1. Operating environment

Economic performance during Q2 was generally depressed as a result of the national lockdown which was implemented nationwide in response to the COVID-19 global health pandemic. The health crisis stoked economic fragilities which had existed previously and continue to affect business operations. Chief amongst these are:

a) The continued increases in general level of prices;
b) A foreign currency exchange regime characterised by wide discrepancies between the official market rates and rates obtaining on the informal market; and
c) Continued shortages of basic commodities, notably fuel and staple grains.

Month-on-month inflation during Q2 averaged 21.48% with year-on-year inflation closing the period at 737.32%.

On the other hand the Zimbabwe Dollar depreciated by 154.98% against the US Dollar on the official market in Q2 following the introduction of the Foreign Exchange Auction Trading System. The auction system was introduced by the authorities to bring transparency and efficiency in the price discovery of foreign currency in the economy.

1. Performance Outturn

The Group's performance in Q2 has been satisfactory despite the adverse environmental factors. Financial results for the half year ended 30 June 2020 will be published on 28 August 2020 and a more detailed analysis of the financial performance will be provided then.

The following are high level insights from the Group's performance based on the historical cost method:

a) Total income for Q2 was 548% higher than the total revenue earned in Q1;
b) Cumulative income for Q2 was 2 955% up on the total revenue posted in the comparative period in 2019;
c) Income growth is largely anchored on fair value credits and foreign currency exchange gains, collectively making up 89% of total revenue;
d) Core business revenue growth continues to lag behind inflation movements;
e) Deposits increased by 107% in HY20 compared to FY19; and

f) Loans and other advances grew by 164% in HY20 compared to FY19. Letters of credit contributed 23% to total loans and other advances.

2. Liquidity

The Group was able to maintain liquidity reserve well above the level required to meet its short term commitments during Q2. The aggregated liquidity ratio for banking operations was above 80% throughout the period.

Based on the current structure of the balance sheet and its trading activities, the Group does not anticipate any liquidity strain in the planning horizon.

3. Capitalisation of operations

All business units in the Group operated above their regulated capital levels. In terms of the Capital Plan submitted to the Reserve Bank of Zimbabwe, the Group is confident that its Banking Operations will be able to meet the revised capital levels that are expected to come into effect from 31 December, 2020. The plan is predicated on organic growth and the re-arrangement of internal capital through the merger of banking operations in the Group.

4. Operations Update

The Group has enjoyed increased business relations during the first 6 months of the year with the aggregate number of accounts in the banking operations increasing by 9%. This is a continuing trend from the prior year and creates a base for sustainable business operations in the future.

With an increased demand being placed on the Group's digital platforms out of the need to observe social distancing, I am happy to advise that the Group has experienced only minimal disruptions in providing service to customers. Service experience has been enhanced with the recent commissioning of the Group's 24 Hour Contact Centre.

During Q2, the Group operated with a reduced complement of staff as a result of the need to de-congest its work spaces. Client visits were also discouraged in order to observe social distancing. This operating model is expected to continue for as long as health risk factors remain amplified. The Group has implemented a Remote Working Policy which enables staff to work from home. This situation will be reviewed continuously to ensure that risks related to potential data loss or compromised customer due diligence are minimised.

5. Products

a) The Group has now completed technical processes for the re-launch of the VISA International Debit card. Regulatory approval for the product has been granted and a formal product launch is imminent.

b) A refreshed WhatsApp Banking product with improved security features and functionality was rolled out in Q2. Product uptake from clients has been satisfactory.

c) The Diaspora Banking product, developed with multiple partners, is in pre-launch stage, having been approved by the regulator in Q2.

d) The international cash funeral plan has gone past the product development stage and now awaits approval by the regulator.

6. Outlook

The economy is expected to remain fragile with COVID-19 ushering in a new social order with widespread implications on the conduct of business. Whilst lasting solutions are being sought for these challenges, the Group will seek to review and deepen its internal capacity in preparation for business beyond the current crisis.

Ron Mutandagayi

Group Chief Executive

30 July, 2020