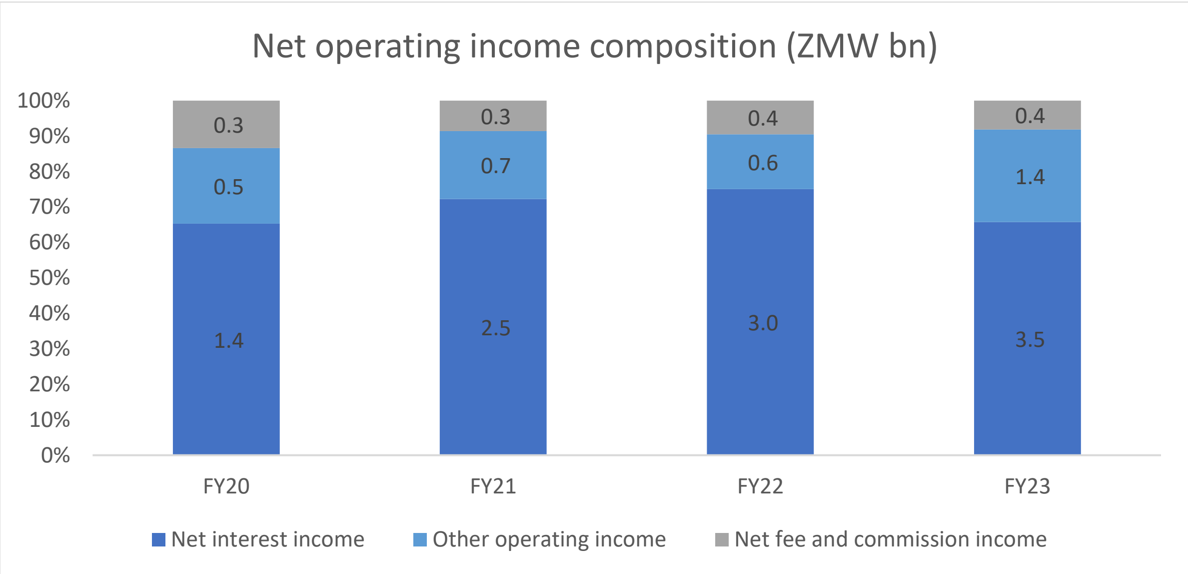


Exhibit 3

Operating & Finance expenses of the bank grew by 27% y/y to ZMW 2.55bn in FY23, which mainly consist of employee benefits (47% of expenses) and admin and general expenses (48%). The finance cost of the bank remained lower and flat at ZMW 0.01bn throughout the review period. FY24 expenses increased by +34% y/y to ZMW 3.42b

Net profit of the company has shown strong growth over the review period, with a CAGR of 70% during FY20-24. FY23 net profits grew by 49% y/y to ZMW 1.74bn and remained flat at ZMW 1.73bn (-0.5% y/y) in FY24.

SEGMENTAL BASIS PERFORMANCE

When look at the key segments of the bank it contains mainly 5 segments namely (i) Digital Banking, (ii) Retail Banking, (iii) Business Banking, (iv) Corporate & Investment banking and (v) Treasury. Below is an overall segmental mix based on segmental income as of 23 where FY24 segmental results has not been published.

- **Corporate & Investment Banking - CIB (37% of the total income):** This is the largest contributor to total income with c. 37%. During FY23, the segment achieved a 33% growth in total income at ZMW 1.94bn with a PBT of ZMW 1.34bn (+26% y/y).
- **Treasury – (28% of the total income):** As the second largest segment of the bank, the treasury marked a total revenue of ZMW 1.49bn in FY23 (+29% y/y) with a PBT of ZMW 1.16bn (+96% y/y), driven by lower expenses incurred during the year.
- **Retail Banking – (18% of the total income):** This segment delivered a total income growth of 24% y/y to ZMW 0.95bn in FY23 with a PBT of ZMW 0.26bn (+3% y/y).
- **Business Banking – (11% of the total income):** ZMW 0.59bn of income was generated in the segment with a growth of 32% y/y. PBT has improved to an impressive ZMW 0.16bn in FY23, cf. a loss of ZMW 0.02bn in FY22.
- **Digital Banking – (6% of total income):** The performance of this segment has deteriorated to a profit before loss of ZMW 0.16bn cf. a PBT of ZMW 0.01bn in FY22, despite a total income growth of 27% due to high expenses of ZMW 0.49bn (+96% y/y). However, the adverse performance is nullified due to the small size of the segment and the impressive growth trajectory of other segments.

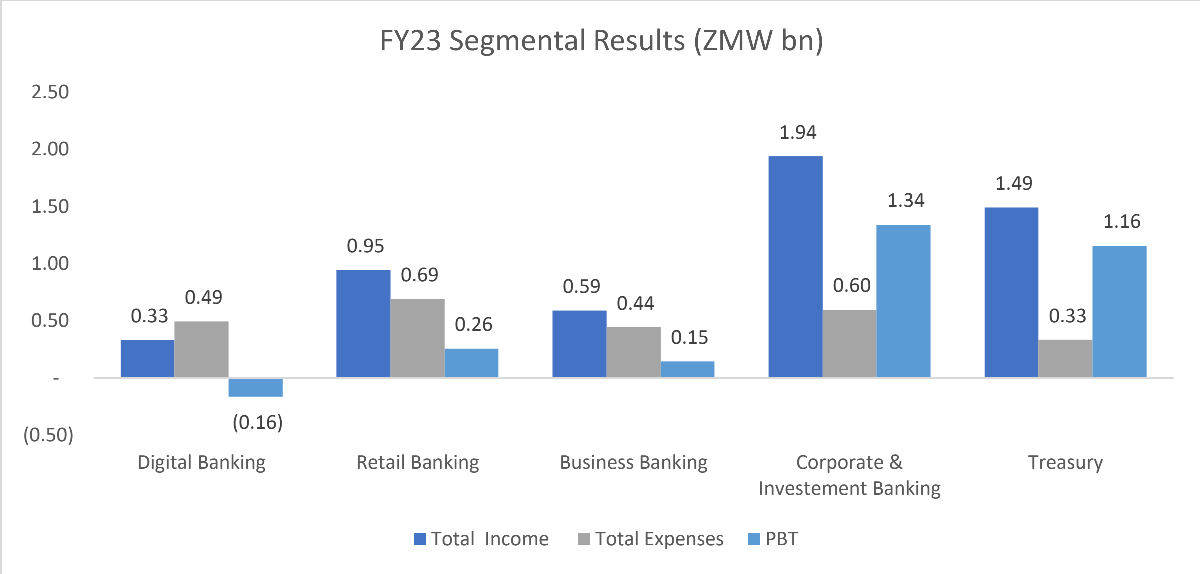


Exhibit 4

When looking at the performance on both a consolidated basis as well as a segmental basis, Zanco has shown strong performance in their core business as well as overall business activities. Sustainable growth in both topline and bottom line indicates the effectiveness of the bank's operational strategy. ICRA has not seen any major concerns about the performance of the bank except for the spike in the loss before tax in FY23 in digital banking segments. However, the net adverse effect of the digital banking segment has been nullified due to the small segmental size compared to the other major four segments and high-performance growth rates in the other segments. Nevertheless, it is vital to deep dive and understand the root cause of the high costs in that segment to take corrective actions with the objective of making that segment also profitable.

BALANCE SHEET

TOTAL ASSETS

Assets					
ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Cash and balances at Central Bank	2,283,591	2,750,038	4,740,900	8,884,649	9,530,023
Balances with other banks	2,003,275	1,694,322	2,779,016	3,437,154	2,157,693
Trading assets	639,706	2,568,061	1,826,953	2,320,685	-
Investment securities at amortised cost	5,858,066	7,743,740	12,819,157	11,637,063	11,608,283
Loans and advances to customers	7,328,493	9,566,818	12,056,527	16,176,644	19,910,700
Total assets	19,340,292	26,104,105	35,851,895	44,800,219	48,764,680

Table 10

**Absolute figures in billions.*

The asset base of the bank has shown steady growth over the years, marking a 26% CAGR during FY20-24, while the FY23 asset base stood at ZMW 44.80bn (+26% y/y) and the FY24 asset base stood at ZMW 48.76bn (+9% y/y).

