

A hand is shown from the top left, holding a smooth, light-colored stone. Below it is a stack of five similar stones, with a sixth stone at the bottom partially obscured by green grass. The background is a soft, light green gradient.

**ANALYSTS
PRESENTATION**



ZB FINANCIAL HOLDINGS

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015**

Briefing Outline



FY15 Financial Outturn

Profit & Loss Highlights

	FY15 US\$m	FY14 US\$m	Change
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Total Income

56.71	57.26
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1% ↔

Remained largely unchanged despite a fall in interest margins. This was on the back of strong debt recoveries and growth in non-funded income.

Total Expenses

46.32	69.72
-------	-------

34% ↓

A leaner and more efficient cost structure has been the hallmark of performance recovery during FY15.

Loan Impairment Charges

2.93	7.70
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62% ↓

Asset clean-up continued in FY15; loan recoveries had a significant positive impact on the net impairment charge to the income statement.

Profit For the Year

8.94	(9.81)
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191% ↑

Turnaround to profitability was largely on account of reduced expenses and recoveries of bad debts.



Summary Profit & Loss Statement












- **Pressure on income** is expected to continue in the foreseeable future due to increased competition and the introduction of interest rate caps
- Experiencing a **faster payback** period for the FY 14 rationalisation costs than anticipated.

Line Item	FY15 US\$m	FY14 US\$m	Change	
Total Income	56.71	57.26		1%
Operating Expenses	(46.32)	(56.96)		19%
Staff Disengagement Costs	-	(12.77)		100%
Profit From Ordinary Activities	10.38	(12.46)		183%
Transfer To Life Fund	0.77	1.41		46%
Share Of Profit From Associates	(1.77)	0.32		649%
Profit/(Loss) From Continuing Operations	9.38	(10.72)		187%
Loss From Discontinued Operations	-	(1.20)		100%
Income Tax Expense	(0.44)	2.12		121%
Net Profit/(Loss) For The Period	8.94	(9.81)		191%



Revenue generation - Change Over Prior Year

Interest margins tightened on a reduced loan book; Commissions & fees firmed marginally on increased business; fair value adjustments weighed down revenues whilst net underwriting income was largely unchanged despite an increase in volumes.

Income Line	FY15 US\$m	FY14 US\$m	Change	
Net Interest Income	16.69	19.57		15%
Charge For Impairment	(2.93)	(7.70)		62%
Net Earnings From Lending Activities	13.75	11.87		16%
Commissions And Fees	33.00	32.47		2%
Fair Value Adjustments	(2.67)	(0.76)		251%
Other income	4.14	5.10		19%
Non-Interest Income	34.47	36.81		6%
Net Reinsurance Income	3.51	3.49		0%
Net Life Assurance Income	4.98	5.09		2%
Net Underwriting Income	8.48	8.58		1%
Total Income	56.71	57.26		1%



