



PRESS STATEMENT

ON

STATUS OF BANKING SECTOR CAPITALISATION

6 NOVEMBER 2009

BACKGROUND

- 1 In my Press Statement of 5 October 2009, I advised the market that the Reserve Bank was undertaking a capital verification exercise to ascertain the capital position of every banking institution operating in Zimbabwe in relation to the prescribed minimum capital requirements.
- 2 In particular, the exercise assessed adherence to the prescribed **minimum paid-up equity capital** levels effective 30 September 2009 and 31 March 2010, which are as follows:

Prescribed Minimum Capital Requirements

Type of Institution	Minimum Capital Requirement by 30/09/09 (US\$)	Minimum Capital Requirement by 31/03/10 (US\$)
Commercial Banks	6.25 million	12.5 million
Merchant Banks	5 million	10 million
Building Societies	5 million	10 million
Finance Houses	3.75 million	7.5 million
Discount Houses	3.75 million	7.5 million
Asset Management Companies	0.25 million	0.50 million

- 3 The returns submitted to the Reserve Bank as at **30 September 2009** had revealed that 16 out of the 26 banking institutions

operating in Zimbabwe (excluding Intermarket Banking Corporation and POSB) were in compliance with the prescribed minimum capital requirements.

- 4 Furthermore, at that time, the Reserve Bank noted that according to returns submitted to the Bank the remaining banking institutions were at various stages of their recapitalization initiatives which required a little bit more time to actualize.
- 5 Cognisant of the **significant progress** that had been made by the banking sector leadership, the Reserve Bank **extended the deadline** for compliance with the prescribed capital levels by a month to **31 October 2009**.
- 6 The Reserve Bank also advised at the time that banking institutions **without realistic potential** to raise the required minimum capital should consider mergers and consolidations, failing which they would be closed.

STATUS OF BANK CAPITALISATION

- 7 Now then, it is my pleasure to report that as at 31 October 2009, twenty three (23) out of 26 banking institutions had core capital complying with the prescribed minimum capital requirements.

8 The Table below indicates the **verified capital levels** of the banking sector as at 31 October 2009.

INSTITUTIONS	TOTAL CAPITAL (US\$)	MINIMUM CAPITAL REQUIRED (US\$)
Stanchart	25,592,097.75	6,250,000,000
Barclays	23,706,174.25	6,250,000,000
CBZ	21,535,920.14	6,250,000,000
BancABC	16,627,431.53	5,000,000,000
FBC Bank	16,392,061.37	6,250,000,000
CABS	15,769,805.66	5,000,000,000
Kingdom	14,097,876.00	6,250,000,000
Stanbic	11,147,162.00	6,250,000,000
Metropolitan	10,987,666.35	6,250,000,000
ZB Bank	10,917,218.54	6,250,000,000
NMB	10,489,296.77	6,250,000,000
Agribank	9,541,486.00	6,250,000,000
CBZ Building Society	8,875,973.75	5,000,000,000
Tetrad	8,555,914.36	5,000,000,000
MBCA	8,337,783.25	6,250,000,000
Premier	8,301,558.65	5,000,000,000
DCZ	7,881,376.00	3,750,000,000
ZB Building Society	6,459,157.00	5,000,000,000
TN Bank	6,269,150.23	6,250,000,000
Interfin	5,231,021.08	5,000,000,000
Renaissance	5,169,556.18	5,000,000,000
Genesis	5,000,689.56	5,000,000,000
FBC Building Society	4,427,746.00	5,000,000,000
CFX *	1,295,800.00	6,250,000,000
ZABG *	541,766.00	6,250,000,000
NDH *	(200,886.00)	5,000,000,000

*non-compliant

9 For the avoidance of doubt, core capital is comprised of capital representing a permanent commitment of funds by the shareholders and includes such of the following elements as

are available to the institution after making any prescribed deductions—

- a) issued and fully paid up ordinary shares;
- b) paid up non-cumulative irredeemable preference shares;
- c) reserves consisting of —
 - i. non-repayable share premiums;
 - ii. capital reserves; and
 - iii. retained earnings for the current year.

10 The introduction of the multicurrency system necessitated the restatement of banking institutions' balance sheets to take into account the value of assets which in conventional accounting had been depleted to zero, following the period of hyperinflation. The take-on balances were confirmed by the banks' external auditors.

11 As supervisory authorities and in agreement with the accounting / auditing profession and the IMF, the Reserve Bank accepted restated values of owner-occupied and investment properties, subject to prudential haircuts, as part of qualifying capital.

