2024
ANNUAL FINANCIAL STABILITY REPORT

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PURPOSE OF THE REPORT

The Report provides an overall assessment of financial stability in 2024, considering potential risks to financial stability and mitigants thereof. The report also serves to promote the mitigation of systemic risks by stimulating market participants' evaluation of the wide range of risk factors in the financial sector in the context of developments in domestic, regional, and global environments.

This report is produced in fulfilment of the mandate of the Multidisciplinary Financial Stability Committee to promote financial stability. The Multidisciplinary Financial Stability Committee is constituted by the Ministry of Finance, Economic Development & Investment Promotion, Reserve Bank of Zimbabwe, Insurance & Pensions Commission of Zimbabwe, Securities & Exchange Commission of Zimbabwe, and the Deposit Protection Corporation. The report is published annually and incorporates significant developments that have an impact on financial stability at the time of finalisation of the report.

GOVERNOR'S FOREWORD

Risks to global financial stability moderated in 2024 against the backdrop of recovery in global output, declining inflation in the wake of accommodative financial conditions, as well as enhanced crisis management and resolution approaches by supervisory authorities as part of post global financial crisis reforms. Lingering geopolitical tensions, increasing sovereign debt vulnerabilities in some emerging markets, as well as potential trade wars, however, created uncertainties that continued to weigh on the global financial stability outlook.

Against this background, growth of the global world economy is projected to decline from an estimate of 3.3 percent in 2024 to 2.8 percent in 2025, before rebounding to 3 percent in 2026 (WEO, April 2025). Anticipated growth slowdown in 2025 largely reflects the direct and second round impact of the new trade measures instituted by the United States, as well as their indirect effects through trade linkages, increased uncertainty, and declining sentiment. The swift escalation of trade wars and high levels of policy uncertainty are expected to have a significant impact on global economic activity.

Among major global economies, growth momentum in the United States remained robust in 2024, while growth in China was below expectations amid delayed stabilization in the property market and persistently low consumer confidence (WEO, 2024). In Emerging Markets and Developing Economies (EMDEs), growth is estimated to have remained moderate in 2024 and is expected to remain steady in 2025. Economic activity in sub-Saharan Africa improved significantly in 2024, exceeding expectations with growth averaging 4.0 percent in 2024, driven primarily by public investment, commodity exports, and ongoing efforts at diversification. Growth in Sub-Saharan Africa is expected to decline slightly to 3.8 percent in 2025 and recover modestly to 4.2 percent in 2026.

Climate-related financial risks and cyber threats contributed to a complex risk environment requiring coordinated and strategic interventions by financial authorities worldwide. The growing role of non-bank financial institutions (NBFI) (including insurance companies, pension funds, and investment funds), amid increased interconnectedness with banks, has heightened the sector's influence on systemwide financial stability. Strengthening the regulation of non-bank financial institutions, therefore, remains a priority.

On the domestic front, economic growth decelerated from 5.3% in 2023 to an estimated 2% in 2024, owing to the severe El-Nino-induced drought, which undermined agricultural and hydroelectricity production. The reduced growth reflected the moderating effects of price and exchange rate stability following the recalibration of the monetary policy framework in order to address volatilities experienced during the year. At the core of the revised monetary policy framework was the introduction of the structured currency, the Zimbabwe Gold (ZiG) on 5 April 2024, backed by a basket of foreign reserves, including gold and foreign currency. Stability in the operating landscape was further buttressed by favourable foreign currency receipts which boosted the country's balance of payments position, expected to record a current account surplus for the sixth consecutive year beginning in 2019. Fiscal consolidation also played a key role in stabilising the operating environment.

Notwithstanding the global as well as domestic headwinds, the Zimbabwean banking system demonstrated remarkable resilience, characterised by satisfactory capital adequacy, asset quality and earnings performance, as well as robust liquidity. Macroeconomic stabilisation and financial stability enhancement initiatives, coupled with resilience capability management on the part of banking institutions, underpinned the banking sector's resilience.

Stable and efficient national payment systems as well as favourable foreign exchange generation capacity also bolstered financial stability. Financial inclusion efforts targeted at Micro, Small and Medium Enterprises and other currently lowly financially included population segments continued to promote the economic participation of these segments, with positive impact on economic growth and development, as well as financial stability.

Notwithstanding liquidity constraints during the year under review, capital markets exhibited notable resilience, as evidenced by robust retail investor participation and heightened activity on direct trading platforms (such as the Victoria Falls Stock Exchange and similar platforms), which registered a 117% increase in turnover to USD56.9 million. Conversely, the Zimbabwe Stock Exchange recorded a 33% decline in trade volumes.

The Deposit Protection Corporation (DPC)'s strategic shift toward portfolio diversification across property, equities, money markets, and alternative investments not only supports long-term fund sustainability but also strengthens the shock-absorbing capacity of the financial safety net and underpins depositor confidence and financial stability. The Corporation also undertook several strategic initiatives that reinforced the stability of Zimbabwe’s financial sector, including amendments to the DPC Act, and enhanced compliance with international best practices.

The Insurance and Pensions Commission has initiated amendment of the existing legal framework to enable the incorporation of medical aid societies under the Commission’s regulatory oversight, as well as the creation of a Policyholder Protection Fund. These efforts are aimed at strengthening the resilience and integrity of Zimbabwe’s insurance landscape. Finalisation of the compensation exercise in line with the pre-2009 Pensions Compensation Regulations remains vital in restoring confidence in the sector.

During the year, the Multi-Disciplinary Financial Stability Committee continued to discharge its mandate through quarterly meetings and ongoing financial stability assessments. The Ministry of Finance, Economic Development, and Investment Promotion became a member of the Committee in the fourth quarter of 2024. The development and operationalization of the Contingency Planning and Systemic Crisis Management Framework and a comprehensive Macroprudential Policy Framework reflect the regulatory agencies' commitment to proactive crisis preparedness and resolution of distressed financial institutions. Technical support from international and regional strategic partners has been instrumental in reinforcing these efforts.

As the financial ecosystem becomes increasingly digitized, regulatory agencies continue to prioritize cyber resilience. Banks enhanced their cyber risk management frameworks, supported by supervisory guidance, scenario testing, and increased investment in digital security. The strengthening of AML/CFT/CPF supervisory activities also reinforced trust in the financial system and aligned Zimbabwe more closely with international standards. The financial sector regulatory agencies remained resolutely focused on the integration of sustainability as well as environmental, social and governance considerations into the core operations and decision-making process of financial institutions.

In 2025, global and domestic risks are anticipated to persist, including uncertainty over the direction of global interest rates, commodity price fluctuations, the climate risk impacts on agriculture-linked exposures, as well as geopolitical tensions. As domestic financial sector agencies, we will continue to ensure that the financial sector remains robust and resilient through forward-looking macroprudential policies.

Finally, I would like to acknowledge the efforts of the Ministry of Finance, Economic Development and Investment Promotion, financial sector regulators, and all financial market participants for their unwavering collaboration in safeguarding the stability of Zimbabwe's financial system. Together, we remain committed to creating a sound, inclusive, and future-ready financial system that supports sustainable economic growth and development.

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Dr. J. Mushayavanhu
Governor
Reserve Bank of Zimbabwe

EXECUTIVE SUMMARY

Global financial stability risks moderated in 2024 as the world economy continued its post-pandemic recovery. Enhanced crisis management and resolution mechanisms, along with macroprudential policies adopted by most supervisory authorities as part of post-global financial crisis reforms, contributed to the resilience of the global banking system. Geopolitical tensions, particularly conflicts in the Middle East and the Russia-Ukraine war, as well as persistent global trade frictions, remained elevated during the year.

On the domestic front, microstructure and macrostructure dynamics contributed to moderate financial stability risks. At the macrostructure level speculative foreign exchange holdings and activities that have characterised the multicurrency regime invariably culminated in exchange volatility and related inflationary pressures during the first quarter of 2024. The risks were moderated by inter-alia, tight monetary policy, introduction of a structured currency, the Zimbabwe Gold (ZiG), backed by gold and other foreign assets, adoption of a market determined foreign exchange rate, as well as interventions by the Reserve Bank to smoothen liquidity in the foreign exchange market. Financial stability enhancements by regulatory agencies, as well as resilience capability management by banking institutions fortified the financial sector against various shocks and sources of instability.

The financial system faces climate-related risks, including droughts and floods. Authorities and regulated institutions are embedding ESG principles and climate considerations into their risk frameworks, including investments in clean energy.

Against the background of the foregoing, the banking sector exhibited robustness and resilience, reflected by adequate capitalisation, satisfactory asset quality and earnings, as well as strong liquidity. Anticipated risks from the El Nino induced drought were mitigated by enhanced risk management at banks, including targeted lending to farmers with climate proofed infrastructure, as well as ring-fencing of financed commodities.

Payment Systems exhibited resilience with rising digital transactions and high RTGS (real-time gross settlement) system uptime (99%). The Reserve Bank upgraded systems to ISO 20022 standards and improved cross-border payment linkages.

Major risks to financial stability in 2024 were macroeconomic risks, operational risk incorporating cyber, and climate-related risks, which were moderated by various mitigants. Insurance and pensions sector stability was maintained, despite undercapitalization risks and corporate governance gaps. Dollarization intensified with approximately 80% of short-term and 65% of life insurance business denominated in USD. Capital markets also depicted resilience notwithstanding underlying liquidity challenges that resulted in potential investors opting for alternative investments.

At $21.1 billion as of September 2024 and constituting 23.58% of GDP Zimbabwe's public external and domestic debt is unsustainable, highlighting the need to maintain ongoing debt resolution strategies. The National Budget (2025) also

noted the importance of prudent management of contingent liabilities and adherence to approved budgetary provisions as essential elements of safeguarding public finances and supporting overall macroeconomic stability.

Global, regional and domestic growth prospects in 2025 and 2026 are likely to be affected by mounting geopolitical tensions, as well as retaliatory tariff restrictions. These, coupled with structural rigidities in the Sub-Saharan African Region, including uneven growth, conflicts, droughts, and financing constraints, will continue to affect Zimbabwe's financial stability profile.

1. GLOBAL MACROECONOMIC AND FINANCIAL DEVELOPMENTS

1.1 Global financial stability risks moderated in 2024 as the world economy continued its post-pandemic recovery. This was supported by a rebound in global output and a decline in inflation, primarily driven by accommodative financial conditions (World Economic Outlook (WEO), January 2025).

1.2 Enhanced crisis management and resolution mechanisms, along with macroprudential policies adopted by most supervisory authorities as part of post-global financial crisis reforms, contributed to the resilience of the global banking system. However, geopolitical tensions, particularly the conflicts in the Middle East and the Russia-Ukraine war and persistent global trade frictions, remained elevated during the review period (IMF Financial Stability Report, October 2024).

1.3 The United States maintained strong growth momentum in 2024, with its economy expanding by 2.8%, underpinned by strong wealth effects and a relatively accommodative monetary policy stance. Meanwhile, China's growth rate of 5.0% fell short of expectations, reflecting delayed stabilization in the property sector and sustained weakness in consumer confidence (WEO, April 2025). Growth prospects in China have potential implications for Zimbabwe's economic well-being, considering the high degree of trade interdependence reflected in the two countries' significant merchandise trade flows**.**

1.4 Against this backdrop, global economic growth for 2024 was 3.3%, with projections indicating a slowdown to 2.8% in 2025, before rebounding to 3.0% in 2026 (WEO, April 2025). Anticipated growth slowdown in 2025 largely reflects direct impact of the new trade measures by the United States, as well as their indirect effects through trade linkages, increased uncertainty, and declining sentiment. The swift escalation of trade wars and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity.

1.5 Following the election of a new government in the USA in 2024, and associated rising uncertainty, equities that had rallied in advanced economies in 2024 on expectations of more business-friendly policies in the United States tumbled following the announcement of sweeping US reciprocal tariffs on April 2, 2025, which sent markets reeling. United States stocks shed $5.4 trillion in value over two days, while equities in Asia also tumbled, and oil prices hit a four-year low (WEO, April 2025).

1.6 According to IMF projections (World Economic Outlook,2024), policymakers in Sub-Saharan Africa faced three primary challenges in addressing regional economic imbalances.

1.7 Firstly, regional growth which is estimated at 4% in 2024 (WEO, April 2025 Reference Forecasts), is characterized by uneven performance. Secondly, resource-intensive economies, especially oil exporters, continued to underperform, growing at about half the pace of other countries in the region. Contributing factors included conflict, insecurity, drought conditions, and energy shortages.

1.8 Secondly, domestic and external financing conditions remained tight, with limited access to affordable financing options.

1.9 Thirdly, deep-seated structural pressures, such as high poverty levels, limited inclusion and employment opportunities, and weak governance, were further compounded by rising living costs and the short-term effects of macroeconomic adjustments. These dynamics exacerbated social unrest and increased political pressure, thereby complicating reform implementation across the region (WEO, Oct 2024).

1.10 The developments in Sub-Saharan Africa have significant implications for Zimbabwe, given the country's trade relationships within the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

1.11 Commodity prices are projected to fall sharply this year (2025), by about 12 percent overall, as weakening global economic growth weighs on demand. In 2026, commodity prices are projected to decline by another 5 percent, reaching a six-year low. Oil prices are expected to decline significantly as slowdown in global oil consumption coincides with expanding supply.

1.12 Metals and minerals prices are projected to decline by 10 percent in 2025 and 3 percent in 2026 owing to the anticipated slowdown in global economic growth.

1.13 Precious metals prices are expected to rise sharply in 2025 before stabilizing in 2026, sustained by strong safe-haven demand amid elevated policy uncertainty, financial volatility, and rising trade tensions, and by further increases in central bank holdings.

1.14 Major central banks were expected to continue lowering policy interest rates, albeit at varying paces, in response to differing growth and inflation outlooks, a development that would moderate cost implications in countries reeling from debt overhang. The global developments in both commodity and non-commodity markets, alongside evolving inflation dynamics, are expected to exert mixed effects on the Zimbabwean economy.

1.15 Table 1 shows regional economic growth developments and outlook.

Table 1: Global & Regional Economic Growth Developments & Outlook

Region/Country	2024 Est.	2025 Proj	2026 Proj.
World Output	**3.3**	**2.8**	**3.0**
Advanced Economies	1.8	1.4	1.5
USA	2.8	1.4	1.7
Euro-Area	0.9	0.8	1.2
Emerging Markets & Developing Economies	**4.3**	**3.7**	**3.9**
China	5.0	4.0	4.0
India	6.5	6.2	6.3
Russia	4.1	1.5	0.9
Sub Saharan Africa	**4.0**	**3.8**	**4.2**
Nigeria	3.4	3.0	2.7
South Africa	0.6	1.0	1.5
Zimbabwe	1.8	6.0	5.0
Malawi	1.8	3.5	4.3
Zambia	4.0	6.2	6.8

Source: WEO April 2025 Reference Forecasts

Global Inflation

1.16 Risks to financial stability were expected to abate in 2025 in view of the expected decline in global headline inflation, from an average of 5.8% in 2024 to 4.2% in 2025 and 3.5% in 2026. This was attributable to the lagged effects of tight monetary policies as well as decreasing pass-through impacts from previous price reductions, particularly for energy (WEO, 2024).

