



PRESS STATEMENT

PREAMBLE

Members of the public will recall that in the Monetary Policy Statement of January 2015 the Reserve Bank of Zimbabwe made an undertaking to ensure that the financial sector was free from distressed banks by 30 June 2015.

I am pleased to advise that the Reserve Bank has instituted a number of measures to strengthen the banking sector to promote the general stability and confidence in the banking sector.

Credit risk, as reflected by the high level of non-performing loans, and liquidity constraints have been the most significant risks confronting the banking sector.

Against this background, the Reserve Bank established the Zimbabwe Asset Management Corporation (ZAMCO) to cleanse banks' balance sheets of toxic non-performing loans assets. Further, the Reserve Bank has made progress in the establishment of a Credit Reference System in order to address information asymmetry challenges and promote a good credit culture in the market.

In addition, the Reserve Bank introduced an Afreximbank backed interbank facility (Afrades) in March 2015 to enhance liquidity in the sector. The Reserve Bank is satisfied with the performance of the facility which has received support from the entire sector.

In the last Monetary Policy Statement, Metbank and Tetrad Investment Bank were identified as banking institutions that were facing capital and liquidity problems. I provide hereunder an update of the two institutions.

Metbank Limited

Members of the public are advised that the financial condition of Metbank has improved following the implementation of various measures aimed at strengthening the bank's capital and liquidity position.

These measures, which included strategic realignment, balance sheet restructuring, liquidity mobilisation and cost containment strategies, contributed to the increase in the bank's core capital position to \$31 million as at 31 March 2015 which is now above the minimum core capital requirement of \$25 million for Tier II banks. The liquidity position has been enhanced through structuring of the liabilities of large creditors and discounting of borrowers' receivables. These efforts have enabled the settlement of small depositors who are now being serviced normally.

The bank's financial condition and the re-alignment towards the property development banking model is envisaged to further improve the institution's intermediation capacity.

Tetrad Investment Bank Limited

Tetrad Investment Bank went under voluntary provisional judicial management on 29 January 2015 to provide additional time to prospective investors to inject capital into the bank.

In view of the protracted recapitalisation initiatives, and the deteriorating financial condition of the bank, the Reserve Bank engaged the various stakeholders with the view to mapping a way forward.

In this regard, the Reserve Bank of Zimbabwe, within the framework of promoting the balance between the multiple interests of depositors, shareholders, potential investors and other creditors, exercised its statutory duties in terms of Section 57 (1)(b) of the Banking Act [*Chapter 24:20*] and appointed the Deposit Protection Corporation as the Provisional Judicial Manager of Tetrad Investment Bank Limited to oversee the day to day management of the bank.

This appointment, which is with effect from 2 July 2015, has been confirmed by the Master of the High Court and Mr. W. Militala, the former provisional judicial manager, has tendered his resignation. Accordingly, the Deposit Protection Corporation shall advise members of the public of any further updates regarding this matter.

Status of the Banking Sector

Notwithstanding the developments relating to the two institutions, the stability of the banking sector has significantly improved and the sector remains safe and

sound. It is envisaged that the measures instituted by the Reserve Bank and initiatives being taken by banking institutions across the sector will continue to enable banks to underwrite more business and contribute to the growth of the economy.

DR. J.P. MANGUDYA
GOVERNOR
RESERVE BANK OF ZIMBABWE
3 JULY 2015