- 12 As at 31 October 2009, two commercial banking institutions, namely **CFX** and **ZABG** and one merchant bank, **NDH** had capital levels below the prescribed minimum capital requirements.
- 13 The Reserve Bank is, however, satisfied that CFX and NDH will be adequately capitalized upon full implementation of the capitalization strategies currently underway.
- 14 Regarding ZABG, the institution is being returned to the original owners, following compliance with various requirements on the back of ongoing discussions. ZABG will be given more time to comply with the prescribed minimum paid-up equity capital requirements.
- 15 This said, the Reserve Bank wishes to advise the banking sector that the capital verification exercise is an **ongoing exercise, which is fully embedded in our ongoing on and off-site risk-based examination activities.**
- 16 In this regard, the Reserve Bank will evaluate the **quality and sources of regulatory capital underpinning the on-going and recently concluded recapitalization strategies,** to ensure that the capital is in conformity with the prescribed minimum paid-up equity capital as provided in section 29 of the Banking

Act [*Chapter 24:20*] as read with section 12 of the Banking Regulations S.I. 205 of 2000, (as amended by S.I. 173 of 2008).

- 17 Any banking institution which **purports to have satisfied the minimum capital requirements through artificial asset swaps or covert loan schemes shall be deemed to have committed serious fraud.**
- 18 The Reserve Bank will cause an immediate reversal of such fraudulent schemes and impose **appropriate Supervisory Action including suspension of deposit mobilization or closure of the banking institution.** In addition, the board and senior management of such fraudulent institutions shall be deemed to be not fit and proper.
- 19 Going forward, the Reserve Bank will insist on conventional components of bank capital.
- 20 With effect from **1 January 2010**, every banking institution shall be required to have finalized the **capitalization of non-distributable reserves** to ensure their capital components are in conformity with the applicable banking laws and regulations as well as international best norms.

- 21 For the avoidance of doubt, owner occupied properties and other assets for instance, would, with effect from 1 January 2010, **no longer be regarded as proxies of capital.**
- 22 The transfer of non-distributable reserves to fund the redenomination of regulatory capital components shall be **agreed to in writing by the Reserve Bank and the institution's external auditors.**

CAPITALISATION OF ASSET MANAGEMENT COMPANIES

- 23 As at 31 October 2009, sixteen (16) out of seventeen (17) asset management companies had paid-up equity capital complying with the prescribed minimum capital requirements.
- 24 **Legend Asset Management** had minimum capital below the prescribed minimum capital requirements.
- 25 The table below indicates the **verified capital levels** of asset management companies as at 31 October 2009.

	Institution	Verified Capital Levels (UD\$) as at 31 October 2009	Required Minimum Capital (US\$) as at 31 October 2009
1.	KINGDOM	2,350,699.00	250,000.00
2.	ABC	717,000.00	250,000.00
3.	CBZ ASSET	594,166.25	250,000.00
4.	MBCA	583,795.64	250,000.00
5.	INFINITY	460,059.79	250,000.00

	Institution	Verified Capital Levels (UD\$) as at 31 October 2009	Required Minimum Capital (US\$) as at 31 October 2009
6.	OLD MUTUAL	421,358.05	250,000.00
7.	PURPOSE	375,812.00	250,000.00
8.	EQUIVEST	306,595.00	250,000.00
9.	TFS	296,249.00	250,000.00
10.	IMARA	285,012.00	250,000.00
11.	FIDELITY	265,341.00	250,000.00
12.	PREMIER	264,000.00	250,000.00
13.	ZB	260,000.00	250,000.00
14.	TN	259,072.67	250,000.00
15.	ZIMNAT	255,903.34	250,000.00
16.	ALPHA	252,000.00	250,000.00
17.	LEGEND	34,933.02	250,000.00

Legend Asset Management

26 Legend Asset Management Company, which has been operating under a Corrective Order for the past year, **has as at 31 October 2009, failed to recapitalize.**

27 The institution also failed to submit a **plausible recapitalization plan**, despite ample opportunity having been availed to the sector.

28 In addition, Legend Asset Management Company has failed to submit its prudential quarterly return as at 30 September 2009.

29 The institution has also moved its **principal offices without notifying the Reserve Bank** and cannot be located.

30 In view of the above, Legend Asset Management Company's licence will be **cancelled** after due process has been followed.

FINANCIAL INTERMEDIATION

31 Adequately capitalised banking institutions play a pivotal role in the economic turnaround process through efficient financial intermediation. Thus, inadequately capitalized banking institutions are a liability to the economic welfare of the nation.

32 The banking sector's **loans to deposits ratio** of **49.30%** as at 31 October 2009 remains below the international loans-to-deposits thresholds of between **70-90%**.

