STREETWISE ECONOMICS

Research Report No. 3

Paper Gains and Pension Risk

How property revaluations shaped recent bank and pension results in Zimbabwe

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Data vintages: IPEC H1 2025 (30 June 2025) and 2024 annual report; RBZ banking-sector reports to Q1 2025; listed-bank FY/H1 2025 results; Damodaran (January 2026). Retrieved 20 June 2026.

Executive Summary

Zimbabwe's banks recently earned a large share of their reported profit not from lending or fees, but from **revaluation gains** — paper increases in the value of property and foreign-currency holdings that are written into the income statement without any cash changing hands. In early 2024, these gains were close to **three dollars in every five** of banking-sector income. When the local currency, the ZiG, steadied through 2024 and 2025 those paper gains stopped, and the profitability they had been propping up fell with them: sector return on assets dropped from **22.8% to 2.4%**.

The same accounting mechanism still sits, unadjusted, under the country's pension funds — the savings of ordinary workers. As at 30 June 2025, **44.1% of all pension money — US$1.16 billion — was tied up in property**, earning rent of only about **3.7% a year** against a **12.4% cost of capital**. The rent does not cover the cost of holding the asset. **The banks have taken their medicine. The pension funds have not.**

This matters most for the people with the least say. Pension members received an average of **US$30 a month in 2024 — about 30 loaves of bread** in the regulator's own words — even though the value on the books rested heavily on paper gains. When the mark-ups stopped, total pension income fell **78.7%, to US$295.5 million**, in the first half of 2025 — the clearest sign those earlier gains were paper, not cash. A bank shareholder who dislikes this risk can sell. A pension member cannot.

Key Findings at a Glance

- Banks have already corrected: paper gains from property and currency revaluations fell from about 61% of sector income in early 2024 to roughly 6% a year later, and profitability fell with them (return on assets 22.8% to 2.4%).
- Pensions are the most exposed and least adjusted: US$1.16 billion — 44.1% of all pension money — is held in property earning about 3.7% a year, well below the 12.4% return that capital should earn for the risk.
- The mark-up engine has stalled: property values rose just 1.75% in the first half of 2025 as the currency steadied, confirming the earlier increases were driven by revaluation rather than real growth.

- Required development investments are far behind: prescribed assets sit at 10.4% against a 20% legal minimum, adding pressure to deploy money into assets that may not pay the cash returns members need.
- Who carries the risk is the key point: when a bank's property is re-priced, shareholders can sell; when a pension fund's property is re-priced, members cannot exit — and their retirement savings take the hit.

1. The Same Asset, Hiding in Three Places

Every financial institution in Zimbabwe answers a version of the same question when it reports results: what is our property worth? For pension funds, property is the largest single asset class. For insurers, it is a major one. For banks, it appears not in the loan book — mortgage lending is tiny, around 4.3% of loans — but in the revaluation gains that, until recently, made up a striking share of reported income and capital.

The mechanism is identical across all three: investment property is marked to fair value, and the increase is booked through income or retained earnings. When property prices rise faster than rents, that income is paper, not cash. Property risk in Zimbabwe's financial system is not the problem of a few badly-run institutions. It is structural, it is correlated, and only part of it has surfaced.

2. Banks: The Exposure That Already Reversed

Banks look, at first, the least exposed — but the exposure was never in lending. It was in revaluation. The Reserve Bank's own income-mix data makes the scale plain: in Q1 2024, net revaluation gains on investment properties were 18.7% of sector income, and net FX revaluation gains a further 42.6%. The Reserve Bank flagged the sector's reliance on non-funded income as unsustainable, noting that core-capital growth was largely driven by revaluation gains on investment properties.

