



RESERVE BANK OF ZIMBABWE



BANK SUPERVISION ANNUAL REPORT - 2016

TABLE OF CONTENTS

GOVERNOR'S FOREWORD	Error! Bookmark not defined.
DIRECTOR'S FOREWORD	Error! Bookmark not defined.
CHAPTER 1: OVERVIEW OF MACROECONOMIC ENVIRONMENT	13
CHAPTER 2: MAJOR DEVELOPMENTS AND OTHER SUPERVISORY ACTIVITIES IN THE BANKING SECTOR	19
CHAPTER 3: CONDITION & PERFORMANCE OF THE BANKING SECTOR	35
CHAPTER 4: LEGAL & REGULATORY DEVELOPMENTS.....	60
CHAPTER 5: CONSUMER EDUCATION AND CONSUMER PROTECTION ISSUES	63
CHAPTER 6: OUTLOOK	68
APPENDICES	70
APPENDIX 1: FUNCTION AND ORGANIZATION OF BANK SUPERVISION DIVISION	71
APPENDIX 2: MAJOR SUPERVISORY TOOLS AND METHODOLOGIES.....	73
APPENDIX 3: REGISTERED BANKING INSTITUTIONS AS AT 31 DECEMBER 2016.....	77
APPENDIX 4: STATISTICAL TABLES AS AT 31 DECEMBER 2016.....	80

TABLE OF FIGURES

Figure 1: Sectorial Economic Growth	14
Figure 2: Annual Inflation Growth Trend	15
Figure 3: Zimbabwe’s Trade, Primary, Secondary & Current Accounts (US\$m): 2011-2017 ..	17
Figure 4: Capital and Financial Account Balance (US\$m)	Error! Bookmark not defined.
Figure 5: Trend in Total Banking Sector Assets	37
Figure 6: Composition of the Banking Sector Liabilities.....	39
Figure 7: Banking Sector Capitalization Levels – (2012-2016)	40
Figure 8: Capital Adequacy Indicators (2011 – 2016).....	41
Figure 9: Composition of Net Capital Base.....	42
Figure 10: Growth in Total Banking Sector Assets and Loans (2011 – 2016)	43
Figure 11: Sectoral Distribution of Credit	44
Figure 12: Trend of Loans to Deposits Ratio	44
Figure 13: Non-performing Loans to Total Loans (2011 – 2016)	45
Figure 14: Distribution of NPLs by Sector as at 31 December 2016.....	46
Figure 15: Distribution of Banking Sector Income.....	47
Figure 16: Composition of total income	47
Figure 17: Profitability and cost indicators	48
Figure 18: Trend in Banking Sector Deposits	50
Figure 19: Deposit Distribution per Banking Class	50
Figure 20: Liquid Assets as at 31 December 2016	51
Figure 21: Distribution of Commercial Bank Deposits	53
Figure 22: Commercial Banks’ Net Capital Base 2011 to 2016	54
Figure 23: Commercial Bank Loans to Total Banking Sector Loans	54
Figure 24: Commercial Banks Key Earnings Indicators – 2011 to 2016.....	56
Figure 25: Income Mix for the Commercial Banking Sector.....	56
Figure 26: Building Societies’ Loans and Assets	58
Figure 27: Income Mix for the Year ended 31 December 2016	59
Figure 28: Objectives of the Financial Literacy Framework	65
Figure 30: Financial Literacy Pillars	66

LIST OF TABLES

Table 1: Deposit insurance payments as at 31 December 2016	24
Table 2: Thematic Working Groups	29
Table 3: Value and Volume of Payment Streams	31
Table 4: Payment Systems Access Points and Devices	32
Table 5: Architecture of the Banking Sector	35
Table 6 : Banking sector competition.....	36
Table 7: Composition of Assets	38
Table 8: Composition of Liabilities	39
Table 9: Changes in the Banking Amendment Act	60

RESERVE BANK OF ZIMBABWE MISSION STATEMENT

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 REPORT

The Banking Supervision Annual Report is issued in terms of section 78 of the Banking Act [**Chapter 24:20**]. The purpose of this annual report is to provide an analysis of the condition and performance of the banking sector in Zimbabwe for the year ended 31 December 2016. The report also presents an overview of the supervisory operations and activities during the period under review.



Governor's Foreword

1. The condition and performance of the banking sector remained satisfactory in 2016 notwithstanding the constrained macroeconomic environment. The banking sector registered notable growth in key performance variables such as assets, deposits, capital and earnings.
2. Banking sector performance is always a function of the domestic macroeconomic fundamentals as well as developments in the global and regional economies.
3. On the global arena, the IMF has estimated that output remained stable at 3.2%, while sub-Saharan regional economic growth decelerated at 1.4% in 2016, down from 3.4% in 2015. Regional economic growth slowed on the back of lower commodity prices, less supportive global environment, tighter financing conditions and El-Nino induced drought especially in the SADC region during the 2015/16 agricultural season.
4. The domestic economy, which is integrated regionally and globally through trade, experienced a subdued growth of 0.7% in 2016 partly due to adverse impact arising from these linkages.
5. During this period some sectors including agriculture, mining, manufacturing, tourism, construction and the service industry performed below economic forecasts on account of a tight liquidity crunch, depressed commodity prices, an appreciating US dollar, low domestic production and limited export earnings.
6. In an endeavour to address some of the challenges, the Reserve Bank initiated a number

of regulatory and monetary measures in order to stabilise the banking sector and spur economic growth. These measures include continued acquisition of non-performing loans to clean-up banking sector balance sheets, enhancement of the credit infrastructure in the financial services sector and promoting access to financial services through the development of the National Financial Inclusion Strategy, among others.

7. As at 31 December 2016, ZAMCO had acquired banking sector non-performing loans amounting to \$812.52 million. The acquisition of these loans resulted in an improvement in the average non-performing loans to total loans ratio for the sector.
8. To complement the non-performing loans resolution exercise, the Reserve Bank has also established a credit registry to promote a strong credit culture within the economy. An improvement in the credit reporting environment is expected to complement the scope of ZAMCO in mitigating non-performing loans and enhancing financial sector stability. In this context, banking institutions are required to strengthen their risk management systems to avoid accumulation of new non-performing loans.
9. Further the Reserve Bank drafted a collateral registry legal framework which is scheduled to go through the House of Assembly and Senate during the course of 2017. The Collateral Registry will provide efficient mechanisms for registration of security interests in movable property to promote access to finance by individuals as well as small and medium scale enterprises.
10. The Reserve Bank continued to engage the banking sector with the objective of bringing down the cost of borrowing to affordable levels to lessen the debt burden of borrowers and stimulate economic growth through affordable lending to the productive sectors.
11. In addition, the Reserve Bank introduced an export incentive amounting to \$200 million, which was supported by an AFREXIM Bank facility and was availed through the issuance of bond notes to exporters.
12. Meanwhile, the Reserve Bank has noted a phenomenal increase in the usage of electronic payment platforms such as point of sale, mobile money, and internet banking, among others. This position significantly reduced pressure on the demand for cash from the banking public.

13. In an endeavour to promote financial inclusion, the Reserve Bank developed a National Financial Inclusion Strategy in 2016. The strategy seeks to broaden access to financial services and the Reserve Bank is working with wide spectrum of stakeholders on the implementation of the strategy.
14. The Reserve Bank was pleased to note significant enhancement in corporate governance systems and risk management practices at banking institutions in line with the Banking Amendment Act. Banking institutions are urged to continue to prime their systems in order to enhance compliance with the new corporate governance standards.
15. I would like to take this opportunity to thank all stakeholders that have supported the Reserve Bank in its quest to promote economic growth through the promotion of stability in the banking sector and the implementation of inclusive policies.



Dr. J. P. Mangudya
Governor



Director's Foreword

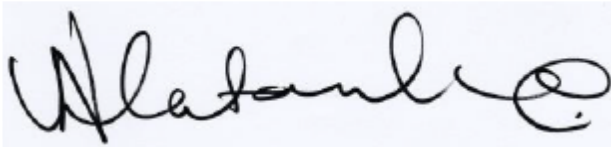
1. The banking sector demonstrated resilience against the challenging operating environment over the year. The key performance indicators such as capital, assets, earnings and liquidity were satisfactory during the review period.
2. Total banking sector assets increased from \$7.83 billion as at 31 December 2015 to \$8.73 billion as at 31 December 2016, largely driven by investment in securities.
3. Total banking sector deposits marginally grew from \$5.56 billion as at 31 December 2015, to \$5.62 billion as at 31 December 2016. However, the deposits have remained largely short-term and transitory in nature, thus constraining banks' capacity to fully meet long-term funding requirements of the economy.
4. Total loans and advances decreased from \$3.85 billion as at 31 December 2015 to \$3.67 billion as at 31 December 2016, as most banking institutions continue to maintain a cautious approach to lending in light of perceived high credit risk in the economy.
5. During the year under review, banking institutions reported a combined profit of \$181.06 million which represents a 2.25% return on assets. One building society was licensed and commenced operations in May 2016 and the society is expected to break even in the short-term.
6. Although credit risk remains a significant challenge facing the banking sector, the level of non-performing loans in the banking sector has continued to decrease falling from 10.82% as at 31 December 2015 to 8.72% as at 31 December 2016. The decline in the

level of non-performing loans is partly attributed to the disposal of \$812.52 million of non-performing loans to ZAMCO. Meanwhile, banking institutions have also instituted measures to strengthen risk management systems and governance practices in the administration of credit facilities.

7. Banking Amendment Act No. 12 of 2015 was promulgated in May 2016. It is anticipated that the amendments will foster enhanced corporate governance practices and risk management systems, increase co-operation among financial regulators, improve problem bank resolution and enhance consumer protection.
8. The Reserve Bank successfully operationalised of the credit registry in December 2016. The incorporation of additional data providers scheduled to take place during the course of 2017 will effectively broaden the scope of credit data warehoused by the credit registry for the benefit of all subscribers.
9. The Movable Property Security Interests Bill, which is expected to be promulgated in 2017, provides for the establishment a collateral registry as well as registration and administration of qualifying movable security for lending purposes.
10. Further, the Reserve Bank is working in collaboration with the Public Auditors and Accountants Body of Zimbabwe to ensure smooth implementation of the revised accounting standards relating to classification of assets, hedging and impairment of bad assets (or provisioning for bad loans in banking), IFRS 9. Adoption of IFRS 9 will provide a forward looking approach to provisioning.
11. The Reserve Bank issued a number of guidelines and prudential standards during 2016 to guide the market on key operational issues. These include the National Financial Inclusion Strategy and Agency Banking Prudential Standards. Further guidance relating to Consumer Protection, Financial Literacy, Internal Capital Adequacy Assessment Process, Agriculture and Rural Financing and Small to Medium Enterprises Financing will be provided in 2017.
12. Going forward, the Reserve Bank will continue to enhance its supervisory tools in line with international best practice and the operating environment.
13. In the outlook, the banking sector is expected to benefit from financial inclusion initiatives,

an enhanced credit referencing environment, reduction in the level of interest rates, reduction in non-performing loans and the increased adoption of electronic transaction platforms.

14. Finally, I extend my appreciation to all stakeholders that have continued to support our efforts to safeguard the stability and growth of the financial sector, and look forward to the strengthening of our collaborative efforts during 2017.

A handwritten signature in black ink, appearing to read 'N. Mataruka', is displayed on a light blue rectangular background.

N. Mataruka
Director

CHAPTER 1: OVERVIEW OF MACROECONOMIC ENVIRONMENT

- 1.1 Global economic activity recovered on the backdrop of growth in advanced economies and a marginal improvement in emerging market economies (EMEs). Market volatility rose partly due to Brexit (the exit of the United Kingdom from the European Union (EU)) and the United States Presidential elections.

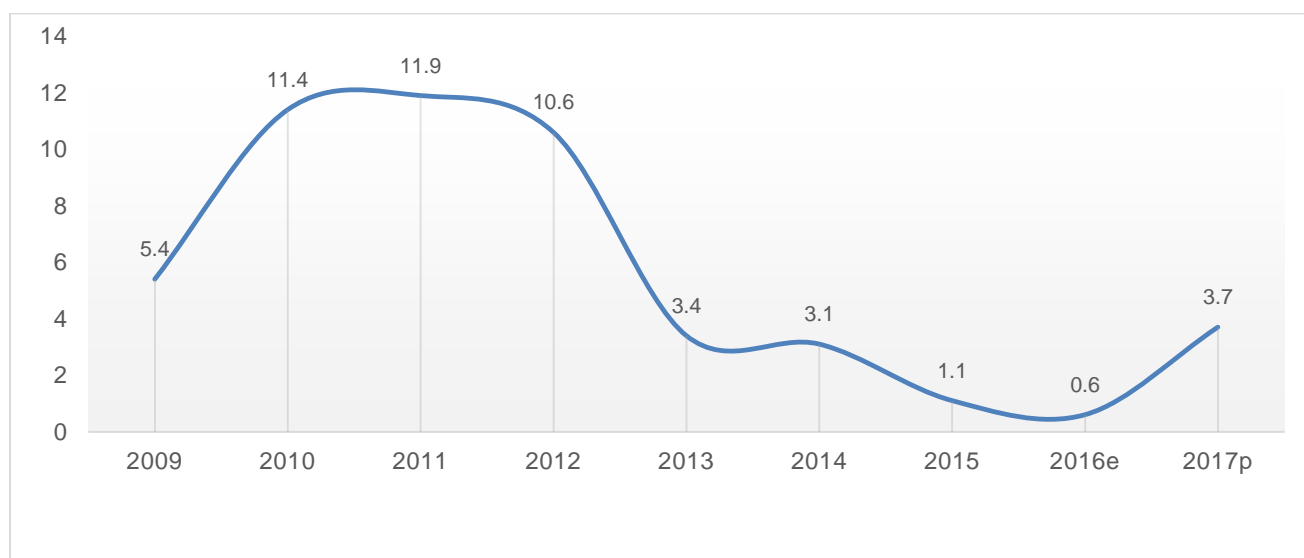
Global Macroeconomic Developments

- 1.2 The IMF's World Economic Outlook (WEO) estimates that the global economy grew by 3.1% in 2016 and is projected to register a 3.5% growth in 2017. During the first half of 2016, global economic growth prospects were affected by uncertainties as a result of Brexit, and weak economic growth registered by the United States of America (USA). However, global markets normalized in the second half of the year, though short-lived as the market volatility returned due to the change in administration in the United States. The new administration brought about major policy changes, including more protectionism and greater emphasis on domestic infrastructure. Meanwhile, the Organization of the Petroleum Exporting Countries (OPEC) also agreed to cutback oil production, which bolstered international oil prices and is set to add to cost-push inflation in the medium term.
- 1.3 On the back of the OPEC agreement on production cuts reached in November 2016, oil prices began to rise and closed the year at US\$56.71/Barrel. The increase in real estate investments in China led to the firming of base metal prices. China's producer price inflation rose as a result of the strengthening commodity prices.

Domestic Economic Developments

- 1.4 In 2016, the Zimbabwean economy faced challenges largely emanating from El-Nino induced drought as well as depressed international commodity prices on mineral exports, The El-Nino induced drought partly resulted in low domestic production being recorded across some major sectors of the economy such as agriculture, mining, manufacturing, tourism, and construction. Economic growth, therefore, is estimated to have slowed down in 2016 to 0.6% from 1.1% in 2015 – 2016 agricultural season. The figure below shows the trend of sectorial growth rates as well as the overall economic growth for the period 2010 to 2017.

Figure 1: Sectorial Economic Growth



Source: Zimstat, 2017 & RBZ Estimates, 2017

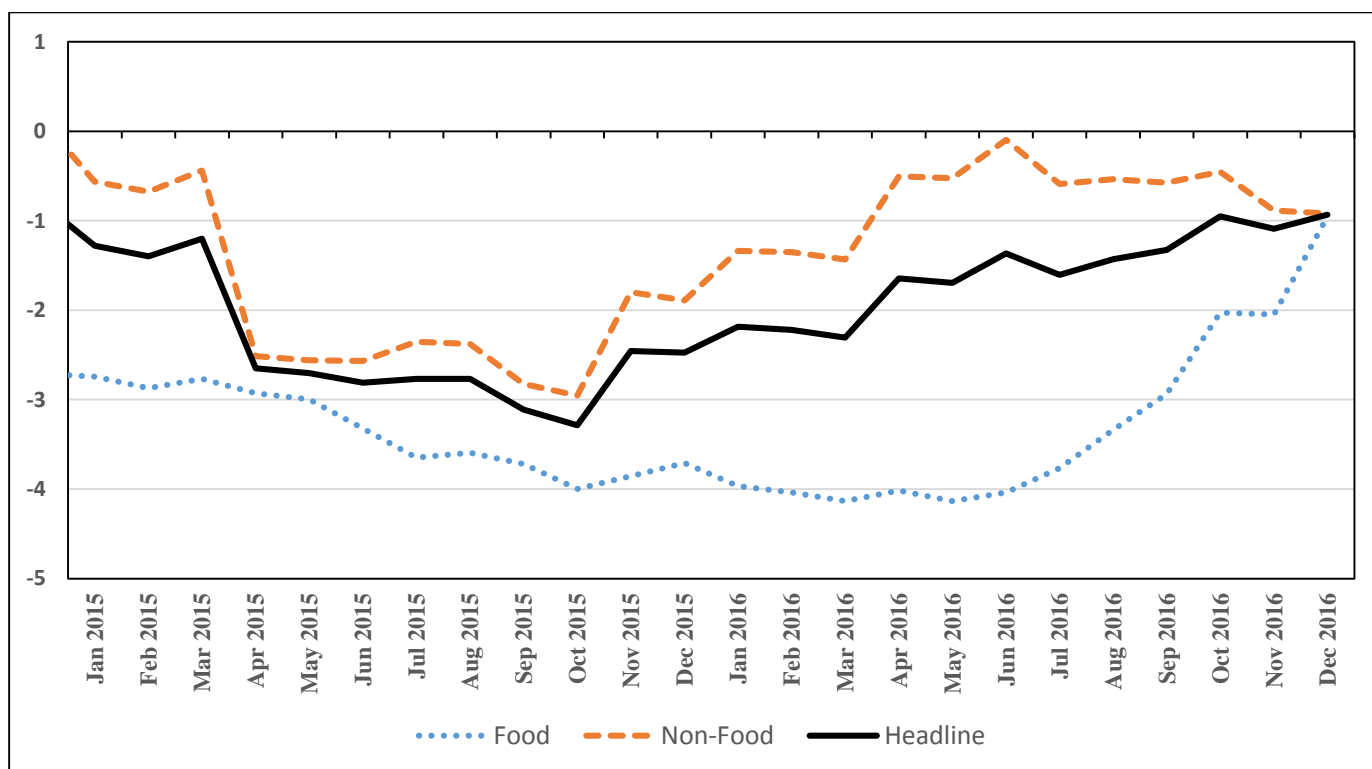
- 1.5 The El- Nino induced drought reduced agriculture production by 3.7% in 2016, with maize output falling short of the national requirement of 1 800 000 tons. This led to an increase in the country's import bill thereby putting pressure on the liquidity position of the country, as the Government had to procure maize to cover the maize shortfall. The sector is however, set to recover significantly in 2017 on the back of a normal to above normal rainfall forecast.
- 1.6 Notwithstanding, the depressed international commodity prices, Zimbabwe's mining sector is estimated to have registered a positive growth of 6.9% in 2016 which was underpinned by output expansions in gold, platinum and nickel. The outlook for the sector will be largely impacted by international commodity price movements and marginal production expansions in gold as well as chrome. Further, Government interventions such as the review of Rural District Council and Environmental Management Agency charges are expected to support the growth of the sector in 2017.
- 1.7 The manufacturing sector continued to face challenges in the form of aged equipment due to lack of funding for retooling and competition from imports. In order to support the manufacturing sector, in June 2016, the Government gazetted Statutory Instrument 64 of 2016 which regulates the commercial importation of certain specified goods that can be produced locally by imposing a licensing requirement for bulk importers. The sector is expected to post a marginal growth of 0.3% in 2017.

1.8 Going forward, in 2017, the economy is expected to grow by 3.7% largely due to the better than expected 2016/2017 agricultural season.

Inflation Developments

1.9 During 2016, annual inflation averaged -1.6%, compared to -2.4% in 2015. The Figure below shows the annual inflation growth trend since January 2015.

Figure 2: Annual Inflation Growth Trend



Source: ZIMSTAT, January 2017

1.10 The increase in prices partially reflects the marginal increases in the international oil prices, as well as appreciation of the South African rand in 2016. Annual inflation, however, remained in the negative territory for the whole of 2016, reflecting underlying deflationary pressures in the economy.

1.11 The increase in inflation in 2016 was reflected in both food and non-food inflation, which rose by 3 percentage points and 0.4 percentage points, respectively, from January 2016 to December 2016.

- 1.12 The year-on-year food inflation stood at -0.95% in December 2016, increasing by 3 percentage points since January 2016. The increase is attributable to shortages in some food items on the market, due to the drought induced under-performance of agriculture in 2016.
- 1.13 Annual non-food inflation accelerated from -1.3% in January 2016 to -0.9% in December 2016, albeit remaining in the negative throughout the year. Non-food inflation peaked at -0.1% in June 2016, before assuming a downward trend since July 2016.
- 1.14 Inflation is expected to continue on the upward trend, moving into the positive territory in 2017, on the back of anticipated increases in international oil prices. There are strong indications that oil supply will fall on the global market, following the agreement by oil producing nations to cut production in 2017.
- 1.15 The appreciation of the South African rand against the United States dollar since January 2016, if sustained could add significant inflationary pressures in the economy, given that South Africa is the country's largest trading partner. Further, the surge in South African inflation rate from 5.2% in January 2016 to 6.8% in December 2016 could also induce significant pass through effects on prices in Zimbabwe.

External Sector Developments

- 1.16 Zimbabwe's external sector position was under pressure in 2015 and 2016 on the back of subdued export performance amid a relatively high import bill. The external sector position has also been compounded by a combination of depressed direct and portfolio investment inflows, slowdown in economic activity and the continued absence of balance of payments (BOP) support since the turn of the millennium. The subdued economic activity continues to hamstring the economy in generating adequate resources to reduce the huge external debt overhang.

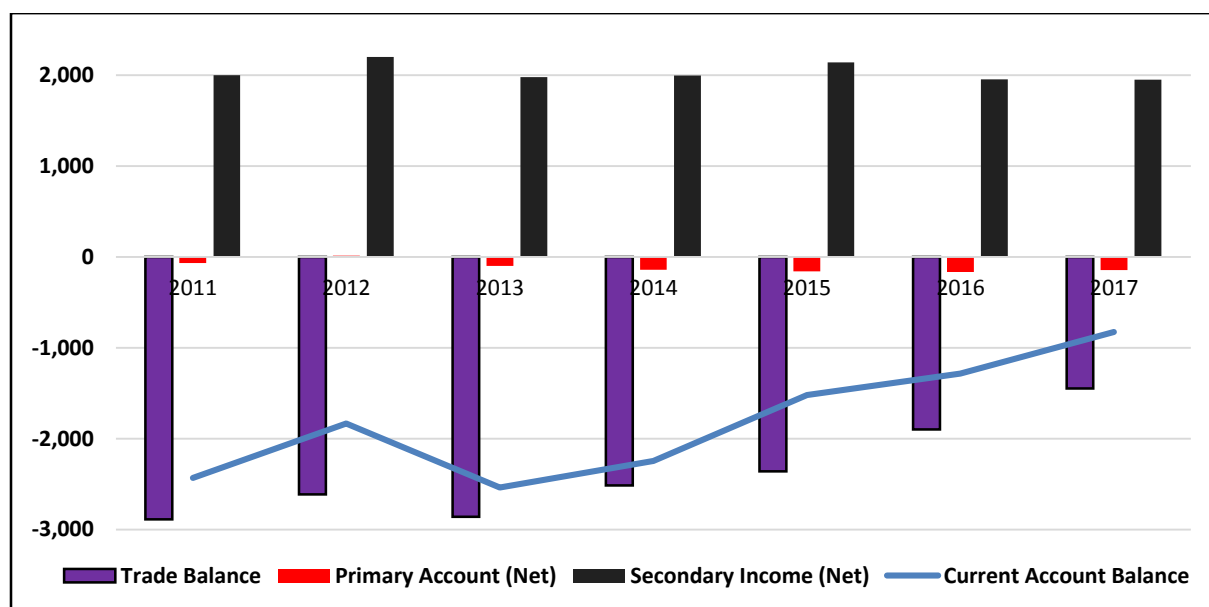
Current Account Balance Developments

- 1.17 The current account balance narrowed to a deficit of \$1.5 billion recorded in 2015 down from a deficit of US\$2.2 billion recorded in 2014. In 2016, the current account deficit is estimated to have narrowed down further to a deficit of US\$1.3 billion (Figure 3). The general

improvement in the current account balance since 2014, is largely attributed to import substitution, coupled with import compression measures introduced by Government in 2016. Despite these efforts geared towards containing the country's imports, the rate at which exports have been growing has not been adequate to surpass that of imports, resulting in a negative trade balance.

