TRADING UPDATE

FOR THE QUARTER ENDED 30 SEPTEMBER 2020

Introduction

I am pleased to present an update on the performance of CBZ Holdings Limited and its subsidiaries for the quarter ended 30 September 2020.

Operating Environment

Global, regional and domestic economic activity continued to revolve around the COVID-19 pandemic, during the period under review. In fact, the number of global infections rose further, as some Governments began to relax lockdown restrictions in a bid to limit the impact of the pandemic and rejuvenate economic activity. In Zimbabwe, the number of cases noticeably rose, driven by local infections. This prompted the authorities to tighten the lockdown restrictions, thereby inadvertently stalling economic activity.

On the policy front, most advanced and emerging market economies pursued expansionary monetary policies, characterised with ultra-low interest rates and concessionary credit facilities, as part of measures to boost credit expansion and, thus, economic activity. In Zimbabwe, however, policy conduct remained generally difficult and constrained as the continued lack of balance of payments and budgetary support confined the authorities to largely limited domestic resources. Resultantly, the monetary and fiscal authorities pursued a balanced approach to policy conduct, characterized with a combination of contractionary policy measures to forestall inflationary pressures and speculative attacks on the exchange rate, as well as concessionary facilities and fiscal incentives to stimulate economic activity. Some of the notable policy measures that were introduced included, among others:

- Increase in the central bank rate from 15% to 35%.
- Extension of the medium term bank accommodation facility.
- Standardization of the exporters' surrender requirements at 30%.
- Introduction of an 80% retention threshold on domestic sales of goods and services in foreign currency.
- Upward review of PAYE tax thresholds.
- Extensions of banks' recapitalization deadline to 31 December 2021.
- Reopening of the domestic tourism sector.
- Resumption of domestic flights.

Thus, reflecting the contractionary public policies, as well as the belated stability in the exchange rate towards the end of the quarter, the month-on-month rate of inflation fell from an average of 21.5% in Q2 to an average of 15.9% in Q3. The ZW depreciated rapidly, as part of price discovery, between July and August 2020, before stabilizing in the lower 80s band, against the US dollar.

Group Financial Highlights

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

	INFLATION ADJUSTED		HISTORICAL COST	
	Unaudited 30 Sept 2020 ZWL $m	Unaudited 30 Sept 2019 ZWL $m	Unaudited 30 Sept 2020 ZWL $m	Unaudited 30 Sept 2019 ZWL $m
Key Financial Highlights				
Total Revenue	10 492.9	11 571.6	10 714.5	1 005.0
Profit after taxation	2 445.1	4 328.0	5 610.6	631.2
Total assets	90 398.5	47 233.9	86 288.3	5 829.6
Total equity	13 805.0	16 587.2	10 317.2	1 831.2
Total deposits	64 389.7	27 839.9	64 389.7	3 643.4
Total advances	22 742.1	6 279.3	22 742.1	823.4
Other statistics				
Basic earnings per share (cents)	628.10	1 113.39	1 441.28	162.38
Cost to income ratio (%)	38.2	24.7	23.3	23.4
Return on assets (%)	5.8	14.2	18.3	18.4
Return on equity (%)	26.0	67.8	121.1	58.8
Growth in deposits (YTD %)	23.3	(46.1)	392.8	75.2
Growth in advances (YTD %)	88.8	(48.1)	654.6	69.1
Growth in PAT (YOY %)	(43.5)	12.4	788.9	1240.7

The Group operated profitably during the third quarter and managed to strengthen its revenue generating capacity amid the effects of Covid 19 Pandemic.

Subsidiaries capitalisation

The Group's subsidiaries were in full compliance with their regulatory minimum capital requirement except for Redsphere Finance Pvt Limited which is in the process of being capitalised.

Post Lockdown Matters

a) Effects of Covid-19 on the business

The COVID-19 was declared a world pandemic by WHO (World Health Organisation) on the 11th of March 2020 as most countries reported surging numbers of cases. In response, the Government adopted restrictive measures to contain the spread of the virus. While necessary, the restrictive measures also led to a disruption of economic activities creating both threats and opportunities to the Group's business model.

The safety and wellbeing of our employees remains a priority. As such, even though the Covid 19 restrictions have since been eased, most employees continue working from home with the exception staff required to be available physically. The Group has made the necessary investment to ensure that both onsite and off –site employees can perform their duties. The Group will continue implementing stringent measures as per Covid 19 set statutory guidelines.

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 is encouraging its customers to make use of the various available digital platforms in an effort to decrease number of walk-in customers.
- Remote working: Most of the Group employees are available to ensure continuity of the business by working remotely.
- Forbearance and moratoria to clients hardest hit by the virus
- Continued adherence to Covid-19 guidelines issued by WHO and the Ministry of Health and Child care at all our offices and branches.

(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 in light of the COVID 19 pandemic. Despite the foregoing, the Group has assessed that the pandemic will not have an inhibiting impact on its ability to continue operating as a going concern since the business volumes have significantly improved.

Outlook

Going into the last quarter of the year, and into 2021, a number of scenarios are shaping up for the global and domestic economies. On the global level, COVID-19 is likely to gradually gravitate towards endemic status, with localized restrictions. Policy makers are expected to maintain expansionary monetary policies in order to continue supporting their economies. In Zimbabwe, the direction of most economic fundamentals largely depends on the Government's pace and approach towards reopening of the economy, in particular how the authorities will seek to boost economic activity in the key growth sectors such as the agriculture, mining, manufacturing and public sector.

Issued by the Board on

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