

Denny H Kalyalya: Remarks - launch of the 2025 Banking and Non-Banking Industry Survey Report

Remarks by Dr Denny H Kalyalya, Governor of the Bank of Zambia, at the Launch of the 2025 Banking and Non-Banking Industry Survey Report by PwC, Lusaka, 16 September 2025.

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Country Senior Partner – PwC Zambia
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Distinguished Invited Industry Stakeholders.
Members of the Press and other representatives of the Media.
Ladies and Gentlemen.

It is a great honour and privilege for me to once again, officiate at the launch of this year's Survey Report on the financial sector by PricewaterhouseCoopers (PwC) Zambia.

On behalf of the Bank of Zambia and indeed on my own behalf, I wish to commend PwC for this initiative of conducting the survey and compiling the results, which are an independent view of the state of the Zambian banking and non-bank financial sectors.

Ladies and Gentlemen, this survey, has over the years provided very useful information to us as regulators and the entire financial sector. The information also validates our position with regard to the key risks prevalent in the sector.

PwC has conducted the Banking Industry survey since 2016 and broadened the scope to include non-bank financial institutions in 2018 which equally play an important role in the sector and economy.

Ladies and Gentlemen, the 2025 Survey Report raised a lot of important issues, however, my brief comments this morning will focus on three top issues raised by respondents:

- State of the local economy,
- Cybersecurity, and
- Digital transformation and innovation

To begin the with, the Bank of Zambia has on several occasions and at different forums, highlighted the economic state of our country, and some specific measures we have been taking to address some of the challenges as well as take advantage of opportunities.

I will begin by highlighting the outcome of the Monetary Policy Committee (MPC) Meeting held from August 11-12, 2025, Meeting.

The Monetary Policy Committee decided to maintain the Monetary Policy Rate at 14.5 percent. Since March 2025, inflation has been on a downward trajectory falling to 13.0 percent in July from 16.5 percent in March 2025. As of end of August, it further dropped to 12.6 percent.

Inflation is now projected to fall within the target band of 6-8 percent in the first quarter of 2026. The key drivers for this outturn were, improved supply of maize, lower fuel prices, and the appreciation of the Kwacha against major currencies.

The key drivers of the lower inflation forecast are lagged effects of the appreciated exchange rate as well as food and energy prices. The improved inflation outlook also reflects past monetary policy measures as well as structural and fiscal policy reforms.

The Committee assessed that the risks to the inflation outlook remain tilted to the downside and mostly related to the expected increased earnings from copper exports and subdued crude oil prices, working through the exchange rate and expectations channels.

The committee, however, noted that at its current level, inflation was still well above the 6-8 target band. In addition, while market expectations of inflation have moderated, they are still quite elevated relative to the target band. There are also lingering uncertainties associated with evolving global trade policies and persistent geopolitical tensions, hence the decision to maintain the MPR at 14.5 percent.

Distinguished Guests, allow me now to turn to the industry report that is being launched today.

The issue of cybersecurity rising to the top of the list of priorities for Zambian banks resonates with risks on our radar as Bank of Zambia. The escalating cyber threats targeting the sector is of great concern.

Malicious actors such as criminal organisations and hacktivists, continuously exploit vulnerabilities to steal sensitive data, disrupt operations, and undermine trust. The sector has become an attractive target due to the rapid growth of Zambia's Digital Financial Services (DFS), fueled by increased mobile phone penetration, and the demand for more accessible and convenient financial solutions.

Additionally, the interconnectedness of financial systems with the mobile operators and other third parties has widened the sector's exposure to cyber and fraud risks, creating a vast and complex ecosystem vulnerable to cyber threat and frauds.

Of particular concern is the increase in insider threats. As rightly stated in the report, banks are reporting more cases in which compromised employees collude with external actors to facilitate cyberattacks. This trend is troubling because it strikes at the very heart of institutional integrity. This is a call to the sector to strengthen internal controls as well as employee vetting.

Ladies and Gentlemen, allow me to reiterate the need for greater collaboration among banks, regulators, Government agencies, and technology partners, which is extremely

essential, if we are to build a resilient and secure financial system. As we embrace digital transformation, let us also strengthen our capacity to defend against the evolving threats that accompany it.

In response to these challenges, the Bank of Zambia has taken steps to enhance the financial sector's cyber resilience. In 2023, the Bank issued Cyber and Information Risk Management Guidelines, aimed at ensuring that financial institutions are adequately prepared for cyberattacks and have appropriate recovery mechanisms in place. The Bank has also conducted cyber risk On-site examinations across the sector. These examinations are aimed at enhancing cyber resilience in our institutions by pointing out weaknesses and appropriate remedial measures.

In addition, BoZ has developed a Strategic Plan for 2024–2027, with a key objective of Strengthening Cyber Resilience and Fraud Mitigation in the Financial Sector. One of the initiatives of this strategy is the establishment of the Financial Cyber Incident Response Team (FinCIRT), a trusted center that will enhance sector-wide cyber resilience by providing a structured and coordinated approach to managing fraud and cyber threats.

The report notes the importance of sharing information about emerging threats and best practices. This is one area where the industry needs to improve and we expect that with the FINCIRT, improved information flow will facilitate concerted effort in managing cyber risk.

The third key observation from the survey results brings to light, digital transformation and innovation, as another priority that is shaping the future of our financial sector. This is not surprising, because the shift towards greater digitisation and efficiency has become a defining feature of modern banking and competitiveness.

Distinguished Guests, technology such as Artificial Intelligence (AI) continues to evolve, it will open new opportunities for our banks to sharpen their competitive edge, deliver more value to their customers, and adapt more effectively to a rapidly changing digital landscape.

As part of our strategic plan, one of the keys activities is to enhance supervisory technology. Tech-driven solutions will enable real-time data analysis and help to identify emerging risks and systemic issues within the financial sector. Additionally, automation will reduce the manual workload and improve efficiency.

Ladies and Gentlemen, amidst the challenges, the banking sector continues to exhibit resilience on the back of strong capital, good asset quality and sustained profitability. Liquidity conditions have also improved since the second half of 2024 into 2025.

Let me conclude by commending PWC once again for the valuable insights this survey provides. Let us all take interest and act on the findings by devising appropriate response measures to the risks identified for the growth and stability of the sector.