

Bank of Zambia



2020 CREDIT MARKET MONITORING REPORT

IMPACT OF THE COVID-19 PANDEMIC ON THE ZAMBIAN CREDIT MARKET

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DEFINITIONS

1. Banks	Commercial banks licensed by the Bank of Zambia and subject to the provisions of the Banking and Financial Services Act.
2. Building societies	Non-bank financial institutions largely involved in providing housing finance.
3. Financial system	The financial system comprises financial intermediaries, markets, and infrastructure whose core tasks include financial intermediation, transmission of payments, pricing of instruments and the appropriate redistribution of risks.
4. Households and Individuals	The Households and Individuals segment relates to all households and individuals, engaged in personal and household activities.
5. Government	The Government segment refers to Government bodies such as central government, local government, parastatals, and statutory bodies.
6. Large Businesses	Businesses with 101 or more employees.
7. Large Agriculture	Medium farms to extra-large farms (more than 50 hectares). Large farms owned by foreign investors/non-Zambian citizens.
8. Leases and asset-backed credit	Leases and asset-backed credit products refers to credit transactions secured by movable property or assets i.e., vehicle, equipment, or any other asset.
9. Micro Finance Institutions	Microfinance institutions licensed by the Bank of Zambia and subject to the (small business development) provisions of the Banking and Financial Services Act that have at least 80 percent of their loan books in MSMEs loans.
10. Micro Finance Institutions –	Microfinance institutions licensed by the Bank of Zambia and subject to the other provisions of the Banking and Financial Services Act that have at least 80 percent of their loan books in consumer loans.
11. Mortgage agreements	Mortgage agreements refers to credit transactions secured by a pledge of immovable property (i.e., titled land, house, building, or permanent structure).
12. Other End-Users	The Other End-Users refers to all other credit end-user categories not accounted for in the above categories, and include banking institutions, non-bank financial institutions, embassies, affiliated companies, non-resident individuals and entities.
13. Other NBFIs	Non-bank financial institutions that are not part of the above categorisation.
14. Revolving credit facilities	Revolving credit facilities refer to facilities where a borrower may access a credit line up to a pre-approved limit. Repayment is made periodically and may include a minimum instalment.

15. Rural/Urban	Credit granted to entities resident in rural and urban areas by province. The rural and urban classification is in Appendix 11. Rural and urban classifications was based on areas according to the address of the borrower. If such information was not available, classification was based on credit granted according to the location of the credit-granting branch.
16. Small Agriculture	<p>Smallholder farmers with up to 5 hectares. Small emergent farmers - between 5-20 hectares.</p> <p>Large emergent farmers - between 20-50 hectares.</p>
17. Small Businesses	<p>Single person businesses (may have 1 or more unpaid employees).</p> <p>Businesses with 1-100 paid employees, apart from the owner.</p>
18. Unsecured loans	Unsecured loans refer to term loans which are not secured by a pledge of immovable or movable property, or assets. For example, a loan granted to a household for building a house incrementally or for improving an existing structure is deemed an unsecured loan if it is granted without collateral.
19. Youth	For the purposes of this report, youth refer to individuals between 18 and 35 years at time of entering into a credit agreement.

PREFACE

The Credit Market Monitoring Report presents an annual overview of Zambia's credit market with particular focus on access to credit and quality of the loan book. It analyses the level of credit disbursement, the size of the credit book and debt performance according to defined credit end-user categories. This report has also looked closely at the level of credit to households and individuals. The objective of the report is to provide the credit market with aggregated credit data¹ to promote market development. It is based on quarterly credit returns submitted by the credit providers operating under the supervisory ambit of the Bank of Zambia (BoZ). The formal Zambian credit market comprises the banking and the non-bank financial institutions (NBFIs) sectors. As at 31 December 2019, the banking sector comprised 18 banks while the NBFI sector comprised 44² credit providers (Table 1).

The BoZ has been collecting credit returns from licensed credit providers since the first quarter of 2016. These returns contain data on the number and value of credit disbursements within a quarter, as well as on the number of loans and the value of the loan book at the end of each quarter³. The returns also contain data on credit agreement size, credit performance, and credit maturity. The tables and graphs in the report are built from aggregating the returns across the market. The purpose of this report is to:

- (i) Disseminate qualitative and quantitative credit data to stakeholders in the credit market;
- (ii) Track and measure credit activity;
- (iii) Assist the BoZ and credit providers to monitor credit trends and identify financial distress for specific sectors and credit end-user categories;
- (iv) Assist in the formulation of regulatory interventions that could support effective and appropriate credit policy; and
- (v) Enable credit providers to perform peer and sector analyses, update their borrower and market risk models, and design new products. This should result in improved decision-making and market functioning.

The report is an analysis of the credit market across three main dimensions as follows:

- (i) Credit product-type (mortgages, revolving credit, secured loans, and unsecured loans);
- (ii) Credit end-user category (households, large businesses, small businesses, large agricultural businesses, small agriculture, government, and other end-users); and
- (iii) Credit provider (banks, microfinance institutions, building societies, savings and credit institutions, leasing finance institutions and other financial businesses).

The report provides a brief overview of credit performance in Zambia and gives a general outlook of credit across these dimensions. The report also includes an overview of the financial inclusion data by focusing on access to credit for women and youths.

¹This data includes the number and value of credit disbursements within a quarter, as well as on the number of loans and the value of the loan book at the end of each quarter. Data on credit size, performance and maturity is also collected. Disbursements are cumulative flows of loans in the quarter, while the loan book is the stock of loans measured at the end of the quarter. The data is aggregated across the market and is available on the BoZ website <http://www.boz.zm/credit-market-monitoring-reports.htm>.

²The analysis contained in this report is based on information submitted by 18 banks and 43 NBFIs. One MFI did not submit its credit market monitoring return as at end December 2019 because it had just been licenced and had not yet started operations.

³Disbursements are the cumulative flow of new loans in the quarter, while the loan book is the stock of loans measured at the end of the quarter.



Executive Summary

1. In 2020, the Zambian credit market, as measured by the outstanding loan book, grew by 20.3 percent to K51,437.0 million. The growth was primarily driven by Kwacha loan disbursements, coupled with the depreciation effects of the Kwacha on loans denominated in foreign currency.
2. Credit disbursements, however, declined by 7.9 percent to K29,730.2 million, compared to a 58.3 percent growth in the previous year. The decline in the level of disbursements was largely a result of the COVID-19 pandemic shock which negatively impacted economic activity.
3. The COVID-19 pandemic made a mark on the global economy and the Zambian market specifically. The economic ripple effects were felt across multiple sectors that struggled to stay afloat amid the pandemic induced economic turbulence.
4. Consumer spending shrunk to a five-year low due to elevated inflation and the depreciation of the local currency against all major tradable currencies. The slow-down in economic growth was exacerbated by job losses and reduced salaries that further weakened the purchasing power of consumers.
5. A decline in domestic revenue on account of lower tax collections, coupled with higher spending requirements induced by pandemic related expenditure, and lower foreign direct investment led to worsening fiscal health.
6. Credit risk as measured by the ratio of non-performing loans to gross loans increased to 14.2 percent from 11.3 percent at the end of the previous year due to the adverse impact of the pandemic on the ability of customers to service their loans.
7. In response to this, the Bank of Zambia (BoZ) instituted a number of relief measures aimed at cushioning the impact of the COVID-19 pandemic on the financial sector. Financial service providers (FSPs) were permitted to restructure existing credit facilities of counterparties that had been adversely affected by the COVID-19 pandemic. The credit facilities that were restructured were considered as current and FSPs were not required to raise loan loss provisions. The BoZ further issued new rules through the Banking and Financial Services (Classification and Provisioning of Loans Directives), 2020 which allowed FSPs to recognise collateral when computing provisions for loan losses. The BoZ also provided liquidity support through the Targeted Medium-Term Refinancing Facility (TMTRF) of K10.0 billion to eligible FSPs for onward lending mainly to identified priority sectors of the economy and households.
8. All these measures put together, were designed to make available critical support to FSPs, and hence safeguard financial stability. By offering relief from provisioning requirements, FSPs were able to conserve capital. In addition, by providing liquidity support for onward lending to the market, the BoZ helped preserve key sectors, businesses, and households to keep economic activity afloat, in anticipation that these firms and households would play a key role in recovery.
9. Long-term use of such measures would, however, result in an undesirable or adverse impact on financial stability, and hence these measures were to be reversed or un-wound over time.
10. The sector remained resilient amid the COVID-19 shock as total regulatory capital of the financial sector stood at K16,019.4 million compared to risk-weighted assets of K74,202.2 million. Consequently, the consolidated capital ratio of the banking sector and non-bank financial institutions sector stood at 21.6 percent, far above the 10.0 percent regulatory benchmark, indicating that the financial sector had a high level of capital that was adequate to absorb unexpected losses.
11. The following key lessons have been learnt from the COVID-19 pandemic:
 - It is imperative for FSPs to hold sufficient capital to absorb unexpected losses. A resilient financial system is fundamental to financial stability. In this regard, the BoZ should always ensure that FSPs have the capacity to endure any sudden severe shocks that may arise.
 - Liquidity support to the financial sector was essential to ensure that FSPs continued to provide credit to households and firms at a time when credit risk appetite of FSPs had declined.

12. Going forward, the following should be considered in the development of policy interventions for the short to medium-term:
- Unwinding of relief measures taken to mitigate the negative impact of COVID-19 should be gradual to prevent undesirable effects on financial stability.
 - The Bank will need to determine whether additional liquidity support will be necessary going forward, especially for those economic sectors that are still adversely affected by the pandemic.
 - Crisis management procedures should be continually reviewed and enhanced to ensure preparedness for future crises.
 - Stress-testing should become a critical component in assessing the resilience of the financial sector to adverse shocks and hence safeguard financial stability.



CHAPTER 1

STRUCTURE OF THE ZAMBIAN CREDIT MARKET

13. This chapter discusses the structure of the credit market in Zambia in terms of the type of credit providers, the broad categories of credit products and the credit end-user categories. The chapter also discusses the size of the overall credit market comprising credit to both the private sector as well as to the Government.

Credit Service Providers in the Market

14. At the end of December 2020, the formal Zambian credit market comprised 60 credit service providers in the banking and the non-bank financial institutions (NBFIs) sectors. The banking sector comprised 18 banks while the NBFi sector comprised 42 credit providers (Table 1)⁴.

TABLE 1: CREDIT PROVIDERS

Type of Institution	Number of Institutions			
	Q1	Q2	Q3	Q4
Commercial Banks	18	18	18	18
Non-Bank Financial Institutions				
Leasing Finance Institutions	2	2	2	2
Building Societies	1	1	1	1
Savings and Credit Institutions	1	1	1	1
Microfinance Institutions ⁵	32	33	32	33
Development Finance Institutions	1	1	1	1
Financial Businesses	4	4	4	4
Sub-total	41	42	41	42
Grand Total	59	60	59	60

Types of Credit Products Delivered

15. Through the credit market monitoring returns (CMMR), the BoZ has been collecting credit data from licensed credit providers which is categorised by product type as follows:

- Mortgages;
- Leases and other asset-backed loans;
- Unsecured loans; and
- Revolving credit facilities.

Definitions of the types of credit products are provided in Appendix I.

⁴<http://www.boz.zm/financial-institutions.htm> provides a list of institutions under each institution type.

⁵The movement in the MFIs subsector in Q1 to Q2 was due to one new licence, in Q2 to Q3, two licences were cancelled, while Q3 to Q4, there was one liquidation of an MFI.

Credit End-Users

16. The CMMR collects demand-side of the credit market as follows:
- Large agricultural farms;
 - Small and emergent agricultural farms;
 - Large business enterprises;
 - Micro, small and medium-size enterprises;
 - The Government (made up of Central Government, local government, parastatals, and statutory bodies);
 - Households and individuals; and
 - All other credit end users not specifically categorised above.

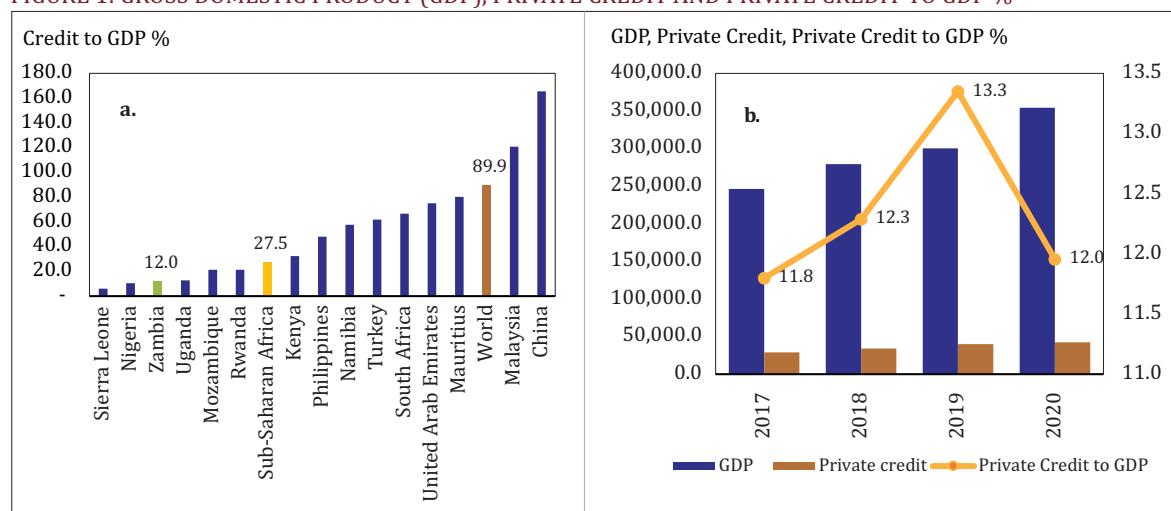
Definitions of the credit end-users are provided in Appendix I

Size of Credit Market

17. The Zambian credit market, as measured by the outstanding loan book, grew by 20.3 percent to K51,437.0 million from K44,022.5 million in 2019. This growth was primarily driven by Kwacha loan disbursements coupled with, to a smaller extent, the depreciation effects of the Kwacha on loans denominated in foreign currency. By the end of the year, the Kwacha depreciated to K21.16 to the US Dollar from K14.05 at the end of 2019.
18. The private sector credit to Gross Domestic Product (GDP) ratio⁶ declined to 12.0 percent from 13.3 percent in the previous year (Figure 1 b), and remained below the Sub-Saharan Africa (SSA) average of 27.5 percent and the global average of 89.9 percent (Figure 1 a).
19. The decline in the ratio was primarily on account of a slowdown in the growth of credit in the private sector loan book of 5.6 percent, compared to a 16.8 percent growth in the preceding year, as the COVID-19 shock had an adverse impact on the Zambian economy in general and private enterprise. As a result, Zambia recorded a negative GDP growth rate of 3.0 percent, from a growth rate of 1.4 percent in the previous year. The Government loan book on the other hand recorded a growth of 133.0 percent.

⁶The credit to GDP ratio is used as a proxy measure of financial development and excludes Government lending. Zambia's level of financial development, relative to other Commonwealth nations is relatively low and provides scope for improvement. This is based on the premise that economic development is dependent on the easing of financing constraints for firms and households and improving resource allocation through more efficient financial intermediation and consequent financial deepening. Conversely, excessive build-up of private credit can also be a source of financial instability through pro-cyclicality between credit and asset prices. Therefore, credit to GDP serves as an indicator of both financial development and financial stability.

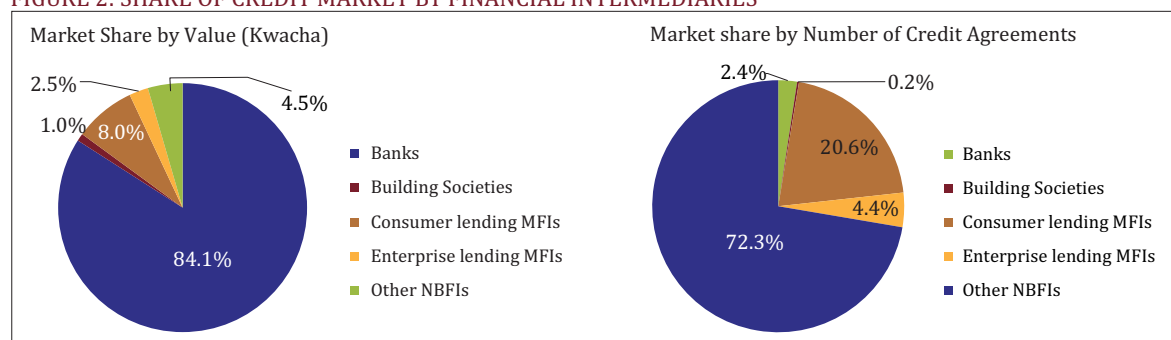
FIGURE 1: GROSS DOMESTIC PRODUCT (GDP), PRIVATE CREDIT AND PRIVATE CREDIT TO GDP %



Source: World Bank and Bank of Zambia

20. Credit disbursements significantly declined by 7.9 percent to K29,730.2 million, compared to a 58.3 percent growth in the previous year, largely driven by the COVID-19 pandemic shock which negatively impacted economic activity.
21. Commercial banks accounted for the larger component of the value of loans disbursed at 84.1 percent. Although banks provided the bulk of credit to the Zambian market by value, they only accounted for 2.4 percent of disbursements by volume. NBFIs provided a higher number of credit agreements in the market at 97.6 percent which were largely driven by digital loans (Figure 2).

FIGURE 2: SHARE OF CREDIT MARKET BY FINANCIAL INTERMEDIARIES



IMPACT OF THE COVID-19 PANDEMIC ON THE ZAMBIAN CREDIT MARKET

Background

22. This chapter focuses on the impact of COVID-19 on the Zambian credit market and the BoZ response to mitigate the effects of this shock. The COVID-19 pandemic made a mark on the global economy and the Zambian market specifically. The economic ripple effects were felt across multiple sectors, that struggled to stay afloat amid the pandemic induced economic turbulence. It also provides a timeline of events leading up to the pandemic and provides an analysis of its impact on the various credit end-users, their appetite for and ability to obtain credit from the FSPs regulated by the BoZ. In addition, this chapter discusses the various regulatory interventions that the BoZ implemented to ensure sustained access to credit. It further provides an analysis of the potential impact of the measures on the FSPs, and the financial sector and makes policy recommendations and their implications for financial stability.
23. The years preceding the pandemic recorded a sharp rise in public investment due to a rapid scaling-up of investment in public infrastructure. This notwithstanding, the Zambian economy was on a declining trajectory, with GDP growth sliding from 3.7 percent in 2018, to a paltry 1.4 percent in 2019. Inflationary pressures had already ensued, as inflation breached the target range of 6-8 percent at 11.7 percent. A widening fiscal deficit, high external debt repayment costs and resultant exchange rate volatility loomed over the Zambian economy in 2019. This coupled with drought, a decline in mining sector activity and rampant power cuts, made for a difficult outlook to navigate⁸.
24. At the start of 2020, the World Health Organisation (WHO) announced that a new flu-like virus had emerged in Wuhan Province of China and declared it as a public health emergency of international concern. By 11th March 2020, WHO declared the outbreak of COVID-19 as a global pandemic⁹, with Zambia recording its first two cases of the disease on 18th March 2020. By 31st December 2020, Zambia had recorded a cumulative total of 20,725 COVID-19 cases and 388 deaths¹⁰. At the on-set of the pandemic, measures were put in place to curtail the spread of the virus, some of which included the closure of all but Kenneth Kaunda International Airport, mandatory 14-day quarantine of all travellers into the country and introduction of screening at ports of entry. Other measures included the closure of schools, nightclubs, bars and cinemas, restrictions on public gatherings and mandating of the wearing of face masks.
25. The country, consequently, plunged into a recession, with GDP contracting by 3.0 percent¹¹ compared to global contraction of 3.3 percent. This was mainly because of a decline in the wholesale and retail trade, education, construction, accommodation and food services, and arts, entertainment, and recreation sectors largely attributable to the containment measures put in place to slow down the spread of COVID-19 pandemic both locally and globally. Containment measures put in place domestically adversely impacted revenue streams. Further, due to lockdowns imposed abroad, tourism revenues declined, as numbers of international arrivals dwindled.
26. Consumer spending also shrunk to a five-year low due to elevated inflation and the depreciation of the local currency against all major tradable currencies. The slow-down in economic growth was exacerbated by job losses and reduced pay which further weakened the purchasing power of consumers.

⁸IMF Country Report No. 19/263

⁹<https://www.who.int/emergencies/diseases/novel-coronavirus-2019/interactive-timeline>

¹⁰Zambia National Public Health Institute

¹¹Bank of Zambia Financial and other statistics booklet

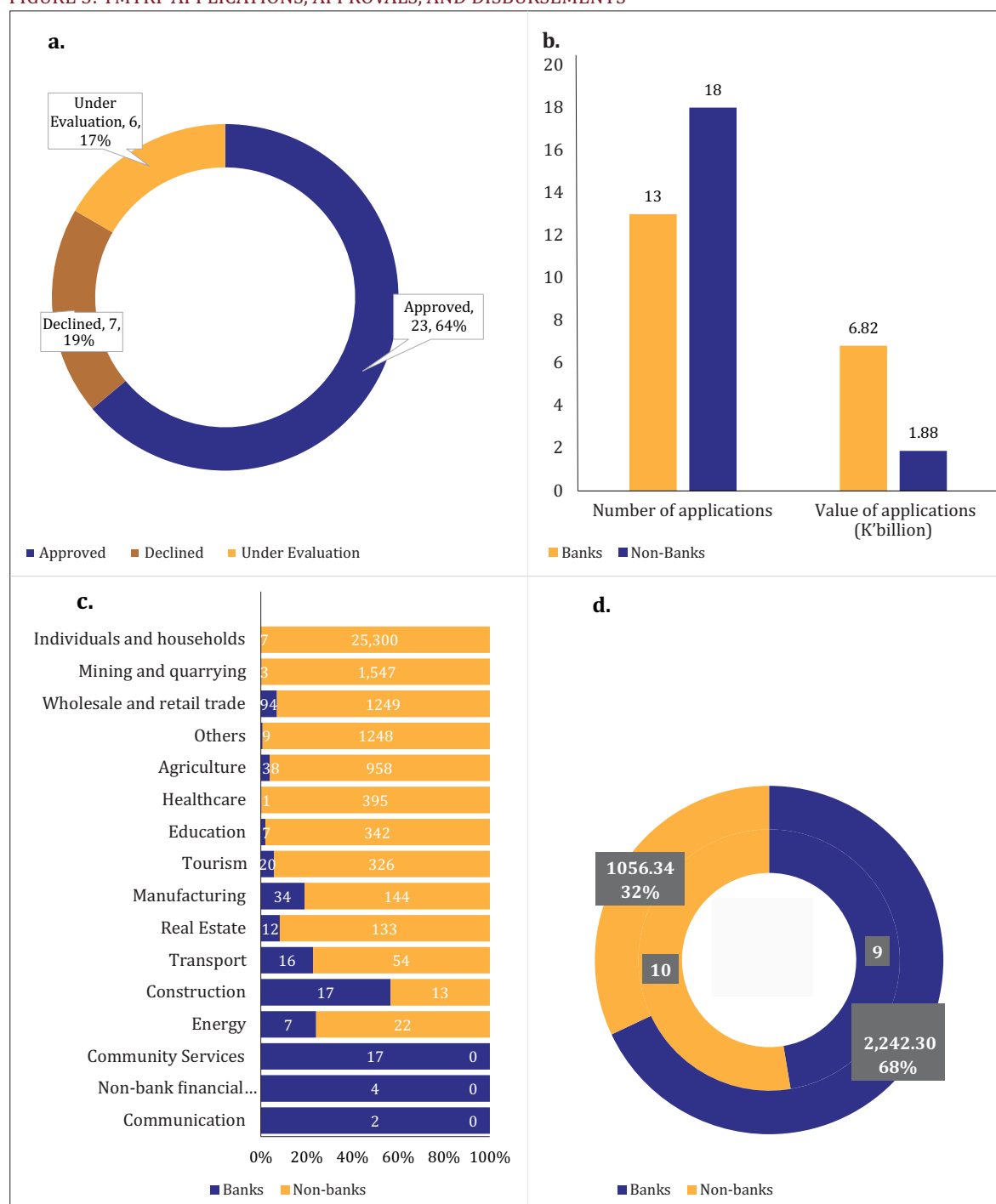
27. Declining domestic revenue on account of lower tax collections, coupled with higher spending requirements induced by pandemic related expenditure, and lower foreign direct investment led to worsening fiscal health for not only Zambia, but other sub-Saharan countries¹².
28. Credit risk, as measured by the NPL ratio, therefore, increased to 14.2 percent from 11.3 percent at the end of the previous year due to the adverse impact of the pandemic on the ability of customers to service their loans.