Banking Sector Loans to Deposit Ratios as at 31 October 2009

Name of Institution	Total Deposits		Total Loans & Overdrafts		Loans to Total Deposits Ratio
	Amount (USD)	% of total	Amount (USD)	% of total	
Commercial Banks					
CBZ	249,577,410.02	29.28%	161,397,413.28	39.66%	64.67%
Stanbic	150,446,777.08	17.65%	40,721,063.49	10.01%	27.07%
Barclays	111,798,035.00	13.12%	15,031,127.00	3.69%	13.44%
Stanchart	103,346,269.98	12.12%	49,979,250.27	12.28%	48.36%
FBC	55,423,386.29	6.50%	13,378,253.97	3.29%	24.14%
MBCA*	49,517,460.24	5.81%	64,380,411.54	15.82%	130.02%
ZB Bank	40,745,580.75	4.78%	16,521,013.09	4.06%	40.55%
Kingdom	33,719,183.19	3.96%	19,191,836.34	4.72%	56.92%
NMB	21,086,180.72	2.47%	13,937,417.17	3.42%	66.10%
TN	12,627,379.71	1.48%	3,823,735.61	0.94%	30.28%
ZABG	8,460,639.54	0.99%	2,700,000.00	0.66%	31.91%
Agribank	7,639,493.20	0.90%	1,644,921.24	0.40%	21.53%
Metropolitan	7,101,955.60	0.83%	3,425,163.48	0.84%	48.23%
CFX	932,950.99	0.11%	847,613.00	0.21%	91.00%
TOTAL	852,422,702.32	100.00%	406,979,219.48	100.00%	47.74%

Name of Institution	Total Deposits		Total Loans & Overdrafts		Loans to Total Deposits Ratio
	Amount (USD)	% of Total	Amount (USD)	% of Total	
Merchant Banks					
ABC Bank	45,415,429.15	43.03%	30,059,562.92	40.94%	66.19%
Interfin	19,422,704.87	18.40%	15,572,246.80	21.21%	80.18%
Renaissance	17,987,750.81	17.04%	14,641,098.75	19.94%	81.39%
Premier	14,153,399.49	13.41%	5,640,245.90	7.68%	39.85%
Tetrad	7,595,316.06	7.20%	6,428,725.50	8.76%	84.64%
Genesis	518,424.35	0.49%	645,492.18	0.88%	124.51%
NDH	438,643.00	0.42%	438,282.78	0.60%	99.92%
TOTAL	105,531,667.72	100.00%	73,425,654.83	100.00%	69.58%
Building Societies					
CABS	31,254,979.23	72.50%	11,549,397.76	72.51%	36.95%
CBZ Building Soc	7,882,374.97	18.28%	3,341,689.91	20.98%	42.39%
ZB Building Soc	2,712,622.47	6.29%	164,121.89	1.03%	6.05%
FBC Building Soc	1,262,428.61	2.93%	873,615.65	5.48%	69.20%
TOTAL	43,112,405.28	100.00%	15,928,825.21	100.00%	36.95%
Savings Banks					
POSB	15,307,456.38		4,741,534.54		30.98%
GRAND TOTAL	1,016,374,231.70		501,075,234.06		49.30%

* Figure includes offshore facilities.

33 **CBZ, Stanbic, Barclays and Standard Chartered** account for 72.17% of deposits in the commercial banking sector and 65.64% of total loans.

34 **CBZ** commanded the largest market share of loans and advances amounting to **\$161.40 million (39.66%)** as at 31 October 2009, followed by **MBCA Bank** with **\$64.38 million (15.82%)**.

SECTORAL DISTRIBUTION OF CREDIT

35 As at 31 October 2009, **Manufacturing, Distribution, and Agriculture** sectors accounted for **63.40%** of total loans and advances.

36 The sectoral distribution of credit in the banking sector as at 31 October 2009 is shown in the table below.

Sectoral Distribution of Loans as at 31 October 2009

SECTOR	LOANS & ADVANCES (US\$)	% OF TOTAL LOANS
MANUFACTURING	107,792,995.94	22.36%
DISTRIBUTION	103,056,214.85	21.38%
AGRICULTURE	94,765,128.07	19.66%
SERVICES	45,559,287.99	9.45%
OTHER	43,342,887.46	8.99%
MINING	33,573,172.15	6.96%
INDIVIDUALS	20,727,045.34	4.30%
FINANCIAL FIRMS	13,010,677.74	2.70%
CONSTRUCTION	9,175,473.06	1.90%
TRANSPORT	9,058,279.90	1.88%
COMMUNICATION	1,986,180.62	0.41%
TOTAL	482,047,343.09	100.00%

LOANS TO AGRICULTURE

37 The Reserve Bank notes with great concern that some banking institutions are not playing a meaningful role in the extension of credit to the agricultural sector.

