



# BANKING INDUSTRY RISK (ZIMBABWE)



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## BANKING INDUSTRY IN ZIMBABWE

### OVERVIEW

Zimbabwe has a well-developed banking sector modelled on the British system. The Reserve Bank of Zimbabwe (RBZ) is the central bank that, following years of dollarisation, is once again responsible for monetary policy with the reintroduction of the local currency, the Zimbabwe dollar, in 2019 and the introduction of Zimbabwe Gold (ZiG), in 2024. The government allows the U.S. dollar to be used for all domestic transactions to facilitate economic activity.

The rest of the banking system is composed of commercial banks, which are the largest subsector; building societies, which provide mortgages for real estate transactions; the People's Own Savings Bank, a government-owned bank; development financial institutions; and microfinance institutions. Other key players in Zimbabwe's financial sector include insurance companies, pension and provident funds, investment trusts, and offshore portfolio investors. The reintroduction and collapse of the Zimbabwe dollar have challenged balance sheets for many banks, particularly when U.S. dollar assets were converted into local currency balances while U.S. dollar liabilities remained.

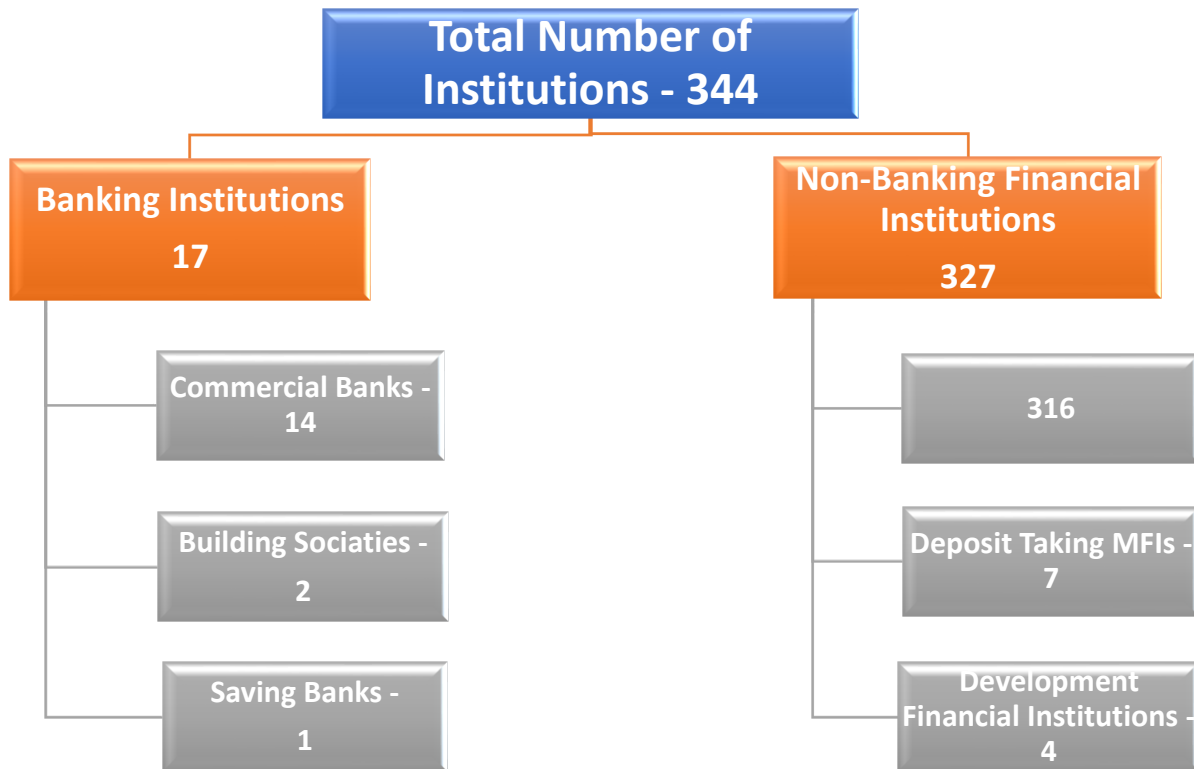
The Zimbabwean economy has experienced episodes of hyperinflation and significant currency instability over the past decades, which continue to shape financial sector dynamics. While recent monetary policy reforms and the introduction of the ZiG currency have improved price stability, with inflation moderating to single-digit levels in 2026, emerging risks remain. Notably, inflation edged up from 3.85% in February 2026 to 4.38% in March 2026, largely driven by external shocks, particularly rising global fuel prices linked to geopolitical tensions in the Middle East. This underscores the fragility of the disinflation process and highlights the economy's susceptibility to imported inflation. Consequently, despite overall macroeconomic stabilisation, the banking sector continues to operate in an environment characterised by residual currency risk, policy sensitivity, and evolving inflationary pressures, all of which have implications for profitability. Despite these negative factors, the sector remains a financial intermediation cornerstone, providing essential financial services including savings accounts, loans, and payment systems.

