2019 BANK SUPERVISION ANNUAL REPORT

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VISION, MISSION STATEMENT & VALUES

Vision

To become a transformative and responsive Central Bank.

Mission

Maintaining financial stability and financial inclusion through credible policies and risk-based supervision of banks, supported by a skilled human resource base and a modern integrated ICT system.

Values

Trust
Integrity
Passion
Transparency
Accountability
Efficiency
Creativity

PURPOSE OF THE ANNUAL REPORT

Legal basis for the Annual Report

The Annual Report is issued in terms of section 78 of the Banking Act **[*Chapter 24:20*]** which prescribes the following:

Annual reports of Reserve Bank and Registrar:

(1*) As soon as possible after the end of every calendar year, and in any event not more than six months thereafter, the Reserve Bank and the Registrar shall submit to the Minister a report on banking business and the financial sector generally during that year, which report shall— (a) summarise significant action taken by the Reserve Bank and the Registrar under this Act during the year in question; and (b) contain any recommendations the Reserve Bank and the Registrar may wish to make regarding the financial soundness of the financial sector and its further development. (2) The Minister shall lay a copy of every report submitted to him or her in terms of subsection (1) before the House of Assembly on one of the fourteen days on which the House next sits after he or she received it. (3) The Reserve Bank and the Registrar shall cause a summary of every report submitted to the Minister in terms of subsection (1) to be published electronically, in a form that can be readily understood by members of the public, on the Reserve Bank's website.*

The annual report provides an overview of the supervisory operations and activities and a synopsis of the condition and performance of the banking sector in Zimbabwe for the year ended 31 December 2019. The report however briefly outlines a few significant developments during the first half of 2020.

GOVERNOR'S FOREWORD

1. The global economy is estimated to have grown by 2.9% in 2019, a decline from a growth of 3.6% in 2018. The subdued growth largely reflects weak trade and investment, amid heightened trade tensions between the United States of America and China, geopolitical tensions in the Middle East and uncertainty concerning Brexit.
2. In Sub-Saharan Africa (SSA), growth was estimated at 3.1% in 2019, largely driven by diversified economies, while the Zimbabwean economy is estimated to have contracted by 6.5% in 2019. The contraction is largely due to the 2018/19 drought, foreign exchange shortages, power supply constraints and growing inflationary pressures.
3. The global economic outlook for 2020 has been dampened by the outbreak of the COVID-19 global pandemic. The intensity of the pandemic has presented unprecedented health, economic, and financial stability challenges for global policy makers. As a result of the pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008–09 financial crisis.
4. During the year, the domestic banking sector demonstrated resilience against the background of a challenging macro-economic environment characterised by growing inflationary pressures, foreign currency shortages, constrained demand, subdued production and the adverse effects of climate induced droughts.
5. As part of measures to promote macroeconomic stability, the Bank initiated a number of measures in 2019, including currency reforms, money supply control, inflation targeting, enhancing macro-prudential supervision among other policy interventions.
6. The local banking sector has not been spared from the macro-economic challenges and the Reserve Bank of Zimbabwe acknowledges measures by the banking sector to refocus their efforts on building resilience in order to sustainably support the economy through this challenging period.
7. The rapid pace of innovation presented many opportunities and challenges for financial inclusion, significantly altering the financial landscape during the year. As the Central Bank, we have taken the opportunity to examine the current status of the financial technology (Fintech) landscape in the country through a diagnostic survey, whose results will form the basis for an enabling legal and regulatory framework.
8. In response to the changing operating environment and ensure continued support to the growth of the economy, banking institutions embarked on business model reviews and

strategic re-alignment. The Reserve Bank of Zimbabwe will continue to provide the sector with the relevant guidance in these areas, particularly in the wake of the Covid-19 pandemic.

9. In the first quarter of 2020, the banking landscape changed significantly due to the unprecedented challenges brought by Covid-19. Against this background, banking institutions will play a critical role in supporting the economy during the crisis and in facilitating sustained recovery post Covid-19.

10. It is my expectation that players and stakeholders in the sector will continue to collaborate to ensure the sector effectively delivers on its financial intermediation role.

J. P. Mangudya
Governor

DIRECTOR'S FOREWORD

1. The year 2019 was punctuated by a number of significant developments in the economy which impacted on the performance of banking sector. The banking sector however continued to play a pivotal role in supporting the funding needs of the economy.
2. The banking sector exhibited resilience, despite the constraints of the operating environment characterised by inflationary pressures against a background of foreign currency shortages, subdued production and a poor agricultural season.
3. While all players in the sector remained compliant with minimum capital requirements, the Reserve Bank recognised the need for banks to bolster their capitalisation levels to match the growing demands of the market. This culminated in the revision of minimum capital requirements, with a call for banking institutions to focus on economic capital in line with their respective business strategies and risk profiles.
4. The revised new capital requirements come at a time when the country is grappling with the COVID-19 pandemic, which has negatively impacted on businesses across the board. In times of global crises such as these, strong and well-capitalised financial institutions are required more than ever in order to support the real economy to weather the storm.
5. The sector reported growth in total assets from $14.00 billion as at 31 December 2018 to $60.64 billion as at 31 December 2019. Total banking sector loans and advances increased from $4.22 billion as at 31 December 2018 to $12.63 billion as at 31 December 2019. The non-performing loans (NPLs) to total loans ratio improved from 6.92% as at 31 December 2018 to 1.75% as at 31 December 2019.
6. Total banking sector deposits grew from $10.33 billion in December 2018 to $34.50 billion in December 2019. The growth was largely attributed to the increase in demand deposits and revaluation of foreign currency denominated deposit balances.
7. During the period under review banking institutions were profitable, largely driven by a combination of foreign currency and investment property revaluation gains in the second half of the year.
8. The financial sector continued to drive the National Financial Inclusion Strategy with the microfinance sector playing a significant role in reaching out to underserved communities. In order to bolster the role of microfinance in achieving financial inclusion objectives, the Microfinance Amendment Act No.6 of 2019 was promulgated in November 2019. The

amendment seeks to enhance governance structures in the sector while strengthening the Reserve Bank's supervisory role.

9. The Bank continued with its endeavours to enhance the credit infrastructure through the operationalization of the Credit Registry while the Collateral Registry is expected to unlock "dead capital" in the form of movable assets and thus promote access to finance.
10. The sector implemented IFRS 9 accounting standard in 2019 with the Reserve Bank monitoring the impact of the standard on banks' capital positions. Ongoing engagements with the Bankers Association of Zimbabwe, accounting bodies, auditors and global accounting and auditing standards setters will help to identify any further guidance needed for a prudent and consistent approach to IFRS 9 implementation in Zimbabwe.
11. With the increased reliance on digital delivery channels, cybersecurity has become a key supervisory priority. The Bank has incorporated the assessment of information technology (IT) and cyber risks as part of the overall risk-based supervision methodology and its Supervisory Review and Evaluation Process.
12. In line with its mandate of promoting financial stability, the Reserve Bank continued to strengthen the regulatory framework and direct its supervisory efforts towards the promotion of a safe, stable and sound financial system in Zimbabwe.
13. As part of its holistic measures during the year, the Bank took steps to embrace sustainability standards, as sustainable finance gains global prominence. In this regard, the Reserve Bank is working on a framework which aims to promote alignment of banks' purpose statement and high impact goals to national development goals.
14. The Reserve Bank takes this opportunity to acknowledge the support rendered by all the stakeholders in the banking sector towards the attainment of a safe and sound financial sector.

N. Mataruka
Director, Bank Supervision

CHAPTER 1: MACROECONOMIC ENVIRONMENT

1.1 This chapter provides an outline of the global and domestic economic developments in 2019 as well as the outlook for 2020, particularly in light of the inextricable link between the real sector and the condition and performance of the banking sector.

Global Macroeconomic Developments…

1.2 The global economy is estimated to have grown by 2.9% in 2019, compared to 3.6% in 2018. This was the lowest global economic growth recorded after the 2007/08 financial crisis. The subdued growth mainly reflected weak trade and investment on the back of heightened trade tensions between the United States of America and China, geopolitical tensions in the Middle East, uncertainty concerning Brexit and tightening of global financing conditions (Global Economic Prospects, 2020).

1.3 It is noted that concerns about growth prospects triggered widespread monetary policy easing by major central banks in 2019, as well as flight to safety flows into advanced-economy bond markets, a development that exerted downward pressure on yields in some advanced economies.

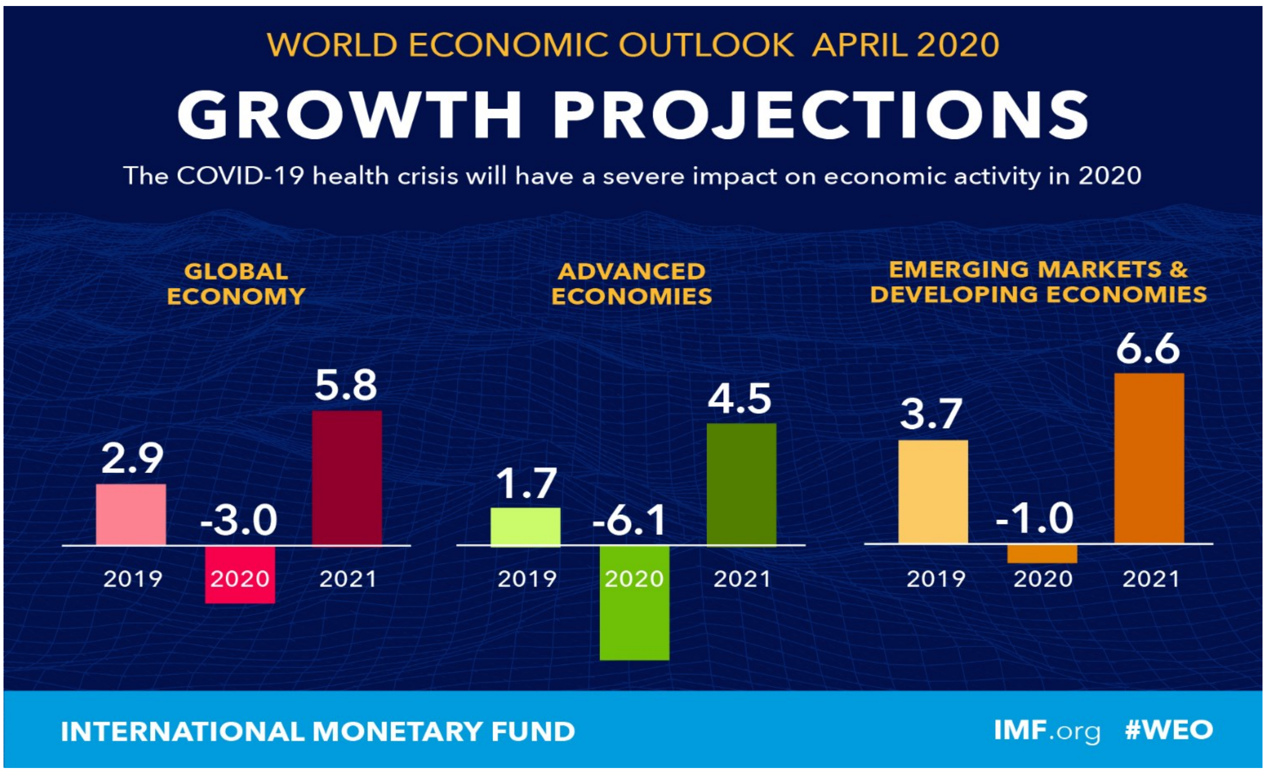
1.4 The growth in the US economy was estimated to have slowed down to 2.3% in 2019 compared to 2.9% in 2018. The subdued growth reflected a return to a neutral fiscal stance and anticipated less accommodative monetary policy. In the euro area, growth was estimated to be subdued partly due to weak exports and down-side risks arising from Brexit. Other advanced economies such as Hong Kong faced civil unrest and resultantly lower than previously estimated growth.

1.5 Growth in low-income developing countries remained robust, though growth performance was more heterogeneous. In sub-Saharan Africa, growth was estimated at 3.2% in 2019, the same growth rate achieved in 2018. The growth was largely underpinned by smaller more diversified economies. Oil producing countries such as Nigeria and Angola experienced reduced income from oil exports as a consequence of volatile oil prices. South Africa posted weaker growth largely on the back of labour unrest, energy supply constraints, and deteriorating public finances.

1.6 Debt sustainability deteriorated in several less industrialised countries, with non-concessional debt reaching more than 30 percent of total public debt (e.g. Ethiopia, Mozambique) and over half of total public debt in Zimbabwe (World Bank, 2020).

1.7 In 2020, positive global economic growth prospects have been dampened by the COVID-19 pandemic which was initially discovered in Wuhan in China at the end of 2019 and spread to all parts of the world in 2020. The sudden shift in the operating landscape arising from the outbreak of the COVID-19 pandemic has rocked global markets, presenting unparalleled health, economic, and financial stability challenges. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis. The figure below shows the IMF global economic outlook.

Figure 1: IMF World Economic Outlook



Source IMF, April 2020

1.8 The downward revision of global economic growth comes in the wake of depressed industrial output and consumption, declining exports and commodity price volatility as a number of countries implemented necessary containment measures to mitigate the spread of the virus through, *inter-alia*, lockdowns and travel restrictions.

1.9 Financial markets have tightened as uncertainty rises and the containment measures halt economic activity. The flight to safe assets and rush to liquidity have put upward pressure on borrowing costs and credit has become scarcer, aggravating financial strains.

1.10 Rising unemployment will increase the risk of widespread loan defaults. Lending institutions may curtail credit in light of heightened credit risk. Asset fire sales may ensue, as financial intermediaries liquidate their holdings to meet funding needs and shifting to cash and safe haven assets.

1.11 In 2021, Global economic growth is expected to be on a recovery path, growing by 5.8% (World Economic Outlook, April 2020). This forecast, however, is largely dependent on the efficacy of the Covid-19 containment measures in the second half of 2020, the ability of companies to adapt to the new economic environment presented by the pandemic, or the development of an effective vaccine in the same period.

1.12 In advanced economies, growth is estimated to decline by 6.1% in 2020 and is projected to recover to 4.5% in 2021. The decline is mainly attributable to the impact of the Covid-19 pandemic.

1.13 The US economy is projected to decline by 5.9% in 2020 before recovering to 4.7% in 2021. Other advanced economies such as Germany, France and the United Kingdom are expected to record contractions of 7%, 7.2% and 6.5%, respectively in 2020.

1.14 On the other hand, China is expected to grow by 1.2% in 2020 largely due to the success of its Covid-19 containment measures and 9.2% in 2021. In other major economies, including India, Brazil, Mexico, Russia, and South Africa, growth prospects are expected to be uneven and will largely depend on the containment measures in place as well as the effectiveness of fiscal and monetary policy stimulus packages.

1.15 The United Nations Development Program (UNDP) estimates that nearly half of all jobs in Africa will be lost due to the COVID-19 pandemic, with income losses expected to exceed $220 billion across the developing world.

1.16 According to the IMF, many countries now face *a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices*. Risks of a worse outcome predominate given the unfolding impact of the Covid-19 pandemic, geopolitical tensions in the middle-east and oil price wars between Russia and Saudi Arabia, which may affect global oil supply. Further, the trading tensions between the World super powers, could undermine growth in global manufacturing and trade (World Economic Outlook, 2020).

Sub-Saharan Africa

1.17 In Sub-Saharan Africa (SSA), growth was estimated at 3.1% in 2019 and is projected to shrink by 1.6% in 2020. The growth was largely driven by diversified economies and the trend is set to continue into 2020. Oil producing countries such as Nigeria and Angola experienced reduced income from oil exports as a consequence of volatile oil prices. South Africa posted weaker growth on the back of labour unrest, energy supply constraints, and rising public debt.

1.18 The financing of current account deficits in SSA has become more challenging amid a less supportive external environment, as foreign direct investment inflows slowed in almost 40 percent of countries (e.g. Mozambique, Tanzania, Zimbabwe: UNCTAD 2018). Debt sustainability deteriorated in several less industrialised countries, with non-concessional debt reaching more than 30 percent of total public debt (e.g. Ethiopia, Mozambique) and over half of total public debt in Zimbabwe (World Bank, 2020).

1.19 The aforementioned factors are expected to continue affecting economic growth developments in SSA.

1.20 Global economic growth developments and prospects for selected regions and countries are summarized Table 1 below.

Table 1: Selected World Economic Outlook Projections

	2019	2020	2021
World Output	**2.9**	**-3.0**	**-3.0**
Advanced Economies	**1.7**	**-6.1**	**4.5**
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
Emerging Markets & Developing Economies	**3.7**	**-1.0**	**6.6**
China	6.1	1.2	9.2
India	4.2	1.9	7.4
Sub-Saharan Africa	**3.1**	**-1.6**	**4.1**
Zimbabwe[1]	**-6.5**	-6.5	3.0
Latin America & the Caribbean	**0.1**	**-5.2**	**3.4**

Source: IMF World Economic Outlook: April 2020

[1] *Zimbabwe growth rates are from Treasury, Reserve Bank of Zimbabwe & Zimstat*

Foreign Direct Investment

1.21 The downside trajectory in foreign direct investment continued, mainly attributable to global policy uncertainty. This was particularly pronounced in emerging markets and developing regions that had earlier experienced financial pressures.

Commodity Prices…

1.22 Prices of most commodities fell in 2019, mainly reflecting trade tensions, supply constraints and the deteriorating growth outlook. Oil prices averaged $61 per barrel in 2019, a 10% fall from 2018 and $5 below previous projections.

1.23 Following the outbreak of COVID-19 in December 2019, most commodity prices fell sharply. In March 2020, base metal prices fell by about 15%, natural gas prices (-38%), and crude oil price (-65 percent), falling to about US$40 per barrel. Futures markets indicate that oil prices will remain below $45 a barrel through 2023, some 25 percent lower than the 2019 average price, reflecting persistently weak demand. These developments are expected to weigh heavily on oil exporting countries whilst benefiting oil importing countries.

1.24 Theses developments in the global operating environment in 2019 and the outlook period, notably declining foreign direct investment and subdued trade, are likely to negatively impact Zimbabwe's foreign exchange position.

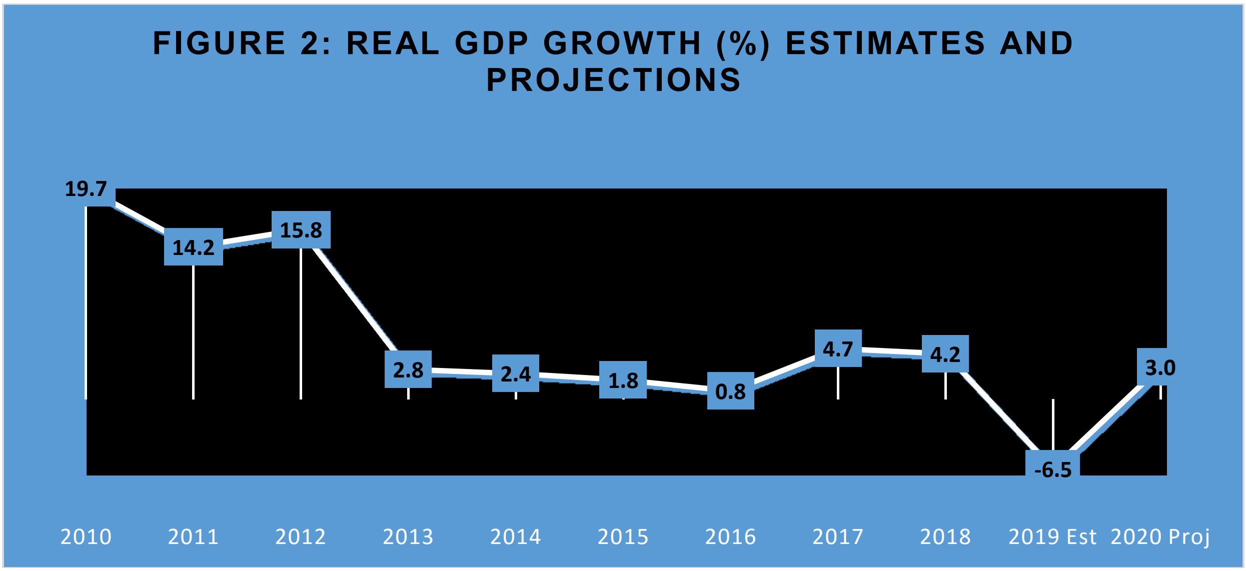
DOMESTIC ECONOMIC DEVELOPMENTS

1.25 The Zimbabwean economy is estimated to have contracted by 6.5% in 2019, largely due to the 2018/19 drought, foreign exchange shortages, power supply constraints, rising inflation, and market distortions which, consequently had adverse effects across the local economy.

1.26 Agricultural production was estimated to have contracted by 16.3% in 2019, with mining and quarrying; manufacturing and construction also recording negative growth rates of 12.3%, 4.3% and 2.5%, respectively during the same period. Financial, banking and insurance activities also registered a negative growth rate of 4.1% in 2019.

1.27 On the upside were consistent monthly budget surpluses and positive current account balance of US$116.4 million during the first half of 2019 in the wake of fiscal reforms aimed at stabilising and resuscitating the economy in line with the Transitional Stabilisation Program.

1.28 Persistent foreign exchange shortages, coupled with limited international financial support are however, likely to present a drag to the recovery process. The COVID-19 pandemic is expected to further negatively impact the country's growth prospects in 2020. According to the Confederation of Zimbabwe Industries, 46% of local firms had suffered serious supply chain dislocations by April 2020, with the Chamber of Mines projecting a decline of 60% in productivity, while revenue losses are expected to exceed USD400 million.



