

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



ZAMBIA NATIONAL COMMERCIAL BANK PLC ("ZANACO")

[Incorporated in the Republic of Zambia]

Company registration number: 5387
Share Code: ZANACO
ISIN: ZM0000000250
Authorised by: Kaluba Gloria Kaulung'ombe-Inampasa – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

DISCLAIMER AND RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 28 September 2020



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["Zanaco" or "the Bank" or "the Company"]

In compliance with the requirements of the Securities Act No. 41 of 2016 of the Laws of Zambia and Listings Requirements of the Lusaka Securities Exchange, the Directors of Zanaco are pleased to announce the unaudited results for the half-year ended 30th June 2020.

Condensed consolidated statement of profit or loss

	Group 30-Jun-20 K'000	Bank 30-Jun-20 K'000	Group 30-Jun-19 K'000	Bank 30-Jun-19 K'000	Change	
					Group (+/-) %	Bank (+/-) %
Total operating income	982,152	978,234	717,949	716,253	37	37
Profit before income tax	108,457	121,205	108,205	109,861	0.2	10
Income tax expense	(46,058)	(46,058)	(40,194)	(40,567)	15	14
Profit attributable to shareholders	62,399	75,147	68,011	69,294	(8)	8
Number of shares during the year ('000)	1,443,750	1,443,750	1,443,750	1,443,750	-	-
Earnings per share (Kwacha)	0.043	0.052	0.047	0.048	(8)	8

Condensed consolidated financial position

	Group 30-Jun-20 K'000	Bank 30-Jun-20 K'000	Group 30-Jun-19 K'000	Bank 30-Jun-19 K'000
Assets				
Cash and balances with Bank of Zambia	2,009,876	2,009,876	1,084,969	1,078,435
Balances with other banks	779,609	779,609	611,395	611,395
Trading assets	820,403	820,403	-	-
Investment securities	3,905,383	3,905,383	3,844,365	3,844,365
Loans and advances to customers	4,761,057	4,768,073	3,832,023	3,832,023
Other assets	620,489	649,338	621,869	627,753
Amounts due from related parties	-	7,547	-	384
Property and equipment	667,254	649,172	479,200	476,879
Total assets	13,564,071	13,589,401	10,473,821	10,471,234
Liabilities				
Deposits from other banks	515,104	515,104	257,154	257,154
Customer deposits	10,918,756	10,922,748	8,417,969	8,417,969
Amounts due to related parties	-	466	-	2,800
Other liabilities	938,893	932,418	529,145	522,475
Borrowings	277,768	277,768	417,381	417,381
Total liabilities	12,650,521	12,648,504	9,621,649	9,617,779
Total equity	913,550	940,897	852,172	853,455
Total equity and liabilities	13,564,071	13,589,401	10,473,821	10,471,234

Condensed consolidated statement of cash flows

	Group 30-Jun-20 K'000	Bank 30-Jun-20 K'000	Group 30-Jun-19 K'000	Bank 30-Jun-19 K'000
Net cash generated from/ (used in) operating activities	1,217,263	1,212,705	(912,691)	(912,244)
Net cash generated from/ (used in) investing activities	(1,423,378)	(1,418,991)	(974)	1,947
Net cash used in financing activities	(224,404)	(224,169)	(156,392)	(163,592)
Net decrease in cash and cash equivalents	(430,519)	(430,455)	(1,070,057)	(1,073,889)
Cash and cash equivalents at beginning of the period	1,618,968	1,618,904	2,819,847	2,817,144
Cash and cash equivalents at end of period	1,188,449	1,188,449	1,749,790	1,743,255

Condensed consolidated statement of changes in equity

	Group 30-Jun-20 K'000	Bank 30-Jun-20 K'000	Group 30-Jun-19 K'000	Bank 30-Jun-19 K'000
Balance at the beginning of the period	926,280	940,879	820,908	820,908
Profit for the period	62,399	75,147	68,011	69,294
Dividends paid	(75,129)	(75,129)	(36,747)	(36,747)
Balance at end of period	913,550	940,897	852,172	853,455

Operating Environment

The negative effects of the Novel Corona Virus 2019 (COVID-19) remained the dominant influence on global and domestic economic performance in the first half of 2020. Various forecasts now show the Zambian economy shrinking between 2.4 and 5.2 percent, from an initial growth projection of around 3 percent before the impact of the pandemic. Business activity hit new lows in the second quarter of the year as firms cut back production and headcount due to a slump in trade activities and consumption resulting from the lockdown and other national health emergency measures that were effected. Business sentiment was negatively affected by the material impact that COVID-19 had over a relatively short period of time.