De-risking by international banks has resulted in very few international correspondent banking relationships despite the FATF's decision to remove Zimbabwe from its grey list in March 2022. In addition, Zimbabwe's high external debt of approximately USD 11.7bn limits its ability to access official development assistance at concessional rates and credit from international capital markets.

## BANKING SECTOR STRUCTURE

### Major Players

The banking sector in Zimbabwe comprises both local and international banks. Key players include commercial banks, microfinance institutions, and developmental banks. Major commercial banks like CBZ Holdings and Stanbic Bank Zimbabwe Limited have a significant presence in the market. As of 31st December 2025, the following was the composition of the banking sector in Zimbabwe.



### Regulatory Framework

The Reserve Bank of Zimbabwe (RBZ), which is the central regulatory authority, implements regulations related to monetary policy, banking supervision, and financial stability. The sector is subject to stringent regulatory requirements, including capital adequacy norms and anti-money laundering measures.

### BANKING SECTOR CAPITALISATION

According to the 2026 Monetary Policy Statement, as of December 2025, all banking institutions in Zimbabwe were well-capitalised, except for Time Bank of Zimbabwe Limited. The non-compliant bank is prohibited from accepting deposits. Despite remaining well above prudential minimum thresholds of 12% for capital adequacy ratio and 8% for Tier 1 ratio, both indicators have shown a notable declining trend in industry averages. The Tier 1 ratio fell from 31.67% in December 2024 to 23.06% by December

2025, while the capital adequacy ratio declined from 38.14% in March 2025 to 29.69% in December 2025, suggesting a gradual erosion in capital buffers across the banking sector. However, average core capital increased marginally from ZiG 35.46bn in September 2025 to ZiG 35.72 in December 2025.

### **ASSET QUALITY OF THE BANKING SECTOR**

Loans and advances expanded by 6% to ZiG 75.59bn in December 2025 from ZiG 71.05bn in September 2025, while recording strong annual growth (CAGR) of 35% from ZiG 55.93bn in December 2024, reflecting continued credit expansion in the economy. The loan book remains heavily dollarized, with foreign currency-denominated loans accounting for 89.63% of total loans and advances, highlighting persistent reliance on hard currency financing. The sectoral distribution of loans and advances is well diversified, with agriculture (15.26%), manufacturing (11.49%), commercial (11.17%), and distribution (10.67%) constituting the largest shares, while the remainder is spread across other sectors. However, asset quality is showing early signs of weakening, although non-performing loans (NPLs) ratios remain comfortably below the 5% regulatory threshold, the industry average has been on a sustained upward trajectory, increasing from 2.9% in June 2025 to 3.07% in September 2025 and further to 3.47% in December 2025, pointing to a gradual deterioration in credit quality across the sector.

### **BANKING SECTOR PERFORMANCE**

The banking sector has remained profitable, with net profit showing a sustained upward trajectory, rising from ZiG 2.63bn in March 2025 to ZiG 4.96bn in June 2025, and further increasing from ZiG 7.92bn in September 2025 to ZiG 8.77bn in December 2025. Similarly, profitability indicators improved over the period, with Return on Assets (ROA) rising from 2.43% in March 2025 to 6.17% in December 2025, while Return on Equity (ROE) increased from 6.87% to 18.56% over the same period, suggesting improved earnings capacity, enhanced operational efficiency, and stronger capital utilisation within the banking sector. The sector's revenue structure remained largely skewed towards non-interest income, which accounted for 61.28% of total income, compared to 39.72% from interest income, underscoring a heavy reliance on fees, commissions, and other ancillary income streams. However, effective 31 March 2026, the RBZ directed banks to reduce some banking charges, a move that is likely to compress non-interest income going forward. This development implies that banks will need to recalibrate their business models by strengthening interest-based income through increased lending, improving cost efficiencies, and diversifying revenue streams to sustain profitability momentum in a tightening fee environment.

## LIQUIDITY TREND

As of December 2025, the banking sector's liquidity position remained robust, with the average prudential liquidity ratio (PLR) rising marginally to 57.61% from 56.58% in September 2025. This level is well above the regulatory minimum of 30%, indicating that banks maintained substantial liquidity buffers, sufficient to meet short-term obligations and withstand potential funding shocks. Meanwhile, the loans-to-deposits ratio (excluding lines of credit) increased from 56.46% to 61.19% over the same period, reflecting a gradual improvement in the intermediation function of banks, as an increased share of deposits was channelled into lending activities.

