

# Trading Update: Q1 FY 2024

This Trading Update for the First Quarter ended 31 March 2024 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 local currency's depreciation against foreign currencies persisted, depreciating by 256%, from US\$1: ZW\$6.192 on 2 January 2024, to US\$1: ZW\$ 22.056 as at end of Q1 2024 [28 March 2024]. Resultantly, the general price level, especially in ZW\$ continued to rise significantly, leading to increased operating costs for the Group.

In an effort to promote macroeconomic stability, the monetary authorities presented the long-awaited 2024 Monetary Policy Statement on 5 April 2024, with the major development being the introduction of a new currency named the Zimbabwe Gold (ZiG). Monetary Authorities expect that the new currency will help curb exchange rate and price volatility, and ultimately reduce USD dominance in the long term. The Group has complied with all the directives of the 2024 Monetary Policy Statement and is now targeting to improve the Group operations' capacity to adapt to the current trading environment.

## Q1 FY2024 Performance Out-turn

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

The Group's inflation adjusted profit after tax for the 3 months up to 31 March 2024, at ZW\$967.557 billion (historical cost: ZW\$1.316 trillion) increased by 78% compared to ZW\$543.920 billion (Historical cost: ZW\$14.745 billion) achieved in the corresponding period in 2023. The summarised results for the three months ended 31 March 2024 are as presented:

	Inflation adjusted		Historical cost	
	31-Mar-24 ZW\$ trillion	31-Mar-23 ZW\$ trillion	31-Mar-24 ZW\$ trillion	31-Mar-23 ZW\$ trillion
<b>Income statement highlights</b>				
Revenue	2.347	1.065	1.684	0.034
Operating expenses	(0.746)	(0.573)	(0.288)	(0.019)
Profit after	0.968	0.544	1.316	0.015
<b>Statement of financial position highlights</b>				
Total assets	21.792	21.391	7.993	3.274
Equity	10.444	9.476	2.477	1.451

Inflation adjusted total income increased by 120% from ZW\$1.065 trillion (Historical cost: ZW\$34,414 billion) for the 3 months period up to 31 March 2023 to ZW\$2.347 trillion (Historical cost: ZW\$1.684 trillion) for the 3 months period to 31 March 2024. This performance is explained by a 214% increase in fair value credits and foreign exchange income, a reflection of asset value adjustments in sympathy with a vastly changed operating environment. Sustainable trading income increased by 53%, driven by non-funded income which increased by 69%.

Inflation adjusted total expenses increased by 30%, from ZW\$573.422 billion for the 3 months to 31 March 2023 (Historical cost: ZW\$18.541billion), to ZW\$745.622 billion (Historical cost: ZW\$287.700

billion) for the 3 month to 31 March 2024 against tight cost containment measures employed by the Group. In the short to medium-term, generating sustainable earnings and cost-containment initiatives continues to be an imperative strategic goal.

Inflation adjusted assets growth for the Group as at 31 March 2024 was restricted to 2% to ZW\$21.792 trillion whilst in historical cost terms total assets increased by 144% to ZW\$7.993 trillion. This was mainly attributable to the tightening of monetary policy by monetary authorities, which also restricted deposits mobilisation and credit creation for the Group. This negatively affected the funded income performance for the Group for the three months under review. However, the Group maintained an average liquidity ratio of 60% throughout the period under review. Asset quality remained acceptable with non-performing loans at 31 March 2024 being maintained below the regulated benchmark of 5%.

The Group's total equity increased from ZW\$9.476 trillion as at 31 December 2023 (Historical cost: ZW\$1.451 trillion) to ZW\$10.444 trillion as at 31 March 2024 (Historical cost: ZW\$2.477 trillion) driven by the period's performance.

## FUTURE CAPITAL REQUIREMENTS

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

## DIVIDEND

No dividend has been declared for the quarter under review.

## Outlook

Zimbabwe's annualised Gross Domestic Product (GDP) growth is projected to fall from 5.5% in 2023 to 3.5% in 2024, according to Government of Zimbabwe estimates. The economy is expected to be negatively impacted by an expected El Niño-induced drought, which will likely cause the country to incur a huge import bill to procure grain to alleviate resultant food shortages. Despite the predicted short-to-medium trading environment challenges, especially when the market is adjusting to the introduction of new currency modalities and El Niño induced challenges, the Group remains resilient and committed to providing value adding financial solutions to the nation at large.

Furthermore, the Group endeavours to deliver shareholder value through implementation of sustainable revenue generation, investment portfolio diversification and effective cost management strategies.

## Publication of results

The Group's 2023 financial results will be published by 30 May 2024, an extension having been sought in order to give time to implement additional processes required to deal with the requirements of *IFRS 17 – Insurance Contracts*.

## By order of the Board



## T.F.A. MASIIWA

Group General Counsel  
15 May 2024