FBC Holdings Limited

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2026 Monetary Policy Review Analysis

Introduction

- On 27 February 2026, the Governor of the Reserve Bank of Zimbabwe presented the 2026 Monetary Policy Statement themed "Deepening Domestic Currency Usage To Consolidate Price And Exchange Rate Stability".
- This report has been prepared solely for information and awareness purposes in relation to the 2026 Monetary Policy Statement.
- While every effort has been made to ensure accuracy of the information and interpretations provided, no representation or warranty, express or implied, is made as to the completeness, reliability, or accuracy of the contents. Any errors or omissions are unintended, and the authors/analysts accept no responsibility for any loss or damage arising from reliance on this analysis.

Scope and Limitations:

- The analysis presented in this report is based on the information available up to the date of publication. Any subsequent developments or modifications to the policy may not be reflected in this document.
- The findings and recommendations are contingent upon the accuracy and completeness of the data and information used in the analysis. Any changes or inaccuracies in the underlying data may affect the validity of the conclusions drawn.

Assumptions

- The analysis involves certain assumptions about the interpretation and implementation of the policy. Any deviation from these assumptions may alter the outcomes outlined in this report. The report assumes that the proposals will be implemented as stated and any amendments or revisions may impact the accuracy of the analysis.

External Factors

- External factors, including but not limited to economic conditions, events, and unforeseen circumstances, may influence the outcomes presented in this report. The report does not account for events beyond the control of the organization ("FBCH"), which may impact the overall success or effectiveness of the policy.

Future Changes:

The policy landscape is dynamic, and changes may occur in response to feedback, public opinion, or evolving circumstances. Future modifications to the policy may necessitate a re-evaluation of the conclusions presented in this report.

Expertise and Consultation:

- The insights and commentary provided in this analysis are based on the professional expertise of the authors and their interpretation of the 2026 Monetary Policy Statement and related official documents.
- While the analysis draws on recognized economic and financial principles, it is offered strictly for information purposes. The authors and affiliated entities do not assume responsibility for the outcomes of any decisions made solely on the basis of this analysis.
- Readers, policymakers, investors and other stakeholders are strongly encouraged to seek independent professional advice tailored to their specific circumstances before acting on any of the observations, projections, or recommendations contained herein.
- By engaging with this analysis, the reader acknowledges that any reliance on the information provided is at their own risk, and the authors and contributors shall not be held liable for any losses or consequences arising therefrom.

Economic Overview

- The Zimbabwean economy entered 2026 at an inflection point that would have seemed improbable just a few years ago, with the January inflation statistics revealing a convergence of stability across multiple indicators.

- According to ZimStat, year-on-year inflation in the local currency (February 2026) has declined to 3.8%, while month-on-month inflation stands at zero, placing Zimbabwe in single-digit local-currency inflation territory for the first time in three decades.

- This achievement is underpinned by an improvement in foreign currency dynamics, with USD inflation moderating sharply to 0.9% from 12.4% in December 2025, and weighted average inflation falling to 1.6% from1.8% recorded in January 2026.

- What distinguishes the current environment from previous stabilisation episodes is that this inflation moderation is occurring alongside robust real economic growth, with the economy expanding by an estimated 8.5% in 2025 and growth projected to remain at or above 5% throughout 2026.

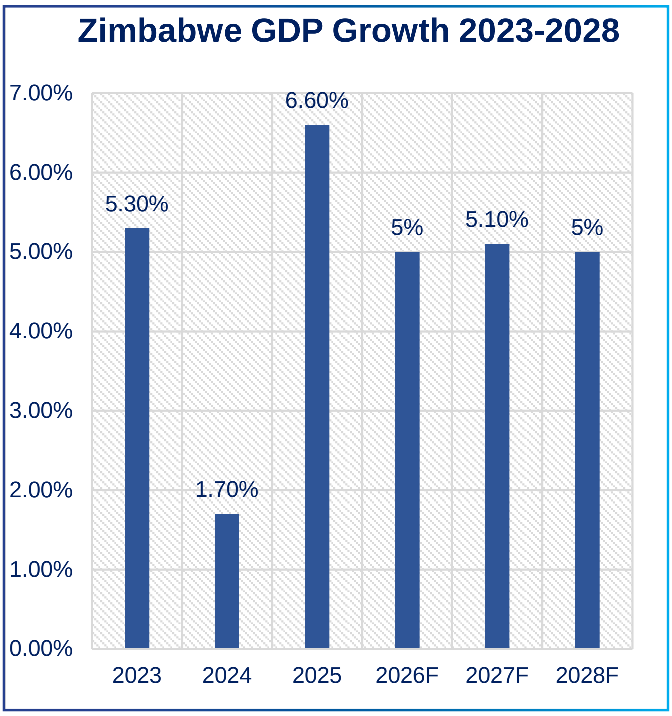
- This growth has been supported by a structural strengthening of Zimbabwe's external position, as

