Annual Financial Stability Report

2025

Ministry of Finance, Economic Development and Investment Promotion

Reserve Bank of Zimbabwe

Securities and Exchange Commission of Zimbabwe

Deposit Protection Corporation

Insurance and Pensions Commission

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PURPOSE OF THE REPORT

The Financial Stability Report presents a comprehensive assessment of financial stability in Zimbabwe in 2025. It evaluates key risks and vulnerabilities to the financial system, together with the measures implemented to mitigate them, considering developments in the domestic, regional and global economic and financial environments.

The report is produced in fulfilment of the mandate of the **Multidisciplinary Financial Stability Committee**, to promote financial stability. The Multidisciplinary Financial Stability Committee comprises 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.

GOVERNOR'S FOREWORD

Global financial stability risks remained elevated in 2025 on the back of trade restrictions, geopolitical tensions and rising debt exposures to sovereigns as expanding global fiscal deficits propelled sovereign bond issuance, (IMF Global Financial Stability Report, October 2025). Despite the global headwinds, the global economy demonstrated notable resilience, with growth holding steady at 3.3%, supported by a tech investment boom, fiscal support in some countries, and accommodating financial conditions.

Notwithstanding the global headwinds, financial stability risks in Zimbabwe moderated against the backdrop of macroeconomic stabilisation efforts, underpinned by proactive and prudent monetary and fiscal policies. The operating environment during the year under review was characterised by stability in both the exchange rate and prices. Monthly ZiG inflation began the year at 10.5% and decelerated to end the year at 0.23%. In concomitance, annual ZiG inflation declined significantly from a peak of 95.8% in July 2025 to 15.0% by end December 2025. On the external sector, the country's current account balance recorded a surplus of US$2.1 billion in 2025, up from a surplus of US$500 million in 2024. This was underpinned by the sustained growth in foreign currency receipts, which increased from US$13.3 billion in 2024 to US$16.2 billion in 2025.

Against the backdrop of macroeconomic stability, financial stability enhancements, and proactive risk management by banking institutions, the banking sector continued to depict resilience, underpinned by strong capitalisation, satisfactory asset quality and liquidity positions. The national payment systems remained robust and efficient, with increased adoption of digital platforms and high system availability. Continued enhancements in cybersecurity frameworks and regulatory standards strengthened system resilience.

The insurance and pensions sector continued to depict resilience evidenced by a gradual improvement in real asset values, portfolio rebalancing and strengthened underwriting performance. As a result, capital buffers across insurers and pension funds were adequate to absorb moderate shocks to the financial system.

The capital market showed marked resilience during the year, reflected by improvements in financial and market performance, and the market's ability to adapt to a dynamic operating environment.

The Deposit Protection Corporation continued to play a significant role in safeguarding depositors' funds. The anticipated gazetting of amendments to the Deposit Protection Corporation Act, aimed at addressing gaps in the current legislation to enhance depositor protection and establish a separate insolvency regime for banking institutions, is expected to enhance financial stability.

The issuance of the Contingency Planning and Systemic Crisis Management Framework developed by the Multi-Disciplinary Financial Stability Committee (MDFSC) in November 2025 marked a significant milestone in crisis preparedness and resolution capabilities on the part of government and regulatory agencies. Effective operationalisation of the framework by the financial sector regulatory authorities and other relevant stakeholders, will be key in promoting financial stability.

Looking ahead, the financial stability outlook will continue to be influenced by evolving global economic and geopolitical developments, domestic macroeconomic performance, the effectiveness of ongoing financial stability initiatives, and financial sector dynamics. Continued vigilance, proactive risk monitoring and close coordination among regulatory authorities will remain essential in preserving the resilience of the financial system.

The Multi-Disciplinary Financial Stability Committee remains steadfast and resolute in its commitment to safeguard financial stability guided by international best practices. I thank all stakeholders who were instrumental in reinforcing financial stability in 2025.

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Dr. J. Mushayavanhu
Governor
Reserve Bank of Zimbabwe

1. GLOBAL RISK ASSESSMENT

1.1 Financial stability risks remained elevated in 2025 characterised by protectionist trade measures, persistent geopolitical tensions, and supply chain disruptions.

1.2 Notwithstanding the global headwinds, the global economy remained resilient, expanding by 3.3%, supported by, *inter-alia*, easing trade policy tensions, targeted fiscal support in some countries, and accommodative financial conditions.

1.3 The global outlook was, however, negatively impacted by the US-Iran war which began in in February 2026. The closure of the Strait of Hormuz, following the Middle East conflict, heightened concerns over global energy supplies, inflationary pressures and broader financial market volatility.

1.4 Real growth in the global economy was projected to remain relatively subdued, at 3.1%, a downward revision from the initial projection of 3.3%, in the wake of the Middle East war [World Economic Outlook (WEO), April 2026)].

1.5 Globally, the non-bank financial intermediation (NBFI) sector continues to play a critical role in financial markets, while also presenting potential sources of systemic risk. In response to these vulnerabilities, the Financial Stability Board (FSB) has spearheaded international efforts to strengthen the resilience of the sector, particularly in the aftermath of the Global Financial Crisis.

1.6 Since 2011, the FSB has conducted annual monitoring exercises to assess the build-up of systemic risks within the NBFI sector, with a focus on identifying emerging vulnerabilities and enhancing regulatory oversight (Financial Stability Board, 2025).

1.7 Global developments in 2025 and the first quarter of 2026 underscored the fragility of the global financial landscape and highlighted the importance of vigilance in monitoring emerging financial stability risks (International Monetary Fund Financial Stability Report, 2025).

1.8 The global foreign exchange market remained vulnerable to heightened macroeconomic uncertainty, with spillover effects on liquidity conditions and cross-border capital flows. These dynamics contributed to a tightening of broader financial conditions and an elevation in financial stability risks (Global Economic Prospects, World Bank, 2025).

1.9 While policy frameworks strengthened in emerging market economies, unsustainable debt trajectories and exposure to external shocks remained of concern. Worsening fiscal imbalances, elevated debt vulnerabilities across both advanced and emerging economies, and rising borrowing costs continued to strain global financial stability.

1.10 Table 1 shows the global and regional economic growth developments and outlook.

Table 1: Global & Regional Economic Growth Developments & Outlook

Region / Economy	2024	2025	2026F	2027F
World Output	**3.3**	**3.3**	**3.1**	**3.2**
Advanced Economies	**1.8**	**1.9**	**1.8**	**1.7**
United States	2.8	2.1	2.3	2.1
Euro Area	0.9	1.4	1.1	1.2
United Kingdom	1.1	1.3	0.8	1.3
Emerging Market & Developing Economies	**4.4**	**4.4**	**3.9**	**4.2**
Emerging & Developing Asia	5.3	5.5	4.9	4.8
China	5.0	5.0	4.4	4.0
India	6.5	7.6	6.5	6.5
Emerging & Developing Europe	3.5	2.0	2.0	2.1
Russia	4.3	1.1	1.1	1.1
Sub-Saharan Africa	**4.1**	**4.5**	**4.3**	**4.4**
Nigeria	4.1	4.0	4.1	4.3
South Africa	0.5	1.1	1.0	1.3
Zimbabwe	5.4	4.0	3.7	3.5

Source: World Economic Outlook (WEO) April 2026 Reference Forecasts

Global Inflation

1.11 Global headline inflation, which had been projected to decline from 4.1% in 2025 to 3.8% in 2026, and further to 3.4% in 2027, as the global economy continues to weather inflationary pressures emanating from trade tariffs, is now projected to increase to 4.4%. The increase is attributed to higher energy and food prices on the backdrop of the Middle East war (WEO, April 2026).

1.12 In the US, inflation was envisaged to remain above the 2% target, with upside risks from tariffs and fiscal stimulus measures, before returning to target in 2027. The Euro-area is on course to achieve its 2% target, with inflation expected to decline to 1.9% in 2026. In Sub-Saharan Africa, inflation is expected to remain elevated, albeit declining from 13.1% in 2025 to 10.9% in 2026, amid lingering fiscal imbalances, currency volatilities and debt repayment pressures.

1.13 Global shocks, through the various macro-financial and trade linkages, invariably create underlying vulnerabilities in the domestic economy and financial system, underscoring the need for continued vigilance and proactive policy responses.

1.14 Overall, the interplay of geopolitical tensions, and market vulnerabilities continued to pose significant challenges to global financial stability. These developments underscore the importance of proactive risk monitoring, robust macroprudential frameworks, and coordinated policy responses to safeguard financial system resilience.

2. DOMESTIC MACRO-FINANCIAL CONDITIONS

Overview

2.1 Domestic macro-financial conditions provided a conducive operating environment for enhanced financial stability, as reflected by decelerating inflation, exchange rate stability, and increase in foreign currency receipts from US$13.3 billion in 2024 to US$16.2 billion in 2025. These developments, coupled with the rebound of the agricultural and mining sectors, spurred an estimated economic growth rate of 8.2% in 2025.

2.2 Notwithstanding the positive financial stability trajectory, vulnerabilities including high debt overhang, cyber risks in the wake of ongoing digitalisation in the financial sector, climate related risks, as well as potential ramifications of the geopolitical tensions, require heightened vigilance by regulatory agencies.

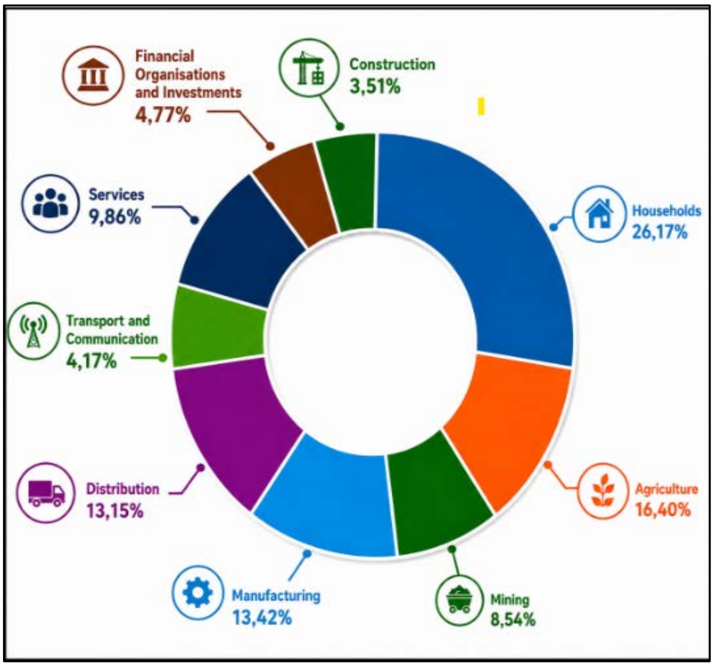
2.3 Central to financial stability risks in Zimbabwe, is the country's interconnectedness with global developments, particularly in view of its exposure to international commodity price shocks, against limited capital inflows.

2.4 The Middle East conflict is likely to continue to have an impact, not only on prices, but the supply of commodities, such as refined petroleum and diesel, agricultural fertilizers, cereals, and industrial machinery / raw materials, if it escalates.

2.5 Domestic and external payment arrears, together with limited access to concessional offshore financing, continued to elevate Zimbabwe's sovereign risk premium, thereby constraining the financial sector's ability to access relatively affordable external lines of credit for productive sectors of the economy. Consequently, the financial sector's capacity to provide long-term financing remained constrained, reflecting the short-term liability structure of banking institutions.

2.6 Figure 1 shows the distribution of private sector credit, demonstrating relatively low levels of credit to capital intensive sectors, such as mining and construction, which require long term financing.

Figure 1: Distribution of Private Sector Credit



Source: Reserve Bank of Zimbabwe, 2025

Domestic Inflation Developments

2.7 The country witnessed a progressive disinflation trend evidenced by the significant decline in ZiG annual inflation, from 95.8% in July 2025 to 15.0% as at 31 December 2025. USD inflation was much lower, with annual inflation closing the year at 12.4%.

2.8 Month-on-month ZiG inflation which stood at a high of 10.5% in January 2025, significantly declined to 0.23% by the end of the year under review.