1.18 The recurrent deficits in the trade account continue to undermine the performance of the economy conspired by subdued primary income earnings to culminate in sizeable current account deficits of between 14.0% and 19.0% of GDP in the years 2011 through 2013, against the internationally acceptable benchmark of below 10%.

Figure 3: Zimbabwe's Trade, Primary, Secondary & Current Accounts (US\$m): 2011-2017

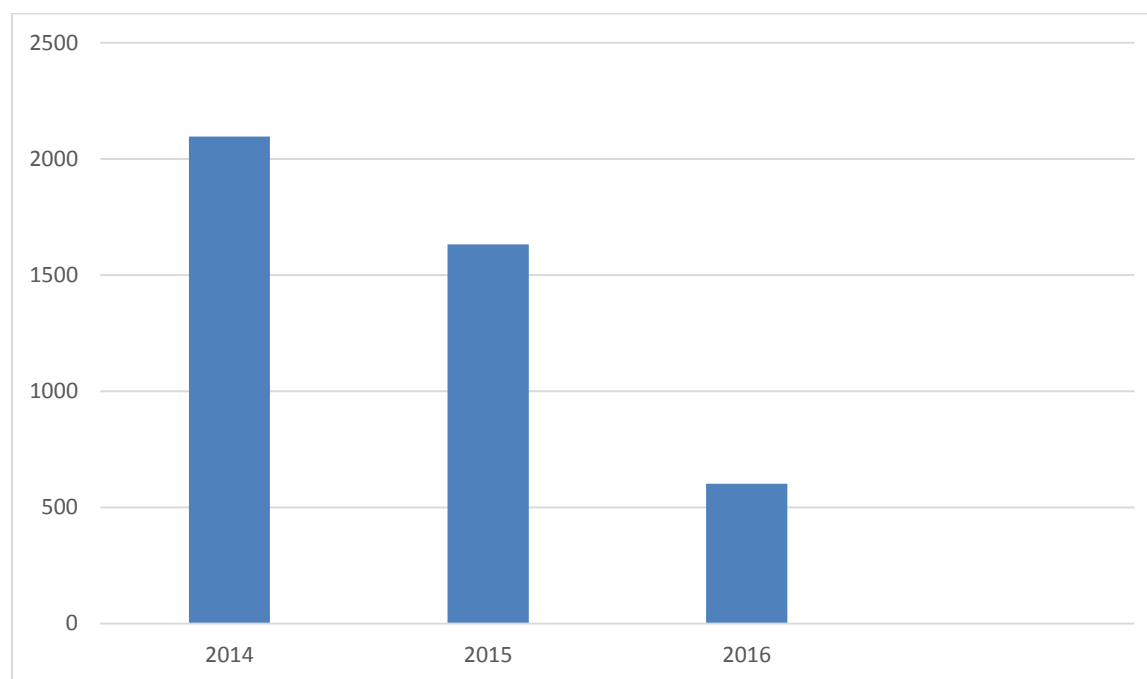


Source: Reserve Bank of Zimbabwe & Zimstat

Capital and Financial Account Developments

1.19 The capital and financial account balance further narrowed down from a surplus of US\$2.10 billion in 2014, to US\$1.63 billion in 2015. The capital and financial account surplus is estimated to have further narrowed down to US\$601.9 million in 2016, also reflecting reduced net incurrence of liabilities in the form of short and long-term private off shore loans as well as declining foreign direct and portfolio investment inflows amid slowing economic activity.

Figure 4: Capital and Financial Account Balance (US\$m)



Source: Reserve Bank of Zimbabwe

- 1.20 Net foreign direct investment flows are estimated to have surged to US\$343 million in 2016 from US\$399.2 million in 2015, while portfolio investment declined from a surplus of US\$122.8 million to a deficit of US\$80.1 million, mainly reflecting increased uncertainty in the economy.
- 1.21 Reflecting developments in both the current and capital account, the overall balance of payments position is estimated to have deteriorated from a deficit of US\$25.8 million in 2015 to a deficit of US\$176.5 million in 2016.

CHAPTER 2: MAJOR DEVELOPMENTS AND OTHER SUPERVISORY ACTIVITIES IN THE BANKING SECTOR

INTRODUCTION

- 2.1 Zimbabwe's banking sector continued to improve in terms of inclusiveness, and stability on the backdrop of legal, regulatory and supervisory reforms and initiatives, aimed at maintaining the soundness of the banking sector.
- 2.2 As part of measures to keep pace with the developments on the international arena, the Reserve Bank continued to build capacity internally and in the banking sector. This chapter provides an overview of the major developments and supervisory activities undertaken by the Reserve Bank during the period under review.

LICENSING OF FINANCIAL INSTITUTIONS

- 2.3 National Building Society Limited (NBS), which was licensed on 11 September 2015, commenced operations on 27 April 2016.
- 2.4 Collarhedge Financial Services was licensed on 17 November 2015 and was authorised to commence deposit-taking microfinance operations on 27 September 2016. Effective 2 December 2016, the institution changed its name to Success Microfinance Bank Limited.
- 2.5 Lion Microfinance Limited was licensed on 31 May 2016, bringing the number of deposit-taking microfinance institutions to four (4). The institution was authorised to commence operations on 30 January 2017.

ON-SITE EXAMINATIONS

- 2.6 On-site examinations form an integral part of the risk-based supervision process. Consistent with the risk-based supervision methodology, on-site examinations, focus on areas perceived to be of high risk. The process also involves evaluation of board and senior management oversight, risk management processes and the internal control environment as well as compliance with banking laws, regulations and directives.
- 2.7 The on-site examinations conducted during the year determined that banks continue to enhance their overall risk management systems, as well as, internal governance

arrangements and practices. In addition, most banks were interrogating their cost structures and value chains, and reconfiguring and realigning their operations, leveraging on technology and other synergistic relationships.

- 2.8 The on-site examinations also determined some few incidences of misclassification of loans resulting in inadequate provisioning levels. Appropriate provisioning adjustments were made, to reflect the financial condition and performance of the banks.

JOINT ON-SITE EXAMINATIONS

- 2.9 In line with the consolidated supervision approach, the Reserve Bank, as lead supervisor of the African Banking Corporation Holdings group, participated in a joint examination of BancABC Botswana with the Bank of Botswana, the host supervisory authority.
- 2.10 BancABC has operations in five (5) countries in Africa namely Zimbabwe, Zambia, Tanzania, Botswana and Mozambique. Such joint on-site examinations facilitate effective supervision of banking supervision including cross-border operations including information sharing among supervisory authorities and effective supervision of banking institutions with cross-border operations.

SUPERVISORY COLLEGES

- 2.11 During the year under review, the Reserve Bank participated in the second meeting of the College of Supervisors for Ecobank Transnational Incorporated (ETI), which was held in October 2016, in Abidjan, Cote d'Ivoire.
- 2.12 The Supervisory College was held in compliance with Principle 13 of the Basel Core Principles for Effective Banking Supervision, which mandates home supervisors to conduct bank-specific supervisory colleges for banking groups. The overarching objective of a supervisory college is to assist the home- and host-country supervisors in gaining a better understanding of the banking group's risk profile.
- 2.13 The supervisory college of Ecobank Transnational Incorporated afforded participants an opportunity to gain knowledge, share information and discuss the implementation of the Basel Committee recommendations for effective supervision of cross-border banking groups.
- 2.14 Information sharing and enhanced cooperation between supervisory authorities are key to

strengthening cross-border supervision of banking groups and in this regard, Bank Supervision will continue to participate and benefit from the supervisory colleges.

RESOLUTION OF TROUBLED BANKS

- 2.15 The resolution of troubled banks continued in 2016 with the Deposit Protection Corporation (DPC) making notable progress in payments to insured depositors. The speedy resolution of the troubled banks is being stalled by protracted legal wrangles emanating from shareholders and the slow pace in loan recoveries. It is however noteworthy that, the framework for the resolution of troubled banks has now been strengthened following the promulgation of the Banking Amendment Act.
- 2.16 The summary of the progress in the resolution of troubled banks is discussed hereunder.

AFRASIA Bank Zimbabwe Limited

- 2.17 AFRASIA Bank Zimbabwe Limited, whose licence was cancelled on 24 February 2015, following the institution's surrender of its banking licence. The institution was subsequently placed under final liquidation on 29 April 2015 and the Deposit Protection Corporation (DPC) was appointed liquidator.
- 2.18 As at 31 December 2016, DPC had distributed a total of \$2.95 million to preferred creditors namely, employees, NSSA, ZIMDEF and ZIMRA. A total of \$1.89 million has been reimbursed to depositors from the Deposit Protection Fund (DPF) representing 54.99% of the total insured amount for the bank.

Allied Bank

- 2.19 Allied Bank was closed on 8 January 2015 following the surrender of its banking licence by the board on 6 January 2015 in the wake of futile attempts to trade out of serious liquidity and solvency problems.
- 2.20 The banking institution was subsequently placed under provisional liquidation on 4 February 2015 and final liquidation on 6 March 2015. DPC was appointed liquidator of the banking institution.
- 2.21 As at 31 December 2016, \$529,640 had been collected from various debtors whilst \$584,596 had been realised from the disposal of government stock and movable assets

against claims amounting to \$15.7 million that were accepted by the Master of the High Court. The Corporation had paid \$526,193 to depositors as compensation under the Deposit Protection Scheme, being 42.15% of the total insured amount.

- 2.22 DPC is currently in the process of verifying all proved claims and preparing the First Interim Liquidation and Distribution Account for Allied Bank. Only preferred creditors will be paid from the First distribution due to the low rate of recoveries.

Interfin Bank Limited

- 2.23 The bank was closed on 31 December 2014 after failing to trade out of critical liquidity and solvency challenges amid futile recapitalization attempts. The bank was placed under final liquidation on 4 March 2015 and the Deposit Protection Corporation was appointed liquidator of the bank.
- 2.24 As at 31 December 2016, a total of \$6.5 million had been recovered from a total loan book of \$167.3 million of which \$90.6 million are related party loans. The First Interim Liquidation and Distribution Account was approved by the Master of High Court on 18 May 2016. Thereafter, \$520,875 was paid to preferred creditors namely NSSA, ZIMRA, ZIMDEF and former employees. As at 31 December 2016, DPC had paid \$248,320 to depositors of the bank under the Deposit Protection Scheme.

Tetrad Investment Bank (Tetrad)

- 2.25 Following challenges which were mainly emanating from high level of non-performing loans and liquidity problems, the bank went into a Scheme of Arrangement with its creditors to allow for ample time for recapitalisation initiatives. The shareholders failed to meet the required capital injection resulting in the institution applying for judicial management which court order was granted, with a judicial manager being appointed effective 29 January 2015.
- 2.26 The DPC, was subsequently appointed provisional judicial manager effective 1 July 2015, following the resignation of the former Provisional Judicial Manager (PJM).
- 2.27 Since the appointment of DPC as the PJM, about \$16.2 million has been recovered from the various debtors out of a gross loan book of \$56.7 million. The recoveries comprise of cash (\$5.48 million); properties (\$8.95 million) and Treasury Bills (\$1.8 million).

- 2.28 At the second Tetrad Bank creditors' meetings held on 24 and 25 September 2015 in Harare and Bulawayo, respectively, the creditors passed a resolution authorising the PJM to proceed to implement a scheme of arrangement in terms of section 191 of the Companies Act [Chapter 24:03]. The scheme of arrangement, which is expected to be consummated in 2017 involves the conversion of debt to equity.

Trust Bank Limited

- 2.29 The bank was closed on 6 December 2013 after failing to trade out of liquidity and solvency challenges. A final liquidation order was granted by the High Court on 19 May 2016. The Deposit Protection Corporation was appointed liquidator and the first creditors meeting was held on 21 July 2016. Claims worth \$9 million were provisionally accepted by the Master of Court.
- 2.30 As at 31 December 2016, a total of \$4.6 million had been collected from a gross loan book of \$18 million and \$139, 843.09 of the insured deposits had been reimbursed to the depositors out of the Deposit Protection Scheme.

Capital Bank (formerly ReNaissance Merchant Bank)

- 2.31 The Reserve Bank cancelled the operating licence for Capital Bank Corporation (formerly Renaissance Merchant Bank) on 4 June 2014 after the Board voluntarily surrendered the licence. In June 2014, National Social Security Authority (NSSA) petitioned the High Court for voluntary liquidation but the application has been opposed by the institution's other shareholder, namely Renaissance Financial Holdings Limited.
- 2.32 As at 31 December 2016, the parties awaited allocation of a set down date for the hearing of the application by the High Court.

Deposit Insurance Payments

- 2.33 As at 31 December 2016, DPC had paid out a total of \$3.17 million of insured deposits in closed banks as depicted in the table below.
- 2.34 DPC is also in the process of finalising the liquidation of Royal Bank and Genesis, the details which are shown in the table below.

Table 1: Deposit insurance payments as at 31 December 2016

Name of Institution	Total Depositors	Gross Deposits	Deposits payable at \$500	No. of Depositors paid to date	% of Depositors paid to date	Value of Deposits paid (\$)	% Paid to Deposits Payable
Royal Bank	5,453	2,566,938.08	472,207.00	3,101	56.87%	355,345.03	75.25%
Trust Bank	2,958	11,482,101.93	328,516.00	397	13.42%	139,843.09	42.57%
Genesis	86	1,426,912.56	11,810.00	62	72.09%	8,821.00	75.00%
Allied Bank	9,228	14,316,614.12	1,248,307.00	1,497	16.22%	526,193	42.15%
Interfin Bank	13,021	137,336,569.70	918,814.00	634	4.87%	248,320.19	27.03%
AfrAsia	24,163	41,804,881.94	3,439,276.00	5,808	24.04%	1,891,306.76	54.99%
Total	54,909	208,934,018.33	6,418,930.00	11,499.00	20.94%	3,169,829.42	49.38%

FINANCIAL SECTOR STABILISATION INITIATIVES

Lending Rates...

- 2.35 The level of lending interest rates impacts on the supply of credit in the banking sector and also affects the quality and performance of the banking sector loan portfolio. Against, this background, the Reserve Bank continued to engage with banking institutions to ensure provision of affordable credit in order to boost credit to the productive sectors of the economy.
- 2.36 As part of the re-industrialization drive through affordable funding to productive segments of the economy, in May 2016, the Reserve Bank issued lending rates guidelines to the market. In terms of the guidelines, banking institutions were required to charge an all-inclusive lending interest rate which does not exceed 15% per annum. The interest rate for productive lending including mortgages will be further reduced to 12% per annum in 2017.
- 2.37 While banking institutions continue to adjust their lending rates in line with the Reserve Bank guidance, the lending rates have remained high when default interest rates are applied and other supplementary charges are levied. This has resulted in the average effective lending rate for the banking sector being 16.44% as at 31 December 2016, a marginal improvement from 17.31% as at 30 September 2016.
- 2.38 Going forward, the Reserve Bank will continue engage the banking sector in aligning interest

rates to the country's industry growth revival strategy.

Bank Charges...

- 2.39 High bank charges dissuade the public from using formal banking channels. As part of the on-going efforts to promote financial inclusion and to ensure that banking products and services are affordable to the banking public, the Reserve Bank reviewed cash withdrawal charges downwards with effect from 12 December 2016.
- 2.40 In this regard, a proportional pricing model was adopted to replace the fixed charges in order to align cash withdrawal charges to amount withdrawn. The applicable charges for cash withdrawal were set at a maximum of 1% and 1.25% of amount withdrawn for ATM and over-the-counter withdrawals, respectively.
- 2.41 In addition, charges for electronic payment transactions were also reduced as part of efforts to promote the usage of plastic money. The Reserve Bank continued to encourage the banking public to increase usage of plastic money in line with developments internationally and in order to ease pressure on the economy's cash resources.

Credit Registry System...

- 2.42 The challenge of information asymmetry between lenders and borrowers was a contributory factor to the high levels of non-performing loans in the banking sector. Against this background, Reserve Bank spearheaded the establishment of a Credit Registry system.
- 2.43 The legislation empowering the Reserve Bank to establish a Credit Registry as well as license and supervise private credit bureaus was promulgated on 13 May 2016 through the Banking Amendment Act No. 12 of 2015. Through the amendment, the Credit Registry was also empowered to collect credit information from participating institutions including non-regulated credit providers and utility bodies.
- 2.44 Banking institutions and MFIs are required to inquire with the credit registry before granting credit to potential borrowers. During 2016, the credit registry software was installed and became operational
- 2.45 In 2017, the Reserve Bank will embark on accreditation of new and existing private credit reference bureaus to enable them to also collect credit information from financial institutions and to access credit information on the Credit Registry database for distribution.

- 2.46 The Credit Registry is expected to reduce the level of information asymmetry between lenders and borrowers consequently unlocking the potential borrowers' ability to borrow, invest and grow.
- 2.47 The Registry will also add value to banks' credit risk management and governance systems thus helping to reduce the level of non-performing loans across the sector in the medium term.
- 2.48 Further, the Credit Registry will provide a readily accessible repository for credit data which is anticipated to facilitate a reduction in lending rates as financial institutions can easily access and assess information and price their risks.

Collateral Registry...

- 2.49 Marginalised segments of the economy such as SMEs and households are currently unable to access credit due to lack of acceptable collateral, despite having moveable assets such as machinery, equipment or receivables.
- 2.50 In an effort to promote the use of movable collateral by lenders thereby increasing access to credit, the Reserve Bank is working on measures to enhance the range of acceptable and qualifying collateral security in line with international best practices through the establishment of a Collateral Registry for movable property.
- 2.51 In preparation for the establishment of the collateral registry, the Moveable Property Security Interest Bill which provides for the registration and administration of qualifying movable security for lending purposes was gazetted on 28 November 2016.
- 2.52 The Bill provides for the use of movable property as collateral for the purpose of obtaining credit. The Collateral Registry will enable the registration of security interest over movable property through receiving and storing registered notices with respect to security interest. Members of the Public will also have access to the Registry as any person can establish a user account with the Collateral Registry and thereafter will be able to submit notices on security interests to the Collateral Registry. In addition, the public will be able to amend or cancel notices through their user accounts and to submit search requests to the Registry using prescribed search request forms.
- 2.53 The Bill is expected to undergo the relevant parliamentary processes during the first quarter of 2017. After promulgation of the Bill, a suitable information system for running the collateral

registry will be identified and procured with the assistance of development partners.

- 2.54 The Credit Registry and Collateral Registry financial infrastructural improvements, which are also part of the **Getting Credit** pillar under the Ease of Doing Business Reforms are expected to promote access to credit by both households and productive sectors of the economy, particularly the SMEs.

Basel II/III Update...

- 2.55 In line with international best practice in capital standards, in 2016, the Reserve Bank undertook on-site reviews to assess banks' preparedness for Basel II/III implementation. The assessment revealed that most banks were largely compliant with the minimum requirements of Basel II/III which include credit rating systems aligned to the supervisory rating systems, mapping of business lines as required under operational risk, putting in place trading book policies for market risk, enhancing internal capital management and model governance and validation of the models thereof.
- 2.56 The Reserve Bank is monitoring progress at the few banking institutions that are still to fully comply. Banking institutions are required to migrate to the Basel II/III compliant statutory returns effective 1 July 2017.
- 2.57 The Reserve Bank is working on Minimum Supervisory Expectation on the Structure of Internal Capital Adequacy Assessment Process (ICAAP) Reports. The document provides guidance to banking institutions on minimum regulatory expectations with respect to structure and content of ICAAP documents. The guidance will be finalised and released to the market during the course of 2017.

Basel Core Principles Self-Assessment...

- 2.58 During 2016, the Reserve Bank conducted a self-assessment of the Core Principles using the 2012 Core Principles Assessment Methodology. The objective of the exercise was to assess the Bank's supervisory systems and identify areas for improvement.
- 2.59 The Basel Core Principles for Effective Banking Supervision (Core Principles) are the de facto international standards for the supervision of banks, which serve as a benchmark for sound supervisory practices and are used by the IMF and World Bank in the context of the

Financial Sector Assessment Programme (FSAP) to assess the effectiveness of banking supervision.

- 2.60 The results of the self-assessment exercise indicated that the Reserve Bank is generally compliant with the Core Principles. Areas where the Bank is partially compliant are expected to be addressed by the Bank's recovery planning and resolution framework, which is under development.

IFRS 9...

- 2.61 In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments, which will replace International Accounting Standard 39 (IAS 39). The most significant change in the standard was the change from an incurred loss impairment model to an expected loss impairment model. Effective from 1 January 2018, entities applying IFRS will have to account for loan loss impairments on the expected loss model.
- 2.62 The adoption of IFRS 9 minimises the gap between accounting and regulatory standards in respect of provisioning requirements for impaired assets.
- 2.63 In light of this development and to ensure that banks are on track to implement the standard by the effective date, the Reserve Bank is finalising the guidance on *Implementation of IFRS 9 in Zimbabwe*, following the receipt of comments from the market. The guidance is a culmination of the Reserve Bank's collaboration with various stakeholders which include the Public Accountants and Auditors Board (PAAB), among others.
- 2.64 The guidance will be issued to the market in 2017 and the Reserve Bank is working closely with the PAAB to ensure smooth implementation of IFRS 9 by banks.

Recovery Planning....

- 2.65 The global financial crisis of 2008-2009 revealed that banks globally did not have adequate preparation and planning for severe stress events. Risks to viability were underestimated, and contingency planning was not sufficiently robust or detailed to equip banks in practice with a reasonable prospect of recovery.
- 2.66 In 2011, the Financial Stability Board recommended in their publication, "*Key attributes of*

effective resolution regimes for financial institutions” that all systemically significant financial institutions have recovery and resolution plans in place.

- 2.67 Following the global financial crisis, governments, regulators and other key stakeholders in the financial services sector noted the need for financial institutions to be adequately prepared for crisis situations.
- 2.68 A framework on Recovery Planning will be issued to the market during the course of the year.
- 2.69 The Reserve Bank will also conduct workshops with the banking sector to provide hands-on training and guidance on the recovery planning process.

FINANCIAL INCLUSION

- 2.70 The Reserve Bank launched the National Financial Inclusion Strategy in March 2016. The main goals of the National Financial Inclusion Strategy in Zimbabwe are:
 - a) to increase the overall level of access to affordable and appropriate formal financial services within the country from 69% in 2014 to at least 90% by 2020; and
 - b) to increase the proportion of banked adults from 30% in 2014 to at least 60% by 2020.
- 2.71 As part of implementation of the National Financial Inclusion Strategy, a number of initiatives have been instituted targeting the identified priority groups i.e. SMEs, women, small holder farmers, the youth and people with disabilities.
- 2.72 As part of the implementation process, the following eight (8) thematic working groups comprising key stakeholders focusing on financial inclusion initiatives were constituted in 2016.

Table 2: Thematic Working Groups

Working Group	Broad Terms of Reference
Women Financing and Development	Promote development of innovative financial products for women and facilitate capacity building programs for women to improve access to financial services.
SMEs Finance & Development	Facilitate minimisation of challenges encountered by SMEs in their efforts to be financially included, promote innovative financial products for SMEs and other capacity building programs.

Working Group	Broad Terms of Reference
Rural and Agricultural Finance & Development	Develop and recommend agricultural finance solutions for small holder farmers and the rural community.
Insurance, Pensions and Capital Markets	Facilitate the development and uptake of appropriate insurance, pensions and capital market products for low income groups and ensure effective capacity building and awareness programmes.
Digital Finance	Promote the development of innovative and affordable digital financial products and services that promote financial inclusion.
Financial Literacy and Consumer Protection	Facilitate the design and implementation of tailored financial literacy strategies for special groups e.g. school children, youth, women and SMEs. Facilitate the design and implementation of a sound framework for financial consumer protection.
Microfinance Advisory Council	Promote development of innovative products, delivery channels and capacity building in the microfinance sector, and positive contribution of microfinance to financial inclusivity.
Youth	Promote development of innovative financial products for youth and facilitate capacity building programs for youth to improve access to financial services.
People With Disabilities*	Promote development of innovative financial products for PWD and facilitate capacity building programs to enable PWD to access financial services.