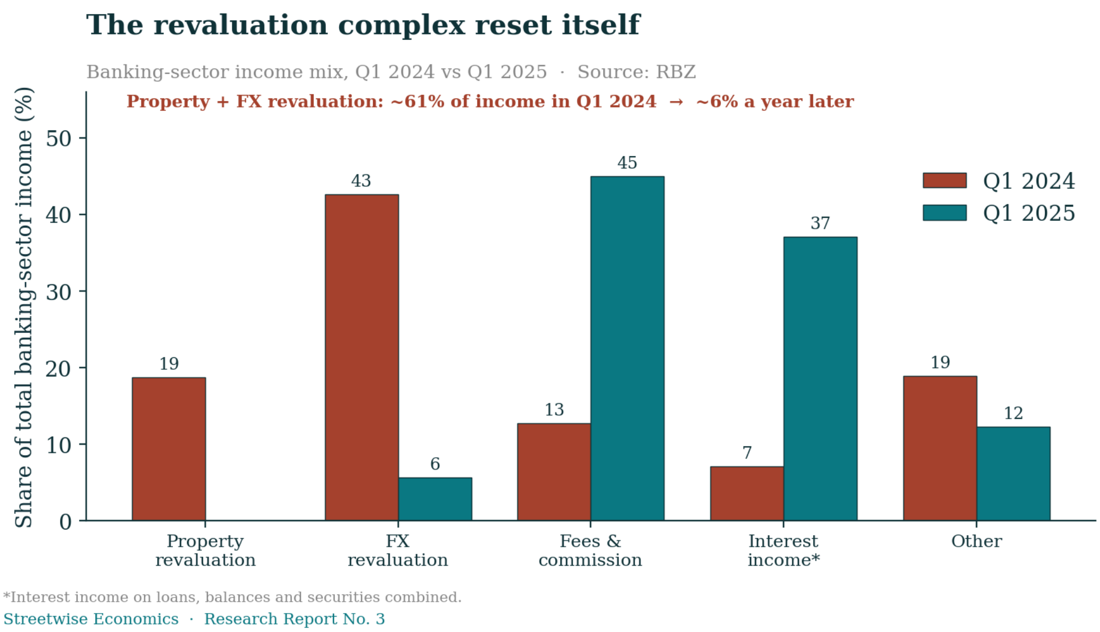

Figure 1 — Banking-sector income mix, Q1 2024 vs Q1 2025. Source: RBZ Banking Sector Report (March 2025).

Then the ZiG stabilised, and the tailwind reversed. By Q1 2025 the income mix had shifted decisively toward fees and interest, and the picture this revealed was stark.

Indicator	Q1 2024	Q1 2025	Change
Return on assets	22.83%	2.42%	−20.4 pp
Return on equity	61.33%	6.85%	−54.5 pp
Cost-to-income ratio (CIR)	23.09%	71.53%	+48.4 pp
NPL ratio	2.17%	3.34%	+1.2 pp

The paper gains had been flattering the numbers; when they faded, how thin the operational earnings were underneath became visible. The banks that came through the reversal well are the ones that earn from lending, not from marking up property.

2.1 Entity-Level Results: The Separation

Bank	Latest result	What the revaluation item did	Key ratios
Stanbic	Profit After Tax(PAT) ZiG1.67bn (~US$61.8m), FY2025	Holds ~US$68.7m investment property; formed a Board Properties Oversight Committee in 2025	CIR 46%; ROE 32%; NPL 0.64%
First Capital	PAT US$30.1m (+52%), FY2025	FX revaluation gains fell US$6m → <US$0.5m; profit operationally driven	CIR 47%; ROE 33%; CAR 26%
FBC Holdings	PAT +69% (PBT +84%), FY2025	Total income −34% on lower non-core revaluation; core trading income +34%, now >80% of revenue	—
CBZ Holdings	PAT US$32.57m, H1 2025	Core +11% after stripping US$33.24m FX gain, US$25.14m property FV loss, US$24.83m deferred-tax release	CBZ Bank NPL 4.9%

Stanbic is the clearest illustration: a 32% ROE on a 0.64% NPL book, with net interest income rising from 29% to 37% of total income — more earned from lending than from fees than a year earlier. *This matters for Zimbabwe's economy: lending creates economic activity; fees and mark-ups do not.*

3. Pensions: Most Exposed, Least Adjusted

If the banks have run this stress test in real time, the pensions have not. Property has been the largest single pension asset class for two years running, and the concentration has barely moved even as the currency steadied.