Review of Results

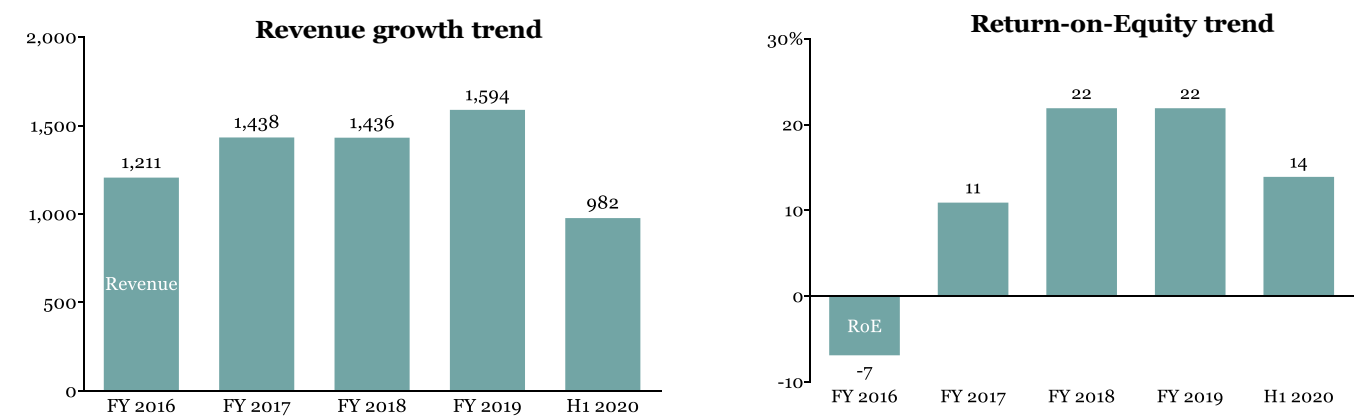
Despite the challenges in the operating environment, we are pleased to have delivered strong results in the first half (H1) of the year. Operating income grew by 37 percent to K982 million from the same period last year. The growth was primarily supported by strong performance from our lending and trading activities where the Bank assumed market leadership. Income from lending grew by 32 percent to K493m while trading income grew by 317 percent to K196m from H1 last year.

The results reflect the resilience of the Zanaco Group and the strategic success of its focus on key productive sectors of the economy despite the difficult economic environment. The Group has also begun to reap the benefits of its investments in restructuring, new systems and products and channels that will ultimately lead to business growth in line with the strategic plan and objectives.

Net profit for the period stood at K62 million representing a net margin of 6 percent. This is down from 9 percent in 2019 mainly due to cost inflation resulting from a weakened Kwacha, coupled with the restructuring activities aimed at improving long-term efficiencies and performance, creating sustainable growth and stability, and ultimately increasing value and optimising return for our shareholders. As with Net Profit, the Group's Return on Equity shows

a short-term decline in the first half of the year of 2020, which is expected to rebound in the near term on account of the realization of benefits from current year investments.

