

# Trading Update: Q3 2023



This Trading Update for the third quarter ended 30 September 2023 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

During the quarter under review, the authorities maintained a tight monetary policy stance as reflected by a Bank Policy Rate that was maintained at 150% while the medium-term accommodation lending rate for productive sectors including individuals and Micro-Small to Medium Enterprises (MSMEs) was pegged at 75%. In addition, the Government also introduced gold coins on 25 July 2022 as an alternative stable financial asset to support the tight monetary policy stance. The stance has seen annual inflation generally trending downwards during the quarter, averaging 19.6%, down from an average of 31.7% for the previous quarter. It is against this background that the local currency appreciated by 9.3% from ZW\$5,739.79 per US\$1 as at 3 July 2023, to ZW\$5,252.66 as at 29 September 2023, on the official Foreign Exchange Auction market.

In the short to medium term, we anticipate the United States Dollar (USD) to remain the dominant currency of trade in the economy. A tight monetary policy stance, use of gold coins and effective monitoring of activity in the financial sector by the authorities is also expected to go a long way towards promoting stability in the economy.

## Full Year 2023 Third Quarter Performance Outturn

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

Given the inflationary environment, the Group business units continue to ensure pricing relevance in their specific markets to match ever-changing consumer spending ability; operating costs control remained another key management area.

The Group's new operating model saw growth in net revenue of 488%; ahead of its projections and was higher than the level of cost expansion, thus creating positive jaws, which provides a buffer against short-term structural dislocations in the operating environment and enhances prospects for the future sustainability of operations.

When comparing the current period to the same period last year (Q3 2022), revenue from lending activities showed growth of more than 108%. Net interest income increase was driven by growth in USD loans and positive trading margins.

Non-interest income improved by 638% from ZW\$135 billion for the 9 months to Q3 2022 to ZW\$997 billion for the 9 months to Q3 2023.

The Group's wide channels network witnessed customer base growth across retail and corporate banking segments. Number of customer accounts increased by more than 100% to 722 510. This triggered increased transaction volumes, which caused the expansion in commissions and fees by ZW\$ 142 billion in Q 3 2023 when compared to Q3 2022 result of ZW\$33 billion.

Exchange gains of ZWL\$ 266 billion, and fair value of ZWL\$ 513 billion, being a 216% and 3595% improvement on Q3 2022 respectively, significantly contributed to the total income.

The insurance business performed well by recording an increase of 23% on gross premium in Q3 2023, due to improved insurance products sales across all the Service Centres, as well lower mortality claims, improved investment returns and growth in net premium income from regional operations.

Given the inflationary environment, property remains a preferred investment for the Group and has maintained occupancy rate of at least 90% over the 9 months to 30 September 2023 which boosted net property income.

The operating expenses grew by 258% in Q3 2023, driven by a high-inflation environment, which pushed up both remuneration and administration costs. Strong positive jaws and efficiency ratios were achieved in Q3 2023.

The Group's operations continued to be sustainably profitable, posting a profit after tax (PAT) of ZW\$735bn, 988% improvement from same period last year.

The Group's total assets grew from ZW\$1 049 billion as at 31 December 2022 to ZW\$2 728 billion as at 30 September 2023. Over and above the general inflation pull factor on monetary balances, total asset growth was also induced by the restatement of foreign denominated balances. Earning assets grew by 244% to close at ZW\$1 074 billion as at 30 September 2023 compared to ZW\$312 billion as at 31 December 2022. The Group's loan book grew by 332% from ZW\$205 billion as at 31 December 2022 to close at ZW\$889 billion as at 30 September 2023, as USD loans came through at increased levels, which were then translated at a higher rate at the end of the period.

Total deposits grew by 192% from ZW\$357 billion as at 31 December, 2022 to close at ZW\$1 043 billion as at 30 September 2023. Despite general liquidity pressure experienced during Q3

2023, the Group was able to maintain an average liquidity ratio above 55% throughout the period. The Group made progress on its ESG agenda. For the period ending 30 September 2023, it had financed projects in support of renewable energy, youth development, education initiatives and health programmes.

## Future Capital Requirements

The Group's capital and liquidity levels remained strong with all business units being compliant with minimum regulatory capital requirements apart for ZB Building Society.

## Dividend

No dividend has been declared for the quarter under review.

## Outlook

The geopolitical concerns, particularly surrounding the Russia-Ukraine conflict & Israel-Palestine conflict, appear likely to impact the outlook for some time. Domestic economic outlook remains volatile and uncertain, including severe currency devaluations, tight money supply & fiscal space and high inflation levels in the market.

Despite these hurdles, the Group remains resilient and committed to fully implement the OTP strategies, anchored on 'customer-centric' business model offering one stop shop financial services solution to its customers in the new restructured service centres.

The Group is committed to growing sustainable earnings and is confident that its diversified investments and strong Statement of Financial Position will help to achieve its set targets for the year. In the long term, the Group will continue to maintain a strong brand through excellent customer service delivery to achieve the 2025 targets laid out in 2021. Furthermore, the Group has partnered with local universities to establish sustainable and commercially viable innovation through the University Innovation Hubs network, which will promote the development of new technologies, FinTechs, financial products and solutions for the country.

By order of the Board

**T.F.A. MASIWA**  
Company Secretary  
14 November 2023