



NMBZ HOLDINGS LIMITED

Holding company of NMB BANK LIMITED

(Registered Commercial Bank)

Registered Office:

4th Floor, Unity Court, Corner Kwame Nkrumah and First Street, Harare. Tel: 0242 759651-9 / 759601-6. Fax: 759648

TRADING UPDATE

NMBZ Holdings Limited (“The Group”) hereby issues the following Trading Update for the First Quarter ended 31 March 2020 (“Q1 2020”). The Zimbabwe Stock Exchange (“ZSE”) has authorised the issue of this Trading Update in lieu of compliance with rule 35(5) of the ZSE Listing Requirements, set out in Statutory Instrument 134 of 2019, read in conjunction with the ZSE Practice Note entitled “Publication of Interim Financial Public Reports for the First and Third Quarters in terms of section 35(5)” (“Practice Note 9”).

Trading environment

The operating environment in the Quarter was characterised by hyperinflation, foreign currency shortages and a weakening local currency. In addition, the global economies experienced the devastating effects of the novel Corona Virus (“COVID-19”) pandemic which has ravaged the world economies and Zimbabwe has not been spared. The World Health Organisation (“WHO”) declared COVID-19 a world pandemic; the Government of Zimbabwe declared COVID-19 a national disaster and the WHO declaration resulted in lockdown measures being taken all over the world in order to slow down the spread of the disease.

Trading Impact of Global COVID-19 Pandemic

The current health emergency caused by the global spread of COVID-19 has significant implications for the Zimbabwean economy and as a Group, we are following the advice and directives of the World Health Organization (WHO) in conjunction with the Government of Zimbabwe in order to provide a safe environment for all our stakeholders including shareholders, customers and employees.

In response to the COVID-19 pandemic, the Government of Zimbabwe implemented a number of measures to mitigate the widespread transmission of the virus. In the period under review, the Government declared a 21-day national lockdown effective 30 March 2020, which was subsequently extended by a further 28 days to 17 May 2020. Through the Reserve Bank of Zimbabwe (“RBZ”), the Government also announced a raft of measures including the relaxation of exchange control regulations to allow the use of foreign currency, classified as free funds in the economy, for improved flexibility and convenience on the part of the transacting public in response to the measures adopted to fight the novel virus.

The impact of these measures on our operations has been pronounced in the month of April 2020. However, the severity and the operational impact of the restrictions for the remainder of the year cannot be reasonably estimated at this point in time. The Group however continues to monitor the situation closely and further updates will be provided when visibility improves and we have greater clarity over the expected financial performance of the Group in 2020; as every listed entity on the ZSE will continue to trade under cautionary for the duration of the lockdown period, including any subsequent extensions, until the lockdown has been formally dispensed with in terms of the enabling legal instrument.

The adverse effects of the COVID-19 virus resulted in an evolving bleak outlook for the global economies and Zimbabwe has by no means been an exception. Local and global economic projections are pointing to a decline in key economic indicators, which may result in company closures and right sizing, reduced disposable incomes and deteriorating standards of living, all of which will in turn have a negative bearing on the Group’s operations in the short to medium term.

In light of the challenges posed by the difficult operating environment, the Bank had to adopt measures and strategies that would bring convenience to its customers, whilst also ensuring business continuity. The Group continues to actively monitor the rapidly evolving situation and an extensive range of business continuity measures are in place. These measures include enhanced safety and sanitation protocols at all our operating Units, as well as making significant adjustments to work practices to ensure social distancing.

Mitigation Measures

In this time of unprecedented economic and business uncertainty, the Group’s Board has firmly focused its attention on protecting our business, mitigating any potential adverse financial impact and ensuring that the Group is well positioned for a recovery trajectory post the pandemic. Some immediate actions are currently being implemented to mitigate the financial impact of the current crisis on the Group’s activities. Some of the measures implemented to date include the following:

- Enabling offsite working for all our critical staff.
- Reviewing all discretionary and non-essential expenditures.
- Enabling all our customers to transact through our digital platforms.
- Accelerate our digital transformation drive.
- Suspension of all capital expenditure and limiting it to expenditures that promote the new operating order.

Prior to the advent of COVID-19, the Bank had embarked on a digitalisation drive to improve the customer experience, enhancement of service delivery and broadening the customer digital touch points. This strategy has proven to be quite pivotal in the current operating environment. The resultant increase in the adoption of the digital platforms has however been offset by the reduced transactional activities due to the closure of most businesses except those which were classified as essential.



