

# Trading Update

For The Third Quarter Ended 30 September 2020

## Operating Environment

The third quarter was characterised by exchange rate and price stability resulting in inflation starting to show a downward trend. Year on year inflation closing the quarter at 659% from a peak in July of 837% whilst month on month inflation closed the quarter at 3.8%.

The easing of lockdown towards the end of the second quarter enabled various sectors of the economy to start operating normally, resulting in increased transaction volumes.

The Bank's negotiated loans due to Covid-19 constraints constitute 6% of the loan book being the same level as last quarter, with the tourism sector constituting the largest proportion. There was no deterioration in credit quality of these renegotiated loans in the third quarter, with the non-performing loans ratio remaining stable at 0.2%, well below market average. The Bank's deposits continue to be well diversified.

## Financial Performance Review

The Bank registered a strong performance during the third quarter with total income in inflation adjusted terms excluding property revaluation increasing by 58% from ZWL1.2bn to ZWL1.9bn. In historical cost terms total income excluding property revaluation increased by 151% from ZWL478m to ZWL1.2bn. This increase was largely driven by ZWL657m increase in local currency loans, together with an increase in transactional volumes, and inflation adjusted price increases.

Operating costs increased by 69% in inflation adjusted terms from ZWL766m to ZWL1.3bn whilst in historical cost terms, operating costs increased by 111% from ZWL317m to ZWL670m.

Inflation adjusted after tax operating profit increased by 100% from ZWL188m to ZWL376m. In historical cost terms operating profit after tax increased by 450% from ZWL57m to ZWL314m. This growth in profit exclude property revaluation impact.

Balance sheet growth was driven by local currency deposits which grew by 73% from ZWL1.5bn to ZWL2.6bn. As a result loans increased by 83% from ZWL779m to ZWL1.43bn. Foreign currency deposits slightly increased by 3% from USD61m to USD63m whilst foreign currency loans reduced significantly due to repayments.

Looking ahead, the Bank will most likely surpass third quarter performance given the growth in deposits.

Total capital adequacy ratio was 28%, whilst liquidity ratio was 70%.

## By Order of the Board



**Violet Mutandwa**  
Company Secretary

27 November 2020