Source: MoFED, Reserve Bank & Zimstat

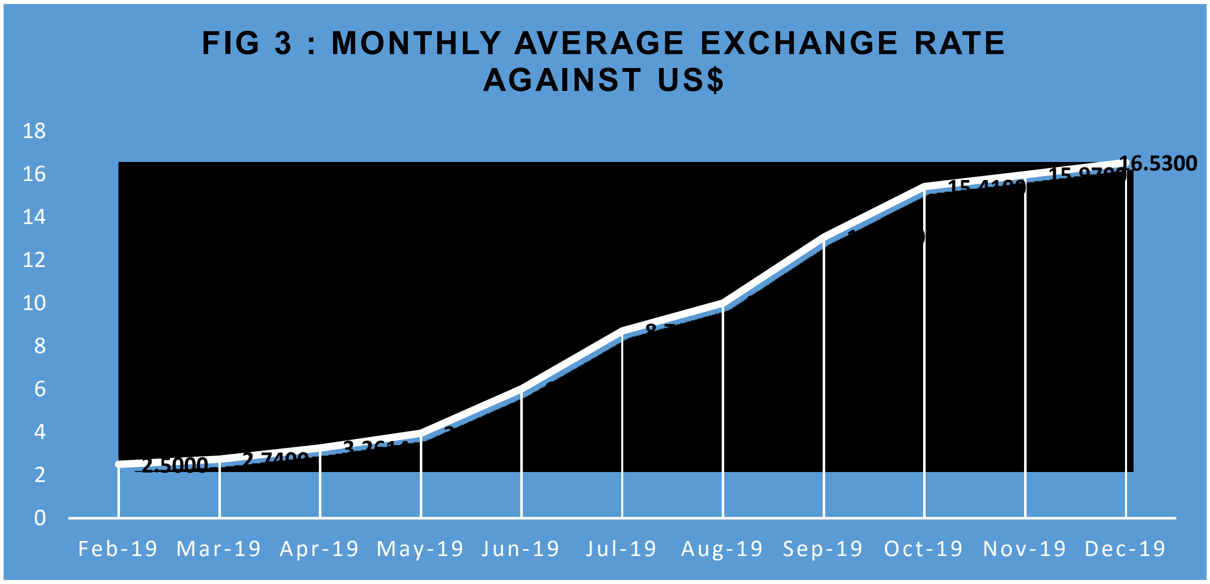
EXTERNAL SECTOR DEVELOPMENTS

Exchange rate…

1.29 In February 2019, the Reserve Bank liberalised the exchange rate regime by allowing the RTGS dollar to freely float against other currencies on a willing buyer / willing seller basis. On the 24th of June 2019, through Statutory Instrument (SI) 142 of 2019, Government introduced the Zimbabwe Dollar (ZW$) as the sole legal tender in the country.

1.30 The Zimbabwe Dollar, however, depreciated from US$1:$2.5 to close the year at US$1:$16.77, on the interbank foreign exchange market. The depreciation was mainly driven by foreign currency shortages against the backdrop of money supply growth.

1.31 The trend in the monthly average US$:$ foreign exchange rate is depicted in Figure 3 below:



Source: Reserve Bank

Current Account Balance….

1.32 A positive current account balance amounting to US$116.4 million was recorded for the first half of 2019, compared to a deficit of US$928.4 million in the corresponding period in 2018. The improvement was mainly attributable to import compression, as consumers shifted from imported products to domestically produced goods, coupled with an improvement in export earnings on the back of a depreciating local currency.

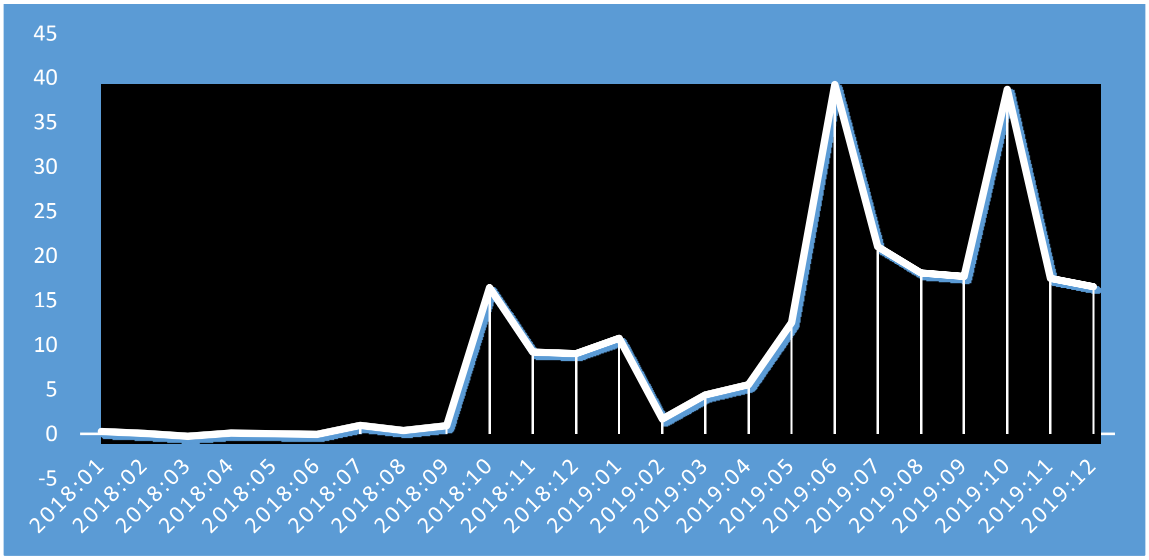
1.33 The current account balance was projected to close at a deficit of US$110.2 million during the remainder of 2019 reflecting foreign exchange constraints (2020 National Budget Statement).

Inflation…

1.34 The year 2019 was marked by an increase in inflationary pressures mainly driven by depreciation of the local currency against the United States Dollar, adverse market expectations and rise in money supply. The currency depreciation followed reforms that saw the abolishment of the multicurrency regime and re-introduction of the Zimbabwe Dollar in June 2019.

1.35 Month-on-month inflation accelerated in 2019 from 10.75% in January 2019, peaked at 39.25% in June 2019 and closed the year at 16.54%, as indicated in the Figure 4 below.

Figure 4: Month-on-Month Inflation (%)



Source: Zimstat, 2019

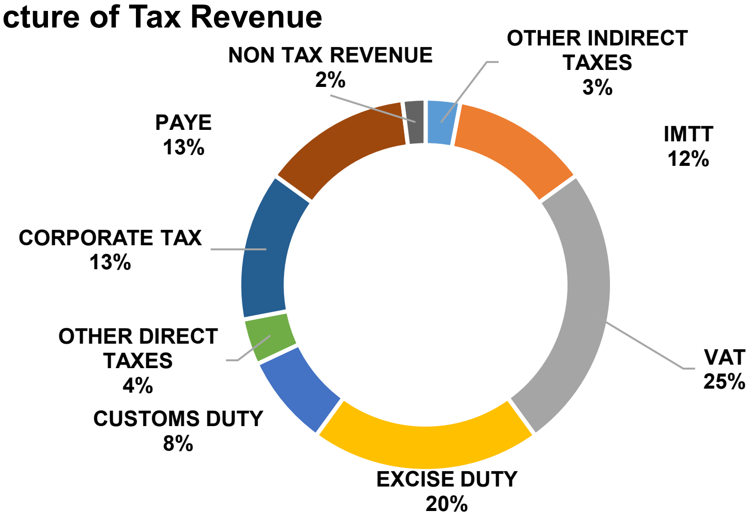
1.36 In the outlook, inflation developments will continue to be determined by the developments in a number of factors including exchange rate movements, foreign currency availability, fiscal position, wage demands, the effects of COVID-19, as well as climatic conditions.

Fiscal Developments…

1.37 Government revenue was estimated to have reached $21 billion in 2019 against a target of $14.8 billion. The improvement was partly due to the tightening of collection efforts as well as inflation effects on the collected amounts. The major revenue contributor was Value Added Tax, which generated 25% of total revenue.

1.38 Figure 5 below shows the structure of contributions of major tax revenue heads.

Figure 5: Structure of Tax Revenue



Source: MOFED, 2019

1.39 Unanticipated cost escalations culminated in the estimated total expenditures rising to $26.2 billion against a target of $18 billion. The major Government cost driver was employment cost, which accounted for 39.97% of total expenditures. This resulted in an estimated budget deficit of $5.2 billion.

1.40 It is anticipated that Government's target of a near balanced budget in 2020, may not be achievable due to the pressure from unanticipated health expenditures and economic relief measures associated with COVID-19, as well as higher wage demands in line with inflationary pressures. The expenditure over-runs, coupled with revenue underperformance owing to output losses due to the Covid-19 pandemic, may generate a budget deficit which could result in Government resorting to domestic funding sources.

CHAPTER 2: MAJOR DEVELOPMENTS & SUPERVISORY ACTIVITIES IN THE BANKING SECTOR

Introduction

2.1 This chapter provides an account of supervisory activities and major developments conducted in 2019. The supervisory activities were conducted in line with the Bank Supervision Division's (BSD) mandate of ensuring a safe and sound banking sector.

Licensing

2.2 Ndoro Microfinance Limited, a deposit-taking microfinance institution (DTMFI), was licensed on 18 September 2019, bringing the number of licensed DTMFIs to seven (7). At the close of the year, the institution was putting in place the requisite infrastructure and governance arrangements in preparation for a pre-opening inspection by the Reserve Bank.

2.3 During the year, Bank Supervision processed a number of renewal and new licence applications for microfinance institutions as shown in the table 2 below:

Table 2: Licensing Applications processed in 2019

Class of Microfinance	Renewal Applications	New Applications	Total
Moneylenders	72	17	89
Credit Only MFIs	47	15	62
Deposit-Taking MFIs	5	1	6

On-site Examinations

2.4 In line with the risk-based supervisory framework, on-site examinations and targeted reviews were conducted in 2019. The examinations noted some weaknesses which included heightened operational risks emanating from increased online transaction volumes, weak integration with ancillary systems leading to system failures in a few cases, and increased exposure to cyber security risk.

2.5 Lion Microfinance Limited was placed under curatorship for an initial period of three months with effect from 25 July 2019, due to critical undercapitalisation and weak corporate governance.

Supervisory Colleges

2.6 The Reserve Bank attended the following supervisory colleges as part of on-going supervision of cross border banking groups:

a) Ecobank (Abidjan, Ivory Coast), October 2019;

b) First Capital Bank, (Blantyre, Malawi), August 2019; and

c) Stanbic Bank, (Johannesburg, South Africa), October 2019.

2.7 Supervisory colleges refer to multi-lateral working groups of supervisors that are formed for the collective purpose of enhancing effective consolidated supervision of an international banking groups on an on-going basis[2].

2.8 Supervisory colleges play an important role in the effective supervision of international banking groups and provide oversight over the key risks affecting international banks across different jurisdictions, alignment of supervisory strategies, and improvement in home-host supervisor relationships.

2.9 The Bank will continue to collaborate with regulatory authorities in the above jurisdictions on an on-going basis.

Participation in domestic regulatory and supervisory forums

2.10 In the year under review, BSD continued to serve on, and participate in a number of domestic committees, forums, task groups and working groups, as well as collaborate with financial industry players and professional bodies, audit firms, government ministries and other financial sector regulatory authorities on relevant matters.

2.11 Some of the institutions and bodies include the Public Accountants and Auditors Board (PAAB), the Bankers Association of Zimbabwe (BAZ) and the Institute of Chartered Accountants Zimbabwe (ICAZ). Collaboration with these institutions and professional bodies on areas of mutual interest is ongoing.

Banking Sector Developments and Initiatives

Lending Rates

2.12 During the period under review, banking institutions reviewed lending rates and bank charges in response to inflationary developments in the economy.

2.13 The inflationary environment largely resulted in negative real returns on lending portfolios during the year. The minimum lending rates ranged from 18% to 35% per annum for consumptive loans, and 12% to 25% for productive purposes.

[2] https://www.bis.org/publ/bcbs177.pdf Good practice principles on supervisory colleges

Bank Resolution and Recovery Planning Frameworks

2.14 In order to provide guidance to banking institutions to ensure adequate preparation and planning for severe stress events, the Reserve Bank of Zimbabwe issued **Prudential Standard No. 1-2018/BSD: Guidance on Recovery Planning** in April 2018.

2.15 As at 31 December 2019, all banking institutions had submitted their self-preparedness assessments and Recovery Plans. Bank Supervision reviewed the recovery plans and subsequently a recovery planning benchmarking workshop was held in November 2019, with all banking institutions.

2.16 The workshop provided feedback to banking institutions on the recovery plans they had submitted, following which revised Recovery Plans were to be submitted as at 31 December 2019 for further assessment by the Reserve Bank.

2.17 In terms of the Prudential Standard, banking institutions are required to submit annual Recovery Plans to the Reserve Bank by the 31st of March of the subsequent year.

Implementation of the Basel Core Principles for Effective Banking Supervision

2.18 The Reserve Bank conducted a self-assessment of its compliance with the Core Principles for Effective Banking Supervision (Core Principles) issued by the Basel Committee for Banking Supervision (BCBS). The assessment, which was done under the auspices of the Southern African Development Committee (SADC) in 2019, revealed that the Reserve Bank is compliant with 26 of the 29 Core Principles.

2.19 The self-assessment process assist in identifying supervisory priorities and in the preparation of the annual Supervisory Plan and priorities by Bank Supervision Division.

2.20 The Reserve Bank also conducted a self-assessment of its compliance with the Core Principles under the auspices of the Common Market for Eastern and Southern Africa (COMESA). The COMESA Secretariat monitors compliance to the Core Principles of Bank Supervision by member countries in the region as part of the block's efforts to harmonise monetary, banking and financial policies.

Basel II/III Implementation

2.21 The Reserve Bank continued to pursue the implementation of the Basel III standards during the year under review. Basel III is a set of international banking regulations developed by the Bank for International Settlements to promote stability in the international financial system. The Basel III standards are designed to reduce damage to the economy by banking institutions that take on excess risk.

2.22 As part of the Basel III implementation process and in line with international best practice, the Reserve Bank of Zimbabwe finalised the Domestic Systemically Important Banks (D-SIBs) framework. The framework was issued to the market in April 2020 (Prudential Standard No.01-2020/BSD Framework for Dealing with Domestically Important Banking Institutions). The framework provides guidance on the identification, monitoring and management of local systemically important banking institutions.

2.23 The framework also provides guidance on prudential measures covering additional capital and liquidity requirements and other supervisory requirements for D-SIBs. The additional prudential measures are a realisation that if a D-SIB fails, there would be significant ramifications to the banking system and the overall economy.

International Financial Reporting Standard 9 (IFRS9)

2.24 The Reserve Bank in collaboration with Public Auditors and Accountants Board, Institute of Chartered Accountants and banking institutions continued to coordinate in the implementation of IFRS 9.

2.25 The work on IFRS 9 is expected to continue in 2020 with BSD engaging banking institutions and auditors, and playing a part in ensuring the robust implementation of the standard by banks in Zimbabwe. Pursuant to the publications made by banking institutions, the Reserve Bank will be reviewing individual bank's IFRS9 models currently in use in 2020.

2.26 The model reviews will cover the following:

a) Model Governance Framework in place;

b) structure and capacity of the Model Development and Validation units including their independence;

c) review of methodologies used for Expected Credit Loss (ECL) computation and the calibration of the satellite models for Probability of Default (PD) (the models used for

12 month PD and life-time PDs, Loss Given Default (LGDs) and Exposure at Default (EADs);

d) adequacy of the data used in the calibration process;

e) initial independent validation report (developmental validation) and ongoing validation; and

f) extent of forward-looking parameters included in the impairment models.

Capacity Building and Training Initiatives

2.27 Capacity building and training is a key focus area for BSD in order to ensure BSD staff are equipped with appropriate supervision skills to fulfil the BSD mission to *"…become an effective, efficient and dependable regulatory and supervisory authority for the financial sector, supportive of economic development in Zimbabwe"*.

2.28 Capacity building and training seeks to promote sound management, strong governance, and persistent rededication to achieving results with initiatives that foster skills development and enhance productivity within the division.

2.29 During the year, BSD staff participated in various local and international capacity building programs targeting skills development in supervisory skills. Focus areas largely centered on enhancing risk expertise among members of the supervisory teams to ensure that BSD will be able to effectively conduct on-site and off-site examinations in view of the growing complexity of markets and products.

2.30 Further, BSD benefitted from Technical Assistance training provided by a team of IMF experts on Strengthening Risk-Based Supervision and Recovery Planning.

2.31 BSD also received capacity building training from FinMark Trust in August 2019 on Monitoring & Evaluation as part of the implementation of the Zimbabwe National Financial Inclusion Strategy. The training workshop focused on financial inclusion data collection, analysis, aggregation and monitoring.

Participation in Regional Regulatory and Supervisory Forums

2.32 BSD is a member of the SADC Central Bank Forum and attended the annual meeting held in South Africa in February 2019. The Reserve Bank of Zimbabwe was tasked to develop a set of common Financial Inclusion Indicators in 2015 to facilitate assessment of the status of financial inclusion within SADC countries. SADC member countries have been submitting annual Financiall Inclusion Indicators since 2017.

Community of African Banking Supervisors of the Association of African Central Banks (CABS)

2.33 The Reserve Bank of Zimbabwe attended the annual meeting of the AACB Governors held on 10 June 2019 in Cairo, Egypt under the auspices of the Community of African Banking Supervisors (CABS). CABS was established to facilitate peer-learning among regulators. The meeting, which was hosted by the Central Bank of Egypt, brought together heads of banking supervision from 25 different African countries including Zimbabwe and regional bodies, and representatives from international organisations including the Financial Stability Institute and World Bank.

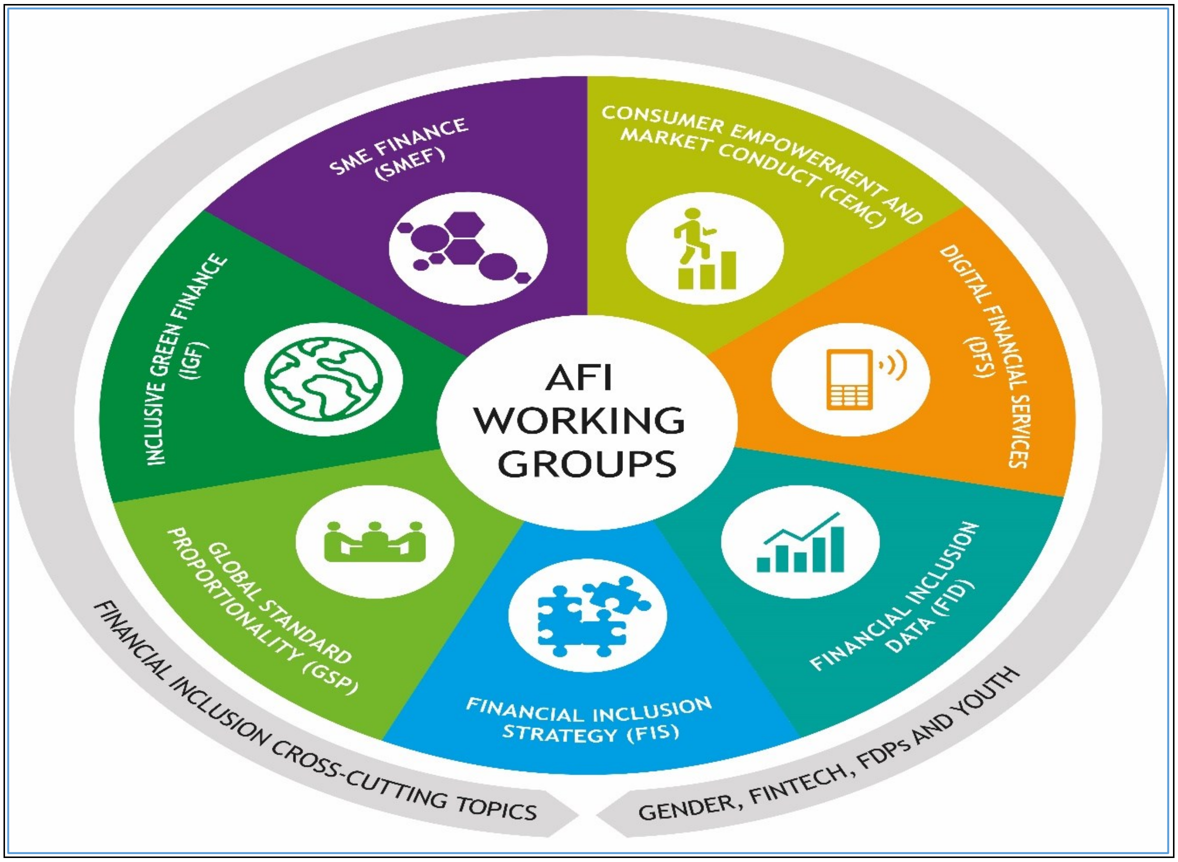
2.34 Participants at the annual meeting largely discussed new developments and challenges facing bank regulators on the continent, focusing on the implementation of Basel II and III standards, the implications of FinTechs and cyber risks, and de-risking and withdrawal of correspondent banking relationships.

2.35 BSD is also a member of two of the three CABS working groups, namely the Working Group on Cross-border Banking Supervision and the Working Group on Crisis Management and Banking Resolutions.

Alliance for Financial Inclusion

2.36 The Reserve Bank is also a member of the Alliance for Financial Inclusion (AFI) and is a member of seven (7) AFI working groups, which represent the thematic financial inclusion policy areas that AFI actively promotes. The AFI working groups are shown in Figure 6 below.

Figure 6: Alliance for Financial Inclusion Working Groups



2.37 During the year, the Reserve Bank actively participated in all the AFI working groups.

Fintechs and Credit Infrastructure

2.38 During the year, banking institutions continued to invest in technology to enhance efficiencies, reduce the cost of doing business and facilitate the inclusion of customers at the bottom of the pyramid.

2.39 Investment in financial technology has significantly transformed the financial services sector in Zimbabwe, and altered the digital finance landscape, as well as the way in which financial services and products are offered in Zimbabwe

2.40 Banking institutions continued to leverage on the high mobile phone penetration rate by partnering mobile network operators (MNOs) to offer a range of digital financial services such as digital account opening, card based mobile payments, nano loans which make use of customer data, to different market segments, thereby broadening the consumer choices.

2.41 In 2015, the Reserve Bank of Zimbabwe embarked on a programme to enhance the country's credit infrastructure in order to promote access to finance and socially responsible economic growth through credit registry reporting and secured transactions.

The Reserve Bank has also supported the World Bank Doing Business Insolvency and Debt Resolution initiatives.