Cash & Balances

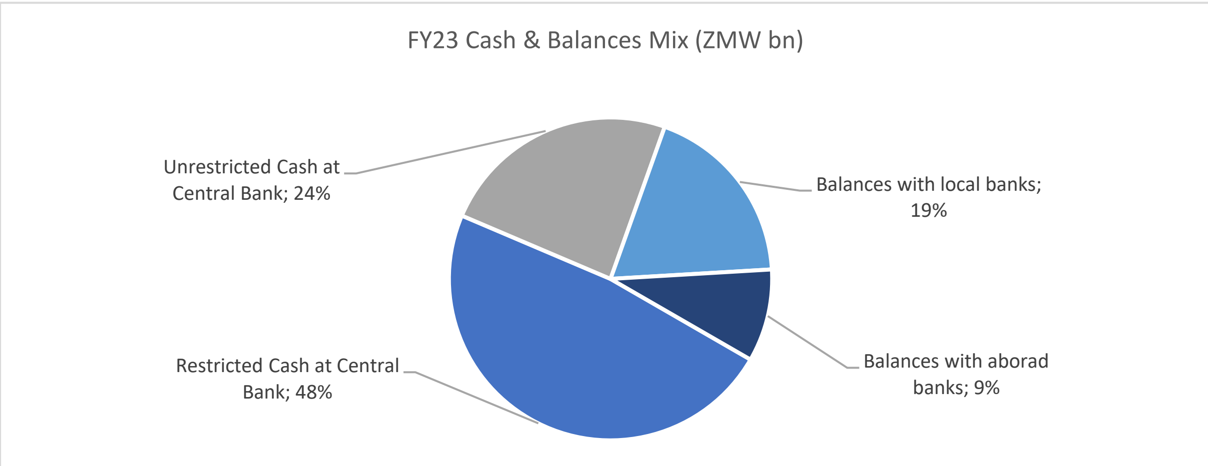


Exhibit 5

The bank had total cash and balances of ZMW 12.32bn as of FY23 (+64% y/y) and ZMW 11.69bn (-5% y/y) as of FY24, which consist of cash and balances at the central bank (c. 72% of cash and balances) and balances with other banks (c. 28% of cash and balances). Cash and balances at the central bank as of FY23 stood at ZMW 8.88bn, increased from ZMW 4.74bn in FY22. These are the cash and other highly liquid assets that ZANACO must keep at BOZ to ensure liquidity and compliance with regulatory reserve requirements. Out of this, ZMW 5.92bn or 67% of cash and balances at the central bank is considered restricted and cannot be used for the day-to-day activities of ZANACO, while the balance of ZMW 2.96bn or 33% can be used for day-to-day banking operations when required. Balances with other banks stood at ZMW 3.44bn, which increased from ZMW 2.78bn in FY22. This includes placements with other local banks as well as placement banks abroad.

Investment Assets

Banks utilized a portion of its funds borrowed from deposit holders in investments other than loans and advances to customers in order to diversify their income sources. As of FY23, total investments stood at ZMW 13.96bn, slightly declining from ZMW 14.65bn in FY22, consisting of trading assets (17% of investments) and investments at amortized costs (FY24 stood at ZMW 11.61bn).

Trading assets refer to investments that are actively bought and sold to profit from short-term market movements. As of FY23, trading assets stood at ZMW 2.32bn (+27% y/y), entirely consisting of government securities considered investments with the lowest credit risks. Approximately 68% of the trading assets are current, while 32% are non-current.

Investments at amortized costs refer to financial assets held with the intention to collect contractual cash flows, such as principal and interest, rather than for trading purposes. As of FY23, the bank's investments at amortized costs stood at ZMW 11.64bn (-9% y/y), mainly consisting of government bonds and treasury bills, which are again considered investments with the lowest credit risks.

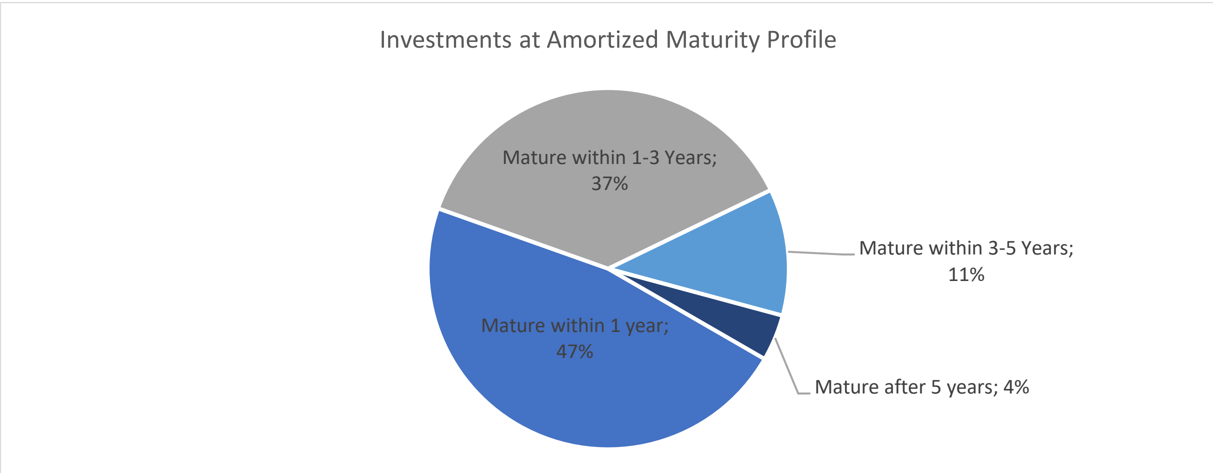


Exhibit 6

The overall investment portfolio of ZANACO is considered strong, comprising 100% government-related securities, which are deemed to have the lowest credit risks. This focus on secure, low-risk investments contributes to the bank's financial stability and resilience in volatile market conditions.

Loans and advances to customers

This refers to the funds that a bank lends to its clients, which are an essential part of a bank's assets, generating interest income and supporting the financial needs of its customers. The loan portfolio of the bank stood at ZMW 16.18bn in FY23 (+34% y/y) and ZMW 19.91bn (+23% y/y) in FY24.

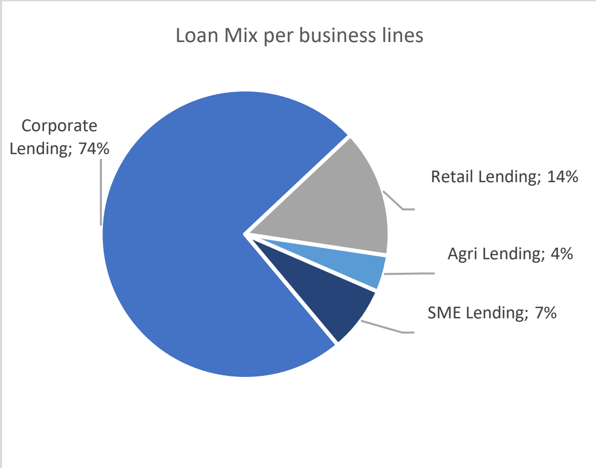


Exhibit 7

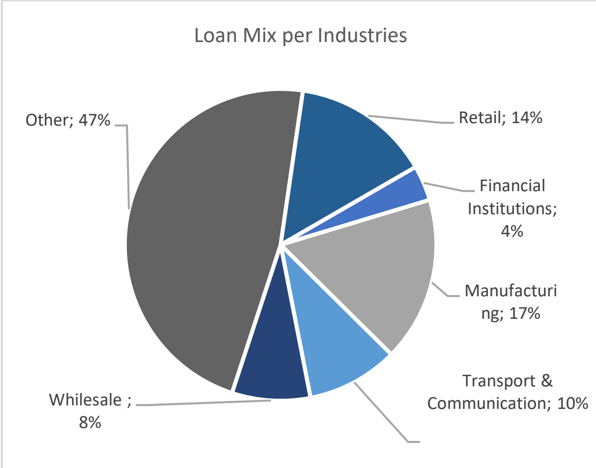


Exhibit 8

When looking at the loan mix, based on the business lines, the largest lending was given to the corporate sector and based on industries, the largest was related to the manufacturing segment. However, when looking at the overall loan portfolio, it shows reasonable diversification in terms of business lines as well as industries.

When considering the credit quality of the loan portfolio, it can be segregated into three categories based on its performance

- **Stage 1 (90% of gross loans as of FY23):** These are the loans subjected to a 12-month expected credit loss (ECL) provision (per IFRS 9) which have not experienced a significant increase in credit risk. This category consists of loans less than 30 days past due. As of FY23, the bank had ZMW 11.31bn (+32% y/y) or 90% of gross loans in the Stage 1 category. Over the last 4 years, the bank has maintained its Stage 1 proportion higher than 90%, except in FY21 at 84%.
- **Stage 2 (7% of gross loans as of FY23):** These loans are considered to have significantly increased credit risk but are not yet considered impaired. Per IFRS 9, these loans require lifetime expected credit losses (LTECL). As of FY23, the bank had ZMW 1.16bn of Stage 2 loans (+152% y/y) or 7% of gross loans. Over the last 4 years, the proportion has fluctuated from 2% in FY20, to 13% in FY21, and 4% in FY22. This category consists of loans past due from 31 days to 89 days, which require close monitoring to maintain a quality portfolio.

- **Stage 3 (3% of gross loans as of FY23):** This category includes loans that are credit-impaired (non-performing) and have a high likelihood of default, requiring lifetime expected credit losses (LTECL). All loans with more than 90 days past due fall under this category. As of FY23, Stage 3 loans have declined by 12% y/y to ZMW 0.56bn, accounting for only 3% of total gross loans compared to 5% of gross loans in FY22.

