

TRADING UPDATE: FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

Operating Environment

The operating environment in the third quarter continued to be characterised by high inflation and depreciation of the local currency against the US\$. Within this period the Central Bank's overnight accommodation rate was increased from 50% to 70% in order to manage speculative borrowing. This saw the bank increasing its minimum lending rate to 35%. The upward trend in inflation and exchange rate resulted in continuing pressure on our operating cost base.

Business Review

The bank migrated its core banking system and switch in the first quarter enabling the Bank to introduce new products. As with any migration of this scale, there were some post implementation issues, which are being addressed. During the third quarter the bank witnessed an increased demand for local currency loans largely from the corporate segment to fund mainly their working capital requirements. With the growth in money supply, we are also seeing a growth in our deposit base.

Financial Performance Review

The bank's financial performance continued on an upward trajectory from the first half mainly due to growth in transactional and foreign currency trading volumes combined with increases in transactional prices and loan growth coupled with increases in the minimum lending rate. Total income grew by 159% from the ZWL121.8m reported in the first half to ZWL315.5m, including fair value adjustments on investment properties. Operating costs increased by 151% from ZWL46.4m reported in the first half to ZWL116.3m driven by inflation and exchange rate movements. In the third quarter, operating profit increased by ZWL111.2m from ZWL68m reported in the first half of the year.

Total balance sheet grew from ZWL1,441m to ZWL2,171m largely due to growth in loans, deposits and exchange impact on foreign currency balances. Deposits grew by 22% to ZWL1,262m whilst loans grew by 38% to ZWL391m. The bank's liquidity ratio was 60% whilst capital adequacy ratio was 32%.

Legacy debt

The bank is working with the Reserve Bank on its legacy debt position and expects this to be resolved for the year end.

By Order of the Board



Violet Mutandwa
Company Secretary

17 December 2019