2.9 The disinflation trajectory was consistent with the optimal money supply management thrust adopted in 2024, characterised by:

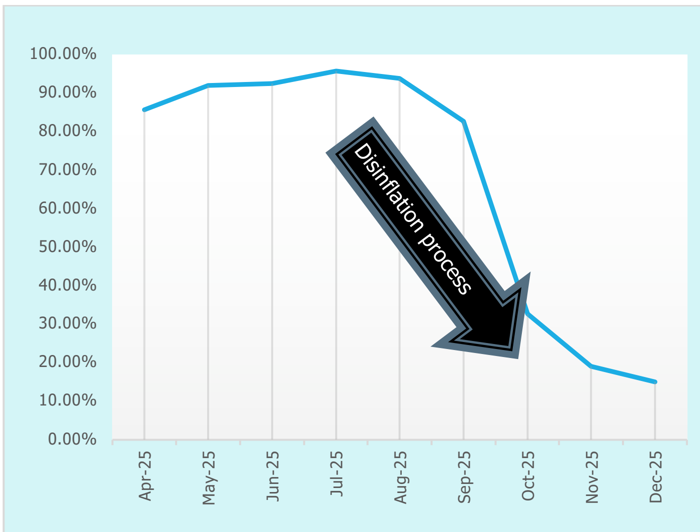
a) prudent monetary policy anchored on a Bank rate of 35% per annum since September 2024;

b) Enhancement of Non-Negotiable Certificates of Deposit into non-redeemable instruments with a view to improve the effectiveness of liquidity mopping; and

c) Revival of Liquidity Management and Cash Flow management Committees between Treasury and the Reserve Bank.

2.10 Figure 2 shows annual ZiG inflation developments for the period from April 2025 to December 2025)

Figure 2: Annual ZiG Inflation Developments (April 2025 to December 2025)



Source: ZIMSTAT (2025)

Gold and Foreign Reserves & Foreign Currency Receipts

2.11 Gold and foreign currency reserve holdings increased by over 120%, from about US$0.5 billion in January 2025 to around US$1.2 billion by 31 December 2025 – an equivalent of 1.5 months of import cover.

2.12 Total foreign currency receipts for 2025 amounted to US$16.2 billion, representing a 22% increase from US$13.3 billion received in 2024. Export earnings contributed 59.7% of the country's total foreign currency receipts in 2025, while offshore loan proceeds accounted for 15.6%, and Diaspora remittances came in third position with a contribution of 15.1%.

2.13 Table 2 shows foreign currency receipts from 2024 to 2025.

Table 2: Total Foreign Currency Receipts 2025 and 2024 (US$ million)

Foreign Currency Receipts by Source (2025 vs 2024)

Type of FX Receipt	2025		2024		% Change
	Amount (US$ millions)	% Contribution	Amount (US$ millions)	% Contribution	
Export Earnings	9,675.2	59.7%	7,879.1	59.17%	22.8%
Loan Proceeds (Private)	2,534.3	15.6%	1,589.8	11.94%	59.4%
Diaspora Remittances	2,453.1	15.1%	2,152.5	16.16%	14.0%
NGOs Remittances	1,083.6	6.7%	1,182.5	8.88%	(8.4%)
Foreign Investment	256.6	1.6%	387.1	2.91%	(33.7%)
Income Receipts	191.3	1.2%	125.1	0.94%	52.9%
Total	16,194.1	100.0%	13,316.2	100.00%	21.6%

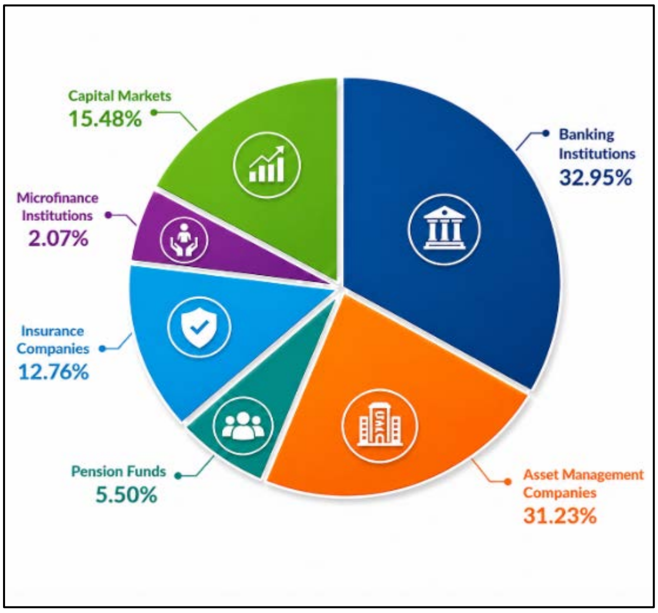
Source: Reserve Bank of Zimbabwe, 2025

2.14 Positive spinoffs of the sustained disinflation and reserves accumulation strategy, including price and exchange stability played a critical role in enhancing domestic financial stability, by preserving real value of financial assets and supporting confidence in the financial system.

Sectoral Systemic Significance

2.15 The banking sector's systemic importance within the financial system was reflected in its 32.95% share of total financial-sector assets as at 31 December 2025, as shown in Figure 3.

Figure 3: Financial System Assets as at 31 December 2025



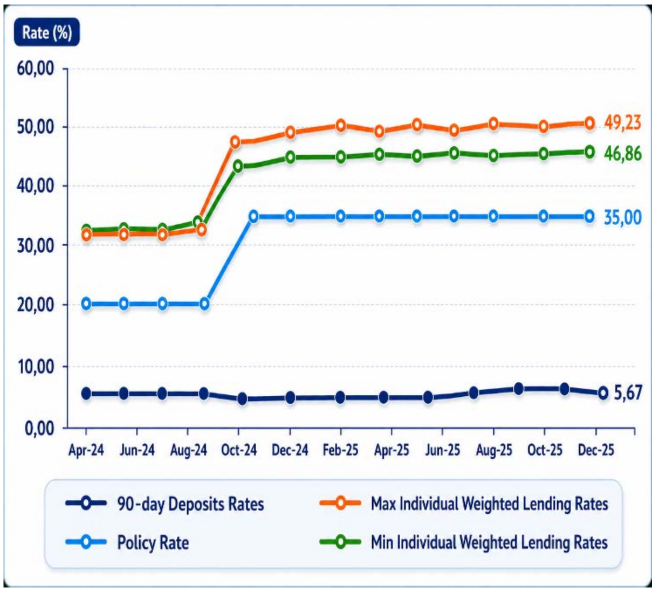
Source: Multi-Disciplinary Financial Stability Committee

2.16 The significance of asset management companies in the financial intermediation landscape was demonstrated by its contribution to financial sector total assets (31.23%) as at 31 December 2025. In this regard, sector-wide continuous engagement and collaboration is essential to strengthen financial system performance and resilience.

Interest Rates

2.17 Reflecting prevailing macroeconomic stability, interest rates were stable in 2025, as depicted in Figure 4.

Figure 4: Interest Rates Developments (%) April 2024 to December 2025



Source: Reserve Bank of Zimbabwe, 2025

2.18 Lending rates for foreign currency-denominated loans advanced to individuals ranged between 6.50% and 20.00% per annum. Corporate clients accessed loans in foreign currency at interest rates ranging from a minimum of 5.00% to a maximum of 20.00%.

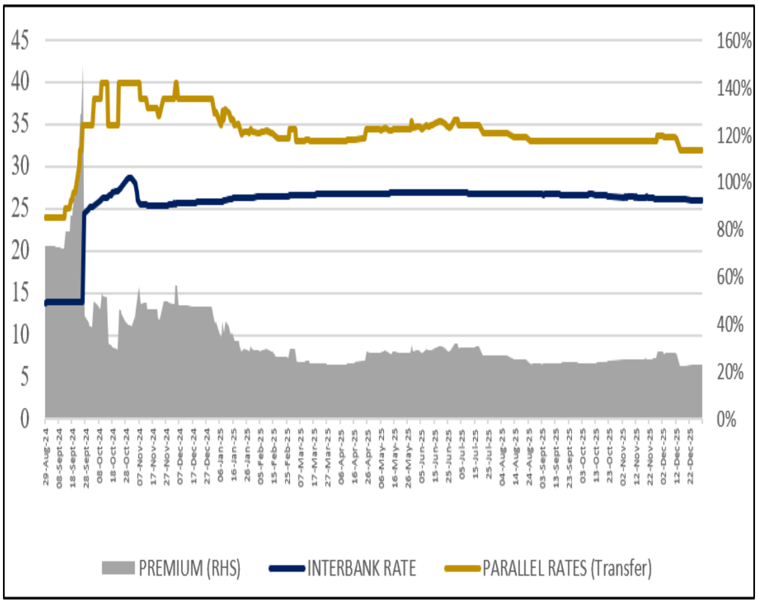
Exchange Rate Developments

2.19 The adoption and implementation of the Willing- Buyer- Willing- Seller (WBWS) arrangement designed to facilitate price discovery, assisted in achieving exchange rate stability with the exchange rate oscillating between ZiG25-27 per US dollar in 2025. The other outcome was the near convergence between the parallel and interbank market exchange rates with premiums narrowing from over 100% in September 2024 to levels around 20% during 2025.

2.20 Foreign exchange market interventions by the Reserve Bank, amounting to $1.34 billion since April 2024, contributed to the smooth functioning of the foreign exchange market under the WBWS arrangement. This in turn reduced the inherent market risks by improving predictability in pricing, improved depositors and investor confidence, thereby, limiting distortions within the financial system.

2.21 Figure 5 shows exchange rate developments over the period July 2024 to December 2025.

Figure 5: ZiG/US$ Exchange Rates



Source: Reserve Bank of Zimbabwe, 2025

Financial Market Performance in 2025

2.22 The relatively stable performance of financial markets during 2025 was an important indicator of improving financial conditions and contributed immensely to the broader financial stability mandate. Financial markets in 2025 remained mostly steady, supported by a prudent and well calibrated monetary policy stance, well-managed liquidity, and stable exchange rate. The Reserve Bank kept reserve money growth low and within its target, helping to anchor inflation and reduce volatility in the foreign exchange market.

2.23 The prudent monetary policy stance pursued by the Reserve Bank in 2025 contained both reserve money and money supply growth. The Reserve Bank continued to mop-up excess liquidity through the issuance of 30-day, Non-Negotiable Certificates of Deposit (NNCDs), keeping money market positions within the Optimal Liquidity Level (OLL), determined by daily payments through Real Time Gross Settlement System (RTGS).

2.24 The stable financial markets reduced the systemic vulnerabilities associated with liquidity distortions, asset price movements and speculative demand in the foreign exchange market, therefore anchoring market expectations, financial institutions confidence and financial stability.

Fiscal Developments

2.25 Fiscal pressures emanating from the rising public debt posed a significant threat to financial stability during 2025, due to the strong interlinkages between the fiscal sector and the financial system.

2.26 The 2025 National Budget projected a fiscal deficit of ZiG3.8 billion, equivalent to US$140.1 million. When combined with outstanding principal loan repayments, this resulted in a projected gross financing requirement of ZiG24.4 billion. The planned partial financing of this requirement through the issuance of domestic securities had the potential to increase sovereign-bank nexus risks, particularly where banks held significant exposures to Government securities.

2.27 Notably, the postponement and/or delayed settlement of maturing local and foreign currency-denominated Government debt instruments in 2025 has the potential to exert pressure on banking institutions' liquidity conditions, with ramifications on financial stability.

2.28 This notwithstanding, the preliminary fiscal outturn for 2025 showed a stronger-than-anticipated fiscal performance. Total revenue amounted to US$8.5 billion, against total expenditure of US$8.3 billion, resulting in an overall surplus of approximately US$225 million. This outcome, supported by improved revenue mobilisation, enhanced tax administration, stronger performance in key sectors of the economy, and prudent expenditure management, reduced the need for inflationary deficit financing and helped contain sovereign-bank nexus risks.

2.29 Zimbabwe's total outstanding external and domestic debt increased by 8.5%, from US$21.5 billion as at December 2024 to US$23.4 billion as of September 2025. The increase was mainly attributed to domestic expenditure arrears to service providers, estimated at US$7.7 billion (Public Debt Report, September 2025).

3. FINANCIAL SYSTEM RISK ASSESSMENT

Banking Sector

3.1 The banking sector remained resilient in 2025 supported by macroeconomic stability, proactive supervisory oversight, and robust risk management systems, and governance frameworks at banking institutions. The resilience was reflected by strong capitalisation, satisfactory asset quality, earnings performance and liquidity positions, as shown in figure below.