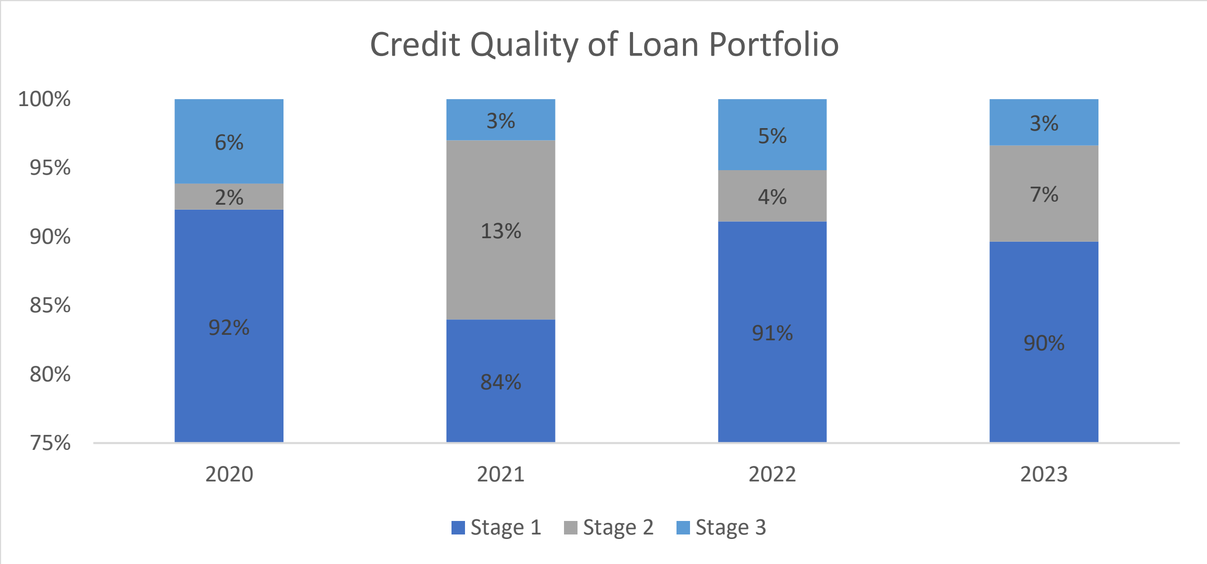


Exhibit 9

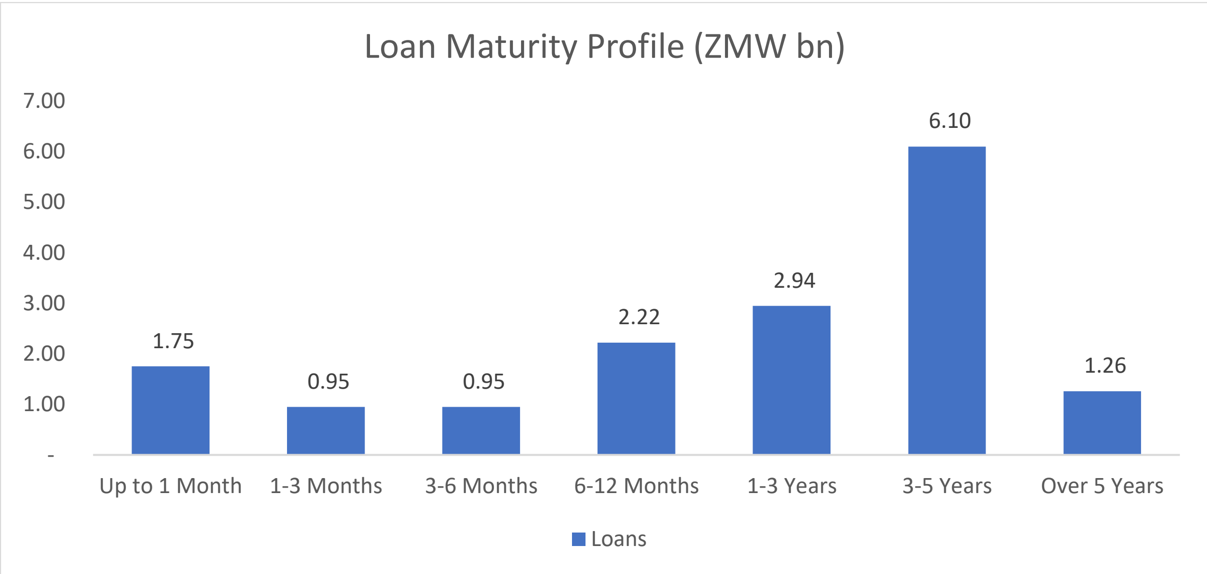


Exhibit 10

The overall loan portfolio has remained strong and well-diversified across various business lines, showcasing improved credit quality over time. Maintaining 90% of Stage 1 loans and reducing Stage 3 loans to 3% highlights the bank's diligent efforts in sustaining a quality portfolio. This achievement indicates effective credit risk management and underscores the bank's commitment to maintaining a robust loan portfolio while supporting diverse sectors and industries, ultimately contributing to its financial stability and resilience.

Upon examining the asset base of the bank, it is evident that the asset base is well-balanced and strategically invested, minimizing exposure to high-risk assets. The analysis conducted over the FY20-24 period reveals no significant risks associated with ZANACO's asset mix. A well-managed investment portfolio, coupled with improving credit quality in the loan portfolio, further supports the quality of the asset mix. The bank's strategic approach to asset management underscores its dedication to maintaining a robust financial position and delivering value to its stakeholders.

TOTAL LIABILITIES

Liabilities					
ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Customer deposits	15,698,089	19,323,139	29,688,891	33,859,372	35,698,681
Borrowings	1,338,529	2,645,336	2,302,144	2,704,002	4,089,816
Total liabilities	18,168,494	24,050,453	33,000,072	40,535,684	42,796,379

Table 11

**Absolute figures in billions.*

The liabilities of the bank stood at ZMW 40.54bn as of FY23 (ZMW 42.80bn in FY24), which increased by 23% y/y. When looking at the liability mix, 84% of the liabilities consist of customer deposits, followed by borrowings (7%), deposits from other banks (5%), and other liabilities (4%).

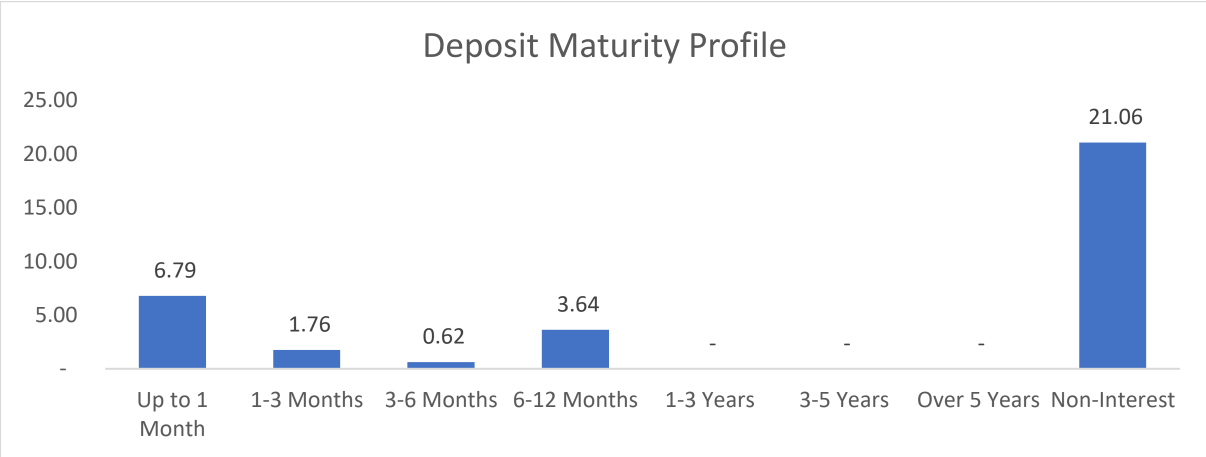
Deposits from Customers

These are the funds that clients place with a bank, which the bank holds, pays interest on, and is obligated to return upon request. Analysis of customer deposits is critical as it is the primary source of funding for a bank's lending and investment activities. The FY23 deposit base improved by 14% y/y to ZMW 33.86bn, while FY24 reached ZMW 35.70bn with a 5% y/y growth (CAGR of 23% during FY20-23).

ZANACO maintains three types of deposits as follows.

- These deposited funds can be withdrawn at any time without any notice or penalty, such as checking accounts. During FY23, demand deposits stood at ZMW 22.88bn (+14% y/y). The key benefit of these accounts is that the bank doesn't need to pay any interest to the deposit holders; however, on the other hand, free funding carries considerable risk unless the bank maintains adequate liquidity based on historical withdrawal patterns, cash flow forecasts, stress, and scenario testing.