OPEX – Change Over Prior Year

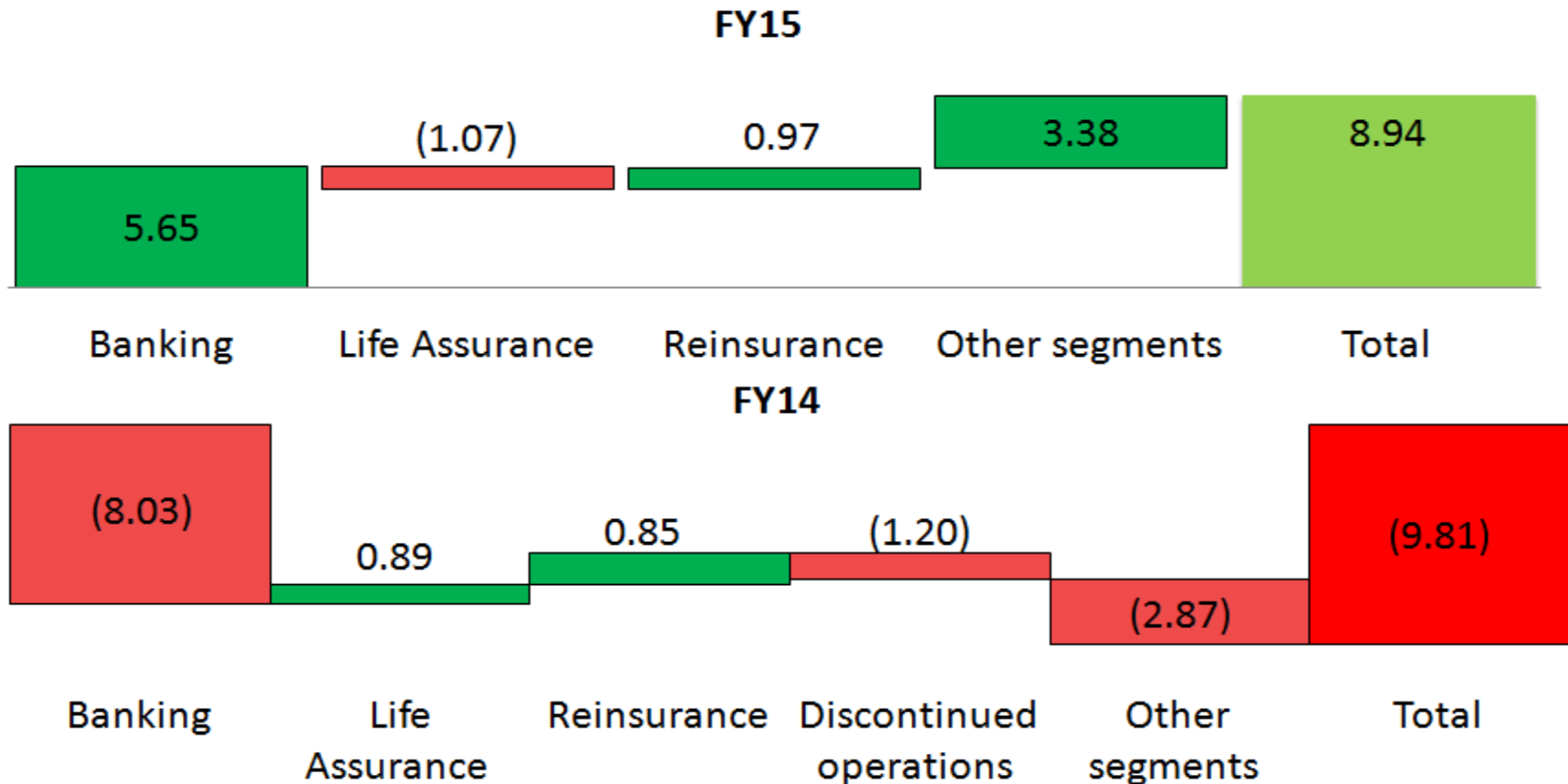
Cost savings were experienced across all lines. Cost control remains a major strategic focus area and will be balanced against the Group's service delivery promise.

Expenditure	FY15 US\$m	FY14 US\$m	Change	
Administration	9.96	10.70	↓	7%
Staff	22.72	43.10	↓	47%
Occupation	5.32	5.70	↓	7%
Computer and IT	2.19	2.81	↓	22%
Communication	0.70	1.28	↓	45%
Transport	1.23	1.53	↓	19%
Depreciation	4.20	4.61	↓	9%
Amortization (Software)	1.81	2.10	↓	14%
Total Expenditure	46.32	69.72	↓	34%



Business Unit Contribution to PAT(\$m)

All Strategic Business Units operated profitably during FY15, except the Life Assurance business. The loss in the Life Assurance segment is a result of a revaluation of underlying assets which is not expected to recur in FY16 and beyond.



Summary Statement of Financial Position

	FY 15 US\$m	FY 14 US\$m	Change	
Total Assets	424	380	12% ↑	Growth largely on the back of increases in money market investments.
Total Equity	82	68	19% ↑	Strong FY15 performance resulted in capital growth. Capital preservation remains critical to meet capitalisation targets for 2020.
Loans and Advances	100	146	32% ↓	Credit expansion curtailed in order to ameliorate credit risk. Major recoveries realised from clients in the mining and manufacturing sectors.
Deposits	270	257	5% ↑	Managed to maintain market share.
Money Market Investments	117	12	871% ↑	Deliberate strategy to manage credit risk by substituting claims on the private sector with sovereign paper.
Life Assurance Fund	28	29	3% ↓	Decreased by 3% due to subdued performance of the underlying assets.