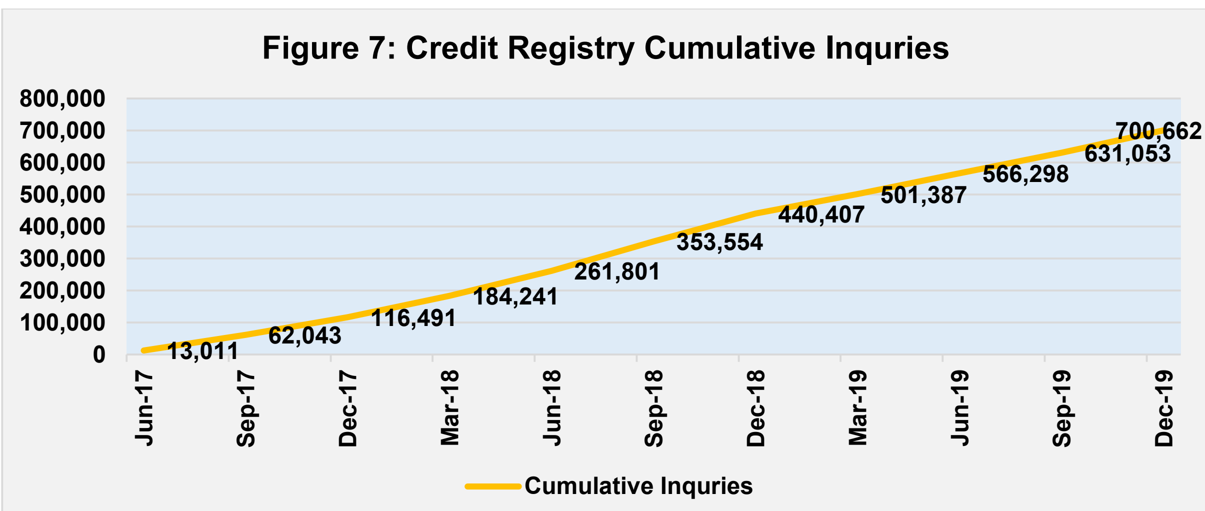
Credit Data…

2.42 Usage of the credit referencing infrastructure continued to improve during the period under review, against the background of increased coverage for the Credit Registry and Credit Bureaus, as well as depth of credit information.

2.43 As at 31 December 2019, the Credit Registry held 1,123,841 records of which 43.69% (490,991) were active loan accounts. Individual records represented 98.91% of the Credit Registry database.

2.44 Total subscribers closed the year at 199, up from 165 in 2018, largely driven by the addition of microfinance institutions.

2.45 Utilisation of the Credit Registry increased by 59.09% from a cumulative 440,407 reports as at 31 December 2018 to 700,662 as at 31 December 2019as shown in Figure 7.



Source : RBZ

2.46 In an effort to enhance the stability of the Credit Registry system and promote data integrity, the Reserve Bank requested banking institutions to scale up their systems, structures, processes and controls around the compilation and submission of credit data to the Reserve Bank.

2.47 To facilitate the above, all banking institutions were trained on the expectations of the Reserve Bank and were subsequently directed to conduct Credit Data Quality Reviews on a quarterly basis in line with **Circular to Banking Institutions No. 01/2018: Regular**

Review of Credit Data and Development of Quality Control Structures.

2.48 In order to deepen the database and provide more comprehensive information for credit decision-making by lenders, the Reserve Bank embarked on the second phase of the Credit Registry in 2019 which will see MFIs being incorporated as data providers to the Credit Registry. This involved the development of sector-specific data submission templates for microfinance institutions in consultation with the sector. Training on the data submission processes and testing of the data submission templates will be conducted in 2020.

Value Added Products…

2.49 The Credit Registry continued to leverage of the growing Credit Registry database in order to develop value-added products to improve and increase system usage.

2.50 The value-added products which include analytical data extract, monitoring module, scoring model, and web service, are expected to enhance credit risk management for lending institutions, facilitate in-depth analysis of the credit data held in the credit registry database for micro- and macro-prudential supervision as well as promote efficiency of credit registry processes.

2.51 Among the value added products is the credit scoring module which was implemented in the live environment in March 2019 with the aim of facilitating credit providers in effectively pricing products.

Collateral Registry…

2.52 The Reserve Bank embarked on the process of identifying a suitable system for the Collateral Registry, having taken over the procurement process from the World Bank.

2.53 The Collateral Registry is expected to promote access to credit by facilitating borrowers such as SMEs and individuals to pledge movable assets as collateral for borrowings, while providing lenders with access to information on any prior pledges on movable assets offered as collateral.

Financial Inclusion

2.54 The year 2019 marked the fourth year of implementation of the National Financial Inclusion Strategy (NFIS) through various initiatives targeting previously marginalised segments.

2.55 Following the launch of the NFIS in March 2016, the Reserve Bank has continued to scale up collaborations with other key stakeholders such as financial service providers, government ministries, tertiary institutions, development partners, industry and umbrella bodies.

2.56 A review of the NFIS journey reveals that significant progress has been recorded in the areas of financial product diversification, innovation and human centred design of financial services and delivery channels; digital finance, financial literacy, consumer protection, opening of low cost bank accounts, access to financial products and services by various target segments, access to micro-insurance products as well as increased participation of lower income groups on the capital markets.

2.57 The Reserve Bank is now collaborating with stakeholders in reviewing the first phase of the implementation of the NFIS, as well as crafting the NFIS Phase II.

2.58 Banking institutions, MFIs, Non-banking financial institutions & MNOs, continued to explore innovative ways of delivering financial services to the marginalised segments through leveraging on technology.

2.59 Innovations such as mobile banking, digital finance, psychometric credit scoring models, biometric technology, value chain financing, group lending, micro insurance, micro business and housing loans, etc. are increasing access to, usage and quality of finance for low-income clients.

Level of Access to Financial Services…

2.60 A remarkable improvement in the level of access to financial services has been noted as reflected in the financial inclusion indicators in Table 3 below:

Table 3: Financial Inclusion Indicators – December 2016 to Dec 2019

Indicator	Dec 2016	Dec 2017	Dec 2018	Dec 2019
Value of loans to MSMEs	$131.69m	$146.22m	$169.96m	$462.98m
MSMEs loans as % of total loans	3.57%	3.75%	3.94%	3.92%
Number of MSMEs with bank accounts	71,730	76,524	111,498	116,467
Number of Women with Bank Accounts	769,883	935,994	1,736,285	2,152,185
Value of Loans to Women	$277.30m	$310.78m	$432.36m	$586.74m
Loans to women as a % of total loans	7.52%	7.96%	10.57%	15.59%
Number of Loans to Youth	38,400	61,529	69,421	189,658
Value of Loans to Youth	$58.41m	$138.93m	$104.43m	$188.71m
Loans to the youth as a % of total loans	1.58%	3.56%	2.55%	6.09%
Total number of Bank Accounts	1.49m	3.07m	6.73m	7.62m
Number of Low Cost Accounts	1.20m	3.02m	4.67m	4.97m

2.61 The total number of bank accounts continued to increase on the back of a rise in low cost accounts, as banks heeded the call by the Reserve Bank to open low cost accounts with risk-based KYC requirements.

2.62 Access to finance by target segments such as women, youth and MSMEs continued to increase, largely as a result of a number of financial inclusion initiatives by the Reserve Bank. The growth in the number of accounts opened by women, from less than 1 million in 2016 to over 2 million in 2019, is attributed to increased focus on gender-focused financial services and products by banking institutions.

2.63 Following deliberate efforts by both the Government and the private sector, Zimbabwe has fully embraced digital financial services resulting in over 90% of financial transactions now being conducted electronically.

2.64 Electronic transaction volumes increased from two million in 2009 to over two billion in 2019, (1,000 times in 10 years), while the value of electronic transactions also increased from $7 billion in 2009 to $430 billion in 2019, (an increase of 60 times in 10 years).

Sustainable Financing

2.65 The Reserve Bank of Zimbabwe is collaborating with the European Organization for Sustainable Development (EOSD) in embedding sustainability standards in the banking sector under the Sustainability Standards Certification Initiative (SSCI). To date, eight (8) banking institutions are participating under this initiative.

2.66 SSCI uses a holistic and distinctive set of standards to shape the future performance of value-driven institutions. The standards embed sustainability across the value-driven financial institutions.

2.67 A strong banking system represents a determinant factor for sustainable economic development, as it provides for the creation of jobs, generation of wealth, and eradication of poverty, entrepreneurial activity, and overall prosperity of the country, hence the participation of banking institutions under the SSCI program.

CHAPTER 3: CONDITION & PERFORMANCE OF THE BANKING SECTOR

Introduction

3.1 The banking sector registered improved financial performance during the year as evidenced by an increase in total assets, total deposits, loans & advances and capital & reserves on the back of growth in retained earnings.

3.2 A combination of foreign currency and investment property revaluation gains buoyed overall sector profitability during the year ended 31 December 2019.

3.3 Exposure to credit risk declined during the period under review as reflected by an improvement in the non-performing loans to total loans ratio from 6.92% in 2018 to 1.75%. Stress tests conducted by the Reserve Bank, however, showed banking sector vulnerabilities in respect of credit and foreign exchange risks. Inflationary pressures and negative real interest rates have heightened exposure to interest rate risk.

3.4 The Reserve Bank of Zimbabwe continued to pursue initiatives aimed at promoting and maintaining the safety, soundness, resilience and integrity of the banking sector.

Banking Sector Architecture

3.5 The composition of the financial institutions licensed and regulated by the Reserve Bank is shown in table 4 and 5.

Table 4: Architecture of the Banking Sector

Type of Institution	Number
Commercial Banks	13
Building Societies	5
Savings Bank	1
Total Banking Institutions	**19**

Table 5: Other Institutions under the Supervision of Reserve Bank

Type of Institution	Number
Credit-only-Microfinance Institutions (MFIs)	222
Deposit-taking Microfinance Institutions (DTMFIs)	7
Development Financial Institutions	2
Total	**232**

3.6 During the period under review, Ndoro Microfinance Limited a Deposit-Taking Microfinance Institution (DTMFI) was licensed, bringing the total number of licensed DTMFIs to seven (7). As at 31 December 2019, the institution was yet to commence operations.

Market Share

3.7 The banking sector continues to be dominated by a few large banks in terms of market shares of assets, loans and deposits, with the top 5 banking institutions increasing their market shares during the year.

3.8 As at 31 December 2019, the top 5 banking institutions accounted for 57.85% of total assets (55.94% in 2018), 62.42% of total deposits (59.91% in 2018) and 65.68% of total loans and advances (48.60% in 2018).

3.9 Commercial banks consolidated their dominance in the banking sector in terms of total assets, total deposits and total loans & advances during the year. Commercial banks accounted for 88.52% of total assets (83.74% in 2018), 88.58% of total deposits (84.44% in 2018) and 83.50% of total loans & advances (from 68.71% in 2018) as at 31 December 2019.

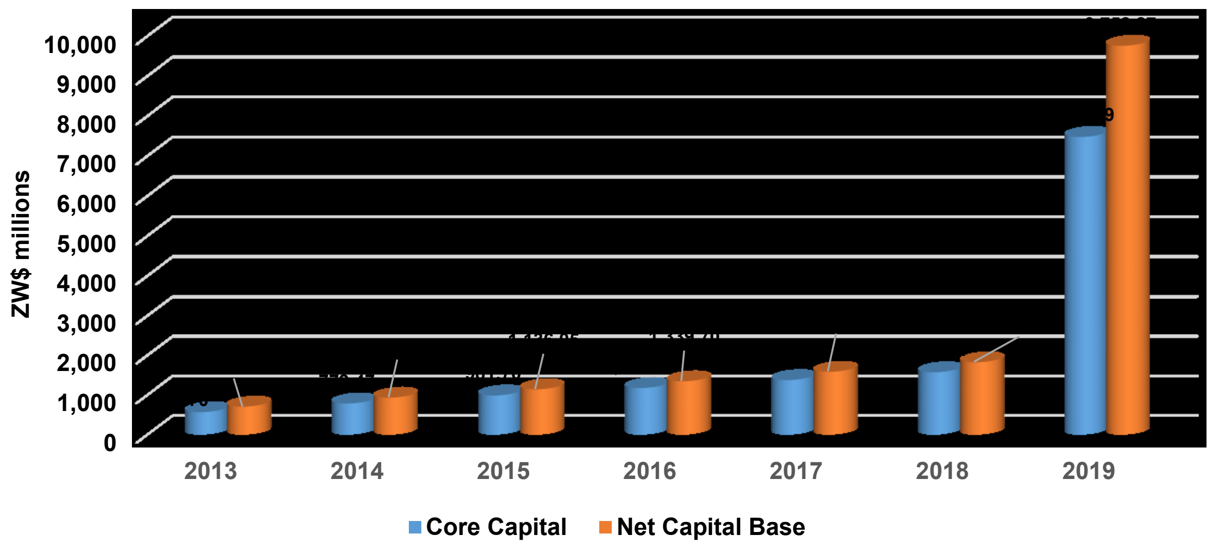
Capitalisation

3.10 As at 31 December 2019, all banking institutions were compliant with regulatory minimum capital requirements.

3.11 Aggregate core capital for the banking sector was $7.47 billion as at 31 December 2019, representing a 375.79% increase from $1.58 billion as at 31 December 2018. The growth in capital was mainly attributed to retained earnings. Banks' net income of $6.41 billion for the year ended 31 December 2019 represented a significant improvement from $425.26 million reported in 2018.

3.12 The trend in the level of banking sector capitalization from 2013 to 2019 is shown in Figure 8 below:

Figure 8: Banking Sector Capitalisation Levels ($ million) – (2013 - 2019)



3.13 The significant growth in retained earnings was attributed to revaluation gains from investment properties in tandem with rising inflation as well as foreign currency denominated monetary assets.

3.14 The average tier 1 and capital adequacy ratios for the banking sector were 27.87% and 39.56% as at 31 December 2019 against 27.68% and 30.23% in 2018, respectively. All banking institutions complied with the minimum regulatory capital adequacy and tier 1 ratios.

Composition of Assets

3.15 Banking sector total assets grew by 333.76%, from $13.98 billion as at 31 December 2018 to $60.64 billion as at 31 December 2019. Asset revaluation gains, translation of foreign currency denominated loans and balances with foreign institutions largely explained the growth in total assets during the period under review.

3.16 The banking sector asset mix was mainly skewed towards balances with the central bank (19.45%) loans and advances (17.51%) and balances with foreign institutions (14.12%) as shown in figure 9.

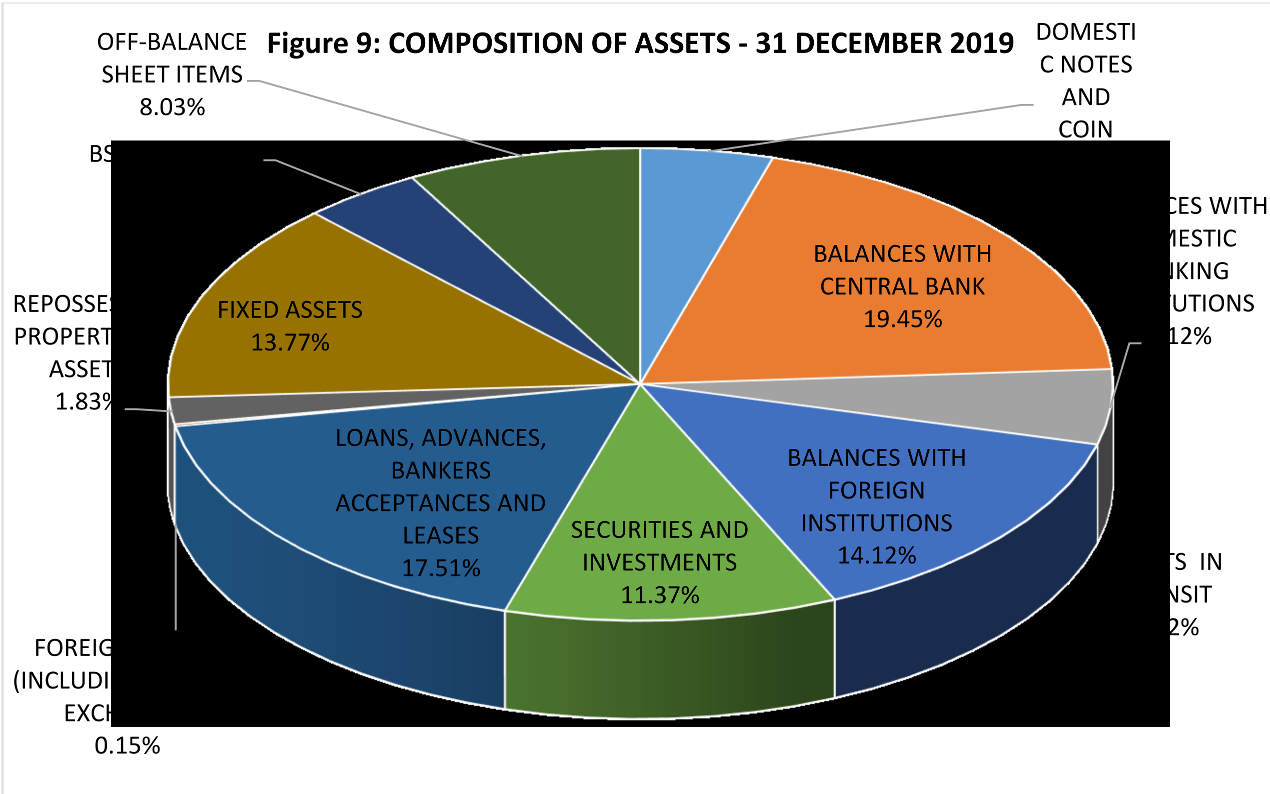


Figure 9: COMPOSITION OF ASSETS - 31 DECEMBER 2019

3.17 The trend in the banking sector assets is presented in the Figure 10 below:

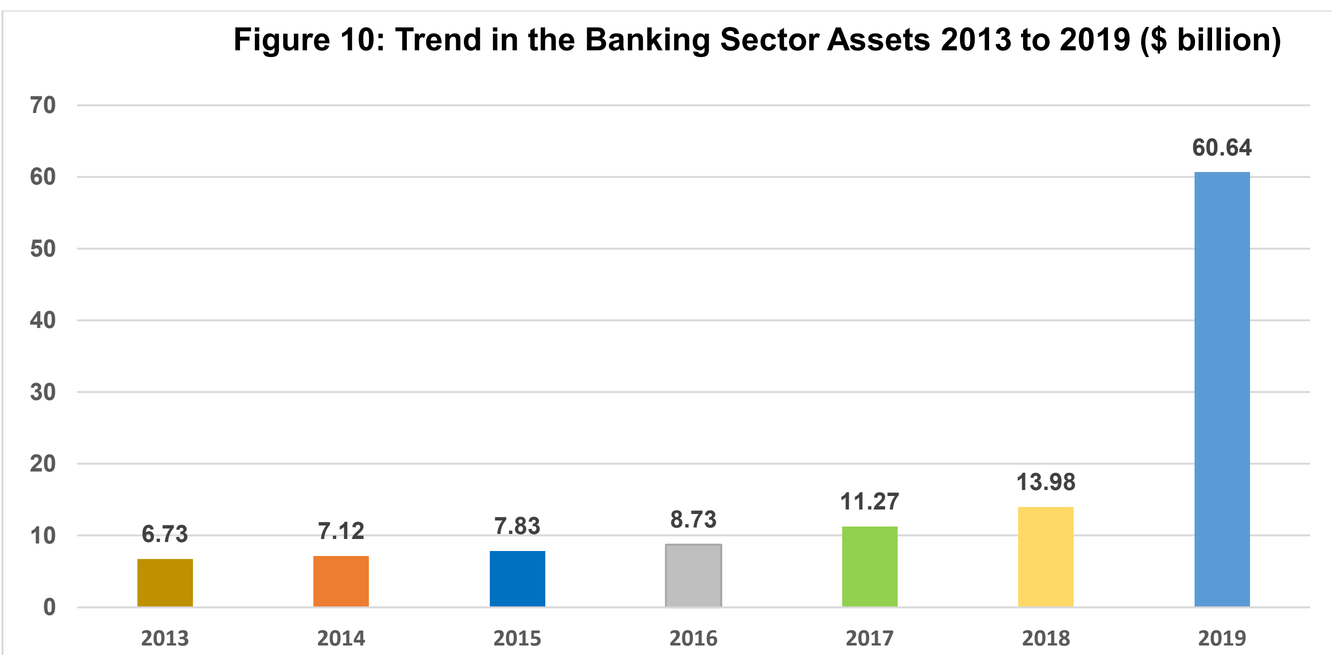
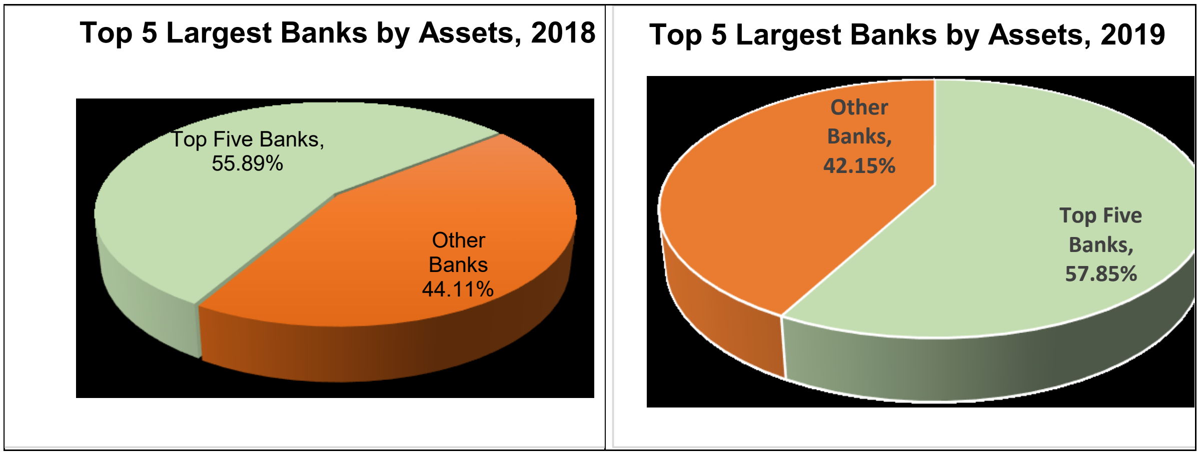


Figure 10: Trend in the Banking Sector Assets 2013 to 2019 ($ billion)

3.18 Figure 11 below shows a comparison of the level of concentration of the banking sector`s total assets.

Figure 11: Concentration of Banking Sector Assets 2018 and 2019



Composition of Liabilities…

3.19 The banking sector total liabilities amounted to $50.46 billion as at 31 December 2019, up from $13.81 billion as at 31 December 2018. Growth in total liabilities was largely driven by increase in the total deposit base.