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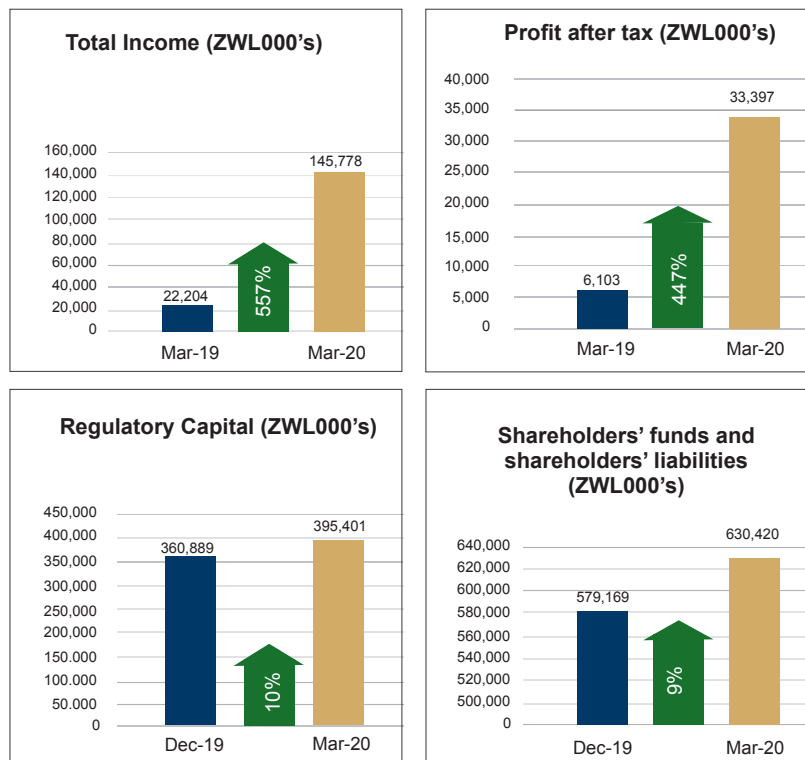
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Q1 2020 Trading Performance

In spite of the challenging operating environment, the Group recorded a 557% growth in total income for the 3 months ended 31 March 2020 compared to the corresponding period in 2019.

The major historical cost financial performance highlights for the Group are as shown below:



The Group's Statement of Financial Position and the Bank's liquidity position remain very strong. The Bank's liquidity ratio as at 31 March 2020 stood at 55.9% (31 December 2019 – 60.7%) and was above the statutory minimum of 30%. In spite of the challenges posed by the difficult operating environment and the evolving COVID-19 pandemic, the Group remains solvent and the directors are confident of the Group's ability to continue to operate as a going concern.

Regulatory capital requirements

The Bank's regulatory capital as at 31 March 2020 was ZWL395.4 million and is above the minimum required regulatory capital of ZWL25 million. This translated to a Capital Adequacy Ratio of 35.40% as at 31 March 2020 (31 December 2019 – 39.49%) and this was significantly above the prescribed regulatory minimum ratio of 12%.

In the period under review, the RBZ announced the new minimum capital thresholds for banking institutions with a Tier 1 bank's minimum capital being reviewed to the Zimbabwe Dollar equivalent of USD30 million to be achieved by 31 December 2020. The impact of COVID-19 will no doubt affect our capitalisation plans, but the bank remains committed to achieving a Tier 1 status.

Outlook

The COVID-19 pandemic is expected to have a material impact on the global economic activities in 2020 and Zimbabwe will be equally affected. Due to the nature of the pandemic, the already challenging operating environment in the country and the uncertainty surrounding the extent and duration of the lockdown restrictions; the impact on Group's profitability in 2020 cannot be presently estimated to a reasonable degree.

We are hopeful that the efforts from the Government and the Central Bank will mitigate the adverse economic effects of the COVID-19 crisis, while the key beneficiaries of the existing and any future stimulus packages will recover in the shortest possible time.

The Group's banking subsidiary will continue to broaden its market segments and grow its deposit base through enhanced digital offerings. The Bank is cognisant of the fact that the current crisis will affect its customers to different levels and extents and resultantly, the Group has revisited its key risk management practices to minimise the adverse impact on its performance.

The Group will publish its interim results for the six months ending 30 June 2020 by 31 August 2020.

By order of the Board

Shumirai Pashapa
Company Secretary
12 May 2020