1.17 According to the WEO (2025), inflation dynamics could, however, be shaped by supply-side shocks such as labour force disruptions driven by reductions in labour flows to the USA, which may permanently reduce potential output and raise inflation. This may be aggravated by escalation of retaliatory tariffs.

2. DOMESTIC DEVELOPMENTS

Overview

2.1 In addition to global financial stability risks, the domestic risk profile was elevated by the EL-Nino-induced drought which turned out to be more severe than initially anticipated, as well as inflationary pressures, and exchange rate volatilities. Other downside risks which affected the domestic growth trajectory, included a slowdown in commodity prices and subdued aggregate demand.

2.2 The downside risks were moderated by a positive growth path in sectors such as construction and tourism, which contributed to the economy's resilience according to the National Budget Statement (Government of Zimbabwe, 2024). Proactive monetary and fiscal policies further moderated risks to financial stability.

2.3 On the fiscal side, Zimbabwe's public debt, including both external and domestic debt ($21.1 billion as of September 2024), constituting 23.58% of GDP, is unsustainable, highlighting the need to maintain ongoing debt resolution discussions.

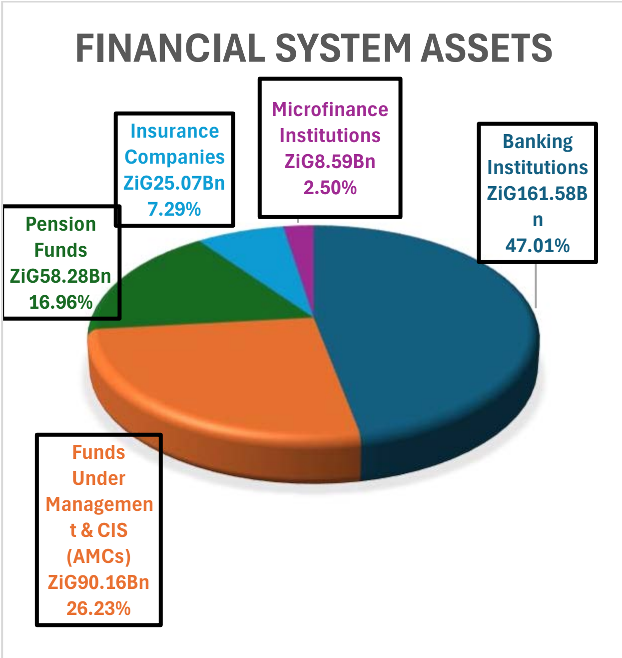
2.4 Prudent management of contingent liabilities and adherence to approved budgetary provisions are essential elements of safeguarding public finances and supporting overall macroeconomic stability (Government of Zimbabwe, 2025).

Financial System Assets

2.5 The systemic dominance of the banking sector was amply demonstrated by its significant proportion of financial system assets (47.01% as at 31 December 2024, as shown in Figure 1.

2.6 The financial system architecture also depicts the systemic significance of the capital markets, underscoring the need to operationalise the macroprudential policy framework.

Figure 1: Financial System Assets as at 31 December 2024



Source: Reserve Bank of Zimbabwe, 2024

Inflation Pressures

2.7 Inflationary pressures posed a threat to financial stability in 2024. After decelerating during the last quarter of 2023 in the wake liberalisation of the exchange rate, supported by the requirement for payment of taxes in local currency, inflation rebounded to a peak of 55.3% in March 2024, from 47.6% in February 2024 (Zimbabwe National Statistics Agency ZimStat, 2024), driven by a weakening exchange rate.

2.8 To tackle the inflation challenges, the Reserve Bank recalibrated the monetary policy framework. At the core of the new framework, was the introduction of a structured currency, the Zimbabwe Gold (ZiG) in April 2024 which has been relatively stable since its introduction. This was complemented by tight monetary policy.

2.9 As inflation decelerated the Bank policy rate was recalibrated from 130% to 20% in April 2024, with a corridor of 11-25%, in line with the envisaged inflation profile for ZiG. Stability in the operating landscape was further buttressed by favourable foreign currency receipts which boosted the country's balance of payments position, expected to record a current account surplus for the sixth consecutive year beginning in 2019.

2.10 After a period of relative price stability between April and August 2024, supported by a tight monetary policy stance, with average inflation recorded at -0.82%, inflationary pressures re-emerged in the latter half of August 2024, driven by widening premiums on the parallel market exchange rate, resulting in a month-on-month inflation rate of 1.4%. The realignment of the exchange rate in September 2024, in line with economic fundamentals, heightened exchange rate pressures, resulting in the Reserve Bank tightening further the monetary policy to foster stability.

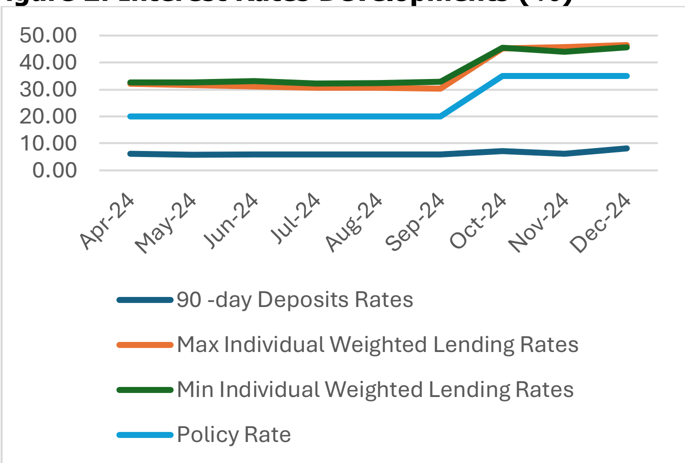
2.11 Against this background, the economy grew by an estimated 2 per cent in 2024, driven by performance in construction and tourism sectors as well as resilient consumer demand, though macroeconomic imbalances persisted. In the outlook, economic growth is projected at 6% in 2025. Underlying assumptions underpinning the projections include normal to above-normal rainfall, which is expected to result in increased agricultural production, as well as stable exchange rate and low inflation. These developments, coupled with tight fiscal and monetary policies, are envisaged to provide a stable macroeconomic environment and a conducive business environment.

Interest Rates

2.12 Sustained efforts to contain inflation culminated in the upward adjustment of the Bank Policy rate from 20% to 35% during the last quarter of 2024. The tight monetary policy was complemented by upward revision and standardisation of statutory reserve ratios for demand and call deposits from 15% and 20% to 30%, respectively (for both local and foreign currency deposits). Concurrently, statutory reserve ratios for savings and time deposits were increased from 5% to 15% (both local and foreign currency deposits).

2.13 The tight monetary policy exerted upward pressure on interest rates, with lending rates for foreign currency-denominated loans advanced to individuals ranging between 6.50% and 20.00% per annum. Foreign currency lending interest rates for corporate clients ranged from a minimum of 5.00% to a maximum of 20.00%, as shown in the figure below.

Figure 2: Interest Rates Developments (%)



Source: Reserve Bank of Zimbabwe, Economic Research 2024

2.14 While tight monetary policy is essential in stabilising the exchange rate, as well as laying the foundation for sustainable economic growth, it inevitably introduces challenges to both the real sector and the financial system. Specifically, elevated interest rates can increase inherent credit risk, as they may adversely affect corporate viability and heighten the likelihood of credit defaults, with far reaching ramifications on bank asset quality.

2.15 Recognising these potential downside risks of tight monetary policy, the Reserve Bank introduced the Targeted Finance Facility (TFF), which is availing funds to productive sectors of the economy at relatively lower interest rates. The facility, which is accessed through banks, has been instrumental in providing targeted support to the productive sectors of the economy, ensuring that businesses continue to access affordable financing even in a tight monetary environment. This strategic intervention has played a significant role in sustaining industrial activity, promoting innovation, and enhancing the overall resilience of the economy despite prevailing macroeconomic pressures (Monetary Policy Statement, August 2024).

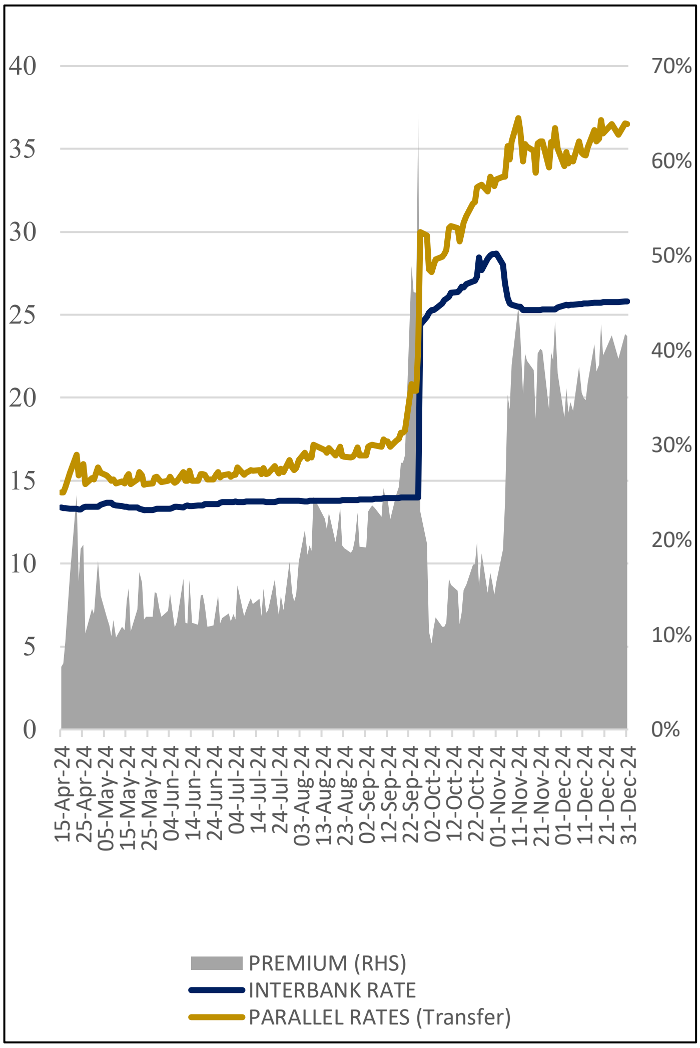
2.16 The inherent credit risk was also effectively mitigated through the implementation of robust risk management frameworks within banking institutions. The cautious approach to lending adopted by most banks to mitigate credit risk, however, adversely affects banking institutions financial intermediation role, to the detriment of financial stability. Ongoing macroeconomic stabilisation measures that create a conducive environment for operational viability are, therefore, critical.

Exchange Rate Developments

2.17 To facilitate a more stable price discovery mechanism and stabilise the exchange rate, the Reserve Bank adopted a refined foreign exchange market determined system on 5 April 2024, under the Willing-Buyer and Willing-Seller (WBWS) principle (Reserve Bank of Zimbabwe, 2024 Annual Report). To support this system, the Reserve Bank actively intervened in the interbank market to address supply-demand imbalances and promote effective trading, utilising 50% of the 25% surrender requirement.

2.18 The further tightening of monetary policy in September 2024 brought about exchange rate stability, as shown by Figure 3, for the period from 15 April 2024 to 30 September 2024 just before the exchange rate realignment was effected.

Figure 3: ZiG/US$ Exchange Rates– Apr-Dec 24



Source: Reserve Bank of Zimbabwe MPS, 2025

2.19 The stability of the exchange rate and inflation, coupled with efficient banking and payment systems, will continue to support the country's resilience towards a sustainable economic recovery in the medium-to-long term. The favourable monetary and financial conditions created a conducive environment for sustained economic resilience and growth, achieving 2% in 2024 as initially projected (Reserve Bank of Zimbabwe, 2024).

2.20 It is also noted that the planned adoption of a modern foreign currency flow administration, accounting, and management framework by the Reserve Bank, will introduce robust cross-border reporting systems and effective tracking of foreign currency flows and support both trade (exports and imports) and investment activities (debt and equity). The framework will also simplify the administration of foreign exchange transactions, making it easier to conduct cross-border trading and investment.

Monetary Developments

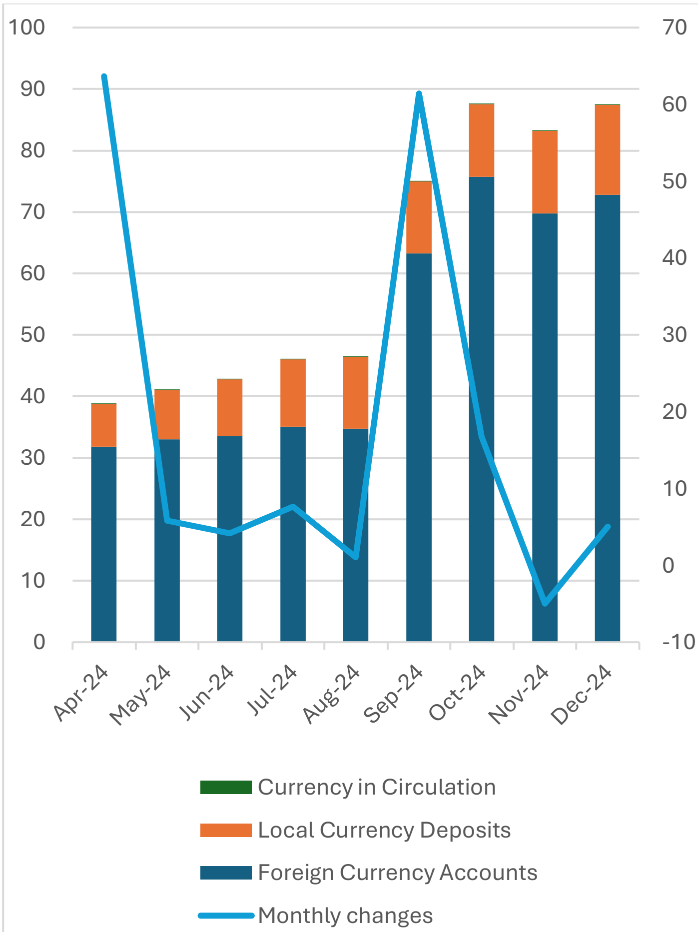
2.21 The broad money (M3) stock stood at ZiG78.91 billion as at end-December 2024, largely comprised of foreign currency deposits (83.3%), with local currency deposits constituting 16.63% of total. Currency in circulation was negligible (0.11%) as noted in the Reserve Bank of Zimbabwe's (RBZ) Monthly Economic Review, of December 2024.

2.22 As of December 2024, private sector loans and advances stood at ZiG55.47 billion, making up the largest share of total domestic credit, which amounted to ZiG74.54 billion, while net claims on the Government accounted for ZiG17.32 billion. The dominance of private sector credit highlights a supportive financial environment where businesses maintain access to funding, facilitating the drive towards productive economic activities which contribute to overall economic growth.