**The Working Group was constituted in 2017*

- 2.73 As at 31 December 2016, the thematic working groups had commenced meetings as part of the implementation process and operationalization of specific strategies agreed under the action plans of the various working groups.
- 2.74 The collaboration between stakeholders in the financial sector under the NFIS has contributed significantly to the roll out of new products targeting the unbanked. To date new banking products introduced include low cost accounts as well as establishment of dedicated women desks, among others. In addition, the collaboration between the Reserve Bank and the private sector has seen various financial inclusion initiatives come to fruition.

Banking Sector Trends in Service Delivery Channels...

- 2.75 The Reserve Bank continued to encourage banks to design innovative financial products that promote the delivery of affordable financial services outside conventional delivery methods.

Payment Systems and Access Points

- 2.76 The financial delivery channels include the use of POS machines, ATMs, mobile banking and agency banking.
- 2.77 The use of POS machines as reflected by the volume of transactions increased significantly by 624.69% from 3,861,062 as at 31 December 2015 to 27,980,637 as at 31 December 2016. The volume of internet banking increased by 154.79% from 157,978 as at 31 December 2015 to 402,514 as at 31 December 2016.
- 2.78 The value of transactions conducted using POS machines, mobile and internet banking increased for the year ended 31 December 2016 when compared to the previous year ended 31 December 2015.
- 2.79 Table 3 shows the movement in value and volume of the different payment streams.

Table 3: Value and Volume of Payment Streams

	Year Ended December 2015		Year Ended December 2016		Percentage Change in Volume of Transactions from December 2015	Percentage Change in Value of Transactions from December 2015
	Volume of Transactions	Value of Transactions	Volume of Transactions	Value of Transactions		
POS	3,861,062	426,219,446.31	27,980,637	1,166,037,997.95	624.69%	173.56%
ATMs	3,487,732	1,093,945,683.47	3,541,194	268,896,897.52	1.53%	(75.42%)
Mobile	66,460,949	1,329,167,781.55	91,555,712	1,687,719,086.21	37.76%	26.98%
Internet	157,978	518,672,445.95	402,514	711,057,183.70	154.79%	37.09%

Source: Reserve Bank of Zimbabwe

- 2.80 An increase was also noted in access points and devices for the year ended 31 December 2016 compared to the same period in 2015. The increase is attributable to the national drive to increase electronic means of payment. Existing market players have taken heed to the policy direction to provide mechanisms that encourage usage and uptake of electronic

means of payment to the transacting public. Table 4 shows the growth in payment systems access points and devices.

Table 4: Payment Systems Access Points and Devices

Payment Systems Access Points			
	Q3 2015	Q2 2016	Q3 2016
Mobile Banking Agents	32,528	34,351	37,131
ATMs	545	548	566
POS	16,268	19,280	24,111
Payment Systems Access Devices			
Debit Cards	2,292,969	2,724,317	2,890,731
Credit Cards	10,809	14,299	14,813
Prepaid Cards	28,226	30,339	38,660
Active Mobile Banking Subscribers	4,306,198	3,212,561	3,289,271
Internet Banking Subscribers	96,983	115,478	128,297

Source: Reserve Bank of Zimbabwe

Opening of Low Cost Accounts...

- 2.81 Significant progress has been recorded by banks regarding opening of low cost or 'no frills' accounts with minimal KYC requirements and bank charges.
- 2.82 Low income groups, who are the target under the National Financial Inclusion Strategy, are now able to open bank accounts and to access other formal financial services.
- 2.83 There was a significant increase in low cost accounts across the banking sector in 2016 from 229,264 as at 31 March 2016 to 1,230,057 accounts as at 31 December 2016.

Agency Banking...

- 2.84 In line with the goals of the National Financial Inclusion Strategy, the Reserve Bank has encouraged banking institutions to leverage on technology to improve outreach and access to financial services. In this regard, Reserve Bank approved the adoption of agency banking model and issued **Prudential Standards No. 01:2016/BSD: Agency Banking**, which provide guidance to banks on the minimum supervisory expectations on the implementation of the agency banking model.
- 2.85 Agency banking has the ability to improve access to and outreach of financial services to

marginalised communities while lowering the cost of access.

- 2.86 As at 31 December 2016, five (5) banking institutions had adopted the agency banking model and the total number of agencies amounted to 5,846.

Establishment of SME Units and Women Desks...

- 2.87 In line with the focus of the NFIS on improving access to finance by women and SMEs, banking institutions were urged to establish dedicated units or desks to serve women and SMEs.
- 2.88 In this regard, twelve (12) banks had established SME Units and eight (8) had set up women desks as at 31 December 2016. It is expected that through the SME units and women desks, banks will be able to focus on developing products and services that meet the specific needs of MSMEs and women entrepreneurs.

CAPACITY BUILDING

- 2.89 Banking Supervision Division staff continued to participate in various capacity building programs in 2016. Some of the capacity building programs covered consumer credit reporting, design and workflows of credit reference bureaus, cross-border banking supervision, contingency planning and crisis resolution, macroeconomic forecasting, Basel II & Basel III and financial inclusion, among others.

BANK SUPERVISION APPLICATION...

- 2.90 The Bank Supervision Application (BSA) is an information management system used by bank supervisors in twelve (12) Southern and East African Central Banks to support banking supervision operations. The software was jointly developed by Bank Supervision and Information Technology functions of the participating Central Banks. The Bank of Mozambique currently hosts the BSA Support Office (BSO), which coordinates the administration, support and management of the software.
- 2.91 The BSA version 3.0 which is web-based has three modules, namely:-
- **Bank Supervision System (BSS) Module**, which facilitates workflow management in the bank supervision function;
 - **Institution Information Submission System (IISS) Module**, which is used by the

regulated institutions to submit their periodic returns to the Central Bank. The module is also used to send and receive correspondence/ letters between Reserve Bank and banking institutions and internally among Divisions; and

- **Risk Analysis Automation System (RAAS) Module**, which is used for analysis and generation of financial reports based on returns submitted by the regulated institutions.

2.92 Currently BSA is being used in the Reserve Bank's Bank Supervision Division utilizing all the inherent modules with the following functionalities:

- a) online receipt of statutory returns from banking institutions;
- b) processing of returns to produce financial indicators; and
- c) production of system returns based and customized reports.; and

2.93 A number of returns have been implemented in BSA while others are at advanced stage to incorporation. The automation of workflows enhances efficiency in the supervisory processes and facilitates timely and comprehensive analysis of data.

CHAPTER 3: CONDITION & PERFORMANCE OF THE BANKING SECTOR

Introduction

- 3.1 The banking sector maintained its resilience on the back of adequate capitalization, improved asset quality and profitability notwithstanding the challenging operating environment. While overall liquidity improved, the sector experienced cash shortages mainly reflective of structural bottlenecks that have characterized the dollarized environment.
- 3.2 The sector continued to be dominated by commercial banks in terms of total assets (80.97%), total deposits (82.02%) and total loans and advances (75.12%) as at 31 December 2016.

Financial Architecture...

- 3.3 The architecture of the banking sector as at 31 December 2016 was as shown in the table below.

Table 5: Architecture of the Banking Sector

Type of Institution	Number
Commercial Banks	13
Building Societies	5
Savings Bank	1
Total Banking Institutions	19
Other institutions supervised by the Reserve Bank	
Credit-only-MFIs	181
Deposit-taking MFIs	4
Development Financial Institutions - SMEDCO and IDBZ	2

Balance Sheet Structure...

- 3.4 The balance sheet structure of banking institutions was largely driven by the operating environment as well as strategic responses by bank management during the review period.
- 3.5 With inherent credit risk remaining elevated, most banks maintained cautious lending approaches while repositioning their balance sheets towards marketable investments. The

repositioning of bank balance sheet also as well as disposal of qualifying non-performing loans to ZAMCO also resulted in a decrease in the banking sector loans during the year.

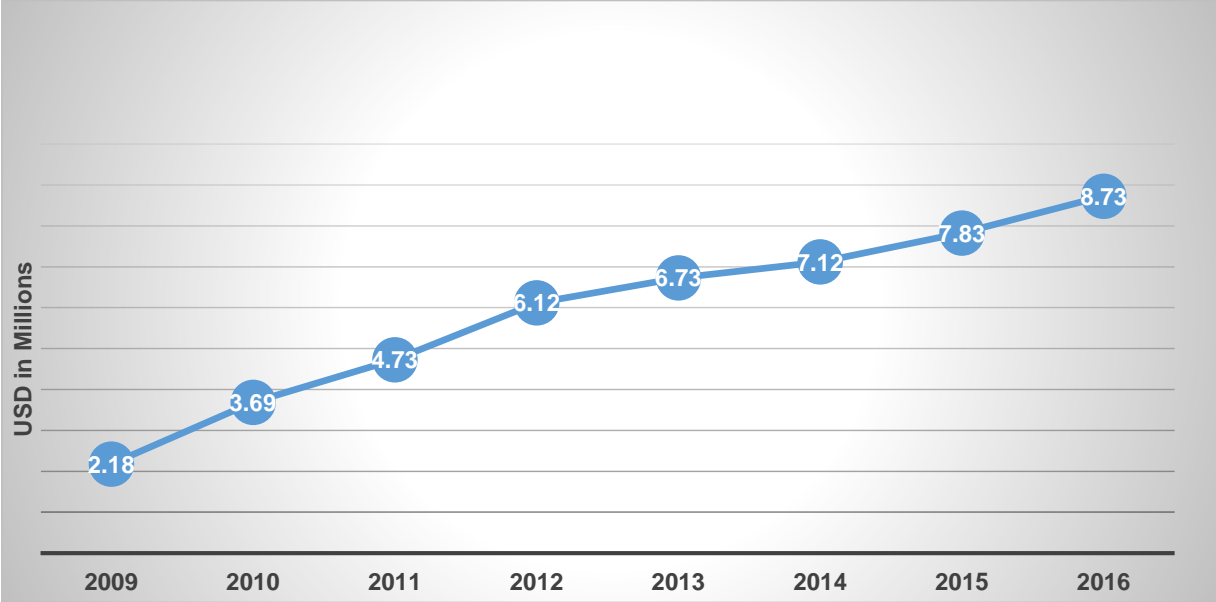
- 3.6 The table below shows the mix of total assets, total deposits and total loans and advances per sector.

Table 6 : Balance Sheet Structure

Classification	Total Assets	Market Share	Total Deposits	Market Share	Total Loans	Market Share
Commercial Banks	\$7.07bn	80.97%	\$5.34bn	82.02%	\$2.77bn	75.12%
Building Societies	\$1.49bn	17.15%	\$1.05bn	16.24%	\$0.85bn	22.94%
Savings Bank	\$0.17bn	1.88%	\$0.11bn	1.74%	\$0.07bn	1.94%
Sector Aggregate	\$8.73bn	100%	\$6.51bn	100%	\$3.69bn	100%

- 3.7 As at 31 December 2016, five (5) banks, with total assets of \$5.13 billion accounted for the bulk (58.82%) of total banking sector assets of \$8.73 billion.
- 3.8 The banking sector's total assets increased by \$896.84 million between December 2015 and December 2016 to reach \$8.73 billion, representing an annual growth rate of 11.45%. All the nineteen (19) banks recorded increases in assets, mainly in the form of balances with central bank (TBs) and securities & investments, which were largely funded by increases in bank capital bases and deposits.
- 3.9 Figure 5 shows the trend in total banking sector assets from December 2009 to December 2016.

Figure 5: Trend in Total Banking Sector Assets



- 3.10 The largest contributor to the growth in total assets were balances with the central bank which significantly increased by 131.49%, from \$0.60 billion to \$1.38 billion during the year ended 31 December 2016. The growth in assets was also accounted for by an increase in securities and investments (23.27%), from \$1.51 billion to \$1.86 billion during the same period.
- 3.11 Table 7 shows composition of banking sector assets for the period December 2013 to December 2016.

Table 7: Composition of Assets

ASSETS	Dec-13		Dec-14		Dec-15		Dec-16	
	US\$	% of Total	US\$	% of Total	US\$	% of Total	US\$	% of Total
Domestic Notes And Coin	400,169,766	5.94%	362,813,328	5.10%	224,669,257	2.87%	124,826,006	1.43%
Balances With Central Bank	456,978,798	6.78%	524,436,640	7.37%	596,497,728	7.62%	1,380,846,457	15.82%
Balances With Domestic Banking Institutions	192,524,002	2.86%	233,374,551	3.28%	215,646,934	2.75%	287,106,327	3.29%
Assets In Transit	5,093,684	0.08%	8,402,201	0.12%	16,305,013	0.21%	8,224,658	0.09%
Balances With Foreign Institutions	272,616,954	4.04%	157,279,534	2.21%	139,839,047	1.79%	189,435,357	2.17%
Securities And Investments	517,736,673	7.68%	639,693,623	8.99%	1,510,585,502	19.29%	1,862,023,623	21.33%
Loans And Advances *	3,454,331,204	51.24%	3,632,643,931	51.07%	3,496,278,710	44.64%	3,419,684,428	39.18%
Foreign Claims	148,928,349	2.21%	40,184,274	0.56%	80,648,752	1.03%	2,611,795	0.03%
Repossessed properties / assets	1,988,242	0.03%	6,040,617	0.08%	4,519,620	0.06%	6,865,398	0.08%
Fixed Assets	525,752,900	7.80%	542,394,129	7.63%	527,569,015	6.74%	608,198,968	6.97%
Other Assets	238,900,361	3.54%	365,744,412	5.14%	407,325,233	5.18%	400,320,322	4.59%
Off-Balance Sheet Items	526,253,494	7.81%	606,342,334	8.52%	616,828,109	7.88%	438,888,081	5.03%
Total Assets	6,741,274,427		7,119,349,574		7,832,193,299		8,729,031,421	

* Loans and advances are net of provisions

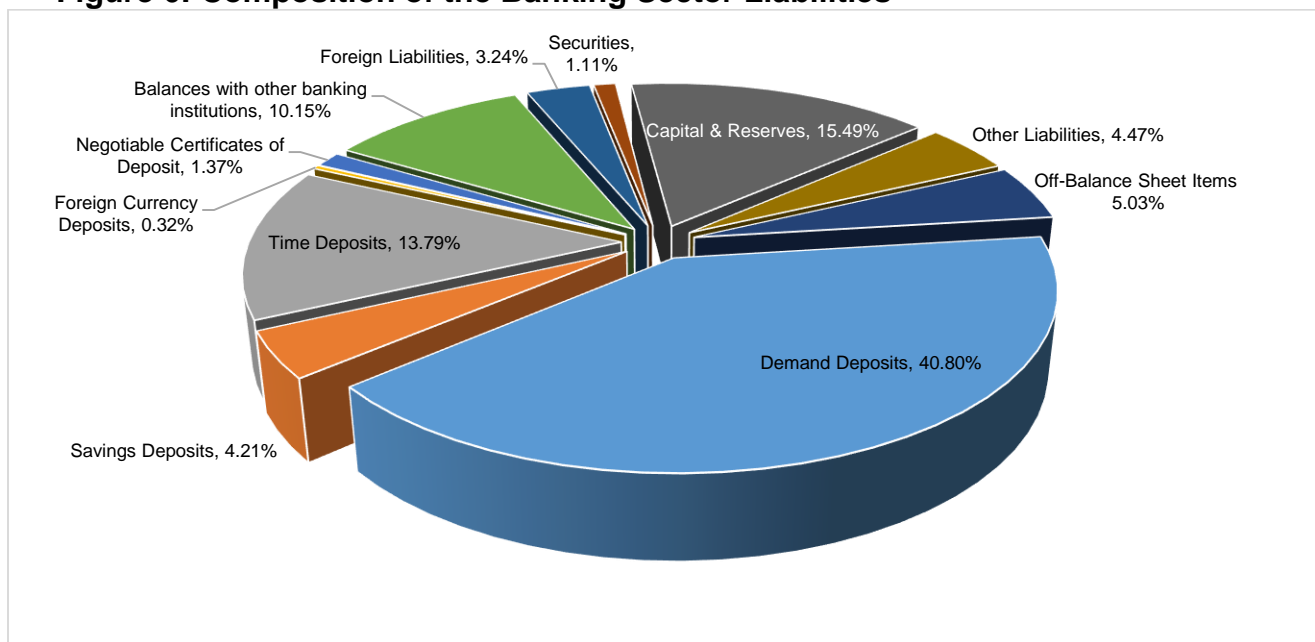
Composition of Liabilities...

- 3.12 The growth in liabilities was mainly attributed to growth in the deposit base, which increased by 15.84%, from \$5.62 billion as at 31 December 2015 to \$6.51 billion as at 31 December 2016.
- 3.13 The proportion of capital & reserves to total liabilities increased marginally, from 14.85% as at 31 December 2015 to 15.49% as at 31 December 2016.

3.14 Demand and time deposits accounted for 40.80% and 13.79% of total liabilities, respectively, as at 31 December 2016. Savings deposits constituted 4.21% of total deposits of \$6.51 billion.

3.15 The composition of the banking sector liabilities as at 31 December 2016 is shown in the figure below.

Figure 6: Composition of the Banking Sector Liabilities



Composition of Banking Sector Liabilities

3.16 Table 8 shows the composition of liabilities in the banking sector for the period December 2012 to December 2016.

Table 8: Composition of Liabilities

LIABILITIES	Dec – 13		Dec - 14		Dec – 15		Dec -16	
	US\$		US\$		US\$		US\$	
Demand Deposits	2,152,765,909	31.93%	2,106,697,275	29.59%	2,599,789,181	33.20%	3,561,810,434	40.80%
Savings Deposits	299,770,527	4.45%	305,246,351	4.29%	328,770,808	4.20%	367,234,216	4.21%
Time Deposits/Fixed Deposits	1,165,981,621	17.30%	1,395,811,992	19.61%	1,449,471,681	18.51%	1,203,923,030	13.79%
Foreign Currency Deposits	24,521,229	0.36%	156,068,428	2.19%	16,512,809	0.21%	27,749,340	0.32%
Negotiable Certificates of Deposit	73,460,711	1.09%	101,457,693	1.43%	104,666,823	1.34%	119,948,584	1.37%
Balances With Other Banking Institutions	549,084,567	8.15%	534,502,084	7.51%	750,828,226	9.59%	885,774,889	10.15%
Liabilities in Transit	237,839	0.004%	620,867	0.01%	390,673	0.00%	1,792,750	0.02%
Foreign Liabilities	616,694,672	9.15%	525,521,407	7.38%	336,383,693	4.30%	283,123,583	3.24%

Securities and other Funding Liabilities	6,759,139	0.10%	25,476,312	0.36%	105,665,039	1.35%	96,577,804	1.11%
Capital and Reserves	845,546,643	12.54%	982,977,414	13.81%	1,163,110,349	14.85%	1,352,027,390	15.49%
Other Liabilities	480,194,100	7.12%	378,627,416	5.32%	358,982,886	4.58%	390,181,320	4.47%
Off-Balance Sheet Items – Liabilities	526,253,495	7.81%	606,342,334	8.52%	616,828,108	7.88%	438,888,081	5.03%
Total Equity & Liabilities	6,741,270,452		7,119,349,574		7,831,400,275		8,729,031,421	

3.17 The current scenario where banking institutions are predominantly funded by demand and savings deposits, which are transitory in nature, constrain the sector’s ability to fund productive activities that ordinarily require longer term funds.

CAPITALISATION

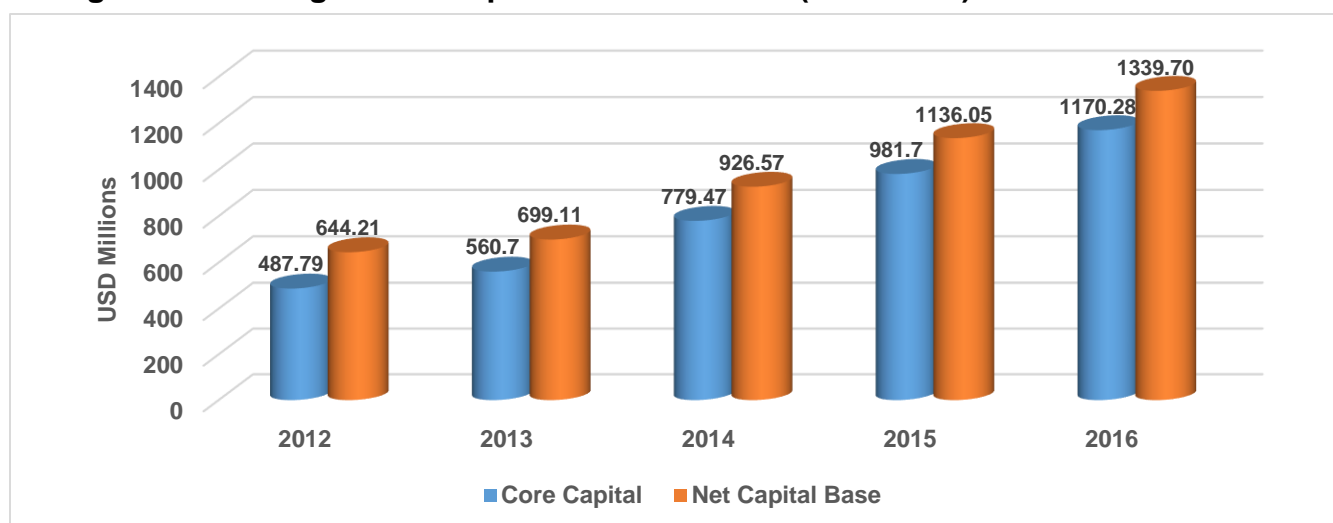
3.18 All operating banking institutions were in compliance with the prescribed minimum capital requirements as at 31 December 2016, with three (3) banking institutions already surpassing the \$100 million minimum capital requirement for the Tier 1 segment, effective 2020.

3.19 The Reserve Bank continues to monitor banking institutions’ progress towards compliance with the 2020 minimum capital requirements.

3.20 The aggregate banking sector net capital base increased by 17.93%, from \$1.14 billion as at 31 December 2015 to \$1.34 billion as at 31 December 2016, whilst the aggregate core capital position grew by 17.35%, from \$981.70 million to \$1.17 billion, during the same period. The improvement in capitalization is largely attributed to organic growth.

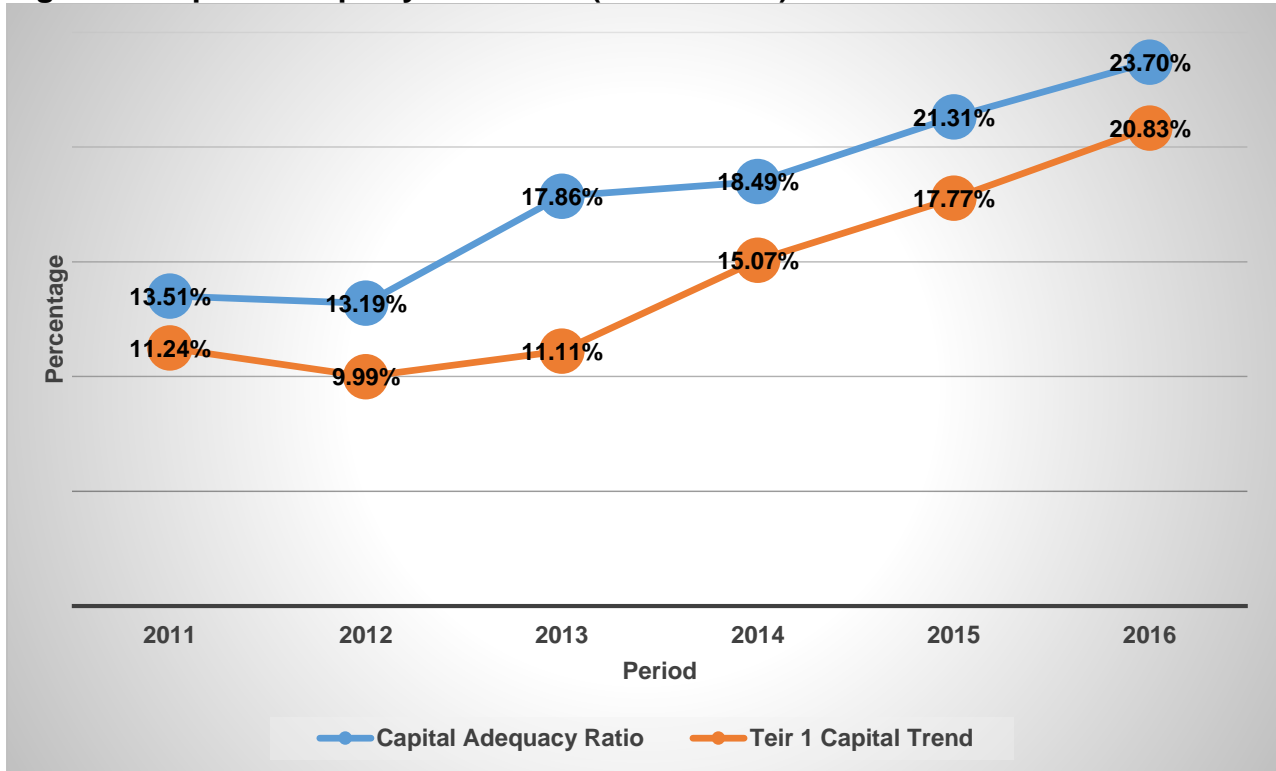
3.21 The trend in banking sector capital levels from 2012 to 2016 is shown in Figure 7.