- 38 The average industry wide agricultural loans to deposits, net of statutory reserves and FCA balances with RBZ, is only 12.37%.
- 39 As an agriculturally based economy, the economic fortunes of the nation predominantly depend on the performance of the agricultural sector.
- 40 Preparations for the current agricultural season already in motion will largely depend on adequate funding from the banking sector.
- 41 The proportion of loans to agriculture per institution as at 31 October 2009 is shown in the table below.

Loans to Agriculture as at 31 October 2009 (amounts in US\$)

INSTITUTION	TOTAL DEPOSITS	NET DEPOSITS	TOTAL LOANS	AGRICULTURE	% OF TOTAL LOANS	% of Agriculture Loans to Total Net Deposits*
CBZ BANK	249,577,410.02	189,715,794.55	148,551,375.63	19,434,511.81	13.08%	10.24%
STANBIC BANK	150,446,777.08	110,961,688.17	42,425,054.92	8,720,100.00	20.55%	7.86%
BARCLAYS	111,798,035.00	85,782,596.50	15,002,870.00	6,171,059.45	41.13%	7.19%
STANCHART	103,346,269.98	74,088,049.98	50,323,316.64	6,450,251.61	12.82%	8.71%
FBC BANK	55,423,386.29	42,362,007.66	12,625,628.70	2,566,278.14	20.33%	4.83%
MBCA BANK**	49,517,460.24	36,345,475.48	64,380,411.54	29,736,336.37	46.19%	81.82%
BANCABC	45,415,429.15	38,815,153.33	15,796,460.82	1,847,887.32	11.70%	4.76%
ZB BANK	40,745,580.75	36,671,022.67	17,083,025.56	2,733,819.28	16.00%	7.45%
KINGDOM BANK	33,719,183.19	30,143,338.57	18,991,265.21	1,972,410.23	10.39%	6.54%
NMB BANK	21,086,180.72	18,977,562.65	11,389,960.26	2,616,068.82	22.97%	13.79%
INTERFIN	19,422,704.87	17,122,855.38	16,692,887.27	598,455.41	3.59%	3.50%
RENAISSANCE	17,987,750.81	16,029,404.73	12,399,375.45	90,000.00	0.73%	0.56%
POSB	15,307,456.38	15,307,456.38	4,882,926.21	241,371.22	4.94%	1.58%
PREMIER BANK	14,153,399.49	9,833,719.32	5,923,614.72	494,583.81	8.35%	5.03%
TN Bank	12,627,379.71	11,364,641.74	3,341,227.55	5,500.00	0.16%	0.05%
ZABG	8,460,639.54	6,582,267.88	2,700,000.00	1,190,000.00	44.07%	18.07%
AGRIBANK	7,639,493.20	6,578,020.23	1,727,479.46	644,091.35	37.29%	9.79%
TETRAD	7,595,316.06	6,835,784.46	6,428,725.50	150,000.00	2.33%	2.19%
METROPOLITAN	7,101,955.60	5,714,346.02	4,652,717.97	1,007,607.95	21.66%	17.63%
CFX BANK	932,950.99	823,041.89	847,613.00	392,055.09	46.52%	46.7%
GENESIS BANK	518,424.35	460,180.91	1,361,492.18	13,177.05	0.97%	2.86%
Total	972,823,183.42	760,514,408.50	457,527,428.59	94,105,836.76	20.57%	12.37%

*Total deposits less statutory reserves and FCA balances with RBZ

** Includes off-shore loans.

INCREASED SUPPORT TO PRODUCTIVE SECTORS

42 Agriculture remains the mainstay of the economy hence we call upon all banks to support them with adequate funding.

43 Banking institutions are encouraged to orient their lending portfolios to achieve the following sectoral credit levels.

Economic Sector	Recommended Threshold
Agriculture	30%
Manufacturing	25%
Mining	25%
Other	20%

44 Please note that the above thresholds **do not constitute directed lending**. Every banking institution must therefore drive its lending book based on the normal credit risk assessment norms.

45 As Monetary Authorities, we may, however, be compelled to put in place measures to achieve the desired objectives, should banking institutions be reluctant to meaningfully support the above sectors.

46 The Tables below illustrates the current position at banking institutions and the gaps vis-à-vis the recommended thresholds on sectoral distribution of credit.