2.23 The high level of financial dollarisation creates structural challenges where some players would source foreign currencies from parallel markets at a premium and sell products in formal markets based on relatively lower exchange rates, thereby creating operational viability challenges. The Reserve Bank has since mitigated this risk by establishing the Willing Buyer Willing Seller market for foreign exchange.

2.24 Figure 4 illustrates the monetary developments from April to December 2024.

Figure 4: Monetary Developments

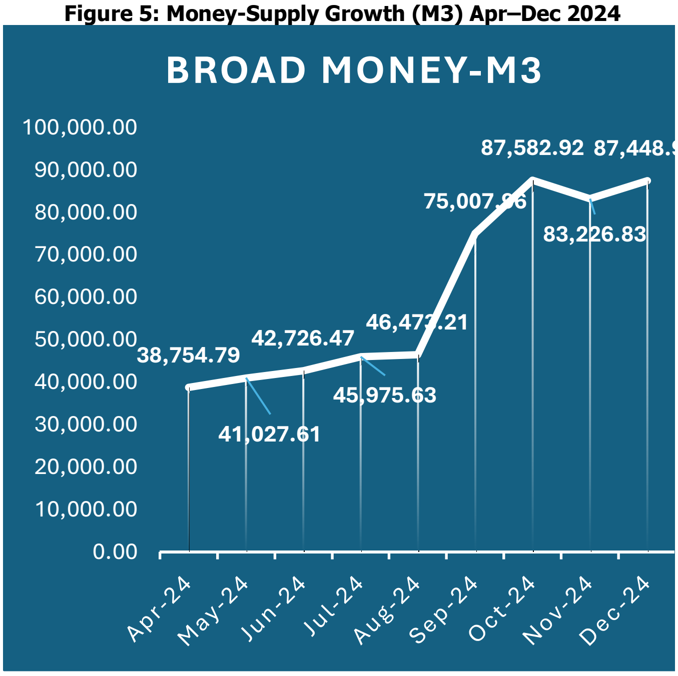


Source: Reserve Bank of Zimbabwe, 2024

2.25 Holdings of Government debt in the banking sector have progressively increased over the years and stood at ZiG10.94 billion (11.29% of GDP) as at 31 December 2024. A deep and robust secondary market for government paper, therefore, remains a top priority to ensure smooth liquidity in the financial system.

2.26 Figure 5 shows the component and month-on-month broad money supply for the period April 2024 to December 2024.

Figure 5: Money-Supply Growth (M3) Apr–Dec 2024



Source: Reserve Bank of Zimbabwe,.2024

2.27 To mitigate the inflationary effects of excessive money supply growth and ensure stability, the Reserve Bank undertook various measures, including open market operations (OMO), adjustments in statutory reserve requirements and intervention in the FX market through foreign exchange sales or purchases.

2.28 The Reserve Bank also employs an Optimal Liquidity Level (OLL) with each bank participating on ZETSS allocated its limit based on its statutory reserve levels. The OLL, previously set at ZiG 166.3 million on April 5, 2024, was reviewed upward to ZiG 500 million on September 30, 2024.

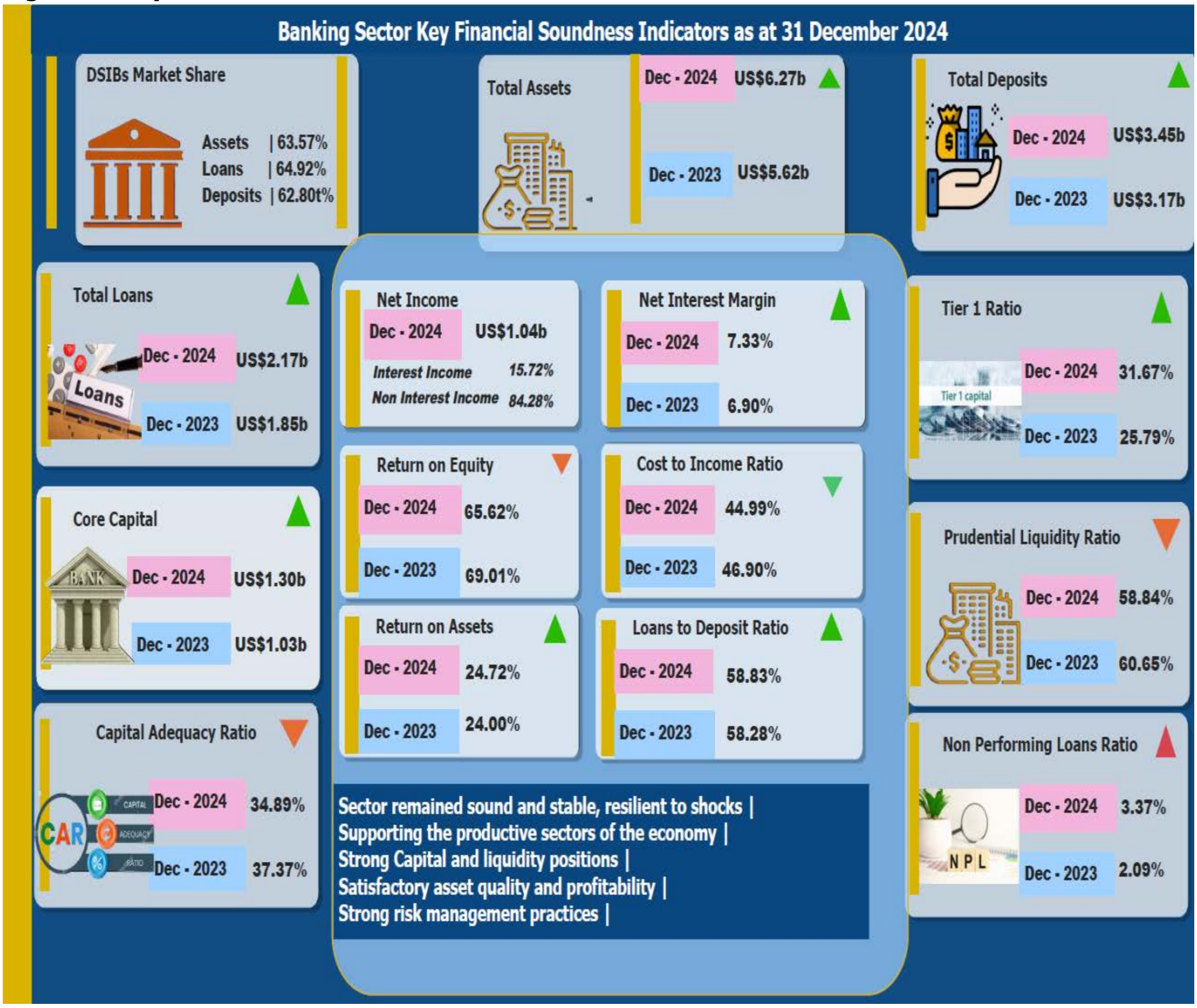
3. CONDITION AND PERFOMANCE OF THE ZIMBABWE BANKING SECTOR

3.1 The banking sector depicted resilience in 2024 notwithstanding the dynamic operating landscape characterised by inter-alia, inflationary pressures, relatively high interest rates, volatile exchange rates, as well as emerging and amplified financial and operational risks.

3.2 On aggregate, the condition and performance of the banking sector remained satisfactory during the year, as indicated by key financial soundness indicators, which depicted adequate capitalisation, satisfactory asset quality, robust liquidity positions, as well as sustained profitability, as shown in figure 6 below.

3.3 High capital buffers in the sector, reflected by an average capital adequacy ratio of **34.89%,** demonstrated resilience on the back of the changing operating environment. The high capital buffers, spurred by sustained earnings supported by satisfactory asset quality and strong risk management systems, reinforce banking institutions' ability to withstand shocks.

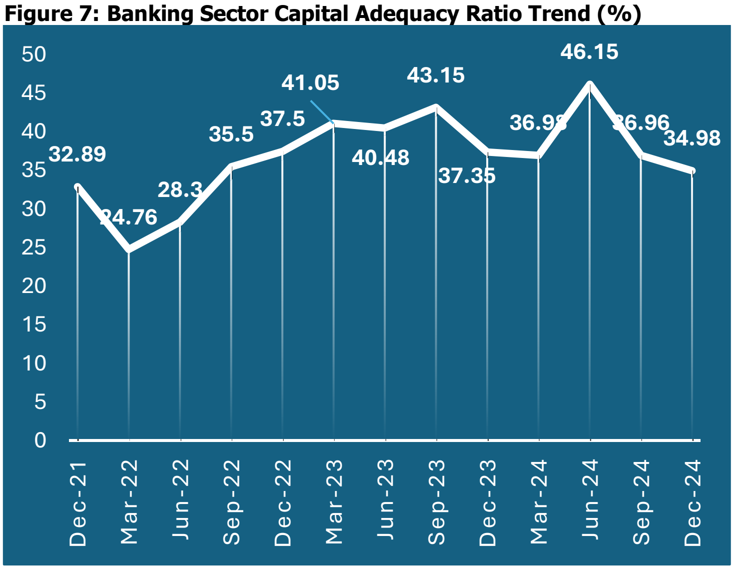
Figure 6: Key Financial Soundness Indicators



Source: Reserve Bank of Zimbabwe, 2024

3.4 The average capital adequacy ratio for the five (5) Domestic Systemically Important Banks' (DSIBs) remained high, at 26.26%, from 28.4% in 2023, further buttressing banking sector resilience. The trend in average capitalisation for the banking sector is presented in figure 7 below.

Figure 7: Banking Sector Capital Adequacy Ratio Trend (%)



Source: Reserve Bank of Zimbabwe,(2024)

3.5 The Reserve Bank conducts micro-stress stress on individual banking institutions on a quarterly basis as an integral component of its supervisory tools and methodologies. The stress tests, which entail subjection of banks to shock scenarios in relation to credit, interest rate, liquidity and foreign exchange shock scenarios, are designed to identify potential weaknesses that may require corrective action, as well as measure banking institutions' ability to withstand adverse conditions.

3.6 Stress tests conducted as at 31 December 2024 showed that the sector is generally resilient to various shock scenarios. Under the most severe scenarios, capital adequacy ratios remained above the regulatory minimum of 12%.

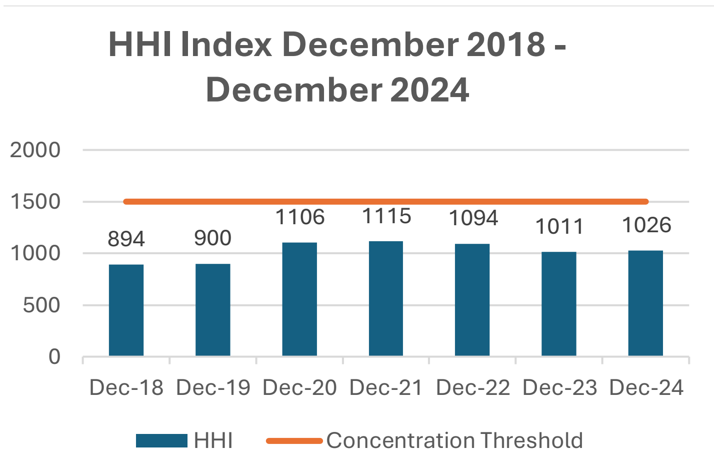
3.7 The stress test results highlighted the importance of maintaining strong capital buffers.

Banking Sector Concentration

3.8 Concentration risk in the banking sector, as measured by the Herfindahl -Hirschman Index (HHI)[1], continued to be low in 2024, with a score of 1026 as shown in Figure 8. The HHI is a widely used indicator of market concentration calculated based on the distribution of asset market shares among banking institutions. HHI scores of less than 1500 depict low concentration, while HHI scores of between 1,500 and 2500 and those in excess of 2500 reflect moderate and high concentration, respectively.

3.9 Low HHIs indicate a reduced likelihood of market dominance by a few large players, thereby supporting a competitive environment that provides conditions for promotion of better pricing, enhanced innovation, and greater consumer choice

Figure 8: Herfindahl-Hirschman Index



Source: Reserve Bank of Zimbabwe, 2024

[1] The Herfindahl-Hirschman Index is an index that measures market concentration. It is computed as follows
$HHI=s_1^2+s_2^2+\cdots+s_n^2=\sum_{i=1}^{n} s_i^2$
Where s_i is a banking institution's share of total banking sector assets.

HHI of between 1 500 and 2 500 points to moderate concentration, while HHI greater than 2 500 points to high concentration.

3.10 The market share of the five Domestic Systemically Important Banks (DSIBs) was 62.40% based on banking sector total asset base of ZW$34.41 trillion.

3.11 DSIBs are designated in with the requirements of Prudential Standard 01-2020/BSD: Framework for Dealing with Domestic Systemically Important Financial Institutions (DSIBs) issued in 2020. In line with best practice, the DSIBs are required to maintain capital buffers above minimum regulatory capital thresholds, as well as apply stricter stress testing scenarios in their risk management frameworks.

3.12 Capital adequacy ratios for DSIBs ranged from 16.15% to 31.26%, with an average ratio of 26.65% as at 31 December 2024.

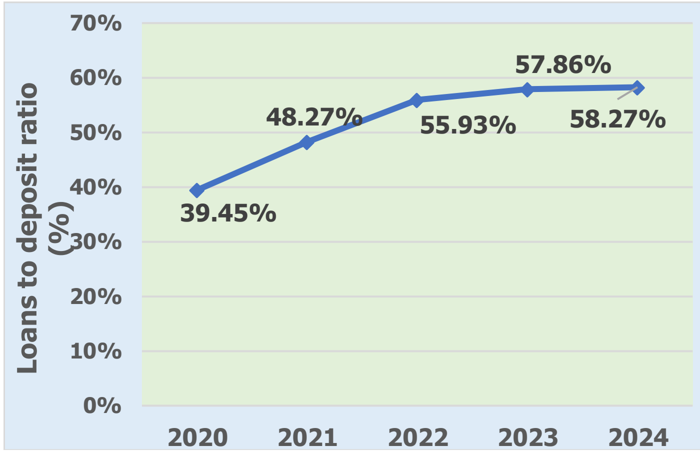
Financial Intermediation

3.13 A vital aspect of financial stability is the banking sector's ability to perform its core functions, including financial intermediation. The level of financial intermediation remained stable as reflected by total loans-to-total deposits (L/D) ratio of 58.27% as at 31 December 2024, compared to 57.86% as at 31 December 2023.

3.14 A higher loans-to-deposits ratio ordinarily indicates more aggressive lending (potentially higher returns but higher liquidity risks, and vice versa). The average L/D ratio in Zimbabwe mainly depicts the cautious approach to lending by banks based on risk considerations.

3.15 The trend in the loans to deposits ratio is shown in the figure below.

Figure 9: Banking Sector Loans to Deposits Ratio Trend



Source: Reserve Bank of Zimbabwe, 2024

3.16 It is envisaged that as ongoing macroeconomic stabilisation efforts gain traction, banks will be able to expand their lending activities in line with expanding economic activity.