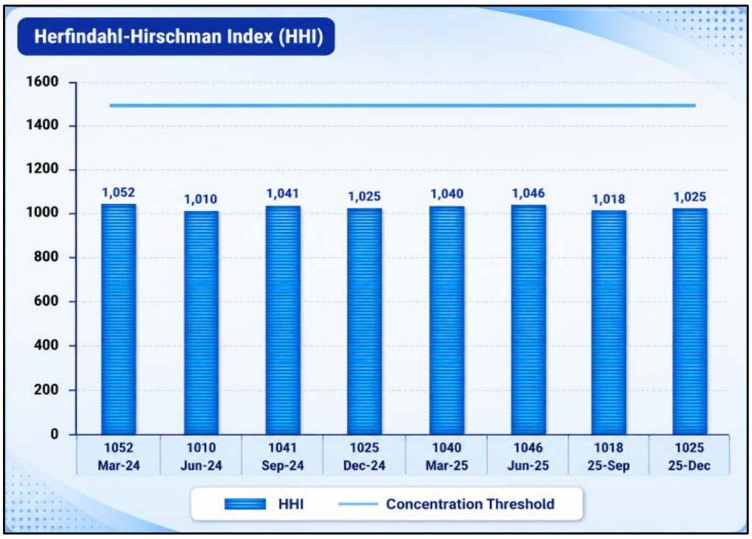
Figure 6: Key Banking Sector Indicators

Banking Sector Concentration

3.2 Concentration risk in the banking sector was considered low as at 31 December 2025, as reflected by a Herfindahl-Hirschman Index (HHI) of 1,026, which remained below the internationally recognised threshold of 1,500. The trend in the HHI between March 2024 and December 2025 is shown in Figure 7.

3.3 HHI Scores between 1500 and 2500 are indicate moderate concentration, while values above 2500 suggest high concentration. The banking sector's low concentration level promotes competitive market conditions, which can foster sound product pricing, innovation, improved service delivery, and broader consumer choice.

Figure 7: Herfindahl-Hirschman Index



Source: Reserve Bank of Zimbabwe, 2025

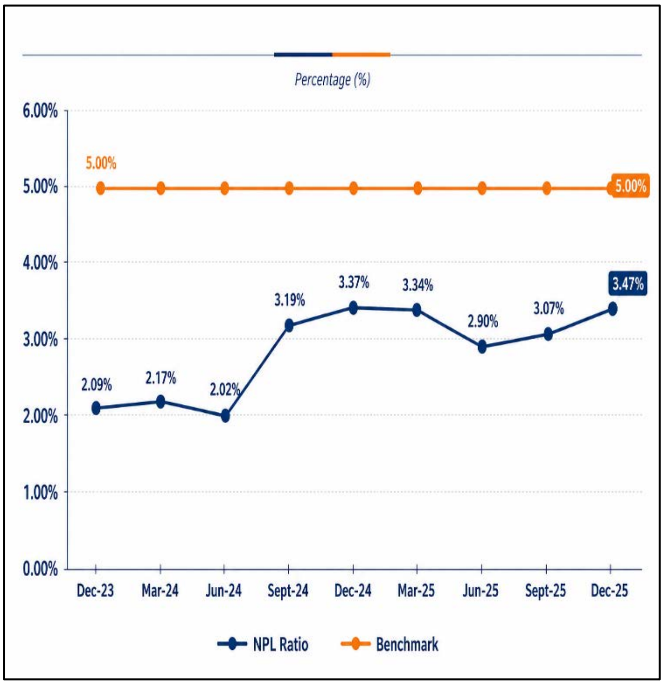
3.4 The five (5) Domestic Systematically Important Banks' assets continued to dominate market share, with their combined assets to total assets ratio marginally increasing from 63.57% as at 31 December 2024 to 63.72% as at 31 December 2025.

Credit Risk

3.5 Credit risk in the banking sector was rated **moderate** reflecting interest rate stability and declining inflation, consistent with the prudent monetary policy. Strong risk management systems at banks mitigated the inherent credit risk.

3.6 Reflecting satisfactory asset quality, non-performing loans constituted 3.47% of total loans portfolio of ZiG75.59 billion as at 31 December 2025, an improvement from 3.54% as at 31 December 2024, and remained below the internationally acceptable threshold of 5%, as shown in Figure 8.

Figure 8: Nonperforming Loans Ratio (%)

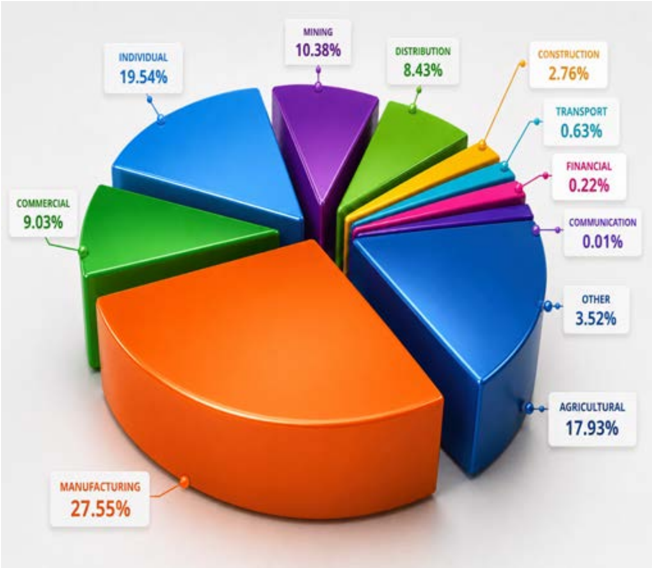


Reserve Bank of Zimbabwe, 2025

3.7 The highest NPL concentrations were observed in the manufacturing sector, accounting for 27.56% of total NPLs, followed by the households and individuals (19.54%) and agriculture (17.93%) sectors, as shown in Figure 9 below.

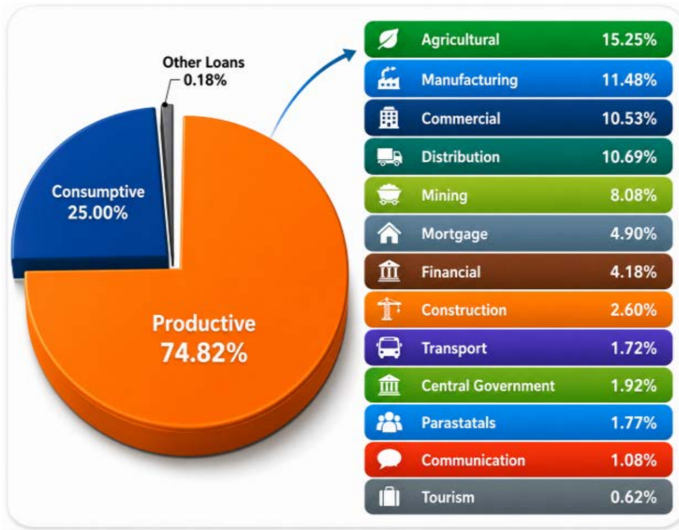
3.8 In the manufacturing sector, elevated production costs, and competition with imported products have constrained cash flows, leading to loan defaults.

Figure 9: Sectoral Distribution of NPLs as at 31 December 2025



3.9 Figure 10 below shows the sectoral distribution of loans as at 31 December 2025.

Figure 10: Sectoral Distribution of Loans



Source: Reserve Bank of Zimbabwe, 2025

3.10 The banking sector remained a key contributor to the country's economic growth and national development as it channelled funding support to the productive sector translating to 74.82% of total loans of ZiG75.59 billion as at 31 December 2025.

Liquidity Risk Assessment

3.11 Liquidity risk was low during the year under review, reflected by high liquidity buffers. At 57.61%, the prudential liquidity ratio was well above the regulatory minimum benchmark of 30% as at 31 December 2025.

3.12 The trend in the Prudential Liquidity Ratio is shown in Figure 11.

Figure 11: Banking Sector Average Prudential Liquidity Ratio Trend

Source: Reserve Bank of Zimbabwe, 2025

3.13 Strong liquidity positions were also evidenced by an average Liquidity Coverage Ratio (LCR) of 207.22% as at 31 December 2025, which has remained significantly above the regulatory minimum of 100%.

3.14 Figure 12 shows the trend in the LCR from December 2024 to December 2025.

Figure 12: LCR Trend Dec 2024 to Dec 2025

Source: Reserve Bank of Zimbabwe, 2025

Capital Risk

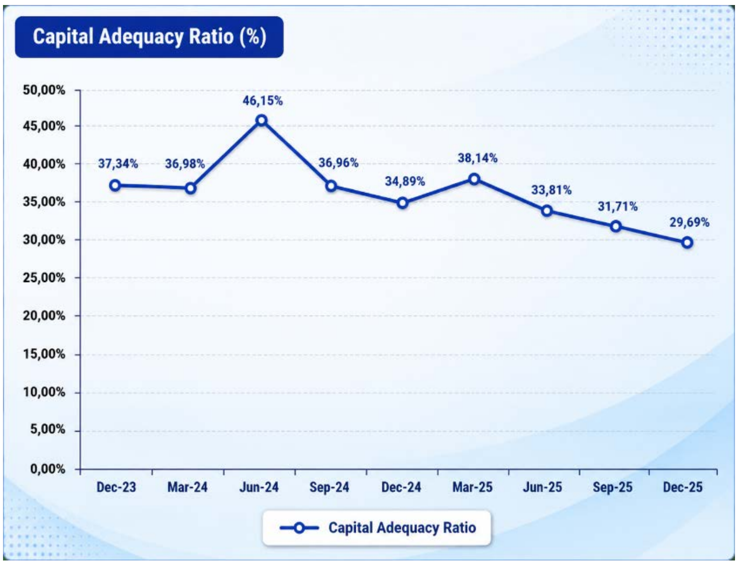
3.15 Capital risk was considered low as at 31 December 2025. All banking institutions except one, were compliant with the prescribed minimum threshold of US$30 million or local currency equivalent, as well as minimum capital adequacy ratio.

3.16 The banking sector's average capital adequacy and tier 1 ratios of 29.69% and 23.05%, against the prescribed minimum of 12% and 8%, respectively.

3.17 The average capital adequacy ratio for the five (5) Domestic Systemically Important Banks' (DSIBs) remained high, at 25.42% in 2025, further reflecting banking sector resilience.

3.18 The trend in average capitalisation for the banking sector is presented in Figure 13 below.

Figure 13 : Banking Sector Capital Adequacy Ratio Trend (%)



3.19 The results of the stress tests carried out by the Reserve Bank during the year revealed resilience of the banking sector to most risks.

Operational Risk

3.20 Inherent operational risk in the banking sector was considered high primarily due to threats of cyber-attacks with rapid technological transformation, increased adoption of cloud computing, growing reliance on digital banking channels.

3.21 Growing use of online/mobile banking and costly system upgrades have increased the banking sector vulnerability to cyber threats including card cloning, hacking, ransomware attacks and third-party vendor risks. Cyber risks to payment systems include hacking, data breaches, malware, and other cyber incidents that could compromise sensitive transaction data and system integrity.

3.22 Further to the above, operational risk arising from people related factors including fraud cases, robbery, bribery and corruption, was considered high during the period under review.

3.23 As part of operational risk mitigation, the Reserve Bank issued an enhanced Cybersecurity & Resilience Guideline in 2025, which, inter-alia, requires banking institutions to develop, document, and implement comprehensive cybersecurity frameworks covering prevention, detection, response, recovery and reporting of cyber incidents. In addition, the Reserve Bank mandated the adoption of Euro MasterCard and Visa (EMV) standards and SWIFT customer security programme for card transactions as part of broader efforts to strengthen cybersecurity within the payment's ecosystem.

3.24 Overall assessment reflects satisfactory internal control systems, governance frameworks, and compliance mechanisms implemented across banking institutions.

3.25 The rapid expansion of fintech innovations, digital lending, and mobile money developments has transformed the financial inclusion landscape, but it has also introduced significant and evolving risks to financial stability.

3.26 The ease of access to digital credit can heighten credit risk from high levels of over-indebtedness from substantial challenges with high defaults rates. Further, the integration of FinTech with the banking sector and financial markets strengthens interconnectedness which can accelerate risk transmission and spill over more rapidly, potentially triggering systemic crises.