Bank of Zambia Measures

29. The BoZ instituted a number of relief measures aimed at cushioning the impact of the COVID-19 pandemic on the financial sector.
30. As part of the relief measures, the BoZ allowed FSPs to restructure existing credit facilities of counterparties that had been adversely affected by the COVID-19 pandemic. The credit facilities were restructured by granting of payment moratoriums or extensions of loan tenor for an initial period of up to one year. The credit facilities that were restructured were considered as current and FSPs were not required to raise loan loss provisions. The BoZ further issued new rules through the Banking and Financial Services (Classification and Provisioning of Loans Directives), 2020 which allowed FSPs to recognise collateral when computing provisions for loan losses. The BoZ also provided liquidity support through the Targeted Medium-Term Refinancing Facility (TMTRF) of K10.0 billion to eligible FSPs for onward lending mainly to identified priority sectors of the economy.
31. All these measures put together, were designed to make available critical support to FSPs, and hence safeguard financial stability. Offering relief from provisioning requirements was aimed at conserving capital. In addition, by providing liquidity support for onward lending to the market, the BoZ helped preserve key sectors, businesses, and households to keep economic activity afloat, in anticipation that these firms and households would play a key role in recovery.
32. At end-December 2020, 31 FSPs had applied for support under the TMTRF amounting to approximately K8,700.2 million. Of these applications received, a total of K7,758.8 million was approved for lending to 23 FSPs, 57.9 percent of which was to priority sectors, and 42.1 percent to non-priority sectors (Figure 5). However, in terms of disbursements, only K3,298.7 million of the approved amounts had been disbursed to 17 FSPs, leaving K4,460.1 million un-disbursed, representing an un-disbursed component of 57.5 percent. The delays in disbursements were mainly because of credit underwriting procedures by FSPs as well as the need for FSPs to meet collateral requirements.

¹²Bank of Zambia 2020 Annual Report

FIGURE 3: TMTRF APPLICATIONS, APPROVALS, AND DISBURSEMENTS



33. The delays in the disbursements notwithstanding, a total of 32,019 customers of FSPs received credit through the facility by end-December 2020, which accounted for 3.5 percent of non-digital credit disbursements (Figure 5).
34. The 2020 PwC survey on the effectiveness on the TMTRF showed that majority of commercial banks were of the view that the TMTRF was effective and met its intended objective of alleviating the challenges faced by the targeted sectors. Conversely, NBFIs were mainly of the view that the TMTRF did not meet its intended objective (Figure 4)¹³.
35. The main challenge identified by the survey in accessing the TMTRF was the stringent collateral requirements. In addition, commercial banks reported the pricing guidelines associated with the facility

¹³2020 Bank and Non-Bank Industry Survey – August 2021, PwC

as the greatest challenge. NBFIs on the other hand, reported the requirement for disbursements within 48 hours of receiving funds from the BoZ, matching the tenor of customer facilities with that of the TMTRF, and a lack of demand from customers as challenges (Figure 5). The disparity in challenges spoke to the structural differences between banks and NBFIs, as the challenges varied across banks and NBFIs.

FIGURE 4: EFFECTIVENESS OF TMTRF IN RESPONDING TO COVID-19¹⁴

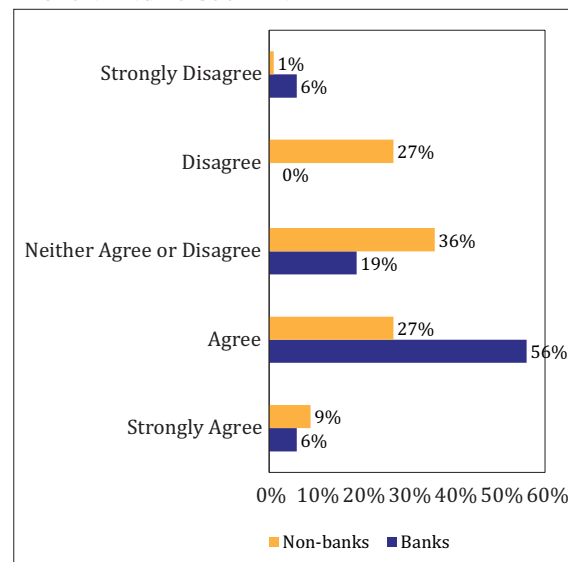
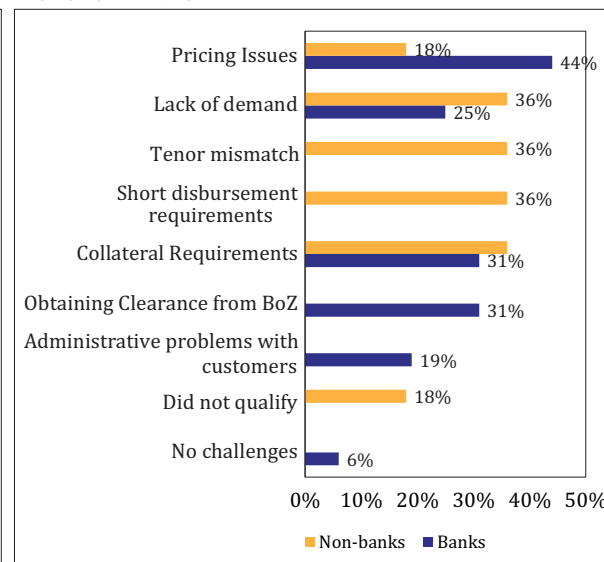


FIGURE 5: CHALLENGES FACED WITH ACCESS AND DISBURSEMENTS¹⁵



36. With regards to restructuring of loans, FSPs took advantage of this option by giving payment holidays or moratoriums to customers who were significantly impacted by the pandemic. Other institutions amended the interest amounts payable whereas others extended the tenor of the facilities to help ease the burden on customers.
37. At end-December 2020, a total of 1,764 loan accounts were restructured by the commercial banks, with a total value of K2,259.2 million. The new terms on these restructured loans resulted in a drop in the weighted average lending rate of 1.3 percent to 14.5 percent from 15.8 percent prior to the restructuring. The simple average rate on the other hand declined by only 0.3 percent to 49.2 percent from 49.5 percent as most of these represented shorter-term facilities which received payment moratoriums rather than reduced interest rates. Adjusting for the shorter-term loans, the simple average rate declined to 40.1 percent. The simple average loan tenor increased by only 1 month to 29 months from 28 months prior to the restructures. Similarly, it should be noted that this average was skewed by the smaller loans which were of shorter tenors. A total of 2,435 loan accounts were restructured by NBFIs with a total value of K104.2 million.

Implications of Unwinding of the measures

38. The positive impact of the measures taken by the BoZ notwithstanding, long-term use of such measures had the potential to result in an undesirable or adverse impact on financial stability, and hence these measures needed to be reversed or un-wound over time. For instance, although the use of payment moratoriums was a well-known policy tool for providing relief to borrowers facing short-term liquidity challenges, it could create a disincentive for customers to repay their debts going forward, and hence create a poor credit culture. Moratoriums could also result in a growth in loan balances over time thereby increasing credit risk and might create liquidity challenges for borrowers who would have to pay more later¹⁶.

¹⁴Source 2020 Bank and Non-Bank Industry Survey – August 2021, PwC

¹⁵Source 2020 Bank and Non-Bank Industry Survey – August 2021, PwC

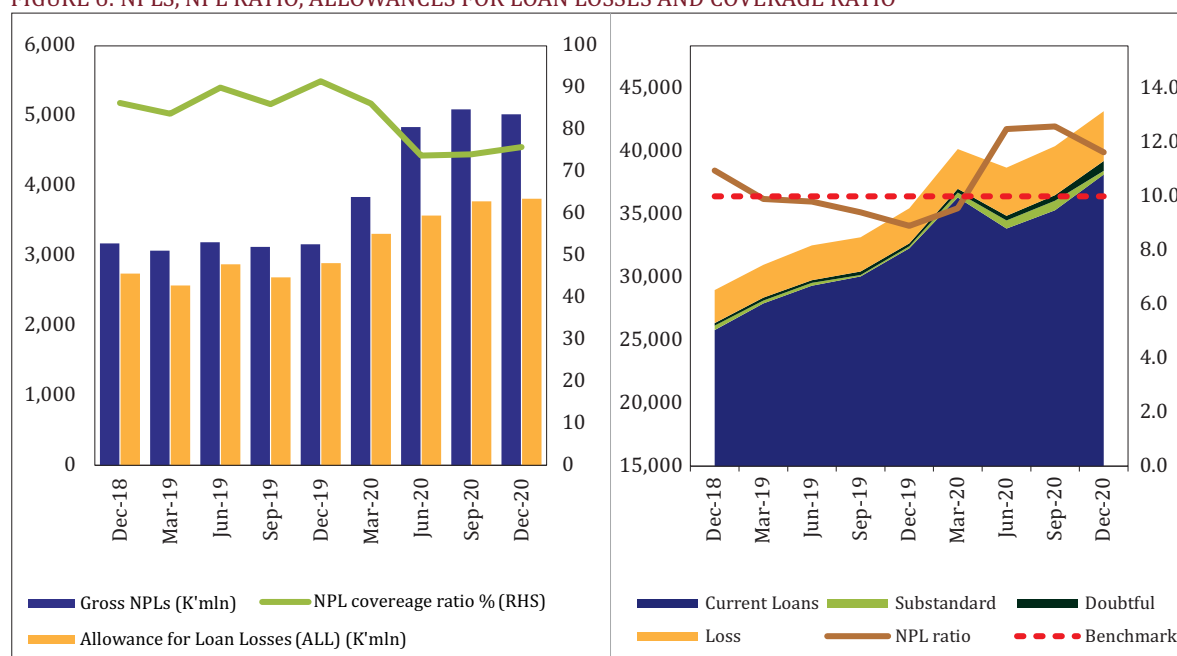
¹⁶For more details, see “Unwinding COVID-19 Policy Interventions for Banking Systems,” International Monetary Fund Special Series on Covid 19, March 2021

39. Further, the downside implication of loan restructuring is that if the COVID-19 restructures were to be reversed, and the loan accounts which were restructured became non-performing, there would be an increase in the NPL ratio, and hence an increase in credit risk in the financial sector.
40. Non-classification of restructured facilities may also result in the understatement of problem assets and their required provisions, and the overstatement of capital. This may have implications for financial stability as a sudden reversal of such rules would potentially cause cliff effects.

Resilience of the financial sector

41. The disruption of the pandemic notwithstanding, the sector remained resilient throughout 2020. The consolidated capital ratio of the banking sector and NBFIs sector stood at 21.6 percent at end-2020 and was above the 10.0 percent regulatory benchmark. The high capital ratio indicated that the financial sector had adequate capital to absorb unexpected losses.
42. The sector's ability to absorb loan losses, as measured by the NPL coverage ratio of 75.2 percent, was lower than the previous year's ratio of 89.0 percent. However, the apparently lower provisioning levels were a result of FSPs taking advantage of the use of allowable collateral as provided under the Banking and Financial Services (Classification and Provisioning of Loans) Directives, 2020. The Directives provided sufficient haircuts to the collateral amounts, and as such, the coverage levels were still considered to be robust (Figure 6).
43. The sector's capital at risk as measured by the net NPLs to regulatory capital ratio stood at 9.0 percent. This ratio showed that in the event that the un-provided for portion of NPLs were to materialise into losses, there would be a 9.0 percent decline in capital. Assuming this worst-case scenario presented itself, the sector's stressed capital would decline to K14,577.7 million, and the capital adequacy ratio would decline to 19.6 percent, but remain above the 10.0 percent benchmark. The stressed capital ratio was indicative of the resilience of the sector in the face of the pandemic.

FIGURE 6: NPLS, NPL RATIO, ALLOWANCES FOR LOAN LOSSES AND COVERAGE RATIO



Lessons learnt

44. The following key lessons have been learnt from the experience with the COVID-19 pandemic:
- It is imperative for FSPs to hold sufficient capital to absorb unexpected losses. A resilient financial system is fundamental to financial stability. In this regard, the BoZ should always ensure that FSPs have the capacity to endure any sudden severe shocks that may arise.
 - Liquidity support to the financial sector was essential to ensure that FSPs continued to provide credit to households and firms at a time when credit risk appetite of FSPs had declined.

Considerations going forward

45. In terms of policy implications going forward, the following considerations should therefore be made by the BoZ in the short to medium-term:
- Contingency measures put in place during crisis periods should not be maintained over the long-term, and plans need to be put in place to ensure that their reversal does not have an adverse impact on financial stability. Therefore, un-winding of measures taken should be gradual to prevent undesirable effects on financial stability. Specifically, moratoriums would need to become more time-bound and targeted to ensure that firms that are not economically viable are excluded. The Bank would need to work with other stakeholders to determine the horizon over which the measures would need to be withdrawn.
 - The Bank will need to determine whether additional liquidity support will be necessary going forward, especially for those sectors that are still adversely affected by the pandemic. At this stage in the cycle, the sectors adversely impacted can be clearly identified and earmarked for additional support if it is deemed to be necessary. Impact assessments will need to be carried out to ensure that credit is received by those that need it the most.
 - In as much as the sector was assessed to be adequately capitalised, FSPs will need to be more proactive in assessing the adequacy of their capital levels. Stress-testing plays an important role in ensuring that FSPs hold sufficient capital to withstand severe but plausible shocks and aids in the development of viable management actions which are readily available in the event of crisis. Therefore, stress-testing will become critical in assessing the resilience of the sector to adverse shocks and hence safeguard financial stability.

CHAPTER 3

DEMAND FOR CREDIT

46. CMMP applications data showed that there was a 9.1 percent decline in demand for credit in the year 2020 as applications declined to 2,230,686, against bearish economic conditions resulting from the COVID-19 pandemic. The main driver of the drop in demand was the households and individual end-user, which recorded a drop of 2,305,112 or 9.5 percent between 2019 and 2020. This was mainly due to lower demand for digital credit, which declined by 2,345,174 or 9.9 percent due to loss of income, and in some instances, loss of employment¹⁷.
47. Conversely, demand from the Business - small and Agriculture - small end users increased by 24.4 percent and 150.4 percent respectively. The increase in demand can be attributed to the adverse economic conditions prevailing, which led to a decline in consumption and consequently lower sales volumes. This propelled small businesses and farms to seek credit to bolster their working capital¹⁸.
48. The lower annual demand notwithstanding, Q4 2020 recorded an increase in loan applications of 1.6 percent to 5,233,861 applications, compared to 5,150,454 applications in Q3 2020 (Table 2). This was driven mainly by a resurgence in demand by the households and individuals end user, attributed to improved consumer demand recorded in the fourth quarter as economic activity begun to post mild improvement.

TABLE 2: DEMAND FOR CREDIT – NUMBER OF LOAN APPLICATIONS

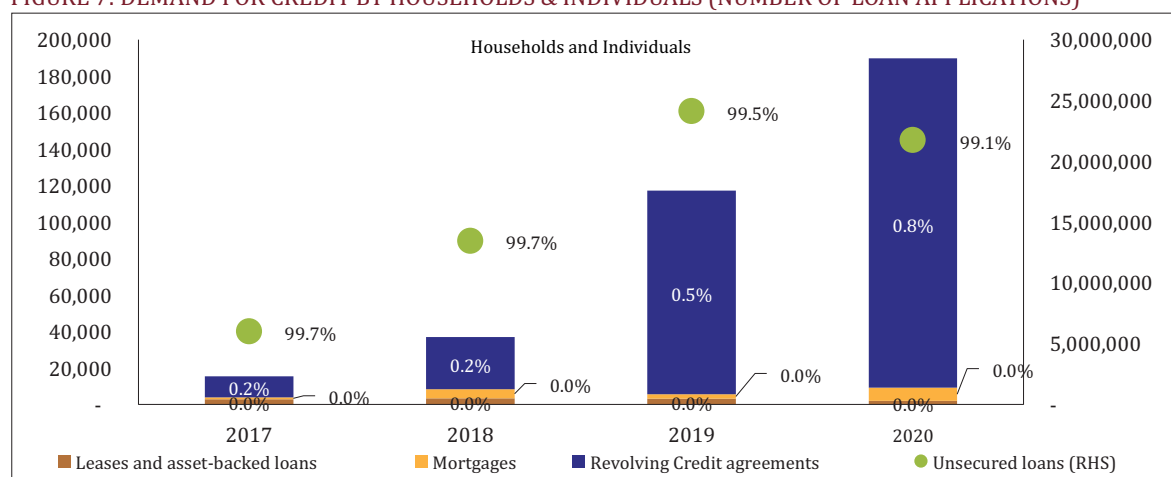
	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Agriculture - Large	495	99	63	105	70	337
Agriculture - Small	1,177	478	616	869	984	2,947
Business - Large	1,711	515	423	408	369	1,715
Business - Small	298,231	93,113	90,247	92,185	95,545	371,090
Government	145	28	36	13	24	101
Households and Individuals	24,236,539	6,223,276	5,514,411	5,056,874	5,136,866	21,931,427
All Other	13	1	4	0	3	8
Total	24,538,311	6,317,510	5,605,800	5,150,454	5,233,861	22,307,625

49. In terms of product type, demand for credit remained concentrated in unsecured loans which at 22,092,218 applications accounted for 99.0 percent of credit applications, emanating primarily from the households and individual end-user category who tend to access a high volume of low value loans. Revolving credit had the second highest applications received, with 181,477 loan applications received, but represented only 0.8 percent of total household demand (Figure 9).

¹⁷ According to NAPSA, there was a 24 percent decline in NAPSA contributions between 2019 and 2020

¹⁸ Bank of Zambia Credit Conditions Survey Fourth Quarter 2020

FIGURE 7: DEMAND FOR CREDIT BY HOUSEHOLDS & INDIVIDUALS (NUMBER OF LOAN APPLICATIONS)

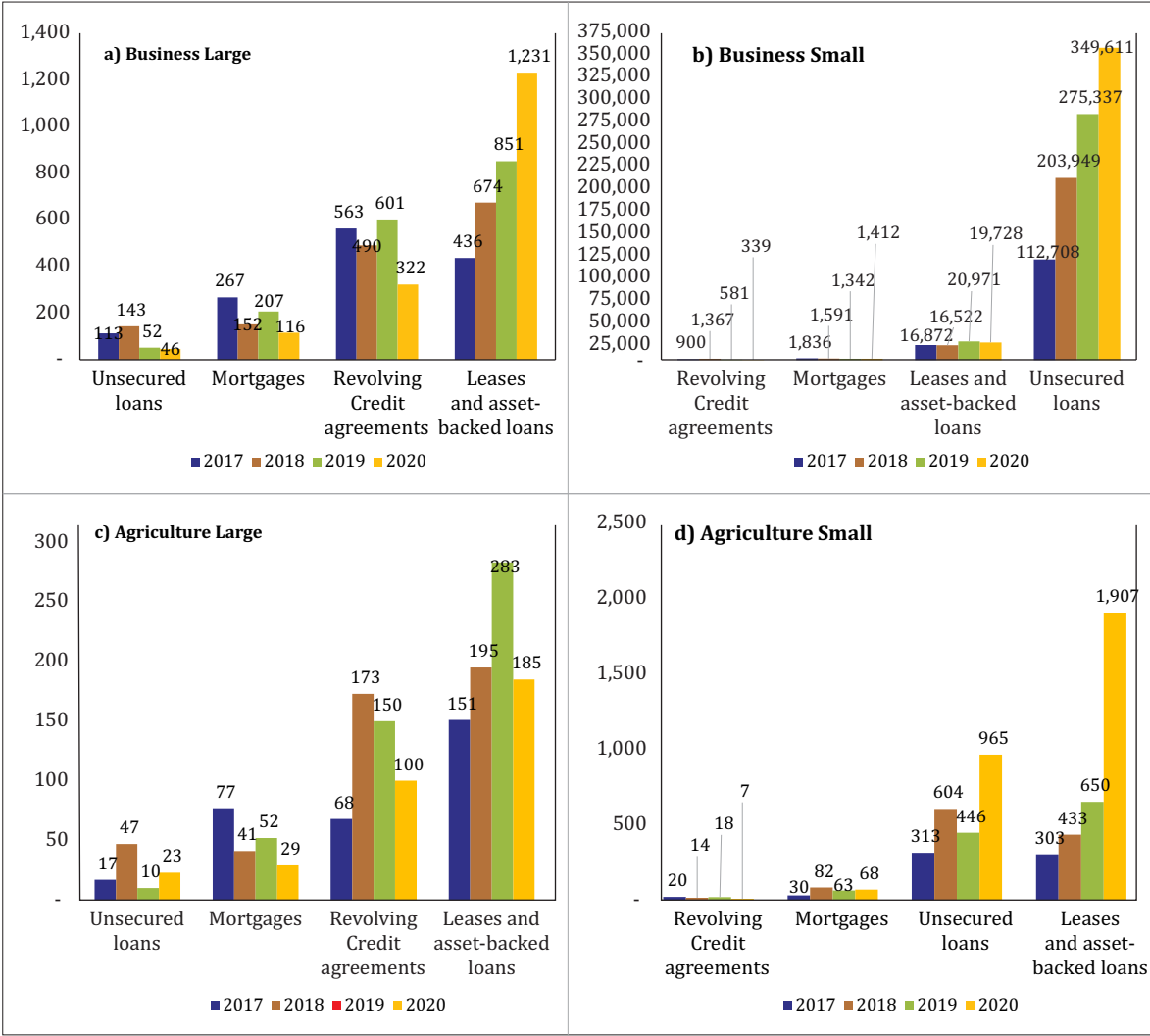


50. Demand for credit by large businesses was sustained into 2020, with a total of 1,715 loan applications received by FSPs (2019 - 1,711 applications). In terms of the product break-down, most applications received were in the form of leases and asset backed loans, which accounted for 71.8 percent of applications, with a total of 1,231 applications, up from 851 applications in 2019, as demand shifted away from mortgages and revolving credit, towards leases and asset backed loans (Figure 8 a).
51. Demand for credit from small businesses increased by 27.0 percent with a total of 371,090 applications. This was primarily in the form of unsecured loans which made up 94.2 percent of applications, followed by leases and asset-backed loans which made up 5.3 percent of applications (Figure 8 b.).
52. There was a drop in demand for loans from the agriculture large end-user of 31.9 percent, with a total of 337 applications received in 2020, compared to 495 applications in 2019. This decline was seen across all product types except for unsecured loans which recorded an increase of 130.0 percent to 23 loans, from 10 loans in 2019. This notwithstanding, leases and asset backed loans remained the most sought after product, representing 54.9 percent of loan applications at 185 applications, followed by mortgages which represented 29.7 percent of applications at 100 applications (Figure 8 c.).
53. Conversely, demand from the agriculture small end-user recorded an increase of 150.4 percent with a total of 2,947 applications received, up from 1,177 applications in 2019. The rise in demand was seen across all product lines, apart from revolving credit which declined by 61.1 percent to 7 applications, from 18 applications in 2019, and represented only 0.2 percent of loan applications. Demand was mainly in the form of leases and asset backed loans which represented 64.7 percent of applications at 1,907 applications, increasing by 193.4 percent from 2019. This was followed by demand for unsecured loans which represented 32.7 percent of loan applications at 965 applications, up from 446 applications in 2019 (Figure 8 d.).

