Trading Update

FOR THE THE NINE MONTHS ENDED 30 SEPTEMBER 2022

Introduction

I am pleased to present an update on the performance of CBZ Holdings Limited and its subsidiaries for the period ended 30 September 2022.

Operating Environment

The period under review witnessed elevated global and regional inflationary pressures, which resulted in most central banks adopting aggressive monetary tightening strategies. In the United States, the Federal Funds Rate was hiked twice by a cumulative 140 basis points to end the quarter in the 3-3.25% range as the Central Bank battled soaring inflation. In South Africa, one of Zimbabwe's major trading partners, the repo rate was hiked from 4.75% at the end of the second quarter to 6.25% by the end of the third quarter of 2022. In Zimbabwe, the monetary policy committee of the Central Bank increased the bank lending rate from 80% in June 2022 to 200% in July 2022.

This accelerated normalization of monetary and fiscal policies – from the unprecedented policy support offered during the pandemic - translated into tightening of financial conditions across most emerging and other advanced economies. Furthermore, the increases in US interest rates, in particular, resulted in continued strengthening of the US dollar against most currencies, as well as general downward pressure on commodities prices on the international markets. The firming of the US dollar, in turn, spawned further inflationary pressures across most economies, thereby complicating the policy responses. The impact of the policy tightening was also compounded by geopolitical disturbances, which further resulted in elevated food costs across most economies.

Nevertheless, the positive impact of the monetary and fiscal restraint in Zimbabwe became evident during the quarter under review, with the month-on-month inflation rate decelerating to 3.5% in September 2022. Additionally, activity in the mining, construction and tourism sectors remained elevated, thereby presenting exciting opportunities for the Group.

Group Financial Highlights

The table below summarises the Group's financial performance for the period ended 30 September 2022.

	UNAUDITED					
	INFLATION ADJUSTED			HISTORICAL		
	30 SEP 22 ZWL $m	RESTATED 30 SEP 21 ZWL $m	RESTATED 31 DEC 21 ZWL $m	30 SEP 22 ZWL $m	30 SEP 21 ZWL $m	31 DEC 21 ZWL $m
Key Financial Highlights						
Total Revenue	191 641	65 917	161 854	177 244	16 734	39 618
Profit after taxation	27 478	12 170	24 634	66 460	4 466	16 164
Total assets	889 340	556 998	608 263	858 856	135 638	182 571
Total equity	143 087	93 946	114 409	114 139	14 434	29 710
Total deposits	640 945	398 754	419 910	640 945	104 824	131 374
Total advances	308 044	190 518	178 677	308 044	50 083	55 901
Other statistics						
Basic earnings per share (cents)	7 018.54	3 108.57	4 719.49	16 975.20	1 140.67	3 096.43
Cost to income ratio (%)	31.8	51.7	54.3	22.9	44.5	34.8
Return on assets (%)	8.7	4.5	6.2	22.5	6.6	11.9
Return on equity (%)	27.5	17.6	24.0	106.8	46.7	79.3
Growth in deposits (YTD %)	52.6	19.1	25.4	387.9	60.8	101.5
Growth in advances (YTD %)	72.4	26.0	18.1	451.1	70.1	89.9
Growth in PAT (YOY %)	125.8	(13.7)	(5.5)	1 388.2	(20.4)	170.6

The Group posted a commendable financial performance during the period and will continue to strengthen its revenue generating capacity as well as focus on capital preservation strategies amid the rising inflation. Adequate capitalisation, improved asset quality and sustained earnings, will continue to bolster the Group against a turbulent economic landscape.

COVID-19 & Business Impact

The economy has been gradually recuperating from the effects of the COVID-19 pandemic. The resumption of economic and business activity on a large scale enabled the Group to increase its transactional volumes and strengthen its balance sheet. The Group is committed to support economic recovery, by providing and delivering tailor made services and solutions to its wide range of customers.

The greater part of the year, also saw the rest of the world diverting focus and resources to the Russian-Ukrainian war and organisations employing strategies to cushion the resultant price shocks and supply chain disruptions.

Going Concern and Solvency

The Directors remain confident of the Group's ability to continue in operational existence and have availed themselves to continuously monitor its operational adaptability and strategy resilience in light of the changing economic environment. The Group continues to leverage on its strong market presence and digital transformation, as a competitive edge.

Outlook

The International Monetary Fund "IMF" expects global growth to decelerate from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. Although the risks of stagflation and general recession remains relatively high in 2023, the Group and its subsidiaries remains well capitalized and positioned to withstand adverse market conditions whilst at the same time pursuing emerging opportunities.

Issued by the Board.

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