

Trading Update: Q1 2023



OPERATING ENVIRONMENT

The period under review saw an increase in exchange rate volatility resulting in a 38.30% depreciation of the local currency on the official. Foreign Exchange Auction market. The rate moved from ZW\$671.45 per US\$1 as at 2 January 2023, to ZW\$928.59 as at 31 March 2023.

Annual inflation improved from 101.5% recorded in January 2023 to 87.6% in March 2023. It is against this background that the Government has maintained interest rates at around 140% per annum so as to control the money supply in the economy.

The market capitalisation grew by 10%, from ZW\$2 044.87 billion at the end of December 2022 to ZW\$2 257.88 billion at the end of March 2023.

FIRST QUARTER PERFORMANCE OUT-TURN

The analysis is based on historical numbers as compliance with IAS 29: Financial Reporting in Hyperinflationary Economies was not practical. This follows the announcement of Statutory Instrument (SI) 17 of 2023 which operationalized blended inflation rate and further dropped publication of ZW\$ annual and monthly inflation rates in Q1 2023. Due to this change in CPI measurement, the Group was not able to provide the inflation adjusted financial statements as a result of challenges created in implementing the blended inflation indices.

In historical cost terms, the Group's total income increased by 655% from ZW\$4.558 billion for the 3 months' period ended 31 March 2022 to ZW\$34.414 billion recorded in March 2023. The growth in revenue was underpinned by growth in net income from lending activities and non-funded income. During the quarter under review the business witnessed growth in both local and foreign currency transactions driven by enhanced digital channels, physical service centres and the International Virtual Service Centre. In Q1 23, the Group's foreign currency revenue contribution to total trading revenue was 29% (Q1 22 : 15%) and the Group has put in place strategies to continue growing the foreign currency revenue. Adverse movement in exchange rates continued to put much pressure on our operating expenses resulting in cost to income ratio deteriorating to 54% from 44% in Q1 22 to 54% in Q1 23.

Total assets increased in historical terms by 20% to ZW\$381.537 billion as at 31 March 2023 from the total of ZW\$317.271 billion as at 31 December 2022. Income earning assets constituted 64% of total assets as at 31 March 2023 against 60% as at 31 December 2022. The Group maintained an aggregated liquidity ratio above 60% which was adequate to accommodate short term fluctuations in customer demands. Asset quality remained strong with the non-performing loans ratio

having been contained within the target rate of 5% throughout Q1 23.

Deposits and other accounts increased from ZW\$109.210 billion at 31 December 2022 to close at ZW\$153.70 billion as at 31 March 2023. The Group's total equity increased by 10% in Q1FY23, closing at ZW\$160.747 billion as at 31 March 2023. All Group entities were compliant with regulated capital levels as at 31 March 2023, except for ZB Building Society.

FUTURE CAPITAL REQUIREMENTS

The Group is confident that the non-compliance of the Building Society will be resolved by consolidating its Banking operations before 31 December 2023.

DIVIDEND

No dividend has been declared for the quarter ended 31 March 2023.

MAJOR STRATEGIC DEVELOPMENTS

During the period under review, the Group launched 9 additional Service Centres consistent with the Group's strategy to convert all branches to Service Centres. This is part of the Group's on-going transformation program. The Group will be rolling out more Service Centres across the country.

OUTLOOK

Zimbabwe's economy is expected to expand in FY23, boosted by diaspora remittances, growth in mining, construction and agriculture sectors. However, the Group anticipates that the economic conditions will be challenging due to high interest rates, rising exchange rates, and distortions in price dynamics. The Group also believes that Monetary Authorities are likely to maintain tight monetary and fiscal policies to maintain stability in the economy. To protect its capital position from adverse economic projections, the Group will continue to pursue strategic business partnerships, improve its sustainable revenues, implement foreign currency revenue generation strategies and continue exploiting investment opportunities. In order to increase its sustainable revenue, the Group will make use of the world class Service Centres and the digital assets and the robust electronic channels to market its products. Furthermore, cost-cutting measures continue to be a priority in order to boost profitability.

By order of the Board,

T. F. A. MASIWA
Group Company Secretary
15 May 2023