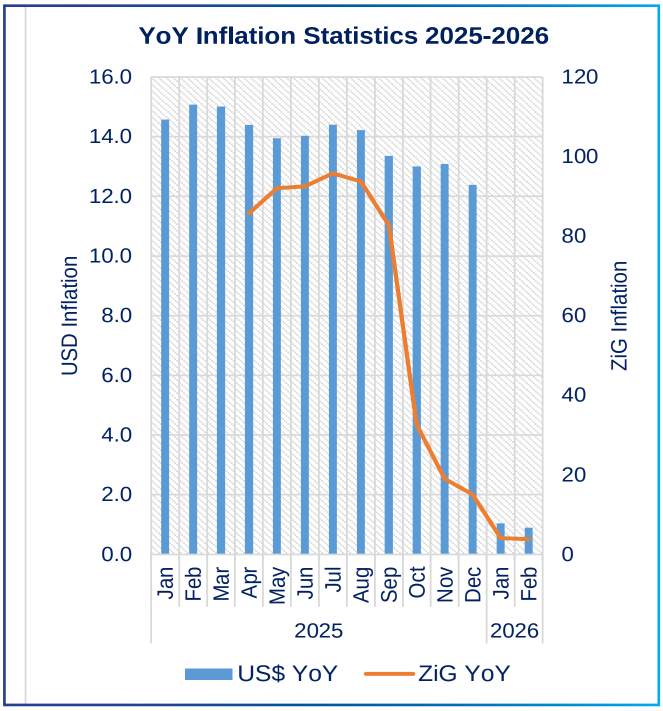
  foreign currency receipts reached US$16.2 billion in 2025, a substantial increase from US$13.3 billion in the prior year, with exports accounting for 59.7% of total inflows and providing a durable anchor for the balance of payments.

- The improved external position has translated into greater exchange rate stability, with parallel market premiums reducing to below 20%, a significant narrowing from the historical premiums of 50% or more.

- Despite these gains, the currency landscape remains structurally imbalanced, with at least 80% of transactions still conducted in foreign currency and the ZiG functioning largely as a secondary currency for smaller transactions and change.

- The structure of the economy continues to constrain policy effectiveness, as the 2025 ZimStat Economic Census estimates informality at 76%, weakening monetary transmission and limiting the reach of conventional policy tools.





Banking Sector Profitability Performance

- The Zimbabwean banking sector recorded aggregate profit of ZiG8.77 billion (US$337.65 million) for the year ended 31 December 2025, a significant decline from the ZiG26.68 billion (US$1.03 billion) reported in 2024.

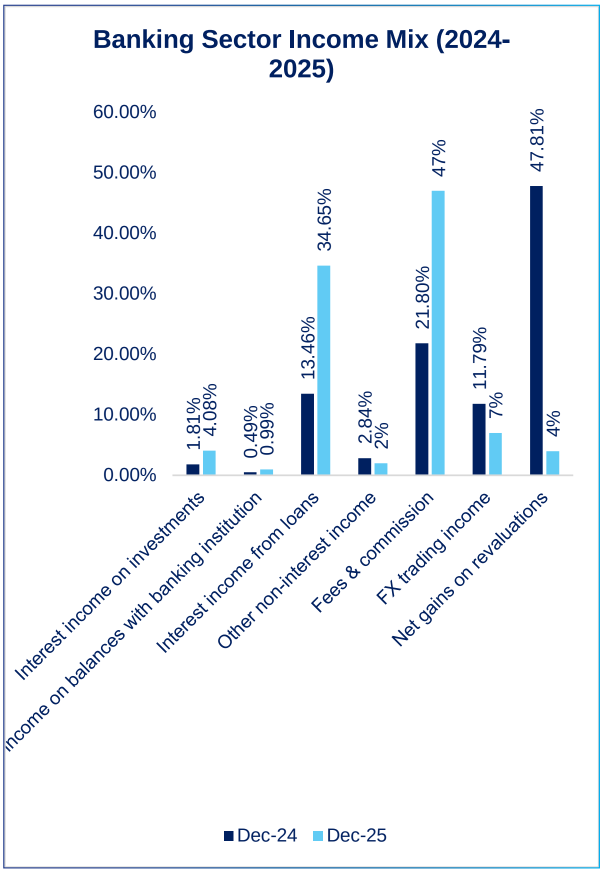
- At first glance, this 67% reduction in nominal profit might raise concerns, but a closer examination reveals a more nuanced and ultimately healthier picture: the quality of earnings has improved immensely.

