



Trading Update Q1 2021

This Trading Update for the first quarter ended 31 March 2021 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

The quarter under review coincided with the second wave of COVID-19 in Zimbabwe, with daily recorded cases reaching a high of 1,412 on 14 January 2021. Through Statutory Instrument 10 of 2021, Public Health (COVID-19 Prevention, Containment and Treatment) (National Lockdown) (No. 2) (Amendment) Order, 2021 (No. 9), the Ministry of Health ordered a partial reversion to a Level IV national lockdown which restricted the operation of business and the movement of people for a period of 30 days from 3 January, 2021. Consequently, the Group operated with limited staff during the period whilst client engagements were predominantly through digital platforms.

The Foreign Exchange Auction Trading System, introduced by the Reserve Bank of Zimbabwe (RBZ) in June 2020 has brought about a modicum of stability in the local currency which depreciated on the official market by only 3.196% from ZW\$81.7866 at 4 January, 2021 to ZW\$84.4001 at 31 March, 2021 against the United States of America's dollar (USD). In what is expected to be a boost to the market, the RBZ undertook to sell foreign currency to Bureau de changes, in order to improve the availability of currency to small-scale players and individuals. This has the potential of shedding off the exchange rate differential between the official and parallel markets which is currently at about 40%.

On the back of a stabilizing exchange rate, inflation trended downwards during the first quarter. The year-on-year inflation slowed from 362.63% recorded in January 2021 to 240.55% in March 2021. The official month on month inflation averaged 3.7% during the quarter under review, compared to 3.9% for the previous quarter.

The equities market registered a 58.9% increase in market capitalization from ZW\$317 billion at the beginning of the quarter to ZW\$503.6 billion as at end of March 2021. On a year-on-year basis, the Zimbabwe Stock Exchange (ZSE) market capitalization registered a 16% growth.

FIRST QUARTER PERFORMANCE OUTTURN

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

Following a 58% reduction in exchange income, total income for Q1FY21 at ZW\$1.3 billion reduced by 10% compared to ZW\$1.5 billion posted in Q1FY20. Foreign exchange earnings dominated total income in 2020, driven by the wide movements in the official exchange rate as authorities attempted to stabilize the market. Regular business income has become more prominent in FY21.

Net interest and trading income increased by 194% in Q1FY21 compared to Q1FY20 on the back of a 15% increase in the loan book and trading assets. An average interest margin of 27% was achieved for the quarter, showing an increase from 15% during Q1FY20. The increase reflects only a partial offset against inflation.

Gross insurance premiums increased by 7% with the related insurance expenses reducing by 11% between Q1FY21 and Q1FY20. The net insurance income increased overall by 100% reflecting the combined effect of increased business and further improvement in risk selection.

Banking commissions increased by 44% against the background of a 12% increase in the number of accounts. However, there was a 21% reduction in the aggregate number of transactions between Q1FY21 and Q1FY20.

Operating expenses increased by 47% from ZW\$575.7 million in Q1FY20 to ZW\$844.0 million in Q1FY21. The cost to income ratio for the period under review was 64% and is expected to exhibit fluctuations as inflation catch-up adjustments are applied to the cost base.

Total assets increased by 11% from ZW\$20.5 billion as at 31 December, 2020 to ZW\$22.9 billion as at 31 March, 2021. Income earning assets constituted 54%. The Group maintained an aggregated liquidity ratio above 70% which was adequate to accommodate short term fluctuations in customer demands. Loan book increased by 15% as the Group continued to increase its participation in supporting the growth of the economy. Asset quality remained good with a non-performing loans ratio of 0.39% as at 31 March, 2021 when compared to the December 2020 level of 0.68%.

The growth of assets was supported by a 19% increase in deposits and other funding accounts from ZW\$7.9 billion as at 31 December, 2020 to ZW\$9.5 billion as at 31 March, 2021, following money supply trends on the market.

The Group's total equity increased by 4% during Q1FY21, closing at ZW\$9.4 billion at 31 March, 2021. The capital position for regulated entities at the end of Q1 was as follows:

Entity	Regulator	Minimum Capital Required (ZW\$) million	Minimum Capital Achieved (Q1FY21) (ZW\$) million
ZB Bank Limited	RBZ	25.00	4 112.00
ZB Building Society	RBZ	20.00	784.39
ZB Reinsurance	IPEC	75.00	621.00
ZB Life Assurance	IPEC	75.00	1 904.00
ZB Transfer Secretaries	SECZ	0.15	33.94

FUTURE CAPITAL REQUIREMENTS

The Group is confident of meeting the Tier 1 bank capital requirements for its banking operations, prescribed by the RBZ as the ZW\$ equivalent of US\$30 million, effective from 31 December, 2021. The merger of ZB Bank Limited and ZB Building Society is expected before the end of the year and is a key part to the capital management plan.

DIVIDEND

No dividend has been declared for the quarter under review.

OPERATIONS UPDATE AND OUTLOOK

With the increased usage of the US\$ on the market, the risk of loss due to robberies has been on the increase. The Group suffered a loss of US\$2.7 million on 6 January, 2021 following an attack on one of its cash in transit vehicles. Measures have been taken to improve security and mitigate loss.

Based on current performance trends, the Group expects to meet its performance targets for FY21.

DIRECTORS

Messrs S Bvurere and O Akerele resigned from the Board on 3 May, 2021. The Board is grateful for the service they rendered to the Group during their term of office and wishes them success in their future endeavours.

PUBLICATION OF FINANCIAL RESULTS

The Group has sought an extension from the ZSE for the publication of its 2020 full year financial results to 31 May 2021. This was necessitated by the need to give time to the external audit processes which were delayed as a result of the sub-optimal working arrangements arising from the implementation of lock-down rules in terms of Statutory Instrument 10 of 2021.

Half year financial results to 30 June, 2021 will be published before 31 August, 2021.

By order of the Board

T.F.A. MASIWA
Company Secretary
15 May 2021



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(04) 304 038/44/45 | 304 044/45/46/49