⁴LSEG Africa Advisory Group, "The challenges and opportunities of SME financing in Africa", 2018.

⁵2008 Micro, Small and Medium Enterprise Development Policy

FIGURE 8: DEMAND FOR CREDIT BY THE BUSINESS LARGE, BUSINESS SMALL, AGRICULTURE LARGE AND AGRICULTURE SMALL END-USERS



CHAPTER 4

CREDIT SUPPLY

Credit Supply by volume of Disbursements

54. Credit supply declined in 2020 by 52.8 percent in terms of the number of loans disbursed, with a total of 3,300,821 loans disbursed (Table 3). The decline was mainly attributed to the households and individual's end-user, which recorded a 54.8 percent decline in the number of loans disbursed in 2020, with total disbursements of 3,107,953, compared to 6,807,522 in 2019. Loans to Agriculture – large and Government also declined to 363 and 86 loans respectively, from 433 and 156, respectively, in the preceding year. The remaining end-user categories recorded an increase in the number of loans disbursed.

TABLE 3: VOLUME OF LOAN DISBURSEMENTS BY CREDIT END-USER CATEGORY (NUMBER)

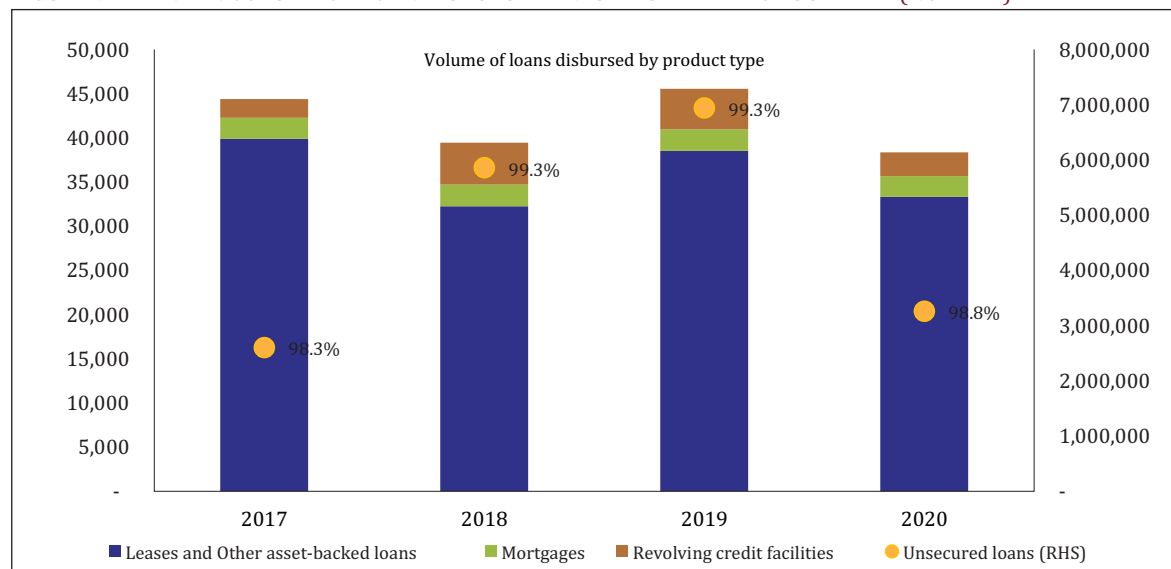
	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Agriculture- Large	433	107	72	109	75	363
Agriculture- Small and Emergent	1,824	440	316	595	1,233	2,584
Business- Large	1,601	532	426	385	326	1,669
Business- MSME	176,203	44,918	41,558	49,709	51,959	188,144
Government	156	31	24	16	15	86
Households and Individuals	6,807,522	861,741	702,193	669,349	874,670	3,107,953
Other end users	16	1	5	9	7	22
Total	6,987,755	907,770	744,594	720,172	928,285	3,300,821

55. In terms of product break-down, the number of loans disbursed declined for all product types, with unsecured credit recording the largest drop of 53.2 percent to 3,262,460 (Figure 9), followed by revolving credit which dropped by 41.3 percent to 2,682 loans disbursed (Table 4).
56. The drop in the credit supply was due to the slowdown in economic activity brought on by the COVID-19 pandemic and many household and individual end-users were adversely impacted by reduced pay and job losses. Moreover, FSPs tightened their lending criteria to avoid registering increased non-performing loans (NPLs).

TABLE 4: VOLUME OF LOAN DISBURSEMENTS BY CREDIT PRODUCT TYPE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Leases and Other asset-backed loans	38,534	8,748	5,911	9,306	9,346	33,311
Mortgages	2,436	460	692	490	726	2,368
Revolving credit facilities	4,586	636	527	719	800	2,682
Unsecured loans	6,942,216	897,926	737,464	709,657	917,413	3,262,460
Total	6,987,772	907,770	744,594	720,172	928,285	3,300,821

FIGURE 9: TREND IN VOLUME OF LOAN DISBURSEMENTS BY CREDIT PRODUCT TYPE (NUMBER)



57. Digital credit, which is characterised by small loan values, large volumes of transactions and shorter loan processing through customers' mobile network, recorded a significant decline in the year 2020. The value of loans declined by 43.3 percent to K608.1 million, while the volume of loans declined by 61.4 percent over the same period (Table 5). The drop in supply of digital credit is largely attributable to the increased credit risk, which led to more stringent underwriting criteria being used by credit providers.

TABLE 5: VALUES AND VOLUMES OF DIGITAL CREDIT

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Values of Digital Credit (Kwacha)	1,072,164,228	161,234,000	134,740,000	140,311,000	171,762,000	608,047,000
Volumes of Digital Credit (Number)	6,161,127	692,400	549,956	493,472	642,807	2,378,635

Value of Disbursements by Type of Product

59. In Kwacha terms, disbursements declined by K2,556.6 million or 7.9 percent when compared to 2019. The decline in disbursements was recorded across all product types except for leases and other asset backed loans, which recorded an increase of K5,611.0 million or 90.8 percent to K11,792.1 million (Table 6). Revolving credit facilities recorded the sharpest decline of K5,432.9 million or 54.9 percent, followed by mortgage credit agreements, which dropped by K2,263.5 million or 29.6 percent. Unsecured credit also declined by K471.2 million or 5.5 percent to K8,090.1 million. There was a shift towards lending secured by moveable assets, and away from revolving credit, indicative of a tightened lending stance taken by credit providers during the year (Figure 10).
60. As a result, the average loan size increased by 95.0 percent to K9,007 from K4,620 in 2019, on account of the higher proportion decline in the volume of loans disbursed (52.8 percent) to the decline in the Kwacha value of loans disbursed (7.9 percent). The average loan size of leases and other asset backed loans and unsecured credit increased by 120.7 percent and 101.1 percent respectively, to K353,999 and K2,480, respectively. Conversely, the average loan sizes of mortgages and revolving credit facilities declined by 27.6 percent and 22.9 percent respectively to K2.3 million and K1.7 million respectively.

FIGURE 10: TREND IN THE VALUE OF LOAN DISBURSEMENTS BY CREDIT PRODUCT TYPE (K 'MILLION)

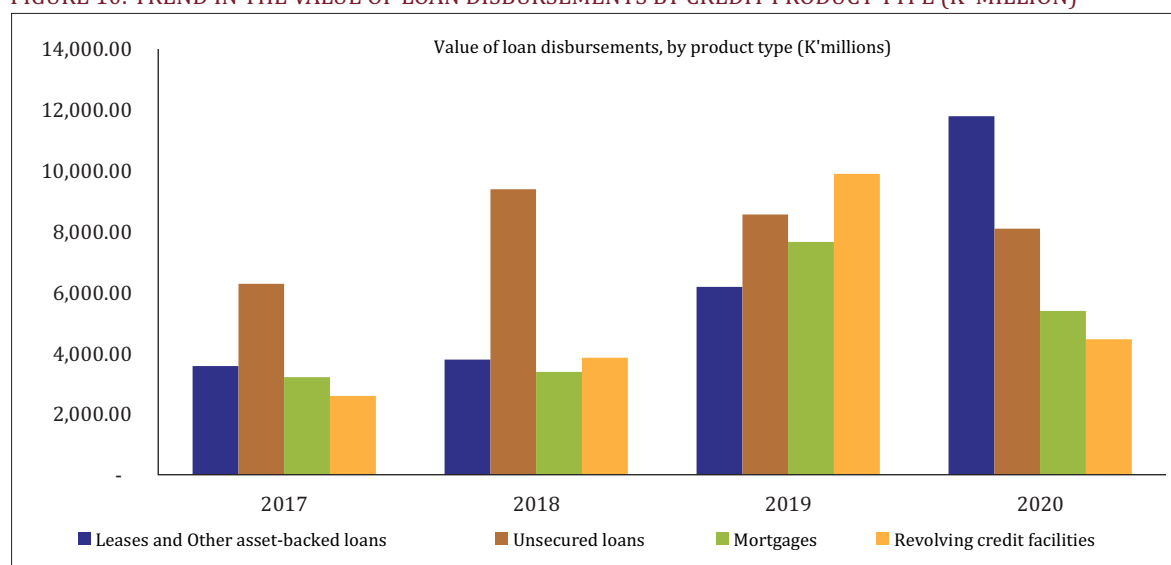


TABLE 6: VALUE OF LOAN DISBURSEMENTS BY CREDIT PRODUCTS TYPE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Leases and Other asset-backed loans	6,181,067,699	2,337,535,883	1,598,492,485	2,319,947,677	5,536,092,376	11,792,068,421
Mortgages	7,652,566,210	1,050,892,330	1,013,040,722	1,026,756,130	2,298,315,740	5,389,004,922
Revolving credit facilities	9,891,901,962	1,711,358,325	964,727,854	726,682,906	1,056,279,680	4,459,048,765
Unsecured loans	8,561,272,225	1,463,349,127	1,205,206,174	2,452,517,497	2,968,995,114	8,090,067,912
Total	32,286,808,096	6,563,135,665	4,781,467,235	6,525,904,210	11,859,682,910	29,730,190,020

Value of Disbursement by end-users

61. The K2,556.6 million or 7.9 percent decline in disbursement in the year 2020 was seen across all the end-users, except for Government, Agriculture - small and Business - small which recorded increased disbursements of K4,472.1 million, K56.0 million and K471.9 million, respectively (Table 7). The higher disbursements for the agriculture - small and business - small end users were partly due to the implementation of the COVID-19 relief measures which allowed FSPs to restructure facilities or issue new facilities to customers impacted by the COVID-19 pandemic. Increased disbursements to Government were partly attributed to translation effects of the depreciation of the Kwacha, the weakened demand for Government securities amid sluggish investor appetite, coupled with rising fiscal pressure due to the COVID-19 shock which led to lower revenues and rising expenditures¹⁹. As a result, Government borrowed more from FSPs to meet the deficit.
62. In terms of the share of credit received, the business – large end user received the largest share of total disbursement in 2020 and accounted for 32.7 percent of the value of total loans disbursed, down from 42.4 percent in 2019. The 9.7 percentage points decline in the business – large end-users share of the total disbursements was attributed to the 29.0 percent decline in disbursements compared to the prior year. This was followed by Government which accounted for 27.2 percent of the value of loans disbursed, up from 11.2 percent in the preceding year. Agriculture – large accounted for the third largest representing 10.8 percent of the value of total loans, down from 16.4 percent, due to a 39.5 percent decline in disbursements (Table 7). The increase in the proportion of loans disbursed to Government during the year was linked to the increase in the Kwacha value of loans disbursed to this end user of 123.9 percent, due to increased demand for credit by the Government, amid rising fiscal pressure in the face of the pandemic.

¹⁹February 2021 Monetary Policy Statement

TABLE 7: VALUE OF LOAN DISBURSEMENTS BY CREDIT END-USER CATEGORY (KWACHA)

	Total 2018	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020	%
Agriculture- Large	5,304,435,810	653,779,550	458,692,100	1,511,693,700	585,352,920	3,209,518,270	10.8
Agriculture-Small and Emergent	45,264,377	28,954,922	19,642,240	35,116,540	17,566,191	101,279,893	0.3
Business- Large	13,686,581,025	1,877,453,400	1,916,981,280	1,906,040,500	4,010,651,670	9,711,126,850	32.7
Business- MSME	2,215,654,893	545,523,882	618,915,685	806,159,085	716,907,487	2,687,506,140	9.0
Government	3,610,784,116	2,073,966,250	629,494,330	723,209,589	4,656,164,073	8,082,834,242	27.2
Households and Individuals	7,216,742,858	1,383,423,900	1,137,515,752	1,542,271,896	1,872,241,206	5,935,452,754	20.0
Other end users	207,342,068	30,000	224,042	1,410,000	791,968	2,456,010	0.00
Total	32,286,805,147	6,563,131,904	4,781,465,429	6,525,901,310	11,859,675,515	29,730,174,158	100.0

Disbursements by Credit Providers

63. In 2020, commercial banks continued to account for the largest proportion of loan disbursements by value at 86.1 percent, increasing from 82.2 percent in the previous year, since they typically issue much higher value loans, compared to NBFIs. NBFIs accounted for the remaining 13.9 percent, split among consumer lending which represented 6.3 percent of the Kwacha value of loans disbursed. Enterprise lending MFIs represented 1.9 percent, while building societies accounted for 0.8 percent as other NBFIs accounted for 4.9 percent (Table 8).

TABLE 8: PROPORTION OF VALUE OF LOAN DISBURSEMENTS BY INSTITUTION TYPE (KWACHA)

	2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	2020
Commercial Banks	82.2%	89.6%	85.6%	85.1%	84.8%	86.1%
Building Societies	1.2%	0.6%	0.9%	0.9%	0.8%	0.8%
Consumer lending MFIs	8.4%	5.7%	7.3%	9.0%	5.00%	6.3%
Enterprise lending MFIs	2.9%	2.0%	3.2%	2.5%	1.2%	1.9%
Other NBFIs	5.3%	2.1%	2.9%	2.5%	8.1%	4.9%

64. With respect to the volume of loans disbursed, commercial banks represented only 2.4 percent, whereas the NBFIs accounted for 97.6 percent of loans disbursed. Among the NBFIs, the 'Other NBFIs' represented the bulk of credit disbursements at 72.2 percent, since these primarily deal in low value, short-term, micro loans. This was followed by consumer lending that made up 20.7 percent of disbursements, enterprise lending MFIs at 4.4 percent and building societies at 0.2 percent (Table 9).

TABLE 9: PROPORTION OF VOLUME OF LOAN DISBURSEMENTS BY INSTITUTION TYPE (NUMBER)

	2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	2020
Commercial Banks	1.1%	1.91%	2.0%	3.0%	2.8%	2.4%
Building Societies	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
Consumer lending MFIs	9.2%	18.0%	19.7%	22.7%	22.7%	20.7%
Enterprise lending MFIs	1.8%	3.5%	4.2%	5.4%	4.7%	4.4%
Other NBFIs	87.7%	76.4%	74.0%	68.7%	69.6%	72.2%

65. In terms of the average loan size therefore, commercial banks had the highest loan size at K409,844, followed by building societies at K37,032. Consumer lending and Enterprise lending MFIs had average loan sizes of K3,500 and K5,051, respectively, while 'Other NBFIs' had an average loan size of K779.

Households and Individuals

66. The value of loan disbursements to households and individuals contracted by 17.8 percent to K5,935.5 million from K7,216.7 million in 2019. The decline in the value of loans was recorded across all income brackets (Table 10). This was because of reduced appetite for payroll lending due to delayed remittances.

Additionally, lending criteria was tightened amidst growing macro-economic challenges, as FSPs became more risk averse. The steepest decline was recorded in the K0 - K2,000 income bracket, which declined by 50.2 percent, with a total of K436.0 million loans disbursed, down from K876.1 million in 2019. Another steep decline was reported under the K4,001 - K6,000 income bracket, which declined by 22.0 percent, with total loans disbursed of K1,299.3 million down from K1,666.7 million. By way of product analysis, the decline was recorded across all product types, with the steepest decline recorded in the unsecured loans which dropped by 18.5 percent to K5,296.5 million. This decline notwithstanding, unsecured loans made up the largest proportion of loans to households and individuals, accounting for 89.2 percent of the total value of loans disbursed to this end-user.

TABLE 10: VALUE OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY INCOME CATEGORY (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Income ZMW 0 - ZMW 2000	876,127,875	133,747,042	110,616,336	72,682,055	118,914,215	435,959,647
Income ZMW 2001 - ZMW 4000	1,072,760,078	178,390,966	155,270,653	228,450,076	350,416,245	912,527,940
Income ZMW 4001 - ZMW 6000	1,666,744,820	356,234,403	236,959,391	270,876,037	435,190,685	1,299,260,516
Income above ZMW 6000	3,601,111,862	715,052,432	634,669,517	970,263,460	967,721,417	3,287,706,826
Total	7,216,744,635	1,383,424,843	1,137,515,897	1,542,271,627	1,872,242,562	5,935,454,929

67. The number of loan disbursements also declined by 54.3 percent to 3,107,953 from 6,807,527 in 2019 (Table 11). The bulk of the disbursements went to the lowest income band of up to K2,000 and the least disbursements to the high-income band of above K6,000. This illustrates how low-income households were able to access a high number of low value loans, with an average loan size of K327.9, up from K208.4 in 2019. Despite a 54.3 percent decline in the loan disbursements, the high-income bracket of above K6,000 recorded an increase in the volume of loans disbursed of 165.3 percent.

TABLE 11: VOLUME OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY INCOME CATEGORY (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Income ZMW 0 - ZMW 2000	4,205,007	513,654	410,378	176,298	229,275	1,329,605
Income ZMW 2001 - ZMW 4000	1,271,148	165,524	145,753	304,775	389,744	1,005,796
Income ZMW 4001 - ZMW 6000	1,210,839	143,718	110,230	83,023	115,807	452,779
Income above ZMW 6000	120,533	38,845	35,832	105,253	139,843	319,773
Total	6,807,527	861,741	702,193	669,349	874,669	3,107,953

68. The reduction in the value of loans coupled with an increase in the volume resulted in a drop in the average loan size, to K10,282.4 from K29,876.6 in 2019.
69. In 2020, the value of unsecured credit to households and individuals declined by 18.5 percent to K5,296.5 million (Table 12). Nonetheless, unsecured credit disbursed accounted for the bulk of credit to households and individuals at 89.2 percent. In terms of the loan tenure, loans with a tenure of more than 48 months accounted for the largest proportion of unsecured loans by value at 41.3 percent of unsecured loans disbursed, and amounted to K2,189.9 million. This was followed by loans with a tenure of 0-3 months and 13-48 months respectively, at 32.2 percent and 14.4 percent, respectively.

TABLE 12: VALUE OF UNSECURED CREDIT DISBURSEMENTS TO HOUSEHOLDS BY LOAN TENURE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
0 to 3 months	1,849,705,101	417,110,040	355,807,728	406,107,597	523,911,658	1,702,937,023
4 - 6 months	214,956,430	51,309,633	30,258,652	46,616,319	51,255,272	179,439,877
7 - 12 months	265,063,675	61,730,439	49,339,633	69,874,753	124,090,849	305,035,674
13 - 48 months	1,353,203,219	250,245,416	161,772,172	242,685,230	264,474,203	919,177,021
More than 48 months	2,815,362,537	473,286,663	396,920,540	613,348,530	706,387,713	2,189,943,446
Total	6,498,290,961	1,253,682,191	994,098,726	1,378,632,429	1,670,119,695	5,296,533,040

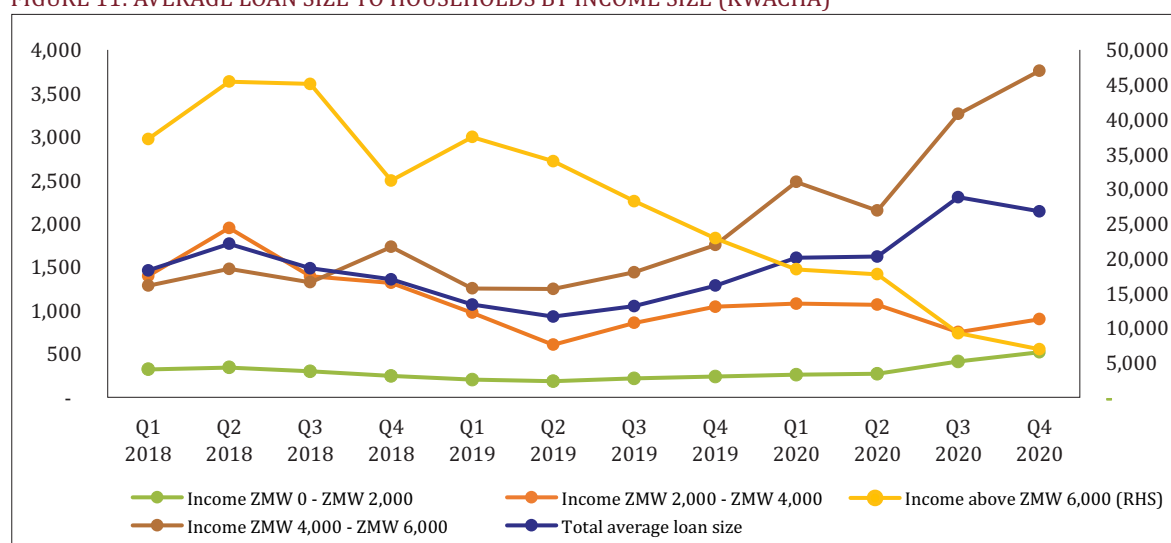
70. In terms of the volume of loans disbursed, loans with a tenure of up to 3 months accounted for the bulk of unsecured loans at 94.8 percent (Table 13). The larger proportion of disbursements by volume of loans with the shortest tenure is explained by the micro and digital loans product, with an average loan size in the 0-3 months' bracket of K578.9.