Banking Sector Risk Assessment

3.17 The operating environment characterised by emerging risks such as climate and cyber risks, as well as amplification of traditional risks against the backdrop of heightened technological advancement and financial innovation, is creating both opportunities and threats for the banking sector. Banking institutions are responding by reconfiguring their business models and developing digitally enabled products that increasingly leverage artificial intelligence, while at the same time enhancing climate risk management systems and strategies.

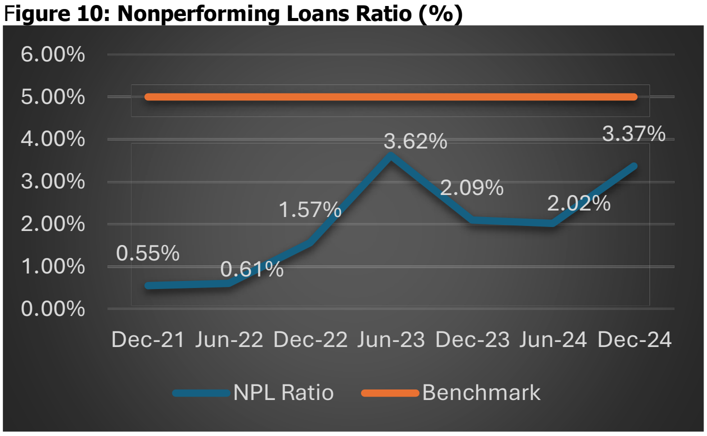
3.18 The banking sector faced seven (7) principal financial stability risks in 2024, as highlighted hereunder.

Credit Risk

3.19 Credit risk was rated moderate on account of relatively high interest rates, albeit declining, coupled with robust risk management systems at banking institutions. High lending rates partly reflect the high premiums on credit lines accessed by banking institutions. At 3.37%, the non-performing loans to total loans (NPLs) ratio was below the international threshold of 5%. Figure 10 shows the trend in the average sector NPL ratio.

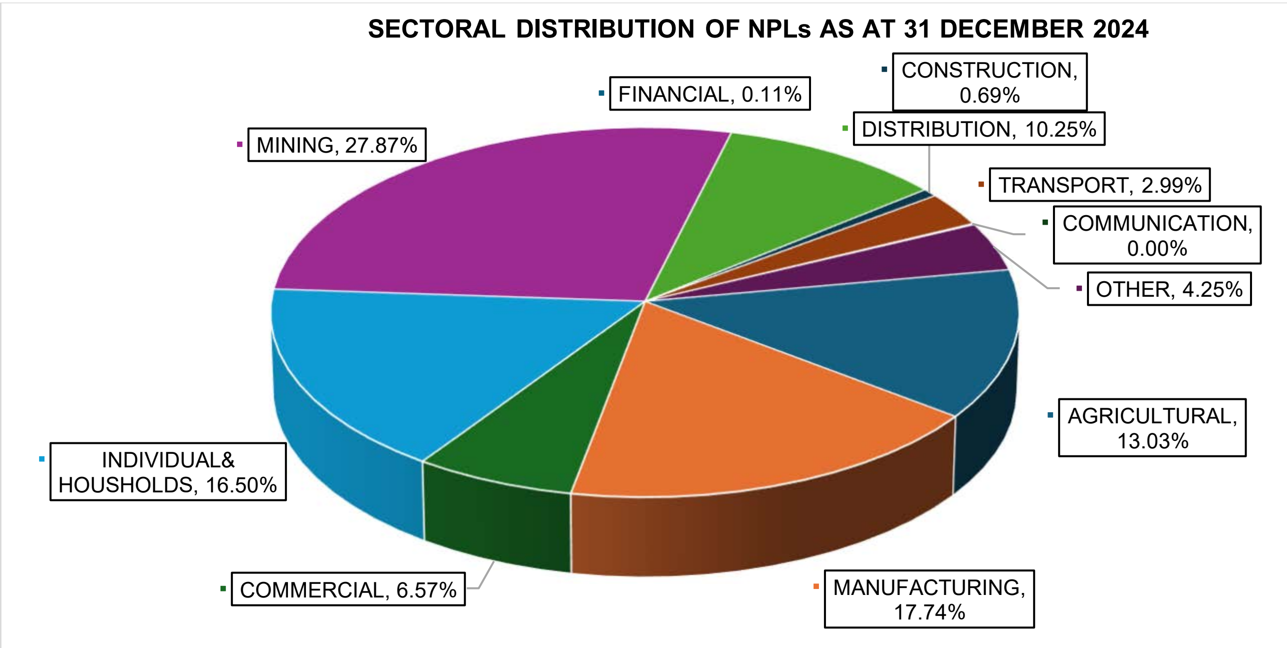
3.20 The highest NPL concentrations were observed in the mining sector, accounting for 27.87% of total NPLs, followed by the manufacturing sector (17.74%) and individuals and households (16.50%), as shown in Figure 11 below. The relatively high NPLs in the mining sector mainly reflect the decline in global commodity prices of lithium and platinum during the last quarter of 2024. This reflects the macro-financial linkages between global and domestic developments and the financial sector. In this regard, ongoing geopolitical tensions and tariff wars will have a global bearing on corporate viability via export revenues and import costs, with potentially significant ramifications on financial stability.

Figure 10: Nonperforming Loans Ratio (%)



Source: Reserve Bank of Zimbabwe,2024

Figure 11: Sectoral Distribution of NPLs as at 31 December 2024

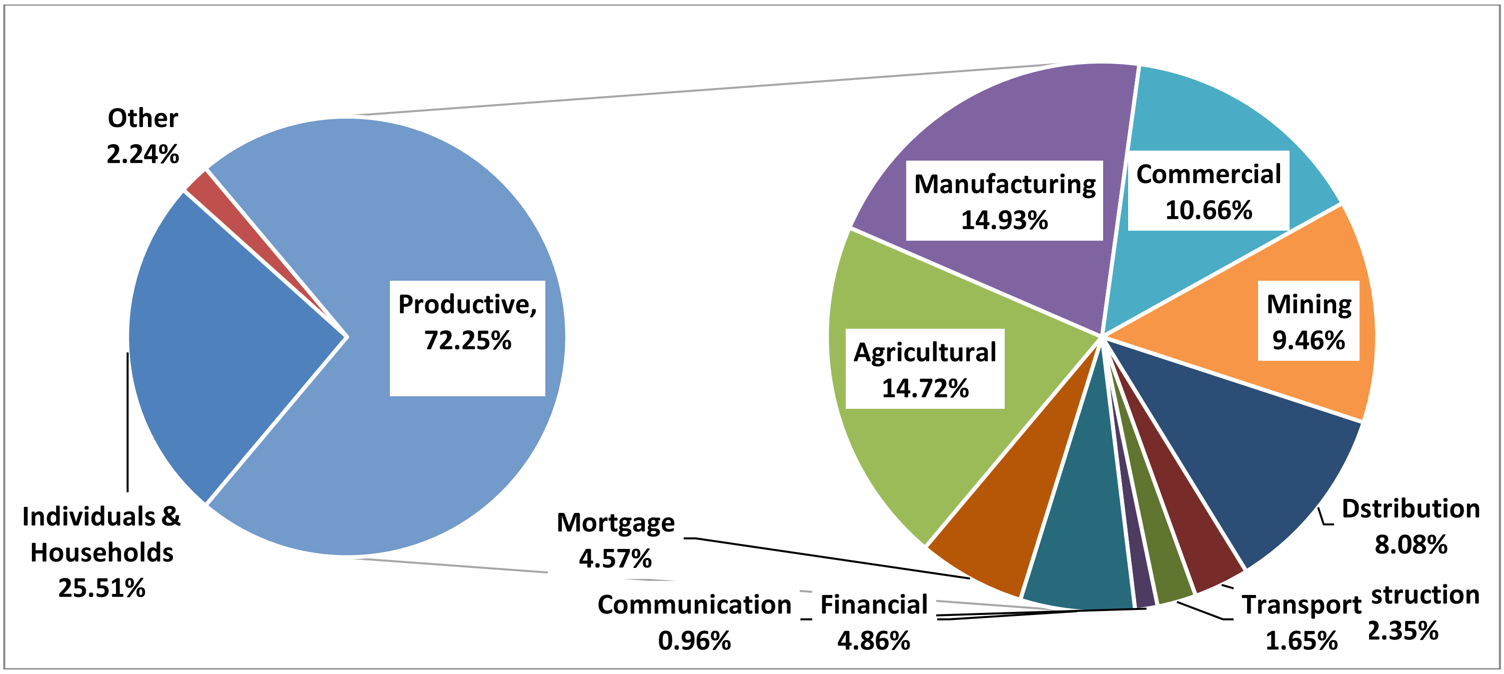


Source: Reserve Bank of Zimbabwe, 2024

3.21 The prevailing tight monetary conditions in the domestic economy have potential to exert downward pressure on property prices as a result of reduced demand, a development that invariably affects collateral valuations. This may, going forward affect loan recovery rates in cases where properties were ceded as collateral. The stabilisation of the exchange rate has had effects on property revaluation gains which gradually slowed down resulting from the stable property prices.

3.22 The distribution of credit, as shown in Figure 12 below, is a manifestation of structural dynamics in the banking sector where long-term funding required by sectors such as mining and construction is constrained by the liability structure of banking institutions which is tilted towards short term funding. It is also noted that while significant lending to households would ordinarily create underlying default risks from consumptive lending, such loans in the Zimbabwean context are also used for productive purposes in view of the informalisation of the economy.

Figure 12: Sectoral Distribution of Loans



Source: Reserve Bank of Zimbabwe, 2024

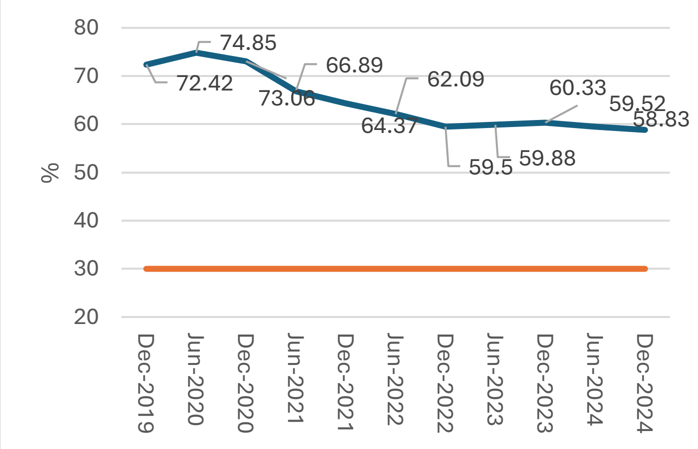
Interest Rate Risk

3.23 Interest rate risk remained **moderate** during the year ended 31 December 2024 as holdings of demand deposits with zero or minimal interest rates continue 3.26
to dominate liability profiles of banking institutions, on the back of a relatively high earning assets base mainly comprising loans and advances, as well as
3.24 securities and investments. The risk is further moderated by satisfactory risk management systems.

Liquidity Risk

3.25 Liquidity risk was considered **low**, on account of high liquidity buffers across the banking sector, reflected by an average Prudential Liquidity Ratio of 58.83%, which was well above the 30% regulatory minimum for individual banks. The trend in the Prudential Liquidity Ratio is shown in Figure 13.

Figure 13:Banking Sector Average Prudential Liquidity Ratio Trend



Source: Reserve Bank of Zimbabwe, 2024

3.27 The Reserve Bank also monitors the Basel III Liquidity Coverage Ratio (LCR), which although declining from 317.23% as at 31 December 2023 to 267.19% as at 31 December 2024, remained well above the minimum regulatory requirement of 100%

3.28 It is worth noting, however, that high-quality assets, are a critical component of LCR computation, such that they should only include assets that can be easily and immediately converted into cash at little or no loss of value. In this regard, ongoing efforts to deepen financial markets in Zimbabwe are of paramount importance.

3.29 In addition, the limited nature and relatively high cost of external lines of credit to Zimbabwe tends to constrain the ability of banking institutions to provide long term funding. The disruptive effects of geopolitical tensions and general uncertainty in the global macroeconomic environment may aggravate the external funding constraint, as potential investors become more cautious.

Foreign Exchange Rate Risk

3.30 Foreign exchange rate risk was assessed as **moderate** in view of the intermittent volatilities that were moderated by various measures, including tight monetary policy stance, introduction of stable local currency. The ZiG to USD exchange rate remained relatively stable, moving from USD1: ZiG13.56 when it was introduced to the market in April 2024 to USD1: ZiG25.8 by year-end, following realignment of the exchange rate in September 2024.

3.31 Some banking institutions breached the regulatory thresholds of 10% and 20% per currency and aggregate foreign currency net open positions partly attributed to the structural dynamic of the multicurrency regime, where banks fund purchase of foreign currencies using retained earnings generated from foreign denominated transactions, without corresponding liabilities; funding of foreign currency assets using local currency labilities, as well as inadequate risk management systems. The Reserve Bank engaged banks with a view to normalising the breaches guided by best practice.

Strategic Risk

3.32 Strategic risk was rated **moderate** based on structural dynamics that characterise the banking sector operating landscape, including heightened digitisation, which is reshaping service delivery models and customer engagement strategies. Competitive pressures are intensifying, largely emanating from fintech companies and mobile money operators offering agile, technology driven financial solutions that challenge traditional banking models.

3.33 In addition, changing consumer tastes, particularly a growing preference for convenient, self-service digital platforms and personalised financial products are compelling banks to rapidly innovate. These shifts are occurring alongside evolving regulatory expectations aimed at enhancing financial stability, consumer protection, and cybersecurity resilience.

3.34 The aforenoted shifts in the operating landscape, coupled with pressures for business model reconfigurations, including cost rationalisations, have heightened business model risk, requiring development and/or enhancement of dynamic capabilities on the part of banks. In this connection, the Reserve Bank continues to enhance its supervisory techniques and methodologies, including proactive engagements with bank boards and management.

3.35 The Reserve Bank continues to integrate business model analysis and sustainability assessments into its quarterly off-site reviews and on-site supervisory examinations. This approach enables the Bank to evaluate the long-term viability of regulated institutions by examining the alignment of their strategic direction with their risk appetite and operating environment. Enhanced focus on income diversification, cost structures, and responsiveness to emerging risks such as digital disruption and climate change, has strengthened ability to identify strategic vulnerabilities early and ensure proactive supervisory responses. This forms part of the Reserve Bank's broader efforts to enhance forward-looking supervision to safeguard financial sector stability.

Operational Risk

3.36 Operational Risk in the banking sector was considered **high** based on continued automation and digitization, including the growing trend in the use of cloud computing, which heightens operational and cyber risks. The Reserve Bank conducted a cyber resilience assessment in 2024 for the banking and microfinance sectors to evaluate readiness against cyber threats.

3.37 The assessment indicated satisfactory cyber maturity across most institutions, with well-established risk management systems safeguarding critical data and supporting effective threat detection and response.