Figure 7: Banking Sector Capitalization Levels – (2012-2016)



- 3.22 The banking sector was adequately capitalized with tier 1 and capital adequacy ratios (CAR) of 20.83% and 23.70% as at 31 December 2016, which were above stipulated minimum thresholds of 8% and 12%, respectively. The ratios were also above the 2015 levels of 17.77% and 21.31%, respectively.
- 3.23 The trend in the banking industry’s average tier 1 and capital adequacy ratios, from December 2011 to December 2016 is shown in Figure 8.

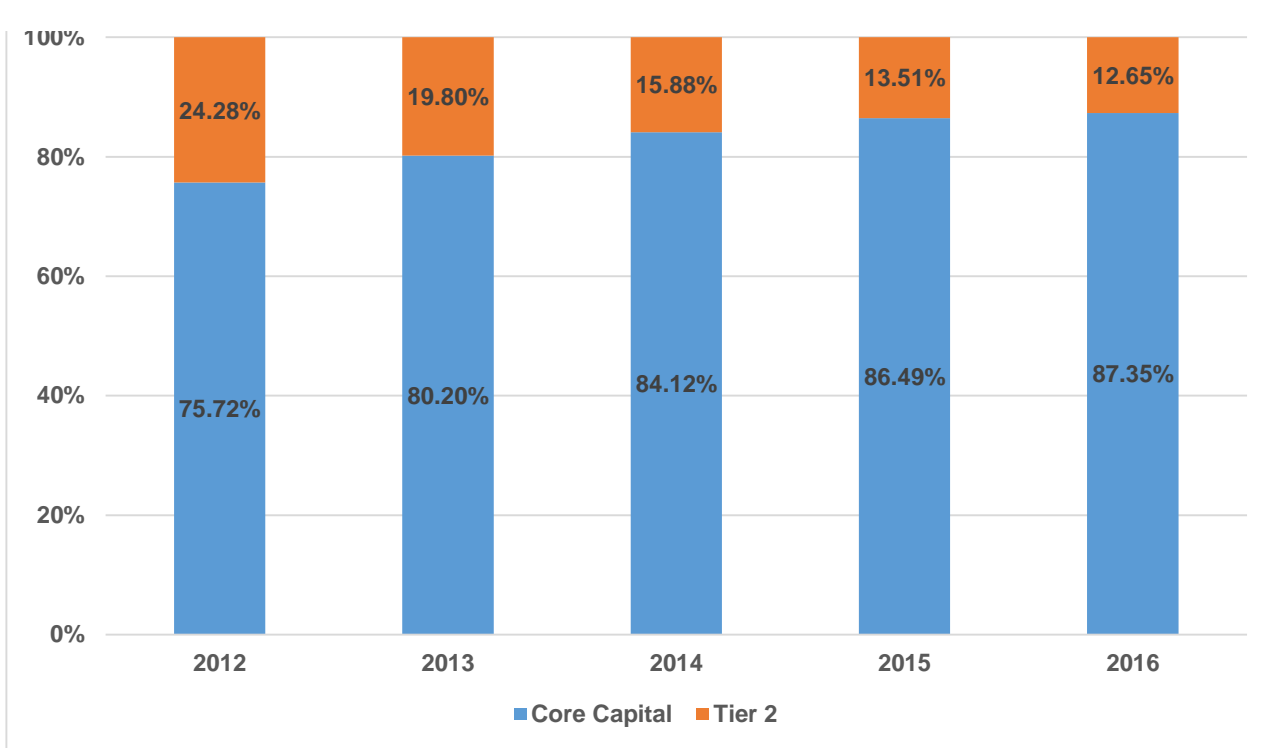
Figure 8: Capital Adequacy Indicators (2011 – 2016)



- 3.24 The progressive increase in the capital adequacy ratio since 2014 is attributed to a combination of factors including organic growth of capital, a cautious approach to lending, repositioning of balance sheets towards marketable investments.

3.25 The quality of capital was considered high as tier 1 capital constituted 87.35% of net capital base and has remained above 80% since 2013. The trend and composition of the aggregate banking sector's net capital base for the period 2012 to 2016 is shown in Figure 9.

Figure 9: Composition of Net Capital Base



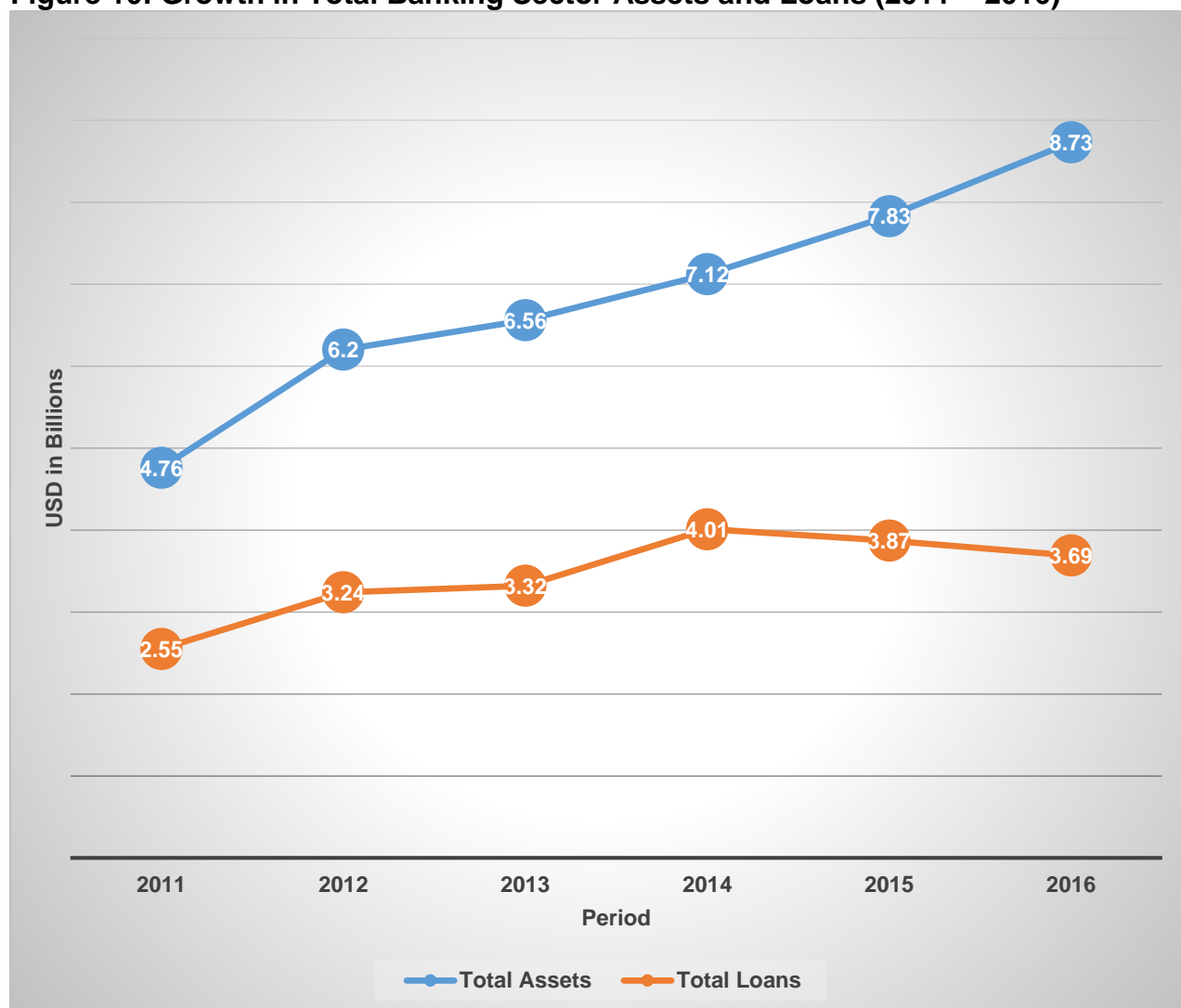
BANK LENDING AND ASSET QUALITY

3.26 Reflecting the cautious approach to lending, repositioning of balance sheets towards short-term investments, intensified collection efforts, and disposals of NPLs to ZAMCO, total banking sector gross loans & advances decreased by 4.65%, from \$3.87 billion as at 31 December 2015 to \$3.69 billion as at 31 December 2016. Resultantly, the proportion of total banking sector loans and advances to total banking sector assets decreased, from 44.64% to 39.18%.

3.27 Six (6) banking institutions with loans amounting to \$2.57 accounted for 69.78% of the total banking sector loans and advances amounting to \$3.69 billion, reflecting the continued concentration of lending in a few banks.

3.28 Figure 10 shows the trend in the growth of loans & advances for the period 2011 to 2016.

Figure 10: Growth in Total Banking Sector Assets and Loans (2011 – 2016)

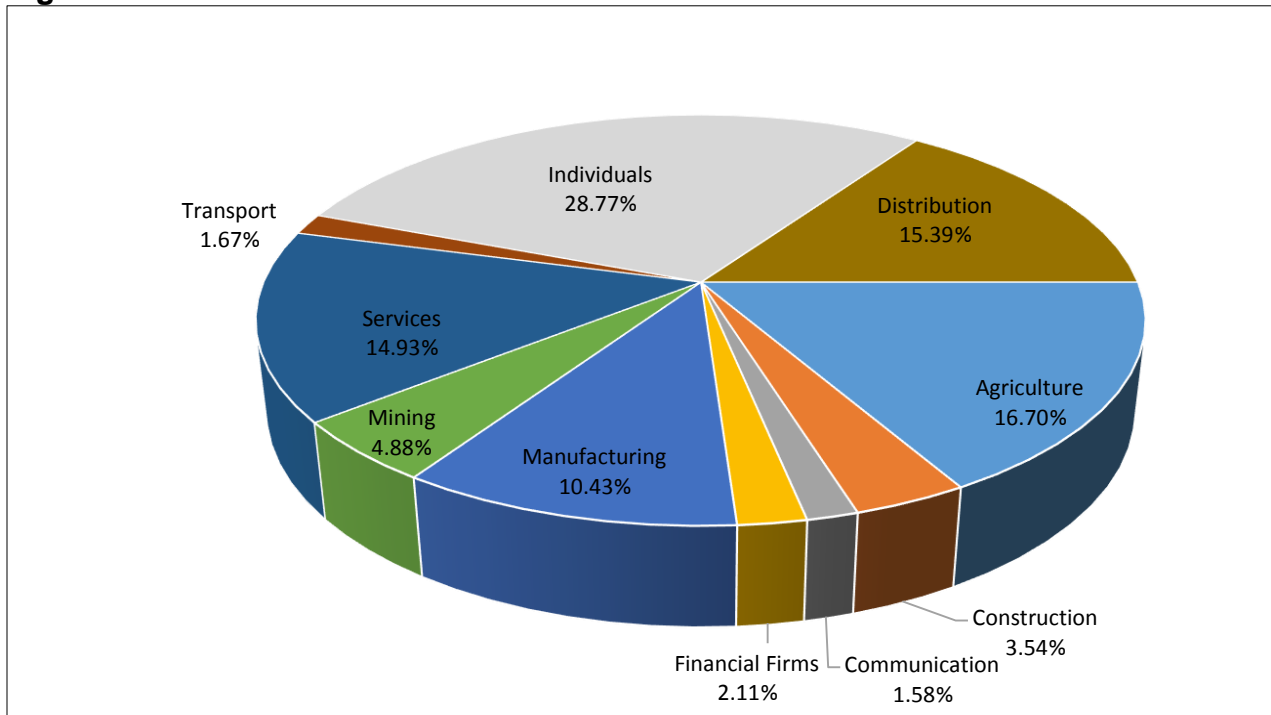


3.29 The increase in assets was largely driven by deposits that were deployed into treasury bills assets in line with cautious approach to lending and prudent liquidity risk management.

3.30 Bank lending to individuals which accounted for 21.95% of total loans includes funding that households secure from the banking sector to fund their productive activities in agriculture and other segments of the economy. Lending to manufacturing, agriculture and transport & distribution accounted for 19.84%, 13.41%, 11.33% of total loans respectively.

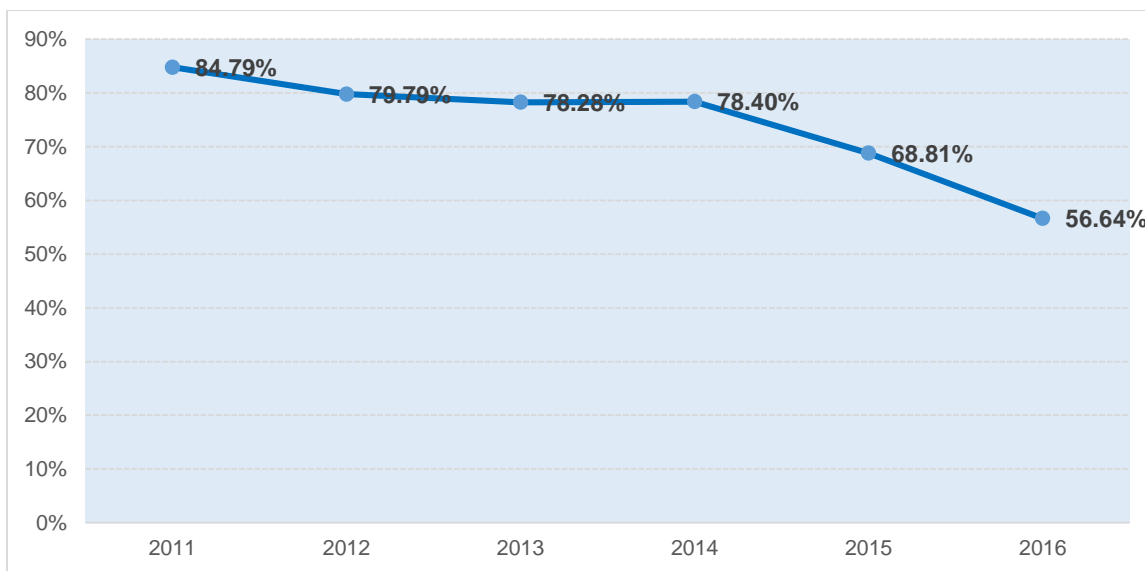
3.31 Figure 11 show the sectoral distribution of loans & advances as at 31 December 2016.

Figure 11: Sectoral Distribution of Credit



- 3.32 The loans to deposit ratio (financial intermediation ratio) decreased from 68.81% to 56.64% during the period under review, reflecting repositioning of balance sheets and reduced lending as banks focus on other forms of investments.
- 3.33 The trend in the loans to deposits ratio for the period 2011 to 2016 is indicated in the figure below.

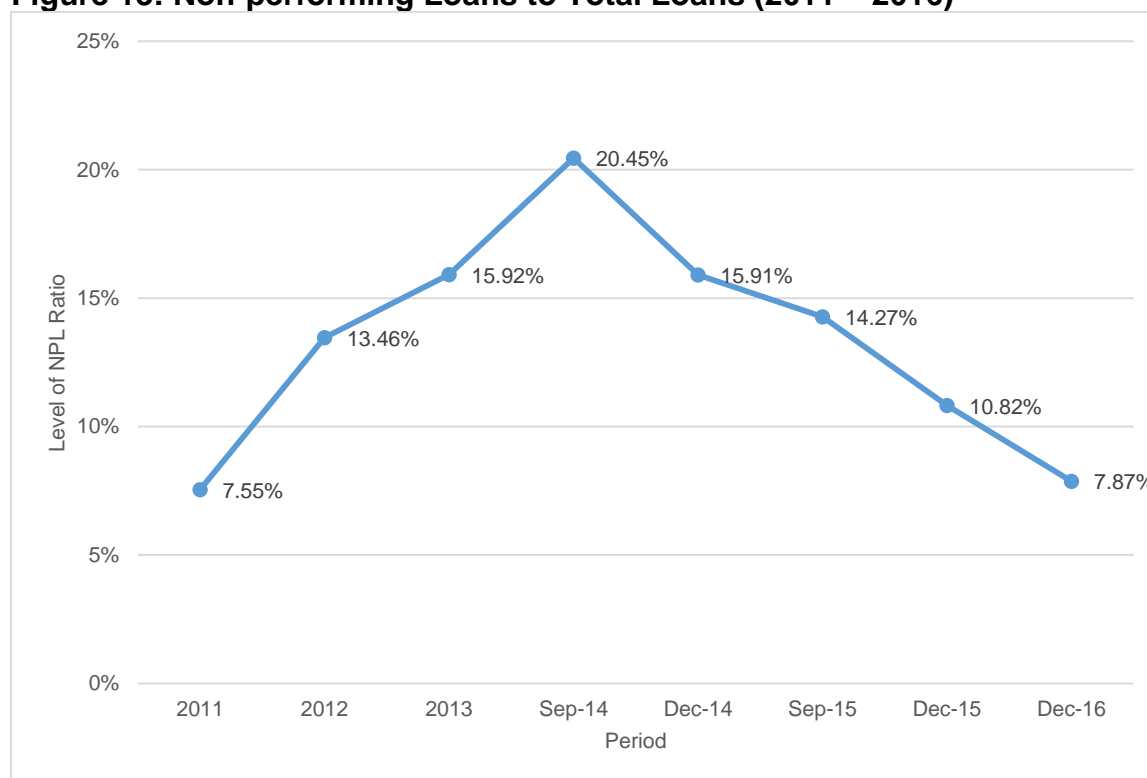
Figure 12: Trend of Loans to Deposits Ratio



Non-Performing Loans

- 3.34 The various measures instituted by Reserve Bank and banking institutions to reduce the level of non-performing loans, including enforcement of enhanced credit management practices, intensified loan collection efforts, as well as disposal of qualifying NPLs to ZAMCO contributed to the reduction in the ratio of non-performing loans to total loans from 10.82% as at 31 December 2015 to 7.87% as at 31 December 2016.
- 3.35 The trend in the ratio of non-performing loans to total loans over the period 2011 to 2016 is shown in Figure 13.

Figure 13: Non-performing Loans to Total Loans (2011 – 2016)

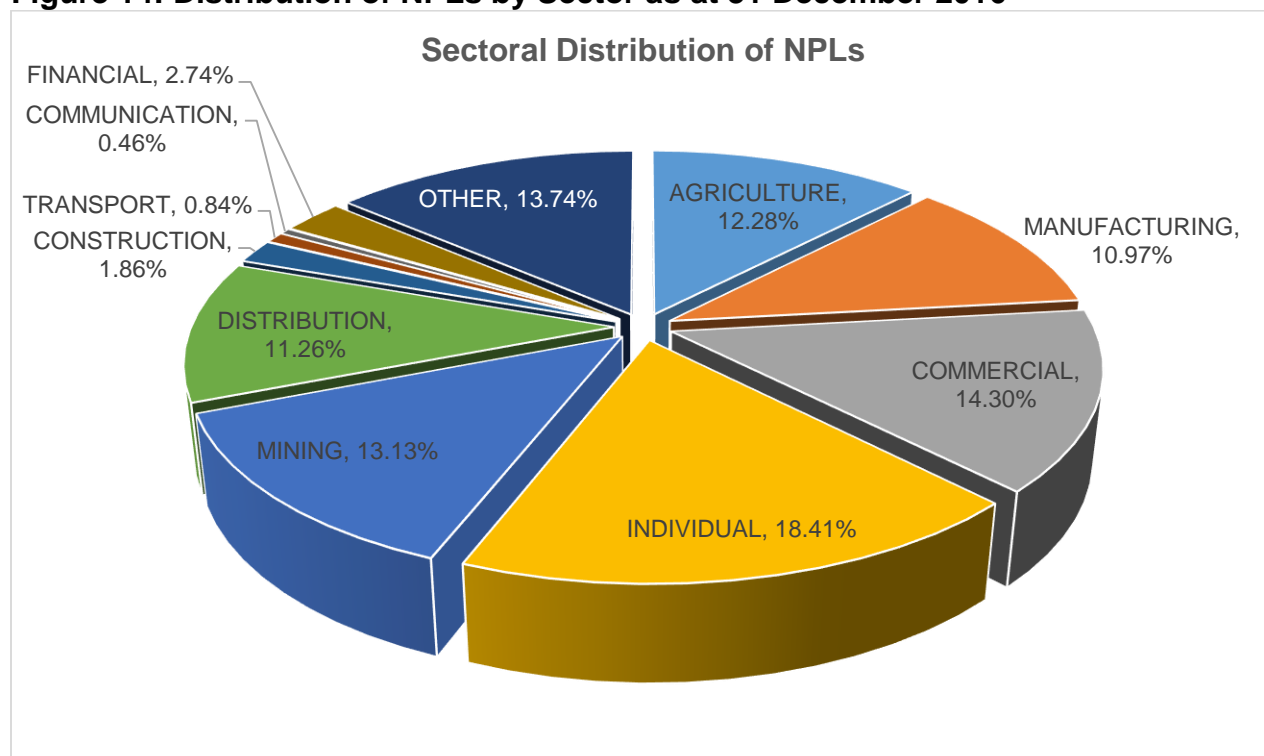


- 3.36 In the outlook period, the level of NPLs is expected to continue trending downwards on the back of enhanced credit infrastructure, including Credit Reference system and Collateral Registry, as well as, reduction in lending rates.

Sectoral Distribution of NPLs...

- 3.37 As at 31 December 2016, sectors with the largest proportions of NPLs were individuals, commercial, mining and agriculture sectors, which constituted 18.41%, 14.30%, 13.13% and 12.28% of total non-performing loans, respectively.
- 3.38 The figure below shows the sectoral distribution of NPLs.