- Fixed term deposits (24% of deposits): These are accounts where funds are deposited for a set period and cannot be withdrawn early without a penalty. These deposits help banks accurately forecast liquidity needs but require paying higher interest rates to deposit holders. As of FY23, fixed-term deposits grew by 12% y/y to ZMW 8.04bn.
- Savings Deposits (9% of deposits): Savings deposits are flexible accounts where funds can be deposited or withdrawn at any time, offering lower interest rates but providing a stable source of funds for banks. As of FY23, savings deposits increased by 24% y/y to ZMW 2.94bn from ZMW 2.36bn in FY22.



The overall deposit portfolio is well-diversified, balancing different deposit types and varying maturity profiles. This diversification enhances financial stability, liquidity management, and the bank's ability to meet customer needs efficiently while maintaining a robust funding base.

Borrowings

The total debt or external interest-bearing borrowing of the bank stood at ZMW 2.70bn as of FY23, which further increased to ZMW 4.09bn in FY24. Since FY24 audited financials with notes are yet to be published, analysis is carried out based on FY23 debts. ZANACO had a total of five bank loans outstanding from the central bank and other different banks. ZANACO has to comply with multiple covenants related to the bank loans, and as of FY23, no covenant breach was recorded.

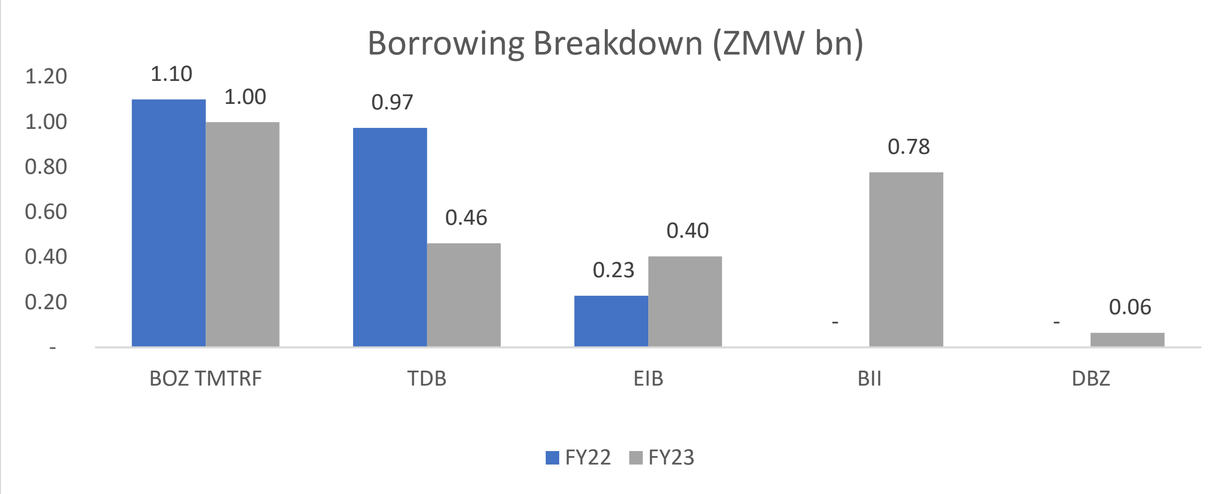


Exhibit 11

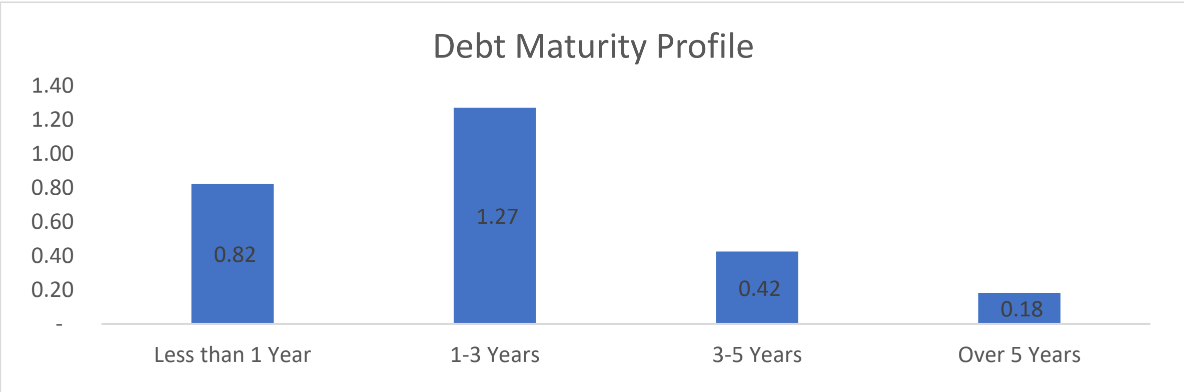


Exhibit 12

When looking at the debt maturity profile, ICRA does not foresee any material credit or leverage risk related to debts, as only ZMW 0.82bn, or 30% of debts, are set to mature within one year, while 47%, or ZMW 1.27bn, matures within 1-3 years, and the rest after three years. To service the debts, ZANACO has more than enough liquidity, with total unrestricted cash liquidity standing at ZMW 6.40bn as of FY23, which is 7.8x the current debt amount and 2.4x the total debt amount. This robust liquidity position ensures that ZANACO can comfortably meet its debt obligations, manage liquidity risk effectively, and maintain financial stability even in adverse scenarios. The bank's proactive liquidity management strategies, including maintaining a high level of cash reserves and diversifying its funding sources, further reinforce its ability to handle debt servicing requirements.

The company's overall liability structure remains robust, reflecting sound financial management practices. The liabilities are well-matched with assets, ensuring adequate maturity alignment and liquidity. This prudent management approach minimizes financial risks and enhances the company's ability to meet its obligations. Consequently, no major concerns have been identified in the bank's liability structure, indicating a stable and secure financial position.

EQUITY

Total equity stood at ZMW 4.26bn as of FY23 (FY24 at ZMW 5.97bn), reflecting a 50% y/y growth. This increase is primarily driven by the substantial growth in retained earnings, which amounted to ZMW 3.88bn, representing a 51% y/y growth, and revaluation reserves of ZMW 0.20bn (+174% y/y). The company's share capital remained constant at ZMW 0.09bn throughout the review period. The significant growth in equity and retained earnings highlights the company's strong financial performance and prudent management practices, with total equity growing at a CAGR of 50% during FY20-24.

ZANACO's balance sheet reflects a robust and stable financial position, showcasing effective asset-liability management. The bank maintains a healthy level of liquidity to adequately cover its liabilities, ensuring financial resilience. The maturity profiles of assets and liabilities are adequately matched, with sufficient buffers to absorb any potential financial shocks. Importantly, no material risk exposures have been identified, underscoring the bank's sound financial health and prudent management practices. This demonstrates ZANACO's commitment to maintaining financial stability and protecting its stakeholders' interests.

CASH FLOW STATEMENT

In the cash flow statement, ICRA given lower weightage compared to the income statement and balance sheet because the business model is balance sheet driven. The financial health, stability, and profitability highly depend on the adequacy of its assets and liabilities, which cash flow statements do not directly evaluate. However, to assess the cash flow position of the bank, ICRA conducts a cash flow statement analysis based on the available information.

Cash Flow Statement Key Line Items				
ZMW ('000)	**FY20**	**FY21**	**FY22**	**FY23**
Cash generated from operations	3,843,742	3,079,025	8,727,345	157,279
Net Operating Cash Flow	3,578,025	2,271,829	7,797,594	(1,102,522)
Net Investing Cash Flow	(3,505,538)	(3,649,149)	(4,295,764)	999,330
Proceeds from borrowings	1,161,249	2,959,718	122,788	785,377
Net Financing Cash Flow	606,573	1,389,861	(922,088)	(518,315)