3.38 Banking institutions continue to enhance their operational resilience and cyber risk management capabilities.

Macroeconomic Risk

3.39 Global macroeconomic and financial conditions highlighted in Chapter 1, including geopolitical tensions, commodity prices, inflation developments, as well as economic growth rates in Zimbabwe's trading partners presented inherent risks, some of which crystalised. Knock-on effects of lower commodity prices were reflected by increased NPLs in the mining sector, whilst limited external lines continued to constrain the banking sector's ability to fund long term projects.

3.40 Persistent structural rigidities in the domestic macroeconomic landscape, including exchange volatilities fiscal debt overhang, subdued demand, and power outage, were some of the factors affecting credit and liquidity risk profiles of banks. As highlighted elsewhere in this report, the risks were mitigated by proactive supervisory oversight and risk management enhancements at banking institutions resulting in a **moderate rating** for macroeconomic risk**.**

Climate Related Risks

3.41 Climate related risks emerged as one of the topical risks in the banking sector**.**

3.42 In relation to physical risk, whilst the agricultural sector was affected by the El-nino induced drought during the 2023/2024 farming season, banking institutions were not significantly affected. This was principally due to strategies employed, including targeting financing of farmers with climate proofed infrastructure such as irrigation infrastructure.

3.43 In addition, banking institutions put in place structured finance agriculture facilities where the financed commodity was secured as collateral for the loan facility which mitigated against the risk of commodity side marketing.

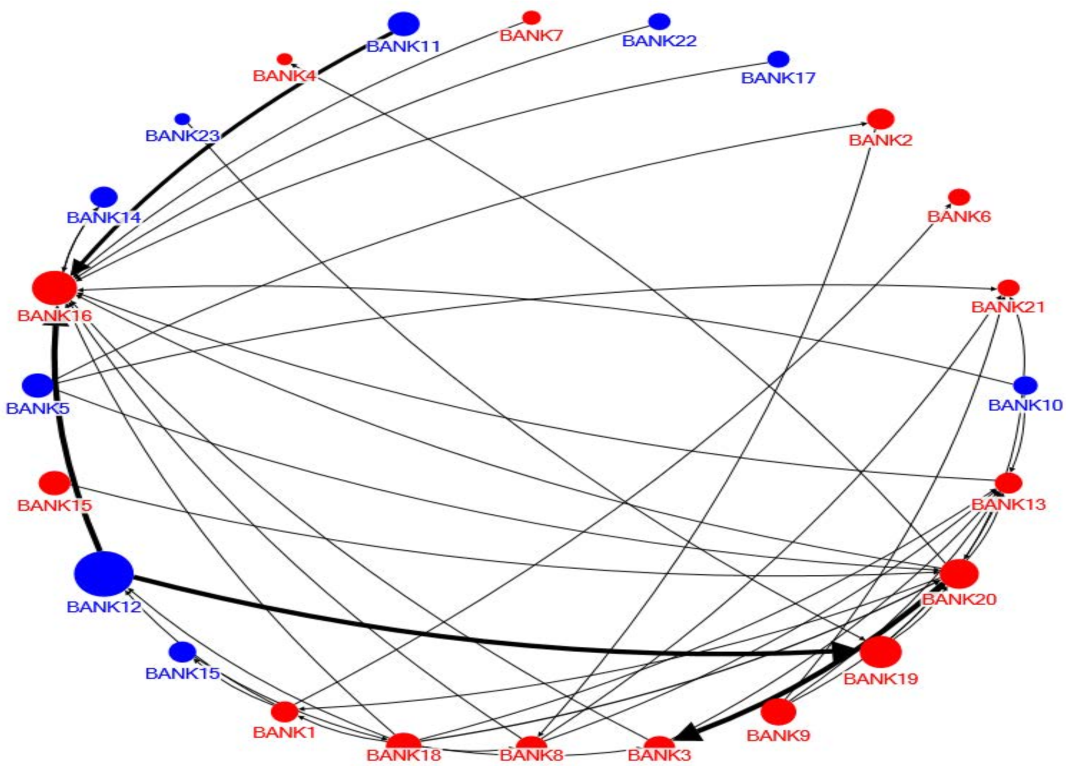
3.44 The absence of major policy shifts towards green energy in 2024 minimised transition risk in the banking sector. As these policies become more pronounced and more and more assets become stranded and related values are affected, transition risk may present a major challenge in the sector.

3.45 As part of risk mitigation, the Reserve Bank continued to operationalise Guideline No.01-2023/BSD - Climate Risk Management. This included a survey to determine progress made by banking institutions in relation to implementation of climate governance and risk management systems.

Interbank Analysis

3.46 The interbank network is a tool used to assess the extent of interconnectedness of institutions that are participating in the interbank market (banks and deposit-taking microfinance with the ultimate objective of determining the level of systemic risk. Figure 14 shows the extent of interconnectedness in the banking system as at 31 December 2024.

Figure 14: Interbank Network as at 31 December 2024



Source: Reserve Bank of Zimbabwe, 2024

Blue nodes are net lenders.
Red nodes are net borrowers.
The arrows show the direction of lending from the lender to the borrower.
The size of the arrows shows the relative size of the net

3.47 In the scale of the whole banking sector, interbank exposures constituted a relatively small share of assets. Total interbank loans accounted for 4.13% of total banking sector assets. A stress test to assess the impact on the lending banks of a failure by the borrowing banks showed that the lending banks would remain solvent with their capital adequacy ratios remaining above the regulatory minimum of 12%.

Money Laundering Risks

3.48 As part of ongoing efforts to strengthen implementation of measures to combat money laundering and terrorism financing, the country concluded its third money laundering National Risk Assessment (NRA) in 2024. The NRA was undertaken using the World Bank NRA Tool.

3.49 The NRA rated the country's overall money laundering risk as medium, which is a function of the National Threat rating of Medium Low and a National Vulnerability rating of Medium High.

3.50 The money laundering national threat rating is influenced by the estimated amounts of proceeds of crime being laundered through the financial system and the economy. The major financial crimes that generated illicit proceeds were found to be tax evasion, corruption, fraud, drug trafficking, smuggling and illegal dealing in precious stones and precious metals.

3.51 Real estate, car dealers and precious stone/ precious metal dealers are the sectors that are most susceptible to money laundering, partly due to the widespread use of cash transactions and partly due to weak anti money laundering controls in these sectors.

3.52 The high informalisation of the Zimbabwe economy and the widespread use of US dollar cash also present challenges in effective monitoring and combat of money laundering.

3.53 In 2024, the country also concluded its first assessment of the money laundering risks posed by virtual assets and virtual asset service providers, results which were submitted to the Minister of Finance, Economic Development and Investment Promotion for consideration including the necessary publication.

Microfinance Sector

3.54 Financial stability risks persist in the microfinance sector, notably elevated credit risk, as evidenced by a portfolio-at-risk (PaR) over 30 days of 11.47%, significantly higher than the international benchmark of 5%.

3.55 Factors underpinning elevated inherent credit risk include high indebtedness against the backdrop of limited financial literacy and high lending rates. In response, the Reserve Bank intensified monitoring and enforcement of regulatory compliance to mitigate the potential systemic impact of poor lending practices. Excessive consumer debt, if unaddressed, could compromise the stability of both lending institutions and the broader financial system.

3.56 Concentration risk was also notable, with the top 30 microfinance institutions accounting for 80.81% of total loans, amounting to ZiG4.16 billion out of the sector's total ZiG5.15 billion loan book.

3.57 Adequate capitalization is a key success factor in the scaling up of microfinance business, and attainment of both operational self-sufficiency (OSS) and financial sustainability of microfinance institutions.

3.58 Total equity in the microfinance industry amounted to ZiG2.73 billion (US$105.85 million), as at 31 December 2024. Average Tier 1 and capital adequacy ratios of 39.71% and 44.49%, respectively, were recorded for Deposit Taking Microfinance Institutions. For the year ended 31 December 2024, the microfinance industry reported an aggregate net profit of ZiG971.70 million (equivalent to US$37.66 million). Return on assets and return on equity ratios for the period ended 31 December 2024, were 11.28% and 35.42%, compared to 20.02% and 32.93%, respectively for the corresponding period in 2023.

3.59 The sustainability of the sector as measured by the operational self-sufficiency (OSS) ratio of 182.63% as at 31 December 2024, reflects the sector's ability to remain operationally sustainable.

Deposit Protection

3.60 The Deposit Protection Corporation (DPC) is a cornerstone of financial system stability in Zimbabwe, providing a safety net that protects depositors in the event of a bank failure. As at 31 December 2024, the DPC covered 27 contributory institutions, comprising commercial banks, building societies, a savings bank, an infrastructure and development bank, and deposit-taking microfinance institutions (DTMFIs).

3.61 Under the banking institutions category, the DPC provided full coverage for 99.6% of ZiG deposit accounts, although these accounted for only 14% of the total value of deposits. For USD accounts, 96.7% of accounts were fully covered, representing 53.2% of the value in insured accounts.

3.62 In the microfinance sector, the coverage levels were similarly high. The DPC fully covered 99.95% of ZiG accounts, though the insured value was just 5.54%, reflecting the prevalence of small-balance accounts. For USD accounts in the same sector, 99.97% were fully covered, with 26% of total account value insured, indicating a concentration of funds in a limited number of high-value accounts.

3.63 The Corporation continues to serve as a vital stabilizing force in Zimbabwe's financial system. Its strong coverage ratios, proactive risk surveillance, and resilience-building initiatives enhance its effectiveness in managing depositor confidence and systemic risk. Nonetheless, challenges persist, notably in the form of macroeconomic volatility, cyber threats, and limited coverage for high-value deposits, which require continued strategic focus.

4. CAPITAL MARKETS RESILIENCE

Overview

4.1 In 2024, the capital markets was characterised by a stable yet challenging operating environment on the back of liquidity constraints. While the Victoria Falls Stock Exchange (VFEX) saw a 117% increase in turnover to USD 56.9 million, the Zimbabwe Stock Exchange (ZSE) experienced a 33% decline in trade volumes. Funds Under Management (FUM) totalled ZWG 90.16 billion, with USD-denominated assets growing.

4.2 Key risks include liquidity, market concentration, cybersecurity threats, and climate-related challenges. Regulatory efforts focused on transparency, offshore investments, and AML compliance. The outlook for 2025 underscores the importance of regulatory strengthening.

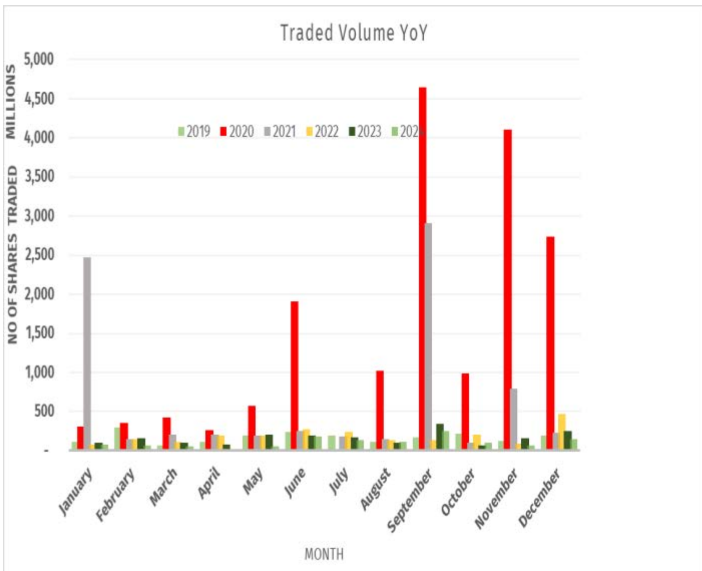
Stock Exchange Developments

4.3 The VFEX registered improved trading activity compared to FY2023. The aggregated VFEX turnover for the year ended 31 December 2024 stood at **USD56.9 million**, a 117% upsurge from **USD26.3 million** reported in the prior year. Market capitalisation for the VFEX also increased by 6% to close the year at **USD1.279 billion** compared to **USD1.208 billion** reported for 2023.

4.4 The market capitalisation for the ZSE stood at ZWG66.241 billion as at 31 December 2024. However, the ZSE experienced a sharp decline in both trade volumes as well as number of trades with **1,3 billion** shares traded in 2024, down 33% from **1,9 billion** in 2023 (see **Figure 15**). The decline in trading volumes was mainly attributable to a combination of tight liquidity conditions, uncertainty over the policy environment, concerns around currency volatility, as well as changing investor behaviour on the back of growing preference for alternative asset classes perceived as safer or offering better value retention, such as real estate, precious metals, offshore investments.

4.5 Regulatory measures, including restrictions extended on vesting or holding periods for stock trades, also reduced market liquidity and discouraged speculative and short-term trading activity, prompting many investors to shift to alternative assets perceived as more liquid or stable.

Figure 15: Volume of Shares Traded in millions (Zimbabwe Stock Exchange 2019- 2024)

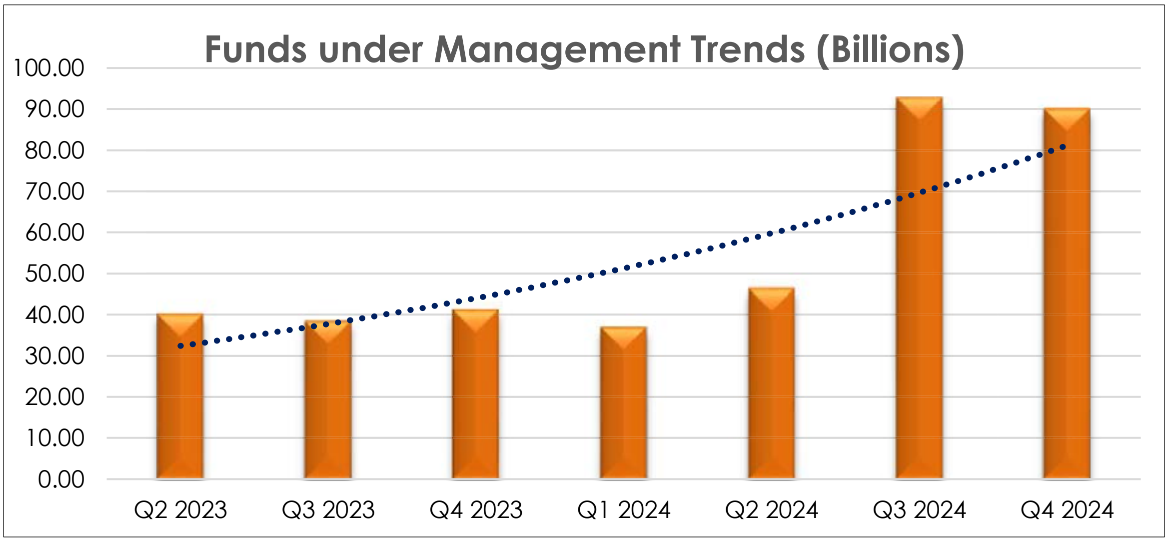


Source: Securities & Exchange Commission of Zimbabwe

Funds under Management (Asset Management Industry)

4.6 Total Funds Under Management (FUM) as at 31 December 2024 stood at **ZWG90.16 billion**. The amount includes USD denominated FUM of **USD1.87 billion**, which was translated to local currency (ZWG) at the prevailing exchange rate as at 31 December 2024. The industry average FUM for the period ended 31 December 2024 stood at **ZWG3.11 billion** for 34 Securities & Investment Management Firms in 2024. **Figure 16** below shows the FUM trend from Q2 2023 to Q4 2024.