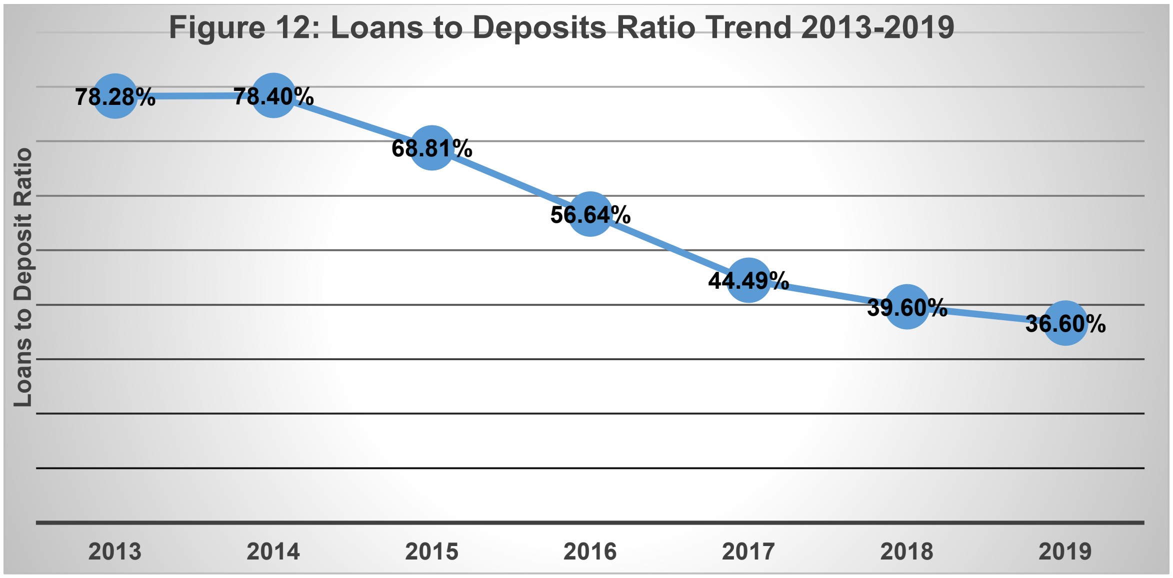
3.20 Total deposits for the sector continued on an upward trajectory amounting to $34.50 billion as at 31 December 2019, an increase of 234.30% from $10.32 billion as at 31 December 2018.

3.21 The increase in the deposit base was largely attributed to revaluation of foreign currency denominated deposit balances as a result of inflationary pressures.

Financial Intermediation…

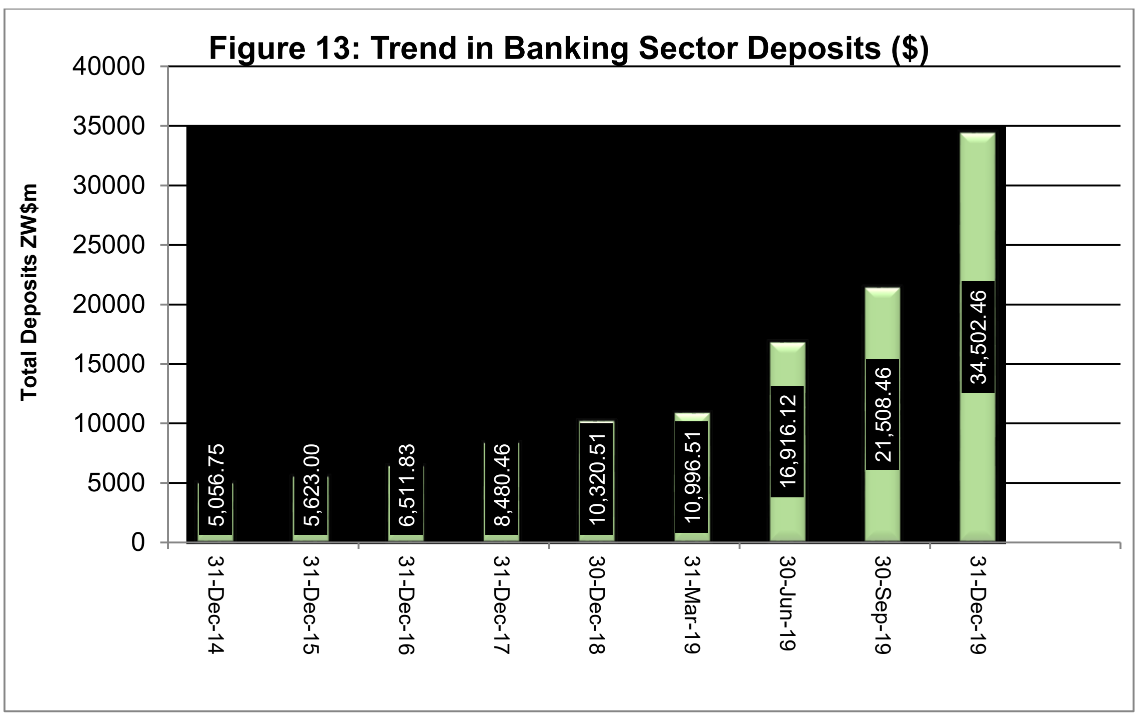
3.22 The loans to deposit ratio declined from 39.60% as at 31 December 2018 to 36.60% as at 31 December 2019, reflecting subdued credit growth during the year.

3.23 Figure 12 below shows the trends in the loans to deposits ratio from 31 December 2013 to 31 December 2019.



Trend in Banking Sector Deposits

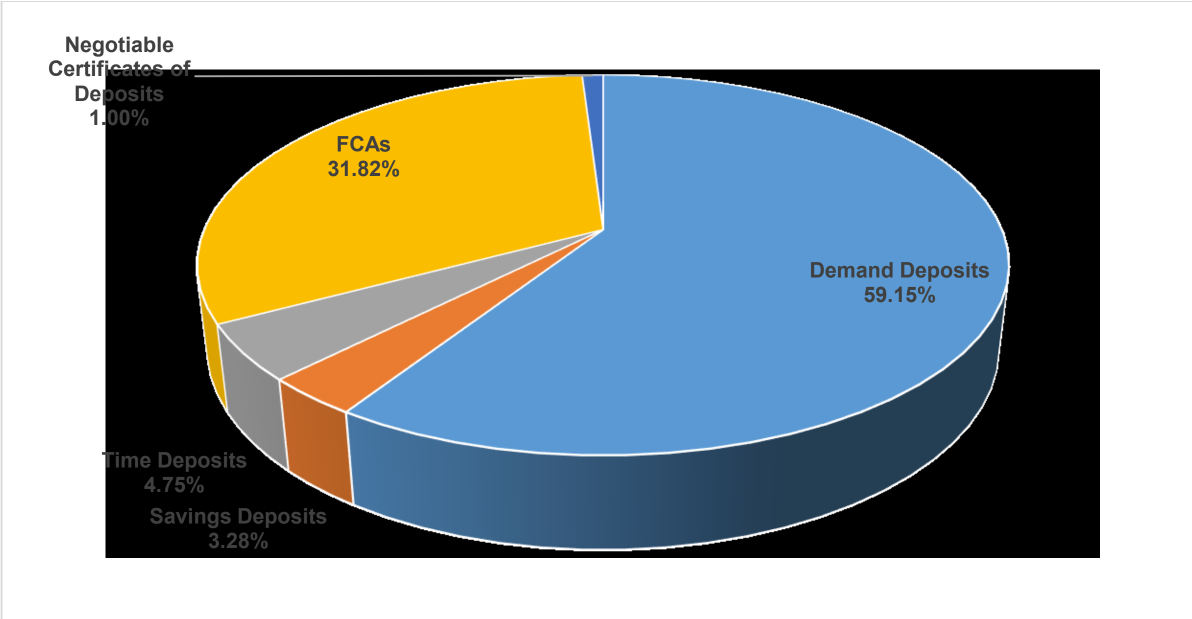
3.24 The trend in banking sector deposits over the period 31 December 2014 to 31 December 2019 is shown in Figure 13 below.



3.25 Total banking sector deposits were largely made up of demand deposits and foreign currency deposits constituting 59.15% and 31.82%, respectively as at 31 December 2019.

3.26 The banking sector composition of deposits is as shown in Figure 14 below.

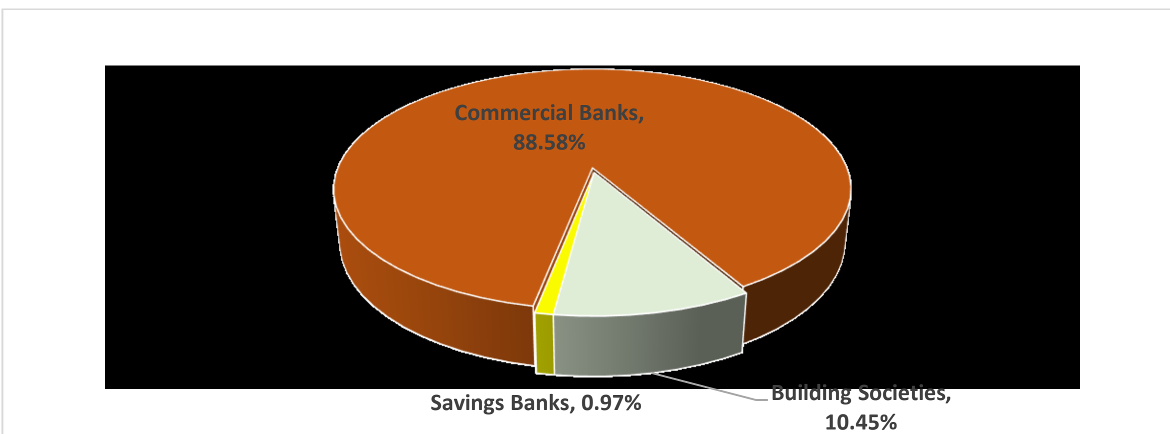
Figure 14: Composition of Banking Sector Deposits as at 31 December 2019



3.27 As at 31 December 2019, the commercial banking sub-sector had the largest share of deposits accounting for 88.58% of the total banking sector deposits compared to 84.49% as at 31 December 2018.

3.28 The distribution of banking sector deposits is shown in Figure 15 below:

Figure 15: Distribution of Banking Sector Deposits

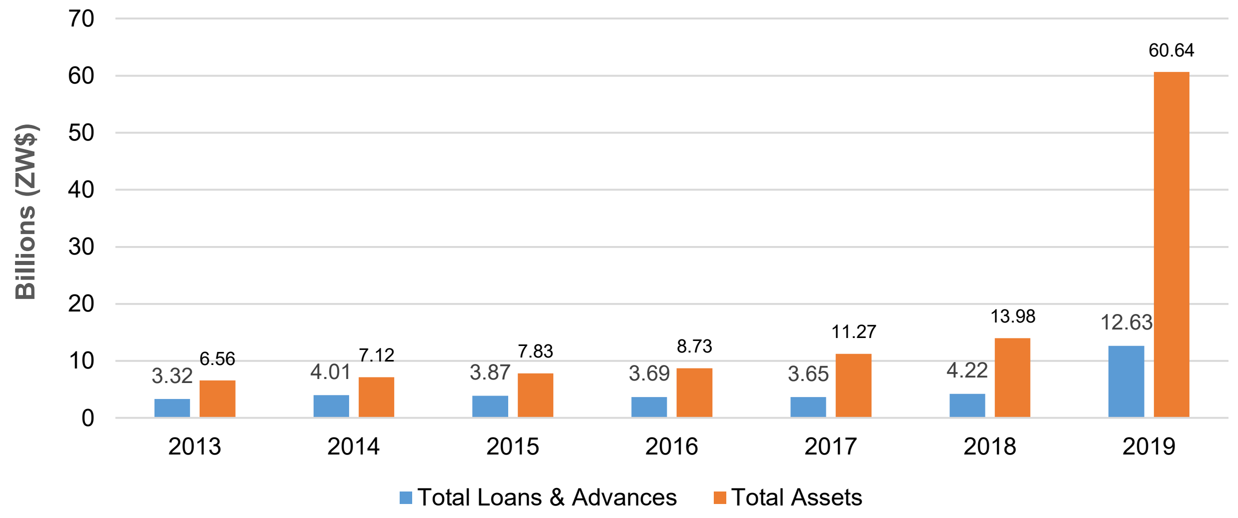


Loans and advances

3.29 Total banking sector loans and advances increased by 199.53%, from $4.22 billion as at 31 December 2018 to $12.63 billion as at 31 December 2019. Foreign currency denominated loans constituted 22.56% of total banking sector loans and advances as at 31 December 2019. The increase in loans is attributed to translation of foreign currency denominated loans during the year following the promulgation of Statutory Instrument 142 of 2019 on June 24, 2019 by the Minister of Finance and Economic Development which introduced the Zimbabwe dollar as the sole legal tender.

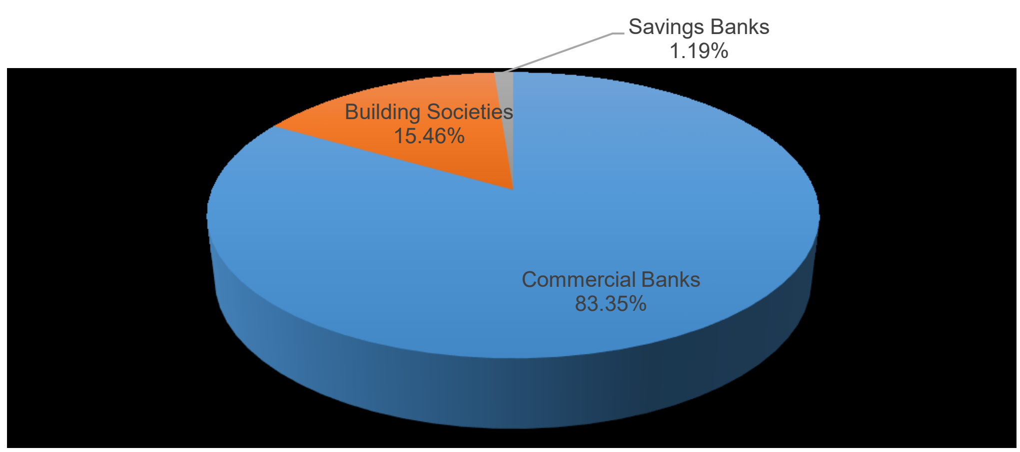
3.30 Figure 15 shows the trend in banking sector loans and advances from 31 December 2013 to 31 December 2019.

Figure 15: Trend in Banking Sector Loans and Advances



3.31 As at 31 December 2019, the commercial banking sub-sector accounted for 83.35% of the total banking sector loans and advances as shown in Figure 16:

Figure 16: Total Banking Sector Loans & Advances – 31 December 2019

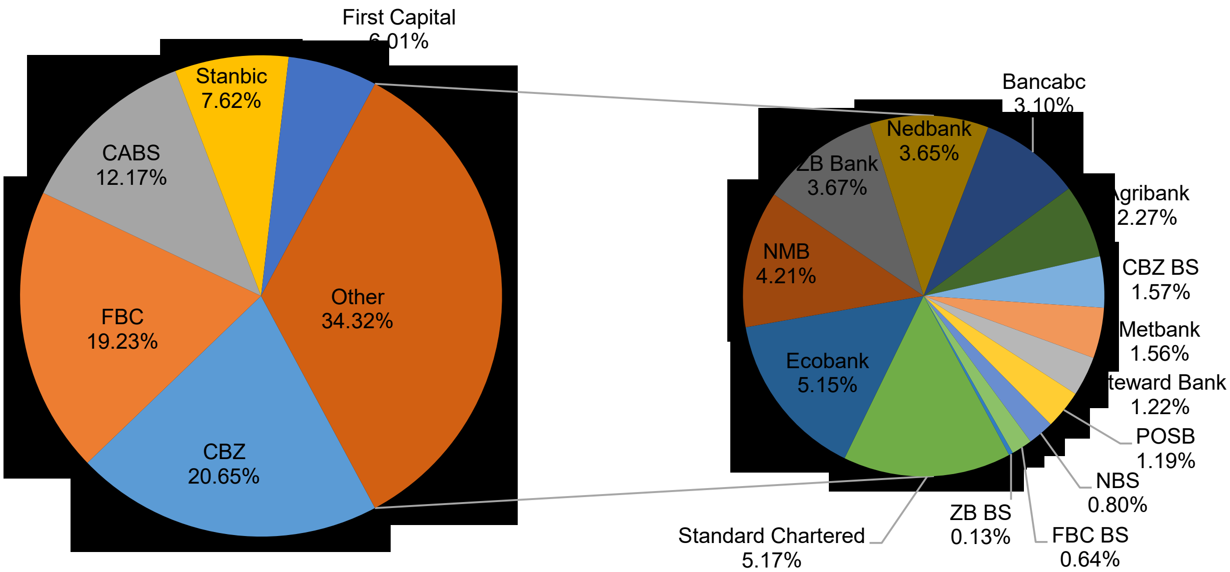


Loan Market Shares

3.32 As at 31 December 2019, top five (5) banking institutions accounted for 65.68% of the total banking sector loans and advances, compared to 54.81% as at 31 December 2018.

3.33 Figure 17 below shows the concentration of loans by banks as at 31 December 2019.

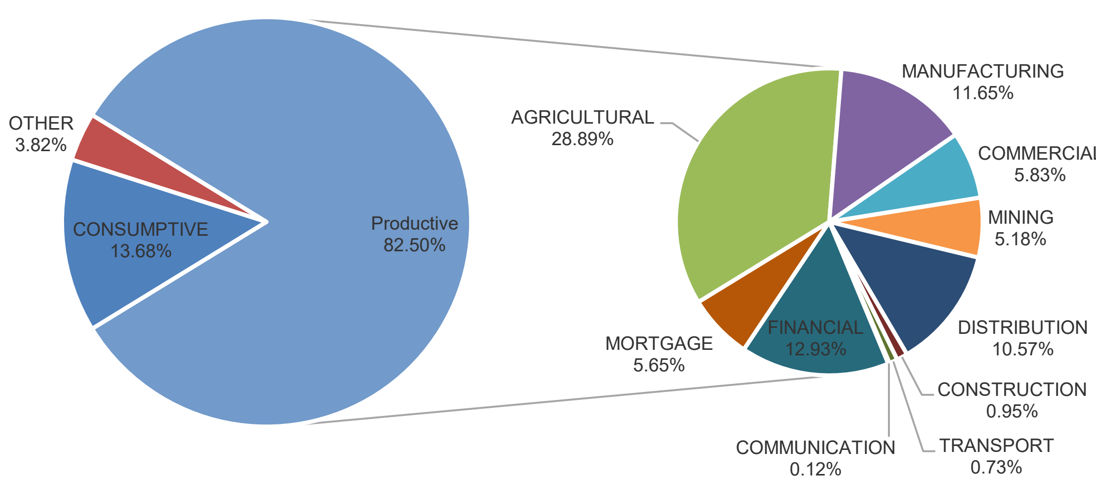
Figure 17: Loan Concentration by Bank – 31 December 2019



Sectoral Distribution of Loans and Advances

3.34 Productive lending constituted 82.50% while consumptive lending accounted for 13.68% of total loans and advances as at 31 December 2019 as shown in Figure 18.

Figure 18: Sectorial Distribution of Loans and Advances



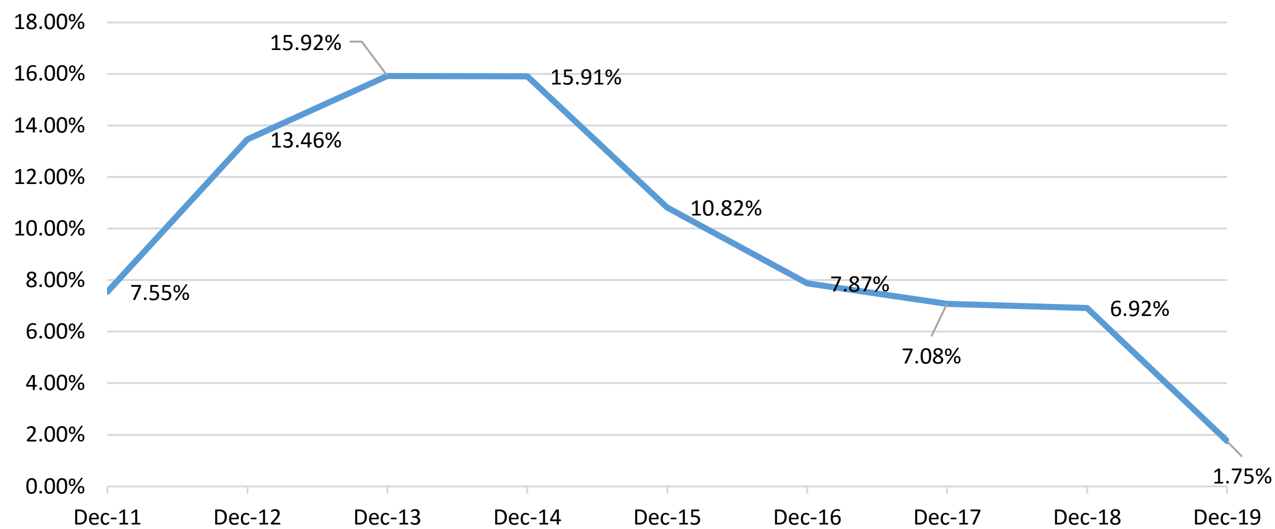
Non-Performing Loans (NPLs)

3.35 Asset quality improved during the period under review as reflected by the ratio of non-performing loans to total loans ratio of 1.75% as at 31 December 2019, from 6.92% as at 31 December 2018.

3.36 The improvement in the NPL ratio was largely attributed to a combination of growth in the loan book and a decline in the quantum of non-performing loans from $283.03 million to $221.62 million during the period under review. Depreciation of the local currency and hyper-inflation were also key drivers of improved asset quality as, repayments become more affordable to borrowers.

3.37 The trend in the level of non-performing loans from December 2011 to 31 December 2019 is indicated in the Figure 19 below.