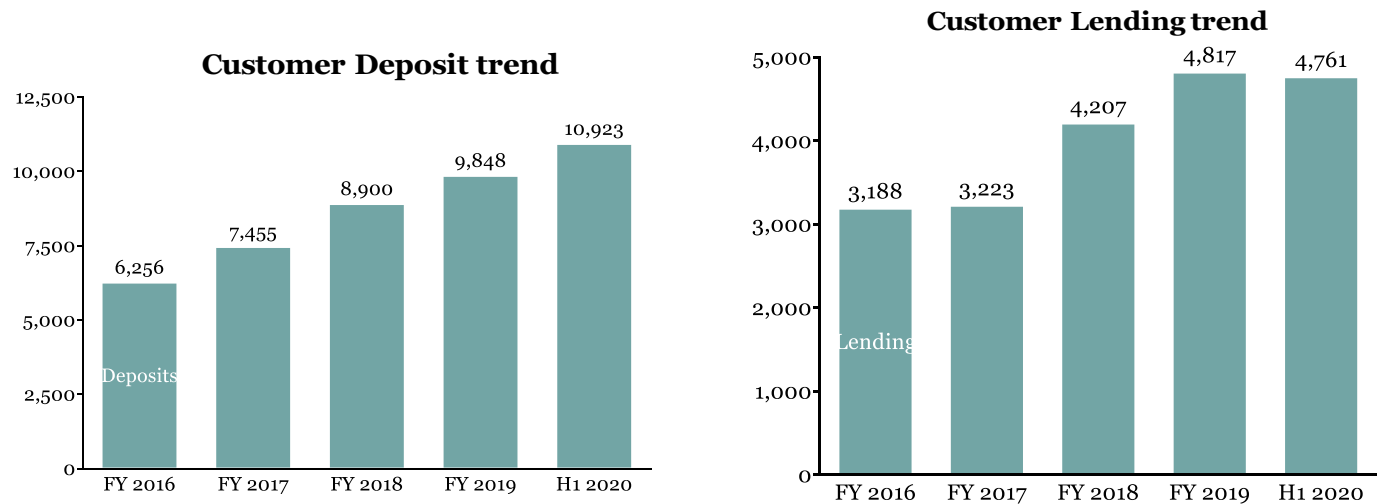
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Revenue and Return-on-Equity have shown consistent growth over the years from FY 2016 to FY 2020.

Note: Revenue figures from FY 2016 to FY 2019 are annual incomes for years ended 31 December, whereas the H1 2020 revenue relates to the period 1 Jan 2020 to 30 June 2020.

The Bank achieved strong balance sheet growth with total assets at K13,564m, a growth of 30 percent from H1 2019. Deposits grew by 30 percent to K10,918m whilst the loan book grew by 24 percent to K4,761m. Despite the growth in the loan book, asset quality has been maintained with a Non-performing loans ratio (NPL ratio) of 9.6% which is lower than the peer average.



Balance sheet growth from FY 2016 to FY 2020

Equity Performance

Return on equity has consistently been growing from -7% in 2016 to a high watermark of 22% in 2019, only declining to 14% in 2020 due to the strategic investments the Group has embarked on in the year. The consistent growth in Return-on-equity over the years, together with the good performance in 2020 enabled a comfortable dividend distribution at a pay-out ratio of 35% for the financial year ended December 2019; this translated into a dividend yield of 10% compared to a lower peer average, and represented a 100% growth in dividend year-on-year.

During the first half of the year, the share price remained static at K0.5 despite an 8% decline in the Lusaka Securities Exchange All-Share Index over the same period. Despite the sustainably good business and financial performance, the price to book ratio (PB ratio) of the Bank, which compares the market capitalisation to the book value of the net assets, stood relatively low at 0.78x, which therefore reflects a high intrinsic stock value and positive future prospect.

Capital Position

The Group remained adequately capitalized to support the business strategy and met regulatory requirements at all times. The Group's capital adequacy ratio as at 30 June 2020 stood at 13% after allowing for payment of an annual dividend. The Directors recommendation for a K75.1m dividend payment was approved at the Annual General Meeting in June this year.

Outlook

The effects of the coronavirus on the economy and society pose the largest threat to the future performance of the Group. Therefore, it is closely monitoring developments in the environment emanating from the pandemic to avert risks and identify opportunities. Our performance so far in this tough environment validates our chosen strategy. We will continue to invest in enhancing our customers' experience and restructuring operations to increase long-term efficiency and sustainability.

By Order of the Board

Kaluba G Kaulung'ombe-Inampasa
Company Secretary

Issued in Lusaka, Zambia on 28 September 2020

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First Issued on 28 September 2020