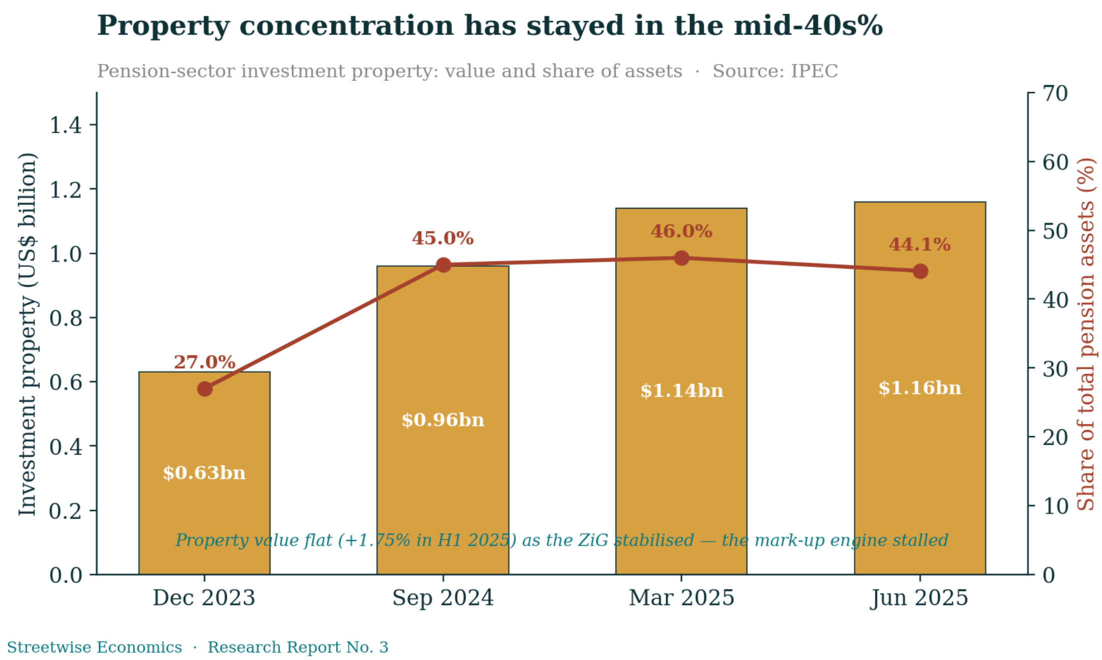

Figure 2 — Pension-sector investment property: value and share of assets. Source: IPEC pensions reports.

As at 30 June 2025, investment property stood at US$1.16 billion, **44.1% of the sector's US$2.63 billion in assets**. Property grew just 1.75% over the half-year — a telling deceleration. The mark-up engine that lifted the figure from US$0.96bn (Sep 2024) to US$1.14bn (Mar 2025) has stalled now that the ZiG is stable.

3.1 The Yield Problem

The rental yield on the pension property portfolio is about 3.7%. For context, the Tigere Property Fund targets 5–7% on a relatively low-risk portfolio, and the Public Service Pension Fund targets 6–9% on residential property. Against a 12.4% cost of capital (Streetwise RR No. 2), the property earns far less in rent than it costs to hold in risk terms.