Figure 14: Distribution of NPLs by Sector as at 31 December 2016



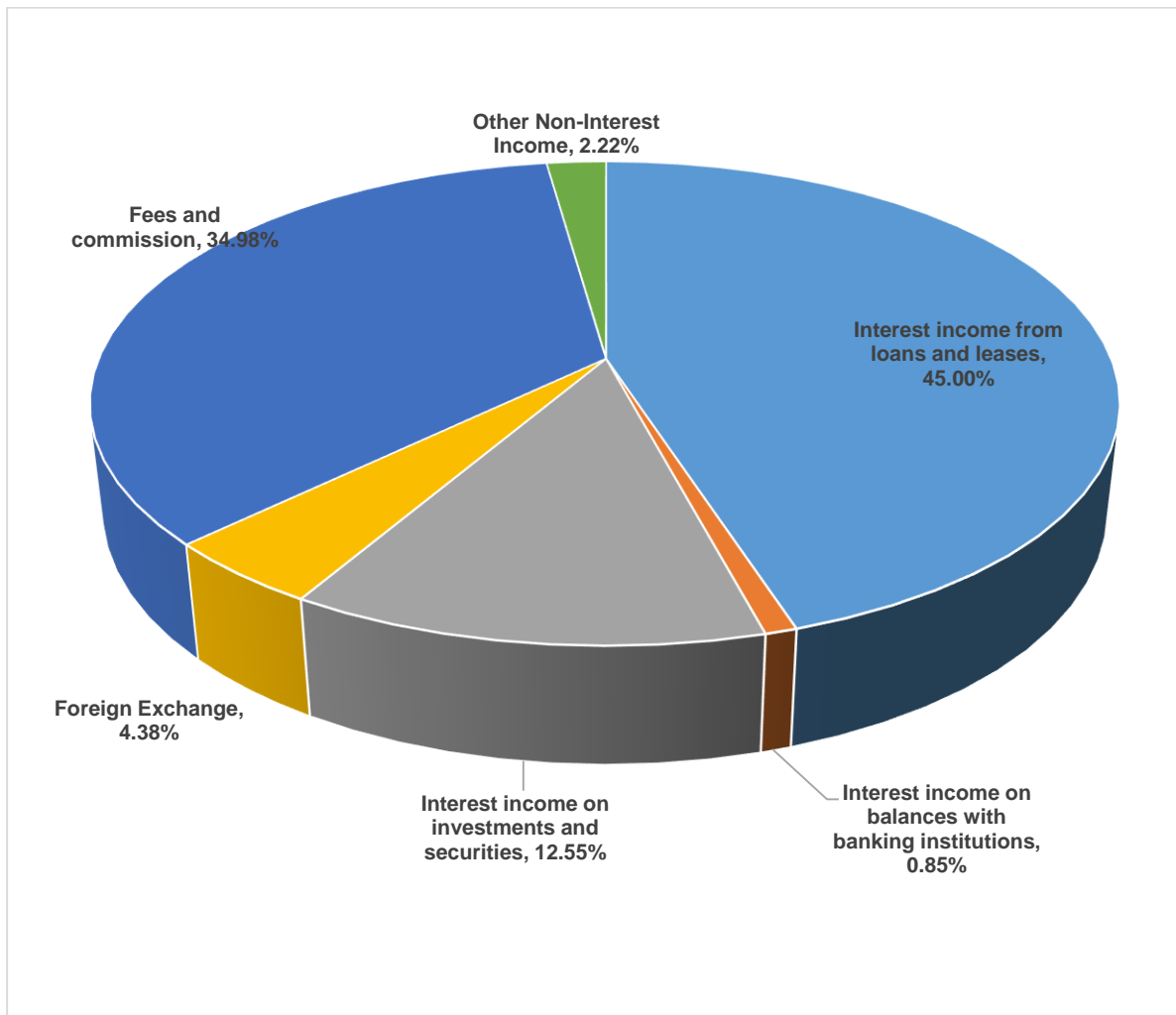
EARNINGS PERFORMANCE

- 3.39 The banking sector registered improved performance in 2016, with an aggregate net profit of \$181.06 million, up from \$127.14 million recorded for the year ended 31 December 2015. As a result of increased overall earnings, key profitability indicators, namely, return on equity and return on assets improved from 11.03% and 2.07% in 2015 to 12.64% and 2.26% in 2016, respectively.
- 3.40 All banking institutions recorded profits during the year ended 31 December 2016 except for one recently opened institution.
- 3.41 The increase in profitability was largely attributed to reduced provisions for impaired assets by 32.72% (from \$65.78 million to \$44.26 million) and higher non-interest income by 11.33% (from \$391.50 million to \$435.84 million). Offsetting the gains was a decline in net interest income (4.11%), from \$402.36 million to \$385.83 million, while operating expenses were largely unchanged at \$559.92 million.
- 3.42 The reduction in provisions for bad and doubtful debts was due to loan recoveries and write backs due to improved asset quality. The decline in net interest income, on the other hand,

was attributable to the increasingly cautious lending approach adopted by most banks, decreasing net interest margins.

3.43 The figure below highlights the distribution of banking sector income as at 31 December 2016.

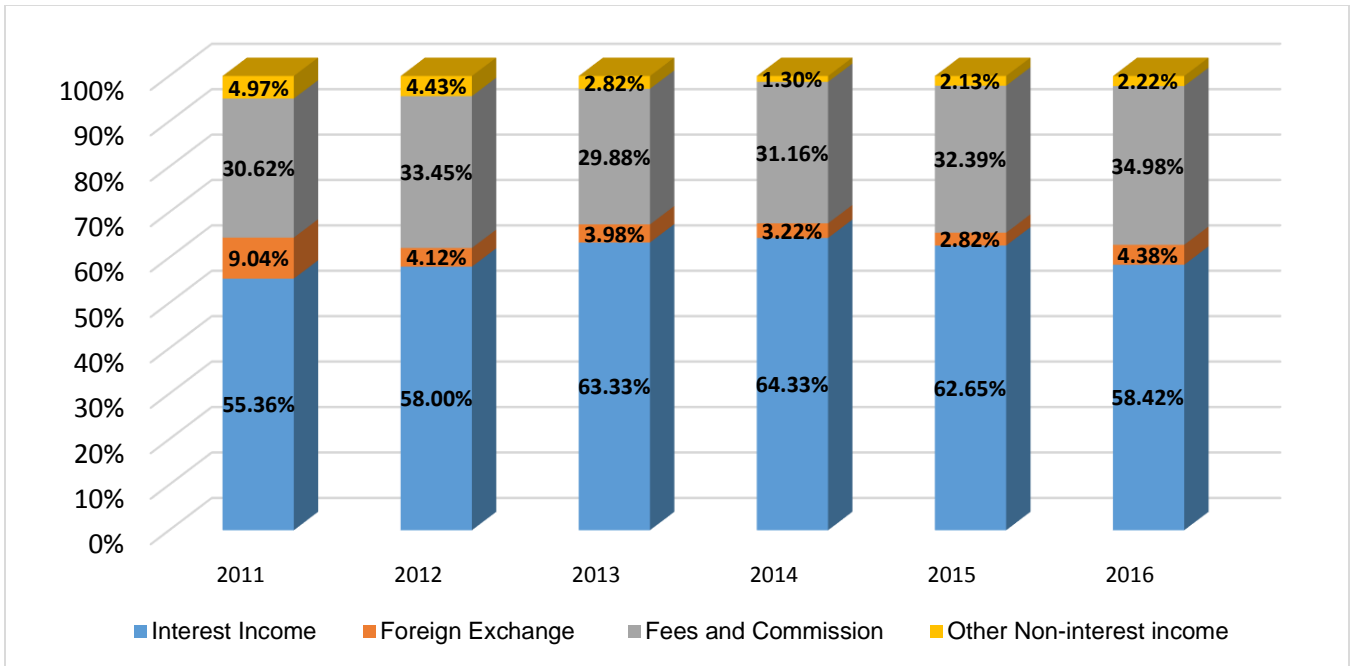
Figure 15: Distribution of Banking Sector Income



3.44 Total income for the banking sector remained stable at \$1.05 billion, with total interest income predominantly contributing 58.40% of total income.

3.45 The composition of total income is shown in the figure below.

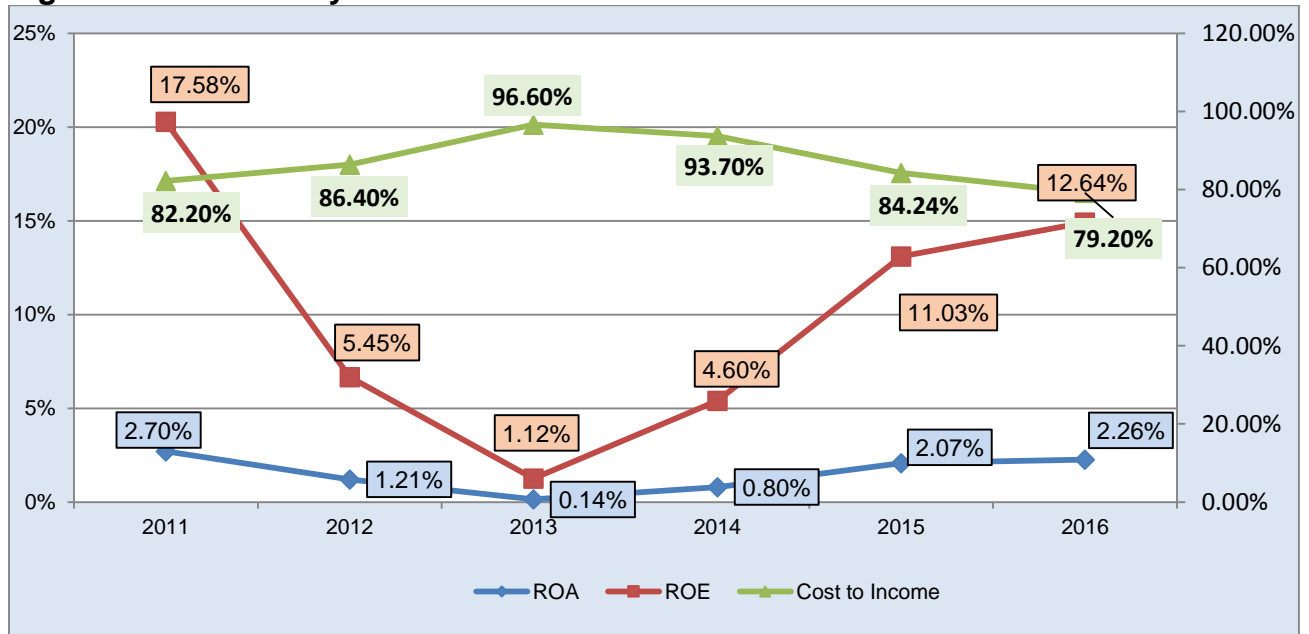
Figure 16: Composition of total income



3.46 The increase in fees and commissions was partly attributable to the rise in electronic transactions as the market embraced alternative payments methods, as well as increased transaction volumes in the light of lower cash withdrawal limits.

3.47 The trend of profitability and cost indicators for the banking sector from 2011 to December 2016 is shown below.

Figure 17: Profitability and cost indicators

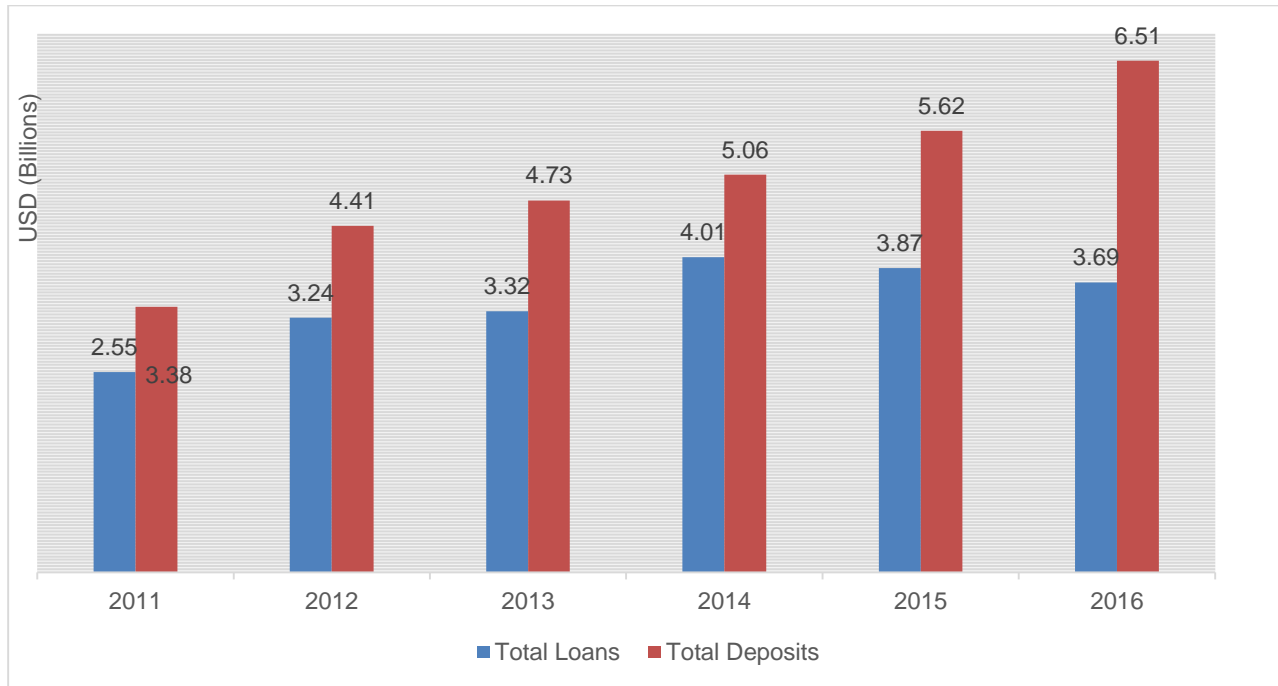


- 3.48 During the period under review, the banking sector recorded an improvement in the cost to income ratio, from 84.24% as at 31 December 2015 to 79.20% as at 31 December 2016. Salaries & employment benefits dominated total costs for banking institutions as they constituted 42.53% of total banking sector costs.
- 3.49 The improved cost to income ratio is attributed to enhanced earning capacity as well as cost realignments as part of strategic initiatives to adapt to the operating environment by some banking institutions.

LIQUIDITY & FUNDS MANAGEMENT

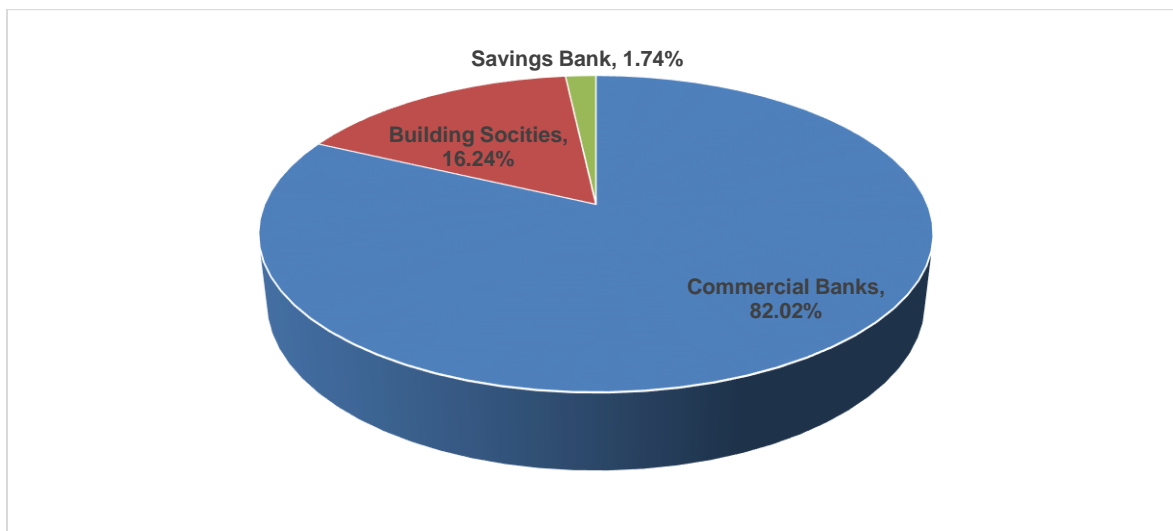
- 3.50 Overall, banking sector liquidity improved during the year under review as reflected by an increase in the average prudential liquidity ratio, from 48.09% to 61.91%. The ratio was above the stipulated minimum regulatory requirement of 30%.
- 3.51 The high average prudential liquidity ratio is largely reflective of the cautious lending approach adopted by banking institutions especially in the context of foreign currency shortages.
- 3.52 Notwithstanding the high average prudential liquidity ratios recorded across the sector, the banking industry continued to experience underlying shortages of physical cash. The increased demand for cash and the resultant cash constraints are largely a manifestation of the structural challenges confronting the economy including high fiscal recurrent expenditure and constrained exports.
- 3.53 To ameliorate the cash challenges, the Reserve Bank implemented a raft of measures during 2016 including withdrawal limits in line with global practice; enhanced use of electronic systems and promoting consumer education and awareness on the same.
- 3.54 Banking sector total deposits increased by 13.67%, from \$5.62 billion as at 31 December 2015 to \$6.51 billion as at 31 December 2016. The figure below shows the trends in banking sector deposits for the period December 2009 to December 2016.

Figure 18: Trend in Banking Sector Deposits



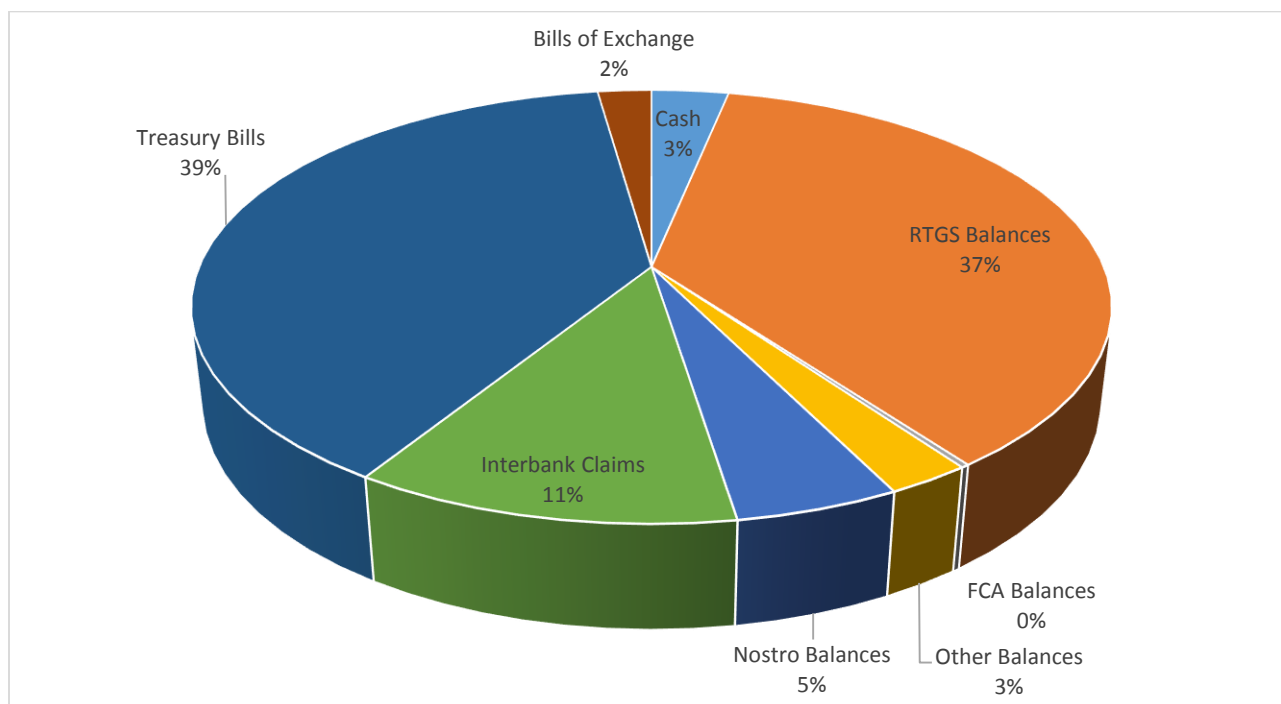
3.55 The commercial banking sub-sector deposits amounting to \$5.34 billion accounted for 82.02% of the banking sector deposits as at 31 December 2016. Figure 19 below shows the distribution of the banking sector deposits as at 31 December 2016.

Figure 19: Deposit Distribution per Banking Class



3.56 Banking sector liquid assets amounted to \$3.71 billion as at 31 December 2016 and comprised treasury bills(39%), RTGS balances (37%) and interbank claims (11%) as shown below:

Figure 20: Liquid Assets as at 31 December 2016



SENSITIVITY TO MARKET RISK

- 3.57 The banking sector’s exposure to market risk remained low during the quarter under review as exposure to interest rate risk remains predominantly in the banking book.
- 3.58 As at 31 December 2016 the banking sector had an asset sensitive book with interest sensitivity ratios of 125.29%, 126.32% and 138.40% in the 3, 6, and 12 months’ time bands, respectively.
- 3.59 Stress tests results using the Reserve Bank methodology indicate that the banking sector is resilient to interest rate shocks as a 5% increase in interest rates will result in marginal decrease of the sector’s capital adequacy ratio to 23.17% from 23.71% with the ratio remaining above the regulatory minimum of 12%.
- 3.60 Foreign exchange rate risk was low as most banking institutions were not undertaking proprietary trading positions, while client transactions were mainly currency switches. The banking sector had an overall positive net foreign exchange open position of \$219.27 million as at 31 December 2016 which constituted 16.34% of the banking sector capital and was in compliance with the regulatory limit of 20%.
- 3.61 All banking institutions were resilient to a major level foreign exchange rate risk shock of a

15% appreciation of the US dollar against major currencies.

SECTORAL ANALYSIS

Commercial Banks...

3.62 The commercial banking sub-sector continues to lead the banking sector in terms of numbers, total assets, total loans and advances.

Total Assets

3.63 The commercial banking sub-sector's assets increased by 12.58%, from \$6.28 billion to \$7.07 billion during the year ended 31 December 2016. Loans & advances and securities & investments were the major components of total assets as they constituted 36.07% and 22.21% of the sub-sector's total assets.

3.64 As at 31 December 2016, the sub-sector accounted for 80.97% of the total banking sector assets of \$8.73 billion.

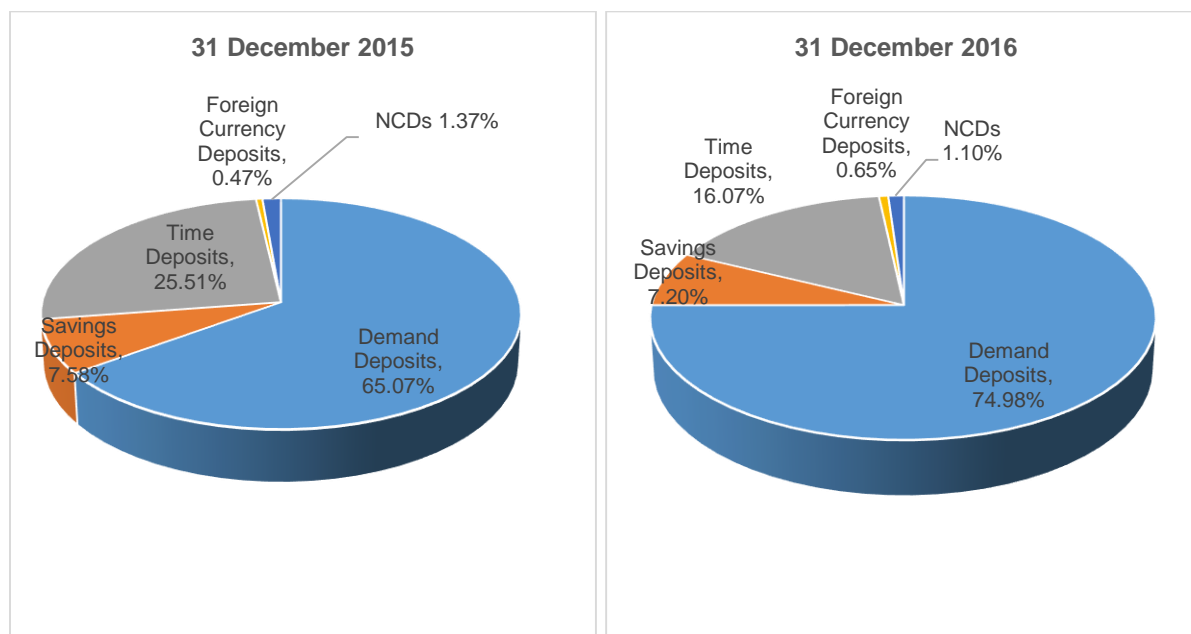
Liabilities

3.65 The sub-sector's liabilities (including capital) amounted to \$7.07 billion, and were largely dominated by deposits, which accounted for 60.63% of the total sub-sector liabilities.

3.66 Total deposits in the sub-sector amounted to \$4.28 billion, up from \$3.52 billion, an increase of 21.59%.

3.67 Commercial banks' deposits mainly comprised demand deposits amounting to \$3.36 billion and constituted 74.98% of total deposits. Reliance on this source of funding increased during the review period as shown in figure 21.

Figure 21: Distribution of Commercial Bank Deposits



3.68 The loans to deposit ratio for the sub-sector decreased from 84.71% as at 31 December 2015 to 59.63% as at 31 December 2016, reflective of the slowdown in lending by banking institutions, coupled with a growth in deposits.