- The key driver of this decline is currency stability: throughout 2024, banking sector profits were substantially made up of revaluation gains, but as the exchange rate stabilized over the course of 2025, these non-core, non-sustainable gains diminished materially.

- This is, in our view, a positive development. Profitability is now being generated from sustainable sources, such as loans and advances revenue. Loans and advances grew from ZiG55.93 billion in December 2024 to ZiG75.59 billion in December 2025, representing 35% growth.

- The return on assets (ROA) ratio declined from 24.83% in December 2024 to 6.17% in December 2025, while return on equity (ROE) fell from 61.53% to 18.56% over the same period. These metrics, while lower, are now more reflective of the sector's underlying operational performance and are broadly in line with regional banking sector averages.

- Total assets grew by 29.5% to ZiG208.93 billion, while deposits increased by 38.7% to ZiG123.53 billion, reflecting sustained public confidence and increasing economic activity. Notably, 83.22% of deposits are foreign currency-denominated, and 89.63% of loans are extended in foreign currency, providing a natural hedge and reducing currency mismatch risk.



Monetary Policy Measures At A Glance

- Bank Policy Rate maintained at 35%
- Minimum deposit interest rates maintained
- Statutory reserve requirements unchanged (15%-30%)
- Non-Negotiable Certificates of Deposit (NNCDs) retained
- ZiG Term Deposit Facility introduced – A new tool allowing banks to place surplus ZiG funds with the central bank for fixed periods, helping stabilize interest rates and improve liquidity management
- Exporter retention threshold maintained at 70% (90% for small-scale gold miners introduced)
- New electronic, algorithm-based foreign exchange trading platform under development
- Foreign exchange structural position limit capped at 40% of capital base – Banks cannot take excessive long-term foreign currency positions, reducing currency risk in the financial system.
- Greenfield foreign investment gearing ratio maintained at 2:1 – Foreign investors can only borrow up to twice their equity contribution, limiting excessive debt accumulation in new projects.
- RTGS system charge reduced by 11%
- Cash withdrawal charges capped at 2%.
- POS transaction charges capped at 1.5% (maximum US$20)
- Account balance inquiry and cash deposit fees removed
- Targeted Finance Facility extended (amount increased to ZiG1.2 billion)
- Zero credit to the Government maintained
- Conditions-based transition to mono-currency reaffirmed
- Foreign currency loans and foreign currency-denominated contracts to be preserved post mono-currency transition
- New ZiG banknotes introduced by 7 April 2026
- Mobile money and ZIPIT transaction limits increased (ZiG)
- Tobacco and cotton financing liberalized – Merchants can now use locally sourced funds without prior central bank approval, simplifying agricultural financing.
- Reserve accumulation strategy continuing
- All nano loans to be underwritten by banks

