First Capital BANK

FCB8855

Q1 2022
TRADING UPDATE

Operating Environment

Against the backdrop of fuel price increases spurred by the Russo-Ukrainian War, inflation pressure mounted during the quarter, with average month on month inflation increasing to 6.2% from an average of 6% recorded during the last quarter of 2021. Inflationary pressure was further exacerbated by the continued depreciation of the Zimbabwean dollar which lost 27.2% of its value against the United States Dollar on the official foreign exchange auction market during the period. On the other hand, parallel market exchange rates have been reported at increasing margins to the official market.

The Reserve Bank of Zimbabwe maintained a tight liquidity management framework, mopping up daily excesses into zero coupon non-negotiable certificates of deposits, whilst keeping the overnight accommodation rate high at 60%, as measures to stem inflation. These measures have had the effect of slowing down balance sheet expansion in the financial sector.

Performance Review (inflation adjusted out-turn)

The Bank's total income for Q1 2022, at ZW$2.4bn was 37% ahead of the ZW$1.7bn posted for the comparative period in 2021. This is on the back of strong performance in both Net Interest Income and Non-funded Income which increased by 37% and 36% respectively on the back of an increase in underlying business and customer transactions in the wake of reduced COVID-19 restrictive measures. About 20% of the Bank's income for the quarter was earned in foreign currency with the business outlook suggesting an increased contribution going forward.

Operating expenses increased by 18%, reaching ZW$1.4bn in Q1 2022 compared to ZW$1.2bn recorded in Q1 2021.
The Bank recorded Profit Before Taxation of ZW$522.8mn for the quarter, a 349% increase from the ZW$116.4mn recorded in the corresponding period in 2021.

Total assets increased in real terms by 29% on year-to-year. However, on a year-to-date basis, the balance sheet has remained largely flat between December 2021 and March 2022 with total assets increasing by 2%, deposits increasing by 2% whilst equity reduced by 5%, following adjustment for the 2021 final dividend of ZW$834mn. Gross advances however increased by 15%, closing the quarter at ZW$10bn from ZW$8.7bn on 31 December 2021, reflecting increased appetite from both the productive and consumptive sectors. Asset quality remained strong with a non-performing loan ratio of 0.2% being recorded at the end of Q1, 2022 down from 1% recorded at the end of 2021.

The Bank's capital position remained strong with a satisfactory margin of safety above the US$30mn threshold.

Dividends

The Directors have not declared a dividend for the quarter.

Outlook

The Bank expects the aggressive liquidity mop-up and high interest regime to subsist up to the end of the year as a way of neutralising inflation pressure from an otherwise expansionary fiscal posture arising from the need to restore basic infrastructure and to support social funding against projected food shortages following a below par agriculture season. The Bank will remain cautious in its approach to ensure that liquidity outages are minimised whilst taking advantages of the expected resurgence in growth sectors which include mining, industrial, farming and tourism.

By order of the Board.

S. Binha
Acting Company Secretary
6 May 2022