Interbank Analysis

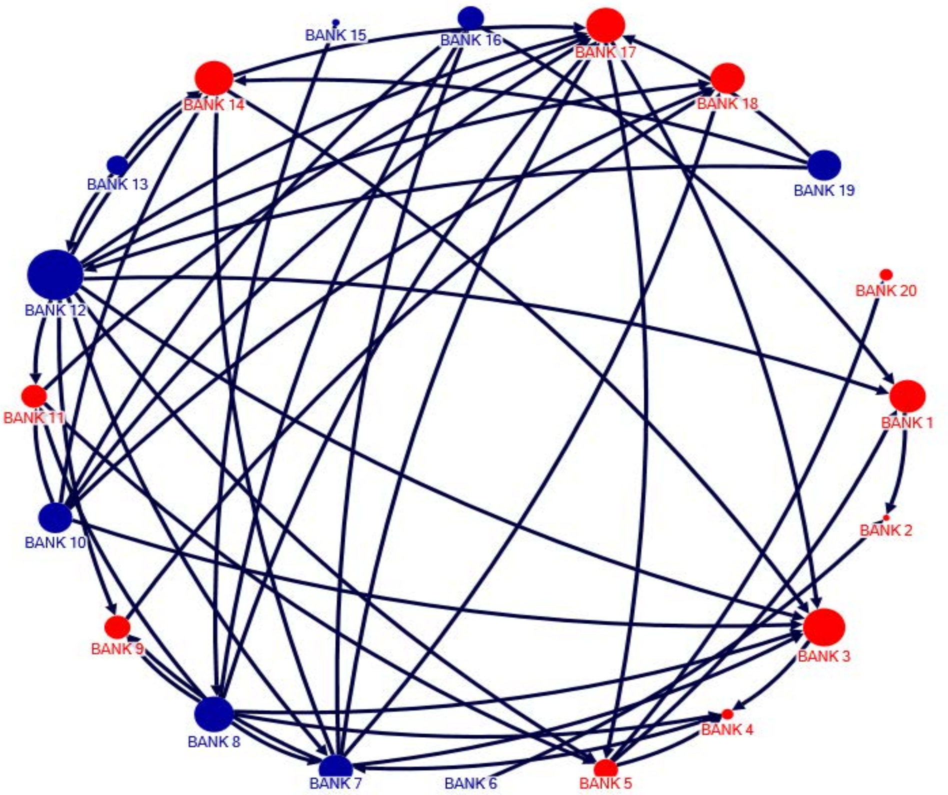
3.27 The Reserve Bank employs the interbank network tool to monitor, analyse and assess linkages between banks within the financial system. From the interbank network visualisation[1] below, Bank 12 was the largest provider of funding, with an out-degree of 7, followed by Bank 8. This suggests that these institutions played a central role in the distribution of liquidity within the interbank market and may therefore be systemically important from a funding perspective.

3.28 The interbank network is concentrated around a few highly connected banks. Although these links support liquidity flows during normal conditions, they may also spread financial distress quickly across the banking sector. Problems at a major bank could cause counterparty losses, liquidity shortages and loss of confidence. The highly connected banks will be subjected to closer monitoring, regular stress testing and tighter oversight of large exposures.

3.29 Figure 14 shows the extent of interconnectedness in the banking system as at 31 December 2025.

[1]The graph density of an interbank network gives an indication of how interconnected the nodes in the network are. The graph density is calculated as the ratio of the number of actual edges in the network to the maximum possible number of edges among the nodes. The value ranges from 0 to 1, where 0 means no connections at all, and 1 represents a fully connected network where every bank is connected to every other bank.

Figure 14: Interbank Network as at 31 December 2025



Source: Reserve Bank of Zimbabwe, 2025

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

Bank Stress Testing

3.30 Stress test results continue to be a key component of the Reserve Bank's surveillance tools and provides an assessment of the resilience of banking institutions to adverse but plausible shocks and highlights emerging vulnerabilities that may warrant supervisory attention.

3.31 Credit, interest rate, liquidity and foreign exchange stress tests conducted as at 31 December 2025 showed that the banking sector is generally resilient to various shock scenarios. Under the most severe scenarios, most banking institutions' capital adequacy ratios remained above the regulatory minimum of 12%.

3.32 However, few banks were falling below the 12% regulatory minimum under a major shock of credit risk. The Reserve Bank is continuously monitoring banking institutions activity and susceptibility to shocks.

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

Insurance and Pensions Industry

3.34 The sector depicted resilience in 2025, against the backdrop of an improved macroeconomic environment and strong regulatory oversight, sustainable capital buffers across insurers and pension funds, coupled with improvements in asset quality and portfolio rebalancing.

3.35 Short-term insurers maintained substantial proportion of liquid assets, ensuring their ability to meet immediate claim obligations.

3.36 The industry's total assets grew by 32% to US$4.4 billion, underpinned by improved underwriting margins, and profitability. Short-term insurers registered US$55.07 million net income, with life assurance entities reporting US$134.52 million.

3.37 The industry continued to support domestic resource mobilisation, with a total of US$361.64 million invested in prescribed assets.

3.38 Notwithstanding the positive developments, the prolonged closure of the pre-2009 compensation, pension contribution arrears, accumulation of unclaimed benefits, inactive pension funds, and policy lapses remain priority areas for regulatory intervention to safeguard the interests of policyholders and fund members, while strengthening fairness, transparency, and confidence in the sector.

3.39 The elevated level of inactive pension funds is largely attributable to a sustained decline in contributions, which has undermined their operational viability and capacity to generate meaningful value for members. Consequently, several funds have applied for dissolution, a development that may weaken public confidence in pension arrangements, discourage long-term savings mobilisation, and heighten concerns regarding the sustainability and adequacy of retirement benefits within the sector.

3.40 Figure 15 shows Assets performance for Pension Funds for 2024 and 2025.

Figure 15: Assets Performance

Pension funds	Dec-25	Dec-24
Number of Funds	970	968
Pension Contribution	$300m	$222m

Total Assets	Dec-25	Dec-24
Pension Funds	$3.10b	$2.26b
Life	$741.69m	$529.95m
Short Term Insurance	$528.37m	$425.45m

Number of Policies	Dec-25	Dec-24
Pension Funds	992,751	1,171,852
Life	2,122,824	2,373,960
Short Term Insurance	838,092	474,727

Pension Funds	Dec-25	Dec-24
Active Funds	489	478
Inactive	481	489
Total	970	968

Prescribed Assets	Dec-25	Dec-24
Pension Funds	$256m	$264.4m
Life	$64.65m	$76.41m
Short Term Insurance	$40.99m	$33.27m

Insurance Revenue	Dec-25	Dec-24
Life	$2911.99m	$182.45m
Short Term Insurance	$316.73m	$268.42m

Current Ratio	Dec-25	Dec-24
Direct Insurers	113%	103%
Microinsurers	679%	278%
Reinsurers	125%	137%

Combined Ratio	Dec-25	Dec-24
Direct Insurers	97%	95%
Micro insurers	84%	45%
Reinsurers	95%	90%
Life Assures	54.6%	59.7%
Life Reassurers	72.6%	66.0%

Source: Insurance and Pension Commission, 2025

3.41 The decline in the number of life assurance policies from 2.37 million in December 2024 to 2.12 million in December 2025 was attributed to a combination of reduced disposable incomes, which constrained households' ability to sustain premium payments, as well as the perceived loss of value of policies over time.

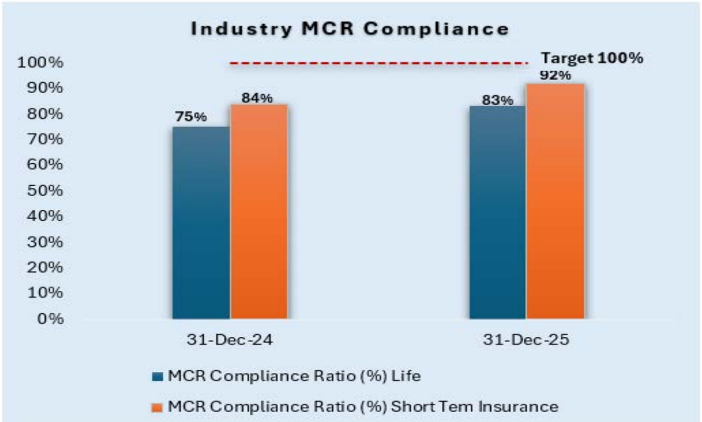
3.42 Historical experiences of currency depreciation have further eroded policyholder confidence, leading to scepticism regarding the long-term value preservation of life assurance products. In addition, some existing products are increasingly viewed as no longer fit for purpose in the prevailing economic environment.

Capital Adequacy

3.43 The insurance and pensions sector successfully transitioned to USD indexed capital thresholds under SI 67 of 2025 - Insurance (Amendment) Regulations, 2025 (No. 28), establishing a more stable and credible solvency benchmark.

3.44 Figure 16 compares industry capital compliance levels as at 31 December 2024 and 31 December 2025.

Figure 16:Industry Capital Compliance



Sector	MCR	Compliance Ratio
Short Term	US$1.5m	92%
Life	US$2.0m	83%

Source: Insurance and Pension Commission, 2025

3.45 Overall capital adequacy remained satisfactory, with 87% of institutions exceeding the revised Minimum Capital Requirements (MCR). While a few entities fell below the new MCR thresholds, these were isolated cases and are being addressed through focused supervisory engagement and remedial plans.

3.46 Failure to meet minimum capital requirements by some institutions was attributable to inability to raise fresh capital. Weak profitability and limited investor appetite have further compounded capital mobilisation efforts. In addition, deficiencies in asset quality, particularly where properties are not formally registered in company names resulted in regulatory discounts on admissible assets, thereby reducing the effective capital base.

3.47 The sector's aggregate capital position remained strong with capital maintenance ratio of 383%, an indication of adequate support for claims, benefits, and ongoing operations.

Credit Risk

3.48 Credit risk in the insurance and pensions sector was considered **moderate**, manifested by contribution arrears amounting to US$126million, representing 3.61% of total pension fund assets. In this regard, the Insurance & Pensions Commission (IPEC/the Commission) has been closely monitoring contribution arrears age analysis, engaging defaulting employers to recover outstanding arrears, with the residual credit risk moderating.

Concentration Risk

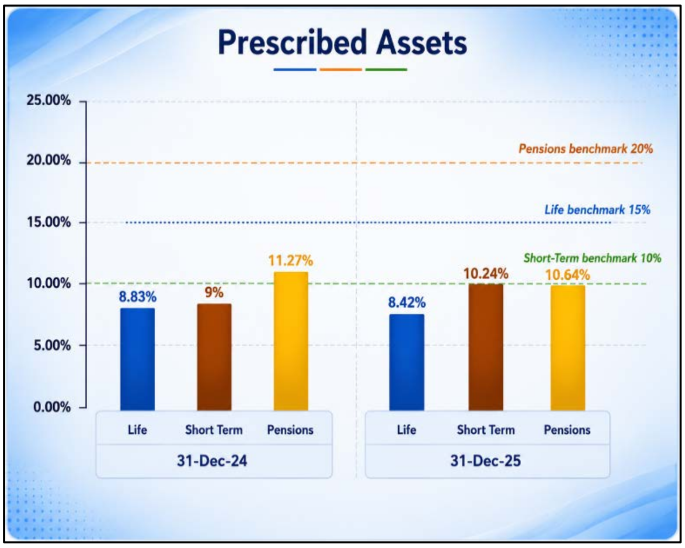
3.49 Concentration in insurance sector remained **high** in 2025. This was reflected by market share of 70% by the top three companies under the Life Assurance products category. In terms of product concentration, revenue is heavily skewed towards motor insurance in short-term business, which constituted 44%, with funeral and group life assurance products in life assurance constituting 87%.

3.50 To mitigate the likelihood of monopolies being dominant in the insurance and pensions industry, IPEC is fostering market development by promoting new product innovation through a regulatory sandbox. In addition, the Commission is enforcing market conduct rules on transparency, fair pricing and anti-competitive practices to ensure consumer protection.

Prescribed Asset Compliance

3.51 Whilst the insurance and pensions industry continued to play a pivotal role in advancing national development through targeted investments in prescribed assets that support priority sectors such as agriculture, renewable energy, and infrastructure, at US$361.64m the prescribed asset investments remained below regulatory benchmarks. Fig 17 below shows prescribed assets levels as at 31 December 2024 and 31 December 2025.

Figure 17: Prescribed Assets



Source: Insurance and Pension Commission, 2025

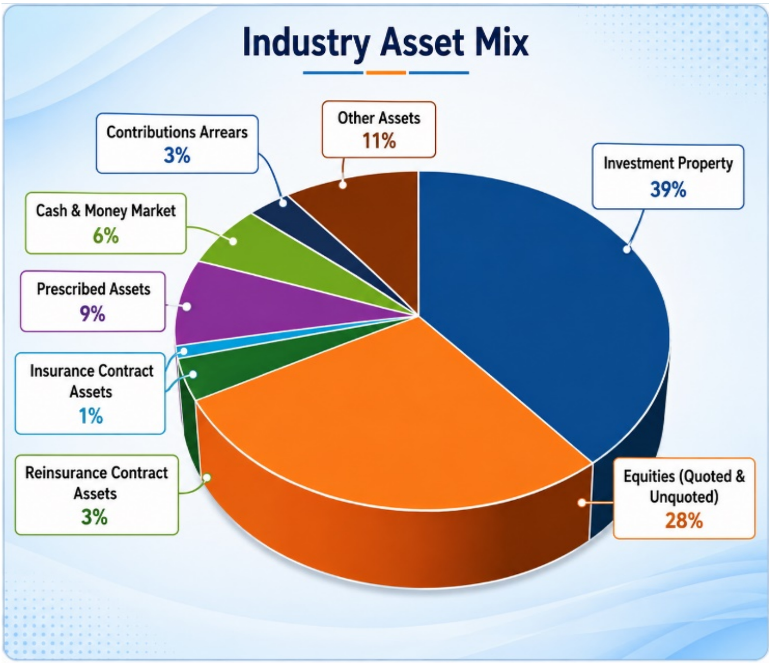
3.52 The Commission is actively implementing measures to ensure the industry aligns with the statutory thresholds while maintaining capital adequacy and governance standards.