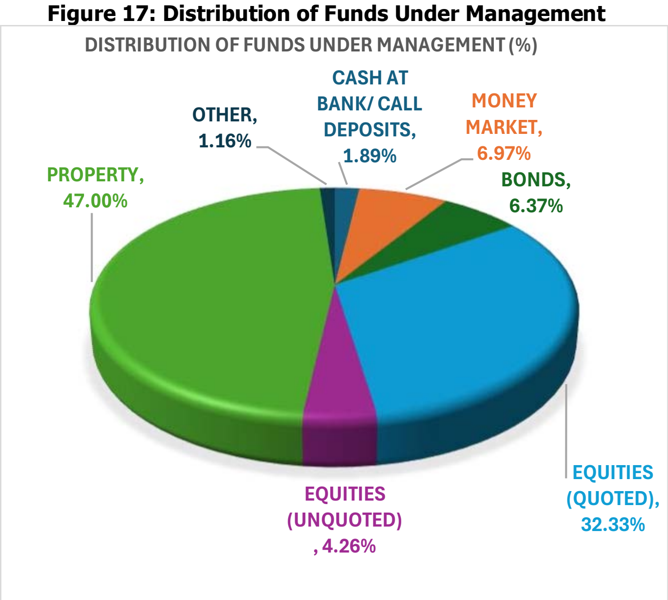
Figure 16: Funds under Management Q2 2023-Q4 2024



Source: Securities & Exchange Commission of Zimbabwe

4.7 The distribution of FUM, however, as shown in Figure 17 depicted high concentration towards property investments, at 47% of total investments profile of client base.

Figure 17: Distribution of Funds Under Management



Source: SECZ Newsletter, (2024)

4.8 A sharp fall in property prices has the potential for far reaching ramifications on the holders of the investments. The low level of money market investments continues to reflect limited money market investment opportunities, as well as low investor appetite in such investments on the back of inflationary pressures. The low proportion of money market investments, as well as call and cash deposits points to low connectedness between asset management firms and the banking sector, potentially minimising systemic risk.

Collective Investment Schemes (CIS)

4.9 As at 31 December 2024, there were diverse collective investment schemes comprising Equity, Money Market, Hybrid, Exchange Traded Funds, Property, Gold Funds, Real Estate Investment Funds, and Livestock Backed Unit Trust. Forty-eight (48) registered collective investment schemes were active. The number of unit holders, however, declined to 80,381 from 82,968 recorded in the previous year.

4.10 As part of ongoing efforts to monitor and maintain financial stability, the Securities Exchange Commission (SEC) conducts comprehensive ongoing assessment of risks within the securities markets. This tool plays a critical role in identifying, evaluating, and mitigating risks that could undermine market integrity, investor confidence, and the overall stability of the financial system.

4.11 Key financial stability risks in the capital market include underlying liquidity challenges which exert pressure on investors to opt for alternative investments, as well as concentration risk, notably in the investment management industry, where 75.33% of the funds under management were held by only five out of the twenty-seven operating investment management firms.

4.12 High integration between capital markets industry, banking and insurance entities elevates systemic risks.

4.13 As with the banking sector, capital markets were also exposed to climate related risks. Supervisory challenges faced included reluctance to adopt ESG reporting standards by market players, as well as limited comparable, granular climate-related data.

4.14 Adoption of technology and digital platforms in the capital market is also increasingly exposing the sector to cyber risks.

4.15 Details of other risks faced including business sustainability risk and money laundering risk, **and mitigants thereof, are provided in the risk matrix under Annexure 1.**

5. INSURANCE AND PENSIONS INDUSTRY DEVELOPMENTS

Overview of the Pensions Industry

5.1 The insurance and pensions industry demonstrated overall stability in 2024, with marginal improvements in insurance penetration driven by innovation in microinsurance and agricultural insurance products. Pension funds registered gains from improved investment returns, particularly from real estate holdings. The expansion of microfinance institutions into rural and underserved communities also contributed to broader financial inclusion. However, financial stability risks persist, notably in the form of undercapitalisation and governance deficiencies in certain institutions, warranting ongoing regulatory and supervisory vigilance.

5.2 Despite a challenging macroeconomic environment marked by inflationary pressures, the sector remained resilient. This was evidenced by generally positive financial soundness indicators and compliance levels. Nevertheless, the operating environment continues to test the robustness of institutional risk management and capital adequacy.

5.3 A key emerging trend with financial stability implications is the increasing dollarisation of the insurance sector. By year-end, 80% of short-term insurance business and 65% of life insurance business were conducted in US dollars. While this shift offers protection against local currency depreciation, it also introduces currency mismatches and potential regulatory arbitrage, which could affect balance sheet integrity and long-term claims-paying capacity.

Vulnerabilities in the industry

5.4 As at 31 December 2024, two (2) reinsurers, three (3) direct insurers, one (1) life assurer, ten (10) insurance brokers and one (1) micro-insurer were non-compliant with the US$ indexed Minimum Capital Requirements (MCRs).

5.5 During the year, twenty-one (21) of the thirty-eight (38) Defined Benefit Funds (DB) funds were underfunded. Several direct short-term insurers were struggling to maintain adequate liquidity levels, resulting in some paying claims in instalments. A total of 10 out of the 19 short-term insurers and two (2) out of 10 reinsurers had negative working capital and current ratios below 100%, indicating potential difficulties in meeting their immediate financial obligations.

5.6 Following the gazetting of the pre-2009 Pensions Compensation Regulations in 2023, and the setting of timelines for the compensation exercise, the Commission received about 1,200 compensation schemes. However, only two (2) schemes had been approved by the Commission as at 31 December 2024, with the two (2) schemes having commenced payments to members. The rest of the schemes face compliance challenges due to inadequate data, failure to demonstrate asset separation between policyholder and shareholders, and funding constraints. Engagements are ongoing to resolve the challenges.

5.7 The gazetting of the Insurance Compensation Regulations was temporarily put on hold to allow for the resolution of outstanding matters related to the Pension Compensation Regulations. This approach was taken to ensure policy coherence and alignment between the two (2) regulatory frameworks, given their interconnected nature in safeguarding policyholder and pensioner interests. Finalising the Pension Compensation Regulations will provide clarity on the scope, funding mechanisms, and governance structures—key elements necessary for the effective operationalisation of the Insurance Compensation Scheme.

Risks to the Insurance and Pensions Industry

5.8 Major risks affecting the insurance and pensions industry in 2024 included macroeconomic, reputational, concentration and business risks, which were rated high, while credit and solvency/capital risks were rated moderate.

5.9 Macroeconomic risk was rated high on account of inflationary pressures, unintended consequences of currency reform on long-term insurance and pension contracts, low disposable incomes impacting on pension and insurance uptake and industry viability challenges. Informalisation of the economy, closure and downsizing of companies negatively impacted on pension coverage, insurance penetration, rental yield and overall valuation of commercial properties occupied by retail clients. In the outlook, the risk is expected to remain high in view of continuing company closures and downsizing instances, particularly in the retail sector.

5.10 Reputational Risk was mainly due to protracted resolution of the Pre 2009 compensation and low pension benefits that do not meet reasonable expectations.

5.11 Business Risk was mainly due to the uncertainties relating to the proposed transition of Third-Party Motor Insurance administration to a government-led framework, stemming from several strategic and policy considerations.

5.12 Concentration Risk was rated high in view of the high concentration on funeral products by life assurers, the monopolistic nature of life assurance business sector as well as concentration of investments in a few asset classes, mainly property and listed equities.

5.13 Credit Risk was rated moderate due to contribution arrears which had grown to US$68 million as at 31 December 2024, up from US$53.81 million reported as at 31 December 2023. Given the critical role insurance and pension institutions play in financial intermediation, long-term savings mobilisation, and social protection, maintaining soundness in this sector is essential for broader financial stability.

5.14 The Financial Stability Risk Matrix (Annexure 1) captures both macroeconomic and institution-specific vulnerabilities—including underwriting risk, investment risk, liquidity risk, and governance weaknesses—while also reflecting emerging structural trends such as dollarisation, regulatory reforms, and climate-related exposures.

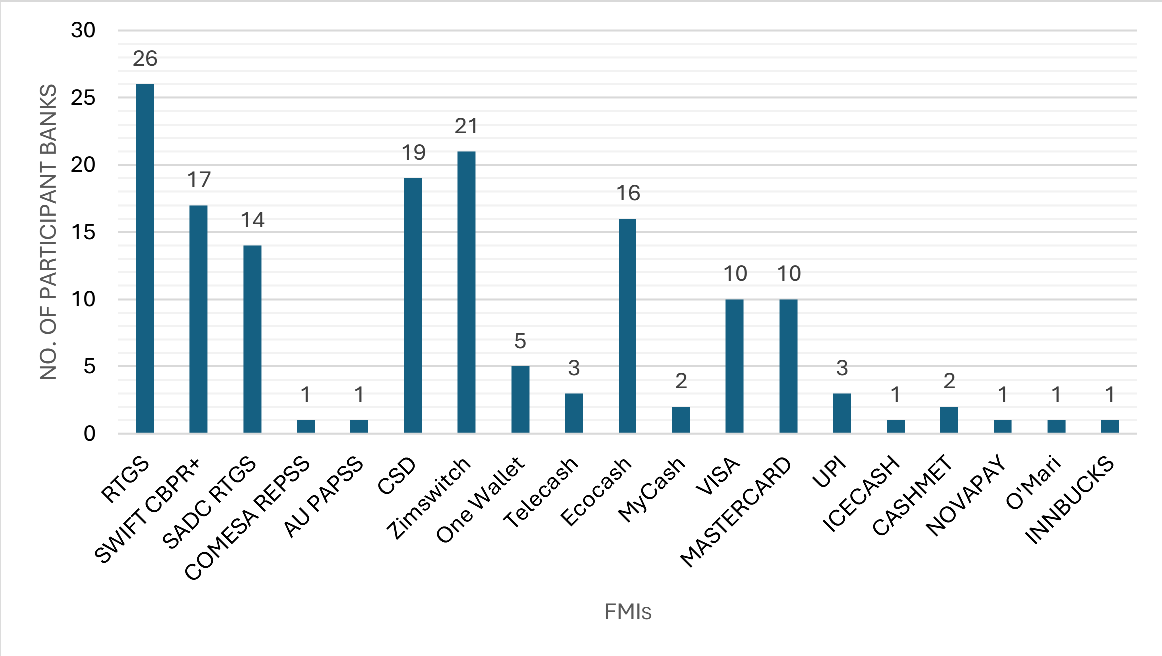
6. PAYMENTS SYSTEM RESILIENCE

Overview Of Payment Systems

6.1 The national payment systems in Zimbabwe demonstrated stability, efficiency, and resilience throughout 2024, with projections indicating that this positive trend will continue into 2025 and beyond.

6.2 The configuration of the payment system comprising 12 payment system providers, 25 participant banks, three (3) regional payment platforms and various payment streams facilitates the economy's transactional activities. Figure 18 shows the number of participant Financial Markets Infrastructure (FMI) as at 31 December 2024.

Figure 18: FMIs and Number of Participant Banking Institutions



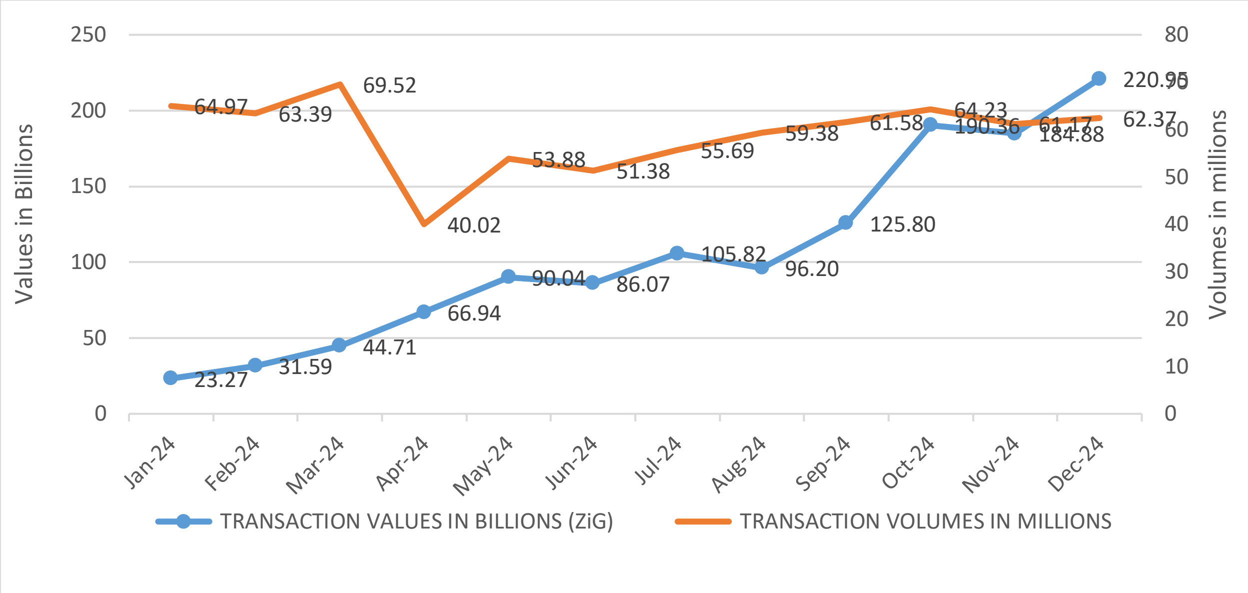
Source: Securities & Exchange Commission of Zimbabwe

Digital Payment Systems Values and Volumes

6.3 There was significant stability in various transactional platforms and growth in transactional activities reflecting high adoption and confidence in the digital payment platforms by the transacting public.

6.4 Accordingly, digital payment systems transaction values continued an upward trend, as shown in Figure 20, with an average monthly growth of 26% in 2024. The volume of transactions remained stable with an average monthly increase of 1% during 2024.