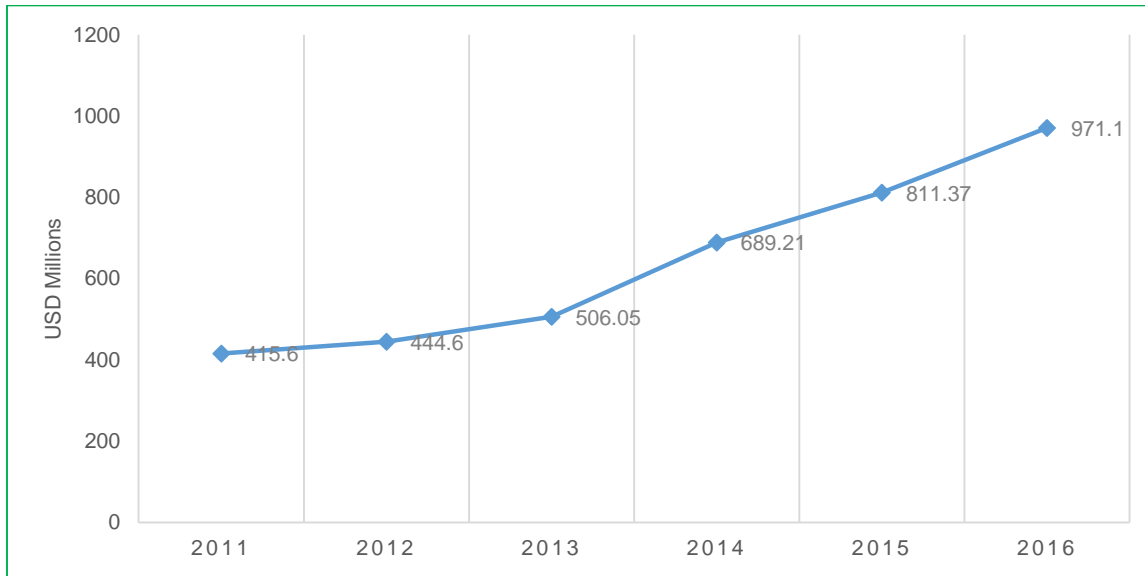
Capital Adequacy

3.69 The net capital base increased by 19.69%, from \$811.37 million to \$971.1 million. The increase was largely attributed to organic growth as all banks made profit during the year under review.

3.70 The sub-sector reported an average capital adequacy ratio of 23.71% as at 31 December 2016, which was above the minimum required capital adequacy ratio of 12%.

3.71 The growth in the net capital base of the sub-sector since 2011 is shown in Figure 22.

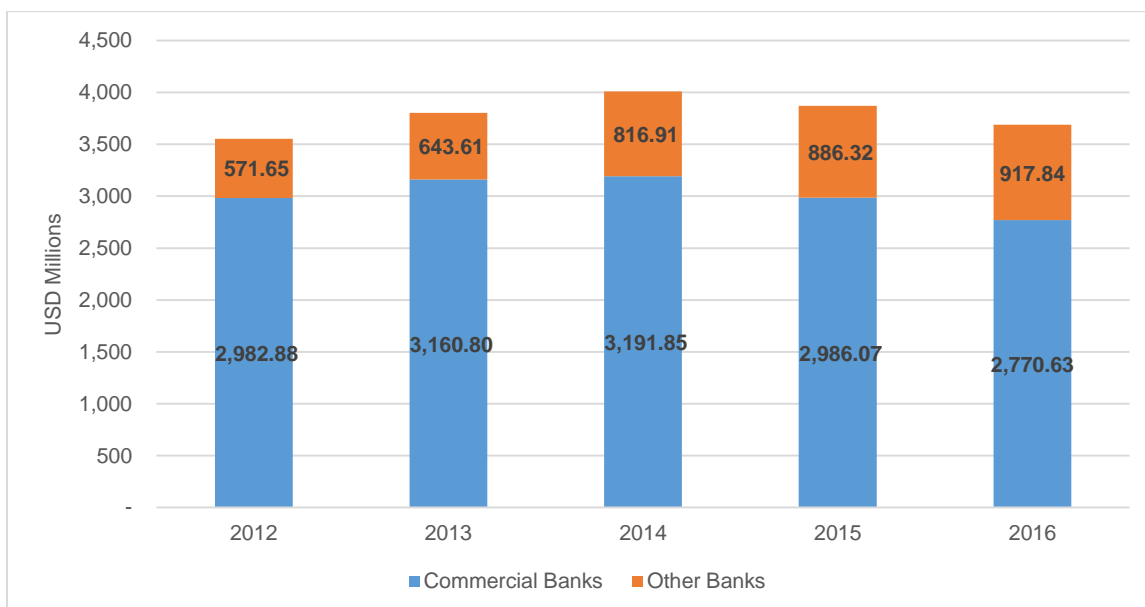
Figure 22: Commercial Banks' Net Capital Base 2011 to 2016



Asset Quality

- 3.72 The total loans and advances for the sub-sector decreased by 7.36%, from \$2.99 billion to \$2.77 billion during the year ended 31 December 2016. The commercial bank sub-sector loans accounted for 75.12% of total banking sector loans as at 31 December 2016.
- 3.73 Figure 23 illustrates the dominance of the commercial banking sub-sector in terms of total loans & advances for the period 2012 to 2016.

Figure 23: Commercial Bank Loans to Total Banking Sector Loans



3.74 The ratio of adversely classified loans to total loans for the sub-sector decreased to 8.00% as at 31 December 2016, from 11.98% as at 31 December 2015, reflecting an improvement of asset quality within the sub-sector.

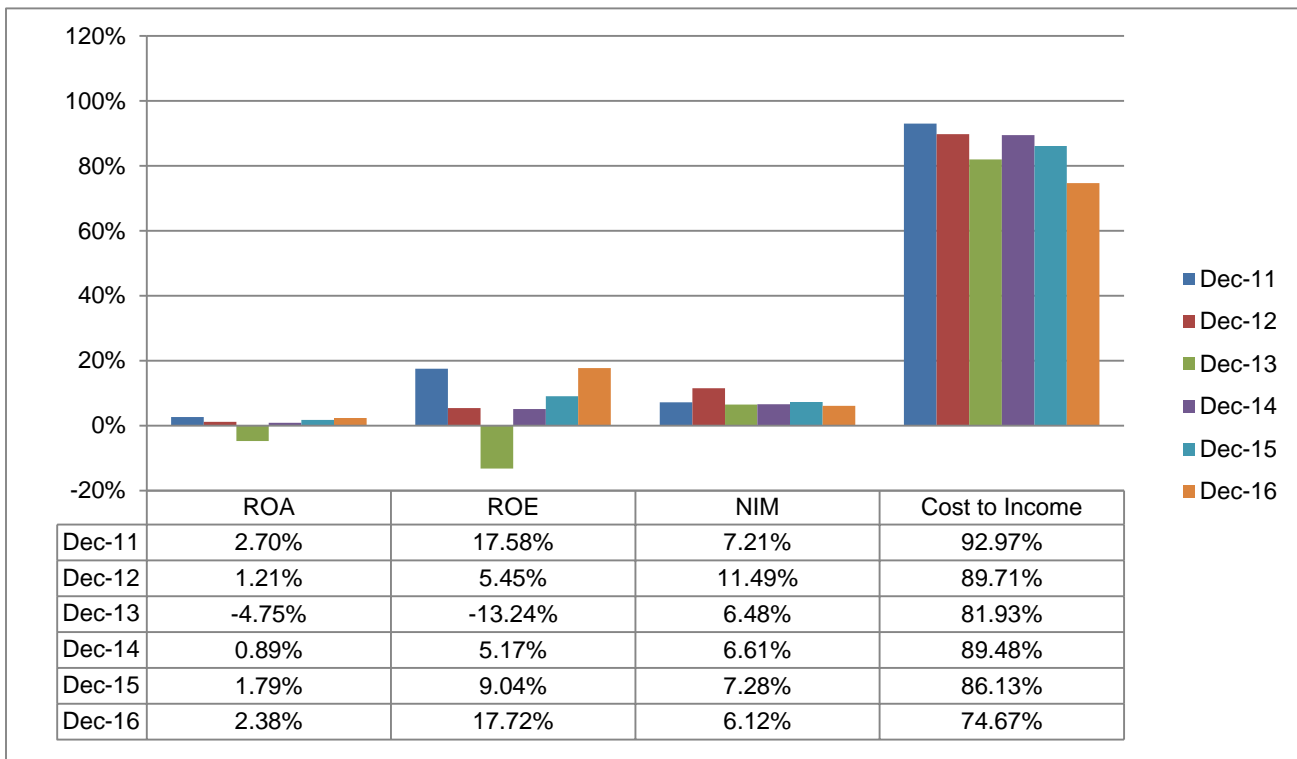
Earnings

3.75 The commercial banking sub sector recorded an average profit for the year ended 31 December 2016 of \$122.79 million, up from \$75.01 million recorded in the corresponding period in 2015, an increase of 63.70%. The increase translated to improved average return on assets, return on equity and cost to income ratio from 2.26%, 12.64% and 86.13%, to 2.38%, 17.72% and 74.67%, respectively.

3.76 The increase in profitability was largely driven by lower loan loss provisions in line with improving asset quality, lower interest expenses, as well as continued realignment of cost structures at most institutions. Cost realignments were mainly in the form of staff rationalization, product and technology driven innovation and business model reconfigurations.

3.77 Key profitability indicators for the period 2011 to 2016 are shown in Figure 24.

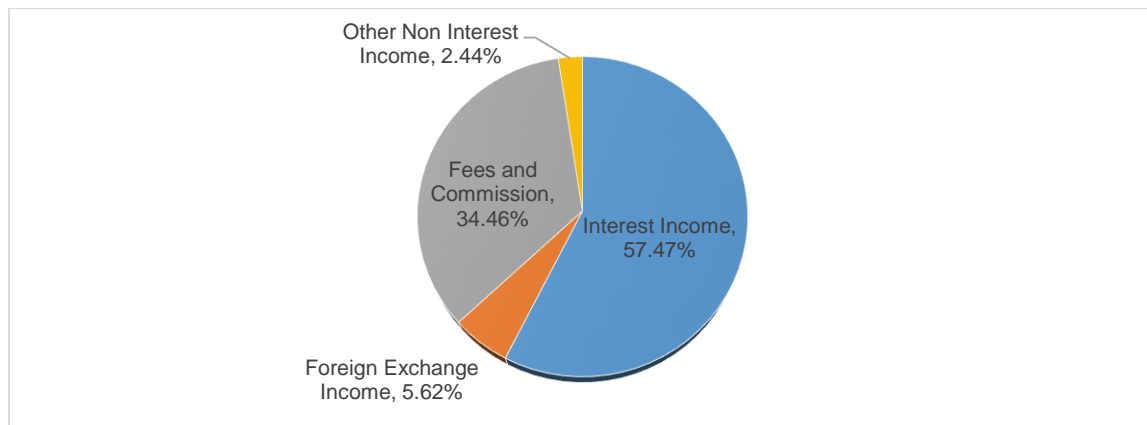
Figure 24: Commercial Banks Key Earnings Indicators – 2011 to 2016



3.78 The sub sector’s income was mainly driven by interest income and fees & commissions, which contributed 57.47% and 34.46% of total income, respectively. This was an indication that notwithstanding curtailment of lending, the sector still derives the bulk of its income from the core business of lending.

3.79 The income mix for the sub-sector for the period ended 31 December 2016 is shown in Figure 25.

Figure 25: Income Mix for the Commercial Banking Sector



- 3.80 Total costs for the sector amounted to \$610.66 million for the year ended 31 December 2016. The major cost drivers were administrative, salaries & employment benefits, and interest expenses which accounted for 34.63%, 31.10% and 30.92%, respectively.

Liquidity and Funds Management...

- 3.81 Commercial bank deposits increased by 18.14% from \$4.52 billion as at 31 December 2015 to \$5.34 billion as at 31 December 2016. As at 31 December 2016, commercial banks accounted for 82.18% of the total deposits
- 3.82 As at 31 December 2016, 12 out of 13 commercial banks were in compliance with the minimum prudential liquidity of 30%.

Analysis of Condition and Performance of Building Societies...

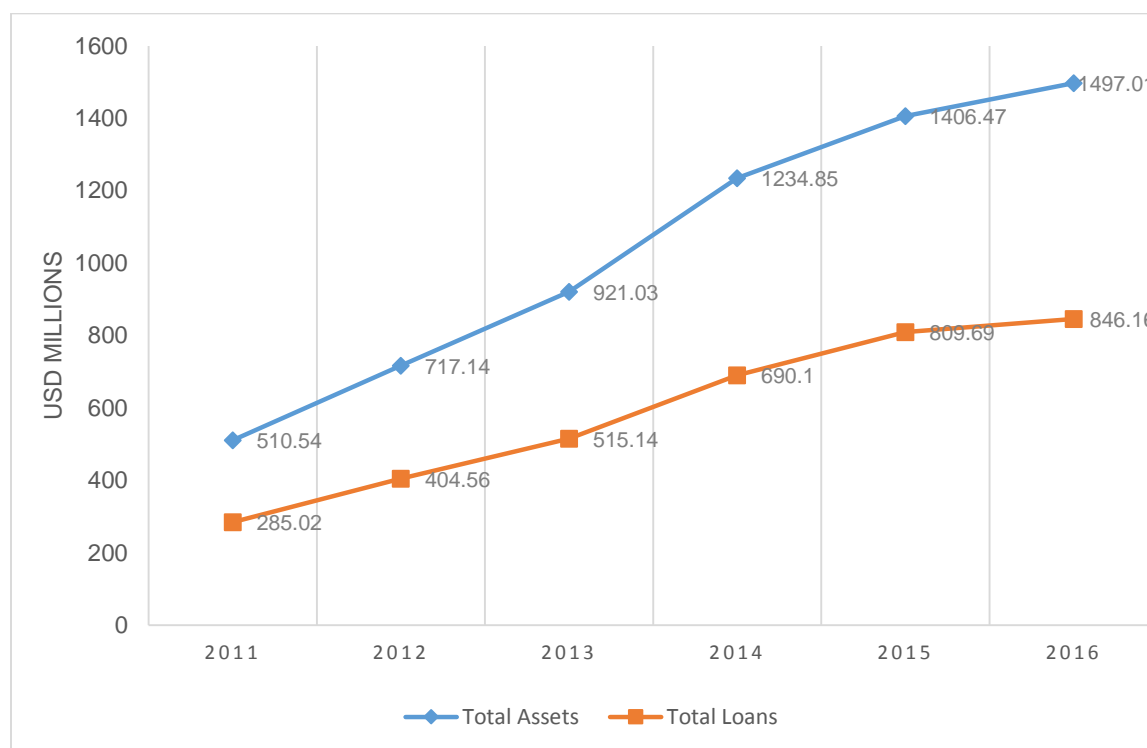
- 3.83 As at 31 December 2016, the number of building societies increased from four to five with the entry of National Building Society (NBS) which was authorised to commence operations on 27 April 2016.
- 3.84 As at 31 December 2016 building societies' total assets, deposits and loans accounted for 17.15%, 16.24% and 22.94% of total banking sector assets, deposits and loans, respectively.
- 3.85 The sector was dominated by one building society in terms of assets, deposits and loans with One (1) institution accounting for over 70% of market share in the building society sub-sector, in terms of assets, deposits and loans.

Balance Sheet Composition

Total Assets

- 3.86 Total assets for the sub-sector increased by 6.44%, from \$1.41 billion to \$1.50 billion during the year ended 31 December 2016. The growth was largely accounted for by an increase in the sub-sector total loans.
- 3.87 The graph below shows the growth trends in total assets and total loans for the sub-sector for the period 2011 to 2016

Figure 26: Building Societies' Loans and Assets



Capital Adequacy

- 3.88 As at 31 December 2016 the aggregate net capital base for the sub-sector was \$327.07 million, up from \$281.55 million as at 31 December 2015, representing an increase of 16.91%.
- 3.89 The building societies sub-sector's reported average Tier 1 and capital adequacy ratios of 29.22% and 29.97%, respectively, which were above the regulatory minimum of 8% and 12%, respectively.

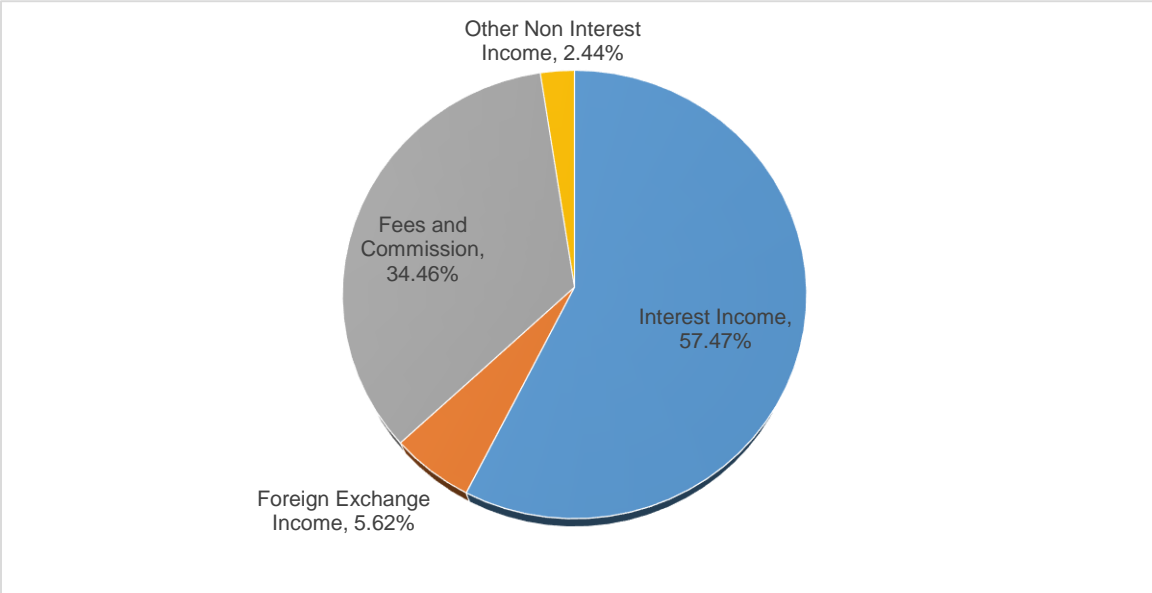
Asset Quality

- 3.90 In contrast to the commercial bank sub-sector, building societies' total loans continued on an upward trajectory, increasing by 4.5% to \$846.16 million as at 31 December 2016, from \$809.69 million as at 31 December 2015.
- 3.91 The ratio of non-performing loans to total loans for the building society sub-sector however, increased marginally, from 6.57% as at 31 December 2015 to 6.81% as at 31 December 2016.

Earnings

- 3.92 Four out of the five building societies recorded profits, resulting in a 20.38% increase in aggregate net profit to \$48.20 million for the year ended 31 December 2016 compared to \$40.04 million recorded in the corresponding period in 2015.
- 3.93 The sector derived the bulk of its income from core business of lending, i.e. interest income from loans & advances, which accounted for 57.47% of total income.
- 3.94 Figure 27 indicates the income mix for the sub-sector.

Figure 27: Income Mix for the Year ended 31 December 2016



Liquidity and Funds Management

- 3.95 Total deposits for the building society sub-sector increased by 6% from \$1 billion to \$1.06 billion during the year ended 31 December 2016.
- 3.96 As at 31 December 2016 time and demand deposits accounted for 62.03% and 27.71% of total deposits for the sub-sector, respectively.
- 3.97 The average prudential liquidity ratio for the sub-sector was 42.40%.

CHAPTER 4: LEGAL & REGULATORY DEVELOPMENTS

Introduction

- 4.1 The financial system legal and regulatory architecture of a country has a significant bearing on the promotion of public and investor confidence in the banking system, thereby enhancing the safety and soundness of the banking system. Legislative and regulatory amendments are essential in order to address gaps in existing laws as well as keep abreast with the ever evolving international best practice.
- 4.2 A number of legal enhancements and new frameworks were introduced in 2016 to augment the existing legal and regulatory framework. These include the promulgation of the Banking Amendment Act, No. 12 of 2015,

Banking Amendment Act, No. 12 of 2015

- 4.3 The Banking Amendment Act, No.12 of 2015 was promulgated on 13 May 2016. The Amendment Act seeks to enhance financial sector stability and boost market confidence by addressing gaps that existed in the regulatory framework and enhancing the credit infrastructure.
- 4.4 The provisions of the Banking Amendment Act, covers a comprehensive troubled bank resolution framework, enhances consumer protection and corporate governance and risk management within banking institutions. The key provisions of the Amendment Act are summarized in the table below:

Table 9: Changes in the Banking Amendment Act

Subject of Change	Changes
Corporate governance framework	<ul style="list-style-type: none">Banking institutions are required to put in place a robust corporate governance framework incorporating accountability, balance of stakeholder interests, disclosure of interests and compliance with the laws.Mandatory set-up of a Board Risk Committee and enhanced role of internal control functions such as compliance and internal audit.
Fitness & Probity Assessments	<ul style="list-style-type: none">Enhanced fitness and probity assessment framework of proposed directors and principal officers of banking institutions.

Subject of Change	Changes
Directors' Tenure of Office	<ul style="list-style-type: none"> ▪ Limit of tenor for non-executives directors to 10 years as a director of a banking institution.
Statutory Duties of Directors	<ul style="list-style-type: none"> ▪ Increased accountability of directors for their actions whilst in office.
Consumer Protection	<ul style="list-style-type: none"> ▪ The amendments provide for consumer protection covering disclosure of information, transparency (interest rates, financial statements and bank charges). ▪ Banking institutions can no longer unilaterally change interest rates without giving notice to the customers. ▪ Banks are now required to maintain a comprehensive dispute resolution framework to deal with customer complaints.
Registration & supervision of controlling companies	<ul style="list-style-type: none"> ▪ The amendments provide for registration and supervision of controlling companies and associates by the Central Bank.
Credit Registry	<ul style="list-style-type: none"> ▪ The amendment empowers the RBZ to set up a credit registry, requiring specified institutions to submit credit information to the Credit Registry. ▪ The Reserve Bank is empowered to license and supervise private credit bureaus.

- 4.5 Following promulgation of the Banking Amendment Act, the Reserve Bank trained directors of banking institutions in order to ensure awareness and understanding of the new requirements throughout the sector.
- 4.6 Section 3 of the Banking Act was revoked to apply to IDBZ which empowers the Reserve Bank to apply provisions of the Banking Act to facilitate supervision.
- 4.7 In terms of supervisory expectations and benchmarks for 2017, the Reserve Bank expects to see banking institutions adopting a more stringent risk-based approach towards compliance risk management and expect compliance monitoring tools to become more enhanced, with the adoption of technology and compliance risk management softwares. The Reserve Bank noted that some of the banking institutions have already taken steps in this direction.

Movable Property Security Interests Bill

- 4.8 The Movable Property Security Interests Bill provides for the establishment of a Registry whose purpose is to facilitate commerce, industry and other socio-economic activities by enabling individuals and businesses to utilise their movable property as collateral for credit. Included in the functions of the Registry would be maintaining databases of relevant information on debtors and secured creditors identified in registered notices and maintaining

databases of movable property subject to registered security interests.

Prudential Standards on Agent Banking

- 4.9 During the period under review, the Reserve Bank issued Prudential Standards on Agent Banking which provide minimum standards to banking institutions for the establishment of agency banking arrangements. In addition, draft Prudential Standards on Consumer Protection were issued to the market for comments.

CHAPTER 5: CONSUMER EDUCATION AND CONSUMER PROTECTION ISSUES

- 5.1 Consumer protection promotes consumers' trust and confidence in the financial system. The provisions of the Banking Amendment Act 2015 significantly strengthened the legal framework for financial consumer protection. Detailed consumer protection standards will be issued in 2017 to provide further guidance to the providers of financial services following which the Reserve Bank will be enhancing its market conduct supervision activities.
- 5.2 Financial literacy and capability is another important element in the implementation of national financial inclusion initiatives, which promotes informed decision making by consumers and responsible access to financial services.

MARKET CONDUCT

- 5.3 As part of the on-going efforts to promote financial inclusion and to ensure that banking products and services are affordable to the banking public, in June 2016, the Reserve Bank in collaboration with the Bankers Association of Zimbabwe and payment systems providers reduced electronic transaction charges.
- 5.4 Further, on 12 December 2016, the Reserve Bank reviewed cash withdrawal charges downwards through the adoption of a proportional pricing model, which replaced the fixed charges approach. The applicable charges for cash withdrawal was reviewed to a maximum of 1% and 1.25% of amount withdrawn for ATM and over-the counter, respectively.
- 5.5 In December 2016, interest rates for productive sectors were reduced to an effective rate of 15% per annum for banking institutions. The Reserve Bank has also promoted opening of low cost accounts. The number of low cost accounts opened in 2016 increased by 414.10% from 229,264 as at 31 March 2016 to 1,230,057 as at 31 December 2016.