Asset Mix

3.53 The insurance industry maintains a diversified asset base across multiple sectors, including equities (26%), investment properties (39%), prescribed assets (10%), cash and money market instruments (6%), and insurance and other assets (10%). This level of diversification reflects low to moderate concentration risk and helps cushion the industry from downturns in any single market segment, thereby safeguarding overall stability.

3.54 Figure 18 shows the Industry Asset Mix.

Figure 18:Industry Asset Mix



Source: Insurance and Pension Commission, 2025

Insurance and Pensions Industry Regulatory Developments

3.55 Domestic regulatory focus in 2025 was on prudential soundness, governance quality, and systemic stability. Supervision remained anchored on capital adequacy, asset quality, asset-liability management, and compliance, supported by guidance and circulars to strengthen balance sheets and risk awareness.

3.56 A key milestone was the gazetting of the US dollar-indexed minimum capital requirements (SI 67 of 2025), which strengthened solvency and shock absorption capacity.

3.57 Financial reporting and disclosure standards were tightened, including stricter actuarial requirements. The Insurance and Pensions Commission encouraged the industry to voluntarily adopt ESG principles under the Nairobi Declaration while awaiting formal regulatory guidance.

3.58 This proactive alignment fosters transparency and prepares the sector for future standards in data integrity and supervisory effectiveness.

Capital Markets and Asset Management

3.59 The securities markets demonstrated resilience as reflected by capital markets significant increase in turnover (127%) of Zimbabwe Stock Exchange (ZSE), over the year ended 31 December 2025, an indication of heightened market activity and investor participation.

3.60 Assets management continued to play a significant role of enhancing financial stability as Funds Under Management (FUM) reached ZIG 98.16 billion, from ZIG 90.16 recorded in the prior year, with a notable shift toward USD denominated assets. While these developments reflect growing market depth and a degree of confidence in capital and asset markets, the increasing dollarisation of portfolios may signal underlying currency risk, which could have implications on financial system stability.

3.61 Notwithstanding these positive developments, several financial stability risks persist. Elevated turnover levels may mask underlying liquidity fragilities, particularly in a market characterised by concentration in a few dominant counters, which heightens vulnerability to price volatility and potential market corrections. In 2025, **five** out of **thirty-nine** equity counters accounted for approximately 70% of total market capitalisation indicating high levels of market concentration.

3.62 In addition, increasing interlinkages between capital markets and other segments of the financial system may amplify contagion risks in the event of shocks. Cybersecurity threats remain a growing concern amid increased digitalisation, while climate-related risks continue to pose underlying term challenges to asset valuations and investor confidence.

3.63 Regulatory efforts focused on strengthening anti-money laundering (AML) frameworks and enhancing capital adequacy requirements for Securities Market Intermediaries (SMIs) to bolster resilience and safeguard market integrity.

Stock Exchange Developments

3.64 Significant market activity was recorded in 2025, with market capitalisation on the ZSE increasing from ZiG68.23 billion in 2024 to ZIG91.62 billion in 2025. Real Estate

Investment Trusts (REITs) and Exchange Traded Funds (ETFs) and equities worth ZIG5.62 billion were traded in 2025, compared to ZIG2.48 billion in 2024. In volume terms, a total of 3.12 billion shares were traded in 2025, up from 2.05 billion in 2024.

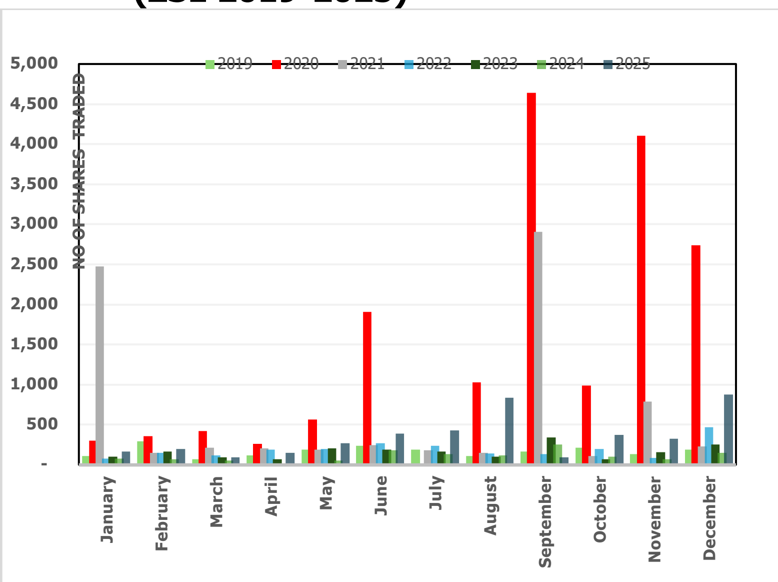
3.65 The market capitalisation trend is shown in Figure 19.

Figure 19: ZSE Market Capitalisation trends (December 2024 to December 2025)

Source: Zimbabwe Stock Exchange, 2025

3.66 The volumes of shares traded during the period 2019 to 2025 are as shown in Figure 20.

Figure 20: Volume of Shares Traded in Millions (ZSE 2019-2025)



Source: Securities Exchange Commission of Zimbabwe, 2025

Operational Risk

3.67 Operational risk remained elevated in the securities market due to the rapid adoption of technology and digital platforms which, while transformative, continue to expose the sector to heightened cyber and financial integrity risks. The increasing use of digital platforms has also been associated with a rise in fraudulent technology-based alternative investment schemes, including digital asset and virtual asset scams, which pose potential threats to investor protection, market confidence and broader financial stability.

Interconnectedness

3.68 In addition, the growing interconnectedness between virtual assets and the formal financial system may increase exposure to money laundering, cybercrime, fraud, speculative activities and cross-border contagion risks if not adequately regulated. In response, the Securities and Exchange Commission of Zimbabwe continued to strengthen surveillance and oversight through onsite inspections, cyber risk monitoring and market conduct supervision.

Concentration Risk

3.69 In the capital market share, concentration risk was more pronounced in the investment management industry where 69.71% of funds under management were held by five out of thirty-four investment management firms.

3.70 The capital markets industry is highly integrated with banking and insurance entities contributing to aggregate systemic risks. To mitigate the risk, SECZ is continuously promoting new entrants with greater capacity to undertake asset management and stockbroking businesses.

3.71 Recent regulatory developments include the enactment of provisions under the Finance Bill (HB 14, 2025), which formally designated SECZ as the supervisory authority for Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs), thereby establishing a legal and regulatory framework for licensing, oversight, AML/CFT compliance and consumer protection within the virtual assets' ecosystem. The developments are broadly aligned with evolving international standards on regulation of virtual assets and VASPs under the Financial Action Task Force framework.

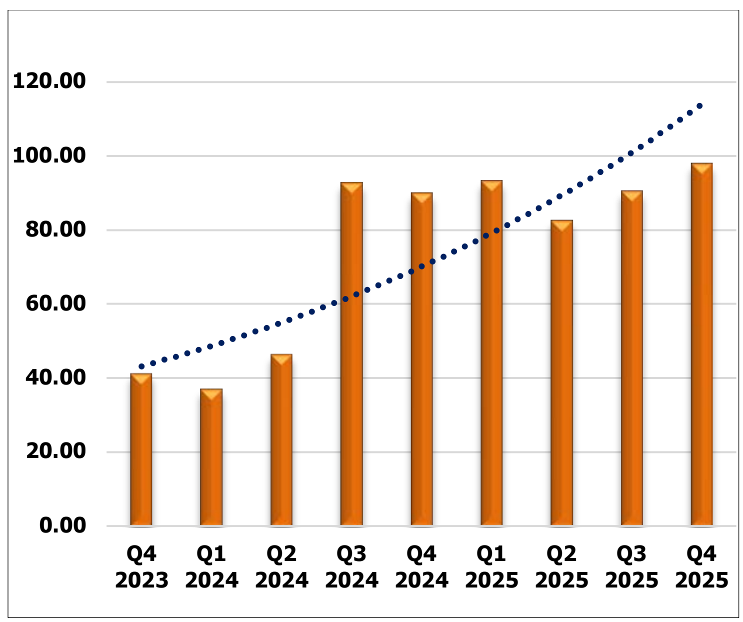
Asset Management Companies

3.72 Asset management continued to play a significant role in enhancing overall financial stability in the economy.

3.73 Total Funds Under Management (FUM) as at 31 December 2025 stood at ZIG98.16 billion. The funds included USD denominated FUM of USD2.66 billion, which were translated to local currency (ZIG) at the prevailing exchange rate. The industry average FUM for the period ended 31 December 2025 stood at ZIG2.80 billion.

3.74 Figure 21 shows the FUM trend from Q4 2023 to Q4 2025.

Figure 21: Funds Under Management Q4 2023 - Q4 2025 (ZiG Billions)



Source: Securities Exchange Commission of Zimbabwe, 2025

Assets Under Custody

3.75 As at 31 December 2025, Total Assets Under Custody (AUC) amounted to ZIG98.31 billion. Local clients accounted for 76.29% whilst foreign clients accounted for the remaining 23.71%.

Collective Investment Schemes (CIS)

3.76 As at 31 December 2025, the number of active registered collective investment schemes stood at fifty (50). The number of unitholders stood at 79,700.

3.77 Table 3 shows a breakdown of the active CIS funds by type.

Table 3 : Collective Investment Schemes by Type

CIS TYPE	NUMBER OF FUNDS
Equity	18
Money Market	9
Hybrid	5
Exchange Traded Funds (ETFs)	4
Property	6
Gold Funds	2
Real Estate Investment Trust (REIT)	5
Renewable Energy	1
TOTAL	50

Source: Securities Exchange Commission of Zimbabwe, 2025

3.78 As at 31 December 2025, ZiG denominated Collective Investment Schemes Funds Under Management (CIS FUM) stood at ZiG1.65 billion. The total funds under management for CIS funds which are denominated in USD amounted to USD138.20 million.

3.79 The SECZ has also been collaborating with IPEC in the development of comprehensive guidelines for valuation of private equity.

Valuations of Private Equity, Real Estate and Investment and Property Valuation Framework

3.80 To ensure that asset prices reflect the underlying economic realities, initiatives were underway at year-end to develop comprehensive guidance on the valuation of Private Equity, Real Estate and Investment, and Property Valuation. This will address issues relating to asset mispricing, mitigate systemic risk that may arise from sudden asset revaluations, as well as enhance transparency. The valuation framework will also go a long way in deepening the securities markets, and insurance and pension funds industry.

Deposit Protection

3.81 Deposit Protection Corporation (DPC) has continued to play a significant role in safeguarding depositors funds.

3.82 The deposit protection cover levels were pegged at a maximum of USD1,000 during the review period, for foreign currency deposits and ZIG equivalent for local currency deposits, per depositor, per deposit class, per Contributory Banking Institution (CBI); and USD500 and ZIG equivalent per depositor, per deposit class, per Deposit-Taking Microfinance Institution (DTMFI).

3.83 As at 31 December 2025, 99.4% of ZiG deposit accounts, were fully covered by deposit insurance although these accounted for only 13.17% of the total value of deposits. For USD accounts, 96.33% of accounts were fully covered, representing 6.42% of the value in insured accounts.

3.84 Coverage levels in the microfinance sector were similarly high. At a USD500.00 and ZIG equivalent cover level, 99.78% of ZIG deposit accounts were covered in full, though the insured value was just 3.72%, reflecting the prevalence of small-balance accounts. For USD accounts, 99.92% were fully covered, representing 14.88% of total account value insured, indicating a concentration of funds in a limited number of high-value accounts.

3.85 The proposed amendments to the Deposit Protection Corporation Act are intended to strengthen the legal framework for depositor protection which shall establish a dedicated insolvency regime for banking institutions. The amendments are under consideration by the Ministry of Finance, Economic Development and Investment Promotion at the end of 2025. Once enacted, the amendments are expected to enhance the effectiveness of the bank resolution framework, strengthen depositor confidence, and further reinforce the stability and resilience of Zimbabwe's financial system.