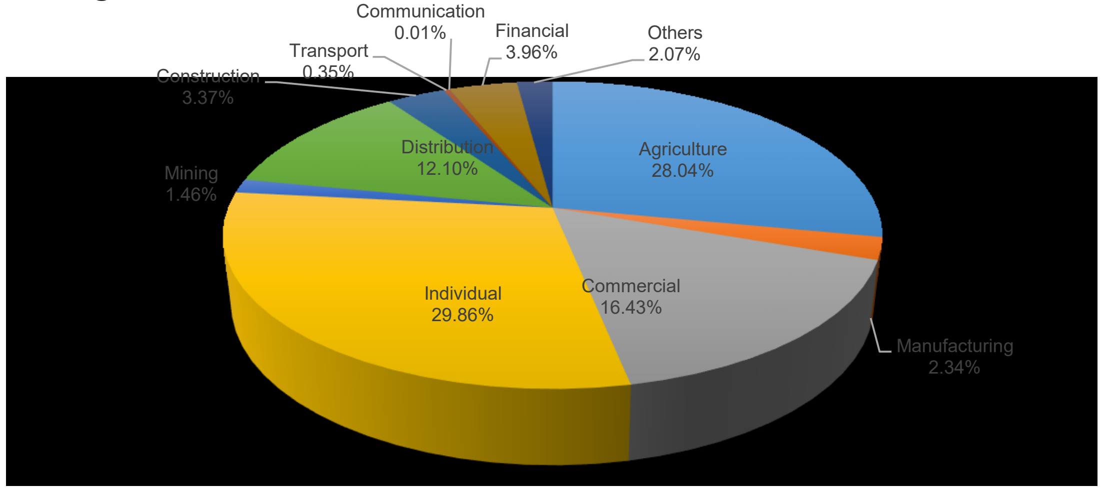
Figure 19: Trend in Non-Performing Loans



Sectorial Distribution of NPLs

3.38 Lending to Individuals and Agriculture sectors recorded the highest levels of NPLs constituting 29.86% and 28.04% of total loans as at 31 December 2019 largely attributed to high levels of over-borrowing among individuals and the poor agriculture season. Figure 20 shows the sectoral distribution of NPLs.

Figure 20: Sectoral Distribution of NPLs as at 31 December 2019



Earnings Performance

3.39 The banking sector was profitable during the year ended 31 December 2019, as all nineteen (19) operating banking institutions recorded profits.

3.40 The banking sector reported net income of $6.41 billion for the year ended 31 December 2019, an improvement from $425.26 million reported during the corresponding period in 2018. The increase in income was driven by revaluation gains from investment properties, translation gains on foreign currency balances, as well as gains and commissions arising from foreign exchange trading.

3.41 Non-interest income accounted for 52.24% of total net income while interest income from loans and advances constituted 10.74% of total income during the period under review.

3.42 Interest income from loans and advances constituted 75.13% of the total interest income while interest income on investments & securities and interest income on balances with banking institutions accounted for 22.28% and 2.59%, respectively.

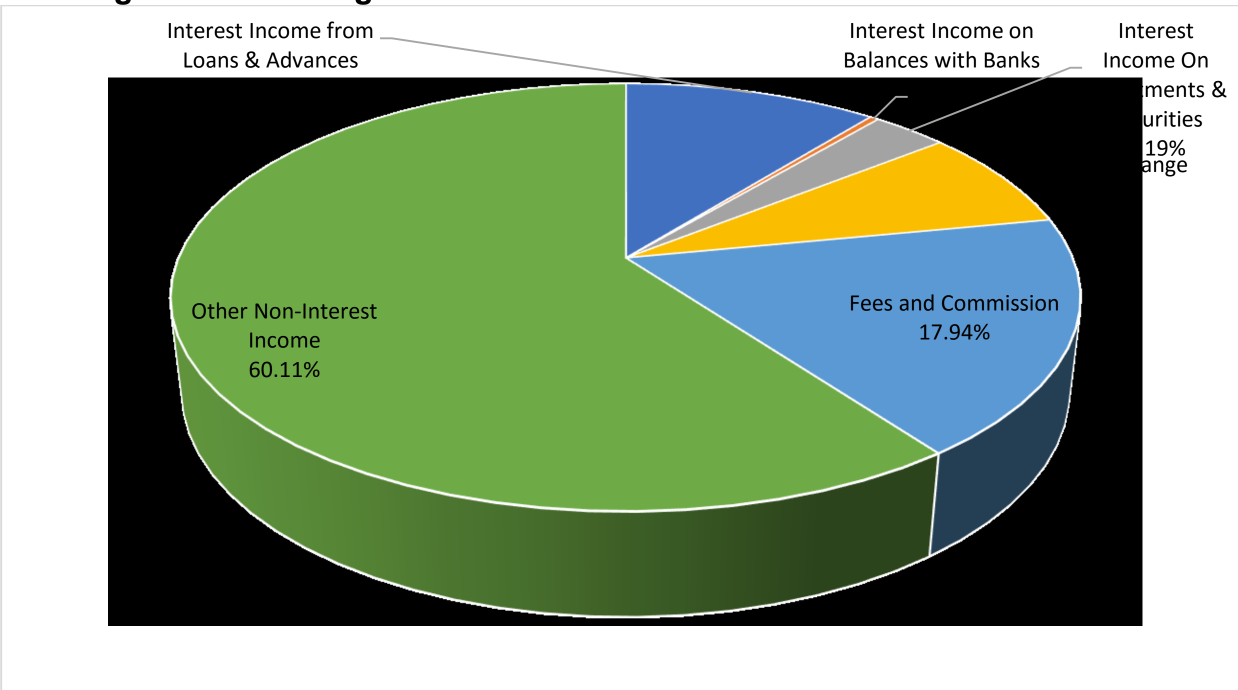
3.43 The contribution of interest income to total income during the year under review declined in comparison to the year ended 31 December 2018, as shown in Table 7 below:

Table 7: Contribution of Interest Income to Total Income

	Interest Income from Loans Advances and Leases	Interest Income on Investments and Securities	Interest Income on Balances with Banking Institutions
2018	29.20%	20.53%	0.62%
2019	10.74%	3.19%	0.37%

3.44 The banking sector income mix for the year under review is shown in figure 21 below:

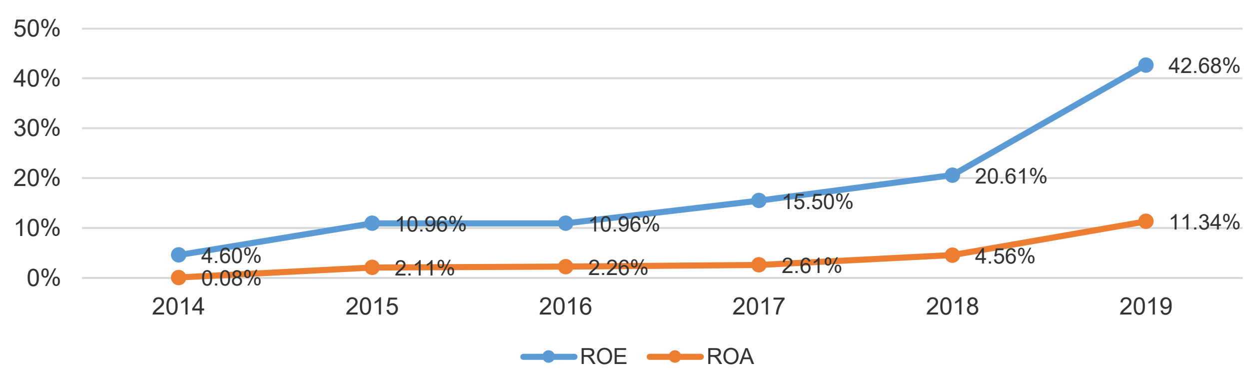
Figure 21: Banking Sector Income Mix as at 31 December 2019



3.45 Fees and commissions, accounted for 17.94% of total banking sector income in 2019 compared to 34.85% in 2018

3.46 Return on assets and return on equity increased, from 4.56% and 20.61%, to 11.34% and 42.68%, respectively as depicted in Figure 22.

Figure 22: Trend in Profitability Indicators



3.47 The breakdown of non-interest expenses for the period under review is indicated in figure 23 and figure 24 below.

FIGURE 23: BANKING SECTOR NON-INTEREST EXPENSES – 31 DECEMBER 2019

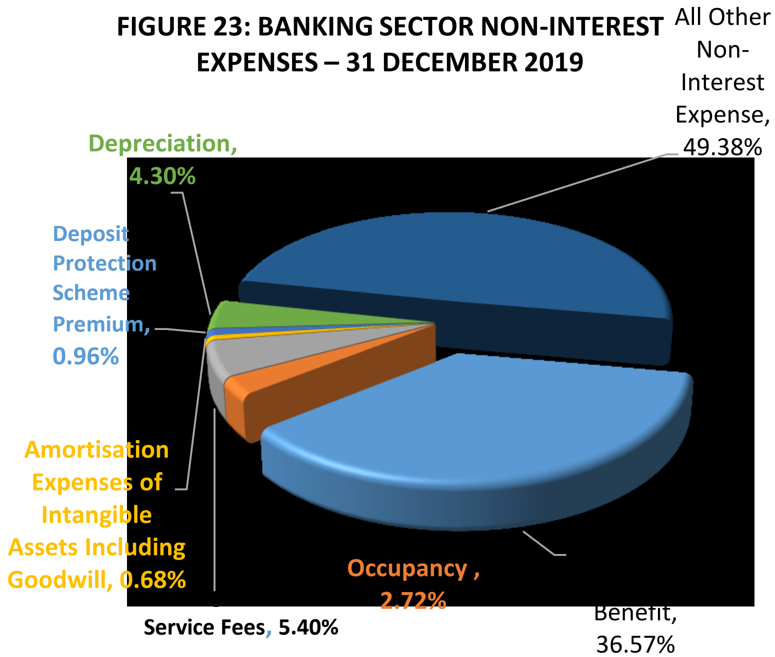
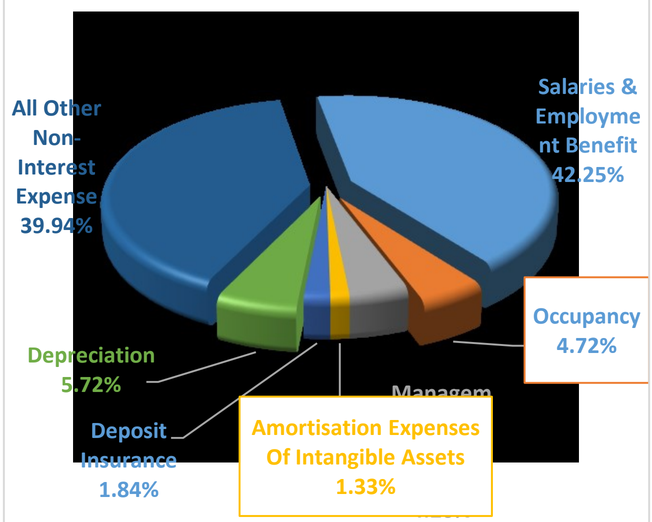


FIGURE 24: BANKING SECTOR NON-INTEREST EXPENSES- 31 DECEMBER 2018



3.48 Other non-interest expenses and salaries and employment costs constituted the largest cost components of 49.38% and 36.57%, respectively during the year. During the period under review, the cost to income ratio for the sector improved from 70.01% in 2018 to 40% in 2019. The improvement is largely due increased efficiency arising from automation and digitilisation of a number of banking processes.

Sensitivity to Market Risk

3.49 As at 31 December 2019 the banking sector had an overall asset sensitive banking book, with a cumulative re-pricing gap of $3.57 billion in the 1-365 days' time bucket. An asset sensitive banking book implies that, other things being equal, the banks' net interest income will rise in an environment of rising market interest rates.

3.50 As at 31 December 2019, the total asset base of banks that were vulnerable to the interest rate shock was $5.46 billion, or 9.00% of the total banking sector assets.

3.51 The banking sector's net open position as at 31 December 2019 stood at $137.31 million compared to $11.49 million as at 30 December 2018. The results of the stress test show that a few banks were vulnerable to exchange rate shocks.

SECTORAL ANALYSIS

Commercial Banks…

3.52 The commercial banking subsector performance was satisfactory characterized by an improvement in profitability, adequate capitalisation and expanding asset base.

Total Assets

3.53 The commercial banking subsector continues to dominate the banking sector accounting for 88.52% ($53.67 billion) of the total banking sector assets of $60.64 billion as at 31 December 2019.

3.54 The asset mix for the commercial banking sector was mainly skewed towards balances with central bank (20.27%), loans and advances (16.07%), balances with foreign institutions (15.04%) and fixed assets (13.05%).

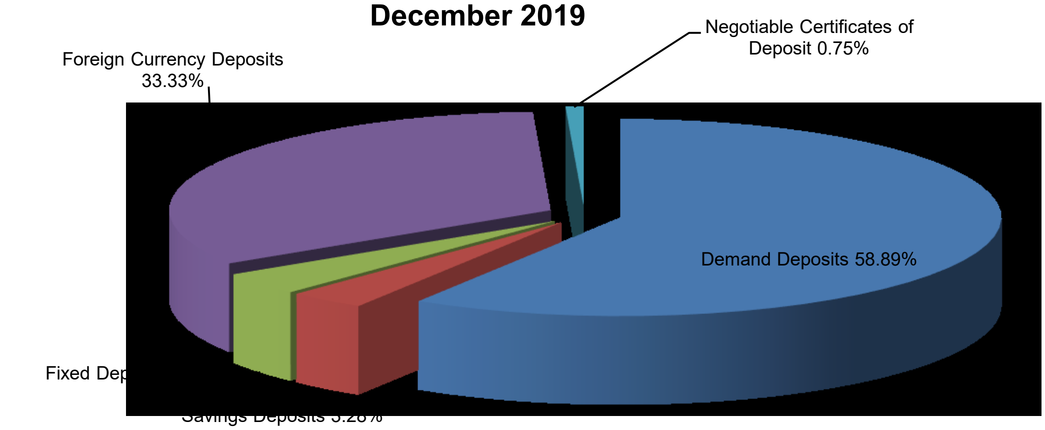
Total Liabilities

3.55 As at 31 December 2019, the commercial banking sub-sector's total liabilities amounted to $48.80 billion and largely comprised of deposits, which accounted for 54.62% of total sub-sector liabilities.

3.56 Total deposits increased from $7.99 billion as at 31 December 2018 to $29.32 billion as at 31 December 2019. Demand deposits amounting to $17.26 billion as at 31 December 2019, constituted 58.89% of commercial banks' total deposits.

3.57 Figure 25 shows the distribution of commercial bank deposits as at 31 December 2019.

Figure 25: Distribution of Commercial Bank Deposits as at 31 December 2019



3.58 The loans to deposit ratio for the sub-sector was largely unchanged at 35.97% as at 31 December 2019 compared to 35.55% as at 31 December 2018.

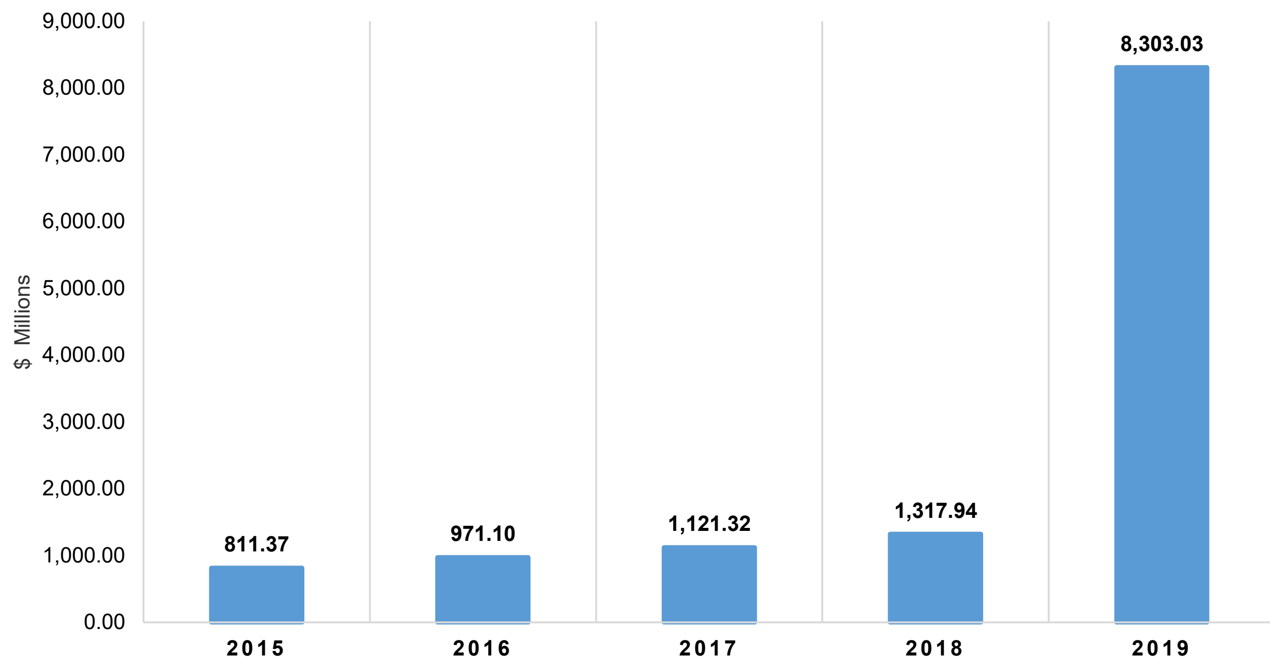
Capital Adequacy

3.59 The sub-sector recorded an increase in net capital base from $1.32 billion as at 31 December 2018 to $8.30 billion as at 31 December 2019, on the back of improved earnings performance.

3.60 The average capital adequacy ratio of 33.57% as at 31 December 2019 was above the minimum required capital adequacy ratio of 12%.

3.61 The growth in the net capital base of the sub-sector from 2015 is shown in the Figure 26 below.

Fig 26 : Commercial Banks' Net Capital Base 2015 to 2019



Asset Quality

3.62 Total loans and advances for commercial banks grew from $2.84 billion as at 31 December 2018 to $10.54 billion for the same period in 2019. Translation of foreign currency denominated loans largely explain the growth in total loans during the period under review.

3.63 The adversely classified loans to total loans decreased from 9.51% as at 31 December 2018 to 1.58% as at 31 December 2019, reflecting an improvement in the subsector's asset quality.

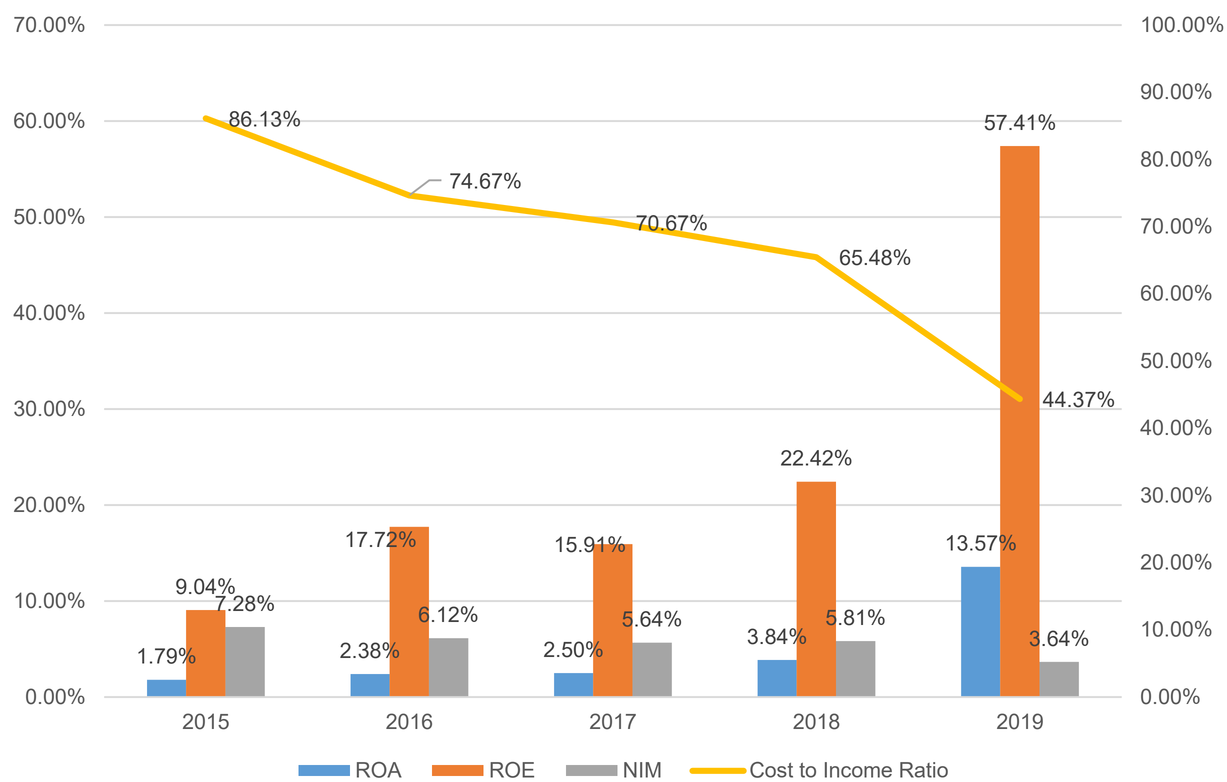
Earnings

3.64 During the period under review, commercial banks' average profit increased from $315.99 million recorded in 2018 to $5.58 billion recorded for the year ended 31 December 2019. The growth in income was driven by revaluation gains from investment properties, translation gains on foreign currency balances, as well as commissions from foreign exchange trading.

3.65 Consequently, the average return on assets increased from 3.84% as at 31 December 2018 to 13.57% as at 31 December 2019.