Table 12

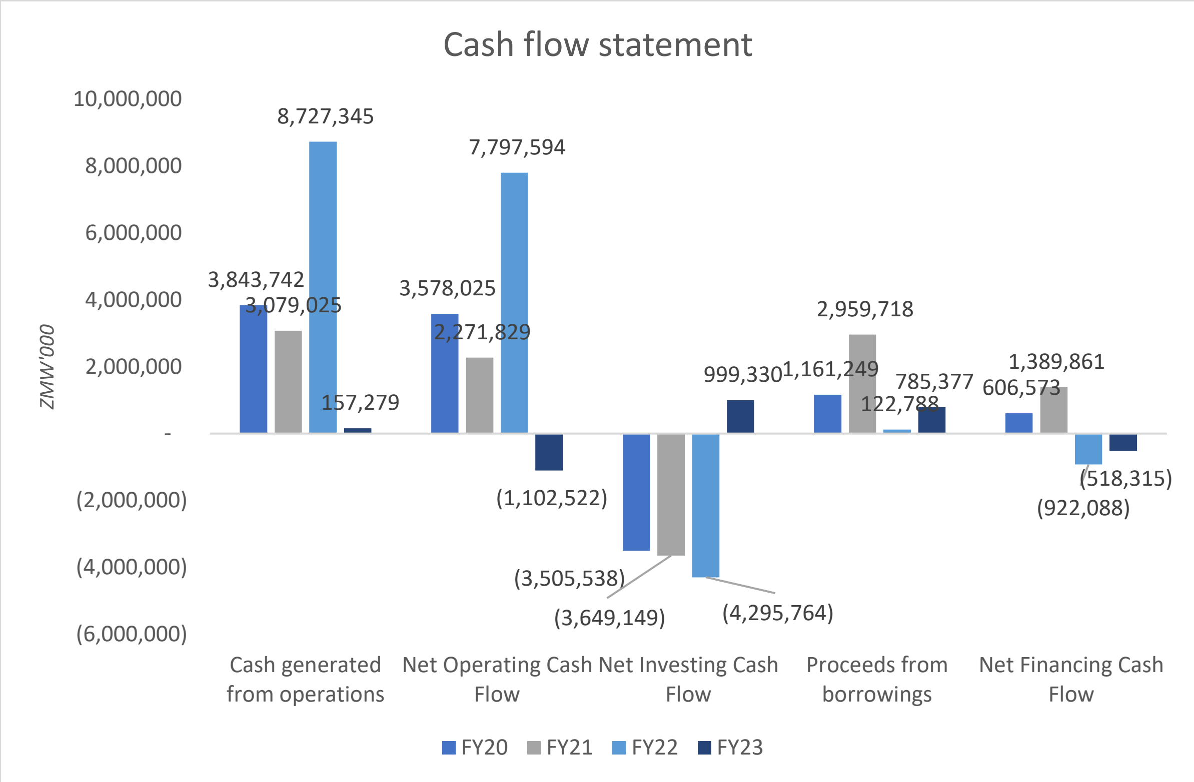
**Absolute figures are in billions.*

Net operating cash flow during FY23 has deteriorated to an outflow of ZMW 1.10bn from an inflow of ZMW 7.80bn in FY22, mainly due to higher outflows in operating assets and liabilities as a result of an increased loan portfolio and statutory deposits, which were partially offset by increased customer deposits. However, ICRA does not see the negative operating cash flow as a major risk for the bank, given the nature of the business model, where a high and growing loan portfolio generates a better topline for the bank. This was further supported by the improved credit quality of the bank's loan portfolio during FY23. This is a clear indication that the bank is improving its loan portfolio strategically while maintaining the credit risk of the portfolio at a lower level. This indicates that the bank has a quality customer base for their lending purposes.

FY23 net investment cash flow showed a positive inflow of ZMW 1bn compared to a cash outflow of ZMW 4.30bn, driven by proceeds from maturities of government securities. However, another considerable amount of cash was invested in government securities and trading assets during the year, indicating an active and risk-cautious investment strategy of the bank. The lower level of high-risk investment exposure further proves the bank's conservative investment strategy.

When examining financial activities, the company recorded a financing cash outflow of ZMW 0.52bn in FY23 compared to an outflow of ZMW 0.92bn in FY22, mainly underpinned by dividends, lease, and loan repayment. Throughout the review period, the bank has shown active financing transactions with improving dividend payments. ICRA does not expect any impact on loan repayments amidst the improving dividend payments, given the high liquidity, low credit risk, and improving operational performance of the bank.

ZANACO's cash flow performance shows a balanced approach between asset growth and investment strategy, maintaining liquidity despite increased operational outflows. The bank's strategic improvements in its loan portfolio and conservative investment approach indicate robust financial health and effective risk management.



RATIO ANALYSIS

EARNINGS QUALITY

Profitability ratios are critical to assess the earnings quality of a bank as they provide key insights into how effectively a bank generates profits from its assets and equity. It reveals the bank's ability to maximize income while managing costs, thereby reflecting its financial health and operational efficiency. Evaluating profitability ratios helps stakeholders understand the sustainability of the bank's earnings and make informed decisions regarding investments, regulatory compliance, and strategic planning.

Profitablity Ratios					
	FY20	FY21	FY22	FY23	FY24
Net Interest Margin (NIM)	12%	17%	13%	12%	13%
Cost to Income Ratio (CIR)	74%	56%	51%	48%	56%
Return on Assets (ROA)	1.1%	3.8%	3.8%	4.3%	3.7%
Return on Equity ROE)	18%	42%	41%	41%	29%

Table 13

**Absolute figures in billions.*

NIM indicates how efficiently a bank manages its interest rate spread, impacting overall revenue. A higher NIM generally suggests better interest income relative to interest expenses, highlighting strong financial health and effective asset-liability management. Over the review period, NIM remained stable at 12-13% except for FY21 at 17%. Stable NIM suggests that the bank is strategically utilizing its funds to generate interest throughout the review period.

The cost-to-income ratio for a bank measures its operational efficiency by comparing operating expenses to total income. It is important as a lower ratio indicates better efficiency and profitability, reflecting the bank's ability to control costs while generating income. ZANACO's CIR has fluctuated from 74% in FY20 and improved to 48% by FY23; however, it deteriorated again to 56%, indicating some inefficiencies in the operational expenses. However, given the FY24 results are unaudited, it is important to validate the deteriorated ratio against audited financials once released to come to definitive conclusions. However, till FY23, the bank has shown an improving CIR.

Return on Assets (ROA) and Return on Equity (ROE) are crucial for evaluating a bank's performance. ROA assesses how efficiently the bank utilizes its assets to generate profit, providing insights into its overall asset management and operational efficiency. ROE, on the other hand, measures the bank's ability to generate profit from shareholders' equity, reflecting the profitability from an investor's perspective. Both ROA and ROE reflect similar trends during the review period, where the ratio has improved and remained stable till FY23 at 4.3% and 41%. However, ROE has deteriorated to 29% in FY24 from 41% in FY23 as a result of increased average equity (+40% y/y) as well as flat net income in FY24 (-0.5% y/y).

When looking at the overall earnings quality and profitability of the bank, it remained strong and improved till FY23. However, in FY24, there was a slight deterioration mainly due to high operational expenses. Although this decline is not significant, it is crucial to implement corrective measures to return to historical or growing levels of profitability. Ensuring efficient cost management and maintaining a strategic focus on operational excellence will be key to sustaining the bank's long-term financial health.

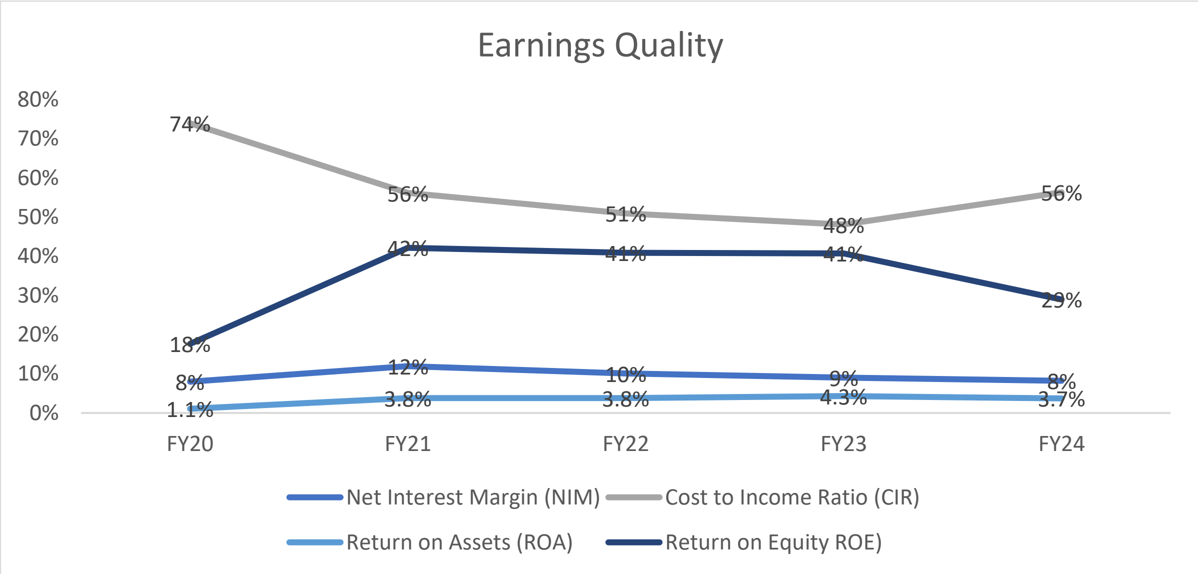


Exhibit 13

ASSET QUALITY

Asset quality ratios are critical as they assess the risk level of a bank's assets, ensuring regulatory compliance and maintaining investor confidence. They also influence credit ratings and overall financial performance by identifying potential loan defaults and ensuring efficient asset management.