Payout readiness

3.86 The current legal framework provides for compensation of depositors within

60 days after insolvency declaration. The Corporation has, however, historically managed to pay within 30 days and work is underway to reduce this period to 14 days and eventually 3 days in line with bet practice, once the *single customer view* platform is fully rolled out.

3.87 As part of operational risk management, the Deposit Protection Corporation has been implementing robust internal control frameworks on transaction limits, two factor authentication and deploying alternative energy sources to reduce downtime. Overall, inherent operational risk was considered **high**, requiring comprehensive mitigants at institutional and regulatory sector levels.

3.88 The major systemic risks during the review period are embedded in Annexure 1 Risk Matrix.

4. NATIONAL PAYMENT SYSTEMS

Performance Overview

4.1 The payment system services sector remained stable, safe, and resilient in 2025, with steady growth in transaction activity. The system uptime for both RTGS and retail systems averaged 98% in the year 2025. The system performance is likely to be sustained in 2026, subject to prevailing macroeconomic and financial conditions.

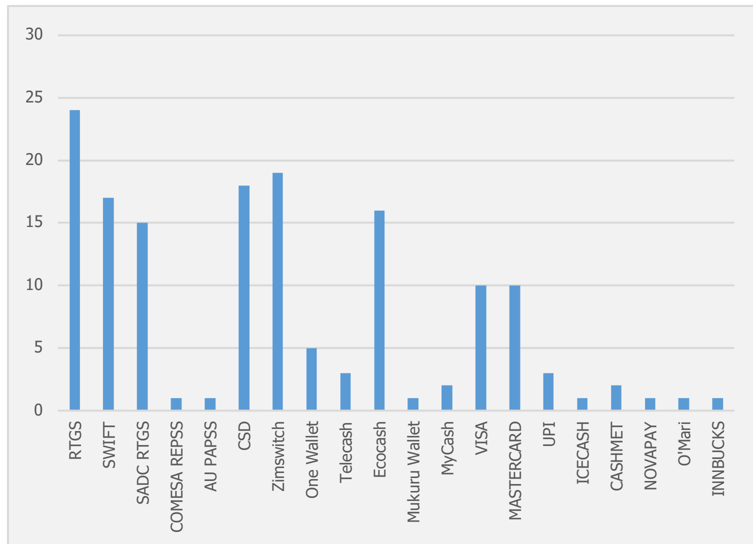
4.2 The Reserve Bank continued to regulate and supervise payment system participants, implementing proportionate measures that strengthen risk management to safeguard system integrity.

Payment Systems Risk Assessment

4.3 In 2025, the Zimbabwean payment systems comprised eleven (11) payment system providers, twenty-four (24) participant banks, three (3) regional payment platforms and various payment streams. These facilitated the economy's transactional activities.

4.4 Figure 22 shows the Financial Markets Infrastructure (FMIs) and number of participant banking institutions.

Figure 22: FMIs and Number of Participant Banking Institutions



Source: Reserve Bank of Zimbabwe, 2025

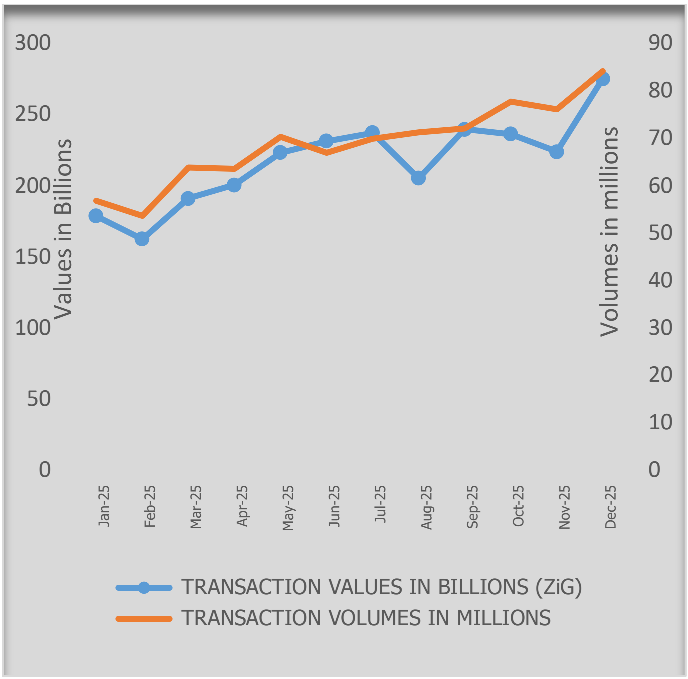
Digital Payment Systems Values and Volumes

4.5 The resilience of digital transactional platforms, coupled with robust growth in transaction activity, underscored increasing public confidence and reliance on digital payment systems.

4.6 In line with these developments, digital payment system transaction values and volumes maintained their upward trajectory in 2025 with values increasing by 107.70% from ZiG1.26 trillion in 2024 to

ZiG2.61 trillion. Similarly, volumes increased by 16.7% from 708 million in 2024 to 827 million.

Figure 23: Digital Payment Systems Values and Volumes for 2025



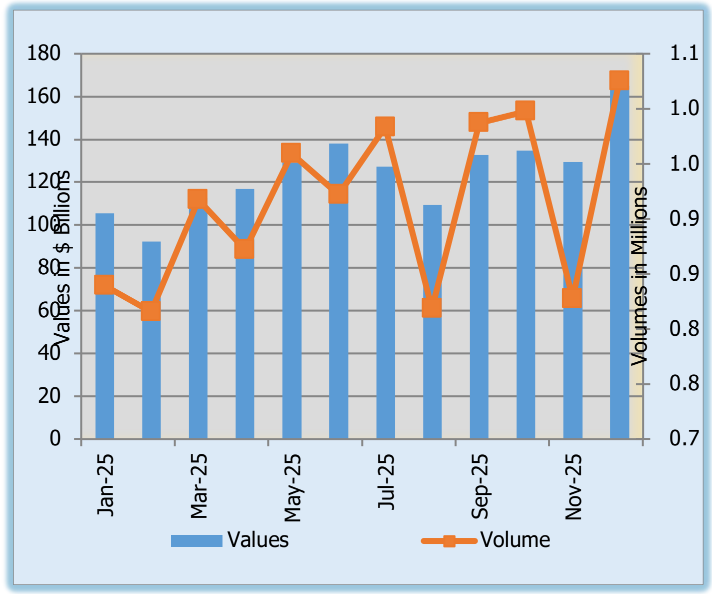
Source: Reserve Bank of Zimbabwe, 2025

Real Time Gross Settlement (RTGS)

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

4.8 The RTGS system maintained an average availability of 98% during the review period. In this regard, transaction values increased to ZiG165 billion in December 2025 from ZiG105 billion in January 2025 as shown in Figure 24.

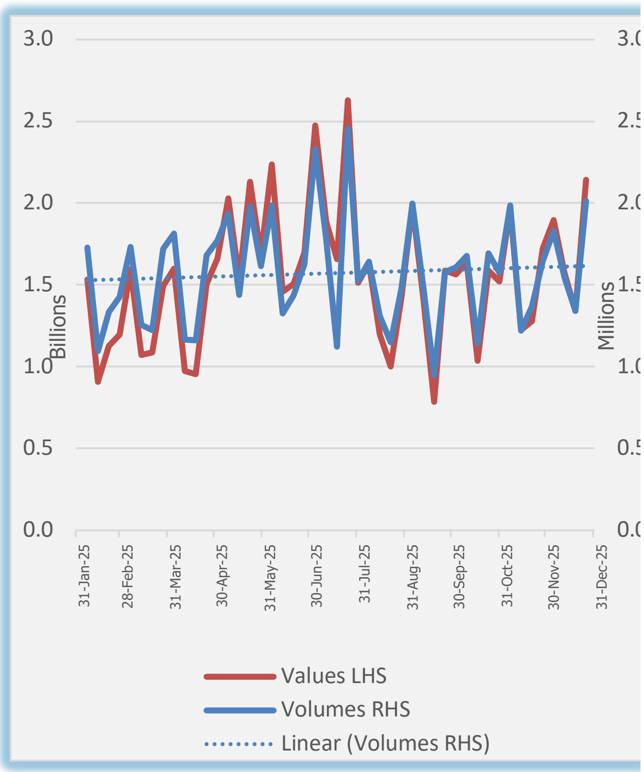
Figure 24: RTGS Monthly Values and Volumes 2025



Source: Reserve Bank of Zimbabwe, 2025

4.9 The Reserve Bank remained committed to strengthening the efficiency, safety and resilience of payment systems, ensuring alignment with global developments amid evolving technological risks. As a result, interoperability across retail payment streams improved, with the value of consolidated transactions processed through integrated platforms recording steady growth during the year.

Figure 25:Interoperability Volumes and Values from January to December



Source: Reserve Bank of Zimbabwe, 2025

Adoption of SWIFT ISO 20022-Migration from MT Messages

4.10 The year 2025 saw the adoption of the ISO 20022 messaging standard enhanced data transmission security, improved interoperability, and facilitated global compliance.

4.11 The Reserve Bank and the banking community successfully coordinated the migration of all participants on the RTGS, SADC RTGS, and SWIFT Cross-Border Payments and Remittances Plus (CBPR+) platforms to the ISO 20022 messaging standard ahead of the November 2025 deadline.

4.12 Following the migration, market participants were able to process transactions using the ISO 20022 format seamlessly. This has improved data quality, interoperability, and transparency in cross-border and domestic payments, thereby strengthening the efficiency and resilience of Zimbabwe's payment systems.

Promoting Digital Financial Services

4.13 Technological transformation, regulatory evolution, and increased systemic interconnectedness demand a supervisory posture that is responsive and well-informed.

4.14 In this regard, the Reserve Bank continues to modernise regulatory tools to keep pace with digital payments innovation. Key advancements include the continuous review of existing guidelines, aimed at enhancing interoperability, strengthening security, expanding financial inclusion, and reinforcing overall financial stability.

4.15 The Reserve Bank strengthened its regulatory and licensing framework to support a competitive digital payments environment in 2025. Emphasis was placed on widening market participation and encouraging product diversity to enhance resilience and consumer choice.

4.16 To ensure the robustness and accessibility of the national payment infrastructure, the central bank continued to conduct systematic reviews and approvals of new payment products and ensure system upgrades in line with established regulatory standards.

4.17 During 2025, the Reserve Bank approved seventeen (17) product initiatives from licensed financial institutions and prospective payment service providers. This reflects continued innovation and deepening competition within the payment services sector.

4.18 The Reserve Bank will continue to ensure that all payment service providers offer transparent and affordable, competitively priced payment services that reinforce financial stability, promote inclusion, and support broad-based economic participation.

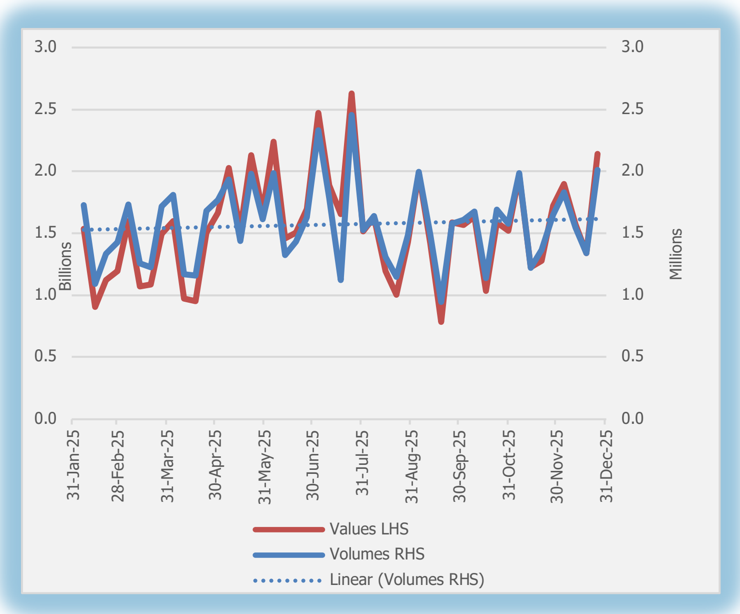
Interoperability of National Payment Systems

4.19 The Reserve Bank continued to implement initiatives aimed at integrating various payment platforms through the Zimbabwe National Switch (Zimswitch) to promote seamless transactions and improve operational efficiency across the financial sector.

4.20 The Reserve Bank also strengthened its cooperation with international financial institutions to promote greater alignment of Zimbabwe's payment systems with globally accepted standards and best practices. Developments in the international financial regulatory landscape continued to influence domestic payment systems policy. In this regard, guidance and policy frameworks issued by standard-setting bodies such as the Financial Stability Board (FSB), the BIS Committee on Payments and Market Infrastructures (CPMI), and the International Organisation of Securities Commissions (IOSCO) remained relevant in shaping local regulatory approaches.