Composition of Assets

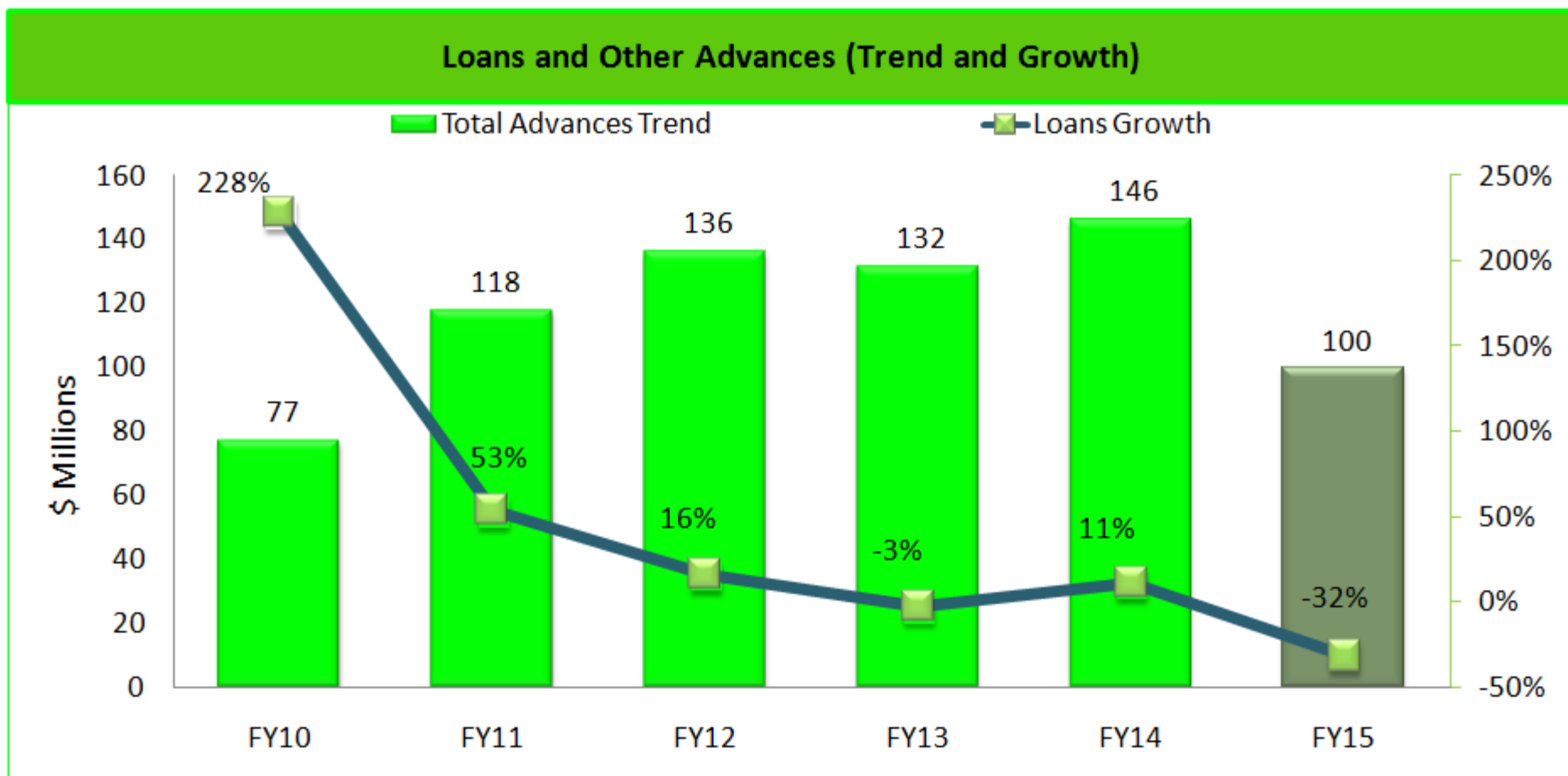
Earning assets grew by 25% driven by active participation in Treasury paper.