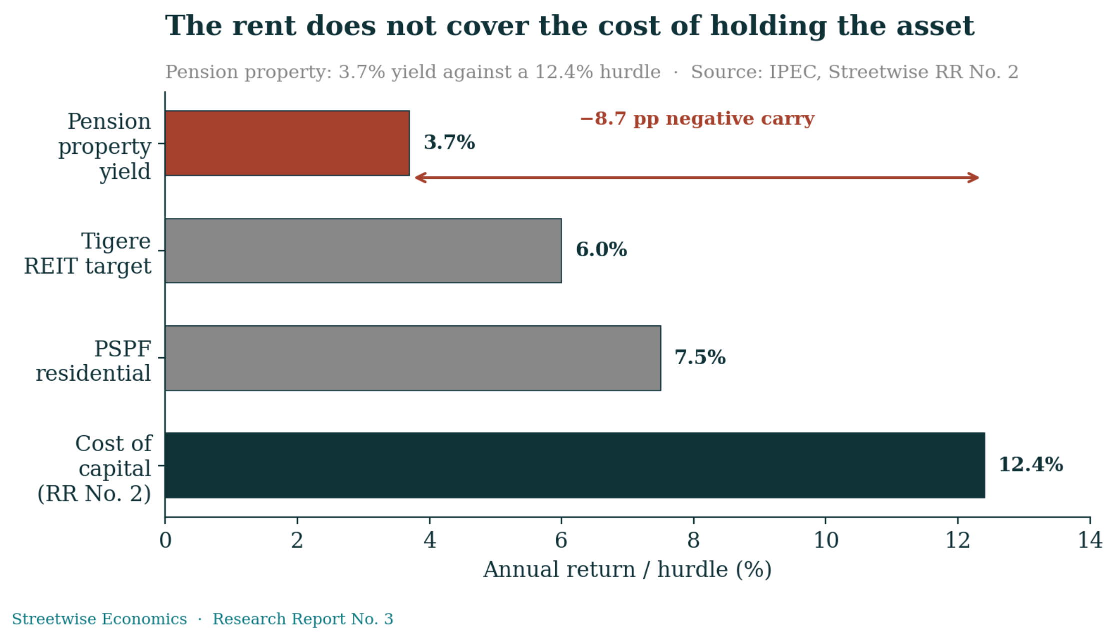

Figure 3 — Pension property yield against benchmarks and the cost of capital. Source: IPEC; Streetwise RR No. 2.

The gap is a **−8.7 percentage-point negative carry** — and the difference has been bridged by marking the asset up. IPEC's own 2024 annual report attributed 79.4% (US$2.07 billion) of the sector's total revenue to fair-value gains; the 2023 annual report put revaluation at roughly 70% of income. As the ZiG steadied, that paper engine showed its dependence: H1 2025 total income fell 78.7%.

3.2 The Arrears Problem

Contribution arrears climbed to **US$110.43 million** by June 2025, up 18.84%. The companies that contribute to these funds — and rent space from them — are increasingly struggling to pay. If sponsors cannot afford contributions, it is fair to ask whether they can afford rent. The property mark-ups and the corporate stress are on a collision course.

4. Who Carries the Bet

This is where a bank's exposure and a pension's exposure differ in kind, not just degree.

Dimension	Bank revaluation risk	Pension revaluation risk
Who bears it	Shareholders	Pension members
Can they exit?	Yes — can sell shares	No — cannot exit
Did they choose it?	Yes — chose the stock	No — did not choose the exposure
If it reverses	Share price falls	Retirement savings impaired

When a bank's revaluation gain reverses, the loss falls on shareholders who chose the risk and can sell. When a pension's property re-prices, the loss falls on members — people who never chose the exposure, cannot exit it, and in many cases are already drawing benefits calculated against the inflated asset base. In 2024 the average pensioner benefit was about US$30 per month — which the regulator itself translated as roughly 30 loaves of bread — while the sector carried over a billion dollars of investment property and booked revaluation as the dominant share of income. **The revaluation does not reach the member as cash. The re-pricing risk, if it comes, reaches them in full.**

The scale of who is exposed is large. Zimbabwe's occupational pension funds counted 977,423 members at the end of 2024 (up from 940,712 in 2023), spread across 489 active funds. Yet pension coverage still sits below 40% of the labour force, so the people inside these funds are, disproportionately, the formally employed who have done the responsible thing and saved. They are also ageing into drawdown: by mid-2025, 100,354 members were already recorded with unclaimed benefits. When the average monthly benefit is around US$30 — the regulator's own "30 loaves of bread" — there is no buffer for these members to absorb a property write-down. A correction in the asset base is, for them, a direct reduction in an already-inadequate pension.

5. The Stress Test: What a Reversion Would Cost

The banks' revaluation gains reversed and their income statements absorbed it. The pensions' property remains carried at values consistent with a 3.7% yield. Holding rental income fixed and re-pricing the property to a fair yield — the same kind of adjustment the banks' income already reflects — the implied value falls sharply.