TABLE 13: VOLUME OF UNSECURED CREDIT DISBURSEMENTS TO HOUSEHOLDS BY LOAN TENURE

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
0 to 3 months	6,586,350	824,253	671,768	629,709	815,931	2,941,661
4 - 6 months	66,452	7,197	7,626	9,575	14,740	39,138
7 - 12 months	34,353	8,979	4,297	6,514	11,408	31,198
13 - 48 months	55,157	9,710	5,486	9,204	10,728	35,128
More than 48 months	57,595	10,499	12,023	13,068	20,341	55,931
Total	6,799,907	860,638	701,200	668,070	873,148	3,103,056

71. The total average loan size to households and individuals increased to K2,141 at end-2020, from K1,286 at end-2019. This was because the average loan sizes generally took an upward trajectory during the year 2020 for the low-income bracket of below K2,000 and the K4,000 to K6,000 bracket, whereas there was a decline in the average loan sizes for those with income of K2,000 - K4,000 and the high-income bracket of above K6,000.
72. Loans to low-income households of below K2,000 more than doubled to K519 in the last quarter of 2020, from K239 in the last quarter of the preceding year. The small loan size can be attributed to the popularity and ease of access of digital micro loans on the market.
73. Similarly, households earning between K4,000 and K6,000 were able to access higher value loans on a quarterly basis, as evidenced by the more than doubling in average loan size, to K3,758, from K1,752 at the end of 2019, as depicted by the grey line in the chart (Figure 11).
74. The yellow line in Figure 11 depicts a gradual decline beginning in the first quarter of 2019, all the way to the fourth quarter of 2020, of the average loan size to the high-income bracket of above K6,000. By Q4 2020, the average loan size had more than halved to K6,920, from K18,408 at the end of 2019.

FIGURE 11: AVERAGE LOAN SIZE TO HOUSEHOLDS BY INCOME SIZE (KWACHA)



75. The value and volume of loans disbursed to households and individuals declined mainly due to lower unsecured credit (Table 14 and Table 15). All other loan types declined in terms of volume and value of credit during the year. Due to the higher proportion decline in the value of loans disbursed compared to the volume of loans, the average loan size increased (Figure 12).

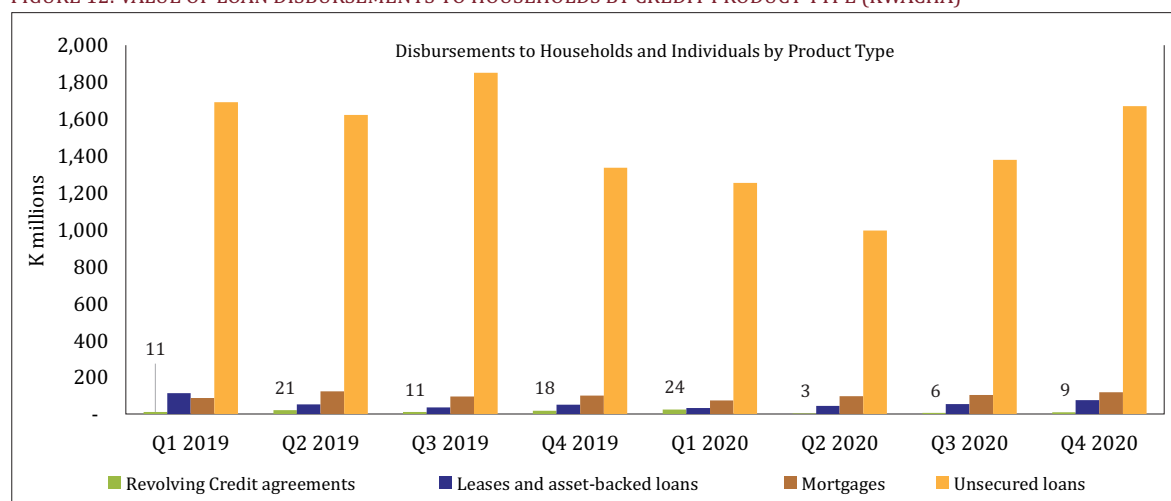
TABLE 14: VALUE OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY PRODUCT TYPE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Leases and other asset-backed loans	252,685,218	32,800,056	43,450,071	53,961,588	74,576,922	204,788,637
Mortgages	404,391,546	73,401,634	96,654,486	103,917,427	118,273,270	392,246,817
Revolving credit facilities	61,376,691	23,540,992	3,313,092	5,760,396	9,272,070	41,886,550
Unsecured loans	6,498,289,426	1,253,682,007	994,098,481	1,378,633,747	1,670,118,756	5,296,532,991
Total	7,216,742,881	1,383,424,689	1,137,516,130	1,542,273,158	1,872,241,018	5,935,454,995

TABLE 15: VOLUME OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY PRODUCT TYPE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Leases and other asset-backed loans	3,338	518	446	572	620	2,156
Mortgages	974	140	228	203	301	872
Revolving credit facilities	3,303	445	319	504	601	1,869
Unsecured loans	6,799,907	860,638	701,200	668,070	873,148	3,103,056
Total	6,807,522	861,741	702,193	669,349	874,670	3,107,953

FIGURE 12: VALUE OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY CREDIT PRODUCT TYPE (KWACHA)



76. In terms of collection method, 76.6 percent of loans by volume were disbursed using other collection methods (Table 17). This is due to the prevalence of digital loans which make use of mobile money payments. In terms of the value of loans, salary receiving account accounted for 49.0 percent, while payroll accounted for 35.2 percent (Table 16).

TABLE 16: VALUE OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY COLLECTION METHOD (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
From payroll	2,625,757,599	512,884,475	349,459,523	598,023,755	630,242,692	2,090,610,445
From a salary receiving bank account	2,677,096,865	682,715,549	540,321,628	768,022,577	914,490,276	2,905,550,030
Other	1,913,888,984	187,824,651	247,735,114	176,226,083	327,508,349	939,294,197
Total	7,216,743,448	1,383,424,675	1,137,516,265	1,542,272,415	1,872,241,317	5,935,454,672

TABLE 17: VOLUME OF LOAN DISBURSEMENTS TO HOUSEHOLDS BY COLLECTION METHOD (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
From payroll	115,291	21,604	13,224	23,944	26,790	85,562
From a salary receiving bank account	509,259	154,943	143,006	154,682	190,066	642,697
Other	6,182,972	685,194	545,963	490,723	657,814	2,379,694
Total	6,807,522	861,741	702,193	669,349	874,670	3,107,953

77. The unsecured loans obtained by households and individuals was used to finance living expenses (15.3 percent), to pay for education expenses such as school fees (8.8 percent) and for business (8.1 percent) (Table 18). Unsecured loans obtained for 'other purposes' accounted for 62.1 percent. The high proportion attributed to 'other purposes' is partially because many unsecured loans are obtained for personal use, without the borrower needing to provide a reason to the credit provider.
78. Due to the general decline in credit disbursed during the year, all categories reported declines year on year, with the steepest declines reported under 'purchase of vehicle' and 'purchase of land' of 63.7 percent and 55.2 percent respectively. There was also a 36.1 percent decline in loans for education fees, due to closure of schools in the wake of the COVID-19 pandemic. Although loans for business still accounted for the lowest proportion of unsecured loans to households and individuals at 8.1 percent, these loans recorded the lowest decline in demand of only 1.3 percent, when compared to the preceding year.

TABLE 18: VALUE OF UNSECURED CREDIT DISBURSEMENTS TO HOUSEHOLDS BY PURPOSE OF BORROWING

	Amounts in Kwacha					
	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Business	436,353,456	77,671,862	67,362,331	123,596,745	162,232,905	430,863,842
Education fees	732,169,611	117,037,022	46,113,670	128,135,735	176,351,535	467,637,962
Farming	44,093,224	8,595,332	2,387,090	10,131,156	16,875,110	37,988,689
Home improvement/ construction	367,050,139	65,830,597	19,516,298	68,942,339	90,814,297	245,103,531
Living expenses	992,287,032	164,506,347	118,671,998	137,284,309	208,829,440	629,292,095
Medical or funeral expenses	202,793,446	36,201,574	28,638,577	38,669,141	53,246,600	156,755,892
Other purpose	3,625,636,288	767,541,697	706,429,867	862,813,925	952,083,138	3,288,868,627
Purchase of land	52,715,730	9,538,856	2,861,658	5,557,870	5,668,036	23,626,420
Purchase of vehicle	45,191,053	6,758,960	2,117,474	3,502,150	4,018,416	16,396,999
Total	6,498,289,979	1,253,682,247	994,098,963	1,378,633,371	1,670,119,477	5,296,534,057

79. With respect to the number of loans per reason for borrowing, 'living expenses' accounted for most credit contracts at 29.4 percent, followed by 'other purpose' and 'medical or funeral expenses' at 20.2 percent and 18.5 percent, respectively (Table 19).

TABLE 19: VOLUME OF UNSECURED CREDIT TO HOUSEHOLDS BY PURPOSE OF BORROWING

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Business	1,241,274	144,777	117,908	108,617	141,555	512,857
Education fees	1,199,433	148,619	112,262	87,305	118,659	466,846
Farming	2,096	422	221	475	729	1,847
Home improvement/ construction	13,474	2,368	1,459	2,617	2,983	9,427
Living expenses	2,614,472	267,459	215,771	190,490	238,631	912,351
Medical or funeral expenses	996,651	151,951	120,424	128,685	171,570	572,630
Other purpose	728,590	144,590	132,829	149,472	198,721	625,612
Purchase of land	2,023	297	271	312	211	1,091
Purchase of vehicle	1,899	154	54	97	88	393
Total	6,799,912	860,638	701,199	668,070	873,147	3,103,054

80. Intuitively, low value loans below K2,000, continued to make up the bulk of unsecured lending to households by volume of credit at 89.3 percent while high value loans of K50,000 and above only made-up 1.2 percent of loans by volume (Table 20).
81. Low value loans below K2,000 were the third highest by value at 19.2 percent (Table 20). High value loans of K50,000 and above, on the other hand, continued to make up the bulk of unsecured lending to households by Kwacha value of loans at 40.0 percent of total disbursements by value. Loans in the K10-000 to K50,000 bracket were the second largest category by value, and made-up 21.3 percent of disbursements.

82. Due to the higher proportion decline in the volume of loans compared to the value of loans in the low value bracket, there was an increase in the average low value loans to K366.3 from K220.0. Conversely, the average loan size in the high value category declined to K58,836.4 from K82,214.7 due to an increase in volume of loans of 11.5 percent, whereas there was a decline in the value of loans of 20.2 percent.

TABLE 20: VALUE OF UNSECURED CREDIT DISBURSEMENTS TO HOUSEHOLDS BY LOAN SIZE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
ZMW 0 - ZMW 2,000	1,424,230,114	263,944,228	226,006,168	230,588,627	294,681,667	1,015,220,691
ZMW 2,000 - 5,000	520,931,002	146,720,801	106,647,354	130,403,163	174,821,667	558,592,985
ZMW 5,000 - 10,000	375,151,955	93,644,274	88,237,991	123,925,075	167,335,702	473,143,042
ZMW 10,000 - 50,000	1,521,703,103	261,717,946	165,232,943	361,316,527	342,199,654	1,130,467,069
Above ZMW 50,000	2,656,275,629	487,655,427	407,973,987	532,400,068	691,080,572	2,119,110,054
Total	6,498,291,802	1,253,682,676	994,098,443	1,378,633,460	1,670,119,262	5,296,533,841

TABLE 21: VOLUME OF UNSECURED CREDIT DISBURSEMENTS TO HOUSEHOLDS BY LOAN SIZE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
ZMW 0 - ZMW 2,000	6,472,634	785,595	639,225	587,007	759,639	2,771,466
ZMW 2,000 - 5,000	182,955	43,943	34,427	39,384	54,660	172,414
ZMW 5,000 - 10,000	49,197	11,755	11,173	20,152	29,878	72,958
ZMW 10,000 - 50,000	62,818	11,704	7,477	16,058	14,962	50,201
Above ZMW 50,000	32,309	7,641	8,898	5,469	14,009	36,017
Total	6,799,913	860,638	701,200	668,070	873,148	3,103,056

Businesses - Small

83. The small business end-user recorded an increase in both the value and volume of loans disbursed in the year 2020. The value of loans disbursed increased by 21.3 percent year on year, or by K471.9 million, to K2,687.5 million (Table 22), while the number of loans disbursed increased by 6.8 percent or 11,939 loans to 188,144 loans (Table 23). The higher loans disbursed to this segment can partly be attributed to the interventions made by the BoZ through the Targeted Medium-Term Re-Financing Facility (TMTRF), which provided lower cost funding to priority sectors through the commercial banks.

TABLE 22: VALUE OF LOAN DISBURSEMENTS TO SMALL BUSINESSES BY ENTERPRISE SIZE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Group loan ²⁰	408,549,460	106,896,550	96,855,000	174,601,850	182,761,750	561,115,150
Single person MSME	444,589,173	77,628,110	110,938,133	65,304,060	64,287,294	318,157,597
1-4 People employed	318,324,664	81,521,317	73,260,044	71,461,046	72,439,416	298,681,823
5-10 People employed	379,942,552	123,049,332	38,712,067	86,963,622	67,377,581	316,102,602
11-20 People employed	139,837,873	87,026,270	78,761,435	272,033,380	158,362,020	596,183,105
21-50 People employed	261,724,847	39,966,501	67,591,799	112,621,837	98,071,239	318,251,376
51-100 People employed	262,686,477	29,435,770	152,797,077	23,173,433	73,608,703	279,014,983
Total	2,215,655,046	545,523,850	618,915,555	806,159,228	716,908,003	2,687,506,637

84. There was a shift in the allocation of credit in terms of the firm size as measured by the number of employees. Businesses with between 11 and 20 employees recorded the highest proportion increase in the value of credit disbursements of 326.3 percent, followed by group loans of 37.3 percent (Table 22). The volume of loans to businesses of 11 and 20 employees and group loans also increased by 335.5 percent and 27.5 percent, respectively, indicating that a higher number of businesses accessed credit during the year (Table 23).

²⁰These are loans given to organised groups of people and are usually secured by members of the group.

TABLE 23: VOLUME OF LOAN DISBURSEMENTS TO SMALL BUSINESSES BY ENTERPRISE SIZE (NUMBER)

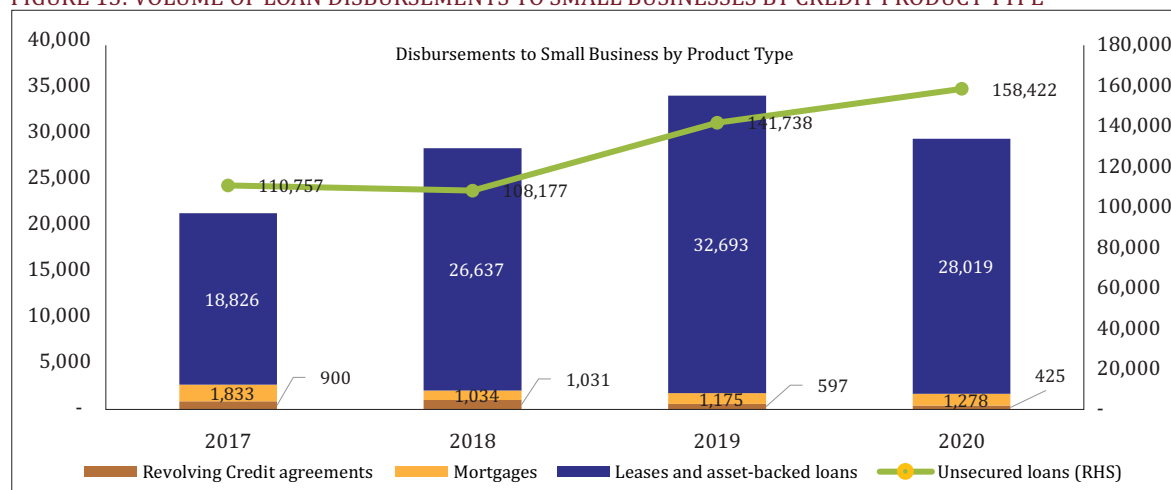
	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Group loan	99,535	27,627	27,517	34,275	37,490	126,909
Single person MSME	59,054	12,863	10,917	9,699	8,524	42,004
1-4 People employed	11,609	2,501	959	2,076	2,165	7,700
5-10 People employed	5,168	1,723	1,930	2,773	2,863	9,289
11-20 People employed	434	144	151	784	812	1,891
21-50 People employed	273	46	60	82	79	267
51-100 People employed	131	15	24	20	26	85
Total	176,205	44,918	41,558	49,709	51,959	188,144

85. Not all sizes of small businesses recorded increased credit, despite an increase in credit disbursements. The value and volume of loans to single person business and businesses of between 1 and 4 employees declined by 28.4 percent and 6.2 percent by value and 28.9 percent and 33.7 percent by volume, respectively. This demonstrated the disproportionate effect of the COVID-19 pandemic on micro and informal businesses who were unable to access credit at the same pace as in 2019. This was because these borrowers had higher perceived risk, of business disruption because of the adverse impact of the COVID-19 pandemic, and hence lenders were weary of lending to avoid credit defaults. The value of loans to businesses with between 5 and 10 employees also declined by 16.8 percent, but the number of loans disbursed increased by 79.7 percent, showing that this kind of firm was able to access many smaller value loans during the year.
86. In 2020, there was a shift in the type of products accessed by small businesses, towards mortgages, which increased by K455.9 million or 91.4 percent. Leases and other asset backed loans were the second highest product type accessed by this end-user, and represented 35.3 percent of disbursements, down from 39.8 percent in 2019. Revolving credit and unsecured loans accounted for 13.4 percent and 15.7 percent, respectively, from 20.5 percent and 17.2 percent, respectively, in the previous year. The shift in product preference or accessibility was partially attributed to stricter underwriting standards implemented by some of the FSPs, which required high quality collateral such as property (Table 24 and Figure 13).

TABLE 24: VALUE OF LOAN DISBURSEMENTS TO SMALL BUSINESSES BY PRODUCT TYPE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	498,575,039	192,643,480	203,349,962	315,181,431	243,310,978	954,485,851
Leases and Other asset-backed loans	882,578,781	189,661,819	154,512,223	309,313,731	295,320,026	948,807,799
Unsecured loans	381,239,162	92,446,693	83,451,853	126,708,953	120,268,407	422,875,907
Revolving credit facilities	453,262,155	70,771,993	177,601,677	54,955,131	58,008,629	361,337,430
Total	2,215,655,137	545,523,985	618,915,715	806,159,246	716,908,040	2,687,506,986

FIGURE 13: VOLUME OF LOAN DISBURSEMENTS TO SMALL BUSINESSES BY CREDIT PRODUCT TYPE



87. In terms of the volume of loans disbursed, unsecured loans continued to account for the highest proportion of loans to business small at 84.2 percent, followed by leases and other asset backed loans at 14.9 percent. Although mortgages recorded an increase of 8.8 percent year on year, it only constituted 0.7 percent of total loans disbursed to small businesses (Table 25).

TABLE 25: VOLUME OF LOAN DISBURSEMENTS TO SMALL BUSINESSES BY PRODUCT TYPE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	1,175	264	371	257	386	1,278
Leases and Other asset-backed loans	32,693	7,299	4,838	7,879	8,003	28,019
Unsecured loans	141,738	37,240	36,224	41,480	43,478	158,422
Revolving credit facilities	597	115	125	93	92	425
Total	176,203	44,918	41,558	49,709	51,959	188,144

Small Agriculture

88. The value of loans disbursed to the Agriculture small end-user increased by 123.8 percent to K101.2 million in 2020. This increase was recorded across all four farm sizes. The large emergent farmers recorded the highest growth in the value of loans disbursed, followed by smallholders with farms of up to 5 hectares. Small emergent farmers recorded a 17.1 percent increase to K K21.9 million and farmer groups recorded an increase of 170.2 percent to K4.2 million. Despite the growth in loans to small agriculture, it only accounted for 0.3 percent of the total value of loans disbursed and was the second lowest recipient of credit (Table 26).

TABLE 26: VALUE OF LOAN DISBURSEMENTS TO SMALL AGRICULTURE FARMS BY FARM SIZE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Group loan to farmer group	1,547,600	368,700	113,300	286,670	3,413,260	4,181,930
Smallholder up to 5 hectares	21,269,457	6,241,076	8,524,300	9,662,700	7,345,984	31,774,060
Small emergent farmer - Between 5-20 hectares	18,744,486	3,596,546	7,008,990	5,559,290	5,782,250	21,947,076
Large emergent farmer - Between 20-50 hectares	3,702,840	18,748,600	3,995,650	19,607,920	1,024,711	43,376,881
Total	45,264,383	28,954,922	19,642,240	35,116,580	17,566,205	101,279,947

89. The volume of loans disbursed also increased by 41.7 percent to 2,584 loans in 2020 from 1,824 loans in 2019. This was recorded across all farm sizes apart from small emergent farmers, which recorded a 12.8 percent decline (Table 27).

TABLE 27: VOLUME OF LOAN DISBURSEMENTS TO SMALL AGRICULTURE FARMS BY FARM SIZE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Group loan to farmer group	446	38	22	77	745	882
Smallholder up to 5 hectares	1,006	280	206	387	406	1,279
Small emergent farmer - Between 5-20 hectares	337	86	68	75	65	294
Large emergent farmer - Between 20-50 hectares	35	36	20	56	17	129
Total	1,824	440	316	595	1,233	2,584

90. In terms of the product breakdown, leases and asset backed loans made up over half of the value of loans to the agriculture small end-user, at 56.9 percent or K57.6 million. This was followed by mortgages which made up 35.4 percent of loans at K35.8 million. Revolving credit and unsecured loans made up only 3.6 percent and 4.1 percent of the total value of loans disbursed, respectively (Table 28).

TABLE 28: VALUE OF LOAN DISBURSEMENTS TO SMALL AGRICULTURE FARMS BY CREDIT PRODUCT TYPE (KWACHA)

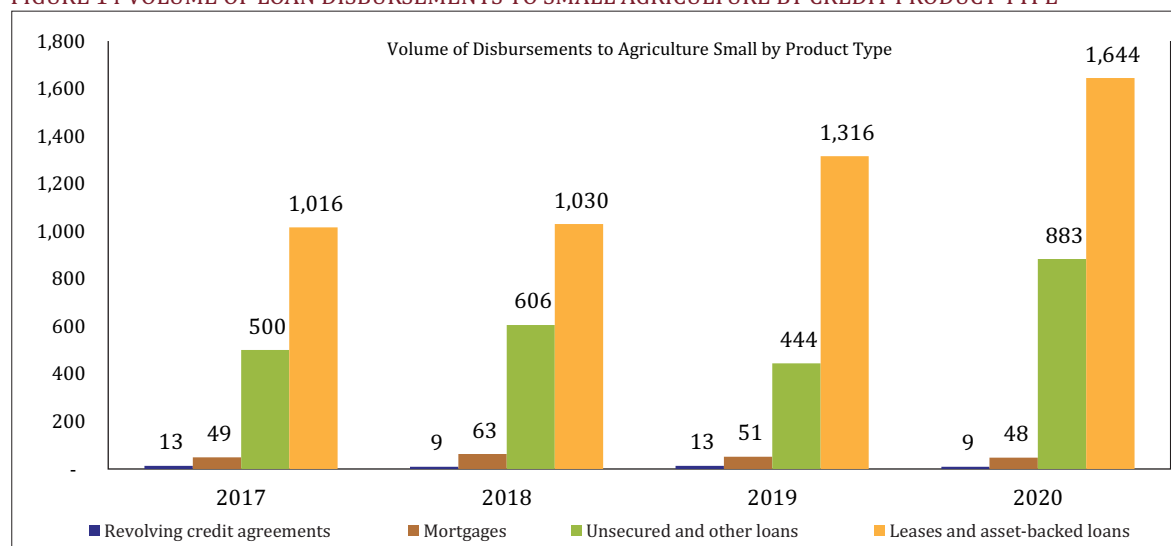
	Total 2018	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	17,924,510	14,105,000	7,377,250	14,352,000	0	35,834,250
Leases and Other asset-backed loans	23,502,167	13,822,216	11,111,687	20,477,870	12,207,650	57,619,423
Unsecured loans	1,462,700	368,700	113,300	286,670	3,413,901	4,182,571
Revolving credit facilities	2,375,000	659,006	1,040,000	0	1,944,650	3,643,656
Total	45,264,377	28,954,922	19,642,237	35,116,540	17,566,201	101,279,900

91. The volume of loans also increased to 2,584. Leases represented the highest proportion of loans by volume, at 63.6 percent of loans disbursed (Figure 14). This was followed by unsecured and other loans at 34.2 percent, mortgages at 1.9 percent and revolving credit at 0.3 percent (Table 29).