Monetary Policy Measures and Analysis

MPS Measure	Impact
1. Bank Policy rate maintained at 35%	Maintaining the policy rate at 35% sustains a tight monetary stance aimed at anchoring inflation expectations and reducing exchange rate volatility. Whilst it's a critical monetary restraint measure, it slows credit creation and overall gross investments in the economy. The measure preserves high interest margins for the banking sector but potentially creates pockets for credit risk from an elevated interest burden on the part of borrowers.
2. Savings and rime deposit rates maintained as follows: • ZWG Deposits, 5% savings and 7.5% time • US$ Deposits 2.5% savings and 4% time	Keeping deposit rates unchanged provides modest real returns in a stabilising inflation environment and encourages savings mobilisation. Households and corporates holding ZiG deposits earn structured returns, supporting financial intermediation and business growth
3. Statutory reserves maintained as follows for both local and foreign currency: • 15% savings • 30% for fixed term deposits	Maintaining relatively high reserve requirements withdraws liquidity from the banking system, strengthening monetary control and exchange rate stability. The measure however, reduces loanable funds and compresses credit expansion.
4. Non-Negotiable Certificates of Deposits (NNCDs) were maintained as an Open Market Operation (OMO) tool.	Continued use of Non-Negotiable Certificates of Deposit supports market liquidity management and provides a sterilisation mechanism for excess liquidity by the Reserve Bank of Zimbabwe
5. Introduction of a new monetary instrument called ZiG Denominated Term Deposit Facility (ZiGDTDF) • Minimum tenure 90 days	The financial instrument provides an alternative investment instrument for investing Institutions, whilst enhancing monetary control for the central bank
6. Retention thresholds for exporters maintained at 70% across all sectors • Small scale Gold Miners shall return 90%	Maintaining export retention thresholds supports foreign currency reserves supply and stabilises the exchange rate. Small-scale gold miners remitting 90% widens the foreign currency reserves pool, but there is increased risk of adverse policy reaction. Timely settlement of the local currency equivalent critical to ensure viability. Banks likely to benefit from improved FX market activity and trade finance flows
7. The Targeted Finance Facility (TFF) increased to ZWG1.2bn	Expansion of the Targeted Finance Facility supports productive sectors such as agriculture, manufacturing and SMEs through concessionary funding. This will stimulate output, employment and GDP growth through increased capacity investments and utilisation. Beneficiary sectors gain cheaper capital, while banks expand lending portfolios under structured support. Risk arises if funded projects underperform, potentially increasing credit risk exposure.

MPS Measure	Impact
8. RBZ to introduce a new foreign exchange trading platform	A formalised foreign exchange trading platform enhances transparency, price discovery and efficiency on the interbank market. Corporates gain clearer exchange rate signals, reducing uncertainty whilst banks benefit from improved trading infrastructure and liquidity matching.
9. Upward review of mobile money and Zipit transactional limits	Increasing transaction limits deepens financial inclusion and formalises digital payments. Consumers and Small to Medium Entreprises (SMEs) gain greater transactional flexibility, stimulating commerce and reducing cash dependency.
10. Reduction of Real Time Gross Settlement (RTGS) charges as follows: • Reduction from US$0.90 to US$0.80 payable in ZiG equivalent for window 1 and 2 • Reduction from US$1.20 to US$1.10 payable in ZiG equivalent for window 3	Lower RTGS charges reduce transaction costs for the transacting public and organizations. This promotes financial sector efficiency and cost savings for businesses.
11. Downward review of bank charges. • Reduction of withdrawal charges to a maximum 2% (USD & ZWG) • Reduction of Point-of-Sale charges to a maximum of 1.5% of the transaction amount both local and international cards capped at US$20 or ZWG equivalent (No minimum charge on any POS transaction) • Removal of balance inquiry charges • Removal of cash deposit charges for both ZWG & USD • Fees for issuance of new and replacement of bank cards shall not exceed cost recovery levels	Reduced withdrawal and POS charges lower the cost of transacting for households and businesses, thereby enhancing affordability and financial inclusion. Banks may however, face reduced non-interest income, requiring a shift toward volume-driven revenue models and improved operational efficiency to remain profitable.