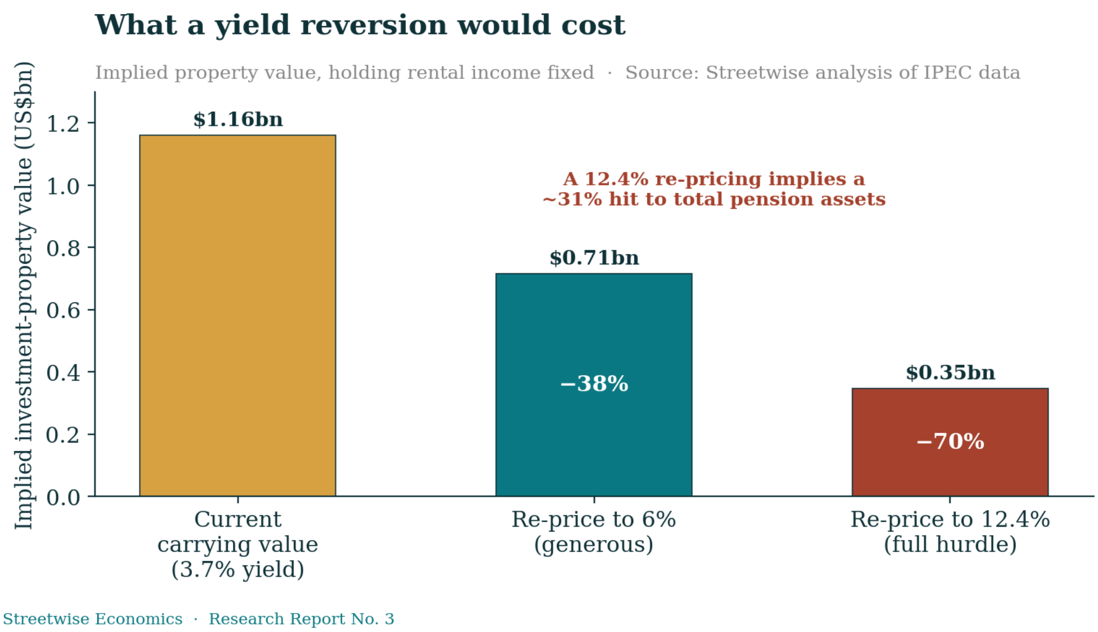

Figure 4 — Implied property value under yield reversion, rental income held fixed. Source: Streetwise analysis of IPEC data.

Scenario	Fair yield	Implied value	Write-down	Hit to assets
Generous fair yield	6.0%	US$0.72bn	−38%	−17%
Full cost of capital	12.4%	US$0.35bn	−70%	−31%

The market is cash-funded and mean-reverting rather than explosively leveraged, so this is not a forecast of an imminent crash. It is a measure of unrecognised valuation exposure carried on the balance sheets that hold retirement savings.

To be explicit about the range: the −8.7pp negative carry and the write-down estimates depend on two inputs — the assumed rental yield (about 3.7%) and the fair yield to which the property re-prices. Flexing the fair yield across the plausible band gives the sensitivity: at 5% the implied write-down is roughly US$0.30 billion; at the generous 6% it is US$0.38 billion; and at the full 12.4% hurdle it is US$0.70 billion (−26.7% of sector assets). A ±50bps move in the assumed current yield shifts these figures by approximately ±13%. The direction is unambiguous across the whole band — every reasonable fair yield sits well above the 3.7% the portfolio earns — so the exposure is a question of magnitude, not of sign.

6. The Prescribed-Assets Problem

A parallel distortion compounds the risk. The regulatory minimum for prescribed assets is 20% of pension portfolios. As at 30 June 2025, the sector stood at just 10.4%. The shortfall both signals a shortage of suitable instruments — US$86 million of projects granted prescribed-asset status failed to attract funding in 2024 — and creates pressure to deploy capital into assets that may not generate the cash returns needed to meet member obligations. The prescribed-assets gap and the property concentration together describe a sector under pressure to put money to work where the cash yields are thin.

7. A North American Lens on Disclosure

A REIT or bank listed in Toronto or New York carrying investment property at fair value would have to disclose, in the notes, the capitalisation rate used, the sensitivity of the valuation to that rate, and the occupancy and rental assumptions. A 3.7%-yield-versus-12.4%-hurdle gap of the kind documented here would be legible directly from the filing. In Zimbabwe that sensitivity disclosure is largely absent, which is why this report has to reconstruct the yield from aggregate IPEC figures rather than read it off a note. IPEC and RBZ could require rental-yield disclosure alongside fair value, and a valuation-sensitivity table — not an exotic ask, but the disclosure a Canadian or US investor would treat as routine.

