cbz Holdings

TRADING UPDATE

for the Quarter ended 31 March 2020

CBZ NTC003

Introduction

I am pleased to present an update on the performance of CBZ Holdings Limited and its subsidiaries for the quarter ended 31 March 2020.

Operating Environment

The quarter began with the fiscal, monetary and regulatory authorities actively pursuing measures to stabilise the financial markets, the financial system and the macroeconomy at large. The Monetary Policy Committee, in January 2020 announced United States Dollar (US$) indexed new minimum capital requirements as follows;

- **Tier 1:** Banks (large indigenous commercial banks and foreign owned banks) – US$30 million
- **Tier 2:** Banks (Commercial banks, Merchant banks, Building societies, Development banks, Finance & Discount houses) – US$20 million
- **Tier 3:** Banks (Deposit taking microfinance banks) – US$5 million
- Credit only microfinance banks – US$25 000

These new minimum capital requirements will become effective from 31 December 2020. It is expected that they will result in stronger financial institutions and a stronger and stable financial services sector once all institutions have complied.

The Insurance & Pensions Commission "IPEC" also announced Guidelines for the insurance and pensions industry on adjusting insurance and pension values in response to the currency reforms in terms of Section 3 (1) (a) of Statutory Instrument 69 of 2020. Other notable policy measures that were announced included the reduction in the Central Bank policy rate from 35% to 25% and the expansion of the Medium-Term Bank Accommodation facility. This expansionary monetary policy stance, although inflationary, was seemingly meant to support the productive sectors of the economy, and steer the economy towards a sustainable growth path.

The CBZ Group continued to directly and indirectly participate in the sustainable development of the economy through its various subsidiaries in the Banking, Insurance, Investments and Agriculture sectors.

Group Financial Highlights

The table below summarises the Group's financial performance for the first quarter of the year.

	Unaudited 31 March 2020 Inflation Adjusted ZWL $m	Unaudited 31 March 2019 Inflation Adjusted ZWL $m	Unaudited 31 March 2020 Historical Cost ZWL $m	Unaudited 31 March 2019 Historical Cost ZWL $m
Key Financial Highlights				
Total Revenue	1 173.6	487.9	1 386.2	60.6
Profit after taxation	312.7	82.5	678.1	17.4
Total assets	26 418.8	19 831.3	25 029.2	2 704.6
Total equity	4 416.8	3 734.8	3 143.9	618.3
Total deposits	19 870.4	15 633.3	19 870.4	2 013.6
Total advances	5 097.1	3 950.0	5 097.1	508.8
Other statistics				
Basic earnings per share (cents)	60.24	15.94	130.64	3.36
Cost to income ratio (%)	30.8	55.0	23.3	55.4
Return on assets (%)	7.0	1.8	12.8	3.6
Return on equity (%)	19.3	6.4	52.4	10.4
Growth in deposits (YTD %)	3.5	(17.6)	52.1	(3.2)
Growth in advances (YTD %)	15.1	(11.1)	69.1	4.5
Growth in PAT (YOY %)	278.8	36.5	3 801.0	36.5

Subsidiaries Capitalisation

The Group's subsidiaries were in full compliance with their regulatory minimum capital requirement except for CBZ Insurance and Redsphere Finance which had regulatory capital shortfalls of $12.4 million and $1.99 million respectively, at the end of the Quarter. The Group managed to regularise these shortfalls by availing appropriate funding to the two subsidiaries during the month of April 2020.

Post Lockdown Matters

(a) Effects of Covid-19 on the business.

The World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March 2020. This is having a significant impact on both global and domestic economic activities as Governments adopt restrictive measures to curtail the spread of the virus. In Zimbabwe, Government and private sector efforts to fight the virus is resulting in new threats and opportunities to the Group's business model.

As the outbreak continues to spread globally, the operations of the Group have not been spared of the effects. Due to the lockdown that has been necessitated by the need to curtail the spread of the virus, most of the Group's branches and head offices have either been closed or are not operating at full capacity. Most of the Group's employees are working from home with the exception of staff members that are required to be available physically within the work premises. Limited services are being offered to clients, with most of the services being restricted to clients who have been designated as essential services. Transactional volumes have declined during the lockdown period as a result of the restriction in movement and the requirement that only essential services be allowed to operate during this period. Borrowers, especially those that are in the hardest hit industries such as Tourism and Hospitality have had their businesses affected and consequently, their ability to service debts.

The Group has assessed that COVID-19 will not have an inhibiting impact on its financial activities and position as most of its services and business activities have been and can be migrated to online platforms. The Group is therefore envisaged to continue as a going concern despite its possible effects.

(b) Group Business Continuity

The Group has put in place various measures to support its clients and counter the effects of COVID 19. The measures are detailed as below:

- **Aggressive use of digital channels:** The Group has encouraged its customers to make use of the various digital platforms it has available in an effort to make sure that services are available to customers during the lockdown period.
- **Remote working:** Most of the Group employees are available to ensure continuity of the business during lockdown by working remotely.
- **Limited services:** The Group, is offering money transfer agency business, deposit and withdrawal services to customers that are within the essential services category and those that have access to the teller on premises facility.
- **Forbearance and moratoria to clients hardest hit by the virus:** The Group's level of exposure within the Hospitality and Tourism Sector which has been hardest hit by the effects of the outbreak, constitutes about 0.68% and hence, the Group is unlikely to suffer significant losses due to non-performance of borrowers in this Sector.

(c) Going Concern and Solvency

The Directors have engaged themselves to continuously assess the ability of the Group to continue to operate as a going concern. Despite the foregoing, the Group has assessed that COVID-19 will not have an inhibiting impact on its ability to continue operating as a going concern.

Outlook

Going into the second quarter of the year, the operating environment is expected to remain fraught with increased uncertainties emanating from the effects of the outbreak and attendant measures to fight the virus. Economic activity will also slowdown further, as priorities remain firmly focused on confronting the unfolding unprecedented health and humanitarian crisis. The Group will continue to actively participate in the fight against the disease, maintaining the safety and wellbeing of its employees and clients as the number one priority.

Issued by Order of the Board

Rumbidzayi Angeline Jakanani
Group Legal Corporate Secretary

26 June 2020

REGISTERED HEAD OFFICE
5 Campbell Road
Pomona
Harare
Telephone: (263-242) 748 050 - 79
Email: info@cbzh.co.zw
www.cbz.co.zw