## INDUSTRY SENSITIVITIES AND CHALLENGES

### **Economic Instability Due to Emerging Inflationary Pressures**

The banking industry in Zimbabwe is notably sensitive to economic instability, characterised by fluctuations in inflation rates and currency values. However, compared to previous years, the operating environment in 2025 has shown notable improvement, with relative stabilisation in both prices and the domestic currency following recent monetary policy reforms. This has provided a more predictable framework for financial planning and improved the outlook for bank profitability. Nonetheless, the stability remains fragile, as evidenced by the recent uptick in inflation, rising from 3.85% in February 2026 to 4.38% in March 2026, largely driven by imported inflation linked to higher global fuel prices amid geopolitical tensions. As a result, while the immediate pressures associated with high inflation and rapid currency depreciation have eased, banks continue to face residual risks from external shocks and must remain adaptive to evolving macroeconomic conditions.

### **Regulatory Changes**

Frequent changes in financial regulations and policies add another layer of sensitivity. Banks must continuously adapt to new regulatory requirements, including those related to anti-money laundering and capital adequacy. These changes can increase compliance costs, reduce revenue, and impact operational efficiency. For instance, as previously highlighted, effective 31 March 2026, the RBZ reduced key bank charges, introducing increased regulatory pressure on banks to compress fees and reassess their revenue models.

## **Political Risk**

Political risk also plays a crucial role in the banking sector's sensitivity. Political instability can create uncertainties in the business environment, affecting investor confidence and the stability of economic policies that are vital for banking operations.

## **Liquidity Challenges**

Zimbabwean banks face persistent liquidity challenges driven by tight monetary policy, limited foreign currency inflows, and structural weaknesses in interbank lending. The RBZ has maintained a restrictive stance to stabilise the economy, but this has constrained banks' ability to provide credit. Since September 2024, the RBZ has maintained since relatively high statutory reserve requirements set at 15% for demand and call deposits and 30% for savings and time deposits which absorb a significant portion of bank deposits, limiting funds available for lending.

## **Market Competition**

Market competition, both from domestic and international banks, affects pricing strategies and market share. The competitive landscape requires banks to continually innovate and adjust their strategies to maintain their position.

## **Global Economic Conditions**

Global economic conditions have an impact on Zimbabwe's banking sector. International trade relations and global economic trends can influence foreign investment flows and trade financing, which are crucial for the local banking industry. Some of these pressures are also driven by geopolitical conditions, which affect commodity prices, global supply chains, and the cost and availability of external funding.

## **OPPORTUNITIES**

### **Digital Transformation**

The rise of fintech and digital banking presents opportunities for Zimbabwean banks to modernise their operations, reduce costs, and enhance customer experiences. Investing in digital platforms can help banks reach underserved populations and offer more convenient services. Increasingly, the sector is undergoing notable transformation through the adoption of new digital solutions and technologies, with innovation and digitisation taking centre stage. This is evidenced by the continued growth in transaction volumes, reflecting a shift in customer preference toward digital channels.

## **Economic Recovery and Improved Earnings Quality**

As Zimbabwe works towards economic recovery and stabilisation, there may be opportunities for banks to benefit from improved economic conditions, increased foreign investment, and a more stable business environment. According to the 2026 Monetary Policy Statement, the quality of bank earnings improved significantly in 2025, largely supported by enhanced currency stability. Notably, the contribution of net revaluation gains to total income, previously a dominant and volatile revenue source, declined markedly from 47.81% in 2024 to 4% in 2025. This shift reflects a transition toward more sustainable income streams, thereby strengthening the resilience of bank profitability.

## **Innovation in Product Offering**

Introducing innovative financial products is crucial to staying competitive in banking and positively looking at the challenges and opportunities. Banks constantly explore new ways to meet customer needs through unique savings accounts, investment options, or payment solutions. Additionally, collaborating with fintech startups offers banks access to cutting-edge technologies and fresh ideas, enabling them to develop innovative products more efficiently. With innovation in product offerings, banks can differentiate themselves in the market, attract new customers, and retain existing ones.

## **INDUSTRY OUTLOOK**

The Zimbabwe banking sector remains stable, safe, and well-capitalised, supported by macroeconomic stability as affirmed by the RBZ. However, tight monetary conditions continue to constrain liquidity and credit growth. Profitability is under pressure from reduced bank charges, which compress charges-based income, alongside rising NPLs that signal emerging asset quality risks. External inflationary pressures further add to cost pressures. Overall, while the sector remains fundamentally sound, the outlook is cautious, with earnings increasingly constrained by liquidity tightness, non-interest income compression, rising NPLs, and external shocks.