Figure 19: Digital Payment Systems Values and Volumes for 2024



Source: Securities & Exchange Commission of Zimbabwe

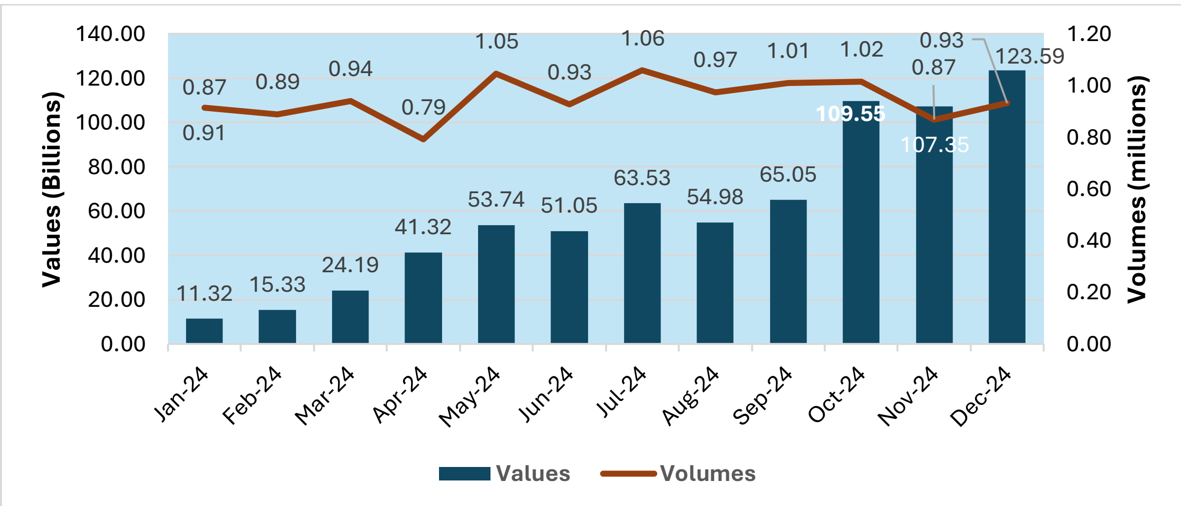
Real Time Gross Settlement (RTGS)

6.5 The Zimbabwe Electronic Transfer and Settlement System (ZETSS) which is Zimbabwe's Real Time Gross Settlement System (RTGS) continued to be a preferred platform for high value transactions in the country.

6.6 The RTGS system's average uptime of 99% during the period under review, continued to increase the market's confidence level.

6.7 RTGS transaction values increased to ZW$123.59 billion in December 2024 from ZW$11.32 billion in January 2024, whilst the RTGS transaction volumes remained stable during the year under review as shown in Figure 20.

Figure 20: RTGS Monthly Values and Volumes 2024



Source: Reserve Bank of Zimbabwe, 2024

6.8 Going forward, the Reserve Bank is prioritising continual upgrading of payment infrastructure, including compliance with global messaging standards such as ISO 20022; enhanced cybersecurity frameworks across all participating institutions; capacity building and system testing to ensure stability amid scaling; as well as broader stakeholder engagement to ensure inclusive access across urban and rural users.

Risk-Based Cyber Security Guideline

6.9 Considering elevated cybersecurity threats and vulnerabilities arising from the heightened dependency on digital financial services platforms, the Reserve Bank continued to enforce provisions in the Risk-Based Cyber Security Guideline (2020) [RBCS] to mitigate cyber threats within the payment, clearing, and settlement landscape.

6.10 The risk-based cyber security guideline provides minimum measures to guide the effective implementation of robust technological infrastructures and undertake periodic system vulnerability and penetration testing. These measures, among others, have continued to promote stability and confidence in the payment ecosystem.

SWIFT Customer Security Programme

6.11 SWIFT customers are mandated to implement the mandatory requirements of the customer security programme and non-compliance with these controls may result in penalties or potential loss of access to the SWIFT network. The mandatory areas include securing the SWIFT environment, appropriate user access rights, and payments.

6.12 The SWIFT mandatory areas play a crucial role in enhancing financial stability by mitigating the risks associated with cyber threats and fraudulent activities. In this regard, the Reserve Bank continued to ensure that the system participants adhered to set standards. The local SWIFT user group also played a significant role in ensuring that the market keeps track of developments on the SWIFT platform.

Euro MasterCard and Visa

6.13 The Reserve Bank has directed financial institutions to adopt Euro MasterCard and Visa (EMV) standards for cards transactions to enhance cybersecurity risk management. In 2024, the market achieved 100% compliance on Point of sale and Automated teller machines, and 98% on cards.

Anti- Money Laundering & Combating Financial Terrorism (AML/CFT) Supervision in the National Payment Systems

6.14 The supervision of payment systems and services providers remained critical elements of the Reserve Bank's mandate to maintain and promote financial stability.

6.15 The Bank is also the designated anti-money laundering and counter-terrorism financing (AML/CFT) supervisory authority for payment services providers under its purview to ensure regulated entities implement statutory measures and requisite standards. The measures include a risk-based approach, customer due diligence (KYC), record keeping, and reporting of suspicious transactions, among other requirements to ensure payment systems stability and safety.

6.16 In line with the above, the Reserve Bank conducted risk-based oversight and AML/CFT examinations on some payment system providers to ascertain their compliance with the respective laws and regulations. The examinations revealed some deficiencies in some areas of corporate governance and know your customer due diligence requirements.

6.17 The affected payment system providers were required to rectify the deficiencies highlighted to ensure operational stability and adherence to the regulatory requirements with clear implementation timelines.

Consumer Protection Issues in Digital Financial Services (DFS)

6.18 In recognition that consumer protection is an important pillar for promoting financial stability, during the period under review, the Reserve Bank continued to ensure that payment system providers engage in fairness, transparency and adopt reasonable pricing structures with a view to protect consumers from exploitation.

6.19 The Reserve Bank also jointly conducted a series of roadshows and community engagement with Postal and Telecommunications Regulatory Authority as part of a wider program on digital financial services education and awareness for consumers. The Reserve Bank also continued to enforce market compliance with regulatory requirements.

6.20 The Reserve Bank continued to explore ways to modernize the payment landscape, improve transaction efficiency, and reduce reliance on cash and ensured that marginalised areas in remote parts of the country have access to modern payment system platforms.

7. CLIMATE CHANGE RISKS

Growing Exposure to Climate change risks

7.1 Zimbabwe's economy remains heavily reliant on agriculture, making it particularly vulnerable to the adverse effects of climate change. In 2024, the country experienced more frequent and severe climate-related events, including prolonged droughts and episodic flooding. These phenomena led to reduced agricultural productivity, strained food security, and contributed to critically low dam levels, which in turn constrained hydroelectric power generation and dampened industrial output.

Transmission Channels to the Financial Sector

7.2 These climate-related shocks have direct and indirect consequences for the financial system. Physical risk is propagated to the financial sector through various macro-financial transmission channels, notably via businesses, households and the macroeconomy. Shocks to businesses include property damage and disruption from severe weather, stranded assets, as well as changing demand and costs.

7.3 Households are affected through loss of income from weather disruption and health impacts, as well as property damage from severe weather. Aggregate impacts on the macroeconomy include shifts in prices from structural changes and supply shocks, productivity changes, and other impacts on international trade, fiscal revenues, interest rates exchange rates.

7.4 The climate related shock translates to various financial and operational risks in the financial sector, including credit, market, liquidity and operational risks.

7.5 Commercial banks and microfinance institutions continue to extend credit to sectors exposed to climate risk, including primary agriculture and ago-processing industries that depend on stable weather conditions and water availability. Additionally, value chains linked to agriculture also face cash flow disruptions due to climate-related volatility, thereby increasing credit risk and weakening asset quality.

7.6 Cognisant of the devastating consequences of climate related risks, regulatory agencies are undertaking various initiatives at sector levels to mitigate impacts thereof.

Climate Risk Management in the Banking Sector

7.7 Banking Institutions have a special position in the economy and the financial sector is witnessing a paradigm shift to embedding sustainability and climate change into banking institutions operations to ensure the financial sector plays a key and catalytic role in driving the transition to a sustainable economy.

7.8 The Reserve Bank's role in Climate Finance will continue to be critical in mainstreaming climate risk into macroprudential and monetary policy frameworks.

7.9 The Reserve Bank continued to play a vital role in promoting sustainable banking practices and climate risk management as it continues to put measures to implement guidance provided to banking institutions after issuance of a Climate Risk Guideline, which seeks to strengthen the resilience of the banking system to climate-related risks and support the national strategy on transitioning to a low carbon economy.

7.10 The Reserve Bank has been monitoring the banking sector's resilience through promoting the development and implementation of sound climate risk management practices and methodologies which include climate risk reporting. Going forward, the Reserve Bank shall be encouraging banks and institutional investors to disclose climate-related and sustainability reporting and disclosure requirements in line with international standards such as the Task Force on Climate-related Financial Disclosures (TCFD), IFRS S1 (sustainability) and IFRS 2 (Climate).

7.11 The Reserve Bank shall be exploring the issuance of climate-related financial instruments, such as green bonds, to mobilize capital for sustainable infrastructure and clean energy projects.

Coordination Through National Disaster Risk Financing Initiatives

7.12 In the National Disaster Risk Finance Initiatives **(World Bank, March 2025.)**, SECZ was recommended to lead the capital markets development strategy to grow and deepen the market by facilitating disaster risk and climate finance, working closely with IPEC and the Reserve Bank of Zimbabwe as a multi-agency initiative aimed at developing financial instruments to enhance preparedness and response capacity for climate-related disasters. This includes contingent financing mechanisms, risk pooling, and insurance solutions designed to limit fiscal and financial system vulnerabilities in the face of increasingly frequent climate shocks.

7.13 This initiative was in response to a request from the Government of Zimbabwe (GoZ) for a study to assess the institutional, legal, and financial planning for financing of disaster risk in Zimbabwe, resulting in the preparation of the Zimbabwe Disaster Risk Finance Diagnostic[2] by the World Bank Finance, Competitiveness and Innovation Global Practice.

7.14 The GoZ intends to use the diagnostic to inform the development of a comprehensive national DRF strategy. The diagnostic will also inform the Zimbabwe Country Climate and Development Report, which is a joint analytical product of the World Bank and the GoZ and will complement the ongoing Zimbabwe Country Private Sector Diagnostic.

7.15 It was further noted that the development of the capital markets in Zimbabwe is essential for the growth and resilience of the insurance sector. The government is expected to work with the industry to create a strategy that address macro-fiscal constraints and facilitated development of risk and climate finance products for MSMEs and investment options for insurance companies to improve their financial resilience. Further, insurance regulations could allow insurance entities to issue contingent capital such as Catastrophe bonds (cat bonds), which could be sold to the international market through the VFEX.

2 https://documents1.worldbank.org/curated/en/099032425164011741/pdf/P176613-8de9e4aa-f97d-4d3d-a7e2-6dfe7fc9459b.pdf

8. FINANCIAL STABILITY ENHANCEMENTS

Cross Sectoral Financial Stability Enhancements

8.1 The buildup of debt amid elevated uncertainty underscores the need to strengthen macroprudential policy frameworks for both bank and non-bank financial sectors. In 2024, the Zimbabwean financial sector safety net players, under the auspices of the Multidisciplinary Financial Stability Committee, significantly progressed the development of the Macroprudential Policy Framework. The Framework provides for institutional arrangements, systemic risk assessment, macroprudential tool kit as well as communications strategy.

8.2 The Committee also progressed the development of the Contingency Planning & Systemic Crisis Management Framework which provides for financial sector regulators' policy responses in preventing and resolving systemic crises. Key pillars of the framework include institutional arrangements for crisis management, resolution planning and resolution funding.

8.3 As part of the initiatives to enhance resolution of financial institutions and crisis management, the Reserve Bank of Zimbabwe, in conjunction with the Deposit Protection Corporation and the Ministry of Finance, Economic Development and Investment Promotion, worked on proposals to amend the Banking Act in order to strengthen the Bank Resolution Framework, with particular focus on Resolution Powers, Resolution Planning and Resolvability Assessments, and Resolution Funding. The Proposals have since been escalated for consideration and facilitation of legislative processes.

Banking Sector

8.4 The Reserve Bank continued to enhance its supervisory tools and methodologies in response to developments in the banking sector as well as best practice. In this regard, the Reserve Bank issued enhanced risk management prudential standards for the banking sector. Enhancements considered emerging risks as well as amplified financial and operational risks, taking cognisance of several developments that have taken place over the years, including technological advancement and financial innovation, pandemics, and climate change.

8.5 With technical support from the International Monetary Fund (IMF), the Reserve Bank commenced work on the implementation of the Basel III Capital standards in the Zimbabwean banking sector. The Standards enhance the quality and quantity of capital, as well as capital allocation methodologies for credit, market and operational risks.

8.6 The Reserve Bank continued to promote the adoption of sustainable banking practices as part of efforts to build resilience and climate proofing in the financial sector. Against this background, the Reserve Bank continued to work closely with financial institutions in the implementation of the sustainability standards under the Sustainability Standards & Certification Initiative (SSCI) being driven by the European Organization for Sustainable Development (EOSD).

Foreign Exchange Market Enhancements

8.7 Refinement of the Willing-Buyer, Willing-Seller foreign exchange management system is expected to enhance flexibility and deepen the foreign exchange market, while enhancing its efficiency and the price discovery mechanism.

8.8 The country's foreign currency inflows are expected to improve reflecting anticipated stronger export performance and continued robust personal transfers inflows (remittances) to offset any decline in international aid through Non-Governmental Organizations (NGOs) arising from funding freeze by the USA.

Payment Systems Enhancements

8.9 In 2024, the Reserve Bank of Zimbabwe (RBZ) continued to strengthen the regulatory environment governing payment systems, reinforcing its commitment to maintaining the safety, efficiency, and reliability of the country's financial market infrastructure. This was achieved through the continued application of the RBZ Act, the National Payment Systems (NPS) Act, Guidelines for Retail Payment Systems, and the Cybersecurity Framework. These instruments collectively underpin the supervision, recognition, and oversight of payment systems and related innovations.

8.10 A key milestone in 2024 was the comprehensive review of the NPS Act, which culminated in the preparation of a draft amendment bill currently under consideration by the Ministry of Finance, Economic Development and Investment Promotion. This review seeks to modernize the legal and regulatory framework in line with global standards, address emerging risks, particularly those associated with digital transactions; and accommodate evolving technologies and platforms, including fintech-driven models and real-time retail payments.

8.11 The Bank is expected to finalize and gazette the amended NPS Act in 2025, strengthen legal provisions to support cross-border payments, digital currencies, and interoperability across platforms; expand supervisory tools for cybersecurity risk management and operational resilience within licensed payment service providers; and support innovation by updating recognition criteria for payment systems initiatives, ensuring both safety and inclusiveness.

8.12 **Adoption of SWIFT ISO 20022- Migration from MT Messages** -the adoption of the ISO 20022 messaging standard has enhanced data transmission security, improved interoperability, and facilitated global compliance.

8.13 **SWIFT cross border payments and reporting plus (CBPR+)** - the banking industry in Zimbabwe continued to work towards full compliance with SWIFT cross-border payment processes for the ISO 20022 program after successfully implementing incoming and outgoing cross border payments and reporting plus (CBPR+).

8.14 **Local RTGS** - the RTGS system for Zimbabwe was upgraded to version 7 in November 2024 to ensure that the system complies with ISO 20022 standards, thereby enhancing the efficiency, security, and effectiveness of the RTGS system, ultimately benefiting both financial institutions and their customers. The Bank continued with efforts to ensure that all market participants work towards enabling ISO 20022 compliant messages on RTGS.