TABLE 29: VOLUME OF LOAN DISBURSEMENTS TO SMALL AGRICULTURE FARMS BY PRODUCT TYPE

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	51	11	28	9	0	48
Leases and Other asset-backed loans	1,316	386	264	509	485	1,644
Unsecured loans	444	38	22	77	746	883
Revolving credit facilities	13	5	2	0	2	9
Total	1,824	440	316	595	1,233	2,584

FIGURE 14 VOLUME OF LOAN DISBURSEMENTS TO SMALL AGRICULTURE BY CREDIT PRODUCT TYPE



Agriculture - Large

92. The year 2020 recorded a marked deceleration in lending to the Large Agriculture end-user when compared to 2019 levels as appetite for lending to this segment waned amid the elevated levels of non-performing loans (NPLs). The value of credit disbursements declined by 39.5 percent to K3,209.5 million. As a result, loans to the Large Agriculture end-user represented only 10.8 percent of total loans disbursed, down from 16.4 percent in the preceding year (Table 30). The volume of loans disbursed also declined by 16.2 percent to 363 loans (Table 30).
93. In terms of the distribution of credit, the bulk of the loans were given to extra-large farms, who obtained 81.1 percent of funds disbursed. Farms owned by foreign investors received 10.6 percent, followed by large farms (7.3 percent), and medium-sized farms (1.0 percent) (Table 30).

TABLE 30: VALUE OF LOAN DISBURSEMENTS TO LARGE AGRICULTURE FARMS BY FARM SIZE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Medium farms (51 - 200 ha)	102,656,624	1,560,118	0	22,109,870	8,629,830	32,299,818
Large farms (201 - 500 ha)	66,750,090	0	49,476,900	22,062,900	161,557,200	233,097,000
Extra Large farms (above 500 ha)	5,079,348,462	588,995,950	359,169,800	1,271,830,100	384,024,800	2,604,020,650
Farms owned by foreign investors/non-Zambian citizens	55,680,790	63,223,500	50,045,400	195,691,400	31,141,290	340,101,590
Total	5,304,435,966	653,779,568	458,692,100	1,511,694,270	585,353,120	3,209,519,058

94. The volume of loans disbursed declined across all farm sizes, with the extra-large farms, recording the largest decline, followed by farms owned by foreign investors and large farms (Table 31).

TABLE 31: VOLUME OF LOAN DISBURSEMENTS TO LARGE AGRICULTURE FARMS BY FARM SIZE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Medium farms (51 - 200 ha)	33	3	0	7	5	15
Large farms (201 - 500 ha)	21	0	7	3	10	20
Extra Large farms (above 500 ha)	345	93	58	90	56	297
Farms owned by foreign investors/non-Zambian citizens.	34	11	7	9	4	31
Total	433	107	72	109	75	363

95. There was a shift in the credit products accessed in the year 2020, towards leases and asset backed loans, and away from revolving credit. Leases and other asset-backed loans accounted for 32.0 percent, whereas revolving credit declined to 24.6 percent. (Table 32).

TABLE 32: VALUE OF LOAN DISBURSEMENTS TO LARGE AGRICULTURE FARMS BY CREDIT PRODUCT TYPE

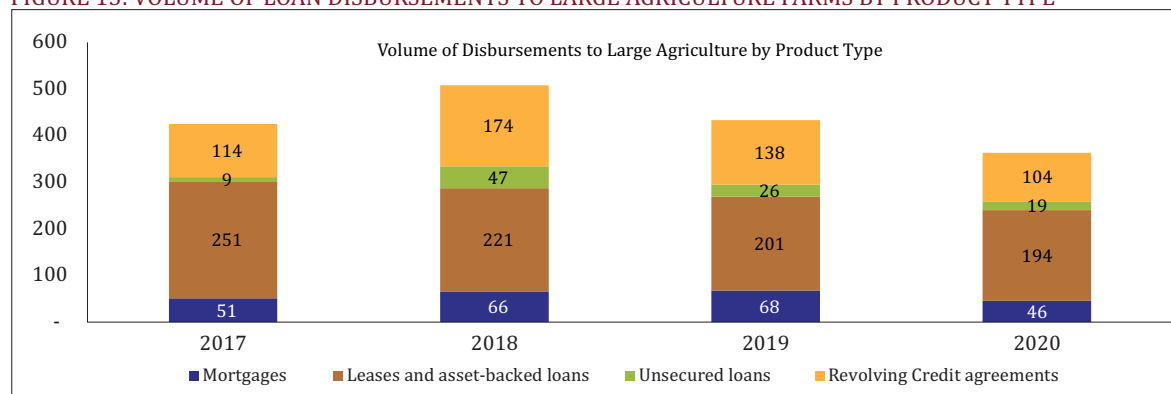
	Amounts in Kwacha					
	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	1,070,358,212	67,553,850	165,197,000	232,786,400	98,001,897	563,539,147
Leases and Other asset-backed loans	493,377,852	388,493,871	53,357,400	387,432,900	197,726,300	1,027,010,471
Unsecured loans	185,774,290	20,960,300	6,713,790	778,069,740	24,806,990	830,550,820
Revolving credit facilities	3,554,933,507	176,771,490	233,423,900	113,405,300	264,818,540	788,419,230
Total	5,304,443,861	653,779,511	458,692,090	1,511,694,340	585,353,727	3,209,519,668

96. The number of loans declined in all credit product categories, with the steepest absolute decline recorded in the revolving credit, while mortgages recorded the steepest percentage decline of 32.4 percent. (Figure 15 and Table 33).

TABLE 33: VOLUME OF LOAN DISBURSEMENT TO LARGE AGRICULTURE FARMS BY PRODUCT TYPE

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	68	13	18	6	9	46
Leases and Other asset-backed loans	201	73	31	63	27	194
Unsecured loans	26	4	2	10	3	19
Revolving credit facilities	138	17	21	30	36	104
Total	433	107	72	109	75	363

FIGURE 15: VOLUME OF LOAN DISBURSEMENTS TO LARGE AGRICULTURE FARMS BY PRODUCT TYPE



Business – Large

97. The business large end-user remained the biggest benefactor of credit, accounting for 32.7 percent of the value of loans disbursed, receiving a total of K9,711.1 million in 2020 (Table 34). Despite this fact, there was a drop in the value of credit to large businesses when compared to 2019. This reduction was recorded across all firm sizes, with businesses with 300 to 500 employees recording the steepest retraction of 69.0 percent, while businesses with more than 500 employees recorded a decline of 29.0 percent. Businesses with 101 to 300 employees recorded a contraction of 6.0 percent.

TABLE 34: VALUE OF LOAN DISBURSEMENTS TO LARGE BUSINESSES BY BUSINESS SIZE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Businesses with 101-300 employees	4,293,052,825	960,102,400	883,259,850	809,126,080	1,381,308,870	4,033,797,200
Businesses with 300 to 500 employees	3,715,389,446	189,439,400	187,499,500	356,982,900	419,274,000	1,153,195,800
Businesses with more than 500 employees	5,678,137,220	727,912,000	846,222,000	739,931,700	2,210,069,000	4,524,134,700
Total	13,686,579,491	1,877,453,800	1,916,981,350	1,906,040,680	4,010,651,870	9,711,127,700

98. The volume of loans on the other hand, increased by 4.2 percent to 1,669 loan contracts (Table 35). A higher number of loans were disbursed to businesses with more than 500 employees and businesses with 300 to 500 employees.

TABLE 35: VOLUME OF LOAN DISBURSEMENTS TO LARGE BUSINESSES BY BUSINESS SIZE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Businesses with 101-300 employees	819	118	95	71	90	374
Businesses with 300 to 500 employees	148	20	25	75	63	183
Businesses with more than 500 employees	634	394	306	239	173	1,112
Total	1,601	532	426	385	326	1,669

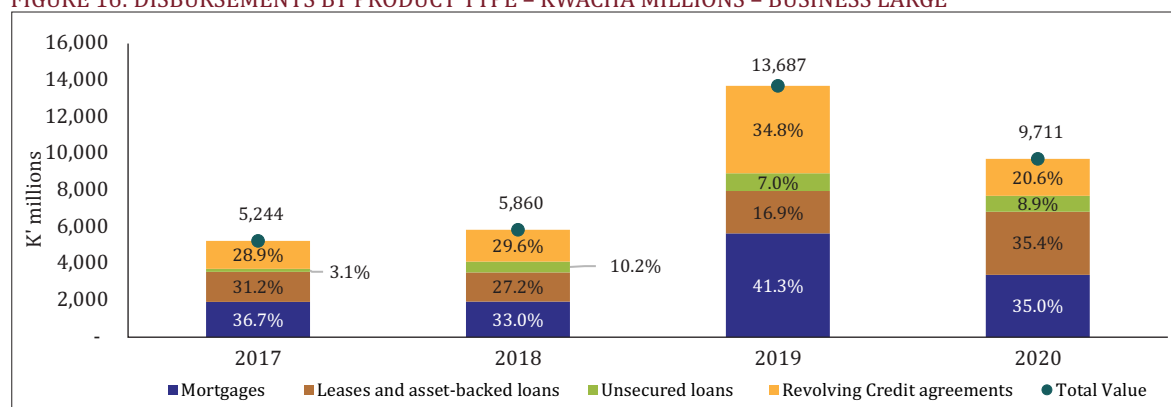
99. Given that the number of loans went up while the value of the loans declined, this implied a lower average value per loan. Consequently, the average loan size for businesses with 300 to 500 people dropped to K6.3 million from K25.1 million and that for businesses with more than 500 employees declined to K4.1 million from K9.0 million. Conversely, businesses with 101 to 300 employees recorded a retraction in the number of credit contracts of 54.5 percent. As a result, the average loan size increased to K10.8 million from K5.2 million.

100. Large businesses primarily obtained credit in the form of leases and other asset backed loans which accounted for 35.4 percent of the loans by value, up from 16.9 percent in the previous year. This was followed by mortgages which accounted for 35.0 percent, revolving credit and unsecured loans accounted for 20.6 percent and 8.9 percent, respectively (Table 36 and Figure 16).

TABLE 36: VALUE OF LOAN DISBURSEMENTS TO LARGE BUSINESSES BY PRODUCT TYPE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	5,649,526,640	703,158,800	540,430,800	320,519,100	1,838,700,800	3,402,809,500
Leases and Other asset-backed loans	2,314,709,550	783,036,100	809,891,460	865,567,940	981,021,660	3,439,517,160
Unsecured loans	958,299,350	95,890,600	120,810,400	168,041,463	479,436,300	864,178,763
Revolving credit facilities	4,764,046,590	295,367,580	445,848,981	551,912,501	711,485,000	2,004,614,063
Total	13,686,582,130	1,877,453,080	1,916,981,641	1,906,041,004	4,010,643,760	9,711,119,486

FIGURE 16: DISBURSEMENTS BY PRODUCT TYPE - KWACHA MILLIONS - BUSINESS LARGE

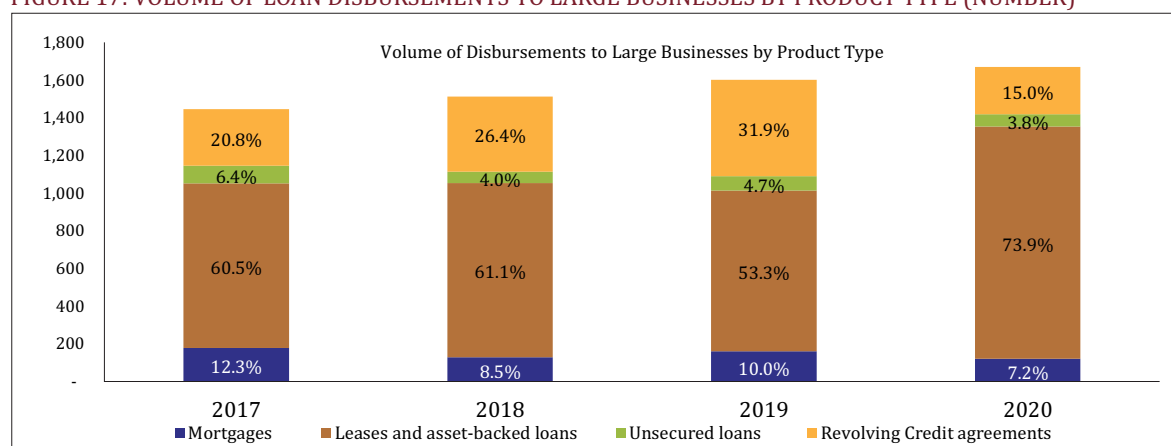


101. In terms of the product volumes, there was a decline in all credit product categories, except for leases and other loans, which increased by 44.5 percent to 1,234 credit agreements (Table 37). Consequently, the proportion of leases and other asset backed loans increased to 73.9 percent from 53.3 percent in the preceding year (Figure 17).

TABLE 37: VOLUME OF LOAN DISBURSEMENTS TO LARGE BUSINESSES BY PRODUCT TYPE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Mortgages	160	31	46	14	29	120
Leases and Other asset-backed loans	854	454	310	269	201	1,234
Unsecured loans	76	6	15	12	31	64
Revolving credit facilities	511	41	55	90	65	251
Total	1,601	532	426	385	326	1,669

FIGURE 17: VOLUME OF LOAN DISBURSEMENTS TO LARGE BUSINESSES BY PRODUCT TYPE (NUMBER)



Government

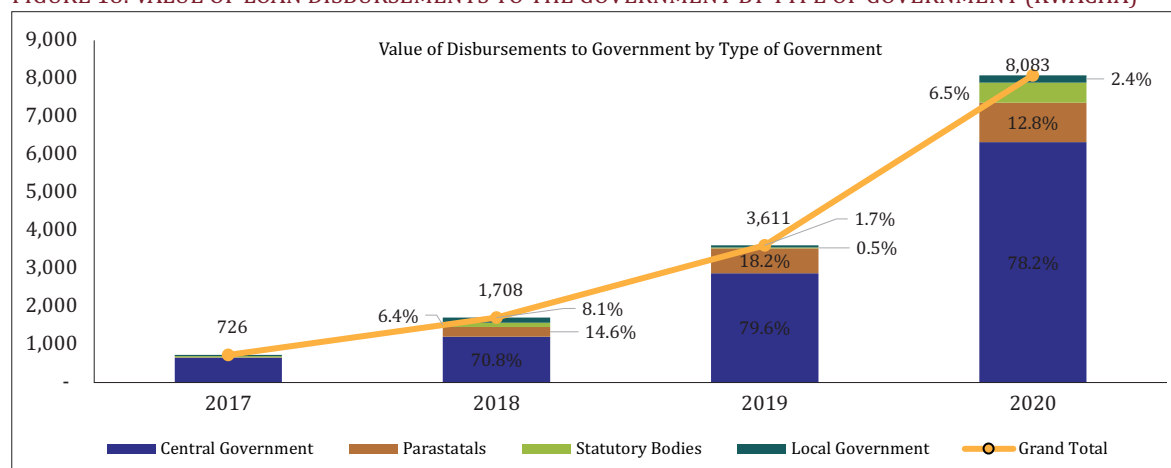
102. Government was the second highest benefactor of loan disbursements, after large businesses, accounting for at 27.2 percent. Lending to Government more than doubled, increasing by 123.9 percent, to K8,082.8 million. The increased supply was recorded across the different types of Government, with Central Government recording the largest absolute increase of K3,448.8 million or 120.0 percent, with total credit disbursements of K6,322.6 million (Table 38). Increased disbursements to Government were partly attributed to the weakened demand for Government securities amid sluggish investor appetite, coupled with rising fiscal pressure due to the COVID-19 shock which led to lower revenues and rising expenditures²¹. As a result, Government borrowed more from FSPs to meet the deficit.
103. Another factor that contributed to higher disbursements to the Government was the translation effects upon conversion for US Dollar denominated facilities as a result of the steep depreciation of the Kwacha in 2020. Facilities relating to the farmer input support programme (FISP) and fuel imports, in particular, which were USD denominated saw steep increases in amounts disbursed upon translation to local currency.

TABLE 38: VALUE OF LOAN DISBURSEMENTS TO THE GOVERNMENT (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Central Government	2,873,730,066	1,882,034,000	346,446,600	661,727,570	3,432,353,000	6,322,561,170
Local Government	60,342,240	3,000,000	180,365,000	0	10,000,000	193,365,000
Parastatals	658,615,600	188,931,250	102,682,730	47,145,180	699,444,000	1,038,203,160
Statutory Bodies	18,096,750	0	0	14,336,839	514,367,073	528,703,912
Total	3,610,784,656	2,073,965,250	629,494,330	723,209,589	4,656,164,073	8,082,833,242

104. As a result, Central Government accounted for 78.2 percent of loans disbursed (Figure 18). Statutory Bodies recorded the largest percentage increase of 2,821.5 percent with an increase in loans disbursed of K510.6 million and accounted for 6.5 percent of disbursements. The loans disbursed to statutory bodies were made to assist in dismantling of arrears to contractors. Parastatals and local Government also recorded increased disbursements of 57.6 percent and 220.4 percent, respectively, and accounted for 12.8 percent and 2.4 percent of the value of loans disbursed, respectively.

FIGURE 18: VALUE OF LOAN DISBURSEMENTS TO THE GOVERNMENT BY TYPE OF GOVERNMENT (KWACHA)



105. The volume of loans, on the other hand, declined by 44.9 percent to 86 largely on account of the reduction in the number of loans to central and local Government. However, the number of loans to parastatals and statutory bodies increased (Table 39).

²¹February 2021 Monetary Policy Statement

TABLE 39: VOLUME OF DISBURSEMENTS TO THE GOVERNMENT (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Central Government	58	18	4	6	7	35
Local Government	82	2	15	0	2	19
Parastatals	13	11	5	8	3	27
Statutory Bodies	3	0	0	2	3	5
Total	156	31	24	16	15	86

106. The primary credit product type obtained were leases and other asset-backed loans, which accounted for 75.6 percent of the Kwacha value of loans disbursed, up from 55.6 percent in the previous year. A total of K1,257.8 million was disbursed as revolving credit facilities and accounted for 15.6 percent followed by unsecured loans and mortgages at 8.3 percent and 0.5 percent of loans disbursed, respectively (Table 40).

TABLE 40: VALUE OF LOAN DISBURSEMENTS TO THE GOVERNMENT BY PRODUCT TYPE (KWACHA)

	Total 2018	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Leases and Other asset-backed loans	2,009,290,026	929,716,250	525,994,330	683,192,750	3,975,230,000	6,114,133,330
Mortgages	11,739,150	0	0	40,000,000	0	40,000,000
Revolving credit facilities	1,053,564,500	1,144,250,000	103,500,000	0	10,000,000	1,257,750,000
Unsecured loans	536,190,390	0	0	16,839	670,934,073	670,950,912
Total	3,610,784,066	2,073,966,250	629,494,330	723,209,589	4,656,164,073	8,082,834,242

107. The volume of all credit product types declined, largely due to a 50.0 percent drop in lease agreements to 61 from 122 lease agreements in 2019 (Table 41).

TABLE 41: VOLUME OF LOAN DISBURSEMENTS TO THE GOVERNMENT BY PRODUCT TYPE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Leases and Other asset-backed loans	122	18	19	14	10	61
Mortgages	6	0	0	1	0	1
Revolving credit facilities	21	13	5	0	2	20
Unsecured loans	7	0	0	1	3	4
Total	156	31	24	16	15	86

CHAPTER 5

ACCESS TO CREDIT BY PRIORITY END-USERS

108. The BoZ collects credit data to monitor the progress achieved in providing women and youth with improved access to credit.

Credit Supply to Women

109. The volume of loans accessed by women declined by 14.0 percent to 1,784,185. However, women's share of the total volume of loans disbursed increased to 54.1 percent, from 28.9 percent in the previous year, as the rate of decline in the number of loans accessed by women was slower than the overall decline in the volume of loans (Table 42).

TABLE 42: VOLUME OF LOAN DISBURSEMENTS TO WOMEN (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Total Disbursement	6,987,759	907,770	744,594	720,172	928,285	3,300,821
Disbursement to Women	2,020,626	463,526	358,390	234,065	728,204	1,784,185
Portion of disbursement accessed by women	28.9%	51.1%	48.1%	32.5%	78.4%	54.1%

110. The value of credit obtained remained relatively low, as women's share of the value of loans declined to 7.7 percent, from 7.9 percent in the previous year. This was due to a higher proportion decline in the value of loans given to women of 13.1 percent, compared to the overall decline in the value of loans disbursed in 2020 of 8.6 percent. This implied that women experienced a disproportionately higher decline in the value of credit they were able to access, and as such received smaller loans in 2020 compared to 2019 (Table 43).

TABLE 43: VALUE OF LOAN DISBURSEMENTS TO WOMEN (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Total Disbursement	32,286,811,780	6,563,135,665	4,781,467,235	6,525,904,210	11,859,682,910	29,730,190,020
Disbursement to Women	2,563,088,687	472,695,502	535,687,605	550,524,933	729,194,380	2,288,102,420
Portion of disbursement accessed by women	7.9%	7.2%	11.2%	8.4%	6.1%	7.7%

111. In 2020, the value of credit accessed by women in the agriculture and small businesses end-user category reported a decline in the proportion of access relative to 2019, dropping to 22.7 percent and 23.6 percent respectively, from 25.3 percent and 27.9 percent, respectively. Women in the households and individual end-user, on the other hand, sustained their share of loans at circa 27.0 percent. (Table 44).

TABLE 44: VALUE OF LOAN DISBURSEMENTS TO WOMEN BY CREDIT PRODUCT TYPE (VALUE)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Portion of total agriculture credit to women	25.3%	12.4%	30.4%	18.1%	40.1%	22.7%
Portion total business credit to women	27.9%	27.5%	25.9%	18.3%	24.7%	23.6%
Portion of total households' credit to women	27.2%	23.1%	32.5%	25.7%	29.1%	27.5%

Credit Supply to Youths

112. The number of loans disbursed to youths in the year 2020 plummeted to 1,399,184 loans, representing a contraction of 213.5 percent, compared to the overall decline in total loans of 52.8 percent. This meant that youths were disproportionately affected by the drop in the supply of credit. As a result, loans to youths represented 42.8 percent of the total volume of loans disbursed, compared to 63.2 percent in the previous year. This notwithstanding, the 2020 FinScope survey shows financial inclusion levels for the youth of 69.3 percent, which suggests that the youth are accessing other financial products, such as mobile money, outside of formal credit products (Table 45).