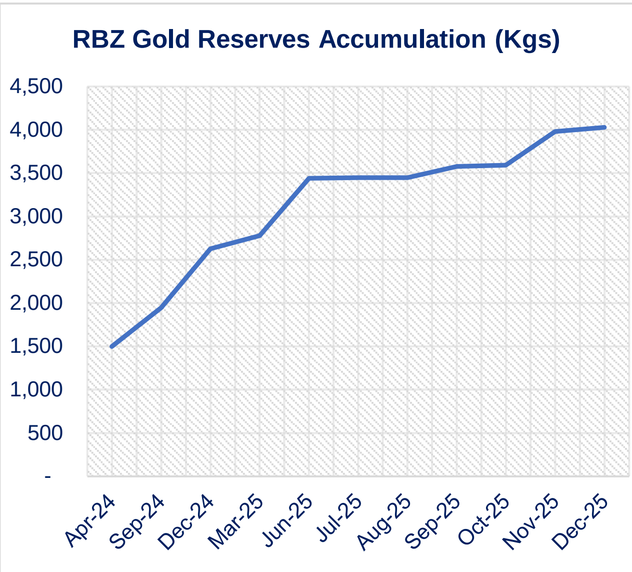
Monetary Policy Measures and Analysis

MPS Measure	Impact
12. Enhanced Due Diligence and KYC for Mobile Network Operators (MNOs) • Align fee exemptions with banks • Screen all wallets to ensure no ghost users • Ensure nano loans are underwritten by banks licensed and operating in Zimbabwe	Strengthened compliance requirements enhance financial system integrity, reduce fraud and eliminate ghost accounts. Aligning nano-loans with licensed banks improves credit underwriting standards and consumer protection. Mobile operators face higher compliance costs, while banks may benefit from an enhanced level playing field in regulation. Overall, systemic stability is reinforced.
13. Transition to exclusive use of ZWG will now depend on prescribed conditions set out and will no longer be based on a date. • Financial assets and contracts denominated in foreign currency will be safeguarded and preserved • Adoption of mono-currency to not eliminate foreign currency accounts, foreign denominated pension funds, US based equities, VFEX equities and treasury bills • Foreign currency loans and advances shall remain denominated in foreign currency	A gradual, conditions-based transition reduces policy uncertainty and protects foreign currency-denominated contracts. Investors and pension funds gain assurance that USD-based instruments remain safeguarded. The approach supports long-term monetary sovereignty while avoiding abrupt currency shocks. Following this policy clarity and direction, risk appetite frameworks may be reviewed, with the possibility of investment cycles extending beyond 2030, stimulating sustainable and deeper investments in the economy

MPS Measure	Impact
14. The limit for foreign currency structural position now set at 40% of Total Net Capital Base	Limiting FX exposure strengthens prudential risk management and reduces speculative currency positioning by banks. This protects bank capital against exchange rate volatility. However, it constrains aggressive proprietary FX trading strategies and may limit flexibility in managing currency mismatches.
15. Banks to integrate climate risks in their internal capital adequacy assessment processes and stress testing frameworks	Incorporating climate risks aligns Zimbabwe's banking supervision with global prudential standards. Banks must assess environmental exposures in lending portfolios, encouraging sustainable finance and green investment. While compliance costs may rise, long-term resilience and access to international ESG-linked funding improve
16. Introduction of new upgraded ZWG bank notes (Big 5Zig Bank Note Series)	Issuance of enhanced security ZiG notes improves currency credibility, reduces counterfeiting risk and strengthens public confidence. Retailers and consumers benefit from improved cash reliability. Banks incur short-term logistical and ATM recalibration costs but benefit from enhanced monetary stability and smoother cash circulation.

Economic Outlook

- The near-term macroeconomic outlook remains positive. Real GDP growth is projected to exceed 5%, inflation has moderated into single-digit territory, and foreign currency receipts are expected to remain high, driven by commodity exports, tobacco exports and diaspora remittances.
- Provided monetary discipline is sustained, inflationary pressures should remain contained through 2026, reinforcing macroeconomic stability.
- Medium-term sustainability will however, depend on progress across three critical pillars:
- **First**, the mono-currency transition process must be credible. The Reserve Bank's explicit commitment to a conditions-based transition is a positive signal. With more than 80% of transactions still conducted in foreign currency, confidence in the local currency framework will hinge on policy consistency, transparency, and adherence to stated benchmarks.
- **Second**, reserve adequacy remains critical. Foreign exchange reserves currently stand at US$1.2 billion, equivalent to approximately 1.5 months of import cover. While this provides adequate backing for ZiG at present, stability remains contingent on continued reserve accumulation and sustained foreign currency inflows. Transparency in reserve reporting and disciplined liquidity management will be critical in maintaining credibility.
- **Third**, structural reform remains imperative. With informality estimated at 76% of economic activity, monetary transmission is constrained, and the fiscal base remains narrow. Incentives and financial inclusion efforts are essential to deepen financial intermediation, broaden the tax base, and enhance macroeconomic stability.



Total Foreign Currency Receipts (US$m)	2024	2025	Change
Export earnings	7,879.10	9,675.20	23%
Loan proceeds (private)	1,589.80	2,534.30	59%
Diaspora remittances	2,152.50	2,453.10	14%
NGOs remittances	1,182.50	1,083.60	-8%
Foreign investment	387.10	256.60	-34%
Income receipts	125.10	191.30	53%
Total	**13,316.10**	**16,194.10**	**22%**

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