



# Trading Update

This Trading Update for the third quarter ended 30 September 2021 is issued in terms of the Zimbabwe Stock Exchange (ZSE) Practice Note 9 as a substitute for the requirement to publish quarterly interim financial reports as mandated by section 35(5) of the ZSE Listing Requirements, Statutory Instrument 134 of 2019.

## OPERATING ENVIRONMENT

Q3 coincided with the third wave of COVID-19 in Zimbabwe which saw daily recorded cases reaching a peak of 3 110 on 14 July 2021. Consequent lockdown measures once again restricted the operation of business and the movement of people.

On the backdrop of an expansion in money supply and incessant pressure on the exchange rate, the average month-on-month inflation rate for the quarter surged from 2.67% to 3.83%. Amongst a raft of inflation mitigation measures the Reserve Bank of Zimbabwe (RBZ) continued to issue Non-negotiable Certificates of Deposits (NNCDs) at zero percent in an effort to sterilize excess liquidity with broad money supply having increased by 2.58% from ZW\$302.93 billion in June 2021 to ZW\$4330.66 billion in July 2021.

Meanwhile, the local currency depreciated by 2.62% against the from ZW\$85.42 on 1 July 2021 to ZW\$87.67 on 30 September 2021, per USD, whilst compliance with exchange control regulations was tightened amidst increased exchange rate volatility on the parallel market.

The Zimbabwe Stock Exchange (ZSE) registered a 37% increase in market capitalization from ZW\$712.34 billion at the beginning of the quarter to ZW\$975.26 billion as at end of September 2021. On a year-on-year basis, the ZSE market capitalization registered a 372% growth.

## THIRD QUARTER PERFORMANCE OUTTURN

The analysis is based on inflation adjusted numbers based on principles contained in IAS 29: Financial Reporting in Hyperinflationary Economies.

Despite an 86% reduction in Foreign exchange income, total income for Q3FY21 at ZW\$5.9 billion increased slightly by 1% compared to ZW\$5.8 billion posted in Q3FY20. Foreign exchange earnings dominated total income in 2020, driven by the wide movements in the official exchange rate as authorities attempted to stabilize the market. Normal business income has become more prominent in FY21.

Net interest and trading income increased by 313% in Q3FY21 compared to Q3FY20 on the back of an 89% increase in the loan book and trading assets. An average interest margin of 30% was achieved for the quarter, increasing from 18% during Q3FY20.

Gross insurance premiums increased by 22% with the related insurance expenses reducing by 16% between Q3FY21 and Q3FY20. The net insurance income increased overall by 37% reflecting the combined effect of increased business and further improvement in risk selection.

Banking commissions increased by 130% between Q3FY21 and Q3FY20 against the background of a 16% increase in the number of accounts and higher levels of utilisation of electronic banking channels.

Operating expenses increased by 90% from ZW\$2 billion in Q3FY20 to ZW\$3.8 billion in Q3FY21. The cumulative cost to income ratio at the end of the period was 64%, reflecting an improvement from 71% reported at the end of June 2021.

This ratio is expected to exhibit fluctuations in the short-term as catch-up adjustments are applied to the cost base in line with the inflation levels. Total assets increased by 24% from ZW\$25.6 billion as at 31 December, 2020 to ZW\$31.7 billion as at 30 September 2021. Income earning assets constituted 60% of total assets. The Group maintained an aggregated liquidity ratio above 60% which was adequate to accommodate short term fluctuations in customer demands. The loan book increased by 89% as the Group continued to increase its participation in supporting the growth of the economy. Asset quality remained good with the non-performing loans ratio having been contained within the hurdle rate of 5% throughout the period.

The growth of assets was supported by a 64% increase in deposits and other funding accounts from ZW\$9.6 billion as at 31 December, 2020 to ZW\$15.7 billion as at 30 September 2021, following money supply trends on the market.

The Group's total equity increased by 2% during Q3FY21, closing at ZW\$11 billion at 30 September 2021. The capital position for regulated entities at the end of Q3 was as follows:

Entity	Regulator	Minimum Capital Required (ZWS) million	Minimum Capital Achieved (Q3FY21) (ZWS) million
ZB Bank Limited	RBZ	25.00	4 053.21
ZB Building Society	RBZ	20.00	917.25
ZB Reinsurance	IPEC	75.00	733.90
ZB Life Assurance	IPEC	75.00	1 465.42
ZB Transfer Secretaries	SECZ	0.62	33.94

## FUTURE CAPITAL REQUIREMENTS

The Group remains confident of meeting Tier 1 bank capital requirements for its banking operations, prescribed by the RBZ as the ZW\$ equivalent of USD30 million, effective from 31 December, 2021. This will be enhanced by the merger of ZB Bank Limited and ZB Building Society which is underway.

## DIVIDEND

No dividend has been declared for the quarter under review.

## OUTLOOK

Based on current performance trends, the Group expects to meet its performance targets for FY21.

By order of the Board

T. F. A. MASIWA  
Group Company Secretary  
12 November 2021



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