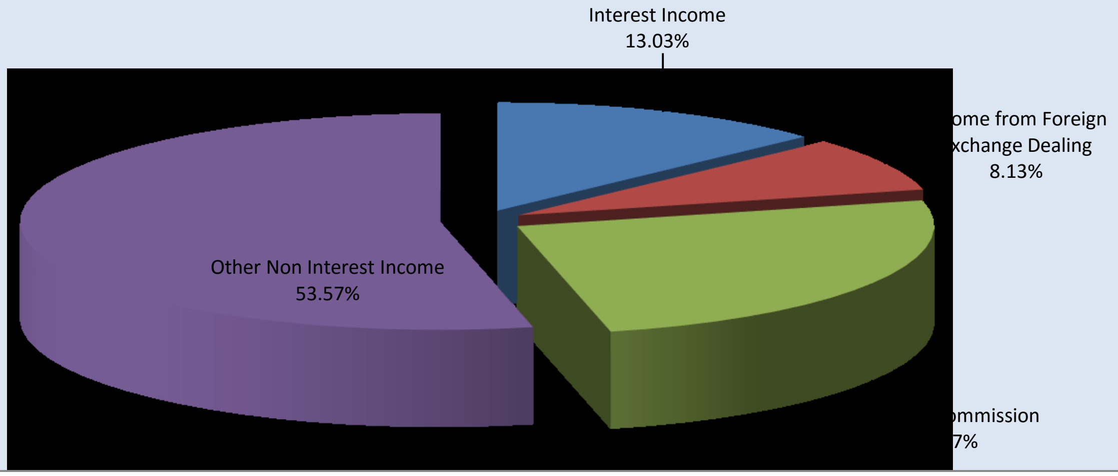
3.66 Key profitability indicators for the period 2015 to 2019 are shown in figure 27.

Figure 27: Commercial Banks Key Earnings Indicators – 2015 to 2019



3.67 Other non-interest income and fees & commissions contributed 53.57% and 25.27% of total income, respectively. The income mix for the sub-sector for the period ended 31 December 2019 is shown in figure 28.

Figure 28: Income Mix for the Commercial Banking Sector - 31 December 2019



3.68 The subsector recorded an increase in total expenses from $713.56 million in 2018 to $2.84 billion in 2019. Salaries & employment benefits were the major cost drivers accounting for 34.10% of total expenses.

Liquidity and Funds Management…

3.69 Total deposits for the commercial banking sub-sector increased by 256.18% from $8.58 billion as at 31 December 2018 to $30.56 billion as at 31 December 2019.

3.70 The subsector's average prudential liquidity ratio as at 31 December 2019 was 74.97% which was above the minimum regulatory requirement of 30%.

BUILDING SOCIETIES…

3.71 The performance of the building societies sub-sector over the year ended 31 December 2019 was considered satisfactory.

Asset Structure

3.72 Total assets amounted to $6.42 billion as at 31 December 2019 from $2.07 billion in 2018.

3.73 Loans & advances amounting to $1.87 billion, were the major component of total assets as they accounted for 28.90% of the sub-sector's total assets. However, in terms of market share of loans, one institution accounted for 79.84% of total sub-sector loans.

Liability Structure

3.74 The sub-sector recorded a 210.63% increase in total liabilities from $2.07 billion in December 2018, to $6.42 billion as at 31 December 2019. Total Deposits constituted the bulk of total liabilities amounting to $3.22 billion, constituting 50.15% of the sub-sector's liabilities.

3.75 One institution dominated the sub-sector with a market share of 77.34% in terms of total sub-sector deposits.

3.76 Demand deposits amounting to $1.91 million were the subsector's major source of funding constituting 48.95% of the subsector's total deposits as shown in figure 29 and figure 30.

Figure 29: Distribution of Building Society Deposits 2018

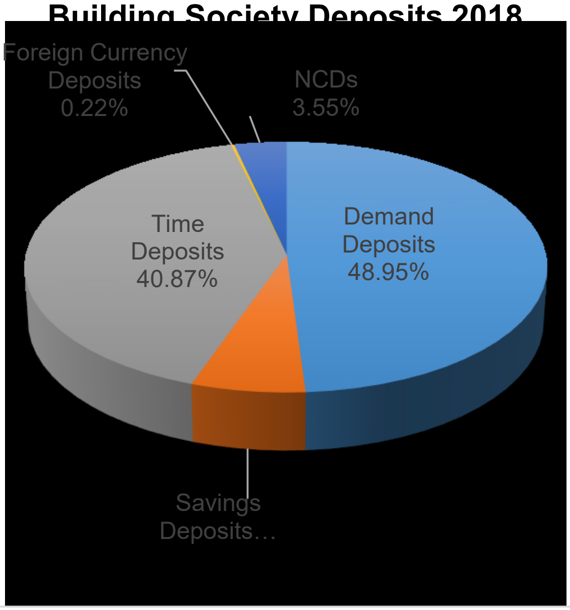
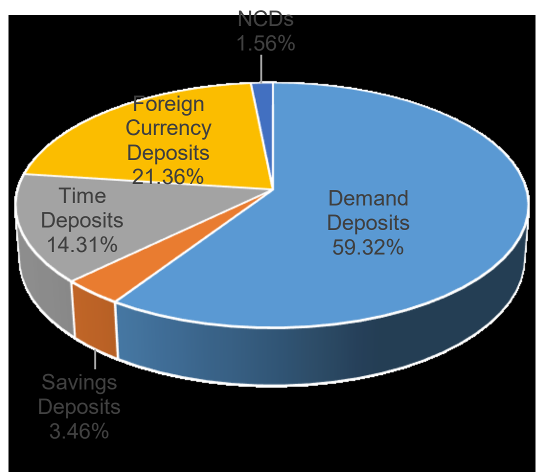


Figure 30: Distribution of Building Society Deposits 2019



3.77 The loans to deposit ratio for the sub-sector decreased to 60.01% as at 31 December 2019 from 87.70% as at 31 December 2018.

Capital Adequacy

3.78 The sub-sector's net capital base increased by 201.01%, from $432.58 million in 2018 to $1.30 billion as at 31 December 2019.

3.79 All building societies, except one, were compliant with the minimum capital requirements of $20 million for building societies. The sector`s core capital increased by 98.79% to $660.83 million as at 31 December 2019 from $332.43 million in 2018.

3.80 The sub-sector reported an average capital adequacy ratio of 40.70% as at 31 December 2019, which was above the regulatory minimum of 12%.

Asset Quality

3.81 Total loans and advances for building societies increased by 71.86%, from $1.13 billion in 2018 to $1.93 billion as at 31 December 2019.

3.82 Credit risk was considered low as reflected by the ratio of adversely classified loans to total loans of 2.50% as at 31 December 2019, an improvement from 6.36% as at 31 December 2018.

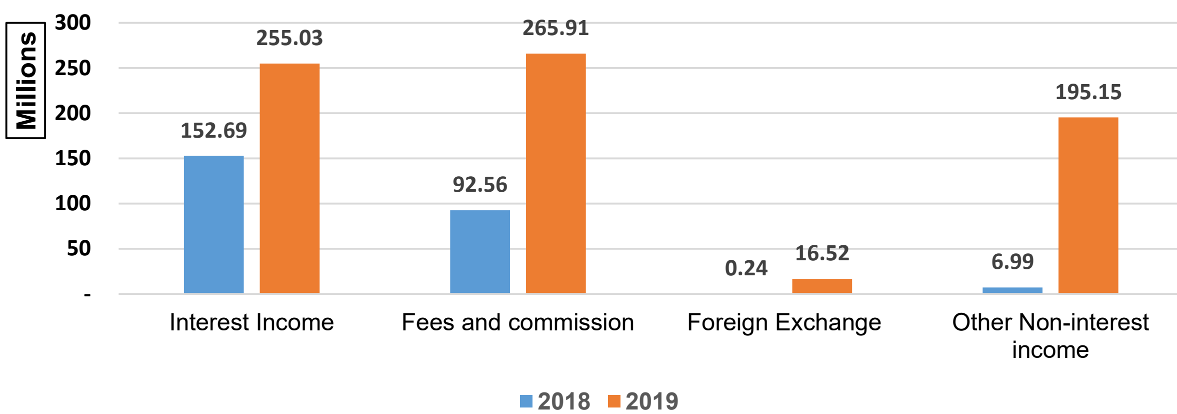
Earnings

3.83 The building society sub sector recorded net income of $367.57 million for the year ended 31 December 2019 compared to $60 million reported for the same period in 2018.

3.84 Non-interest income totaling $477.58 million accounted for 73.01% of total income ($732.61 million) while interest income amounting to $255.03 million constituted 26.99%. Non-interest income was largely dominated by interest from loans and advances which constituted 87.07% of total non-interest income.

3.85 The income mix for the building sector sub-sector for the period ended 31 December 2018 & 2019 is shown in figure 31.

Figure 31: Income Mix for the Building Society Sub-sector



3.86 Total costs for the building societies sub-sector increased from $195.47 million to $571.31 million during the year ended 31 December 2019. Other non-interest expenses and salaries & employment benefits accounted for 44.44% ($253.92 million) and 23.10% ($131.98 million) of total expenses, respectively.

3.87 Return on assets and return on equity ratios improved from 1.34% and 6.89% in 2018 to 6.18% and 18.15%, respectively in 2019. The cost to income ratio improved from 77.18% in 2018 to 65.69% during the same period. .

Liquidity and Funds Management

3.88 Total deposits for the sub-sector increased from $1.29 billion as at 31 December 2018 to $3.60 billion as at 31 December 2019.

3.89 Demand deposits and foreign currency deposits accounted for 50.39 and 19.22% respectively, during the review period.

3.90 The subsector's average prudential liquidity ratio as at 31 December 2019 was 52% against the minimum regulatory ratio of 30%.

Sensitivity to Market Risk

3.91 As at 31 December 2019 the building society subsector had a liability sensitive book with interest sensitivity ratios of 49.94%, 64.64% and 67.51% in the 3, 6, and 12 months' time bands, respectively.

3.92 Stress tests results using Reserve Bank methodology indicate that the building society sub-sector is resilient to interest rate shocks as a 5% increase in interest rates will result in the capital adequacy ratio declining from 40.70% to 31.36% which is above the regulatory minimum of 12%.

Update on Failed Banking Institutions

3.93 As at 31 December 2019, 22,708 (41%) out of 54,909 depositors had been compensated out of the Deposit Protection Fund (DPF); whilst in monetary terms about $3.97million (62%) had been paid against an exposure of $6.4 million. The table below provides a synopsis of deposit insurance payments in respect of the six (6) failed contributory banking institutions under liquidation.

Table 8 : Deposit Insurance Payments as at 31 December 2019

Name of Institution	Total Depositors	No. of Depositors paid	% of Depositors paid	Exposure Deposits payable at $500 ($)	Value of Deposits paid ($)	% of Total deposits	Gross Deposits ($)
Royal Bank	5,453	3,111	57%	472,207	358,654	76%	5,538,805
Trust Bank	2,958	1,041	35%	328,516	169,877	52%	11,482,102
Genesis	86	62	72%	11,810	8,821	75%	1,426,913
Allied Bank	9,228	1,548	17%	1,248,307	540,785	43%	14,316,614
Interfin Bank	13,021	2,740	21%	918,814	326,062	35%	137,336,570
Afrasia	24,163	14,206	59%	3,439,276	2,564,947	74%	18,559,591
Total	**54,909**	**22,708**	41%	**6,418,930**	**3,969,147**	62%	**188,660,594**

Lion Microfinance Limited (Under Curatorship)

3.94 Lion Microfinance Limited was initially placed under the management of a Curator by the

Reserve Bank on 26 July 2019 for a period of three months in terms of the Microfinance Act [Chapter 24:30]. The Deposit Protection Corporation (DPC), was appointed the Curator of Lion Microfinance Limited in terms of section 35 and 37 of the Microfinance Act.

3.95 The Curatorship period was, however, extended for a further period of three (3) months from 31 March 2020 to 30 June 2020 to allow for the recapitalisation process and also having regard to the delays associated with the COVID-19 pandemic.

3.96 The Curator has advised that following the ruling of the arbitrator in a matter which the parties had brought for determination of the shareholder dispute, the majority shareholder, Finsbury Investments Limited, is now expected to inject additional capital into the institution, paving way for upliftment of curatorship.

CHAPTER 4: LEGAL & REGULATORY DEVELOPMENTS

Introduction

4.1 This chapter summarises the major legal and regulatory developments in the banking sector during the year as part of enhancing the safety and soundness of the financial system.

4.2 The legislative and regulatory amendments promulgated during the year were essential in order to address gaps in existing laws, as well as keep abreast with dynamic international best practices.

4.3 Legal enhancements introduced in 2019 to augment the existing legal and regulatory framework include, amendments to the Microfinance Act, amendments to the Prudential Standards on Deposit-Taking Microfinance Institutions and a review of the Legal & Regulatory framework.

Regulatory developments affecting the domestic banking sector

4.4 The International Monetary Fund (IMF) conducted a Financial Sector Stability Review in 2019. The IMF subsequently made a number of recommendations which include review of Zimbabwean legal framework to enhance bank resolution, corporate governance and crisis management in order to align it with good practices.

4.5 Accordingly, the Reserve Bank is now in the process of reviewing the Banking Act, and the Banking Regulations S.I.205 of 2000 consistent with best practices. .

4.6 During the year, the Reserve Bank developed a Macro-prudential Framework which provides for effective macro-prudential tools, appropriate governance arrangements and systemic risk assessment. Operationalisation of the framework commenced in the last quarter of 2019.

Microfinance Act [*Chapter 24:30*], Amendment No.6 of 2019

4.7 The Microfinance Act was promulgated on 19 November 2019 to address regulatory gaps noted in the regulatory framework for microfinance institutions. The major objectives of the amendment are to:

- to strengthen the supervision of microfinance institutions;
- to address shortcomings of the previous Microfinance Act by providing for perpetual licenses for microfinance institutions; and
- to provide for a more comprehensive corporate governance and risk management framework.

4.8 The key provision of the amendment to the Microfinance Act are outlined in Table 9:

Table 9: Key Provisions of the amendment to the Microfinance Act [Chapter 24:30]:

SUBJECT OF CHANGE	CHANGES
Classes of Microfinance Institutions	▪ The Act introduces only two classes of microfinance institutions that is credit-only microfinance institutions and deposit-taking microfinance institutions.
Licence Period	▪ The act now provides for perpetual licences for the two classes of microfinance institutions and stipulates the components of minimum capital. ▪ The licence is subject to cancellation on breach of the Act.
Annual Fees	▪ An annual fee will be payable by microfinance institutions, subject to prescription through Regulations.
Supervisory Powers	▪ Supervisory powers have been enhanced and the Registrar may adopt sound prudential regulatory and supervisory standards adopted for banking institutions and controlling companies to apply to deposit-taking only microfinance institutions and their controlling companies
Microfinance Advisory Council	▪ The Act also provides for a Microfinance Advisory Council (MAC) made up of the RBZ, the Ministry of Finance, DPC, IPEC, SEC and a member nominated of an association that represents banking institutions, and a member from an association that represents microfinance institutions. ▪ The key role of the MAC is to advise the Minister on issues in the microfinance sector.
Broadening of Business Activity	▪ Activities of microfinance institutions were s broadened in its scope to cover to financial leases. Financial leases were previously not covered under the Act.
Enhanced Corporate Governance Framework	▪ The Act now provides for the duties and responsibilities of principals and directors and includes amongst others, the duty to act *bona fide*, the duty of care, the duty to avoid conflict of interest and the duty to have knowledge exercise skill and to uphold at all times such knowledge and skills. ▪ A more enhanced corporate governance framework has been introduced for DTMFIs which includes making it mandatory for them to establish a Board Risk Committee, an independent Compliance function and the Audit Committee, amongst other requirements. ▪ The Board of a deposit taking microfinance institution is required to be chaired by a non- executive independent chairperson. ▪ Other requirements in terms of the balance between executive and non-executive directors will be prescribed. ▪ Section 20 B has been introduced which clearly stipulates the corporate governance framework for deposit taking microfinance institutions.

Amendment of Prudential Standards 02/2016/BSD: Deposit-Taking Microfinance Institutions

4.9 As part of its mandate to enhance the legal framework for DTMFIs, Bank Supervision issued an addendum to the Prudential Standards on Deposit-Taking Microfinance Institutions in November 2019.

4.10 Sections 14.4 and 14.5 of the Prudential Standards were amended to provide that a DTMFI shall not assume financial exposure to a single borrower exceeding twenty-five percent (25%) of the DTMFI's capital base. The aggregate of loans and advances outstanding at any time to any single corporate group shall not exceed seventy-five percent (75%) of a DTMFI's capital base for the whole group or 25% to any single member of a corporate group.

4.11 Before the amendment, sections 14.4 provided that a DTMFI could not assume financial exposure to a single borrower (single person, partnership or common enterprise other than a common group) exceeding three percent (3%) of its net capital base: provided that the aggregate financial exposure to a group of related parties did not exceed five percent (5%) of the net capital base.

4.12 In terms of section of 14.5, the lending limits prescribed are subject to maintenance of adequate risk management practices by DTMFIs on an on-going basis.

CHAPTER 5: CONSUMER EDUCATION AND CONSUMER PROTECTION ISSUES

Introduction

5.1 During the year, Bank Supervision collaborated with key stakeholders in the promotion of financial literacy and enforcement of consumer protection among citizens. The collaborative efforts were conducted as part of ongoing efforts to implement the first phase of the National Financial Inclusion Strategy which ends in 2020.

5.2 Initiatives by other stakeholders sought to enhance financial literacy, raise awareness of the rights and obligations of users of financial services and products in terms of the consumer protection framework and increased financial capability.

Financial Literacy in Schools

5.3 The collaboration between the Reserve Bank of Zimbabwe and the Ministry of Primary and Secondary Education culminated in a maiden joint Financial Literacy Training of Teachers in November 2019.

5.4 The maiden programme saw the Reserve Bank of Zimbabwe and the Ministry of Primary and Secondary Education partnering the International Labour Organisation (ILO) and Mustard Seed Advisory to conduct a pilot Financial Literacy Teacher Training course for 72 teachers and officials from Harare and Goromonzi districts. Plans are underway to conduct similar courses across the country during the year 2020.

5.5 The Financial Literacy Teacher Training course sought to strengthen the knowledge and financial capability skills of teachers to enable them to make sound financial decisions and positively influence learners. Furthermore, the knowledge and financial capability skills teachers acquired by teachers can be easily cascaded to family members and communities.

5.6 The Financial Literacy Teacher Training course complements the Ministry of Education's curriculum seeks to mainstream financial literacy at all levels of education in Zimbabwe.

Market Conduct Supervision

5.7 As part of processes to operationalize the Consumer Protection Framework issued in July 2017 and enforce Consumer Protection, Bank Supervision developed a draft Market Conduct Supervision Framework.

5.8 The Consumer Protection Framework provides guidance on how financial institutions conduct their businesses in ways that do not prejudice customers. Examples of abuse in the financial sector include, high fees and charges, sale of inappropriate products and services, reckless lending and illegal debt-collection practices.

5.9 The Market Conduct Supervision Framework describes the principles, concepts and core processes that Bank Supervisors may use to supervise the market conduct of financial services providers.

5.10 Market Conduct Supervision has been endorsed by Alliance for Financial Inclusion (AFI), the world's leading organisation on financial inclusion policy and regulation.

Global Money Week Celebrations

5.11 Various financial inclusion stakeholders participated in the 2019 Global Money Week Celebrations which continues to generate increasing interest. The theme for 2019 celebrations was geared towards engaging children and the youth to learn to manage money wisely, save for their future and earn for themselves and their families.

5.12 The 2019 Global Money Week activities drew participants from eighteen (18) institutions comprising fifteen (15) banking institutions, two (2) regulatory authorities and one (1) non-banking institution. This marked a 125% increase in participation from eight (8) institutions that participated in the 2018 commemorations.

5.13 Direct outreach was estimated at 926,318 through direct interface with the children and the youth. A total of 237 schools were reached through various interfaces with banking institutions, the majority of which were in urban areas.

5.14 Major activities during the Global Money Week included the following:

i. visits to schools and special needs institutions;
ii. debates, essay competitions and quizzes for secondary school and tertiary students;
iii. sharing financial literacy information through the mass media as well as on social media platforms;

iv. inviting schools to visit bank branches and have first-hand experience of banking operations; and
v. newspaper content specifically suited to the Global Money Week celebrations.

Joint Financial Sector Consumer Education

5.15 Financial sector regulators commenced preparations for joint financial sector consumer education to educate consumers of financial products and their rights and responsibilities.

5.16 The joint financial sector consumer education campaigns were conducted through roadshows, radio talk shows, newspaper columns, newsletters, exhibitions and engaging stakeholders at various fora.

5.17 The initiatives will seek to offer an opportunity for the regulators to demystify some of the myths about financial products and services, which is critical for promoting financial inclusivity.

Consumer Education Material

5.18 During the year 2019, the Reserve Bank issued consumer education materials and pamphlets to enhance financial literacy among users of financial services and products. The pamphlets, which were distributed free of charge at public exhibitions and workshops, are expected to have a positive impact on the financial well-being of users of financial services and products of all ages.

5.19 Bank Supervision and other Reserve Bank divisions actively participated at major public exhibition forums such as the 2019 Zimbabwe International Trade Fair and the Mine-Entra held in Bulawayo, the 2019 Harare Agricultural Show and 2019 Mutare Agricultural Show. Participation at the public exhibition forums was meant to educate consumers of financial products on their rights and responsibilities and to raise awareness on financial products.

Complaints Handling

5.20 The Reserve Bank has put in place a sector-wide complaints tracking mechanism. All banking and microfinance institutions are now required to electronically log complaints they receive from clients into a Complaints Return on the Consumer Protection Module in the Bank Supervision Application System (BSA).

5.21 Bank Supervision Application System is an online system accessible by regulated banking and microfinance institutions. The system is used by the Reserve Bank, banking and microfinance institutions to analyse the complaints and is capable of producing reports which assist in decision and policy making.

5.22 During the year, a total of 485 complaints were reported and logged by banking institutions while a total of 496 complaints were reported and logged by microfinance institutions. An analysis of the complaints revealed that the complaints largely related to failed transactions (36.22%), delayed transfers (12.84%), ZIPIT transfer challenges (11.89%) and digital channels (7.57%).

CHAPTER 6: OUTLOOK

6.1 In the outlook period, banks′ balance sheets may come under stress given the increasing economic uncertainty and economic downturn on the back of the impact of the COVID-19 pandemic.

6.2 Upward pressure on the country's foreign currency resources is expected due to the anticipated importation of medicines and medical equipment necessary to assist in efforts to alleviate the COVID-19 pandemic. Lockdown measures being instituted globally are likely to negatively impact on foreign currency receipts from exports, remittances and tourism, some of the major contributors of foreign currency to the Zimbabwean economy.