COMPLAINTS HANDLING

The Reserve Bank will continue to closely monitor timeous resolution of complaints filed by customers of banking and microfinance institutions. Complaints received from the banking sector customers mainly emanated from delayed implementation of interest rate and charges guidelines announced by the Reserve Bank. The delays were in some cases attributable to reconfiguration of the ICT system to effect the new interest rates. It is noteworthy that overall,

banking institutions' core banking systems were upgraded and have capacity to support their operations.

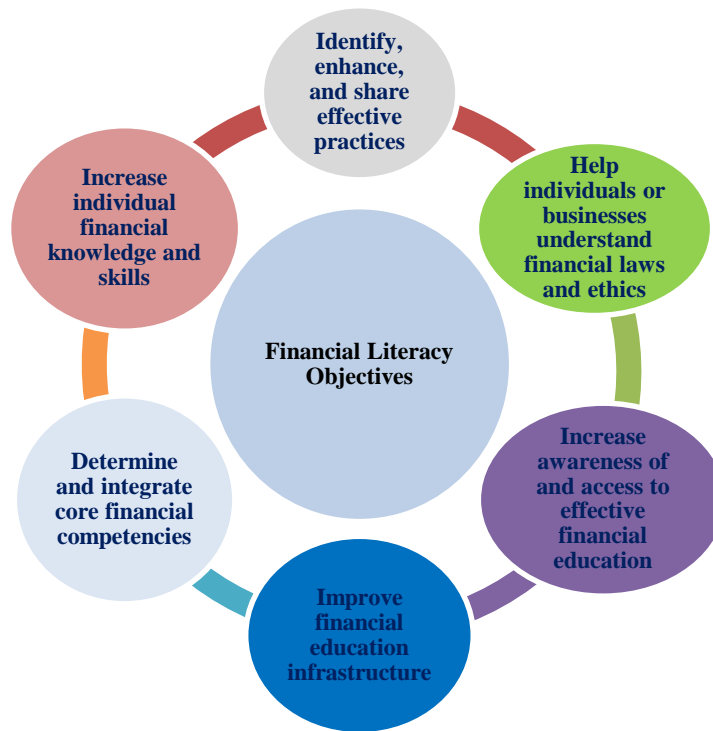
- 5.6 During the year, the Reserve Bank received complaints from microfinance customers relating to over-deductions of loan repayments by microfinance institutions, inadequate assessment of the creditworthiness of MFI borrowers and lack of understanding of the terms and conditions of the loan contracts.
- 5.7 The Reserve Bank continues to monitor compliance to the **Banking Act [Chapter 24:20]**, Banking Regulations, Microfinance Core Client Protection Principles (CCPPs) and the **Microfinance Act [Chapter 24:29]** on an ongoing basis which has resulted in enhanced business ethics by players in the market.

FINANCIAL LITERACY

- 5.8 Financial literacy has emerged as a focus area for policy makers, particularly in the aftermath of the global financial crisis of 2008/09, wherein it became apparent that lack of financial literacy was one of the factors contributing to ill-informed financial decisions.
- 5.9 Financial literacy enables consumers to acquire knowledge, skills, attitude and behavior to make informed choices, be aware of financial opportunities, in line with their circumstances and take effective action to improve welfare.
- 5.10 There is general consensus that the inculcation of financial literacy concepts, including in the early stages of childhood development, is fundamental in building high financial literacy levels in the economy.
- 5.11 Financial literacy is key in promoting financial inclusion. It facilitates responsible access to financial services particularly by vulnerable groups in society. In this regard, Financial Literacy was identified as one of the four Pillars of the National Financial Inclusion Strategy launched by the Minister of Finance and Economic Development in March 2016.
- 5.12 The 2014 World Bank Consumer Protection and Financial Literacy Review identified low financial literacy levels notwithstanding high general literacy levels.
- 5.13 During the year 2016, the Reserve Bank of Zimbabwe commenced various initiatives geared towards formulation of a Financial Literacy Framework that will invariably pave way for the implementation of structured financial literacy programs aimed at increasing financial capability levels in the country.

- 5.14 A thematic working group on financial literacy was constituted as part of implementation of the NFIS to coordinate and spearhead financial literacy and consumer protection initiatives.
- 5.15 Financial literacy concepts will be embedded in the schools and colleges education curricula at an early stage of childhood development.
- 5.16 The figure below indicates the objectives of the Financial literacy framework

Figure 28: Objectives of the Financial Literacy Framework



Source: Reserve Bank

Financial Literacy Pillars

- 5.17 Financial literacy is defined as “a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”¹.
- 5.18 the objectives of financial literacy will be anchored on the six supportive pillars, indicated in the figure below

1 The Organisation for Economic Co-operation and Development (OECD)

Figure 29: Financial Literacy Pillars

FINANCIAL LITERACY PILLARS					
POLICY & PROGRAM DEVELOPMENT	DELIVERY CHANNELS & COMMUNICATIONS	EDUCATION	COORDINATION / STRATEGIC PARTNERSHIPS	MONITORING & EVALUATION	RESEARCH
Product Transparency	Delivery Channels	Public & Private Institutions Roles	Public & Private Partnerships	Program Evaluation	Evidence-Based Proposals
Consumer Complaints Handling	Education Pathways	Core Financial Competencies	Information Sharing		
Mediation		Influencing Behavioural Change			
Consumer Education					

CONSUMER PROTECTION

- 5.19 Consumer protection is an important pillar in the implementation of the National Financial Inclusion Strategy, as it promotes consumers' confidence in the financial system. Further, consumer protection stimulates healthy competition, responsible pricing, financial innovation and better product offering to consumers.
- 5.20 During the year, the Reserve Bank undertook various initiatives aimed at increasing public awareness of financial services and products, promoting greater transparency and minimising information asymmetry between consumers and regulated entities.
- 5.21 In 2016, the Reserve Bank issued the draft Consumer Protection Framework to the market and other stakeholders for comments. The Consumer Protection Framework seeks to provide minimum standards for consumer protection within the financial services sector. The objectives of the Framework include promoting fair and ethical business practices by financial institutions and ensuring the availability of appropriate consumer redress mechanisms.
- 5.22 Consumer protection is particularly important for low-income and less experienced consumers, who often face particular challenges in the market place. The existence of a sound financial consumer protection framework is fundamental to increasing access to, and

usage and quality of, financial services, along with supporting further banking sector deepening.

5.23 Apart from fostering customer confidence and trust in the banking sector, consumer protection and education empower consumers with information and basic rights, provides an important source of market discipline to the financial services sector, and fosters competition by encouraging regulated entities to offer better products and services rather than taking advantage of poorly informed consumers.

CHAPTER 6: OUTLOOK

- 6.1 During the year under review, the banking sector has maintained a high degree of stability as shown by sustained profitability, adequate capitalization as well as continued support towards economic growth and development.
- 6.2 A number of sector specific measures implemented by the Reserve Bank and Government together with other key stakeholders, will bolster the soundness and effectiveness of the sector in facilitating sustainable economic growth.

Enhanced Liquidity and Financial Intermediation

- 6.3 The promotion of the usage of electronic payments through the lowering of the associated charges by the Reserve Bank has assisted the country in reducing the high demand for physical cash challenges. In the outlook, increased uptake of plastic money will reduce the demand for cash while fostering financial inclusion.
- 6.4 The assumption of the legacy RBZ debt by the Government has assisted in the turnaround of the Reserve Bank and its repositioning in the banking sector as a lender of last resort. The extension of the AFTRADE facility, for a further two years up to February 2019, is expected to continue to promote interbank liquidity and trading, which is critical for banking institutions to extend longer tenure credit.
- 6.5 The reduction of bank charges and interest rates will go a long way in enhancing the financial intermediation perimeter to include the previously unserved and spur economic growth in the medium to long-term.
- 6.6 The improved intermediation is expected to continue contributing towards increased economic activity and productivity.

Improved Asset Quality

- 6.7 The sustainable reduction in NPLs is expected to strengthen banks' balance sheets and position them to meaningfully contribute to the revival of the economy. The operationalization of the credit registry is expected to sustain this momentum towards high asset quality by reducing information asymmetry. In addition, the reduction of lending rates is likely to reduce the debt repayment burden for borrowers.

- 6.8 The pre-IFRS 9 adoption period will see an increase in impairment charges for some institutions as they begin adopting the expected credit loss approach. Notwithstanding, institutions are expected to withstand the increase due to the current stringent regulatory provision. The adoption of the IFRS9 expected loss model, which is forward-looking and more aligned to prudential regulation with regard to credit risk management will compliment other ongoing initiatives aimed at reducing the level of NPLs in the banking sector.
- 6.9 Overall, the improvement in asset quality is expected to bolster the sector's profitability through reduced required credit provisions and timely repayments of credit by borrowers.

Improved Access to Credit

- 6.10 The implementation of the collateral registry is expected to ensure some economic agents such as MSMEs who were failing to access credit from formal markets due to the mismatch between acceptable and available collateral become included.
- 6.11 This coupled by the operationalization of the credit registry will also ensure that borrowers with no collateral will be able use their positive information as collateral. The improved access to credit is expected to contribute towards enhanced production.
- 6.12 The Reserve Bank of Zimbabwe, through the Export Credit Guarantee Corporation of Zimbabwe (ECGC), has established the Micro, Small and Medium Enterprises Credit Guarantee Scheme to facilitate access to formal finance by MSMEs with bankable projects. The operationalisation of the Credit Guarantee Scheme is expected to enhance access to finance by marginalised groups.

Fostering Economic Development

- 6.13 The financial inclusion drive being championed by the Reserve Bank is expected to create a more inclusive financial system. In 2016, the banking sector re-oriented some of its processes and products to better serve the previously marginalized sectors of the society. It is envisaged that banking institutions will scale up their financial inclusion initiatives which will promote the participation of the previously financially excluded segments in economic activities and therefore contributing to the economic growth and development of the country.
- 6.14 The provision of empowerment and productive facilities by the Reserve Bank, is expected to enhance economic activities of productive sectors and the previously marginalized

segments.

- 6.15 The banking system will continue re-configure towards a more inclusive system. Further, the implementation of financial inclusion strategies by banking institutions in 2017 and the licensing of Deposit Taking Microfinance Institutions is expected to result in increased mobilization of the unbanked into the formal banking system.
- 6.16 Financial consumer protection initiatives and financial literacy programs being championed by the Reserve Bank and other stakeholders, will bolster public confidence in the financial sector. Enhanced financial literacy and capability facilitates responsible access to financial services which results in greater positive impact of financial inclusion on the lives of those accessing financial services.

Sound Corporate Governance and Risk Management Practices

- 6.17 The enforcement of the Banking Act which was promulgated in May 2016 is expected to enhance financial sector stability and boost market confidence through promotion of consumer protection, enhancement of corporate governance and risk management within banking institutions. These measures are expected to provide a solid foundation on which to build and maintain investors, depositors and public confidence in the banking sector.

APPENDICES

APPENDIX 1: FUNCTION AND ORGANIZATION OF BANK SUPERVISION DIVISION

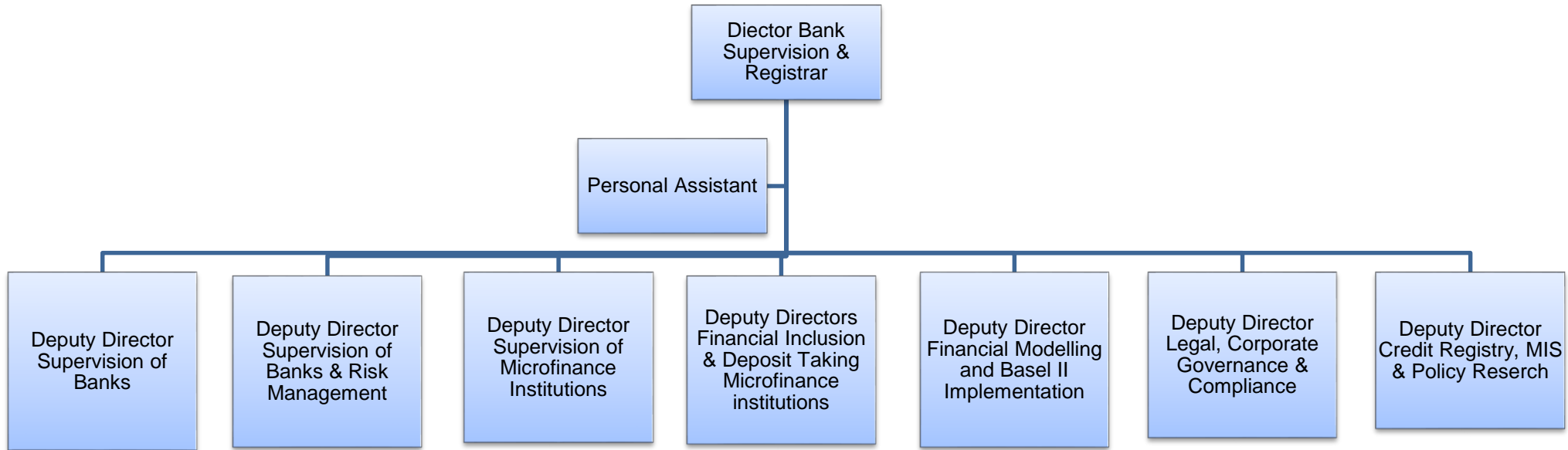
Function of Bank Supervision Division

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.

Organization of the Bank Supervision Division (BSD)

2. In a bid to fulfill its mandate to foster and maintain financial stability, BSD is organized into seven (7) departments, aided by a Legal Counsel function.
3. The operational departments of the division are illustrated below.

Bank Supervision Organisational Structure



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.

Core Deliverables of BSD

10. BSD's underlying philosophy revolves around the concept that banking institutions should be free to operate according to market forces and should be entitled to set terms and conditions for their operations in a competitive environment. However, supervisory rules should be set to manage banking practices in order to protect depositors, other creditors and contribute towards a sound and stable financial system.
11. To ensure financial sector stability BSD undertakes the following activities; **licensing and de-licensing of banking institutions, off-site surveillance and on-site supervision.**

Licensing and de-licensing of banking institutions...

12. 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.

13. 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...

14. 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.
15. This periodic analysis is based on the quantitative and qualitative information furnished by reporting institutions in the form of standardized statutory returns.
16. 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.
17. 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.
18. 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.
19. 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...

20. 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.
21. 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.

22. On-site examinations are structured to provide a comprehensive evaluation and assessment of a range of supervisory issues including:
 - i. compliance with laws, regulations and the institution's own internal policies and procedures;
 - ii. corporate governance and competence of management;
 - iii. adequacy of the institution's risk management systems and internal control procedures;
 - iv. adequacy of accounting and management information systems; and
 - v. maintenance of proper books of accounts and other records.
23. 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 2016

Banking Institution	Address & Website	2015 (\$M)	2016 (\$M)	% Annual Growth
		Total Assets		
Commercial Banks				
Agribank	15 th Floor, Hurudza House 14-16 Nelson Mandela Avenue Harare Tel: 774429 or 773704/5 or 774554 Fax 774554 www.agribank.co.zw	186.54	210.83	13.05%
Barclays Bank	3 Anchor House 1st Street/Jason Moyo Avenue Harare Phone: 758280/99 or 758324 www.africa.barclays.com	371.11	546.56	47.28
BancABC	1 Endeavour Crescent Mt. Pleasant Business Park Harare Phone: 701636/52; 739089 Fax 727330 www.bancabc.com	572.04	463.62	-18.95%
CBZ Bank	3 rd Floor, Union House 60 Kwame Nkrumah Avenue Harare Phone: 749714 or 748050/79 / 759110-6 Fax 758077 www.cbz.co.zw	1,958.92	1,948.43	-0.54%
Ecobank	Sam Levy's Office Park BlockA, Piers Road Borrowdale Harare Phone:851642/7 or 706036/7 701350/3 or 703011/2/4 / 851642 Fax: 794993 www.ecobank.com	268.66	444.08	65.29%
FBC Bank Limited	FBC Centre Nelson Mandela Avenue Harare Phone:704462/704481/77 2705 Fax 704995 www.fbc.co.zw	391.96	466.90	19.12%
MBCA Bank Limited	Old Mutual Centre 3 rd Street/Jason Moyo Harare Tel: 701636/52 Fax 727330 www.mbca.co.zw	250.27	309.73	23.76%

Banking Institution	Address & Website	2015 (\$M)	2016 (\$M)	% Annual Growth
		Total Assets		
Metbank of Zimbabwe Limited	Metropolitan House 3 Central Avenue <u>Harare</u> Phone: 706091/706128 /701970 Fax 733014 www.metbank.co.zw	162.01	199.70	23.26%
NMB Bank Limited	4 th Floor, Unity Court Kwame Nkrumah Avenue <u>Harare</u> 759651/9 or 754933/5 or 709122/68 or 709124/09 www.nmbz.co.zw	340.87	328.86	-3.52%
Stanbic Bank Zimbabwe Limited	Stanbic Centre Samora Machel Avenue <u>Harare</u> Phone: 59471; Fax 772126 www.stanbicbank.co.zw	728.16	1,020.05	40.09%
Standard Chartered Bank Zimbabwe Limited	2 nd Floor, Old Mutual Centre Cnr. Third Street/Jason Moyo Avenue <u>Harare</u> Phone: 253801-7 or 252289 Fax 252288 www.stanchart.co.zw	503.52	562.89	11.79%
Steward Bank Limited	6 th Floor, 101 Kwame Nkrumah Avenue Harare Tel:79146/791444-8 Fax 791460 www.stewardbank.co.zw	201.78	192.08	-4.80%
ZB Bank Limited	Zimbank House Cnr.1st Street/Speke Avenue <u>Harare</u> Phone: 751168/75 or 78662590/2576 www.zb.co.zw	346.41	373.16	7.72%
Building Societies				
Central African Building Society (CABS)	Northridge Park Northend Close Borrowdale <u>Harare</u> Phone: 883823/59 Fax 883804 www.cabs.co.zw	1,042.94	1,056.39	1.29%
CBZ Building Society	Beverley Place 3 Selous Avenue <u>Harare</u> Phone: 792631/5 / 705001 Fax 705999 www.cbz.co.zw	196.23	193.13	-1.58%

Banking Institution	Address & Website	2015 (\$M)	2016 (\$M)	% Annual Growth
		Total Assets		
FBC Building Society	5 th Floor, FBC Centre Nelson Mandela Avenue Harare Phone: 783203-9 www.fbc.co.zw	124.72	147.40	18.18%
National Building Society	14 th Floor, Social Security Centre Cnr Sam Nujoma Street & Julius Nyerere Way, Harare Phone: 700032,35,39,42 www.nbs.co.zw	-	57.04	-
ZB Building Society	6 th Floor, Finsure House Cnr. Kwame Nkrumah / Sam Nujoma Harare Phone: 252978, 252926, 253031, 758275 www.zb.co.zw	42.58	43.05	1.10%
Savings Bank				
POSB	6 th Floor, Causeway Building Cnr. Third Street/Central Avenue Harare Phone: 729700-9;737911-9; 735081-8 or 791134 Fax: 749012 www.posb.co.zw	143.47	164.33	14.54%

APPENDIX 4: STATISTICAL TABLES AS AT 31 DECEMBER 2016

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	AGRIBANK	Banc ABC	BARCLAYS	CBZ
Commercial Banks				
Interest Income	19,215,046.71	38,934,785.27	16,750,060.00	167,381,243.72
Interest Income from Loans Advances and Leases	18,164,276.00	32,591,371.55	14,507,101.00	117,219,500.52
Interest Income on Balances with Banking Institutions	.00	480,358.35	-1,589,157.00	3,542,831.49
Interest Income On Investments and Securities	1,050,770.71	5,863,055.37	3,832,116.00	46,618,911.71
Interest Expense	6,763,266.89	14,158,441.78	378,262.00	98,835,993.07
Interest Expense On Deposit Accounts	2,698,849.52	9,367,050.34	378,098.00	83,979,485.31
Interest Expense On Central Bank Loans	2,597,157.53	.00	.00	.00
Interest On Local banks Loans - Interbank Loans	718,307.72	1,939,923.75	164.00	.00
Other Interest Expenses	748,952.12	2,851,467.69	.00	14,856,507.76
Net Interest Income	12,451,779.82	24,776,343.50	16,371,798.00	68,545,250.65
Total Provisions For Current Period	2,061,793.00	-1,806,401.71	1,180,639.00	7,969,327.79
Specific Provisions	.00	-730,843.59	967,259.00	16,324,597.72
General Provisions	2,061,793.00	-1,075,558.12	213,380.00	-8,355,269.93
Net Interest after Provisions	10,389,986.82	26,582,745.21	15,191,159.00	60,575,922.86
Non - Interest Income	15,901,493.46	14,154,836.32	41,539,244.00	52,556,580.28
Foreign Exchange	88,328.43	4,018,065.56	11,284,802.00	3,241,824.95
Fees and Commission	15,177,326.28	11,827,079.08	29,709,747.00	37,586,072.87
Other Non Interest Income	635,838.75	-1,690,308.32	544,695.00	11,728,682.46
Non - Interest Expenses	22,544,456.00	37,166,758.76	42,289,595.00	76,104,606.19
Salaries and Employee Benefits	11,028,658.00	11,056,191.27	23,113,054.00	46,951,078.50
Occupancy - Net of Rental	2,276,259.00	1,541,531.66	3,329,313.00	690,246.27
Other Non Interest Expenses	9,239,539.00	24,569,035.83	15,847,228.00	28,463,281.42
Net Non - Interest Income	-6,642,962.54	-23,011,922.45	-750,351.00	-23,548,025.91
Income (Loss) before Taxation	3,747,024.28	3,570,822.76	14,440,808.00	37,027,896.95
Taxation	.00	1,370,360.61	3,615,895.00	4,969,934.20
Net Income / (Loss) after Taxation	3,747,024.28	2,200,462.15	10,824,913.00	32,057,962.76
Extraordinary Items	32,877.00	0.00	0.00	0.00
Net Income / (Loss)	3,714,147.28	2,200,462.15	10,824,913.00	32,057,962.76

