



ZB FINANCIAL HOLDINGS

21 Natal Road, Belgravia, Harare



TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

This statement is provided in place of the interim report as required in terms of section 35(5) of the Zimbabwe Stock Exchange (ZSE) Listing Rules following an exemption granted by the ZSE. The exemption became necessary after the Public Accountants and Auditors Board (PAAB) advised that the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ended on or after 1 July 2019 shall be in terms of the Financial Reporting in Hyperinflationary Economies Standard (IAS 29).

Resultantly, the financial numbers presented in this statement are derived from the historical cost accounting basis only.

TRADING ENVIRONMENT

The trading environment in the third quarter, as in the preceding quarters, remained challenging due to among other factors:

- the continued shortages of foreign currency and local bank notes ;
- a rapidly depreciating local currency against major currencies, in particular the US Dollar ;
- Shortages of fuel and energy and

- Declining household disposable income levels and
- an upward inflation profile.

The cost of doing business continues to increase and the value of the Group's capital has been eroded..

Against this background, the Group has realigned its strategic focus from growth to the preservation of its capital base through the acquisition of real assets.

FINANCIAL PERFORMANCE

Spurred by a significant contribution from fair value credits and exchange gains from the revaluation of its foreign exchange position, the Group achieved an upsurge in total revenue. For the nine months ended 30 September 2019, total revenue grew by 294% to ZW\$234.1m from ZW\$59.4m achieved in the comparative period in 2018.

Non-funded income contributed 86% of total revenue, while net interest income contributed 14%. The low net interest income contribution to total income was a result of constrained lending activities.

Operating expenses increased by 109% from ZW\$41.7m for the nine months ended 30 September 2018 to ZW\$86.9m for the nine months ended 30 September 2019. This cost outturn is below inflation principally because increases in salaries and wages have lagged behind year on year inflation, last reported as 175.66% as at 30 June 2019

The Group attained a profit after provisional taxation of ZW\$125.3m for the 9 months ended 30 September 2019. This represents an 806% increase from ZW\$13.8m posted in the comparative period in 2018.

The Group's total asset base grew by 128% to ZW\$1.514bn as at 30 September 2019, was 128% from the closing balance for the prior year (ZW\$663.2m as at 31 December 2018). Total earning assets were at ZW\$829.5m, having increased by 83% over the same period.

INTERIM DIVIDEND

No interim dividend has been proposed for the Quarter.

COMPLIANCE

All business units complied with minimum capital provisions applicable to their industries except for ZB Building Society whose capital of ZW\$19,3m was lower than the regulatory minimum capital requirement of ZW\$20,0m.

The corrective order issued on 7 March 2017, renewed on 13 April 2018, following a targeted corporate governance inspection by the Reserve Bank of Zimbabwe (RBZ) in terms of Section 48(4) of the Banking Act [*Chapter 24:20*] is still to be lifted.

Satisfactory progress has been made in addressing the issues raised therein.

OUTLOOK

The authorities have implemented a number of monetary and fiscal policy measures aimed at stabilizing the economy.

Whilst these measures take full effect, the operating environment is expected to remain difficult. The economy is forecast to contract by 6.5% in 2019 and to remain sluggish in 2020.

The Group will continue to focus on capital preservation and manage cost expansion against revenue growth in order to secure the sustainability of operations in the future.

By Order of the Board



H R Nharingo

GROUP COMPANY SECRETARY

13 DECEMBER 2019