These are not theoretical benchmarks. Under IFRS 13, investment property carried at fair value is a Level 3 measurement, and the standard already requires quantitative disclosure of the significant unobservable inputs — the capitalisation rate above all — and a sensitivity analysis. On the Johannesburg Stock Exchange, the Listings Requirements and the King IV governance code make this routine for property counters such as Growthpoint and Redefine, whose annual reports publish the discount and capitalisation rates and the rand impact of a 50bps shift. In the United Kingdom, the FCA's Listing Rules and DTR, applied through IAS 40 and IFRS 13, require the same of British Land or Land Securities. Zimbabwe already mandates IFRS; what is missing is enforcement of the Level 3 sensitivity disclosure that IFRS 13 already contains. IPEC and the RBZ could require it tomorrow at no cost, and the 3.7%-versus-12.4% gap this report had to reconstruct would simply be readable off the face of the accounts.

8. What Should Change

None of this is exotic. Four changes — all low-cost, all consistent with standards Zimbabwe has already adopted — would let the market price this risk before it prices itself.

1. **Mandate rental-yield and capitalisation-rate disclosure.** IPEC and the RBZ should require every pension fund and bank carrying investment property to disclose, alongside the fair value, the rental yield earned and the capitalisation rate used, plus an IFRS 13 sensitivity table showing the value impact of a ±100bps move in that rate. This is already required by IFRS 13; the change is to enforce it.

2. **Stress-test pension property at a fair yield and publish the result.** IPEC should run an annual yield-reversion stress test on the sector's property book — exactly the calculation in Section 5 — and publish the implied write-down range. Members and trustees deserve to see the unrecognised exposure in the same report that shows the headline asset value.

3. **Tie the prescribed-assets push to cash-yielding instruments.** Closing the prescribed-assets gap (10.4% against a 20% minimum) should not become another reason to chase low-yield property. New prescribed-asset instruments should be assessed on the cash return they deliver to members, not the revaluation they might book.

4. **Coordinate supervision across IPEC and the RBZ.** Banks and pension funds own the same Harare commercial property. A correction hits both at once. The two regulators should share a common property-stress scenario rather than supervising the exposure as if it were two unrelated risks.

Acknowledgement

The thread running through this report — that reported financial-sector growth in Zimbabwe is driven more by property revaluation than by income, and that the rents do not justify the carrying values — has been raised consistently in accessible commentary by **Tinashe Mukogo** (moneyandmoves.com), across the pension sector and at individual banks including First Capital and Stanbic. His 3.7% pension-property

yield, his observation that Stanbic has become a de facto property holder, and his decomposition of First Capital's operational versus revaluation earnings are reflected here, cited, and independently verified against the primary filings. Where his work illuminates institutions one at a time, this report's contribution is to lead with the system-wide income measure, add the incidence dimension — who actually carries the unadjusted exposure — and stress-test the pending adjustment.

Methodology & Data Note

- Pension figures: IPEC pensions report for the half-year ended 30 June 2025 and the 2024 annual report — property value and share, concentration, contribution arrears, prescribed-assets ratio, and the average pensioner benefit.
- Banking-sector figures: RBZ quarterly banking-sector reports — revaluation share of income, mortgage share of loans, and soundness indicators (ROA, ROE, cost-to-income, CAR, NPL).
- Entity-level bank figures: each bank's published FY/H1 2025 results, verified against the institutions' own investor disclosures.
- Yield: rental income divided by investment-property value from IPEC data, consistent with the figure first reported by Mukogo (2025).
- Cost of capital: 12.4% from Research Report No. 2, built from the US risk-free rate (4.29%), mature-market ERP (4.23%), and Zimbabwe country risk premium (11.66%) from Damodaran (January 2026).
- Stress test: implied value = current value × (current yield ÷ fair yield), at a generous 6% and at the full 12.4%.

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About Streetwise Economics & the author

Streetwise Economics is an independent economic research and advisory practice founded by Isaac Jonas, an applied economist based in Abbotsford, British Columbia, working at the intersection of North American markets and Southern Africa's real economy. He holds a Master of Food and Resource Economics and an MA in Resource, Environment and Sustainability from the University of British Columbia, and a BSc Economics from the University of Zimbabwe, and is a Mastercard Foundation Scholar. This is the third report in an ongoing Streetwise series applying transparent, reproducible methods to the questions Zimbabwean businesses, investors and institutions actually face.

Next in the series: a bank-by-bank balance-sheet aggregate — what share of listed financial-sector capital is unrealised property revaluation — built from the investment-property notes of each group's audited accounts.

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