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ECOBANK	FBC	METBANK	MBCA BANK
Commercial Banks				
Interest Income	20,910,760.00	41,381,770.72	9,074,347.89	16,753,594.57
Interest Income from Loans Advances and Leases	16,984,470.83	30,390,516.12	7,989,536.89	14,598,566.74
Interest Income on Balances with Banking Institutions	.00	29,000.36	.00	652,306.92
Interest Income On Investments and Securities	3,926,289.17	10,962,254.24	1,084,811.00	1,502,720.91
Interest Expense	4,764,315.00	19,211,684.17	7,656,303.20	1,986,321.93
Interest Expense On Deposit Accounts	4,023,437.79	6,059,191.69	6,542,384.75	1,576,012.65
Interest Expense On Central Bank Loans	.00	.00	.00	.00
Interest On Local banks Loans - Interbank Loans	.00	4,879,436.34	.00	228,500.00
Other Interest Expenses	740,877.21	8,273,056.14	1,113,918.45	181,809.28
Net Interest Income	16,146,445.00	22,170,086.55	1,418,044.69	14,767,272.64
Total Provisions For Current Period	3,640,284.00	6,453,789.48	-3,224,266.04	3,727,053.18
Specific Provisions	3,640,284.00	4,182,598.48	-3,275,119.78	4,097,771.96
General Provisions	.00	2,271,191.00	50,853.74	-370,718.78
Net Interest after Provisions	12,506,161.00	15,716,297.07	4,642,310.73	11,040,219.47
Non - Interest Income	16,797,964.00	25,278,035.80	5,860,285.00	14,951,842.95
Foreign Exchange	312,701.58	517,641.44	.00	4,085,148.90
Fees and Commission	16,485,262.42	23,743,049.53	5,779,060.00	10,866,694.05
Other Non-Interest Income	.00	1,017,344.83	81,225.00	.00
Non - Interest Expenses	16,451,470.00	28,841,907.08	9,421,067.00	20,446,098.67
Salaries and Employee Benefits	6,885,373.00	13,334,617.26	4,181,454.00	11,930,129.24
Occupancy - Net of Rental	1,307,787.08	1,459,472.45	667,707.00	2,220,088.34
Other Non-Interest Expenses	8,258,309.92	14,047,817.37	4,571,906.00	6,295,881.09
Net Non - Interest Income	346,494.00	-3,563,871.29	-3,560,782.00	-5,494,255.72
Income (Loss) before Taxation	12,852,655.00	12,152,425.78	1,081,528.73	5,545,963.75
Taxation	4,852,842.00	2,865,252.32	278,494.00	1,428,052.13
Net Income / (Loss) after Taxation	7,999,813.00	9,287,173.46	803,034.73	4,117,911.62
Extraordinary Items	0.00	0.00	0.00	0.00
Net Income / (Loss)	7,999,813.00	9,287,173.46	803,034.73	4,117,911.62
STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ECOBANK	FBC	METBANK	MBCA BANK
Commercial Banks				
	NMB BANK	STANBIC	STANCHART	STEWARD BANK
Commercial Banks				
Interest Income	33,570,382.41	47,822,556.11	21,765,812.77	7,285,368.37
Interest Income from Loans Advances and Leases	25,352,553.51	36,326,008.33	14,734,213.82	7,219,818.17
Interest Income on Balances with Banking Institutions	1,245,664.00	1,626,287.48	71,569.75	65,550.20
Interest Income On Investments and Securities	6,972,164.90	9,870,260.30	6,960,029.20	.00
Interest Expense	11,075,103.00	489,495.80	418,074.34	555,610.70
Interest Expense On Deposit Accounts	6,581,513.00	489,495.80	418,074.34	555,610.70
Interest Expense On Central Bank Loans	.00	.00	.00	.00
Interest On Local banks Loans - Interbank Loans	2,575,808.00	.00	.00	.00
Other Interest Expenses	1,917,782.00	.00	.00	.00
Net Interest Income	22,495,279.41	47,333,060.31	21,347,738.43	6,729,757.67
Total Provisions For Current Period	6,505,897.00	8,363,530.91	90,144.63	2,590,456.86
Specific Provisions	5,859,936.00	5,869,651.40	1,260,831.88	2,590,456.86
General Provisions	645,961.00	2,493,879.51	-1,170,687.25	.00
Net Interest after Provisions	15,989,382.41	38,969,529.40	21,257,593.80	4,139,300.81
Non - Interest Income	17,538,970.00	48,471,225.61	34,282,738.66	22,999,969.03
Foreign Exchange	.00	17,666,680.03	1,360,494.92	230,108.16
Fees and Commission	15,275,382.00	30,804,545.58	32,358,621.09	19,093,424.87
Other Non Interest Income	2,263,588.00	.00	563,622.66	3,676,436.00
Non - Interest Expenses	25,934,700.00	59,097,455.69	38,414,163.75	18,824,675.47
Salaries and Employee Benefits	11,689,759.00	29,384,293.85	26,154,838.91	6,665,644.24
Occupancy - Net of Rental	1,846,079.00	2,660,325.57	3,646,654.53	1,099,235.22
Other Non Interest Expenses	12,398,862.00	27,052,836.27	8,612,670.31	11,059,796.01
Net Non - Interest Income	-8,395,730.00	-10,626,230.08	-4,131,425.09	4,175,293.56
Income (Loss) before Taxation	7,593,652.41	28,343,299.32	17,126,168.72	8,314,594.37
Taxation	1,900,241.00	6,812,318.23	4,486,990.05	2,697,613.07
Net Income / (Loss) after Taxation	5,693,411.41	21,530,981.09	12,639,178.67	5,616,981.29
Extraordinary Items	0.00	292,663.78	0.00	0.00

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ECOBANK	FBC	METBANK	MBCA BANK
Commercial Banks				
Net Income / (Loss)	5,693,411.41	21,238,317.31	12,639,178.67	5,616,981.29
STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ZB BANK	TOTAL (AVERAGE)		
Commercial Banks				
Interest Income	23,139,823.84	463,985,552.40		
Interest Income from Loans Advances and Leases	10,769,174.23	346,847,107.73		
Interest Income on Balances with Banking Institutions	20,732.68	6,145,144.23		
Interest Income On Investments and Securities	12,349,916.93	110,993,300.44		
Interest Expense	10,943,725.39	177,236,597.27		
Interest Expense On Deposit Accounts	8,919,132.26	131,588,336.15		
Interest Expense On Central Bank Loans	.00	2,597,157.53		
Interest On Local banks Loans - Interbank Loans	795,965.47	11,138,105.28		
Other Interest Expenses	1,228,627.66	31,912,998.31		
Net Interest Income	12,196,098.45	286,748,955.14		
Total Provisions For Current Period	-1,394,243.54	36,158,004.57		
Specific Provisions	-1,304,416.77	39,483,007.16		
General Provisions	-89,826.77	-3,325,002.60		
Net Interest after Provisions	13,590,341.99	250,590,950.57		
Non - Interest Income	33,045,869.44	343,379,054.55		
Foreign Exchange	2,625,733.39	45,431,529.36		
Fees and Commission	29,523,027.69	278,229,292.45		
Other Non Interest Income	897,108.36	19,718,232.74		
Non - Interest Expenses	37,887,448.71	433,424,402.32		
Salaries and Employee Benefits	13,277,339.89	215,652,431.17		
Occupancy - Net of Rental	84,869.48	22,829,568.60		
Other Non Interest Expenses	24,525,239.34	194,942,402.56		

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ECOBANK	FBC	METBANK	MBCA BANK
Commercial Banks				
Net Non - Interest Income	-4,841,579.27	-90,045,347.78		
Income (Loss) before Taxation	8,748,762.72	160,545,602.80		
Taxation	2,150,360.30	37,428,352.91		
Net Income / (Loss) after Taxation	6,598,402.42	123,117,249.88		
Extraordinary Items	0.00	325,540.78		
Net Income / (Loss)	6,598,402.42	122,791,709.10		

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	CBZ BS	CABS	FBC BS	NBS BS
Building Societies				
Interest Income	22,104,915.71	93,339,765.79	14,225,764.46	1,342,045.77
Interest Income from Loans Advances and Leases	22,085,446.74	77,047,314.33	9,900,733.77	603,706.33
Interest Income on Balances with Banking Institutions	19,468.97	.00	2,698,437.45	.00
Interest Income On Investments and Securities	.00	16,292,451.46	1,626,593.24	738,339.44
Interest Expense	5,005,180.60	34,831,589.96	4,887,783.46	188,272.28
Interest Expense On Deposit Accounts	331,281.87	31,334,467.45	2,907,548.56	110,453.14
Interest On Local banks Loans - Interbank Loans	511,300.49	.00	1,549,399.43	36,051.28
Other Interest Expenses	4,162,598.24	3,497,122.51	430,835.47	41,767.86
Net Interest Income	17,099,735.11	58,508,175.83	9,337,981.00	1,153,773.48
Total Provisions For Current Period	-322,207.59	6,298,473.77	704,843.12	268,170.94
Specific Provisions	44,332.41	4,664,243.50	758,199.88	.00
General Provisions	-366,540.00	1,634,230.27	-53,356.76	268,170.94
Net Interest after Provisions	17,421,942.70	52,209,702.06	8,633,137.88	885,602.54
Non - Interest Income	14,603,815.76	41,758,706.20	6,451,193.55	766,699.42
Foreign Exchange	393,988.67	.00	.00	720.11
Fees and Commission	12,126,887.17	41,690,983.18	5,283,242.53	761,939.24
Other Non Interest Income	2,082,939.91	67,723.02	1,167,951.02	4,040.07
Non - Interest Expenses	23,473,474.88	60,725,425.05	6,832,597.23	4,385,916.83
Salaries and Employee Benefits	4,139,285.17	18,576,143.13	4,406,448.85	2,685,295.67
Occupancy - Net of Rental	140,116.92	1,099,789.06	216,656.27	410,891.05

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	CBZ BS	CABS	FBC BS	NBS BS
Building Societies				
Other Non Interest Expenses	19,194,072.79	41,049,492.86	2,209,492.11	1,289,730.11
Net Non - Interest Income	-8,869,659.12	-18,966,718.85	-381,403.68	-3,619,217.41
Income (Loss) before Taxation	8,552,283.58	33,242,983.21	8,251,734.20	-2,733,614.87
Taxation	.00	.00	.00	.00
Net Income / (Loss) after Taxation	8,552,283.58	33,242,983.21	8,251,734.20	-2,733,614.87
Extraordinary Items	0.00	0.00	0.00	0.00
Net Income / (Loss)	8,552,283.58	33,242,983.21	8,251,734.20	-2,733,614.87

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ZB BS	TOTAL (AVERAGE)	POSB	GRAND TOTAL (AVERAGE)
Building Societies			Savings Bank	
Interest Income	2,353,024.97	133,365,516.70	15,011,773.46	612,362,842.56
Interest Income from Loans Advances and Leases	2,010,264.99	111,647,466.16	13,183,928.52	471,678,502.41
Interest Income on Balances with Banking Institutions	13,022.54	2,730,928.96	.00	8,876,073.19
Interest Income On Investments and Securities	329,737.44	18,987,121.58	1,827,844.94	131,808,266.96
Interest Expense	350,834.49	45,263,660.79	2,783,674.98	225,283,933.04
Interest Expense On Deposit Accounts	350,834.49	35,034,585.51	2,761,715.29	169,384,636.95
Interest Expense On Central Bank Loans	.00	.00	.00	2,597,157.53
Interest On Local banks Loans - Interbank Loans	.00	2,096,751.20	.00	13,234,856.48
Other Interest Expenses	.00	8,132,324.08	21,959.69	40,067,282.08
Net Interest Income	2,002,190.48	88,101,855.91	12,228,098.48	387,078,909.53
Total Provisions For Current Period	90,158.26	7,039,438.50	1,059,790.14	44,257,233.21
Specific Provisions	125,933.87	5,592,709.67	489,214.13	45,564,930.96
General Provisions	-35,775.61	1,446,728.84	570,576.01	-1,307,697.75
Net Interest after Provisions	1,912,032.22	81,062,417.41	11,168,308.34	342,821,676.32
Non - Interest Income	4,252,479.12	67,832,894.05	24,626,059.26	435,838,007.85
Foreign Exchange	13,466.39	408,175.17	94,989.47	45,934,693.99
Fees and Commission	4,132,083.57	63,995,135.69	24,389,209.57	366,613,637.71
Other Non Interest Income	106,929.16	3,429,583.19	141,860.22	23,289,676.15
Non - Interest Expenses	5,262,958.41	100,680,372.40	25,796,257.91	559,901,032.63
Salaries and Employee Benefits	927,781.20	30,734,954.02	11,261,367.71	257,648,752.90

STATEMENTS OF COMPREHENSIVE INCOME				
31-Dec-2016				
	ZB BS	TOTAL (AVERAGE)	POSB	GRAND TOTAL (AVERAGE)
Building Societies			Savings Bank	
Occupancy - Net of Rental	224,615.13	2,092,068.43	1,269,921.80	26,191,558.83
Other Non Interest Expenses	4,110,562.08	67,853,349.95	13,264,968.40	276,060,720.91
Net Non - Interest Income	-1,010,479.29	-32,847,478.35	-1,170,198.65	-124,063,024.78
Income (Loss) before Taxation	901,552.93	48,214,939.05	9,998,109.69	218,758,651.54
Taxation	12,416.97	12,416.97	.00	37,440,769.89
Net Income / (Loss) after Taxation	889,135.96	48,202,522.08	9,998,109.69	181,317,881.65
Extraordinary Items	0.00	.00	305,000.00	630,540.78
Net Income / (Loss)	889,135.96	48,202,522.08	9,693,109.69	180,687,340.87

COMPOSITION OF THE STATEMENT OF FINANCIAL POSITIONS : 31-Dec-16								
	AGRIBANK	BARCLAYS	BANC ABC	CBZ	ECOBANK	FBC	METBANK	MBCA BANK
	COMMERCIAL BANKS							
ASSETS								
DOMESTIC NOTES AND COIN	1,746,005	23,026,592	5,980,025	14,550,305	11,667,131	5,659,445	867,075	7,060,415
BALANCES WITH CENTRAL BANK	9,566,338	183,459,039	48,210,015	45,172,653	175,953,979	95,054,943	17,828,658	133,104,994
BALANCES WITH DOMESTIC BANKING INSTITUTIONS	774,951	13,444,168	2,863,216	19,350,000	2,022,395	28,750,000	28,641	20,095,917
ASSETS IN TRANSIT	-	-	-	-	-	-	-	-
BALANCES WITH FOREIGN INSTITUTIONS	246,771	6,671,360	5,636,964	11,604,481	2,412,721	24,619,103	2,407,127	9,510,682
SECURITIES AND INVESTMENTS	70,035,544	81,619,644	79,613,410	763,123,727	61,330,537	69,027,843	5,016,248	19,097,250
LOANS, ADVANCES, BANKERS ACCEPTANCES AND LEASES	101,432,965	150,280,649	232,769,900	887,439,358	131,642,382	190,606,436	21,477,750	100,288,267
FOREIGN CLAIMS (INCLUDING BILLS OF EXCHANGE)	-	-	-	2,611,795	-	-	-	-
REPOSSESSED PROPERTIES / ASSETS	-	-	-	-	-	3,582,168	-	-
FIXED ASSETS	24,380,881	26,535,439	37,005,819	61,397,820	5,149,647	18,918,059	144,488,362	4,501,121
BSD - BS OTHER ASSETS	2,414,844	4,666,902	12,332,351	120,444,932	1,760,235	24,711,602	4,492,311	10,968,358
TOTAL ON-BALANCE SHEET ASSETS	210,598,299	489,703,793	424,411,700	1,925,695,070	391,939,027	460,929,598	196,606,171	304,627,004
OFF-BALANCE SHEET ITEMS	275,000	56,857,119	39,207,723	22,735,073	52,140,822	5,966,488	3,094,007	5,104,906
TOTAL ASSETS	210,873,299	546,560,912	463,619,423	1,948,430,143	444,079,850	466,896,086	199,700,178	309,731,910
EQUITY AND LIABILITIES								
TOTAL DEPOSITS	72,284,440	390,391,150	254,842,810	1,240,277,366	245,398,937	218,883,183	53,441,115	187,266,464
DEMAND DEPOSITS	25,517,522	365,481,197	150,948,936	894,145,458	227,587,370	121,937,990	1,687,991	140,376,281
SAVINGS DEPOSITS	9,237,714	11,882,324	14,032,831	81,552,267	5,232,525	15,240,562	19,136,865	16,943,883
TIME DEPOSITS/FIXED DEPOSITS	37,529,204	13,027,629	89,861,043	263,658,092	12,579,042	29,936,208	32,616,259	29,946,300
FOREIGN CURRENCY DEPOSITS	-	-	-	921,549	-	4,526,808	-	-
NEGOTIABLE CERTIFICATES OF DEPOSIT	-	-	-	-	-	47,241,616	-	-
BALANCES WITH OTHER BANKING INSTITUTIONS	10,200,000	2,551,493	26,045,028	393,810,457	80,059,819	98,723,573	-	43,891,006
FOREIGN LIABILITIES	30,170,007	2,620,592	23,480,656	91,615,660	-	71,002,396	3,181,058	822,888
SECURITIES AND OTHER FUNDING LIABILITIES	25,444,212	129	-	-	-	-	52,794,112	-
CAPITAL AND RESERVES	53,896,285	65,192,028	77,945,065	179,860,325	55,202,962	63,757,235	58,997,299	46,944,529
OTHER LIABILITIES	18,603,355	28,948,401	42,098,141	20,131,263	11,277,309	8,563,210	28,192,587	25,702,117
TOTAL ON-BALANCE SHEET LIABILITIES	210,598,299	489,703,793	424,411,700	1,925,695,070	391,939,027	460,929,598	196,606,171	304,627,004
OFF-BALANCE SHEET ITEMS - LIABILITIES	275,000	56,857,119	39,207,723	22,735,073	52,140,822	5,966,488	3,094,007	5,104,906
TOTAL EQUITY AND LIABILITIES	210,873,299	546,560,912	463,619,423	1,948,430,143	444,079,850	466,896,086	199,700,178	309,731,910

COMPOSITION OF THE STATEMENT OF FINANCIAL POSITIONS : 31-Dec-16								
	NMB BANK	STANBIC	STANCHART	STEWARD BANK	ZB BANK	TOTAL (AVERAGE)	CBZ BS	CABS
	COMMERCIAL BANKS						BUILDING SOCIETIES	
ASSETS								
DOMESTIC NOTES AND COIN	7,486,975	10,886,310	12,676,153	5,494,576	5,557,499	112,658,506	2,206,715	6,566,414
BALANCES WITH CENTRAL BANK	36,166,732	302,726,602	167,625,701	10,516,887	44,963,967	1,270,350,507	-	86,710,505
BALANCES WITH DOMESTIC BANKING INSTITUTIONS	24,500,000	(503,948)	1,127	33,302,335	35,602,815	180,231,617	7,239,664	23,447,448
ASSETS IN TRANSIT	-	-	-	-	8,224,658	8,224,658	-	-
BALANCES WITH FOREIGN INSTITUTIONS	1,366,871	91,457,565	19,028,149	238,403	9,108,028	184,308,225	-	5,127,132
SECURITIES AND INVESTMENTS	24,149,278	83,961,570	139,162,490	20,852,350	151,820,603	1,568,810,495	-	196,531,644
LOANS, ADVANCES, BANKERS ACCEPTANCES AND LEASES	207,045,265	272,977,661	125,140,962	52,026,426	79,336,244	2,552,464,264	138,439,413	565,052,146
FOREIGN CLAIMS (INCLUDING BILLS OF EXCHANGE)	-	-	-	-	-	2,611,795	-	-
REPOSSESSED PROPERTIES / ASSETS	-	-	-	-	-	3,582,168	-	1,405,440
FIXED ASSETS	22,231,040	72,601,245	34,532,839	12,675,148	16,170,332	480,587,750	18,520,379	82,937,592
BSD - BS OTHER ASSETS	5,913,810	9,446,822	5,839,278	46,977,673	14,248,240	264,217,358	26,725,219	88,612,018
TOTAL ON-BALANCE SHEET ASSETS	328,859,971	843,553,826	504,006,698	182,083,800	365,032,385	6,628,047,343	193,131,389	1,056,390,339
OFF-BALANCE SHEET ITEMS	-	176,501,616	58,881,260	10,000,000	8,124,067	438,888,081	-	-
TOTAL ASSETS	328,859,971	1,020,055,442	562,887,958	192,083,800	373,156,453	7,066,935,424	193,131,389	1,056,390,339
EQUITY AND LIABILITIES								
TOTAL DEPOSITS	207,773,637	700,746,866	395,156,159	105,109,541	213,242,880	4,284,814,548	53,642,216	737,981,390
<i>DEMAND DEPOSITS</i>	<i>129,939,690</i>	<i>688,649,401</i>	<i>329,311,543</i>	<i>96,556,002</i>	<i>40,644,346</i>	<i>3,212,783,726</i>	<i>28,685,843</i>	<i>244,856,302</i>
<i>SAVINGS DEPOSITS</i>	<i>4,050,338</i>	<i>11,449,455</i>	<i>33,508,662</i>	<i>3,434,779</i>	<i>82,834,901</i>	<i>308,537,104</i>	<i>21,511,457</i>	<i>14,919,770</i>
<i>TIME DEPOSITS/FIXED DEPOSITS</i>	<i>73,783,609</i>	<i>648,011</i>	<i>10,034,971</i>	<i>5,118,761</i>	<i>89,763,633</i>	<i>688,502,762</i>	<i>3,444,915</i>	<i>478,205,319</i>
<i>FOREIGN CURRENCY DEPOSITS</i>	-	-	<i>22,300,984</i>	-	-	27,749,340	-	-
<i>NEGOTIABLE CERTIFICATES OF DEPOSIT</i>	-	-	-	-	-	47,241,616	-	-
BALANCES WITH OTHER BANKING INSTITUTIONS	28,055,000	969,305	-	-	68,641,884	752,947,564	-	88,280,631
LIABILITIES IN TRANSIT	-	-	-	-	1,792,750	1,792,750	-	-
FOREIGN LIABILITIES	21,540,352	-	5,227,601	-	115,190	249,776,399	4,558,898	25,704,056
SECURITIES AND OTHER FUNDING LIABILITIES	1,415,490	-	-	1,373,940	-	81,027,884	-	-
CAPITAL AND RESERVES	55,370,874	109,721,907	78,413,234	69,742,193	62,912,591	977,956,527	93,167,872	159,565,214
OTHER LIABILITIES	14,704,619	32,115,747	25,209,705	5,858,126	18,327,093	279,731,672	41,762,404	44,859,047
TOTAL ON-BALANCE LIABILITIES	328,859,971	843,553,826	504,006,698	182,083,800	365,032,387	6,628,047,344	193,131,390	1,056,390,339
OFF-BALANCE SHEET ITEMS - LIABILITIES	-	176,501,616	58,881,260	10,000,000	8,124,067	438,888,081	-	-
TOTAL EQUITY AND LIABILITIES	328,859,971	1,020,055,442	562,887,958	192,083,800	373,156,454	7,066,935,425	193,131,390	1,056,390,339

COMPOSITION OF THE STATEMENT OF FINANCIAL POSITIONS : 31-Dec-16

	FBC BS	NBS	ZB BS	TOTAL (AVERAGE)	POSB	GRAND TOTAL / AVERAGE
	BUILDING SOCIETIES				SAVINGS BANKS	
ASSETS						
DOMESTIC NOTES AND COIN	362,615	536,280	103,311	9,775,335	2,392,165	124,826,006
BALANCES WITH CENTRAL BANK	496,252	2,440,333	-	89,647,090	20,848,860	1,380,846,457
BALANCES WITH DOMESTIC BANKING INSTITUTIONS	60,938,564	13,954,558	1,180,719	106,760,953	113,757	287,106,327
ASSETS IN TRANSIT	-	-	-	-	-	8,224,658
BALANCES WITH FOREIGN INSTITUTIONS	-	-	-	5,127,132	-	189,435,357
SECURITIES AND INVESTMENTS	17,241,384	7,651,945	18,609,444	240,034,417	53,105,515	1,861,950,428
LOANS, ADVANCES, BANKERS ACCEPTANCES AND LEASES	58,095,498	24,947,552	14,463,058	800,997,666	65,534,617	3,418,996,547
FOREIGN CLAIMS (INCLUDING BILLS OF EXCHANGE)	-	-	-	-	-	2,611,795
REPOSSESSED PROPERTIES / ASSETS	1,877,791	-	-	3,283,231	-	6,865,398
FIXED ASSETS	4,419,714	6,206,269	7,774,586	119,858,541	7,752,677	608,198,968
BSD - BS OTHER ASSETS	3,971,021	1,298,833	914,153	121,521,243	14,581,721	400,320,322
TOTAL ON-BALANCE SHEET ASSETS	147,402,839	57,035,770	43,045,271	1,497,005,608	164,329,313	8,289,382,264
OFF-BALANCE SHEET ITEMS	-	-	-	-	-	438,888,081
TOTAL ASSETS	147,402,839	57,035,770	43,045,271	1,497,005,608	164,329,313	8,728,270,345
EQUITY AND LIABILITIES						
TOTAL DEPOSITS	53,650,121	15,314,671	20,555,417	881,143,815	114,707,242	5,280,665,605
DEMAND DEPOSITS	-	4,205,053	-	277,747,199	71,279,509	3,561,810,434
SAVINGS DEPOSITS	6,086,439	35,102	9,825,156	52,377,924	6,319,188	367,234,216
TIME DEPOSITS/FIXED DEPOSITS	4,965,309	11,074,516	10,730,260	508,420,319	6,999,950	1,203,923,030
FOREIGN CURRENCY DEPOSITS	-	-	-	-	-	27,749,340
NEGOTIABLE CERTIFICATES OF DEPOSIT	42,598,374	-	-	42,598,374	30,108,594	119,948,584
BALANCES WITH OTHER BANKING INSTITUTIONS	39,640,000	4,350,000	556,694	132,827,325	-	885,774,889
LIABILITIES IN TRANSIT	-	-	-	-	-	1,792,750
FOREIGN LIABILITIES	3,084,230	-	-	33,347,183	-	283,123,583
SECURITIES AND OTHER FUNDING LIABILITIES	-	15,549,921	-	15,549,921	-	96,577,804
CAPITAL AND RESERVES	41,005,893	21,458,298	17,664,703	332,861,981	41,208,882	1,352,027,390
OTHER LIABILITIES	10,022,594	362,880	4,268,457	101,275,383	8,413,189	389,420,244
TOTAL ON-BALANCE LIABILITIES	147,402,839	57,035,770	43,045,271	1,497,005,608	164,329,313	8,289,382,264
OFF-BALANCE SHEET ITEMS - LIABILITIES	-	-	-	-	-	438,888,081
TOTAL EQUITY AND LIABILITIES	147,402,839	57,035,770	43,045,271	1,497,005,608	164,329,313	8,728,270,345