TABLE 45: VOLUME OF LOAN DISBURSEMENTS TO THE YOUTH (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Total Disbursement	6,987,764	907,770	744,594	720,172	928,285	3,300,821
Disbursement to Youths	4,386,227	500,287	403,324	374,949	120,624	1,399,184
Portion of disbursement accessed by Youths	63.2%	55.1%	54.2%	52.1%	13.0%	42.4%

113. The youth's share of credit disbursements by value also declined in 2020, dropping to 7.4 percent, from 11.8 percent in the previous year (Table 46). The decline recorded in the value of loans accessed by youths, which dropped by 45.9 percent, declined more than the overall decrease in the value of loan disbursements of 8.6 percent.

TABLE 46: VALUE OF LOAN DISBURSEMENTS TO THE YOUTH (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Total Disbursement	32,286,804,523	6,563,135,665	4,781,467,235	6,525,904,210	11,859,682,910	29,730,190,020
Disbursement to Youths	3,205,422,480	536,230,064	514,456,146	553,964,834	592,059,669	2,196,710,713
Portion of disbursement accessed by Youths	11.8%	8.2%	10.8%	8.5%	5.0%	7.4%

114. The decline in access to credit by youth is largely explained by the reduction in the loans accessed under the agriculture, small businesses, and households' end-users. Access to agriculture loans more than halved to 10.7 percent, from 25.1 percent in the previous year. Youth access under the small business and households and individual's end-user declined to 20.0 percent and 27.8 percent, respectively (Table 47).

TABLE 47: ACCESS TO CREDIT BY YOUTH AS A PROPORTION OF END-USER CATEGORY

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Portion of total agriculture accessed by youths	25.1%	5.9%	20.0%	6.1%	17.2%	10.7%
Portion total business credit accessed by youths	29.6%	23.9%	26.1%	14.2%	18.4%	20.0%
Portion of total households accessed by youths	34.6%	29.2%	30.7%	28.3%	24.5%	27.8%

115. Results of the FinScope survey show that barriers exist in facilitating the attainment of financial inclusion in the form of poverty, unemployment, and low product awareness levels.

Geographic Distribution of Credit Supply

116. In 2020 loan disbursements to rural households and businesses declined by 25.7 percent to K1,929.8 million (Table 48). In terms of the proportion of rural disbursements, it also declined to 6.5 percent from 9.1 percent in the previous year (Table 49). The urban areas continued to receive the largest proportion of disbursements in 2020 due to the concentration of development.

TABLE 48: VALUE OF LOAN DISBURSEMENTS BETWEEN RURAL AND URBAN AREAS (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Rural	2,417,047,622	399,578,628	343,811,513	613,662,541	572,753,762	1,929,806,444
Urban	29,749,439,443	6,163,560,994	4,437,653,946	5,912,242,989	11,286,932,036	27,800,389,965
Total	32,166,487,065	6,563,139,622	4,781,465,458	6,525,905,530	11,859,685,798	29,730,196,408

TABLE 49: PROPORTION OF VALUE OF LOAN DISBURSEMENTS TO RURAL/URBAN AREAS (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Rural	9.1%	6.1%	7.2%	9.4%	4.8%	6.5%
Urban	90.9%	93.9%	92.8%	90.6%	95.2%	93.5%

117. The volume of loans disbursed to rural households and businesses also declined to 868,786 loans and accounted for 26.3 percent of loans by volume and (Table 50 and Table 51).

TABLE 50: VOLUME OF LOAN DISBURSEMENTS BETWEEN TO RURAL AND URBAN AREAS

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Rural	1,820,029	244,545	193,650	188,955	241,636	868,786
Urban	5,108,721	663,225	551,039	527,444	686,649	2,428,357
Total	6,928,750	907,770	744,689	716,399	928,285	3,297,143

TABLE 51: PROPORTION OF VOLUME OF LOAN DISBURSEMENTS TO RURAL/URBAN AREAS (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Rural	26.3%	26.94%	26.00%	26.38%	26.03%	26.35%
Urban	73.8%	73.06%	74.00%	73.62%	73.97%	73.65%

118. The provincial split of credit disbursements by value remained concentrated to Lusaka and Copperbelt provinces, which received 76.4 percent and 12.8 percent of total loans disbursed, respectively, with total loans of K22,699.5 million and K3,801.8 million respectively (Table 52). This is due to the concentration of commercial activities to these two provinces. Muchinga, Luapula, Northern and Western provinces all received less than 1.0 percent of the total credit disbursed by value (Figure 19 a). There was a contraction in total value of loans recorded across all provinces, with the steepest decline reported by Copperbelt Province, which dropped by K2,641.1 million or 41.0 percent.

TABLE 52: VALUE OF LOAN DISBURSEMENTS BY PROVINCE (KWACHA)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Central	941,261,887	189,213,824	196,729,660	152,712,889	231,229,367	769,885,739
Copperbelt	6,442,936,340	810,120,701	655,074,918	598,411,109	1,738,226,682	3,801,833,410
Eastern	353,077,095	69,033,227	52,280,397	80,749,391	97,091,225	299,154,239
Luapula	196,028,636	33,381,759	32,401,164	56,601,340	75,854,499	198,238,762
Lusaka	22,014,985,623	5,009,270,844	3,504,339,802	5,150,345,250	9,035,504,543	22,699,460,439
Muchinga	191,228,885	34,501,937	25,986,879	40,976,918	57,842,072	159,307,806
Northern	257,982,748	50,274,271	42,312,587	71,520,777	90,215,168	254,322,803
North-Western	806,888,232	96,610,900	74,167,935	103,366,220	224,335,187	498,480,241
Southern	843,176,575	221,122,162	132,300,371	208,776,922	219,970,600	782,170,055
Western	239,245,758	49,609,998	65,871,746	62,444,715	89,416,455	267,342,914
Total	32,286,811,780	6,563,139,622	4,781,465,458	6,525,905,530	11,859,685,798	29,730,196,408

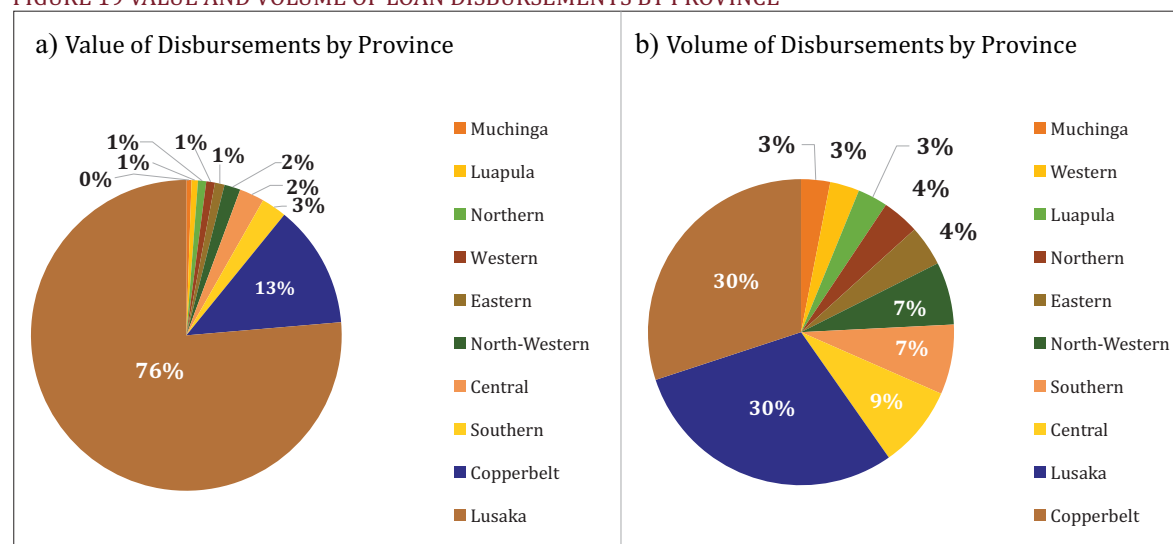
119. In terms of the volume of loans, the number of disbursements to Muchinga, Western and Luapula provinces were low, as they received less than 4.0 percent of loans by number (Table 53 and Figure 19 b). This was consistent with the findings of the 2020 FinScope Survey, which indicated that 59.3 percent of respondents in Western Province were financially excluded. Muchinga, Northern and Luapula Provinces also had a high proportion of financially excluded respondents, showing comparatively lower levels of financial inclusion than Lusaka and Copperbelt Provinces, with only 12.6 percent and 20.1 percent of the population financially excluded. Consequently, Copperbelt province received the highest number of loans and accounted for 30.0 percent of total loans, with 990,650 loans, followed by Lusaka Province which

accounted for 29.7 percent of credit contracts, with a total of 978,528 loans. All provinces recorded a contraction in the number of loan contracts, with Lusaka province recording the largest drop of 64.4 percent.

TABLE 53: VOLUME OF LOAN DISBURSEMENTS BY PROVINCE (NUMBER)

	Total 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Total 2020
Central	596,319	80,343	65,180	60,615	80,595	286,733
Copperbelt	1,640,973	265,921	232,374	224,251	268,104	990,650
Eastern	313,106	39,792	31,893	29,176	40,478	141,339
Luapula	197,690	26,602	23,909	24,069	30,402	104,982
Lusaka	2,751,667	285,412	210,880	196,808	285,428	978,528
Muchinga	187,479	27,513	24,292	23,014	26,436	101,255
Northern	251,463	32,778	29,747	30,091	36,949	129,565
North-Western	331,192	53,951	49,160	52,263	62,999	218,373
Southern	533,230	67,879	53,313	53,210	68,908	243,310
Western	184,640	27,579	23,941	22,902	27,986	102,408
Total	6,987,759	907,770	744,689	716,399	928,285	3,297,143

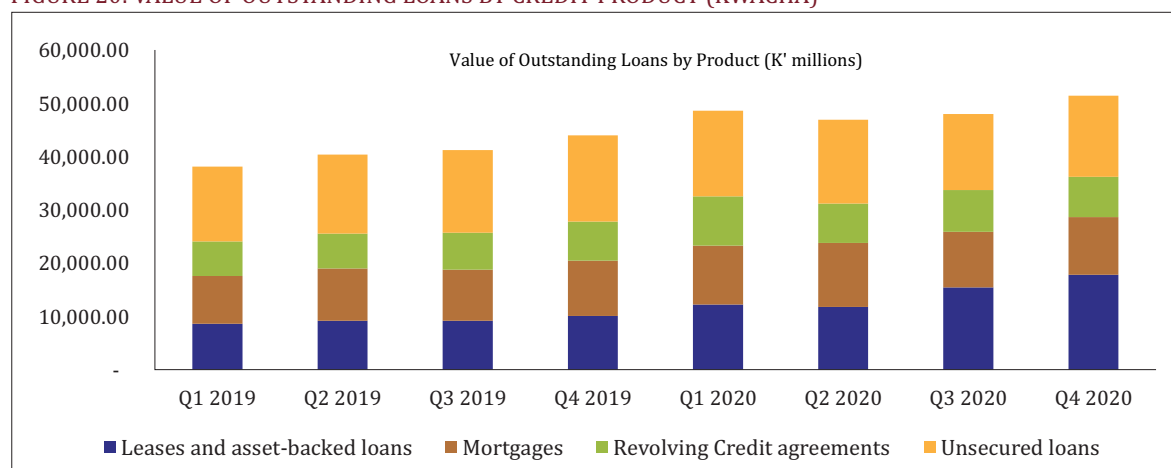
FIGURE 19 VALUE AND VOLUME OF LOAN DISBURSEMENTS BY PROVINCE



Growth of the Loan Book

120. The total sector loan book recorded growth of 16.9 percent to K51,437.1 million in 2020. The increase in total loans was driven partially by the valuation effects of the depreciation of the Kwacha, coupled with an increase in local currency loans (Figure 20). FX loans which accounted for 38.9 percent of total loans, increased by 12.3 percent in Kwacha terms, and was driven by the depreciation of the Kwacha during the year 2020. In USD terms however, the FX loans declined by 25.1 percent, as customers opted to switch to Kwacha facilities to avoid the cash-flow volatility of FX loans.

FIGURE 20: VALUE OF OUTSTANDING LOANS BY CREDIT PRODUCT (KWACHA)



121. The growth in the loan book was recorded across all products except for unsecured loans which declined by 6.0 percent to K15,239.1 million, following a decline in disbursements of 5.5 percent. Leases recorded the highest growth of 76.4 percent to K10,857.0 million which can be attributed to the rise in disbursements of 90.8 percent (Table 54).

TABLE 54: VALUE OF OUTSTANDING LOANS BY CREDIT PRODUCT TYPE (KWACHA)

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020
Mortgages	10,387,278,842	11,038,182,562	11,996,924,812	10,434,828,292	10,856,975,172
Leases and Other asset-backed loans	10,082,835,500	12,220,542,727	11,766,513,139	15,452,583,957	17,786,535,066
Unsecured loans	16,219,331,907	16,060,528,224	15,722,912,652	14,276,384,348	15,239,096,891
Revolving credit facilities	7,313,081,340	9,278,755,723	7,409,081,822	7,822,117,970	7,554,438,840
Total	44,002,527,589	48,598,009,236	46,895,432,425	47,985,914,567	51,437,045,969

122. The number of loans more than halved mainly on account of a drop in unsecured loans by 62.7 percent to 1,448,804 (Figure 21 and Table 55).

FIGURE 21: VOLUME OF OUTSTANDING LOANS BY CREDIT PRODUCT TYPE (NUMBER)

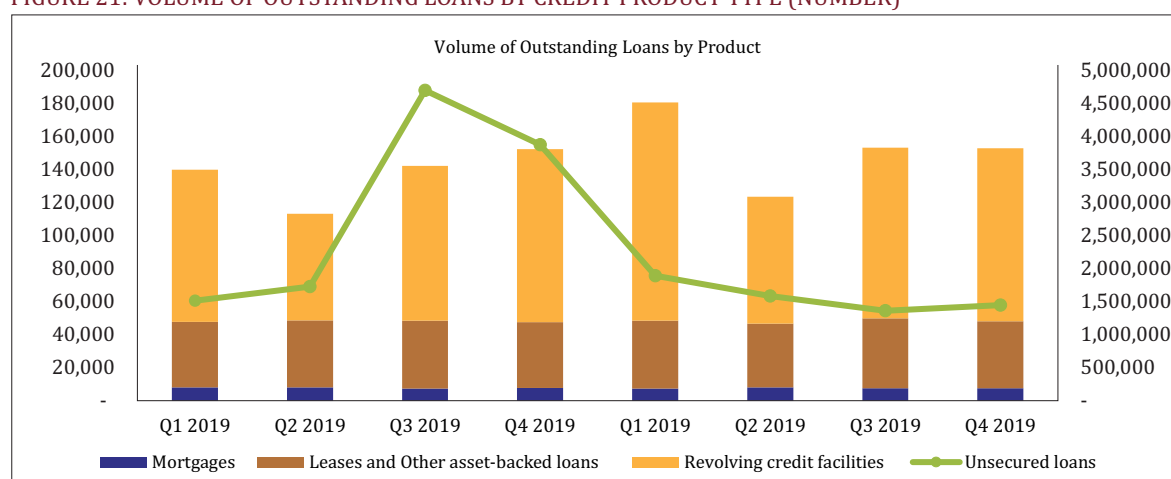


TABLE 55: VOLUME OF OUTSTANDING LOANS BY CREDIT PRODUCT TYPE (NUMBER)

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020
Mortgages	7,739	7,362	8,043	7,548	7,453
Leases and Other asset-backed loans	39,912	41,102	38,731	42,286	40,717
Unsecured loans	3,879,559	1,891,880	1,585,021	1,362,720	1,448,804
Revolving credit facilities	104,926	132,325	76,857	103,576	104,834
Total (Number)	4,032,136	7,362	8,043	7,548	7,453

CHAPTER 6

ASSESSMENT OF THE QUALITY OF THE LOAN BOOK

123. This section presents an assessment of the quality of the loan book within Zambia's credit market, as measured by the level of non-performing loans (NPLs). Loan quality is an important indicator for financial stability of the FSPs.
124. There was an increase in the level of non-performing loans²³ in 2020. As a result, the ratio of NPLs to total gross loans (NPL ratio) rose to 14.2 percent from 11.3 percent at the end of the previous year. The deterioration was recorded across all time buckets, with the 90 to 119-day bucket recording an increase of 1.2 percent, the 120 to 179 day bucket recording an increase of 0.4 percent and the over 180 days or more time bucket recording a 1.4 percent increase (Table 56). The deterioration was partially attributed to the COVID-19 shock and the elevated inflation which reduced disposable income of households and resulted in higher NPLs.

TABLE 56: AGE ANALYSIS OF OUTSTANDING LOANS

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020	Change (Y-on-Y)
Portion of book: Current	76.9%	75.9%	76.4%	78.1%	76.0%	-0.9%
Portion of book: 1-59 Days late	9.7%	8.4%	7.3%	5.8%	8.0%	-1.7%
Portion of book: 60-89 Days late	2.2%	3.5%	1.6%	1.4%	1.8%	-0.4%
Portion of book: 90-119 days late	1.0%	1.5%	2.0%	2.2%	2.2%	1.2%
Portion of book: 120-179 days late	1.3%	1.1%	2.0%	1.1%	1.7%	0.4%
Portion of book: 180+ days late	9.0%	9.6%	10.7%	11.4%	10.4%	1.4%
Total: 90 days or over	11.3%	12.2%	14.7%	14.7%	14.2%	3.0%

125. The sector's ability to absorb loan losses, as measured by the coverage ratio, declined to 79.3 percent, compared to 89.0 percent at the end of the previous year. The reduction in the coverage ratio was on account of the change in the classification and provisioning of loans rules, which lowered the provisioning requirements. Despite the drop in the ratio, the criteria for eligible collateral, as well as the haircuts applied, ensured that provisions taken over and above the collateral, were sufficient to cover for loan losses.
126. The deterioration in the quality of loans was recorded across all the end-users. All other end-users recorded the steepest decline to 47.7 percent from 26.0 percent in the previous year (Table 57). Agriculture small, Agriculture large and Business small also worsened to 23.2 percent, 23.6 percent, and 22.4 percent, respectively. Business large, which had previously been below the 10.0 percent prudential benchmark, worsened to 12.1 percent and households and individuals also recorded a deterioration, albeit at a lower rate of 0.3 percentage points, to 10.3 percent from 10.0 percent. The Government end-user also deteriorated to 7.1 percent, from 0.5 percent at the end of 2019.

²³Loans overdue by 90 days or more as a proportion of total gross loans.

TABLE 57: NON-PERFORMING LOANS ACCORDING TO CREDIT END-USER CATEGORY

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020
Business- Large	9.7%	11.2%	13.2%	14.1%	12.1%
Business- MSME	20.6%	20.8%	20.4%	22.7%	22.4%
Agriculture- Large	19.7%	22.8%	35.7%	23.5%	23.6%
Agriculture- Small and Emergent	18.8%	28.0%	28.6%	21.7%	23.2%
Households and Individuals	10.0%	11.3%	11.8%	11.0%	10.3%
Government	0.5%	0.8%	0.1%	9.5%	7.1%
Other end users	26.0%	49.3%	53.9%	55.7%	47.7%

127. In terms of product performance, the revolving credit product recorded the lowest NPL ratio of 9.7 percent and was below the 10.0 percent prudential benchmark in 2020 (Table 58). At 16.1 percent leases and other asset backed loans had the highest NPL ratio, followed by unsecured loans and mortgages also deteriorated at 13.1 percent and 12.7 percent, respectively.

TABLE 58: NON-PERFORMING LOANS ACCORDING TO CREDIT PRODUCT TYPE

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020
Mortgages	11.3%	12.9%	12.6%	13.2%	12.7%
Leases and other asset-backed loans	15.2%	15.5%	22.2%	19.7%	16.1%
Revolving credit facilities	9.6%	11.0%	11.4%	11.6%	9.7%
Unsecured loans	9.6%	9.2%	13.1%	12.7%	13.1%

Distribution of Outstanding Loans

128. The volume of outstanding loans plummeted by 32.4 percent to 1,601,808 loans from 2,370,347 loans in the preceding year mainly due a 34.6 percent drop in outstanding loans to the households and individuals' end-user (Table 59). Despite the drop in the volume of the loan book, the value of the loan book recorded a 16.9 percent increase, mainly attributed to the growth in the Government book (Table 60).

TABLE 59: VOLUME OF OUTSTANDING LOANS BY CREDIT END-USER CATEGORY (NUMBER)

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020
Agriculture – Large	1,279	1,474	1,529	1,599	1,003
Agriculture – Small	2,072	5,734	3,626	4,071	3,679
Business – Large	4,649	5,297	5,015	4,651	3,240
Business – MSME	128,071	115,130	115,146	126,642	135,508
Government	2,110	1,966	2,372	1,155	1,027
Households & Individuals	3,893,654	1,942,772	1,580,652	1,377,728	1,457,043
Other end-users	297	296	312	284	308
Total	4,032,132	2,072,669	1,708,652	1,516,130	1,601,808

TABLE 60: VALUE OF OUTSTANDING LOANS BY CREDIT END-USER CATEGORY (KWACHA)

	31 Dec - 2019	31 Mar - 2020	30 Jun - 2020	30 Sep - 2020	31 Dec - 2020
Business – Large	15,018,013,995	6,362,391,977	6,020,536,721	6,891,496,341	6,260,768,897
Business – MSME	2,755,318,895	129,403,476	141,692,242	158,594,295	142,818,322
Agriculture – Large	6,160,518,210	16,716,845,732	15,895,801,900	16,332,648,043	17,724,818,994
Agriculture – Small	177,462,010	3,146,951,174	3,450,370,141	3,525,424,383	3,643,809,496
Households & Individuals	15,682,259,531	6,468,723,054	6,081,070,715	6,469,033,549	9,068,887,097
Government	3,892,674,018	15,561,492,419	15,113,134,040	14,415,042,876	14,408,930,488
Other end-users	316,286,048	212,199,433	192,820,609	193,702,796	187,002,471
Total	44,002,532,707	48,598,007,265	46,895,426,368	47,985,942,283	51,437,035,765

CONCLUSION

129. The Zambian credit market, as measured by the outstanding loan book, recorded a growth of 20.3 percent to K51,437.0 million. The growth was primarily driven by Kwacha loan disbursements, coupled with the depreciation effects of the Kwacha on loans denominated in foreign currency. Credit disbursements, however, significantly declined by 7.9 percent to K29,730.2 million, compared to a 58.3 percent growth in the previous year, largely driven by the COVID-19 pandemic shock which negatively impacted economic activity. The decline in disbursement in the year 2020 was seen across all the end-users, except for Government, Agriculture - small and Business - small which recorded increased disbursements.
130. The higher disbursements for the agriculture - small and business - small end users were partly due to the implementation of the COVID-19 relief measures which allowed FSP's to restructure facilities or issue new facilities to customers impacted by the COVID-19 pandemic. Increased disbursements to Government were partly attributed to translation effects of the depreciation of the Kwacha, weakened demand for Government securities amid sluggish investor appetite, coupled with rising fiscal pressure due to the COVID-19 shock which led to lower revenues and rising expenditures. As a result, Government borrowed more from FSPs to meet the deficit.
131. The business – large end user received the largest share of total disbursement in 2020 and accounted for 32.7 percent of the value of total loans disbursed, followed by Government which accounted for 27.2 percent of the value of loans disbursed. Agriculture – large accounted for the third largest representing 10.8 percent of the value of total loans.
132. The COVID-19 pandemic made a mark on the global economy and the Zambian market specifically. The economic ripple effects were felt across multiple sectors, that struggled to stay afloat amid the pandemic induced economic turbulence. Consumer spending shrunk to a five-year low due to elevated inflation and the depreciation of the local currency against all major tradable currencies. The slow-down in economic growth was exacerbated by job losses and reduced pay which further weakened the purchasing power of consumers. Declining domestic revenue on account of lower tax collections, coupled with higher spending requirements induced by pandemic related expenditure, and lower foreign direct investment led to worsening fiscal health.
133. In response, the BoZ instituted several relief measures aimed at cushioning the impact of the COVID-19 pandemic on the financial sector. FSPs were permitted to restructure existing credit facilities of counterparties that had been adversely affected by the COVID-19 pandemic. The credit facilities that were restructured were considered as current and FSPs were not required to raise loan loss provisions. The BoZ further issued new rules through the Banking and Financial Services (Classification and Provisioning of Loans) Directives, 2020 which allowed FSPs to recognise collateral when computing provisions for loan losses. The BoZ also embarked on liquidity support through the Targeted Medium-Term Refinancing Facility (TMTRF) which made available K10.0 billion to eligible FSPs for onward lending mainly to identified priority sectors of the economy.
134. All these measures, were designed to make critical support available to FSPs who in turn supported key sectors, businesses, and households to keep economic activity afloat, in anticipation that these firms and households would play a key role in recovery. The overall objective was to safeguard financial stability.
135. Long-term use of such measures would, however, result in an undesirable or adverse impact on financial stability, and hence these measures would have to be reversed or un-wound over time.