8.15 **SADC RTGS** - there are 14 local banks on SADC RTGS and the system went live on ISO 20022 in August 2024 to ensure efficiency and stability for cross border transactions. Local banks continued to integrate with the Pan African Payment and Settlement System (PASS), COMESA's REPSS and SADC RTGS System under the oversight of the Reserve Bank to ensure more cross border transaction options for the transacting public.

Promoting Digital Financial Services

8.16 Policies aimed at enhancing digital financial services have been prioritized, particularly through mobile financial services, card and e-commerce transactions.

8.17 The Bank continued to approve new products and enhancements to existing products to broaden payment systems availability in the country.

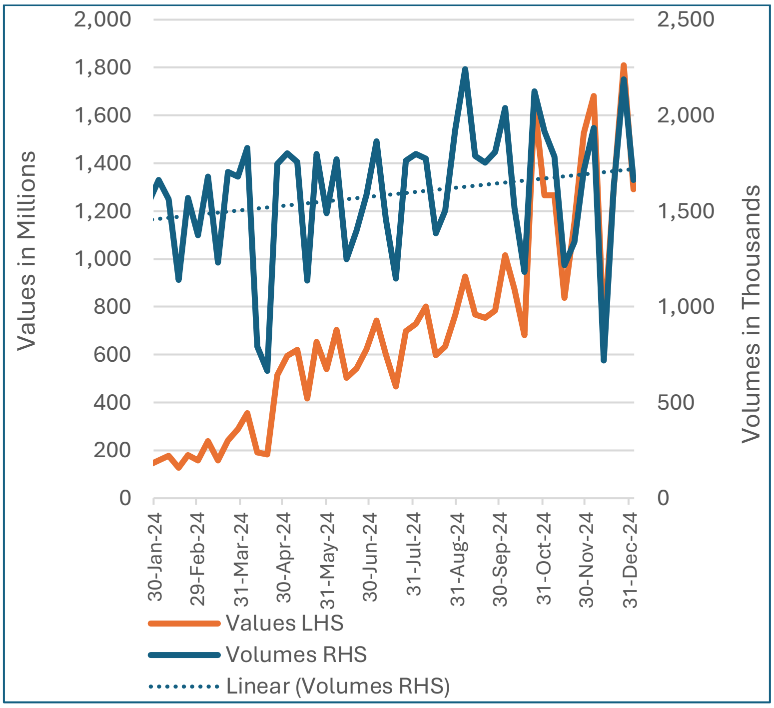
8.18 Digital transactions are more secure than transacting through physical cash and other physical payment streams therefore enhancing confidence in the available payment streams for a stable payment environment.

Interoperability of National Payment Systems

8.19 In 2024, the Reserve Bank of Zimbabwe (RBZ), in collaboration with the Ministry of Finance and Economic Development came up with measures to advance the integration of various payment platforms through the Zimbabwe National Switch (Zimswitch). This initiative aimed to enhance interoperability, streamline retail payment transactions, and promote a more efficient, secure, and inclusive national payments ecosystem.

8.20 The initiative significantly improved the efficiency and resilience of domestic payment systems, as it enabled real-time connectivity among banks, mobile money operators, and other financial service providers. The interoperability of retail payment streams notably improved transactional convenience for consumers and reduced systemic fragmentation, with the value of consolidated retail payments increasing steadily over the course of 2024 as shown in Figure 21.

Figure 21: Interoperability Volumes and Values from January to December 2024



Source: Reserve Bank of Zimbabwe, 2024

8.21 From a financial stability perspective, the integration has reduced liquidity and settlement risks associated with isolated platforms; strengthened transparency and traceability of transactions, thereby enhancing anti-money laundering (AML) oversight, as well as supporting a more unified monetary transmission mechanism by linking payment flows across sectors.

8.22 Vulnerabilities, however, remain, including include elevated cybersecurity risks associated with digital integration, which expose the system to potential disruptions from data breaches or cyberattacks, legacy infrastructure among some smaller players, which poses interoperability and resilience risks; while the rapid pace of technological change continues to outpace regulatory frameworks, requiring dynamic oversight.

Collaboration and Cooperation

8.23 During the year under review, the Bank worked closely with relevant stakeholders including the Financial Intelligence Unit, Post and Telecommunication Regulatory Authority (POTRAZ), Consumer Council of Zimbabwe (CCZ), and Competition and Tariffs Commission in implementing various initiatives including training, and awareness programs.

8.24 The Bank also collaborated with other relevant central banks and other authorities within the collaborative platforms of SADC, African Union, and COMESA Payment Systems Oversight Committees. The Bank also continued to leverage on standards and best practice from standard setting bodies including Financial Stability Board (FSB), BIS Committee on Payments and Market Infrastructures (CPMI), and International Organization of Securities Commissions (IOSCO), to enhance alignment of Zimbabwe's payment systems with global best practices and standards.

Capital Markets

8.25 In facilitating an enabling environment for orderly capital markets, SECZ continues to engage in ongoing review and enhancement of the regulatory and supervisory environment. In 2024, the following guidelines and directives were issued:

i. **Directive to securities market intermediaries on enhanced audited financial statements disclosures**
https://seczim.co.zw/wp-content/uploads/Posts/Directive-on-Audited-Financial-Statements-Disclosures-August-2024.pdf

8.26 The directive is aimed at ensuring full disclosure of Securities Market Intermediaries' (SMI) operations including capital adequacy and funds under management/trust/custody. The directive also compels SMIs to disclose regulatory penalties and corrective actions as well as voluntary Environmental, Social and Governance (ESG) disclosures.

i. **Directive to securities investment managers on offshore investments**
https://seczim.co.zw/directive-to-securities-investment-managers-asset-managers-on-offshore-investments/

8.27 The directive compels asset managers to meet certain conditions to be able to invest offshore on behalf of clients.

Securities Resolution Framework and Capital Adequacy Framework

8.28 The Commission is developing a comprehensive Resolution Framework to establish clear procedures for managing distressed financial institutions. The framework will outline intervention thresholds, resolution tools, and orderly wind-down processes to safeguard market stability and protect investors. Implementation will enhance regulatory predictability and strengthen the financial system's resilience to institutional failures.

8.29 SECZ is in the process of making amendments to the Capital Adequacy Framework set to be concluded in 2025, which will refine capital requirements for market participants to better reflect emerging risks. These revisions will introduce more nuanced risk-weighting methodologies, adjust minimum capital thresholds, and enhance reporting standards. The updated framework aims to strengthen institutional buffers while maintaining flexibility for market growth and innovation.

8.30 SECZ and Insurance & Pensions Commission in liaison with the Association of Investment Managers of Zimbabwe (AIMZ) are developing a framework for Valuations of private equity, real estate, and investment property.

9. OUTLOOK

9.1 Global financial risks in the outlook period will be partly determined by the outcome of ongoing efforts to resolve geopolitical conflicts and tensions in different regions, and the intensification of protectionist policies that could weigh down on medium-term growth, as well as underlying inflation. Trade wars are also likely to negatively affect smooth flow of exports and imports, as well as commodity prices, with far reaching ramifications on global, regional and domestic growth rates

9.2 Depressed international mineral commodity prices may impact foreign currency inflows with potential impact on the performance of some of the banks with foreign currency exposures.

9.3 Ongoing efforts to facilitate climate finance for adaptation, especially for vulnerable countries exposed to significant climate risks, remain a top priority in containing the devastating effects of climate change. Of paramount importance is the need for regulatory agencies and financial institutions to enhance climate risk management systems, including reporting arrangements and data availability.

9.4 Regulatory agencies in Zimbabwe are also expected to focus on the development of a green finance taxonomy.

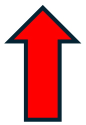
9.5 Operational resilience will continue to prioritise in the financial sector in the outlook period. Strengthening of cyber risk management systems at financial institutions will remain a top priority in view of expected heightening of financial innovation and digitisation in the financial system.

9.6 The ongoing geo-political conflicts and tariff wars and falling mineral prices are likely to impact negatively on commodity prices which may adversely affect the country's export performance in 2025.

9.7 Globally, investors and businesses are worried about the tariffs as well as the overall uncertainty in US government policy. Global economic growth is therefore anticipated to be slower in 2025, characterised by higher prices (World Economic Forum, April 2025).

ANNEXES

Annexure 1: MAJOR RISKS TO FINANCIAL STABILITY AND RISK MITIGANTS

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
Operational Risk • The risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events.	**HIGH** • Operational Risk was considered high on back of heightened automation and digitization, including cloud computing, which increases exposure to operational and cyber risks. • Accelerated Digitisation of financial services has increased exposure to cyber-crimes. • Low preparedness for implications of disruptive technologies like Artificial Intelligence. • Power outages. • Inadequate regulatory oversight on new fintech products such as crypto and virtual assets. • Interconnectedness as failures in one payment system can cause cascading failures across systems. • Rapid technological changes can render	• Heightened operational inefficiencies and disruption of critical services, as well as failure to achieve desired goals and objectives. • Cybersecurity breaches can lead to direct financial losses due to theft, fraud, or ransom payments. Banks may also incur substantial costs related to system repairs, legal fees, and compensation for affected customers. Cyber incidents may be systemic. • Prolonged downtime can impact the entire financial system. • Settlement failures • Network intrusions	• Implementation of effective risk management frameworks • Banks have adopted alternative energy sources to reduce downtime and improve service. • The Reserve Bank is carrying out periodic cyber risk on-site examinations to ensure that banks have put in place adequate cyber risk management controls. • Constant upgrading of critical cyber security systems • Implementation of Data Protection Act to protect personal data. • Public awareness and financial literacy campaigns.	Moderate	

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
	existing systems obsolete or vulnerable.				
Macroeconomic Risk • Risk emanates from global, regional, and local economic developments.	**MODERATE** • Global economic and financial conditions remain volatile, influenced by escalating geopolitical conflicts and the withdrawal of foreign aid support by the United States. • Heightened global trade tensions, following the U.S. announcement of increased tariffs in February 2025 • High debt levels. • External financing constraints. • Inflationary pressures and exchange rate volatility.	• Global and domestic economic slowdown • Increased unemployment.	• Maintenance of sound monetary & fiscal policies by the relevant Authorities. • Constant reviews of business models to align with macroeconomic environment.	**Moderate**	↔
Climate Change and Environmental Risk • Physical and transition risks arising from climate and environmental changes with direct and indirect consequences on macroeconomic conditions and financial stability.	**MODERATE** • Potential threats and vulnerabilities from climate change and its associated impacts can affect various sectors, including finance, agriculture, infrastructure, and public health. • Increasing climate related risks e.g. cyclones, droughts, floods. • Limited comparable, granular climate-related data	• Physical risks can lead to the damage of real estate or infrastructure in vulnerable areas. Borrowers exposed to high levels of climate risk may face difficulties in repaying loans, leading to increased credit risk for lending institutions. • Changing consumer preferences and investor sentiment towards more sustainable products and practices can precipitate stranded assets.	• Operationalisation of the Climate Risk Management Guideline has ensured that banks have adequate governance and risk management systems. • Conduct of regular climate risk assessments. • Data collection and stress testing to assess and monitor climate risk. • Most regulated entities are embedding climate and environmental related risks in their corporate strategy and decision making processes.	Moderate	↔

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
	limit supervisory and regulatory analysis.	• Stranded assets heighten market risk for financial institutions and operational viability on account of affected corporate entities. • Agricultural sector is exposed, given the sector's dependence on rainfall and temperature patterns			

Annexure 2: Macroeconomic Indicators for Zimbabwe

	2019	2020	2021	2022	2023	2024
REAL SECTOR						
Real GDP at 2019 Market prices (ZiG$'m)	84.9	78.3	84.9	90.1	94.9	96.9
GDP at Market Prices % changes	-6.1	-7.8	8.5	6.5	5.3	2.0
GDP per capita (ZiG$'m)	5.8	37.0	84.5	327.2	3,474.6	41,597.9
PRICES						
Month-on-Month (end period) %	16.55	4.22	5.8	2.42	4.70	0.63
Annual Inflation (end period) %	521.15	348.59	60.70	243.76	26.52	2.48
Annual Inflation (period average) %	255.29	557.21	98.50	184.10	29.36	2.73
EXTERNAL SECTOR						
Trade Balance (US$M)	-131.4	-643.9	-1529.0	-2115.1	-2690.3	-2985.0
Current a/c balance (US$M)	920.5	678.4	348.2	305.0	133.9	150.5
Capital a/c balance (US$M)	314.5	299.7	330.5	282.5	216.3	220.0
MONETARY SECTOR						
Broad Money M3 (ZWL$ '000)	14.0	82.0	190.2	935.8	7,569.7	87,448,956.7
Domestic Credit (ZWL$ '000)	11.1	40.5	136.2	745.1	6,729.3	74,542,582.3
Credit to Private Sector (ZWL$ '000)	4.4	29.9	89.2	435.6	4,417.2	55,478,969.7
Credit to Public Parastatals (ZWL$ '000)	5.6	9	33.5	182	1,915.8	17,318,818.4
Credit to Government (net)(ZWL$ '000)	**10,327.8**	**7.5**	**10.4**	**41.6**	**808.9**	**20,395,116.7**
Nominal Minimum Lending Rate (%)	5.0	6.0	6.0	100.0	70.0	20
Nominal Maximum Lending Rate (%)	65.0	65.0	65.0	290.0	155.0	58
PUBLIC FINANCES						
Government Accounts (ZWL$ m)						
Revenue including retained revenue	9.2	73.2	195.9	826.3	7,838.3	110,722.3
Expenditures & Net Lending (Million ZiG)	9.3	65.4	223.6	820.8	11,338.3	119,972.3
Capital Expenditure	2.3	0.4	0.6	3.3	33.0	3,059.0
Overall Balance	-0.1	1.4	-2.2	0.1	-6.5	-1.4
POPULATION (millions)	14.5	14.7	14.9	15.2	15.4	15.6

Source: Reserve Bank of Zimbabwe, 2024

Annexure 3: Financial Sector Indicators

	2020 (ZW$)	2021 (ZW$)	2022 (ZW$)	2023 (ZW$)	2024(ZiG)
Banking Sector					
Capital Adequacy Ratio	34.62%	32.89%	37.51%	37.21%	38.46%
Nonperforming Loans Ratio	0.31%	0.94%	1.58%	2.09%	3.34%
Large Exposures to Capital	32.61%	30.88%	52.17%	24.25%	20.40%
Return on Equity	45.54%	41.93%	54.33%	68.99%	6.85%
Return on Assets	13.55%	11.38%	17.43%	23.97%	2.42%
Prudential Liquidity Ratio	73.06%	64.41%	59.50%	60.33%	58.87%
Capital Market					
Market Capitalisation	317,879,307,046.78	1,317,205,109,565.00	2,044,869,144,082.00	16,812,914,355,263.10	66,241,200,130
All Share Index	2,636.34	10,822.36	19,493.85	584,266.2	217.58

Source: Reserve Bank of Zimbabwe, 2024