Q1 2024 Trading Update

Operating Environment

The global economy is projected to grow by 3.1% in 2024, significantly below the historical average of 3.8%. In Zimbabwe, real GDP growth is projected to slow down to 3.3% in 2024, partly reflecting the impact of the El Niño-related drought, driving lower commodity prices. This resulting economic output is coupled with high inflation and exchange rate volatility. Blended annual inflation closed the quarter at a high of 55.34%, highlighting macroeconomic fragility. This prompted wholesale monetary reforms by the Reserve Bank of Zimbabwe on 5 April 2024, the most significant of which was the introduction of a new currency, the Zimbabwe Gold (ZiG) backed by mineral and foreign exchange reserves.

Performance Review

The Bank's total income, before once-off fair value adjustments, for the first quarter of 2024 grew by 40%, to close at US$20.5 million from US$14.6 million for the same period in 2023. This growth was driven by strong performance in both net interest income and non-funded income. The Bank accelerated lines of credit and interest income was bolstered by a 15% increase in the loan book to US$91 million as at 31 March 2024 from US$79 million recorded as at 31 March 2023. Reflecting general market apprehension, total deposits increased marginally to US$132 million as at 31 March 2024. Funding was thus augmented by recourse to lines of credit whose drawdowns increased from US$2.9 million to US$16.5 million between March 2023 and March 2024.

Cost pressures remained elevated, with operating expenses rising by 12% to US$10.4 million in the first quarter of 2024 compared to the same period in 2023. A rigorous rationalisation and optimisation exercise is currently underway to curtail cost expansion.

The Bank's non-performing loan ratio (NPL) continued to improve quarter-on-quarter closing at 7% as at 31 March 2024 from 8% in December 2023 and 13% as at June 2023, following various interventions undertaken and underway such as sectoral redistribution to improve overall asset quality.

The Bank's capital increased by 25% during the quarter, with the capital adequacy ratio (CAR) at 35%, well above the regulatory threshold of 12%. At US$58.2 million, core capital remained comfortably above the regulatory absolute threshold of US$30 million, and liquidity ratios remained above the minimum regulatory requirement of 30% throughout the period under reporting.

Dividends

The Directors have not declared a dividend for the quarter under review.

Outlook

The operating environment presents risks and opportunities. The Bank remains positive about growth prospects in the medium-term through diligently harnessing the opportunities whilst exercising robust risk and cost management. To boost its capacity to support the expected economic rebound, the Bank has mobilised an additional US$15 million line of credit from the African Development Bank. This brings the total available facilities from various regional and international funders to US$48.5 million, significantly enhancing the Bank's capacity to support growth in the key sectors of the economy and facilitate the anticipated economic rebound.

By order of the Board.

Sarudzai Binha
Company Secretary
23 May 2024