4.21 The Reserve Bank maintained its commitment to regulatory compliance and to reinforce a sound risk and governance culture within the payment systems sector to support the continued stability of the financial system.

Figure 26: Interoperability Volumes and Values from Jan to December 2025



Regional Payment Systems

4.22 The Reserve Bank also continued to participate actively in regional and international payment systems forums within the frameworks of the SADC and the COMESA, while also supporting initiatives of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

4.23 The Zimbabwean banking sector continued to actively participate in the SADC RTGS, as highlighted in Table below.

Table 4: SADC RTGS Statistics

YEAR	VALUE (RAND)	VOLUME
2021	R 6,869,443,285.30	5,731
2022	R 4,313,939,802.29	5,261
2023	R 5,944,843,809.02	4,355
2024	R 6,086,291,168.33	3,816
2025	R 3,513,153,594.68	4,038

4.24 Under the oversight of the Reserve Bank, local banks continued to integrate with the Pan-African Payment and Settlement System (PAPSS) system, with a view to expanding cross-border payment options available to the transacting public. As at 31 December 2025 six (6) banks had been authorised to participate in the PAPSS system in readiness for live operations.

5. CLIMATE RELATED RISKS

5.1 Zimbabwe's economy remains heavily reliant on agriculture, making it particularly vulnerable to the adverse effects of climate change.

Climate Risk Management

5.2 **The Reserve Bank continues to review the banking sector's integration of** climate risk in institutions' risk management frameworks in line with Guideline No. 01-2023/BSD: Climate Risk Management.

5.3 An evaluation of banking institution's climate risk profiles in 2025, revealed that most banking institutions had incorporated climate risk in their risk management cycle of risk identification, risk assessment, risk monitoring and risk mitigation. The institutions were also putting in place appropriate governance systems and strategy development processes, which ensure accountability for climate-related risks across all layers of their risk management processes.

5.4 The Reserve Bank, SECZ and IPEC participated in the Sustainability Standards Panel (SSP) established by the PAAB to spearhead implementation of IFRS 9 S1 and S2 pertaining to sustainability and climate risk related financial disclosures issued by the International Sustainability Standards Board. The collaborative efforts culminated in the development of a requisite road map. The Reserve Bank will conduct a survey to assess the preparedness of banking institutions to implement the standards in 2026.

5.5 The capital markets industry players were noted to be reluctant to adopt ESG reporting standards, with limited investments in climate friendly projects.

5.6 In addition to participation in the SSP SECZ has been promoting awareness on sustainability on the dangers of climate change; related disclosures; as well as encouraging sustainable financing.

5.7 The following factors heighten climate risk in the Country:

i. **Agricultural volatility:** reliance on rain-fed agriculture, which leads to high credit defaults during droughts (e.g., El Niño effects);

ii. **Droughts,** which reduce hydro-power capacity (Kariba), disrupting industrial production; and

iii. **Collateral Erosion** - climate related destruction reduces the value of land and property used as collateral.

5.8 The Deposit Protection Corporation was in the process of incorporating stress testing for physical risks in the bank portfolios.

6. FINANCIAL INTEGRITY RISKS

Anti- Money Laundering & Combating Financial Terrorism (AML/CFT)

6.1 Maintaining a robust Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) framework remains critical in safeguarding the integrity, soundness and stability of Zimbabwe's financial system. Effective AML/CFT measures strengthen confidence in financial institutions, support transparency within the financial sector, preserve correspondent banking relationships, and mitigate risks associated with illicit financial flows, fraud, cybercrime and other financial crimes that may undermine financial stability. In this regard, financial sector regulators continued to enhance supervisory oversight and coordinated efforts aimed at strengthening compliance with AML/CFT/CPF requirements across the financial sector.

6.2 The increasing informalisation of economic activities and rapid digitalisation of financial services in Zimbabwe continued to heighten financial integrity and financial stability risks. Accordingly, various Anti-Money Laundering, Counter Financing of Terrorism and Counter-Proliferation Financing (AML/CFT/CPF) supervisory activities were undertaken during the period under review to safeguard the integrity of the financial sector. These included onsite examinations, enhanced offsite surveillance, risk-based monitoring and stakeholder engagements.

6.3 Emerging Money Laundering, Terrorist Financing and Proliferation Financing (ML/TF/PF) risks identified within the financial sector included fraud through password theft and cyber-enabled scams, abuse of remittance channels, parcel trading scams, submission of fraudulent bank statements to foreign embassies, misuse of personal accounts for business transactions, and possible tax evasion. These developments have increased operational risk within the banking sector and may weaken confidence in formal financial intermediation if left unchecked.

6.4 The banking sector remained broadly compliant with AML/CFT/CPF obligations as provided for under the Money Laundering and Proceeds of Crime Act [Chapter 9:24] and AML/CFT/CPF Guideline No. 01/2025/BSSFS. Notwithstanding the generally satisfactory compliance levels, supervisory assessments identified gaps relating to customer due diligence, beneficial ownership verification, transaction monitoring, and record keeping practices, which require continued remediation to strengthen the effectiveness of the AML/CFT framework.

6.5 Banking institutions were, therefore, encouraged to strengthen transaction monitoring systems, customer due diligence processes, cyber resilience measures and suspicious transaction reporting frameworks to mitigate exposure to evolving ML/TF/PF risks.

6.6 The Securities and Exchange Commission of Zimbabwe continued to enhance AML/CFT supervisory oversight within the capital markets sector through administration of penalties for non-compliance and coordinated engagement with the Financial Intelligence Unit and other regulatory authorities. The collaborative approach among financial sector regulators remains critical in strengthening the effectiveness of Zimbabwe's AML/CFT framework, preserving correspondent banking relationships, and supporting broader financial stability objectives.

7. CRISIS PREPAREDNESS

7.1 As part of ongoing efforts to strengthen Zimbabwe's financial safety-net architecture and enhance preparedness for potential systemic shocks, the Multidisciplinary Financial Stability Committee (MDFSC) finalised a Contingency Planning and Systemic Crisis Management Framework (CPSCMF) in the year November 2025.

7.2 The Framework was developed in response to evolving financial sector risks and lessons drawn from past episodes of financial instability, including the 2004 bank closures in Zimbabwe and the 2007–2009 Global Financial Crisis.

7.3 The Framework provides a coordinated approach by Government and financial sector regulatory authorities for the prevention, management, and resolution of systemic financial crises, while promoting resilience, market confidence, and continuity of critical financial services across the financial sector.

7.4 Accordingly, the Framework provides a comprehensive set of policies, actions, institutional arrangements, and operational processes for the early identification of emerging vulnerabilities, containment of systemic distress, crisis resolution, and restoration of confidence in the financial system.

7.5 The Framework is expected to enhance inter-agency coordination and information sharing among financial sector regulators, while providing clear resolution powers, crisis communication protocols, emergency liquidity support arrangements, and mechanisms for orderly resolution of troubled financial institutions. The Framework also provides for regular crisis simulation exercises, recovery and resolution planning for systemically important financial institutions, and strengthened cross-border supervisory cooperation, thereby enhancing the resilience and preparedness of the financial sector against future systemic shocks.

7.6 Furthermore, the Framework is expected to promote depositor, investor and policyholder confidence by ensuring continuity of critical financial services, minimising disruptions to payment and settlement systems, reducing potential fiscal costs associated with financial crises, and supporting the orderly functioning of financial markets during periods of stress.

7.7 The Framework also reinforces the broader financial stability mandate through enhanced governance, crisis preparedness, and coordinated policy responses among safety-net players.

7.8 The MDFSC is now in the process of operationalising the CPSCMF.

8. OUTLOOK

8.1 Global financial stability risks are expected to remain elevated, the extent of which will largely depend on developments pertaining to the Middle East conflict. The prolonged closure of the Strait of Hormuz, for example, will likely lead to lower global output and higher headline inflation on the back of dislocations in energy markets. Other significant risks expected to persist include elevated global debt levels and climate-related shocks, which may be transmitted to emerging markets such as Zimbabwe. These will continue to pose downside risks to financial stability.

8.2 The domestic macroeconomic environment is expected to remain stable, characterised by sustained low inflation and a stable exchange rate under the Willing-Buyer-Willing-Seller framework. Prudent monetary management will underpin the stability in the economy in the outlook period. The continued accumulation of foreign currency and gold reserves is expected to further strengthen confidence in the domestic currency as well as enhance the economy's resilience to external shocks.

8.3 To sustainably anchor inflation expectations and nurture currency and exchange rate stability, the Reserve Bank will continue to pursue prudent monetary management.

8.4 The use of NNCDs to mop-up excess liquidity from the market, will remain in place, complemented by other indirect instruments of monetary policy.

8.5 The awaited gazetting of proposed amendments to the Banking Act [*Chapter 24:20*], which seek to strengthen the legal and institutional framework for bank resolution and systemic crisis management, underpinned by resolution planning, resolvability assessments, and resolution funding, is expected to enhance financial stability.

8.6 The resilience of payment system providers remains a key priority. A sound and reliable payment system underpins macroeconomic stability by enabling smooth and efficient transactions, which in turn facilitate trade and investment.

8.7 Looking ahead in 2026, the insurance sector is well positioned for sustained organic growth. This growth is expected to be driven by increased insurance and pensions uptake, deepened financial inclusion, technology-driven insurance and pension solutions, and strong regulation for sustainability. These initiatives are closely aligned with national priorities under the National Development Strategy 2 (NDS2), reinforcing the sector's role as an engine for economic stability and inclusive growth.

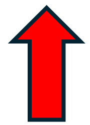
8.8 A central cross-cutting focus in 2026 will be the embedding of sustainability across the insurance and pensions value chain. This includes integrating environmental, social, and governance (ESG) principles into underwriting, investment decisions, and risk management frameworks; supporting climate risk assessment and disclosure; and promoting the role of insurance and pensions in financing sustainable infrastructure and climate-resilient development. By aligning prudential oversight, market development, and sustainability objectives under National Development Strategy 2, the sector is expected to enhance its contribution to inclusive growth, financial stability, and long-term economic resilience.

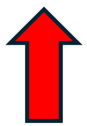
8.9 Financial regulators, including Financial Intelligence Unit, the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), the Consumer Council of Zimbabwe (CCZ), and the Competition and Tariffs Commission, will continue to undertake joint capacity-building and public awareness initiatives across all the country's provinces as part of a broader initiative to foster financial stability and financial system resilience.

8.10 Overall, the outlook for financial stability in 2026 remains positive, supported by stable macroeconomic fundamentals, strong regulatory oversight, and sustained financial sector performance.

ANNEXURES

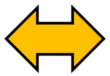
Annexure 1: MAJOR RISKS TO FINANCIAL STABILITY AND RISK MITIGANTS

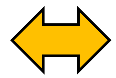
Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
Operational Risk: • The risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events.	**HIGH** • Operational Risk across all sectors of the financial system was rated **high** due to threats of cyberattacks as the sector is experiencing rapid transformation driven by technological innovation, • The banking sector is experiencing increased use of cloud computing and increased reliance on online banking by consumers which raises both operational and cyber risks. • In the insurance sector, third-party risk reliance of the industry on a single system (Ice Cash). • Inadequate preparedness for implications of disruptive technologies like Artificial Intelligence, future electric or fully automated cars. • Adoption of technology and digital platforms in capital markets is transformative but exposes the market to unprecedent cyber risks. • Increase in fraudulent technology based alternative investment schemes e.g. E creator and Bitcoin scams.	• Elevated operational risk exposes banks to material financial losses arising from internal errors, fraud, or system failures, thereby undermining both profitability and institutional stability. • Operational incidents can impair critical banking functions—such as payment processing, credit intermediation, and settlement systems—resulting in direct financial loss and reputational damage. • The erosion of customer confidence following such events may constrain access to credit and impede the smooth functioning of financial transactions. • In the insurance sector, vendor lock-in and Systemic Risk could result in industry wide disruption if the ice-cash system fails or is compromised • Small entities reliant on third-party motor insurance likely to be heavily affected by loss of business • At the macroeconomic level, widespread operational failures can inhibit business activity, disrupt supply chains, and	• In August 2025, Reserve Bank issued the enhanced Cybersecurity and Resilience Guideline to banks to enhance cybersecurity and resilience by identifying, managing, and mitigating cyber risks. • In addition, the guidelines seek to align local banks with global standards and operational resilience principles for robust cybersecurity practices • IPEC is enforcing the Cyber Security and Data Protection Framework and AI Governance and regulation framework • SECZ measures Cyber risk preparedness for SMIs registration and onsite prudential inspections. On-site inspections have largely focused on adequacy of IT infrastructures and security. • Promotion of cyber security awareness • DPC is implementing robust internal control frameworks (transaction limits, authentication, etc.) Transfer part of risk via insurance programs. • Adopt layered cybersecurity (2FA, biometric auth). • Regular incident response drills and backups. • Innovations could be incentivised by regulators to encourage deployment of secure systems. • Implementation of the Data Protection Act.	**High**	