Asset Quality				
	FY20	FY21	FY22	FY23
ECL Provision to Gross Loans	3.9%	3.2%	2.9%	2.7%
Gross NPL Ratio	6.1%	3.0%	5.2%	3.4%
Net NPL Ratio	2.3%	-0.2%	2.3%	0.7%
Provision Coverage Ratio (PCR)	62.7%	105.2%	55.4%	80.6%

Table 14

ECL provision to Gross Loans measures the expected credit loss provisions against total gross loans, reflecting the bank's preparedness for potential future loan defaults. This will vary based on both historical and future factors that impact the repayment of the loans. However, the bank's ECL provision to Gross Loans ratio remained stable at around 3% throughout the review period, indicating the soundness of the bank's credit loss assumptions.

The Gross NPL Ratio indicates the proportion of non-performing assets to total advances, highlighting the overall asset quality. A lower ratio suggests better asset quality and efficient loan management, essential for financial stability. Despite some volatilities, the gross NPL ratio improved to 3.4% in FY23 from 6.1% in FY20, indicating an improvement in the credit quality of the bank's loan portfolio. It is crucial for the bank to maintain this ratio at a stable level for better risk management.

The Net NPL Ratio measures net non-performing assets (after provisions) against total advances, showing the actual risk exposure. This ratio indicates how much the bank would have to absorb as an additional loss if all NPLs default, after deducting the provisions. Lower Net NPLs indicate effective provisioning and robust risk management practices of the bank.

Provision coverage ratio (PCR) can be used as a secondary measure to assess the extent of provisioning to cover NPLs. A higher PCR indicates that the bank has adequately provided for potential losses. As reflected in the Net NPL ratio, the company has adequately provisioned for non-performing loans. The ratio increased to 80.6% in FY23, indicating that ECL provisions cover 80% of potential defaults on NPLs.

ZANACO's asset quality has shown improvement over the review period. The stable ECL provision to Gross Loans ratio and the declining Gross NPL ratio reflects sound credit loss assumptions and enhanced credit quality. Effective provisioning and robust risk management practices are evident, contributing to overall financial stability and reduced risk exposure.

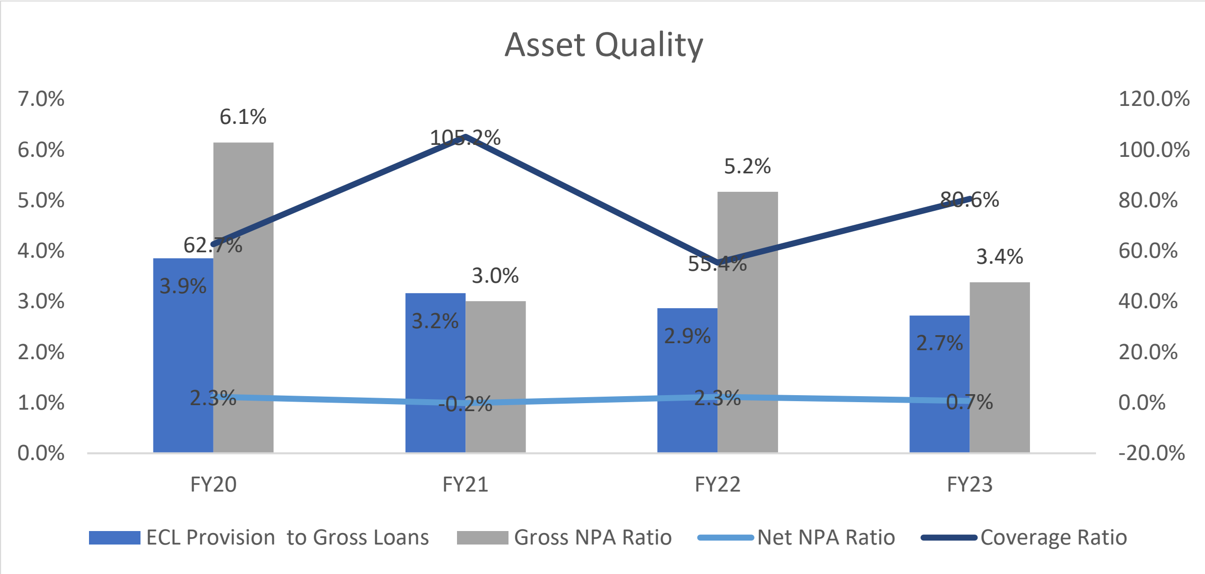


Exhibit 14

LIQUIDITY

Liquidity analysis is crucial for a bank as it ensures the bank has sufficient liquid assets to meet its short-term obligations and withdrawal demands. It helps in maintaining financial stability, preventing insolvency, and enhancing the bank's ability to respond to financial stress. Effective liquidity management also builds investor and customer confidence, supports regulatory compliance, and enables the bank to sustain operations smoothly even during economic downturns. By assessing liquidity ratios, banks can identify potential risks early and take proactive measures to mitigate them, ensuring long-term viability.

Liquidity				
	FY20	FY21	FY22	FY23
Loan to Deposit Ratio (LDR)	46.7%	49.5%	40.6%	47.8%
Unrestricted Cash to Deposit	18.6%	13.9%	16.2%	18.9%
Liquidity Coverage Ratio LCR (Reported)	299.7%	301.4%	334.0%	238.0%
Liquidity Ratio (Liq. Assets to Depo. & Bills Payables)	67.2%	71.7%	75.1%	68.9%

Table 15

A loan-to-deposit ratio (LDR) indicates the percentage of a bank's total deposits that are used to fund loans, essentially showing how much a bank is lending out compared to the deposits it holds. A higher LDR means a bank is lending a larger proportion of its deposits, potentially exposing it to more risk but also potentially generating higher profits, while a lower LDR signifies a more conservative approach with less lending activity and potentially lower risk. When looking at the LDR of ZANACO, it remained between 40-50% during the review period, indicating a very conservative approach towards managing its lending and liquidity risk, with a considerable amount of deposit funds in their investments.

Unrestricted cash to deposit assesses the proportion of unrestricted cash reserves to total deposits, highlighting the bank's ability to meet withdrawal demands. Higher ratios indicate better liquidity and financial stability. The bank has maintained the ratio between 15-20% from FY20 to FY23, except FY21 at 13.9%, indicating a healthy level of cash liquidity against deposits.

The short-term liquidity is further assessed through the LCR, which measures a bank's ability to handle short-term liquidity needs using high-quality liquid assets. It ensures the bank can meet cash outflows during financial stress, enhancing overall financial resilience. ICRA has not calculated the ratio as it requires some internal information not available to the public. However, for the analysis, ICRA considered the bank-reported ratios. The bank had maintained LCR over 200% during the review period, indicating that the bank has more than twice the amount of high-quality liquid assets (HQLA) to fund cash outflows over the next 30 days. This is a very strong position in terms of short-term liquidity indicating bank has more than 2 times of high-quality assets (HQLA) to fund the cash outflows over the next 30 days. This is very strong position in terms of short-term liquidity.

The total liquid assets to total deposit liabilities and bills payable ratio (liquidity ratio) evaluates a bank's liquid assets relative to its deposit liabilities and bills payable, reflecting its capacity to meet short-term obligations. During the review period, the bank maintained a liquidity ratio exceeding 65%, indicating a moderate level of liquid assets sufficient to cover 65% of its deposits and bills payable.

ZANACO's liquidity position appears strong and well-managed. The bank has maintained a conservative Loan to Deposit Ratio (LDR), indicating prudent lending and liquidity risk management. The Unrestricted Cash to Deposit ratio has been consistently healthy, reflecting good cash liquidity against deposits. Additionally, the bank's Liquidity Coverage Ratio (LCR) showcases its ability to handle short-term liquidity needs effectively. Overall, ZANACO demonstrates robust liquidity management, ensuring financial stability and resilience during periods of financial stress.

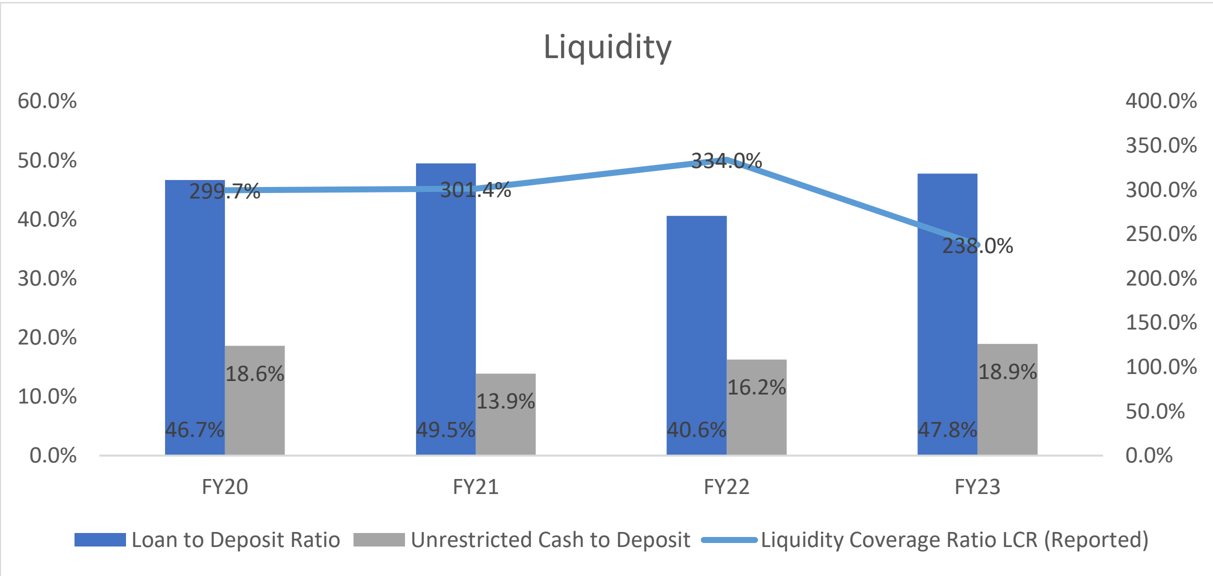


Exhibit 15

CAPITAL ADEQUACY

The Capital Adequacy measures a bank's capital relative to its risk-weighted assets, ensuring the bank can absorb potential losses and maintain solvency. It crucial for financial stability, regulatory compliance, and effective risk management, enhancing investor confidence in the bank's financial health and resilience.