Composition of Total Assets	FY15	FY14	Change
Earning assets	\$m	\$m	
Money market investments	117.48	12.09	871%
Loans and other advances	99.58	146.16	(32%)
Investment properties	15.00	17.16	(13%)
Investment securities	18.41	16.29	13%
Investment in associates	36.70	38.47	(5%)
Total earning assets	287.17	230.17	25%
Non-earning assets			
Cash and short term funds	55.79	82.59	(32%)
Other assets	27.24	13.96	95%
Property and equipment	53.89	53.03	2%
Total non-earning assets	136.92	149.58	(8%)
Grand total	424.08	379.75	12%
Earning assets contribution	68%	61%	



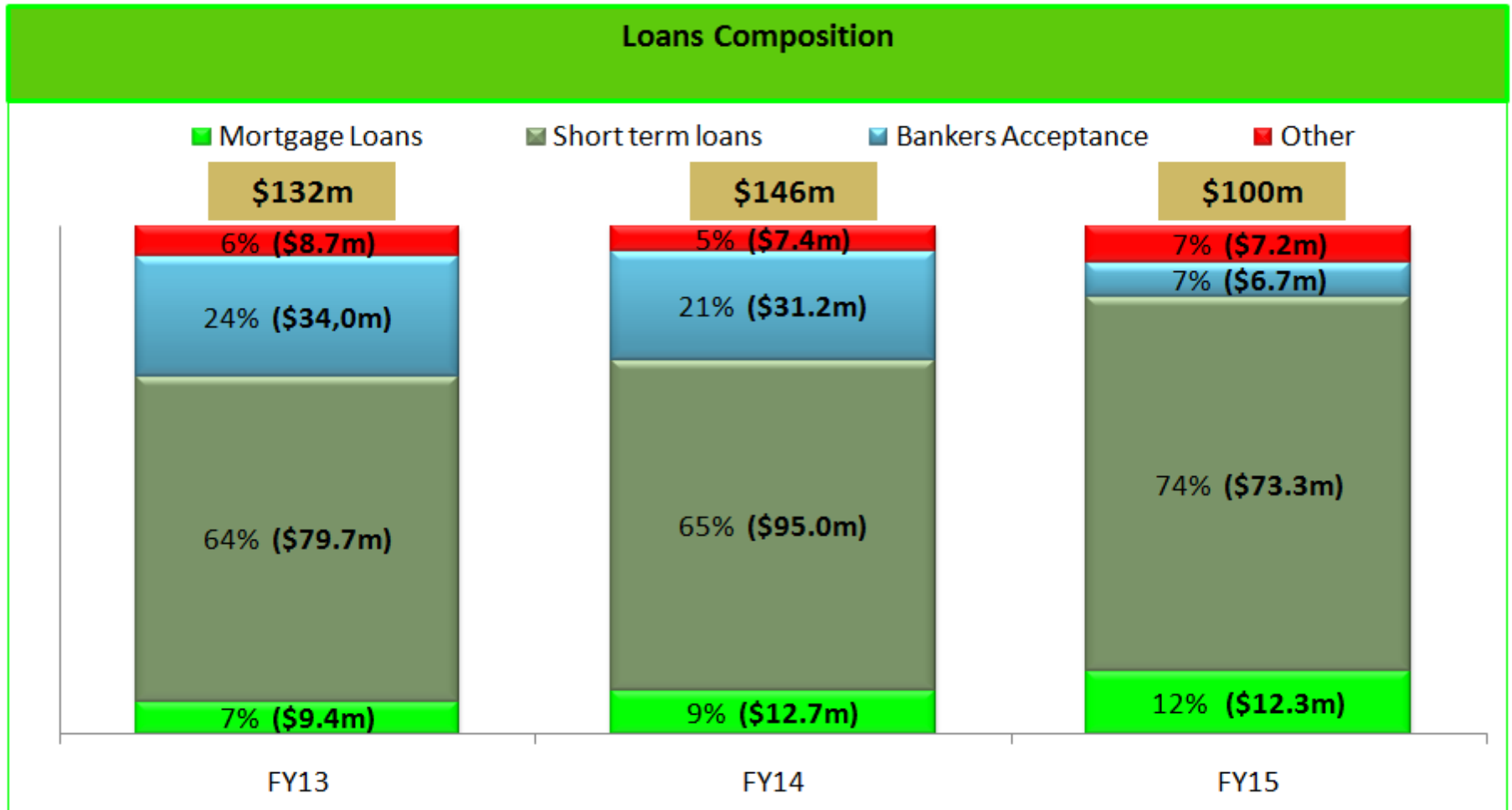
Loans and Other Advances – Trend

Credit assets have grown at a reducing pace since FY11 as general credit absorption capacity in the private sector weakened.