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
	• Lack of regulatory oversight on new fintech products such as crypto and virtual assets • Challenges include unstable short-tenured deposit bases, limited access to affordable long-term funding, and stringent prudential requirements in a volatile macroeconomic environment with shallow capital markets. • Consolidation of building societies into banking groups • Rapid digital transformation without matching cybersecurity investment. • Growing use of online/mobile banking. • Costly system upgrades. • vulnerability to card cloning, hacking, ransomware, and third-party vendor risks.	diminish trust in the financial system, with adverse consequences for economic growth. • Moreover, systemic events, such as cyberattacks targeting core payment infrastructures, have the potential to propagate across interconnected institutions and markets, precipitating broader financial instability. • Settlement failures, Network intrusions • Undermining Financial Deepening: consolidation could reduce the diversity and depth of financial services and financial inclusion, particularly in housing finance. • Rapid shift to mobile/online banking increases exposure to ransomware and identity theft. • Operational Disruption: Cyber-attacks can paralyze payment systems and financial intermediation.			
Cyber Risk • Loss/damage from use of digital and cyber resources	**High:** • Rapid digital transformation without matching cybersecurity investment. • Growing use of online/mobile banking. • Costly system upgrades. • vulnerability to card cloning, hacking, ransomware, and third-party vendor risks.	• Systemic events, such as cyberattacks targeting core payment infrastructures, have the potential to propagate across interconnected institutions and markets, precipitating broader financial instability.	• In August 2025, Reserve Bak issued the enhanced Cybersecurity and Resilience Guideline to banks to enhance cybersecurity and resilience by identifying, managing, and mitigating cyber risks. • In addition, the guidelines seek to align local banks with global standards and operational resilience principles for robust cybersecurity practices	**High**	

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
		• Rapid shift to mobile/online banking increases exposure to ransomware and identity theft. • Operational Disruption: Cyber-attacks can paralyze payment systems and financial intermediation. • Cost of doing business: This may add to increased banking charges. • Financial loss: Consumers could look elsewhere to transact instead of formal channels.	• All banking institutions and deposit-taking institutions are now required to conduct annual cybersecurity audits and submit audit reports to the Reserve Bank to assess cyber resilience in the Banking and Microfinance sectors. • The Reserve Bank is also carrying out periodic cyber risk onsite examinations to ensure that banks have put in place adequate cyber risk management controls. • Adopt layered cybersecurity (2FA, biometric auth). • Regular incident response drills and backups. • Innovations could be incentivised by regulators to encourage deployment of secure systems. • Implementation of the Data Protection Act.		
Macroeconomic Risk • Potential investment losses or financial instability resulting from broad economic factors such as inflation, interest rates, GDP growth, unemployment, or government policies.	**Moderate** • The Global GDP growth is forecasted to be 3.1% in 2026 and the medium-term outlook remains below the pre-pandemic average of 3.7%. • Risks to the global economy are encompassed with geopolitical tensions, trade uncertainty and climatic shocks • Domestically, the attainment of macroeconomic stability has fostered a more conducive	• Subdued trade and weak commodity prices. • Debt distress could culminate the external funding constraints. • Low confidence in long-term contracts. • Low uptake of long-term products. • Increased informalisation will likely undermine formal	• Maintaining the prudent and well calibrated monetary policy stance in conjunction with the strengthening of fiscal resilience (MoFEDIP). • Continuous stress testing • Strengthen debt management to foster a conducive macroeconomic management. • Continouous management of inflation and enhancement of the foreign exchange market. • Enhance innovation to endure an increased uptake of long-term insurance • IPEC is tightening solvency and capital oversight through stress testing, conservative valuations during transition to a monocurrency.	**Moderate**	↔

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
	environment for growth, with real GDP projected to expand by about 5% in 2026, supported by robust performance in the mining and agriculture sectors. • However, risks of debt distress remain elevated • While macroeconomic stability prevailed in 2025, industries such as insurance and securities remain vulnerable to potential currency risks ahead of the planned mono-currency transition • Increased informalisation of the economy.	economic growth and financial deepening.	• Incentivize formalisation, enhance financial literacy/inclusion, and build trust through regulation.		
Climate Change and Environmental Risk • Physical and transition risks emanating from potential negative impacts of climate change—such as extreme weather events, rising sea levels, and shifting temperatures—on the	**MODERATE** • Climate risk was considered **moderate** on account of the potential threats and vulnerabilities stemming from climate change and its impacts on various sectors, including, agriculture, infrastructure, and public health. • These threats include extreme weather events, rising sea levels,	• Shifts in consumer preferences and investor sentiment toward sustainability can alter market demand and negatively impact valuations in carbon-intensive industries. • Physical climate risks, such as damage to real estate or infrastructure in vulnerable areas, may impair asset values, increase credit defaults, and disrupt operations. • Borrowers exposed to high climate risk could face repayment difficulties, elevating credit risk for lenders.	• All regulatory authorities shall be conducting regular climate risk assessments. • Operationalisation of the Climate Risk Management Guideline has ensured that banks have adequate governance and risk management systems on back of effective disclosure and reporting requirements. • RBZ is in the process of developing a Climate Risk Reporting template and stress testing template to assess and monitor climate risk. • Drive towards adoption of sustainability and climate risks related financial disclosures should enhance financial risk management in banks.	**Moderate**	↔

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
environment, economies, and societies	temperature fluctuations, transition risks and shifts in rainfall patterns. • Reluctance to adopt ESG reporting standards by market players as well limited investment in climate friendly projects.	• Transition risks, meanwhile, may render assets in carbon-heavy sectors stranded. Severe climate events can disrupt supply chains, reduce agricultural output, and fuel inflationary pressures, thereby slowing economic growth. • When such shocks are widespread, they can simultaneously affect multiple sectors and regions, creating correlated losses across financial institutions.	• Non- compliance to international best practices ESG Standards • SECZ is working with PAAB in promoting sustainability reporting, as well as increasing awareness on the dangers of the climate change and encourage sustainable financing		
Credit Risk • Risk of borrowers or counterparties not fulfilling their obligations as per the agreed terms	• Inherent credit risk was rated **moderate** on account of interest rate stability, as well as declining inflation, consistent with prudent and well calibrated monetary policy stance • Credit exposure is mainly in the pensions sector, with contribution arrears amounting to US$126million, representing 3.61% of total pension fund assets.	• A deterioration in credit quality directly impairs bank profitability and capital adequacy through heightened loan-loss provisioning. • Widespread defaults deplete capital buffers, constraining banks' ability to lend and triggering credit crunches that starve businesses and households of financing. • These losses can propagate through the financial system via interconnected exposures, such as interbank lending, creating a contagion effect that destabilizes multiple institutions and generates systemic risk. • Low capacity of pension funds to make future pension payout benefits.	• Maintenance of sound credit risk management practices by banks. • Macroeconomic stabilisation measures • The Insurance & Pensions Commission is actively monitoring contribution arrears age analysis, engaging defaulting employers, and, where necessary, invoking its garnishing powers to recover outstanding arrears.	**Moderate**	

Type of Risk	Inherent Risk	Likely Impact	Risk Mitigants, Strategies & Initiatives	Residual Risk	Trend of Risk
Foreign Exchange Risk Foreign Exchange Rate Risk is the potential negative effect on earnings and economic value caused by fluctuations in currency rates.	• Foreign exchange risk was rated **moderate** on account of stable exchange rate, evidenced by slight movement in the ZiG to USD exchange rate, from USD1: ZiG26.94 as at 30 June 2025 to USD1: ZiG26.64 in September 2025 on the willing buyer-willing seller market. • The increase in foreign currency receipts will bolster the foreign currency position. • Disparity between official and parallel market rates (premium ~20%). • Long net foreign exchange positions as most banks, however, expose them to exchange losses in the event of local currency appreciation.	• Exchange losses arising from exchange rate volatility may have adverse implications on bank capital • If multiple banks suffer large losses at once, confidence in the system can collapse, leading to liquidity crises and cascading contagion. • Disparity between official and parallel market create arbitrage opportunities that may fuel inflation.	• Foreign exchange exposure limits per currency and on an aggregate basis. • Alignment of foreign currency-denominated assets and liabilities to naturally offset Foreign exchange risk. • Spreading currency exposure across multiple currencies, reducing the impact of volatility in any single currency. • Ongoing prudent monetary policy minimises impact of foreign exchange risk. • Market-based exchange rate determination (Willing-Buyer-Willing-Seller). • Gradual reduction of FX surrender requirements.	**Moderate**	

Annexure 2: Macroeconomic Indicators for Zimbabwe

	2020	2021	2022	2023	2024	2025 Proj
REAL SECTOR						
Real GDP at 2023 Market prices (ZiG$M)	55 708.83	60 438.84	64 144.24	67 558.76	68 735.90	**74 569.97**
GDP at Market Prices % changes	-7.8	8.5	6.1	5.3	1.7	**6.6**
GDP per capita (ZiG$'m)	2 678.41	2 613.03	2 744.58	2 858.96	2 878.86	**3 293.22**
PRICES						
Month-on-Month (end period) %	**4.22**	**5.8**	**2.42**	**4.70**	**0.63**	0.23
Annual Inflation (end period) %	**348.59**	**60.70**	**243.76**	**26.52**	**n/a**	15.04
Annual Inflation (period average) %	557.19	98.55	193.40	271.71	878.94	55.58
EXTERNAL SECTOR						
Trade Balance (US$M)	-643.89	-1 529.05	-2 115.08	-2 690.32	-2 463.72	**-1 341.07**
Current a/c balance (US$M)	678.38	348.22	304.97	133.88	501.20	**1 300.79**
Capital a/c balance (US$M)	299.68	330.46	282.46	216.30	205.77	**150.19**
MONETARY SECTOR						
Broad Money M3 (ZWL$M)	82.0	190.2	935.8	7 569.7	78 909.26	108 088.7
Domestic Credit (ZWL$ M)	42.80	136.18	755.53	6 667.94	102 289.84	149 563.05
Credit to Private Sector (ZWL$M)	29.88	89.22	435.59	4 417.17	51 697.85	69 965.23
Credit to Public Parastatals (ZWL$M)	3.30	9.64	64.84	311.89	563.61	1 127.41

Source: Reserve Bank of Zimbabwe, 2025

Credit to Government (net) (ZWL$M)	9.04	33.31	189.93	1 854.45	46 205.77	73 211.34
Nominal Minimum Corporate Lending Rate (%)	26.91	37.94	110.83	93.77	39.91	40.40
Nominal Maximum Corporate Lending Rate (%)	60.54	64.00	242.53	164.47	45.64	46.86
PUBLIC FINANCES						
Government Accounts (ZWL$ m)						
Revenue including retained revenue	73.25	195.93	826.35	7 838.27	117 853.53	215 669.50
Expenditures & Net Lending (Million ZiG)	65.42	223.64	820.79	11 260.56	113 853.48	219 462.90
Capital Expenditure	7.70	29.51	107.87	4 783.31	28 961.49	31 359.60
Overall, Balance	7.82	-27.71	5.56	-3 422.29	4 000.05	-3 793.40
POPULATION (millions)	14.7	14.9	15.2	15.4	15.7	16.0

Annexure 3: Financial Sector Indicators

	2020 (ZW$)	2021 (ZW$)	2022 (ZW$)	2023 (ZW$)	2024(ZiG)	2025 (ZiG)
Banking Sector						
Capital Adequacy Ratio	34.62%	32.89%	37.51%	37.21%	38.46%	29.69%
Nonperforming Loans Ratio	0.31%	0.94%	1.58%	2.09%	3.34%	3.47%
Large Exposures to Capital	32.61%	30.88%	52.17%	24.25%	20.40%	13.33%
Return on Equity	45.54%	41.93%	54.33%	68.99%	6.85%	18.56%
Return on Assets	13.55%	11.38%	17.43%	23.97%	2.42%	6.17%
Prudential Liquidity Ratio	73.06%	64.41%	59.50%	60.33%	58.87%	57.61%
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	87 257 329 824,54
All Share Index	2,636.34	10,822.36	19,493.85	584,266.2	217.58	277.86

Source: Reserve Bank of Zimbabwe, 2025