6.3 The COVID-19 pandemic will likely elevate risks in the banking mainly through macro-financial linkages. Banks' earnings are expected to be depressed in 2020, whilst credit, liquidity and operational risks will likely increase.

6.4 On the back of the above, an upward pressure on the level of non-performing loans (NPLs) is anticipated, particularly agriculture, consumptive and manufacturing loans which accounted for 28.89%, 13.68% and 11.65% of total loans respectively as at 31 December 2019.

6.5 The Reserve Bank has responded to the pandemic by implementing various policy measures, which include monetary policy easing and relaxation of some supervisory rules to enable banks to avail requisite liquidity and also to absorb emerging non-performing loans. The fiscal authorities have also come up with various initiatives that include providing cash stimulus to individuals, concessionary loans to SMEs and tax incentives to corporations.

6.6 The Reserve Bank will continuously monitor the performance of loan portfolios across the banking sector, and will deploy necessary financial stability tools to contain the impact of the residual effects of the COVID-19 pandemic on financial stability.

6.7 The unveiling of Economic Recovery and Stimulus Package (ERSP) of ZW$18.2 billion by the Government of Zimbabwe is expected to enhance liquidity support for the productive sectors of the economy. As part of the ERSP, the Victoria Falls Securities Exchange is expected to increase Foreign Direct Investment, through the listing of companies looking to raise capital in foreign currency.

6.8 Banking institutions are expected to focus on enhancing their business continuity systems and strategies, aimed at ensuring that critical services continue to be availed in an operating environment impacted by the COVID-19 pandemic.

6.9 It is also envisaged that the COVID-19 pandemic will define a new business environment which will require banking institutions to enhance their current strategies.

6.10 The future business climate is likely to be characterised by digitalisation and automation of most processes with health and safety of employees and customers at the core. The era of large brick and mortar bank branch network strategy is likely to end, as banks focus on enhancing their digital presence.

6.11 The Collateral Registry project being implemented by the Reserve Bank is expected to improve the mechanism of enforcing credit agreements, provide information on ranking of creditors that have an interest in the same asset based on date of registration. This is expected to spur lending as SMEs and individuals are able to leverage on movable property.

6.12 The Reserve Bank will continue to promote the adoption of sustainable finance through the implementation of sustainability frameworks which integrate environmental, social or governance (ESG) factors in financial services.

Minimum Capital Requirements…

6.13 The upward review of minimum capital requirements for banks, effective 31 December 2020, is expected to enhance the resilience of banks and their ability to contribute to credit expansion. The capitalisation and liquidity holdings of banking institutions has been rising over time and are expected to enhance the resilience of banking institutions to various shocks.

6.14 Going forward, stability is expected in the banking sector on account of adequate capitalisation, low levels of NPLs and enhanced supervisory practices.

Technological Innovations…

6.15 The on-going impact of technological innovation in the banking sector will continue to be topical in 2020 and beyond, presenting both challenges and opportunities to the banking sector.

6.16 Disruptive financial technology is expected to not only increase efficiency through automation of processes, but ultimately reduce business costs for both the banks and customers resulting in cost cutting across the board with increased convenience to the customers.

6.17 Digitization will be key to the resilience of banking institutions. In 2020, banks are anticipated to accelerate their digitization transformation and review their business models and delivery channels in order to remain competitive.

6.18 The Reserve Bank is seized with several initiatives to establish the Fintech agenda which include assessment of the state of Fintech in Zimbabwe. Going forward, the Reserve Bank will continuously monitor the implementation of technology within the banking sector through the issuing of necessary guidelines and deployment of tools to safeguard the safety and soundness of the banking sector and the various infrastructure.

Basel III Implementation…

6.19 Bank Supervision, with the support of co-operating partners, will continue to enhance its supervisory process, including the enhancement of its risk-based supervision methodology. Further, the Division will issue the DSIB framework, Liquidity Coverage Ratio Framework, Net Stable Funding Ratio framework, as well as update several Guidelines in line with international best practices, as well as keeping abreast with recent developments in supervisory practices.

6.20 The banking sector is expected to continue playing an active role in enhancing macroeconomic stability, as well as fostering inclusive economic development. Bank Supervision will continue to employ pre-emptive micro and macro-surveillance measures, develop tools to identify potential threats to financial stability and to implement policies aimed at promoting the safety and soundness of the financial sector.

The Banking Sector Post COVID-19

6.21 The COVID-19 pandemic has significantly affected the banking ecosystem in Zimbabwe, prompting institutions to reconfigure their banking operations and processes to cope with the sudden social and operational disruption.

6.22 Banking institutions were swift to respond to the pandemic by putting in place mitigation measures such as closure of some branches, migrating to electronic banking platforms and reducing bank charges.

6.23 Banking institutions are also expected to face a number of challenges at the micro and macro levels in the post-COVID period as the banking landscape might be altered in a number of ways including the following:

a) The shutdown of businesses has led to a huge **reduction in cashflows** which poses a threat to banks' profitability and credit risk profile.

b) **Adapt to a new customer norm with new business models** - Banks will need to respond to lasting social changes, including how consumers select channel preferences, products, and banking needs, that are likely to result from the current crisis.

c) **Migration to digital banking** –the increased use of digital banking and thus digital transformation of banks is taking centre stage during the COVID-19 pandemic. Digital transformation is likely to shift customer preferences, forcing many banking institutions to accelerate digital innovation efforts. Banks will therefore need to craft digital strategies, re-design core processes and establish the right digital enablers.

d) **Reconfiguration of Recovery Plans** - in the post-COVID norm, banking institutions will need to come up with effective recovery plans. The COVID-19 pandemic has expanded the scope of operational resiliency beyond preventing threats to being prepared to operate during periods of excessive global disruptions. In the outlook, it is imperative that business continuity planning is vigorously enforced and tested to promote greater operational resilience.

6.24 Given the uncertainties surrounding the duration of the Covid-19 pandemic, the Reserve Bank will ensure implementation of regulatory and supervisory policies that are essential to bolster confidence and promote financial stability.

APPENDICES

APPENDIX 1: FUNCTIONS AND ORGANIZATION OF BANK SUPERVISION DIVISION

Functions of Bank Supervision Division

1. The Reserve Bank of Zimbabwe, in terms of **Section 6 of the Reserve Bank Act *[Chapter 22:15]***, is mandated to foster the stability and proper function of the Zimbabwean Financial System as well as **supervision of banking institutions**, among others.

Vision of Bank Supervision Division

To become an effective, efficient and dependable regulatory and supervisory authority for the financial sector, supportive of economic development in Zimbabwe.

Mission of Bank Supervision Division

To promote and maintain the safety and soundness of the financial system through proactive and rigorous regulation and supervision, in line with international best practice.

APPENDIX 2: MAJOR SUPERVISORY TOOLS AND METHODOLOGIES

1. In an effort to effectively fulfill the responsibility **to promote and maintain the safety, soundness, and integrity** of the banking system, the Reserve Bank employs various supervisory techniques, which are continuously refined to take cognisance of international best practices. The methodologies include **risk-based supervision, consolidated supervision, macro-prudential and financial stability analysis and early warning systems.**

Risk-Based Supervision

2. Risk-based supervision is a structured supervisory process designed to identify key risk factors through qualitative and quantitative assessment of an institution's risk profile, assess the adequacy of the risk management policies and practices that are used to mitigate risk; and focus supervisory resources (including examination time) based on the risk characteristics of the institutions.
3. This approach requires a strong understanding of the institution and focuses on validating management's ability to identify, measure, monitor and control risks.

Consolidated Supervision

4. The consolidated supervision approach evaluates the strength of individual banking institutions and the entire banking group, taking cognizance of the whole spectrum of risks that affect an institution, whether these risks are carried in the books of the regulated entity or related parties.
5. Consolidated supervision promotes the overall evaluation, both qualitatively and quantitatively, of the strength of a banking group to which a banking institution belongs, in order to understand the relationship among the entities and to assess the potential impact of other entities in the group on the operations of the banking institution.
6. Banking and non-banking activities conducted by a financial conglomerate and its subsidiaries and affiliates, both domestic and foreign, are borne in mind in determining the conglomerate and its related entities' level of compliance with prudential regulatory requirements.

Macro-Prudential and Financial Stability Analysis

7. Macro-prudential surveillance facilitates a holistic view of structural imbalances, interactions and vulnerabilities within the banking system at both national and global level. The analysis encompasses a surveillance of financial markets to assess the likelihood of economic shocks; analysis of macro-prudential linkages with particular focus on the extent to which shifts in financial soundness affect macro-economic and real sector developments. Information from macro-prudential analysis provides an input into the assessment of the banking sector.
8. Financial stability analysis provides a framework for the assessment of the condition of the financial system as a whole, identification of the potential downside risks to the financial system, analysis of

alternate means of promoting and maintaining financial system stability and the surveying of policy developments designed to improve financial stability. Macro-prudential analysis, macro-stress testing and scenario analysis are the bedrock on which financial stability analysis hinges.

9. Macro-stress testing and scenario analysis which are essentially risk and vulnerability assessments are conducted on a continuous basis. The analyses explore susceptibilities to both endogenous and exogenous events which have a low probability of occurrence, but have a high potential for a costly impact should they materialize.

Licensing and de-licensing of banking institutions

10. In line with international best practice as espoused in the Basel Core Principles for Effective Banking Supervision, the licensing and de-licensing function of banking institutions, asset management companies and microfinance institutions is vested in the Reserve Bank of Zimbabwe.
11. The licensing framework considers the ownership structures; capitalization levels of the proposed institution in relation to the class of banking; the fitness and probity of members of the board and senior management, strategic and operational plans; internal controls; and risk management among others.

Off-site Surveillance

12. Off-site surveillance, designed to complement on-site examinations and facilitate ongoing assessment of banks in between examinations, entails periodic analysis of the financial condition and performance of individual institutions and the entire banking sector.
13. This periodic analysis is based on the quantitative and qualitative information furnished by reporting institutions in the form of standardized statutory returns.
14. Off-site analysis, used as an early warning supervisory tool, involves regular, periodic and at times ad-hoc data collection, preliminary analysis and validation, detailed analysis and prudential meetings with the specific banking institution.
15. In line with the developments in the region, the Reserve Bank has adopted the SADC/ESAP Information Technology Harmonization Project, the Banking Supervision Application (BSA), which automates data collection, data validation and supervisory processes and workflows.
16. Apart from prudential returns, other sources of information which include the financial institutions' internal management reports, published financial information and prudential meetings between the financial institutions, external auditors and the Reserve Bank, provide an invaluable input to off-site surveillance.
17. In addition, the Reserve Bank conducts stress tests as part of the early warning systems to determine the vulnerability of individual banks as well as the entire banking system to various shock scenarios.

On-site Examinations

18. As an international best practice of continuous supervision, BSD conducts on-site examination of financial institutions under its purview. This involves actual visits to banking institutions to evaluate their safety and soundness.
19. The coverage of on-site examinations ranges from an investigation of specific areas to a comprehensive review of an institution's operations with focus placed on assessing management’s ability to identify, measure, monitor and control risks emanating from banking business.
20. On-site examinations are structured to provide a comprehensive evaluation and assessment of a range of supervisory issues including:
    a) compliance with laws, regulations and the institution’s own internal policies and procedures;
    b) corporate governance and competence of management;
    c) adequacy of the institution’s risk management systems and internal control procedures;
    d) adequacy of accounting and management information systems; and
    e) maintenance of proper books of accounts and other records.
21. The frequency of on-site examinations is determined by the institution’s risk profile as depicted by the results of the off-site assessment and significant developments which have a bearing on the financial condition of an institution.

APPENDIX 3: REGISTERED BANKING INSTITUTIONS AS AT 31 DECEMBER 2019

Banking Institution	Address & Website
Agribank	15th Floor, Hurudza House 14-16 Nelson Mandela Avenue Harare Tel: 774429 or 773704/5 or 774554 Fax 774554 www.agribank.co.zw
BancABC	1 Endeavour Crescent Mt. Pleasant Business Park Harare Phone: 701636/52; 739089 Fax 727330 www.bancabc.com
First Capital Bank (Formerly Barclays Bank Zimbabwe)	3 Anchor House 1st Street/Jason Moyo Avenue Harare Phone: 758280/99 or 758324 www.africa.barclays.com
CBZ Bank	3rd Floor, Union House 60 Kwame Nkrumah Avenue Harare Phone: 749714 or 748050/79 / 759110-6 Fax 758077 www.cbz.co.zw
Ecobank	Sam Levy's Office Park Block A, Piers Road Borrowdale Harare Phone:851642/7 **or** 706036/7 701350/3 **or** 703011/2/4 / 851642 Fax: 794993 www.ecobank.com
FBC Bank Limited	FBC Centre Nelson Mandela Avenue Harare Phone:704462/704481/77 2705 Fax 704995 www.fbc.co.zw
Nedbank Zimbabwe Limited (Formerly MBCA Bank)	Old Mutual Centre 3rd Street/Jason Moyo Harare Tel: 701636/52 Fax 727330 www.mbca.co.zw
Metbank Zimbabwe Limited	Metropolitan House 3 Central Avenue Harare Phone: 706091/706128 /701970 Fax 733014 www.metbank.co.zw
NMB Bank Limited	4th Floor, Unity Court Kwame Nkrumah Avenue Harare 759651/9 or 754933/5 or 709122/68 or 709124/09 www.nmbz.co.zw
Stanbic Bank Zimbabwe Limited	Stanbic Centre Samora Machel Avenue Harare Phone: 759471; Fax 772126 www.stanbicbank.co.zw

Banking Institution	Address & Website
Standard Chartered Bank Zimbabwe Limited	1st Floor, Standard Chartered Bank Building Cnr. Sam Nujoma Street/ Nelson Mandela Avenue Harare Phone: 253801-7 or 252289 Fax 252288 www.stanchart.co.zw
Steward Bank Limited	2nd Floor, 101 Kwame Nkrumah Avenue Harare Tel:79146/791444-8 Fax 791460 www.stewardbank.co.zw
ZB Bank Limited	21 Natal Road Avondale Harare Phone: 08677002001 www.zb.co.zw
Central African Building Society (CABS)	Northridge Park Northend Close Borrowdale Harare Phone: 883823/59 Fax 883804 www.cabs.co.zw
CBZ Building Society	Beverley Place 3 Selous Avenue Harare Phone: 792631/5 / 705001 Fax 705999 www.cbz.co.zw
FBC Building Society	5th Floor, FBC Centre Nelson Mandela Avenue Harare Phone: 783203-9 www.fbc.co.zw
National Building Society (NBS)	14th Floor, Social Security Centre Cnr Sam Nujoma Street & Julius Nyerere Way, Harare Phone: 700032,35,39,42 www.nbs.co.zw
ZB Building Society	6th Floor, Finsure House Cnr. Kwame Nkrumah / Sam Nujoma Harare Phone: 252978, 252926, 253031, 758275 www.zb.co.zw
POSB	6th Floor, Causeway Building Cnr. Third Street/Central Avenue Harare Phone: 729700-9;737911-9; 735081-8 or 791134 Fax: 749012 www.posb.co.zw

APPENDIX 4: STATISTICAL TABLES AS AT 31 DECEMBER 2019

ASSETS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR BANKS							
	31-Dec-16		31-Dec-17		31-Dec-18		31-Dec-19	
	ZWL	%	ZWL	%	ZWL	%	ZWL	%
Domestic Notes and Coin	124,826,006	1.43%	70,565,429	0.63%	113,207,203	0.81%	2,752,823,894.02	4.54%
Balances With Central Bank	1,380,846,457	15.82%	2,244,051,516	19.92%	2,664,873,060	19.10%	11,792,558,543.01	19.45%
Balances With Domestic Banking Institutions	287,106,327	3.29%	299,309,842	2.66%	447,992,188	3.21%	3,106,307,142.28	5.12%
Assets In Transit	8,224,658	0.09%	5,843,362	0.05%	7,507,295	0.05%	10,927,263.27	0.02%
Balances With Foreign Institutions	189,435,357	2.17%	215,846,029	1.92%	244,443,091	1.75%	8,563,287,411.86	14.12%
Securities And Investments	1,862,023,623	21.33%	2,979,326,951	26.45%	4,654,167,564	33.35%	6,893,479,311.98	11.37%
Loans And Advances	3,419,684,428	39.18%	3,653,233,180	32.43%	3,787,629,183	27.14%	10,618,954,195.76	17.51%
Foreign Claims	2,611,795	0.03%	82,196,144	0.73%	83,295,559	0.60%	89,502,092.47	0.15%
Repossessed properties / assets	6,865,398	0.08%	8,552,534	0.08%	11,088,541	0.08%	1,109,732,204.31	1.83%
Fixed Assets	608,198,968	6.97%	682,479,916	6.06%	803,354,226	5.76%	8,351,687,666.28	13.77%
Other Assets	400,320,322	4.59%	510,178,622	4.53%	561,241,879	4.02%	2,480,287,551.50	4.09%
Total off-Balance Sheet Items	438,888,081	5.03%	513,778,615	4.56%	575,318,034	4.12%	4,868,668,402.06	8.03%
Total Assets	8,729,031,421	100%	11,265,362,141	100%	13,954,117,820	100%	60,638,215,678.80	100.00%
LIABILITIES	31-Dec-16		31-Dec-17		31-Dec-18		31-Dec-19	
	ZWL	%	ZWL	%	ZWL	%	ZWL	%
Demand Deposits	3,561,810,434	40.80%	5,762,522,162	51.58%	7,160,191,175	51.23%	19,444,386,261.95	32.07%
Savings Deposits	367,234,216	4.21%	498,712,317	4.46%	602,681,015	4.31%	1,078,679,318.09	1.78%
Time Deposits/Fixed Deposits	1,203,923,030	13.79%	1,258,168,714	11.26%	1,400,460,474	10.02%	1,560,767,137.29	2.57%
Foreign Currency Deposits	27,749,340	0.32%	57,097,721	0.51%	161,838,828	1.16%	10,459,772,494.92	17.25%
Negotiable Certificates of Deposit	119,948,584	1.37%	141,106,893	1.26%	138,276,847	0.99%	329,054,209.29	0.54%

Balances With Other Banking Institutions	**885,774,889**	**10.15%**	**641,586,647**	**5.74%**	**732,950,663**	**5.24%**	**1,608,565,276.75**	**2.65%**
Liabilities in Transit	**1,792,750**	**0.02%**	**11,599,652**	**0.10%**	**2,372,822**	**0.02%**	**42,218,322.21**	**0.07%**
Foreign Liabilities	**283,123,583**	**3.24%**	**164,052,139**	**1.47%**	**537,996,773**	**3.85%**	**3,827,130,174.97**	**6.31%**
Securities and other Funding Liabilities	**96,577,804**	**1.11%**	**128,374,263**	**1.15%**	**232,630,449**	**1.66%**	**342,369,837.63**	**0.56%**
Capital and Reserves	**1,352,027,390**	**15.49%**	**1,562,539,193**	**13.99%**	**1,830,726,109**	**13.10%**	**10,181,784,348.28**	**16.79%**
Other Liabilities	**390,181,320**	**4.47%**	**433,064,175**	**3.88%**	**601,650,079**	**4.30%**	**6,894,819,894.30**	**11.37%**
Off-Balance Sheet Items – Liabilities	**438,888,081**	**5.03%**	**513,778,614**	**4.60%**	**575,318,034**	**4.12%**	**4,868,668,402.06**	**8.03%**
Total Equity & Liabilities	**8,729,031,421**	**100%**	**11,265,362,141**	**100%**	**13,977,093,266**	**100.00**	**60,638,215,677.75**	**100.00%**

