

# Q3 2022

## TRADING UPDATE

### Operating Environment

Inflationary pressure at the global stage has remained high on the back of the continuing war between Russia and Ukraine which has impacted on food security and access to energy amongst other supply chain disruptions worldwide. The local economy, has been impacted by the effects of long-term instability in the monetary system, recording an average month on month inflation for the quarter at 13.8%, increasing from an average of 3.8% during the same quarter of 2021. This is against the backdrop of a 70% depreciation of the Zimbabwean dollar during the quarter on the official foreign exchange auction market against the United States Dollar. Notwithstanding this, there has been a notable trend of receding month on month inflation which reduced from 30.7% at the end of the 2nd quarter to 3.5% at end of the 3rd quarter.

The Reserve Bank of Zimbabwe maintained a tight liquidity management framework, introducing gold coins in the quarter under review which are reported to have mopped up to more than ZWL9bn as at the end of September 2022. This measure was coupled with the introduction of minimum lending rates of 200% and 100% for corporates and individuals respectively, a move that curtailed credit expansion and consequently growth in money supply. These and other measures saw the parallel market exchange rates showing some level of stability with the margin against the official rate having significantly reduced by the end of the period.

### Performance Review

The Bank's September 2022 year to date inflation adjusted total income increased to ZWL26bn, being an increase of ZW\$9.6bn from the 2nd quarter of 2022. This year-to-date performance is 82% higher than ZWL14.3bn recorded for the comparative period ending September 2021. This performance is supported by strong performance on interest income which was driven by growth in the foreign currency loan book and the repricing of the ZWL book in line with the extant interest rate policy framework. Foreign denominated earnings at 40% of total income for the quarter show an increase from about 22% in the first quarter.

The year-to-date operating expenses of ZWL13.9bn in the 3rd Quarter is a 43% increase from ZWL9.7bn in the comparative period indicating cost expansion in response to the inflationary pressure.

The inflation adjusted total assets grew by 41% between December 2021 and September 2022 driven by customers' loans and deposits growth of 59% and 30% respectively. Portfolio credit quality remained strong with a non-performing loan ratio of 0.1% being recorded at the end of Q3 2022 down from 1% recorded at the end of 2021.

Total equity increased by 24% with the Bank's capital position remaining strong with a satisfactory margin of safety above the US\$30mn threshold and capital adequacy ratios well above the regulatory minimums.

### Dividends

The Directors have not declared a dividend for the quarter.

### Outlook

The Bank expects the aggressive liquidity management policies and high interest rates monetary framework to subsist as means to counteract inflationary pressure. This may present downside risk on credit performance as borrower capacity to carry related costs is strained. The Bank will therefore remain cautious in its approach to asset creation, ensuring that a sufficient liquidity buffer is maintained to avert outages whilst borrower capacity is assessed rigorously, taking advantage of the apparent resurgence in key sectors of the economy.

### By Order of the Board



**Sarudzai Binha**

Acting Company Secretary

14 November 2022

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the Big Bank**