Capital Adequacy					
	FY20	FY21	FY22	FY23	FY24
Tier 1 Capital Ratio	13.1%	17.1%	13.2%	19.3%	20.2%
Regulatory Requirement (Tier 1)	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Tier 1 Capital Buffer (PPTS)	*8.06*	*12.10*	*8.22*	*14.34*	*15.24*
Total Capital Ratio	13.5%	17.3%	13.3%	19.7%	20.5%
Regulatory Requirement (Total Capital)	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Total Capital Buffer (PPTS)	*3.54*	*7.35*	*3.35*	*9.70*	*10.53*

Table 16

Tier 1 Capital Adequacy measures the core capital relative to risk-weighted assets. It indicates the bank's financial strength and ability to absorb losses. It's crucial for maintaining solvency, regulatory compliance, and investor confidence, ensuring stability and resilience in times of financial stress. During the review period, the bank has maintained strong Tier 1 capital adequacy at double digits against the 5% minimum regulatory requirement. Further, over the years, the Tier 1 capital buffer has improved from 8 percentage points in FY20 to 15 percentage points in FY23, indicating low risk and improving capital adequacy.

Total Capital Adequacy measures a bank's overall capital relative to its risk-weighted assets, including both Tier 1 and Tier 2 capital. Unlike Tier 1, which focuses on core capital, Tier 2 includes subordinated debt, revaluation reserves, and general loan-loss reserves. It's essential for absorbing losses, supporting growth, and ensuring regulatory compliance, thus enhancing the bank's long-term stability. The total capital adequacy ratio also remained at a similar level to Tier 1 capital ratios, as the majority of the capital consists of core capital, indicating a strong financial foundation and the bank's ability to absorb losses and maintain stability during periods of financial stress.

ZANACO's capital adequacy is strong, demonstrating a robust financial foundation. The high proportion of Tier 1 capital ensures the bank's ability to absorb losses and maintain stability, supporting growth and regulatory compliance.

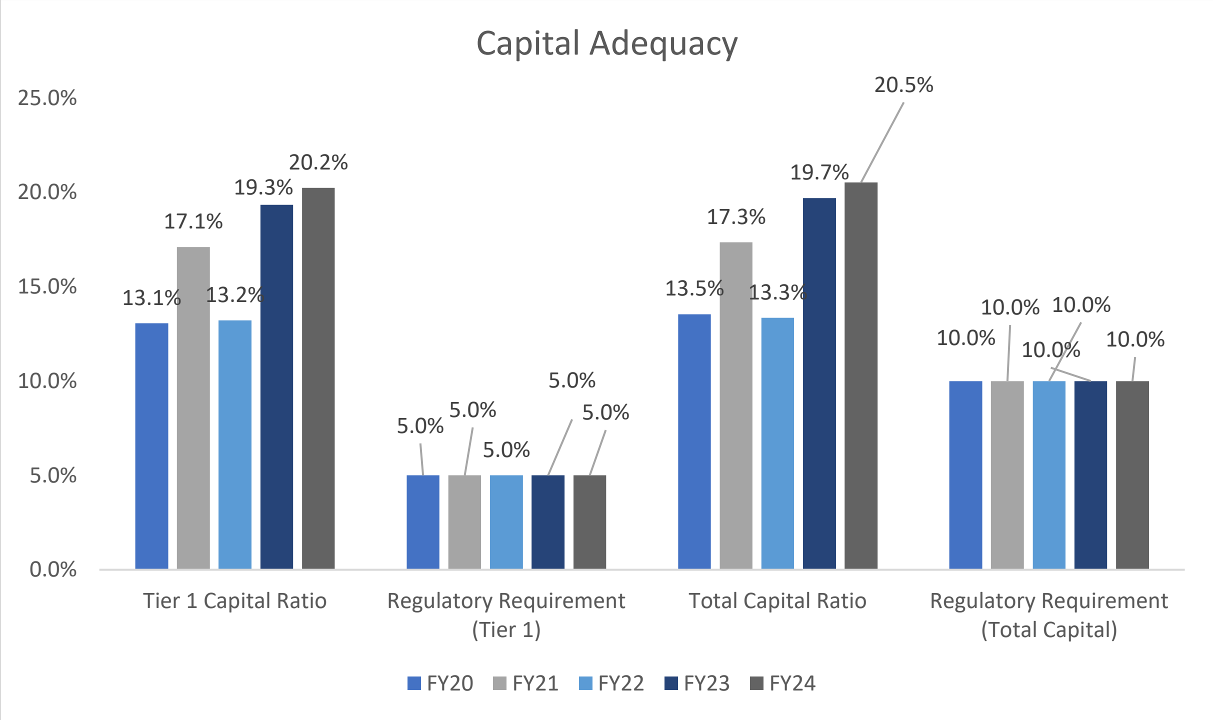

Capital Adequacy
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
13.1%
17.1%
13.2%
19.3%
20.2%
5.0%
5.0%
5.0%
5.0%
5.0%
13.5%
17.3%
13.3%
19.7%
20.5%
10.0%
10.0%
10.0%
10.0%
10.0%
Tier 1 Capital Ratio
Regulatory Requirement (Tier 1)
Total Capital Ratio
Regulatory Requirement (Total Capital)
FY20
FY21
FY22
FY23
FY24

Exhibit 16

ANNEXURES

FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT

Consolidated Income Statement					
ZMW ('000)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Interest income	2,144,984	3,537,273	3,876,846	4,728,291	5,649,906
Interest expense	695,288	998,586	924,148	1,253,813	2,104,796
Net interest income	**1,449,696**	**2,538,687**	**2,952,698**	**3,474,478**	**3,545,110**
fee and commission income	474,969	588,964	814,216	1,016,310	
fee and commission expense	178,839	288,285	438,902	586,004	
Net fee and commission income	**296,130**	**300,679**	**375,314**	**430,306**	
Other operating income	475,288	672,292	607,809	1,377,577	2,497,090
Total operating income	**2,221,114**	**3,511,658**	**3,935,821**	**5,282,361**	**6,042,200**
Impairment loss/credit	210,987	62,152	186,152	21,753	134,727
Net operating income	**2,010,127**	**3,449,506**	**3,749,669**	**5,260,608**	**5,907,473**
Employee benefits	695,544	896,913	881,432	1,199,802	
Administrative and general expenses	738,168	967,732	984,109	1,236,063	
Other expenses			132,856	105,787	
Transformation costs	209,079	107,278	6,855	-	
Total Operating Expenses	1,642,791	1,971,923	2,005,252	2,541,652	
Finance cost	13,097	13,755	12,042	13,243	
Total Expenses	**1,655,888**	**1,985,678**	**2,017,294**	**2,554,895**	**3,419,538**
Profit before income tax	**354,239**	**1,463,828**	**1,732,375**	**2,705,713**	**2,487,935**
Income tax expense	147,581	597,849	565,378	967,331	757,553
Profit after tax	**206,658**	**865,979**	**1,166,997**	**1,738,382**	**1,730,382**