INSTITUTION	AGRICULTURE	
Commercial Banks	Loan Amount (US\$)	Variance to threshold (US\$)
MBCA	29,736,336.37	(22,103,786.52)
CBZ	19,434,511.81	20,405,805.05
Stanbic	8,720,100.00	14,581,854.52
ZABG	1,190,000.00	192,276.25
Stanchart	6,450,251.61	9,108,238.89
Barclays	6,171,059.45	11,843,285.82
ZB Bank	2,733,819.28	4,967,095.48
NMB	2,616,068.82	1,369,219.34
FBC	2,044,498.74	6,851,522.87
Kingdom	1,972,410.23	4,357,690.87
Metropolitan	1,007,607.95	192,404.71
Agribank	644,091.35	737,292.90
CFX	392,055.09	(219,216.29)
TN	5,500.00	2,381,074.77
Total	90,148,582.70	47,634,486.64
Merchant Banks		
BancABC	1,847,887.32	6,303,294.88
Interfin	598,455.41	2,997,344.22
Premier	494,583.81	1,570,497.25
Tetrad	150,000.00	1,285,514.74
Rennaisance	90,000.00	3,276,174.99
Genesis	13,177.05	83,460.94
Total	3,194,103.59	15,516,287.02

INSTITUTION	MANUFACTURING	
Commercial Banks	Loan Amount (US\$)	Variance to threshold (US\$)
MBCA	4,534,085.00	1,826,373.21
CBZ	26,378,980.18	6,821,283.87
Stanbic	15,019,425.67	4,398,869.76
ZABG	321,130.66	830,766.22
Stanchart	17,954,747.80	(4,989,339.05)
Barclays	7,455,160.00	7,556,794.39
ZB Bank	2,984,269.55	3,433,159.42
NMB	3,505,769.90	(184,696.44)
FBC	4,118,477.52	3,294,873.82

INSTITUTION	MANUFACTURING	
Commercial Banks	Loan Amount (US\$)	Variance to threshold (US\$)
Kingdom	2,606,958.68	2,668,125.57
Metropolitan	234,304.75	765,705.80
Agribank	84,600.00	1,066,553.54
CFX	24,946.46	119,085.87
TN	8,677.00	1,980,135.30
Total	85,231,533.17	29,587,691.27
Merchant Banks		
BancABC	4,172,280.75	2,620,371.08
Interfin	10,631,938.37	(7,635,438.68)
Premier	514,055.87	1,206,845.01
Tetrad	2,399,409.12	(1,203,146.84)
Renaissance	4,427,359.92	(1,622,214.09)
Genesis	-	80,531.66
Total	22,145,044.03	(6,553,051.86)

INSTITUTION	MINING	
Commercial Banks	Loan Amount (US\$)	Variance to threshold (US\$)
MBCA	3,587,384.00	2,773,074.21
CBZ	2,013,628.52	31,186,635.53
Stanbic	3,043,000.00	16,375,295.43
ZABG	8,152.72	1,143,744.16
Stanchart	20,000.00	12,945,408.75
Barclays	-	15,011,954.39
ZB Bank	7,551,436.66	(1,134,007.69)
NMB	40,574.41	3,280,499.06
FBC	-	7,413,351.34
Kingdom	960,979.98	4,314,104.27
Metropolitan	936,000.00	64,010.55
Agribank	-	1,151,153.54
CFX	14.34	144,017.99
TN	1,318,099.22	670,713.08
Total	19,479,269.85	95,339,954.60
Merchant Banks		
BancABC	2,892,236.49	3,900,415.34
Interfin	3,346,837.20	(350,337.51)
Premier	382,563.60	1,338,337.28

INSTITUTION	MINING	
Commercial Banks	Loan Amount (US\$)	Variance to threshold (US\$)
Tetrad	1,268,000.00	(71,737.72)
Renaissance	3,250,000.00	(444,854.17)
Genesis	364,000.00	(283,468.34)
Total	11,503,637.29	4,088,354.88

MAJOR RISKS IN THE BANKING SECTOR

- 47 As most banking institutions have, in the main, been capitalized by non-cash assets, shareholders are called upon to improve liquidity levels in their banking institutions in order to capacitate their institutions to underwrite meaningful volumes of business. In addition, banking institutions are urged to continue to source for lines of credit.
- 48 Banking institutions are also urged to continuously review their risk management systems especially in relation to credit risk which has been heightened by the introduction of the multi-currency system.
- 49 In order to enhance efficiency of the payment system, banking institutions are urged to make appropriate arrangements with their correspondent banks to ensure sufficient and good quality notes in circulation.

DR. G. GONO
GOVERNOR
6 NOVEMBER 2009