136. Going forward, the un-winding of measures taken should be gradual to prevent undesirable effects on financial stability. The Bank will therefore need to determine whether additional liquidity support will be necessary, especially for those sectors that are still adversely affected by the pandemic. Finally, stress testing will become a critical component in assessing the resilience of the sector to adverse shocks and hence safeguard financial stability.

APPENDICES

Appendix 1 - Overall Credit Market Data

DEMAND FOR CREDIT – NUMBER OF LOAN APPLICATIONS

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	88	222	99	63	105	70
Agriculture- Small and Emergent	188	615	478	616	869	984
Business- Large	390	434	515	423	408	369
Business- MSME	94,165	96,326	93,113	90,247	92,185	95,545
Government	28	20	28	36	13	24
Households and Individuals	6,262,322	6,390,358	6,223,276	5,514,411	5,056,874	5,136,866
Other end users	2	7	1	4	0	3
Total	6,357,183	6,487,982	6,317,510	5,605,800	5,150,454	5,233,861

CREDIT SUPPLY – NUMBER OF LOAN DISBURSEMENTS

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	90	155	107	72	109	75
Agriculture- Small and Emergent	394	647	440	316	595	1,233
Business- Large	319	433	532	426	385	326
Business- MSME	47,043	43,707	44,918	41,558	49,709	51,959
Government	35	14	31	24	16	15
Households and Individuals	1,899,365	1,169,818	861,741	702,193	669,349	874,670
Other end users	3	5	1	5	9	7
Total	1,947,249	1,214,779	907,770	744,594	720,172	928,285

CREDIT SUPPLY - DISBURSEMENTS BY PRODUCT (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	1,126,602,438	1,716,765,473	2,337,535,883	1,598,492,485	2,319,947,677	5,536,092,376
Mortgages	619,229,610	1,138,919,231	1,050,892,330	1,013,040,722	1,026,756,130	2,298,315,740
Revolving credit facilities	838,180,100	2,012,294,817	1,711,358,325	964,727,854	726,682,906	1,056,279,680
Unsecured loans	2,223,949,189	2,126,336,044	1,463,349,127	1,205,206,174	2,452,517,497	2,968,995,114
Total (Kwacha)	4,807,961,337	6,994,315,565	6,563,135,665	4,781,467,235	6,525,904,210	11,859,682,910

CREDIT SUPPLY - NUMBER OF LOAN DISBURSEMENTS BY CREDIT PRODUCTS

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	10,511	9,488	8,748	5,911	9,306	9,346
Mortgages	570	562	460	692	490	726
Revolving credit facilities	1,030	828	636	527	719	800
Unsecured loans	1,935,142	1,203,906	897,926	737,464	709,657	917,413
Total	1,947,253	1,214,784	907,770	744,594	720,172	928,285

PROPORTION OF DISBURSEMENTS BY INSTITUTION TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Banks	72.5%	83.0%	86.2%	83.7%	83.4%	83.4%
Building Societies	1.9%	0.7%	0.8%	1.0%	1.0%	1.1%
Consumer lending MFIs	14.9%	6.4%	7.5%	8.3%	10.0%	7.1%
Enterprise lending MFIs	4.0%	2.8%	2.7%	3.7%	2.8%	1.7%
Other NBFIs	6.7%	7.1%	2.8%	3.3%	2.8%	6.7%

PROPORTION OF DISBURSEMENTS BY INSTITUTION TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Banks	1.0%	1.5%	1.9%	2.0%	2.9%	2.8%
Building Societies	0.2%	0.3%	0.2%	0.2%	0.2%	0.3%
Consumer lending MFIs	8.4%	13.1%	18.0%	19.6%	22.7%	22.7%
Enterprise lending MFIs	1.7%	2.6%	3.5%	4.2%	5.4%	4.7%
Other NBFIs	88.7%	82.5%	76.4%	74.0%	68.7%	69.5%

TOTAL DISBURSEMENTS BY END-USER (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	493,380,690	1,490,529,040	653,779,550	458,692,100	1,511,693,700	585,352,920
Agriculture- Small and Emergent	17,079,576	11,449,580	28,954,922	19,642,240	35,116,540	17,566,191
Business- Large	1,449,695,896	2,424,698,980	1,877,453,400	1,916,981,280	1,906,040,500	4,010,651,670
Business- MSME	538,953,928	531,080,855	545,523,882	618,915,685	806,159,085	716,907,487
Government	314,010,416	943,543,200	2,073,966,250	629,494,330	723,209,589	4,656,164,073
Households and Individuals	1,992,504,905	1,503,904,225	1,383,423,900	1,137,515,752	1,542,271,896	1,872,241,206
Other end users	2,335,570	89,108,768	30,000	224,042	1,410,000	791,968
Total	4,807,960,981	6,994,314,649	6,563,131,904	4,781,465,429	6,525,901,310	11,859,675,515

TOTAL DISBURSEMENTS BY END-USER (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	493,380,690	1,490,529,040	653,779,550	458,692,100	1,511,693,700	585,352,920
Agriculture- Small and Emergent	17,079,576	11,449,580	28,954,922	19,642,240	35,116,540	17,566,191
Business- Large	1,449,695,896	2,424,698,980	1,877,453,400	1,916,981,280	1,906,040,500	4,010,651,670
Business- MSME	538,953,928	531,080,855	545,523,882	618,915,685	806,159,085	716,907,487
Government	314,010,416	943,543,200	2,073,966,250	629,494,330	723,209,589	4,656,164,073
Households and Individuals	1,992,504,905	1,503,904,225	1,383,423,900	1,137,515,752	1,542,271,896	1,872,241,206
Other end users	2,335,570	89,108,768	30,000	224,042	1,410,000	791,968
Total	4,807,960,981	6,994,314,649	6,563,131,904	4,781,465,429	6,525,901,310	11,859,675,515

TOTAL DISBURSEMENTS BY END-USER (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	90	155	107	72	109	75
Agriculture- Small and Emergent	394	647	440	316	595	1,233
Business- Large	319	433	532	426	385	326
Business- MSME	47,043	43,707	44,918	41,558	49,709	51,959
Government	35	14	31	24	16	15
Households and Individuals	1,899,365	1,169,818	861,741	702,193	669,349	874,670
Other end users	3	5	1	5	9	7
Total	1,947,249	1,214,779	907,770	744,594	720,172	928,285

TOTAL DISBURSEMENTS BY PROVINCE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Central	203,316,899	280,651,769	189,213,824	196,729,660	152,712,889	231,229,367
Copperbelt	698,085,319	1,254,211,275	810,120,701	655,074,918	598,411,109	1,738,226,682
Eastern	104,199,358	67,017,243	69,033,227	52,280,397	80,749,391	97,091,225
Luapula	60,095,836	33,898,932	33,381,759	32,401,164	56,601,340	75,854,499
Lusaka	3,099,314,367	4,949,117,430	5,009,270,844	3,504,339,802	5,150,345,250	9,035,504,543
Muchinga	61,995,214	33,677,831	34,501,937	25,986,879	40,976,918	57,842,072
Northern	75,017,220	48,756,658	50,274,271	42,312,587	71,520,777	90,215,168
North-Western	161,391,936	109,119,858	96,610,900	74,167,935	103,366,220	224,335,187
Southern	267,288,761	167,428,946	221,122,162	132,300,371	208,776,922	219,970,600
Western	77,256,181	50,439,967	49,609,998	65,871,746	62,444,715	89,416,455
Total	4,807,961,091	6,994,319,909	6,563,139,622	4,781,465,458	6,525,905,530	11,859,685,798

TOTAL DISBURSEMENTS BY PROVINCE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Central	167,497	110,009	80,343	65,180	60,615	80,595
Copperbelt	410,634	322,906	265,921	232,374	224,251	268,104
Eastern	92,891	53,874	39,792	31,893	29,176	40,478
Luapula	58,340	35,677	26,602	23,909	24,069	30,402
Lusaka	790,791	412,609	285,412	210,880	196,808	285,428
Muchinga	53,750	36,364	27,513	24,292	23,014	26,436
Northern	73,023	45,566	32,778	29,747	30,091	36,949
North-Western	85,667	69,469	53,951	49,160	52,263	62,999
Southern	159,877	93,807	67,879	53,313	53,210	68,908
Western	54,782	34,498	27,579	23,941	22,902	27,986
Total	1,947,252	1,214,779	907,770	744,689	716,399	928,285

TOTAL DISBURSEMENTS BY RURAL/URBAN (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Rural	523,158,135	753,403,092	399,578,628	343,811,513	613,662,541	572,753,762
Urban	4,284,802,956	6,240,916,817	6,163,560,994	4,437,653,946	5,912,242,989	11,286,932,036
Total	4,807,961,091	6,994,319,909	6,563,139,622	4,781,465,458	6,525,905,530	11,859,685,798

TOTAL DISBURSEMENTS BY RURAL/URBAN (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Rural	531,294	338,665	244,545	193,650	188,955	241,636
Urban	1,415,958	876,114	663,225	551,039	527,444	686,649
Total	1,947,252	1,214,779	907,770	744,689	716,399	928,285

ACCESS BY WOMEN (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Total disbursements	4,807,960,981	6,994,314,649	6,563,139,622	4,781,465,458	550,524,933	729,194,380
Disbursements to women	714,675,937	529,324,985	472,695,502	535,687,605	6,525,905,530	11,859,685,798
Portion of total disbursements accessed by women	14.9%	7.6%	7.2%	11.2%	8.4%	6.1%

ACCESS BY WOMEN (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Total disbursements	1,947,253	1,214,784	907,770	744,689	234,065	728,204
Disbursements to women	580,648	352,706	463,526	358,390	716,399	928,285
Portion of total disbursements accessed by women	29.8%	29.0%	51.1%	48.1%	32.7%	78.4%

ACCESS BY YOUTH (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Total disbursements	4,807,959,151	6,994,315,854	6,563,139,622	4,781,465,458	553,964,834	592,059,669
Disbursements to youth	809,671,970	613,056,116	536,230,064	514,456,146	6,525,905,530	11,859,685,798
Portion of total disbursements accessed by youth	16.8%	8.8%	8.2%	10.8%	8.5%	5.0%

ACCESS BY YOUTH (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Total disbursements	1,947,253	1,214,784	907,770	744,689	374,949	120,624
Disbursements to youth	1,265,439	699,349	500,287	403,324	716,399	928,285
Portion of total disbursements accessed by Youth	65.0%	57.6%	55.1%	54.2%	52.3%	13.0%

APPENDIX 2 - CREDIT MARKET DATA – HOUSEHOLDS AND INDIVIDUALS

DISBURSEMENT BY INCOME CATEGORY (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Income ZMW 0 - ZMW 2000	270,279,037	173,320,624	133,747,042	110,616,336	72,682,055	118,914,215
Income ZMW 2001 - ZMW 4000	271,767,141	229,595,265	178,390,966	155,270,653	228,450,076	350,416,245
Income ZMW 4001 - ZMW 6000	432,348,616	334,421,909	356,234,403	236,959,391	270,876,037	435,190,685
Income above ZMW 6000	1,018,110,003	766,566,732	715,052,432	634,669,517	970,263,460	967,721,417
Total Kwacha disbursed	1,992,504,797	1,503,904,530	1,383,424,843	1,137,515,897	1,542,271,627	1,872,242,562

DISBURSEMENT BY INCOME CATEGORY (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Income ZMW0 - ZMW 2000	1,245,831	725,205	513,654	410,378	176,298	229,275
Income ZMW 2001 - ZMW 4000	317,192	220,279	165,524	145,753	304,775	389,744
Income ZMW 4001 - ZMW 6000	300,262	190,848	143,718	110,230	83,023	115,807
Income above ZMW 6000	36,085	33,486	38,845	35,832	105,253	139,843
Total number of loans disbursed	1,899,370	1,169,818	861,741	702,193	669,349	874,669

DISBURSEMENTS OF UNSECURED CREDIT BY LOAN TENURE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
0 to 3 months	515,176,863	462,846,032	417,110,040	355,807,728	406,107,597	523,911,658
4 - 6 months	37,764,152	44,382,404	51,309,633	30,258,652	46,616,319	51,255,272
7 - 12 months	82,360,366	49,976,231	61,730,439	49,339,633	69,874,753	124,090,849
13 - 48 months	365,841,124	233,702,885	250,245,416	161,772,172	242,685,230	264,474,203
More than 48 months	849,754,414	544,406,845	473,286,663	396,920,540	613,348,530	706,387,713
Total	1,850,896,919	1,335,314,397	1,253,682,191	994,098,726	1,378,632,429	1,670,119,695

DISBURSEMENTS OF UNSECURED CREDIT BY LOAN TENURE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
0 to 3 months	1,845,920	1,135,824	824,253	671,768	629,709	815,931
4 - 6 months	7,135	8,680	7,197	7,626	9,575	14,740
7 - 12 months	9,193	5,275	8,979	4,297	6,514	11,408
13 - 48 months	17,789	9,195	9,710	5,486	9,204	10,728
More than 48 months	17,798	9,631	10,499	12,023	13,068	20,341
Total	1,897,835	1,168,605	860,638	701,200	668,070	873,148

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	35,628,701	50,532,613	32,800,056	43,450,071	53,961,588	74,576,922
Mortgages	95,135,104	99,739,810	73,401,634	96,654,486	103,917,427	118,273,270
Revolving credit facilities	10,843,209	18,317,737	23,540,992	3,313,092	5,760,396	9,272,070
Unsecured loans	1,850,897,349	1,335,314,354	1,253,682,007	994,098,481	1,378,633,747	1,670,118,756
Total	1,992,504,364	1,503,904,514	1,383,424,689	1,137,516,130	1,542,273,158	1,872,241,018

DISBURSEMENT BY PRODUCT TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	482	580	518	446	572	620
Mortgages	216	197	140	228	203	301
Revolving credit facilities	832	436	445	319	504	601
Unsecured loans	1,897,835	1,168,605	860,638	701,200	668,070	873,148
Total	1,899,365	1,169,818	861,741	702,193	669,349	874,670

DISBURSEMENT BY COLLECTION METHOD (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
From employer payroll	774,235,029	388,259,285	512,884,475	349,459,523	598,023,755	630,242,692
From salary receiving bank account	687,395,013	636,695,448	682,715,549	540,321,628	768,022,577	914,490,276
Other means of collection	530,874,166	478,949,658	187,824,651	247,735,114	176,226,083	327,508,349
Total (Kwacha)	1,992,504,208	1,503,904,391	1,383,424,675	1,137,516,265	1,542,272,415	1,872,241,317

DISBURSEMENTS OF UNSECURED CREDIT—PURPOSE OF BORROWING (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Business	163,801,462	55,498,805	77,671,862	67,362,331	123,596,745	162,232,905
Education fees	254,277,928	99,234,224	117,037,022	46,113,670	128,135,735	176,351,535
Farming	12,449,533	8,510,213	8,595,332	2,387,090	10,131,156	16,875,110
Home improvement/ incremental home construction	123,482,835	63,209,130	65,830,597	19,516,298	68,942,339	90,814,297
Living expenses	265,685,057	199,208,570	164,506,347	118,671,998	137,284,309	208,829,440
Medical or funeral expenses	61,753,329	38,879,100	36,201,574	28,638,577	38,669,141	53,246,600
Other purpose	940,213,577	853,324,254	767,541,697	706,429,867	862,813,925	952,083,138
Purchase of land	14,672,300	11,317,602	9,538,856	2,861,658	5,557,870	5,668,036
Purchase of vehicle	14,560,484	6,132,614	6,758,960	2,117,474	3,502,150	4,018,416
Total (Kwacha)	1,850,896,506	1,335,314,512	1,253,682,247	994,098,963	1,378,633,371	1,670,119,477

DISBURSEMENT OF UNSECURED CREDIT —PURPOSE OF BORROWING (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Business	332,696	190,379	144,777	117,908	108,617	141,555
Education fees	446,585	255,033	148,619	112,262	87,305	118,659
Farming	559	366	422	221	475	729
Home improvement/ incremental home construction	4,670	1,878	2,368	1,459	2,617	2,983
Living expenses	625,909	385,025	267,459	215,771	190,490	238,631
Medical or funeral expenses	295,035	171,379	151,951	120,424	128,685	171,570
Other purpose	191,189	163,782	144,590	132,829	149,472	198,721
Purchase of land	602	355	297	271	312	211
Purchase of vehicle	592	409	154	54	97	88
Total	1,897,838	1,168,605	860,638	701,199	668,070	873,147

DISBURSEMENTS OF UNSECURED CREDIT BY LOAN SIZE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
ZMW 0- ZMW 2 000	409,826,627	316,437,182	263,944,228	226,006,168	230,588,627	294,681,667
ZMW 2.1K- ZMW 5K	114,135,955	123,053,380	146,720,801	106,647,354	130,403,163	174,821,667
ZMW 5.1K - 10K	116,670,898	95,381,626	93,644,274	88,237,991	123,925,075	167,335,702
ZMW 10.1K - 50K	482,393,394	241,179,328	261,717,946	165,232,943	361,316,527	342,199,654
Above 50K	727,871,087	559,262,433	487,655,427	407,973,987	532,400,068	691,080,572
Total	1,850,897,962	1,335,313,949	1,253,682,676	994,098,443	1,378,633,460	1,670,119,262

DISBURSEMENTS OF UNSECURED CREDIT BY LOAN SIZE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
ZMW 0- ZMW 2 000	1,817,766	1,098,954	785,595	639,225	587,007	759,639
ZMW 2.1K- ZMW 5K	35,537	40,038	43,943	34,427	39,384	54,660
ZMW 5.1K - 10K	14,588	11,768	11,755	11,173	20,152	29,878
ZMW 10.1K - 50K	21,266	9,585	11,704	7,477	16,058	14,962
Above 50K	8,683	8,260	7,641	8,898	5,469	14,009
Total	1,897,840	1,168,605	860,638	701,200	668,070	873,148

APPENDIX 3 - CREDIT MARKET DATA – SMALL AND MEDIUM BUSINESSES

DISBURSEMENTS BY ENTERPRISE SIZE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Group loan	98,137,500	126,409,660	106,896,550	96,855,000	174,601,850	182,761,750
Single person MSME	101,201,556	98,203,420	77,628,110	110,938,133	65,304,060	64,287,294
1-4 People employed	95,836,080	88,651,674	81,521,317	73,260,044	71,461,046	72,439,416
5-10 People employed	57,623,072	82,779,740	123,049,332	38,712,067	86,963,622	67,377,581
11-20 People employed	30,852,193	19,649,276	87,026,270	78,761,435	272,033,380	158,362,020
21-50 People employed	113,226,743	39,718,819	39,966,501	67,591,799	112,621,837	98,071,239
51-100 People employed	42,076,737	75,668,283	29,435,770	152,797,077	23,173,433	73,608,703
Total Kwacha disbursed	538,953,881	531,080,872	545,523,850	618,915,555	806,159,228	716,908,003

DISBURSEMENTS BY ENTERPRISE SIZE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Group loan	27,928	25,910	27,627	27,517	34,275	37,490
Single person MSME	13,180	13,059	12,863	10,917	9,699	8,524
1-4 People employed	3,353	2,829	2,501	959	2,076	2,165
5-10 People employed	2,370	1,720	1,723	1,930	2,773	2,863
11-20 People employed	111	74	144	151	784	812
21-50 People employed	69	81	46	60	82	79
51-100 People employed	31	34	15	24	20	26
Total number of loans disbursed	47,043	43,707	44,918	41,558	49,709	51,959

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q3 - 2020
Mortgages	127,138,012	94,373,374	192,643,480	203,349,962	315,181,431	315,181,431
Leases and Other asset-backed loans	222,803,526	248,732,520	189,661,819	154,512,223	309,313,731	309,313,731
Unsecured loans	88,757,376	84,570,654	92,446,693	83,451,853	126,708,953	126,708,953
Revolving credit facilities	100,254,973	103,404,266	70,771,993	177,601,677	54,955,131	54,955,131
Total	538,953,887	531,080,814	545,523,985	618,915,715	806,159,246	806,159,246

DISBURSEMENT BY PRODUCT TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	248	299	264	371	257	386
Leases and Other asset-backed loans	9,419	8,248	7,299	4,838	7,879	8,003
Unsecured loans	37,246	34,997	37,240	36,224	41,480	43,478
Revolving credit facilities	130	163	115	125	93	92
Total	47,043	43,707	44,918	41,558	49,709	51,959

APPENDIX 5 - CREDIT MARKET DATA – SMALL AGRICULTURE

DISBURSEMENT BY FARM SIZE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Group loan to farmer group	148,500	882,700	368,700	113,300	286,670	3,413,260
Smallholder up to 5 hectares	6,316,746	6,636,070	6,241,076	8,524,300	9,662,700	7,345,984
Small emergent farmer - Between 5-20 hectares	10,614,340	1,927,966	3,596,546	7,008,990	5,559,290	5,782,250
Large emergent farmer - Between 20-50 hectares	-	2,002,840	18,748,600	3,995,650	19,607,920	1,024,711
Total Kwacha disbursed	17,079,586	11,449,576	28,954,922	19,642,240	35,116,580	17,566,205

DISBURSEMENT BY FARM SIZE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Group loan to farmer group	37	250	38	22	77	745
Smallholder up to 5 hectares	253	316	280	206	387	406
Small emergent farmer - Between 5-20 hectares	104	48	86	68	75	65
Large emergent farmer - Between 20-50 hectares	-	33	36	20	56	17
Total number of loans disbursed	394	647	440	316	595	1,233

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	11,030,280	2,345,000	14,105,000	7,377,250	14,352,000	-
Leases and Other asset-backed loans	5,810,796	8,091,880	13,822,216	11,111,687	20,477,870	12,207,650
Unsecured loans	148,500	882,700	368,700	113,300	286,670	3,413,901
Revolving credit facilities	90,000	130,000	659,006	1,040,000	-	1,944,650
Total	17,079,576	11,449,580	28,954,922	19,642,237	35,116,540	17,566,201