Table 17

**Absolute figures in billions (same for the rest of the annexures).*

BALANCE SHEET

Balance Sheet					
ZMW ('000)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Assets					
Cash and balances at Central Bank	2,283,591	2,750,038	4,740,900	8,884,649	9,530,023
Balances with other banks	2,003,275	1,694,322	2,779,016	3,437,154	2,157,693
Trading assets	639,706	2,568,061	1,826,953	2,320,685	
Investment securities at amortised cost	5,858,066	7,743,740	12,819,157	11,637,063	11,608,283
Derivative financial assets	48,284	13,740	118,918	489,382	
Loans and advances to customers	7,328,493	9,566,818	12,056,527	16,176,644	19,910,700
Other assets	346,010	638,931	505,372	530,779	4,510,661
Amount due from related parties	-	-	-	-	-
Property and equipment	402,213	457,866	465,809	596,440	1,047,320
Intangible assets	257,635	345,904	209,461	293,748	
Right of use assets	72,532	66,000	54,250	128,815	
Deferred tax assets	100,487	258,685	275,532	304,860	
Investment in subsidiaries	-	-	-	-	
Total assets	**19,340,292**	**26,104,105**	**35,851,895**	**44,800,219**	**48,764,680**
Liabilities					
Deposits from other banks	510,158	499,933	77	1,865,725	792,607
Customer deposits	15,698,089	19,323,139	29,688,891	33,859,372	35,698,681
Amounts due to related parties	-	-	-	-	-
Derivative financial liabilities	1,185	316,356	42,060	599,954	
Current tax liabilities	4,417	290,505	45,055	151,916	
Other liabilities and accrued expenses	462,522	847,640	812,120	1,216,260	2,215,275
Lease liabilities	145,769	112,487	107,998	118,198	
Provisions for other liabilities	7,825	15,057	1,727	20,257	
Borrowings	1,338,529	2,645,336	2,302,144	2,704,002	4,089,816
Total liabilities	**18,168,494**	**24,050,453**	**33,000,072**	**40,535,684**	**42,796,379**
Equity					
Share capital	86,625	86,625	86,625	86,625	
Share premium	2,622	2,622	2,622	2,622	
Statutory reserves	86,625	86,625	86,625	86,625	
General reserves	41,967	49,428	34,034	8,120	
Revaluation reserves	70,529	74,436	72,917	199,719	
Retained earnings	883,430	1,753,916	2,569,000	3,880,824	
Total equity	**1,171,798**	**2,053,652**	**2,851,823**	**4,264,535**	**5,968,301**
Total equity & liabilities	**19,340,292**	**26,104,105**	**35,851,895**	**44,800,219**	**48,764,680**

Table 18

CASH FLOW STATEMENT

Cash Flow Statement				
ZMW ('000)	**FY20**	**FY21**	**FY22**	**FY23**
CF from Operating Activities				
Profit before income tax	354,239	1,463,828	1,732,375	2,705,713
Adjustments for non cash items:				
Impairment on loans and advances	147,424	106,020	48,407	212,043
Impairment on investment securities	111,239	53,141	144,599	(188,034)
Impairment on other assets	46,938	56,239	(24,094)	(3,269)
Impairment of capital work in progress	6,193	-	93,149	4,691
Unrealised exchange differences	271,069	(365,202)	106,233	568,226
Interest received	(3,854)	(6,523)	(28,367)	(44,133)
Interest expense	90,067	248,603	221,026	319,161
(Profit)/Loss on sale of assets	(778)	(3,239)	611	56
Depreciation on PPE	54,617	63,271	82,657	92,881
Amortisation of intangible assets	22,778	55,269	58,723	61,485
Amortisation of right-of-use asset	19,380	18,566	17,657	18,775
Interest expense on lease liabilities	13,097	13,755	12,042	13,243
Gain/(loss) arising from modification of leases	(7,807)	1,877	(5,717)	(2,979)
Fair value adjustment to derivatives	(110,856)	(182,893)	(366,941)	(332,360)
Defined benefit scheme adjustment	110,284	20,431	13,825	12,807
CF from operations before Op. Assets/Liablity Changes	**1,124,030**	**1,543,143**	**2,106,185**	**3,438,306**
Changes in operating assets and liabilities				
Loans and advances to customers	(2,685,587)	(2,216,598)	(2,497,580)	(4,371,294)
Statutory deposits	(568,107)	(386,568)	(941,271)	(3,272,227)
Other assets	99,459	(335,325)	107,295	(93,481)
Customer deposits	5,856,666	3,609,902	10,361,864	4,168,535
Other liabilities	17,281	864,471	(409,148)	287,440
Cash generated from operations	**3,843,742**	**3,079,025**	**8,727,345**	**157,279**
Interest received	3,854	7,194	28,367	44,133
Interest paid	(90,213)	(371,511)	(126,941)	(381,193)
Withholding tax paid	(161,687)	(320,524)	(394,687)	(434,773)
Tax paid during the year	(17,671)	(122,355)	(436,490)	(487,968)
Net Operating Cash Flow	**3,578,025**	**2,271,829**	**7,797,594**	**(1,102,522)**
CF from Investment Activities				
Investment in government securities	(8,860,542)	(7,900,336)	(12,560,763)	(5,548,504)
Proceeds from maturities of government securities	5,824,976	5,961,521	7,340,747	6,918,632
Investment in trading assets	(680,413)	(2,899,834)	(1,225,452)	(1,970,962)
Proceeds from maturities/sale of trading assets	539,668	1,456,988	2,256,643	1,920,162
Purchase of property and equipment	(67,235)	(126,365)	(90,698)	(170,097)
Proceeds on disposal	-	3,239	765	65
Purchase of intangible assets	(261,992)	(144,362)	(17,006)	(149,966)
Investment in subsidiaries	-	-	-	-
Net Investing Cash Flow	**(3,505,538)**	**(3,649,149)**	**(4,295,764)**	**999,330**
CF from Financing Activities				
Proceeds from borrowings	1,161,249	2,959,718	122,788	785,377
Repayment of borrowings	(444,509)	(1,450,581)	(645,867)	(839,642)
Principal lease payments	(35,039)	(37,198)	(35,072)	(42,475)
Dividends paid	(75,128)	(82,078)	(363,937)	(421,575)
Net Financing Cash Flow	**606,573**	**1,389,861**	**(922,088)**	**(518,315)**
Net decrease/ (increase) in cash and cash equivalents	**679,060**	**12,541**	**2,579,742**	**(621,507)**
Cash and cash equivalents at the beginning of the year	**1,618,968**	**2,405,513**	**2,062,360**	**4,696,501**
Effects of exchange rate changes on cash and cash equivalents	107,485	(355,694)	54,399	285,519
Cash and cash equivalents at the end of the year	**2,405,513**	**2,062,360**	**4,696,501**	**4,360,513**

Table 19

GLOSSARY

&	:	*And*
ATM		*Automated teller Machine*
bn	:	*Billions*
BOZ	:	*Bank of Zambia*
c.	:	*Approximately*
CAGR	:	*Cumulative Average Growth Rate*
CEO	:	*Chief Executive Officer*
cf.	:	*Compared to*
CFO	:	*Chief Financial Officer*
CIB		*Corporate and Investement Banking*
COO	:	*Chief Operating Officer*
ESG		*Environmental, Social, and Governance*
FX		*Foreign Exchange*
FYxx	:	*Financial Year ending 31-December-20xx*
IAS	:	*International Accounting Standards*
ICRA	:	*International Credit Rating Agency*
IDC	:	*Industrial Development Company*
IFRS	:	*International Financial Reporting Standards*
IMF	:	*International Moetroy Fund*
k	:	*Thousands*
LuSE	:	*Luksala Stock Exchange*
m	:	*Millions*
MBA	:	*Master of Business Administration*
MD	:	*Managing Director*
N/A	:	*Not Applicable*
NAPSA	:	*National Pension Scheme Authority*
OPEX	:	*Operating Expenses*
PACRA	:	*Patents and Companies Registration Agency*
PIA	:	*Pension and Insurance Authority*
PLC	:	*Public Listed Company*
POS	:	*Point of Sales*
QR		*Quick Response*
ROCE	:	*Return on Capital Employed*
USD	:	*United States Dollar*

USSD		*Unstructured Supplementary Service Data*
vs.	:	*Versus*
x	:	*times*
y/y	:	*Year over Year*
ZANACO	:	*Zambia National Commercial Bank PLC*
ZWM	:	*Zambian Kawcha*

REFERENCES

- Bank of Zambia Publications
  - https://www.boz.zm/Bank_of_Zambia_2023_Annual_Report.pdf
  - https://www.boz.zm/National_Symposium_2025_Budget_Presentation.pdf
- Company Website & annual reports published
  - https://www.ZANACO.co.zm/
- Simple wallstreet
  - https://simplywall.st/stocks/zm/banks/luse-ZANACO/zambia-national-commercial-bank-shares/management

DISCLAIMER

The material in this report is confidential and proprietary of ICRA Rating Agency Limited (ICRA, hereinafter referred to as 'Company' or 'Subject') and may not be copied, reproduced, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any such purpose, in whole or in part, in any form or any manner or by any means whatsoever, by any person without express authorisation of ICRA Rating Agency Limited.

All information contained herein is obtained by ICRA Rating Agency Limited from various sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind and ICRA Rating Agency Limited, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion and ICRA Rating Agency Limited shall not be liable for any loss incurred by users from any use of this report or its contents.

ICRA Rating Agency Limited's information and opinion should not be the only criterion when making business decisions on subject of report. Data in this report should be considered as an additional factor together with others in order to reach a decision.

In the course of its work, ICRA Rating Agency Limited may have received information from the "Subject Entity" being rated or graded or assessed, besides the fact that the report may also contain data/information available in the public domain or that made available through secondary sources.

Date: 17th March 2025