



Trading Update: First Quarter 2022

This Trading Update for the first quarter ended 31 March 2022 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 period under review, Zimbabwe recorded a contraction in COVID-19 cases and an increase of the recovery rate to over 95%, which led to the relaxation of lockdown restrictions and increasing re-opening of the economy.

Inflation pressures increased mainly as a result of a surge in oil and other commodity prices on the back of the Russia-Ukrainian War. On average month-on-month inflation rose by 0.2 percentage points to 6.2% in Q1 2022 from 6.0% in Q4 2021. Average annual inflation worsened by 8.60 percentage points during the quarter under review to 66.50% from 57.9% recorded in Q4 2021.

The local currency depreciated constantly during Q1 2022. On the official foreign exchange auction market, the local currency depreciated by 31% to close at 142.42 against the US Dollar.

The stock market experienced a bull run during Q1 2022, as investors sought to hedge against value erosion. The Zimbabwe Stock Exchange (ZSE) registered a 48% increase in market capitalization from ZW\$1,227.27 billion as at 31 December 2021 to ZW\$1,821.91 billion as at 31 March 2022.

Meanwhile, in a bid to foster economic stability and enforce strict liquidity management framework, the Reserve Bank of Zimbabwe deployed a raft of measures to mop excess cash in circulation which included, increasing the bank policy rate from 60% to 80% during the quarter under review.

FIRST QUARTER PERFORMANCE OUTTURN

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

The Group's total income increased by 111% from ZW\$2.295 billion for the 3 months' period ended 31 March 2021 to ZW\$4.852 billion recorded in March 2022. The growth in revenue was underpinned by a 291% increase in fair value credits and foreign exchange income, a reflection of asset value adjustments in line with changes happening in the operating environment.

Regular income sources were under pressure and improved by much lower rates as follows: 79% for net earnings from lending activities on the back of 4% increase in earning assets, 20% for banking commissions and fees as a result of 30% increase in number of accounts and 8% increase in number of transactions, 28% for net re-insurance income and 177% net life assurance income.

Operating expenses increased by 47%, in response to inflationary pressures and weakening of the Zimbabwean dollar (ZW\$) against the USD. The cost to income ratio, however, improved from 64% in prior period to 44% for the period under review.

Total assets for the Group as at 31 March 2022 closed at ZW\$64.1billion, having increased by 6% from the total of ZW\$60.5 billion as at 31 December, 2021. Income earning assets constituted 55% of total assets. The Group maintained an aggregated liquidity ratio above 60% which was adequate to

accommodate short term fluctuations in customer demands. Asset quality remained good with the non-performing loans ratio having been contained within the hurdle rate of 5% throughout the period.

Deposits and other accounts increased from ZW\$24.4 billion at 31 December 2021 to close at ZW\$25 billion as at 31 March 2022.

The Group's total equity increased by 7% during Q1FY22, closing at ZW\$25.8 billion as at 31 March 2021. All Group entities with regulated capital levels as at 31 March 2022 were compliant, 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 2022.

Dividend

No dividend has been declared for the quarter ended 31 March 2022.

MAJOR STRATEGIC DEVELOPMENTS

During the period under review, the Group launched 2 Sales and Service Centres, one at First Street in Harare, and the other at JMN Nkomo in Bulawayo, consistent with the Group's strategy to convert branches into Sales and Service Centres as part of its on-going transformation program. The Group will be rolling out more Sales and Service Centres across the country.

OUTLOOK

Although uncertainty abounds in the outlook, especially given the temporary restrictions on lending announced by the Government subsequent to the end of Q1 2022, the Group remains cautiously optimistic regarding the macroeconomic trajectory. The Group will continue to progress its digital transformation program in order to not only engender efficiencies in its operations, but also be better able to deliver a seamless and delightful customer journey.

Reliance will continue to be placed on the Group's strategic partnerships going forward, particularly with the Government, with focus being maintained on supporting the productive sectors of the economy in order to enhance the country's economic growth prospects.

By order of the Board

T. F. A. MASIWA
Group Company Secretary
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08677 002 005 WhatsApp 0772 442685

08677002001, (0254) 781361/9

www.zb.co.zw