DISBURSEMENT BY PRODUCT TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	19	16	11	28	9	-
Leases and Other asset-backed loans	337	377	386	264	509	485
Unsecured loans	37	250	38	22	77	746
Revolving credit facilities	1	4	5	2	-	2
Total	394	647	440	316	595	1,233

APPENDIX 6 - CREDIT MARKET DATA – LARGE AGRICULTURE

DISBURSEMENT BY FARM SIZE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Medium farms (51 - 200 hectares)	2,350,000	94,566,770	1,560,118	-	22,109,870	8,629,830
Large farms (201 - 500 hectares)	22,643,300	3,080,070	-	49,476,900	22,062,900	161,557,200
Extra Large farms (above 500 hectares)	464,398,562	1,392,882,200	588,995,950	359,169,800	1,271,830,100	384,024,800
Farms owned by foreign investors/ non Zambian citizens (any size).	3,988,890	-	63,223,500	50,045,400	195,691,400	31,141,290
Total Kwacha disbursed	493,380,752	1,490,529,040	653,779,568	458,692,100	1,511,694,270	585,353,120

DISBURSEMENT BY FARM SIZE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Medium farms (51 - 200 hectares)	4	22	3	-	7	5
Large farms (201 - 500 hectares)	3	6	-	7	3	10
Extra Large farms (above 500 hectares)	72	127	93	58	90	56
Farms owned by foreign investors/non Zambian citizens (any size).	11	-	11	7	9	4
Total number of loans disbursed	90	155	107	72	109	75

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	88,477,562	426,592,500	67,553,850	165,197,000	232,786,400	98,001,897
Leases and Other asset-backed loans	166,652,290	157,552,111	388,493,871	53,357,400	387,432,900	197,726,300
Unsecured loans	13,365,800	148,493,800	20,960,300	6,713,790	778,069,740	24,806,990
Revolving credit facilities	224,884,992	757,890,590	176,771,490	233,423,900	113,405,300	264,818,540
Total	493,380,644	1,490,529,001	653,779,511	458,692,090	1,511,694,340	585,353,727

DISBURSEMENT BY PRODUCT TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	11	17	13	18	6	9
Leases and Other asset-backed loans	57	63	73	31	63	27
Unsecured loans	5	8	4	2	10	3
Revolving credit facilities	17	67	17	21	30	36
Total	90	155	107	72	109	75

DISBURSEMENT BY BUSINESS SIZE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Businesses with 101-300 employees	698,729,396	929,919,780	960,102,400	883,259,850	809,126,080	1,381,308,870
Businesses with 300 to 500 employees	339,577,640	520,928,300	189,439,400	187,499,500	356,982,900	419,274,000
Businesses with more than 500 employees	411,388,440	973,850,100	727,912,000	846,222,000	739,931,700	2,210,069,000
Total Kwacha disbursed	1,449,695,476	2,424,698,180	1,877,453,800	1,916,981,350	1,906,040,680	4,010,651,870

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	291,949,760	515,337,960	703,158,800	540,430,800	320,519,100	1,838,700,800
Leases and Other asset-backed loans	405,982,696	970,907,420	783,036,100	809,891,460	865,567,940	981,021,660
Unsecured loans	270,780,420	540,285,800	95,890,600	120,810,400	168,041,463	479,436,300
Revolving credit facilities	480,983,890	398,168,350	295,367,580	445,848,981	551,912,501	711,485,000
Total	1,449,696,766	2,424,699,530	1,877,453,080	1,916,981,641	1,906,041,004	4,010,643,760

DISBURSEMENT BY PRODUCT TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	75	31	31	46	14	29
Leases and Other asset-backed loans	185	209	454	310	269	201
Unsecured loans	15	39	6	15	12	31
Revolving credit facilities	44	154	41	55	90	65
Total	319	433	532	426	385	326

APPENDIX 7 - CREDIT MARKET DATA – GOVERNMENT

DISBURSEMENT TO GOVERNMENT (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Central Government	283,669,386	835,543,200	1,882,034,000	346,446,600	661,727,570	3,432,353,000
Local Government	22,438,980	500,000	3,000,000	180,365,000	-	10,000,000
Parastatals	7,902,000	107,500,000	188,931,250	102,682,730	47,145,180	699,444,000
Statutory Bodies	-	-	-	-	14,336,839	514,367,073
Total Kwacha disbursed	314,010,366	943,543,200	2,073,965,250	629,494,330	723,209,589	4,656,164,073

DISBURSEMENT TO GOVERNMENT (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Central Government	19	9	18	4	6	7
Local Government	15	1	2	15	-	2
Parastatals	1	4	11	5	8	3
Statutory Bodies	-	-	-	-	2	3
Total number of loans disbursed	35	14	31	24	16	15

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	289,689,216	191,887,700	929,716,250	525,994,330	683,192,750	3,975,230,000
Mortgages	5,499,150	500,000	-	-	40,000,000	-
Revolving credit facilities	18,822,000	734,384,000	1,144,250,000	103,500,000	-	10,000,000
Unsecured loans	-	16,771,500	-	-	16,839	670,934,073
Total	314,010,366	943,543,200	2,073,966,250	629,494,330	723,209,589	4,656,164,073

DISBURSEMENT BY PRODUCT TYPE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	30	8	18	19	14	10
Mortgages	1	1	-	-	1	-
Revolving credit facilities	4	4	13	5	-	2
Unsecured loans	-	1	-	-	1	3
Total	35	14	31	24	16	15

DISBURSEMENT BY BUSINESS SIZE (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Businesses with 101-300 employees	158	205	118	95	71	90
Businesses with 300 to 500 employees	28	60	20	25	75	63
Businesses with more than 500 employees	133	168	394	306	239	173
Total number of loans disbursed	319	433	532	426	385	326

OTHER END-USERS

DISBURSEMENT TO OTHER END-USERS (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Affiliated companies	0	0	0	0	0	0
All others	35,570	89,060,400	0	194,042	0	16,968
Embassies and international organisations	0	0	0	0	0	0
Non-bank financial institutions	2,300,000	0	0	0	50,000	150,000
Non-profit organisations	0	30,000	30,000	30,000	1,360,000	625,000
Non-resident individuals and entities	0	0	0	0	0	0
Other banking institutions	0	18,368	0	0	0	0
Total Kwacha disbursed	2,335,570	89,108,768	30,000	224,042	1,410,000	791,968

DISBURSEMENT TO OTHER END-USERS (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Affiliated companies	0	0	0	0	0	0
All others	1	3	0	4	0	4
Embassies and international organisations	0	0	0	0	0	0
Non-bank financial institutions	2	0	0	0	1	1
Non-profit organisations	0	1	1	1	8	2
Non-resident individuals and entities	0	0	0	0	0	0
Other banking institutions	0	1	0	0	0	0
Total number of loans disbursed	3	5	1	5	9	7

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	35,570	89,060,400	-	175,645	-	-
Mortgages	-	30,000	30,000	30,000	-	25,000
Revolving credit facilities	2,300,000	-	-	-	650,000	750,000
Unsecured loans	-	18,368	-	18,397	760,000	16,968
Total	2,335,570	89,108,768	30,000	224,042	1,410,000	791,968

DISBURSEMENT BY PRODUCT TYPE (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	1	3	-	3	-	-
Mortgages	-	1	1	1	-	1
Revolving credit facilities	2	-	-	-	2	2
Unsecured loans	-	1	-	1	7	4
Total	3	5	1	5	9	7

APPENDIX 9 - CREDIT MARKET DATA – FINANCIAL INCLUSION

ACCESS BY WOMEN AS A PORTION OF END-USER TYPES

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of total agriculture accessed by women (%)	19.07%	27.21%	12.40%	30.45%	18.07%	40.07%
Portion of Small businesses accessed by women (%)	26.96%	29.87%	27.49%	25.86%	18.34%	24.74%
Portion of total household credit accessed by women (%)	28.41%	24.44%	23.08%	32.51%	25.65%	29.11%

ACCESS BY YOUTH AS A PORTION OF END-USER TYPES

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of small total agriculture accessed (%)	17.09%	22.14%	5.92%	19.99%	6.12%	17.24%
Portion of total small business credit accessed (%)	22.55%	25.88%	23.94%	26.08%	14.25%	18.38%
Portion of total household credit accessed (%)	34.39%	31.46%	29.25%	30.74%	28.34%	24.45%

TOTAL DISBURSEMENTS BY RURAL/URBAN (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Rural	10.88%	10.77%	6.09%	7.19%	9.40%	4.83%
Urban	89.12%	89.23%	93.91%	92.81%	90.60%	95.17%

TOTAL DISBURSEMENTS BY RURAL/URBAN (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Rural	27.28%	27.88%	26.93%	26.00%	26.38%	26.03%
Urban	72.72%	72.12%	73.07%	74.00%	73.62%	73.97%

APPENDIX 10 - CREDIT MARKET DATA – QUALITY OF THE LOAN BOOK

AGE ANALYSIS

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current (%)	76.75%	76.85%	75.88%	76.44%	78.13%	75.98%
Portion of book: 1-59 Days late (%)	8.56%	9.69%	8.38%	7.27%	3.62%	4.63%
Portion of book: 60-89 Days late (%)	3.39%	2.21%	3.54%	1.60%	2.14%	3.34%
Portion of book: 90-119 days late (%)	1.14%	0.98%	1.54%	2.04%	1.41%	1.83%
Portion of book: 120-179 days late (%)	1.20%	1.30%	1.05%	1.99%	2.19%	2.16%
Portion of book: 180+ days late (%)	8.96%	8.97%	9.61%	10.67%	1.13%	1.69%
Total: 90 days or over	11.29%	11.25%	12.20%	14.69%	11.38%	10.38%

NON-PERFORMING LOANS ACCORDING TO CREDIT END-USER CATEGORIES (90 DAYS LATE OR MORE)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Business- Large	10.45%	9.74%	11.17%	13.21%	14.05%	12.12%
Business- MSME	20.36%	20.57%	20.82%	20.39%	22.71%	22.44%
Agriculture- Large	21.16%	19.70%	22.79%	35.75%	23.47%	23.63%
Agriculture- Small and Emergent	19.89%	18.79%	28.03%	28.56%	21.71%	23.23%
Households and Individuals	9.30%	10.03%	11.33%	11.81%	11.01%	10.32%
Government	0.05%	0.49%	0.84%	0.09%	9.53%	13.97%
Other end users	19.33%	25.99%	49.28%	53.87%	55.74%	47.65%

NON-PERFORMING LOANS ACCORDING TO PRODUCT

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Leases and Other asset-backed loans	14.98%	15.18%	15.49%	22.25%	19.66%	19.57%
Mortgages	12.34%	11.29%	12.87%	12.63%	13.17%	12.66%
Revolving credit facilities	10.57%	9.55%	9.19%	13.06%	12.72%	13.09%
Unsecured loans	8.78%	9.55%	10.98%	11.38%	11.56%	9.68%

CONTRACTING LOAN BOOK

TOTAL BOOK BY PRODUCT (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	9,586,475,412	10,387,278,842	11,038,182,562	11,996,924,812	10,434,828,292	10,856,975,172
Leases and Other asset-backed loans	9,176,259,601	10,082,835,500	12,220,542,727	11,766,513,139	15,452,583,957	17,786,535,066
Unsecured loans	15,492,042,344	16,219,331,907	16,060,528,224	15,722,912,652	14,276,384,348	15,239,096,891
Revolving credit facilities	6,958,394,680	7,313,081,340	9,278,755,723	7,409,081,822	7,822,117,970	7,554,438,840
Total	41,213,172,037	44,002,527,589	48,598,009,236	46,895,432,425	47,985,914,567	51,437,045,969

TOTAL BOOK BY PRODUCT (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	7,329	7,739	7,362	8,043	7,548	
Leases and Other asset-backed loans	41,216	39,912	41,102	38,731	42,286	
Unsecured loans	4,703,451	3,879,559	1,891,880	1,585,021	1,362,720	
Revolving credit facilities	93,788	104,926	132,325	76,857	103,576	104,834
Total	4,845,784	4,032,136	2,072,669	1,708,652	1,516,130	1,601,808

TOTAL OUTSTANDING LOANS BY END-USER (NUMBER)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	1,277	1,279	1,474	1,529	1,599	1,003
Agriculture- Small and Emergent	1,868	2,072	5,734	3,626	4,071	3,679
Business- Large	4,900	4,649	5,297	5,015	4,651	3,240
Business- MSME	125,563	114,743	115,130	115,146	126,642	135,508
Government	2,333	2,110	1,966	2,372	1,155	1,027
Households and Individuals	4,709,496	2,217,770	1,942,772	1,580,652	1,377,728	1,457,043
Other end users	344	297	296	312	284	308
Total	4,845,781	2,342,920	2,072,669	1,708,652	1,516,130	1,601,808

TOTAL OUTSTANDING LOANS BY END-USER (KWACHA)

	Q3 - 2019	Q4 - 2019	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Agriculture- Large	5,304,540,346	6,160,518,210	6,362,391,977	6,020,536,721	6,891,496,341	6,260,768,897
Agriculture- Small and Emergent	192,362,424	177,462,010	129,403,476	141,692,242	158,594,295	142,818,322
Business- Large	14,011,650,632	15,018,013,995	16,716,845,732	15,895,801,900	16,332,648,043	17,724,818,994
Business- MSME	2,520,014,378	2,755,318,895	3,146,951,174	3,450,370,141	3,525,424,383	3,643,809,496
Government	3,285,327,400	3,892,674,018	6,468,723,054	6,081,070,715	6,469,033,549	9,068,887,097
Households and Individuals	15,532,287,759	15,682,259,531	15,561,492,419	15,113,134,040	14,415,042,876	14,408,930,488
Other end users	366,990,320	316,286,048	212,199,433	192,820,609	193,702,796	187,002,471
Total	41,213,173,260	44,002,532,707	48,598,007,265	46,895,426,368	47,985,942,283	51,437,035,765

ALLOWANCE FOR LOSSES

ALLOWANCE FOR LOSSES BY END USER

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Business- Large	8.5%	8.3%	8.9%	8.9%
Business- MSME	16.9%	13.0%	19.1%	16.5%
Agriculture- Large	18.6%	19.8%	20.3%	21.3%
Agriculture- Small and Emergent	18.7%	20.0%	15.5%	20.1%
Households and Individuals	10.0%	13.6%	11.2%	11.1%
Government	0.2%	0.5%	0.8%	0.9%
Other end users	29.4%	36.6%	43.0%	43.4%

Note: As % of end user book, not total book

ALLOWANCE FOR LOSSES - INSTITUTION TYPES

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Gross Value of the debtors book (ZMW)	40,173,430,962	38,707,439,577	40,402,781,546	43,190,036,192
Allowance for loan losses (ZMW)	3,312,606,269	3,572,357,566	3,830,373,171	3,864,071,144
Banks	8.25%	9.23%	9.48%	8.95%
Gross Value of the debtors book (ZMW)	700,123,000	671,038,000	677,662,000	745,081,000
Allowance for loan losses (ZMW)	74,391,200	78,028,500	63,135,900	68,818,000
Building Societies	10.63%	11.63%	9.32%	9.24%
Gross Value of the debtors book (ZMW)	670,931,189	620,033,275	603,017,807	624,291,707
Allowance for loan losses (ZMW)	86,787,975	76,378,861	75,038,464	79,670,603
Micro Finance Institutions - Small business development	12.94%	12.32%	12.44%	12.76%
Gross Value of the debtors book (ZMW)	5,495,011,601	5,348,395,739	4,712,279,876	4,703,785,988
Allowance for loan losses (ZMW)	645,370,225	708,250,003	574,532,535	571,892,877
Micro Finance Institutions - other	11.74%	13.24%	12.19%	12.16%
Gross Value of the debtors book (ZMW)	1,558,510,513	1,548,519,777	1,590,201,053	2,090,646,243
Allowance for loan losses (ZMW)	659,487,716	698,206,507	751,814,953	725,813,473
Other	42.32%	45.09%	47.28%	34.72%
Total Gross Value of debtors book (ZMW)	48,598,007,265	46,895,426,368	47,985,942,283	51,353,841,130
Allowance for loan losses (ZMW)	4,778,643,384	5,133,221,438	5,294,895,023	5,310,266,097
Net Book (ZMW)	43,819,363,881	41,762,204,930	42,691,047,259	46,043,575,033
Allowance as percentage of gross book (%)	9.83%	10.95%	11.03%	10.34%

ALLOWANCE AS A PERCENTAGE OF EACH PRODUCT'S GROSS BOOK (%)

	Q1 - 2020	Q2 - 2020	Q3 - 2020
Mortgages	9.9%	8.8%	8.4%
Leases and Other asset-backed loans	10.4%	12.3%	12.1%
Unsecured loans	9.3%	11.8%	11.0%
Revolving credit facilities	10.0%	10.3%	12.5%

AGE ANALYSIS

PORTION OF THE VALUE OF EACH END USER'S BOOK THAT IS 90 DAYS AND MORE LATE

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Business- Large	11.17%	13.21%	14.05%	12.12%
Business- MSME	20.82%	20.39%	22.71%	22.44%
Agriculture- Large	22.79%	35.75%	23.47%	23.63%
Agriculture- Small and Emergent	28.03%	28.56%	21.71%	23.23%
Households and Individuals	11.33%	11.81%	11.01%	10.32%
Government	0.84%	0.09%	9.53%	13.97%
Other end users	49.28%	53.87%	55.74%	47.65%

PORTION OF THE VALUE OF EACH INSTITUTION TYPE'S BOOK THAT IS 90 DAYS AND MORE LATE

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Banks	9.6%	12.4%	12.6%	13.0%
Building Societies	12.5%	13.4%	11.5%	10.7%
Consumer lending MFIs	17.4%	17.8%	16.3%	14.8%
Enterprise lending MFIs	13.1%	15.1%	15.0%	13.9%
Other NBFIs	61.2%	62.9%	64.8%	40.1%

PORTION OF THE VALUE OF EACH PRODUCT TYPE'S BOOK THAT IS 90 DAYS AND MORE LATE

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Mortgages	12.9%	12.6%	13.2%	12.7%
Leases and Other asset-backed loans	15.5%	22.2%	19.7%	19.6%
Unsecured loans	11.0%	11.4%	11.6%	9.7%
Revolving credit facilities	9.2%	13.1%	12.7%	13.1%

Age analysis of non-performing loans - Business Large

Portion of book: Current	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: 1-29 days late	80.78%	81.37%	82.16%	81.09%
Portion of book: 30-59 days late	5.87%	1.16%	1.58%	3.21%
Portion of book: 60-89 days late	1.23%	3.33%	1.25%	1.51%
Portion of book: 90-119 days late	0.95%	0.93%	0.96%	2.08%
Portion of book: 120-179 days late	1.53%	2.97%	3.07%	1.26%
Portion of book: 180 and more days late	0.70%	1.56%	0.57%	1.99%
Total	8.95%	8.68%	10.41%	8.86%

AGE ANALYSIS OF NON-PERFORMING LOANS - MSME

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current	68.78%	72.54%	73.19%	73.14%
Portion of book: 1-29 days late	7.13%	1.99%	1.51%	1.64%
Portion of book: 30-59 days late	1.64%	1.11%	0.92%	-0.87%
Portion of book: 60-89 days late	1.63%	3.97%	1.66%	3.65%
Portion of book: 90-119 days late	1.18%	3.53%	4.87%	2.05%
Portion of book: 120-179 days late	1.05%	2.64%	0.63%	3.29%
Portion of book: 180 and more days late	18.59%	14.22%	17.21%	17.10%
Total	3,146,951,414	3,450,370,477	3,525,422,289	3,643,810,404

AGE ANALYSIS OF NON-PERFORMING LOANS - AGRICULTURE LARGE

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current	64.29%	62.67%	74.25%	74.60%
Portion of book: 1-29 days late	4.15%	1.07%	0.72%	0.90%
Portion of book: 30-59 days late	0.49%	0.40%	0.30%	0.26%
Portion of book: 60-89 days late	8.28%	0.12%	1.26%	0.60%
Portion of book: 90-119 days late	1.48%	1.42%	1.70%	0.20%
Portion of book: 120-179 days late	1.60%	2.50%	1.96%	1.86%
Portion of book: 180 and more days late	19.70%	31.83%	19.80%	21.57%
Total	6,362,395,566	6,020,536,724	6,891,488,130	6,260,770,181

AGE ANALYSIS OF NON-PERFORMING LOANS - AGRICULTURAL SMALL

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current	56.09%	62.31%	70.88%	66.64%
Portion of book: 1-29 days late	9.94%	6.47%	4.44%	8.35%
Portion of book: 30-59 days late	2.07%	1.84%	2.90%	1.21%
Portion of book: 60-89 days late	3.87%	0.82%	0.08%	0.57%
Portion of book: 90-119 days late	4.52%	0.94%	0.56%	0.27%
Portion of book: 120-179 days late	1.01%	5.57%	4.64%	3.16%
Portion of book: 180 and more days late	22.50%	22.06%	16.50%	19.80%
Total	129,403,422	141,692,379	158,594,359	142,818,378

AGE ANALYSIS OF NON-PERFORMING LOANS - HOUSEHOLDS AND INDIVIDUALS

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current	68.34%	70.68%	72.33%	72.66%
Portion of book: 1-29 days late	7.97%	10.38%	9.25%	9.46%
Portion of book: 30-59 days late	6.14%	4.51%	4.93%	4.92%
Portion of book: 60-89 days late	6.23%	2.62%	2.48%	2.64%
Portion of book: 90-119 days late	2.03%	1.80%	1.81%	1.22%
Portion of book: 120-179 days late	1.67%	2.69%	1.85%	1.91%
Portion of book: 180 and more days late	7.63%	7.33%	7.35%	7.19%
Total	15,561,494,136	15,113,140,317	14,415,048,571	14,408,923,812

AGE ANALYSIS OF NON-PERFORMING LOANS - GOVERNMENT

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current	97.5%	95.0%	88.9%	74.0%
Portion of book: 1-29 days late	1.0%	2.8%	0.5%	3.5%
Portion of book: 30-59 days late	0.6%	1.1%	0.8%	8.3%
Portion of book: 60-89 days late	0.1%	1.0%	0.2%	0.2%
Portion of book: 90-119 days late	0.3%	0.0%	0.0%	6.9%
Portion of book: 120-179 days late	0.0%	0.0%	0.0%	0.0%
Portion of book: 180 and more days late	0.5%	0.1%	9.5%	7.1%
Total	6,468,725,394	6,081,072,892	6,469,032,853	9,068,879,245

AGE ANALYSIS OF NON-PERFORMING LOANS - OTHER

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Portion of book: Current	49.28%	45.28%	44.19%	52.33%
Portion of book: 1-29 days late	0.14%	0.03%	0.02%	0.01%
Portion of book: 30-59 days late	0.12%	0.00%	0.04%	0.00%
Portion of book: 60-89 days late	1.18%	0.83%	0.01%	0.00%
Portion of book: 90-119 days late	8.24%	1.05%	0.00%	0.00%
Portion of book: 120-179 days late	0.00%	15.05%	10.37%	0.94%
Portion of book: 180 and more days late	41.04%	37.76%	45.36%	46.71%
Total	212,199,538	192,820,565	193,702,703	187,002,439