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019														
	COMMERCIAL BANKS													
	AGRIBANK	BancABC	FIRST CAPITAL	CBZ	ECOBANK	FBC	METBANK	NEDBANK	NMB BANK	STANBIC	STANDARD CHARTERED	STEWARD BANK	ZB BANK	TOTAL (AVERAGE)
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Interest Income	37,194,697.42	78,333,003.60	74,634,913.64	191,657,034.32	162,204,458.24	183,461,268.07	50,735,417.67	74,619,491.59	70,557,191	200,153,230.64	90,294,430.66	50,558,593.98	75,716,967.88	1,340,120,698.71
Interest Income from Loans Advances & Leases	32,590,832.23	43,739,198.85	58,369,553.00	112,272,341.21	162,204,458.24	153,797,529.05	49,905,552.67	57,822,582.57	50,759,342	144,848,642.36	50,323,478.35	9,263,730.73	47,270,274.28	973,167,515.54
Interest Income on Balances with Banking Institutions	0.00	26,371.54	1,702,757.64	-3,639,501.20	0.00	1,376,249.78	0.00	0.00	2,368,733	26,838,402.19	4,656,136.81	6,483,204.08	95,759.72	39,908,113.56
Interest Income On Investments & Securities	4,603,865.19	34,567,433.21	14,562,603.00	83,024,194.31	0.00	28,287,489.24	829,865.00	16,796,909.02	17,429,116	28,466,186.09	35,314,815.50	34,811,659.17	28,350,933.88	327,045,069.61
Interest Expense	13,083,888.98	18,593,312.82	3,997,490.00	63,051,324.35	14,979,002.17	77,781,473.70	44,094,600.50	13,395,324.46	18,923,100	1,204,470.44	97,519.36	4,570,424.35	15,610,694.24	289,382,625.37
Interest Expense On Deposit Accounts	10,729,824.98	5,786,336.61	3,579,408.00	48,927,558.07	14,979,002.17	7,996,982.00	44,094,600.50	2,001,042.59	9,371,213	1,204,470.44	97,519.36	4,464,889.87	9,806,275.35	163,039,122.94
Interest Expense On Central Bank Loans	559,369.00	0.00	0.00	0.00	0.00	12103.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	571,472.44
Interest On Local banks Loans - Interbank Loans	0.00	9,828,949.44	418,082.00	0.00	0.00	5,405,827.71	0.00	0.00	2,184,441	0.00	0.00	0.00	303,298.25	18,140,598.40
Other Interest Expenses	1,794,695.00	2,978,026.77	0	14,123,766.28	0.00	64,366,560.55	0.00	11,394,281.87	7,367,446	0.00	0.00	105,534.48	5,501,120.64	107,631,431.59
Net Interest Income	24,110,808.44	59,739,690.78	70,637,423.64	128,605,709.97	147,225,456.07	105,679,794.37	6,640,817.17	61,224,167.13	51,634,091	198,948,760.20	90,196,911.30	45,988,169.63	60,106,273.64	1,050,738,073.34
Total Provisions For Current Period	2,985,136.00	-883,588.52	29,089,551.20	15,967,669.09	10,323,585.06	13,481,417.93	2,307,935.00	5,456,644.07	11,048,567	11,319,841.06	-3,173,796.82	12,913,091.71	17,546,725.20	128,382,777.98
Specific Provisions	2262613.4	-2,920,349.18	-1,157,544.73	0.00	0.00	458,826.16	93,406.00	-9,192,151.62	11,048,567	-2,268,971.83	-984,962.24	9,916,755.51	17,546,725.20	24,802,913.67
General Provisions	722,522.60	2,036,760.66	30,247,095.93	15,967,669.09	10,323,585.06	13,022,591.77	2,214,529.00	14,648,795.69	0.00	13,588,812.89	-2,188,834.58	2996336.195	0.00	103,579,864.30
Net Interest after Provisions	21,125,672.44	60,623,279.30	41,547,872.44	112,638,040.88	136,901,871.01	92,198,376.44	4,332,882.17	55,767,523.06	40,585,524.00	187,628,919.14	93,370,708.12	33,075,077.92	42,559,548.44	922,355,295.36
Non - Interest Income	125,515,670.98	412,683,882.10	435,234,915.00	707,904,485.49	915,534,172.23	673,310,801.05	3,464,539,626.50	337,906,557.60	212,704,200.00	1,001,448,665.14	103,825,663.84	326,651,124.87	225,892,340.53	8,943,152,105.35
Foreign Exchange	0.00	65,602,075.23	44,885,914.00	120,881,091.08	0.00	46,328,421.51	0.00	110,698,239.66	0.00	363,128,754.86	-9,003,034.35	3,162,122.84	90,372,127.79	836,055,712.62
Fees and Commission	65,046,124.98	54,276,364.54	106,830,570.31	181,488,778.44	915,534,172.23	141,081,779.26	27,292,287.00	25,509,240.47	107,477,903.00	638,319,910.28	112,831,267.53	99,087,331.06	123,407,042.57	2,598,182,771.68
Other Non-Interest Income	60,469,546.00	292,805,442.33	283,518,430.69	405,534,615.97	0.00	485,900,600.28	3,437,247,339.50	201699077.5	105,226,297.00	0.00	-2,569.34	224,401,670.96	12,113,170.17	5,508,913,621.05
Non - Interest Expenses	87,156,285.57	156,768,389.41	213,200,213.00	275,513,519.12	202,816,730.58	344,319,111.24	29,373,261.50	146,643,358.32	89,042,606.40	487,963,240.11	108,761,194.08	268,468,851.07	143,341,373.47	2,553,368,133.87

Salaries and Employee Benefits	32,157,473.38	78,468,048.71	56,691,299.00	115,058,959.34	39,118,008.98	166,968,168.22	11,209,156.50	5,397,290.14	29,842,798.00	269,782,982.58	76,436,918.86	45,693,883.50	42,633,324.25	969,458,311.46
Occupancy - Net of Rental	5,701,987.19	3,785,162.60	5,063,163.00	0.00	0.00	9,492,806.22	1,273,843.00	3,756,526.85	2,259,545.00	14,425,415.02	12,417,610.20	6,955,507.95	5,218,962.53	70,350,529.56
Other Non-Interest Expenses	49,296,825.00	74,515,178.10	151,445,751.00	160,454,559.78	163,698,721.60	167,858,136.80	16,890,262.00	137,489,541.33	56,940,263.40	203,754,842.51	19,906,665.02	215,819,459.62	95,489,086.69	1,513,559,292.84
Net Non - Interest Income	38,359,385.41	255,915,492.69	222,034,702.00	432,390,966.38	712,717,441.66	328,991,689.81	3,435,166,365.00	191,263,199.28	123,661,593.60	513,485,425.03	-4,935,530.24	58,182,273.79	82,550,967.06	6,389,783,971.48
Income (Loss) before Taxation	59,485,057.85	316,538,772.00	263,582,574.44	545,029,007.26	849,619,312.67	421,190,066.26	3,439,499,247.17	247,030,722.34	164,247,117.60	701,114,344.17	88,435,177.88	91,257,351.71	125,110,515.51	7,312,139,266.84
Taxation	0	69,297,064.64	1,798,156.00	116,147,140.68	-208,202,881.63	115,117,895.91	885,671,057.50	58,123,863.27	31,177,106.40	224,671,908.28	4,458,701.05	7,225,270.21	9,218,629.29	1,314,703,911.58
Net Income / (Loss) after Taxation	59,485,057.85	247,241,707.36	261,784,418.44	428,881,866.58	1,057,822,194.30	306,072,170.35	2,553,828,189.67	188,906,859.07	133,070,011.20	476,442,435.90	83,976,476.83	84,032,081.50	115,891,886.22	5,997,435,355.26
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-985,369.19	0.00	0.00	0.00	-985,369.19
Net Income / (Loss)	59,485,057.85	247,241,707.36	261,784,418.44	428,881,866.58	1,057,822,194.30	306,072,170.35	2,553,828,189.67	188,906,859.07	133,070,011.20	477,427,805.09	83,976,476.83	84,032,081.50	115,891,886.22	5,998,420,724.45

STATEMENTS OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2019								
	BUILDING SOCIETIES						SAVINGS BANK	
	CBZ BS	CABS	FBC BS	NBS	ZB BS	TOTAL (AVERAGE)	POSB	GRAND TOTAL (AVERAGE)
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Interest Income	23,020,796.79	188,918,041.26	21,732,424.37	17,194,067.28	4,163,733.95	255,029,063.65	27,360,778.56	1,622,510,540.93
Interest Income from Loans Advances and Leases	21,800,700.09	169,254,997.57	13,280,667.22	14,862,256.62	2,847,655.84	222,046,277.34	23,751,378.06	1,218,965,170.95
Interest Income on Balances with Banking Institutions	1,220,096.70	0	467,110.78	105,029.21	326,624.34	2,118,861.03	0	42,026,974.59
Interest Income On Investments and Securities	0	19,663,043.69	7,984,646.37	2,226,781.45	989,453.77	30,863,925.28	3,609,400.50	361,518,395.39
Interest Expense	-3,714,467.39	81,211,425.51	9,407,526.40	6,178,153.93	389,898.08	93,472,536.53	3,576,536.12	386,431,698.03
Interest Expense On Deposit Accounts	1,035,411.83	38,746,951.21	4,032,143.67	3,258,713.97	389,898.08	47,463,118.76	3,576,536.12	214,078,777.82
Interest Expense On Central Bank Loans	0	0	0	0	0	0	0	571,472.44
Interest On Local banks Loans - Interbank Loans	-4,749,879.22	0	3,661,444.20	563,258.27	0	-525,176.75	0	17,615,421.65
Other Interest Expenses	0.00	42,464,474.30	1,713,938.53	2,356,181.69	0	46,534,594.52	0	154,166,026.11
Net Interest Income	26,735,264.18	107,706,615.75	12,324,897.97	11,015,913.35	3,773,835.87	161,556,527.12	23,784,242.44	1,236,078,842.90
Total Provisions For Current Period	-4,794,001.50	21,786,475.76	811,708.75	1,788,294.31	-143,248.99	19,449,228.33	-938,453.03	146,893,553.27
Specific Provisions	0.00	80,997.52	-40,841.96	0.00	-143,248.99	-103,093.44	-938,453.03	23,761,367.21
General Provisions	-4,794,001.50	21,705,478.24	852,550.71	1,788,294.31	0.00	19,552,321.76	0.00	123,132,186.07
								0
Net Interest after Provisions	31,529,265.68	85,920,139.99	11,513,189.22	9,227,619.04	3,917,084.86	142,107,298.79	24,722,695.48	1,089,185,289.63
Non - Interest Income	149,191,723.25	421,798,005.16	62,036,580.32	46,084,374.83	10,703,642.95	689,814,326.51	91,457,766.41	9,724,424,198.27
Foreign Exchange	10,882,771.91	0	0	4,567,450.17	1,071,706.96	16,521,929.04	15,388,252.50	867,965,894.16
Fees and Commission	21,687,468.99	214,652,548.16	12,645,562.51	7,891,983.26	9,034,675.79	265,912,238.70	65,182,364.74	2,929,277,375.13
Other Non-Interest Income	116,621,482.35	207,145,457.00	49,391,017.81	33,624,941.40	597,260.20	407,380,158.76	10,887,149.17	5,927,180,928.98
Non - Interest Expenses	70,983,017.79	295,441,049.38	44,880,558.81	32,996,084.35	14,091,279.97	458,391,990.29	72,306,677.59	3,084,066,801.75
Salaries and Employee Benefits	11,235,048.75	81,068,552.14	26,681,587.31	11,674,132.13	1,322,385.70	131,981,706.03	26,282,475.32	1,127,722,492.81
Occupancy - Net of Rental	0.00	8,830,876.12	672,126.67	1,652,404.11	320,159.47	11,475,566.37	1,917,249.72	83,743,345.65

Other Non-Interest Expenses	59,747,969.04	205,541,621.12	17,526,844.83	19,669,548.11	12,448,734.80	314,934,717.89	44,106,952.55	1,872,600,963.29
Net Non - Interest Income	78,208,705.47	126,356,955.78	17,156,021.51	13,088,290.48	-3,387,637.02	231,422,336.21	19,151,088.82	6,640,357,396.51
Income (Loss) before Taxation	109,737,971.15	212,277,095.77	28,669,210.73	22,315,909.52	529,447.84	373,529,635.01	43,873,784.30	7,729,542,686.14
Taxation	8,989,888.462	0	0	488.11	569.07	8,990,945.64	0	1,323,694,857.22
Net Income / (Loss) after Taxation	100,748,082.69	212,277,095.77	28,669,210.73	22,315,421.41	528,878.77	364,538,689.37	43,873,784.30	6,405,847,828.92
Extraordinary Items	0	0	-34,640.90	0	0	-34,640.90	0	-1,020,010.09
Net Income / (Loss)	100,748,082.69	212,277,095.77	28,703,851.63	22,315,421.41	528,878.77	364,573,330.27	43,873,784.30	6,406,867,839.01

COMPOSITION OF THE STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2019

	COMMERCIAL BANKS													
	AGRIBANK	FIRST CAPITAL	BancABC	CBZ	ECOBANK	FBC	METBANK	NEDBANK	NMB BANK	STANBIC	STANCHART	STEWARD BANK	ZB BANK	TOTAL (AVERAGE)
ASSETS	ZWL													
DOMESTIC NOTES AND COIN	68,382,155	172,417,905	67,976,588	221,536,147	756,938,464	277,377,302	2,052,034	129,370,166	79,226,728	312,812,695	150,218,122	92,457,812	158,352,525	2,489,118,644
BALANCES WITH CENTRAL BANK	271,752,585	341,299,984	294,023,497	1,208,272,915	1,872,619,673	2,268,287,906	39,907,414	659,115,883	267,032,753	1,895,875,377	511,590,081	682,752,050	566,607,457	10,879,137,575
BALANCES WITH DOMESTIC BANKING INSTITUTIONS	-	3,263,062	9,117,226	15,000,359	2,092,992,926	392,904,067	12,391,059	-	75,500,000	10,000,000	139	125,204,075	35,097,817	2,771,470,730
ASSETS IN TRANSIT	-	-	9,102,693	-	-	-	-	-	-	-	-	-	1,824,570	10,927,263
BALANCES WITH FOREIGN INSTITUTIONS	33,595,586	876,867,922	331,892,534	1,104,351,549	1,085,303	465,711,490	67,183,779	1,160,008,035	81,108,248	3,068,455,958	491,014,250	173,160,439	216,598,383	8,071,033,476
SECURITIES AND INVESTMENTS	83,202,332	471,470,285	732,264,875	1,188,849,712	1,481,029,631	262,827,145	9,499,782	173,212,703	108,398,423	221,634,173	416,797,300	747,540,183	321,664,046	6,218,390,588
LOANS, ADVANCES, BANKERS ACCEPTANCES AND LEASES	274,714,025	758,636,487	367,723,659	2,496,642,225	619,588,561	867,959,045	184,088,083	460,875,120	531,992,852	937,877,460	646,273,960	153,871,596	324,780,011	8,625,023,082
FOREIGN CLAIMS (INCLUDING BILLS OF EXCHANGE)	2,374,308	-	-	68,047	-	-	-	-	-	-	-	-	87,059,738	89,502,092
REPOSSESSED PROPERTIES / ASSETS	-	-	-	-	977,620,964	120,843,278	-	-	-	-	-	-	-	1,098,464,243
FIXED ASSETS	68,381,526	343,355,014	340,464,057	558,170,833	50,306,752	277,273,483	3,681,721,966	76,100,445	130,940,330	880,037,835	191,144,107	323,680,955	84,729,309	7,006,306,612
BSD - BS OTHER ASSETS	29,796,726	36,336,431	209,711,909	215,229,344	17,169,568	182,965,567	46,865,581	102,758,532	66,196,089	133,892,977	309,049,298	150,970,596	45,581,196	1,546,523,813
TOTAL ON-BALANCE SHEET ASSETS	832,199,242	3,003,647,089	2,362,277,037	7,008,121,132	7,869,351,843	5,116,149,285	4,043,709,698	2,761,440,883	1,340,395,422	7,460,586,475	2,716,087,257	2,449,637,704	1,842,295,053	48,805,898,120
OFF-BALANCE SHEET ITEMS	437,200	555,919,837	268,706,314	82,826,616	1,498,435,445	554,738,163	33,320,615	333,682,762	-	822,718,552	500,003,067	11,091,319	206,788,511	4,868,668,402
TOTAL ASSETS	832,636,442	3,559,566,927	2,630,983,351	7,090,947,747	9,367,787,287	5,670,887,448	4,077,030,313	3,095,123,645	1,340,395,422	8,283,305,028	3,216,090,324	2,460,729,024	2,049,083,564	53,674,566,522

EQUITY AND LIABILITIES														
TOTAL DEPOSITS	547,538,275	1,922,328,379	754,933,095	4,640,855,821	5,682,443,140	2,045,886,536	273,708,275	1,847,415,735	878,643,020	5,466,230,152	2,141,269,867	1,811,688,779	1,303,685,301	29,316,626,374
DEMAND DEPOSITS	264,928,685	852,475,785	650,604,239	2,954,393,590	3,408,549,494	1,710,271,415	261,422,319	653,922,353	504,520,485	2,788,518,963	1,113,128,162	1,683,765,338	417,527,804	17,264,028,632
SAVINGS DEPOSITS	28,139,900	2,034,720	66,055,931	99,363,916	9,189,207	114,019,684	559,215	22,813,334	9,063,215	5,447,796	47,726,971	11,655,575	544,621,892	960,691,357
TIME DEPOSITS/FIXED DEPOSITS	217,101,816	26,391,693	38,272,926	401,201,551	3,003,565	2,090,637	11,726,741	10,664,901	134,610,230	43,316,243	82,300,814	4,176,990	126,487,111	1,101,345,217
FOREIGN CURRENCY DEPOSITS	37,367,874	1,041,426,180	-	1,185,896,764	2,261,700,873	134,480	-	1,160,015,146	230,449,090	2,628,947,151	898,113,920	112,090,876	215,048,493	9,771,190,848
NEGOTIABLE CERTIFICATES OF DEPOSIT	-	-	-	-	-	219,370,320	-	-	-	-	-	-	-	219,370,320
BALANCES WITH OTHER BANKING INSTITUTIONS	11,477,164	39,228,185	78,650,099	543,499,751	316,285,761	115,783,888	-	12,988,788	69,600,000	-	-	-	59,504,994	1,247,018,629
LIABILITIES IN TRANSIT	-	-	-	-	-	-	-	-	-	-	-	-	42,218,322	42,218,322
FOREIGN LIABILITIES	23,178,560	112,563,648	357,067,101	319,960,285	-	1,509,591,000	-	333,740,595	31,406,920	133,853,869	-	2,481,569	84,453,921	2,908,297,468
SECURITIES AND OTHER FUNDING LIABILITIES	11,351,618	20,458	102,105,593	-	-	158,200	180,032,637	-	4,672,416	-	-	-	106,052	298,446,974
CAPITAL AND RESERVES	212,302,866	559,124,150	455,933,525	993,048,194	764,094,611	557,181,821	2,629,230,598	257,386,176	238,369,022	907,949,618	305,909,297	340,140,005	233,618,672	8,454,288,554
OTHER LIABILITIES	26,350,759	370,382,270	613,587,624	510,757,081	1,106,528,331	887,547,840	960,738,188	309,909,590	117,704,046	952,552,836	268,908,093	295,327,351	118,707,791	6,539,001,799
TOTAL ON-BALANCE LIABILITIES	832,199,243	3,003,647,089	2,362,277,037	7,008,121,132	7,869,351,843	5,116,149,285	4,043,709,698	2,761,440,883	1,340,395,423	7,460,586,475	2,716,087,257	2,449,637,704	1,842,295,052	48,805,898,121
OFF-BALANCE SHEET ITEMS - LIABILITIES	437,200	555,919,837	268,706,314	82,826,616	1,498,435,445	554,738,163	33,320,615	333,682,762	-	822,718,552	500,003,067	11,091,319	206,788,511	4,868,668,402
TOTAL EQUITY AND LIABILITIES	832,636,443	3,559,566,926	2,630,983,351	7,090,947,747	9,367,787,287	5,670,887,448	4,077,030,313	3,095,123,645	1,340,395,423	8,283,305,028	3,216,090,324	2,460,729,023	2,049,083,564	53,674,566,523

	BUILDING SOCIETIES						SAVINGS BANK	
ASSETS	CBZ BS	CABS	FBC BS	NBS	ZB BS	TOTAL (AVERAGE)	POSB	GRAND TOTAL / AVERAGE
	ZWL							
DOMESTIC NOTES AND COIN	7,938,913	220,063,555	2,954,091	1,160,360	1,002,420	233,119,340	30,585,910	2,752,823,894
BALANCES WITH CENTRAL BANK	7,865,881	691,092,591	6,585,075	51,742,759	1,623,879	758,910,185	154,510,782	11,792,558,543
BALANCES WITH DOMESTIC BANKING INSTITUTIONS	25,246,154	262,829,269	31,933,616	6,391,673	9,359,233	335,759,946	(923,534)	3,106,307,142
ASSETS IN TRANSIT	-	-	-	-	-	-	-	10,927,263
BALANCES WITH FOREIGN INSTITUTIONS	-	491,222,890	-	1,031,046	-	492,253,936	-	8,563,287,412
SECURITIES AND INVESTMENTS	-	383,023,316	98,382,036	64,176,516	14,190,051	559,771,918	115,316,806	6,893,479,312
LOANS, ADVANCES, BANKERS ACCEPTANCES AND LEASES	186,871,751	1,478,115,496	79,326,785	96,997,125	14,800,197	1,856,111,354	137,819,760	10,618,954,196
FOREIGN CLAIMS (INCLUDING BILLS OF EXCHANGE)	-	-	-	-	-	-	-	89,502,092
REPOSSESSED PROPERTIES / ASSETS	-	10,760,136	507,826	-	-	11,267,962	-	1,109,732,204
FIXED ASSETS	297,803,593	807,682,448	53,917,296	102,483,768	21,383,767	1,283,270,872	62,110,182	8,351,687,666
BSD - BS OTHER ASSETS	434,097,312	323,905,503	87,415,712	27,677,346	19,339,232	892,435,106	41,328,632	2,480,287,552
TOTAL ON-BALANCE SHEET ASSETS	959,823,605	4,668,695,203	361,022,436	351,660,593	81,698,780	6,422,900,618	540,748,538	55,769,547,277
OFF-BALANCE SHEET ITEMS	-	-	-	-	-	-	-	4,868,668,402
TOTAL ASSETS	959,823,605	4,668,695,203	361,022,436	351,660,593	81,698,780	6,422,900,618	540,748,538	60,638,215,679
EQUITY AND LIABILITIES								
TOTAL DEPOSITS	438,568,659	2,491,317,287	81,296,636	171,351,902	38,731,407	3,221,265,891	334,767,157	32,872,659,422
DEMAND DEPOSITS	267,732,731	1,543,752,903	-	101,339,244	-	1,912,824,878	267,532,751	19,444,386,262
SAVINGS DEPOSITS	15,007,128	40,494,693	23,362,895	84,210	32,412,602	111,361,529	6,626,433	1,078,679,318
TIME DEPOSITS/FIXED DEPOSITS	3,462,731	373,819,667	7,677,017	69,027,594	4,254,102	458,241,113	1,180,807	1,560,767,137
FOREIGN CURRENCY DEPOSITS	152,366,068	533,250,023	-	900,854	2,064,703	688,581,647	-	10,459,772,495

NEGOTIABLE CERTIFICATES OF DEPOSIT	-	-	50,256,724	-	-	50,256,724	59,427,165	329,054,209
BALANCES WITH OTHER BANKING INSTITUTIONS	-	235,000,000	116,100,000	9,000,000	1,446,648	361,546,647	-	1,608,565,277
LIABILITIES IN TRANSIT	-	-	-	-	-	-	-	42,218,322
FOREIGN LIABILITIES	-	897,596,771	21,235,936	-	-	918,832,707	-	3,827,130,175
SECURITIES AND OTHER FUNDING LIABILITIES	-	-	-	43,922,863	-	43,922,863	-	342,369,838
CAPITAL AND RESERVES	494,446,474	800,432,985	121,487,446	118,600,766	37,323,140	1,572,290,810	155,204,984	10,181,784,348
OTHER LIABILITIES	26,808,473	244,348,161	20,902,419	8,785,061	4,197,585	305,041,698	50,776,397	6,894,819,894
TOTAL ON-BALANCE LIABILITIES	959,823,605	4,668,695,203	361,022,436	351,660,593	81,698,780	6,422,900,617	540,748,538	55,769,547,276
OFF-BALANCE SHEET ITEMS - LIABILITIES	-	-	-	-	-	-	-	4,868,668,402
TOTAL EQUITY AND LIABILITIES	959,823,605	4,668,695,203	361,022,436	351,660,593	81,698,780	6,422,900,617	540,748,538	60,638,215,678