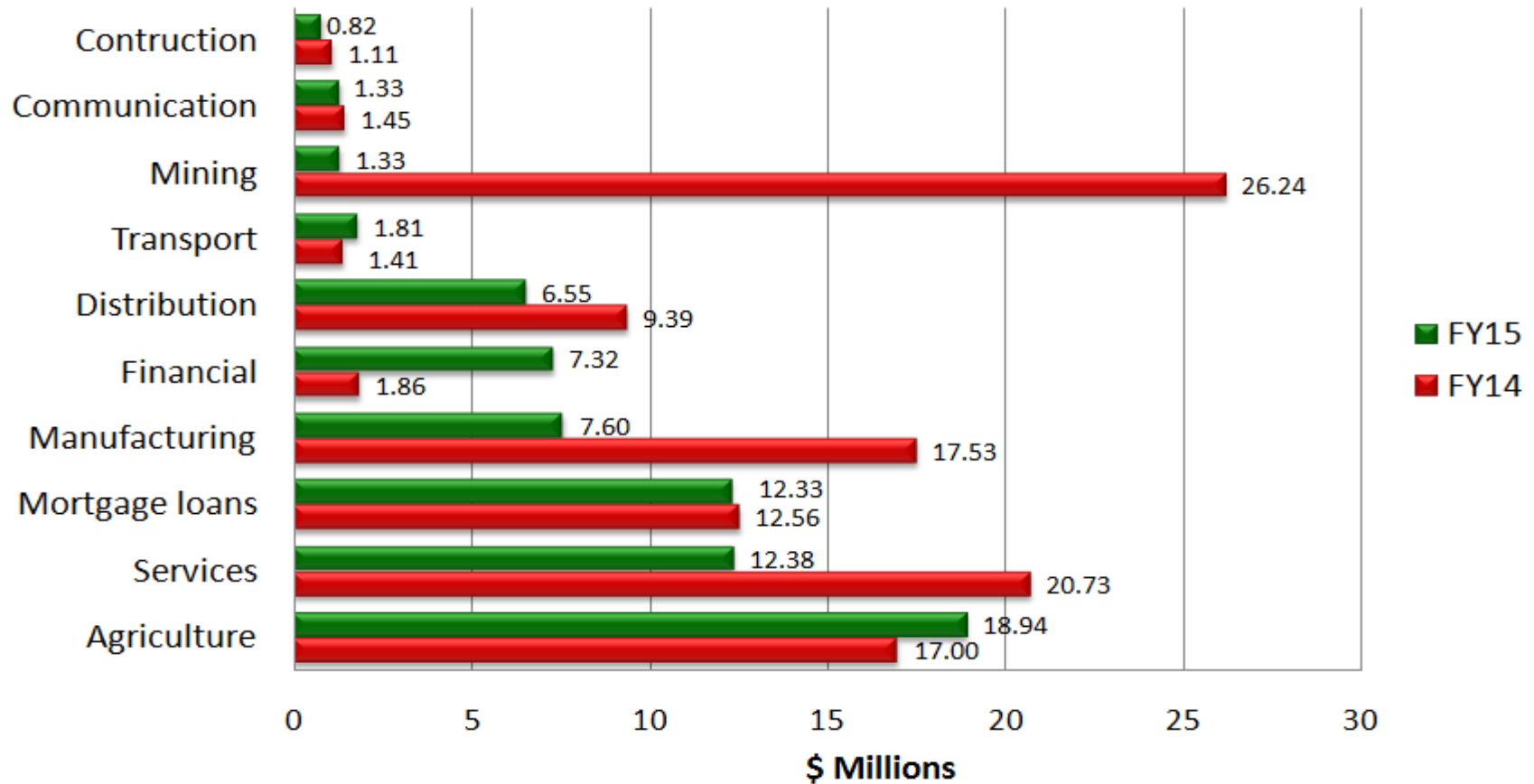
Loans and Other Advances – Composition

The decline in the loan book was largely on account of declines in **short-term loans** and **Bankers Acceptances**.



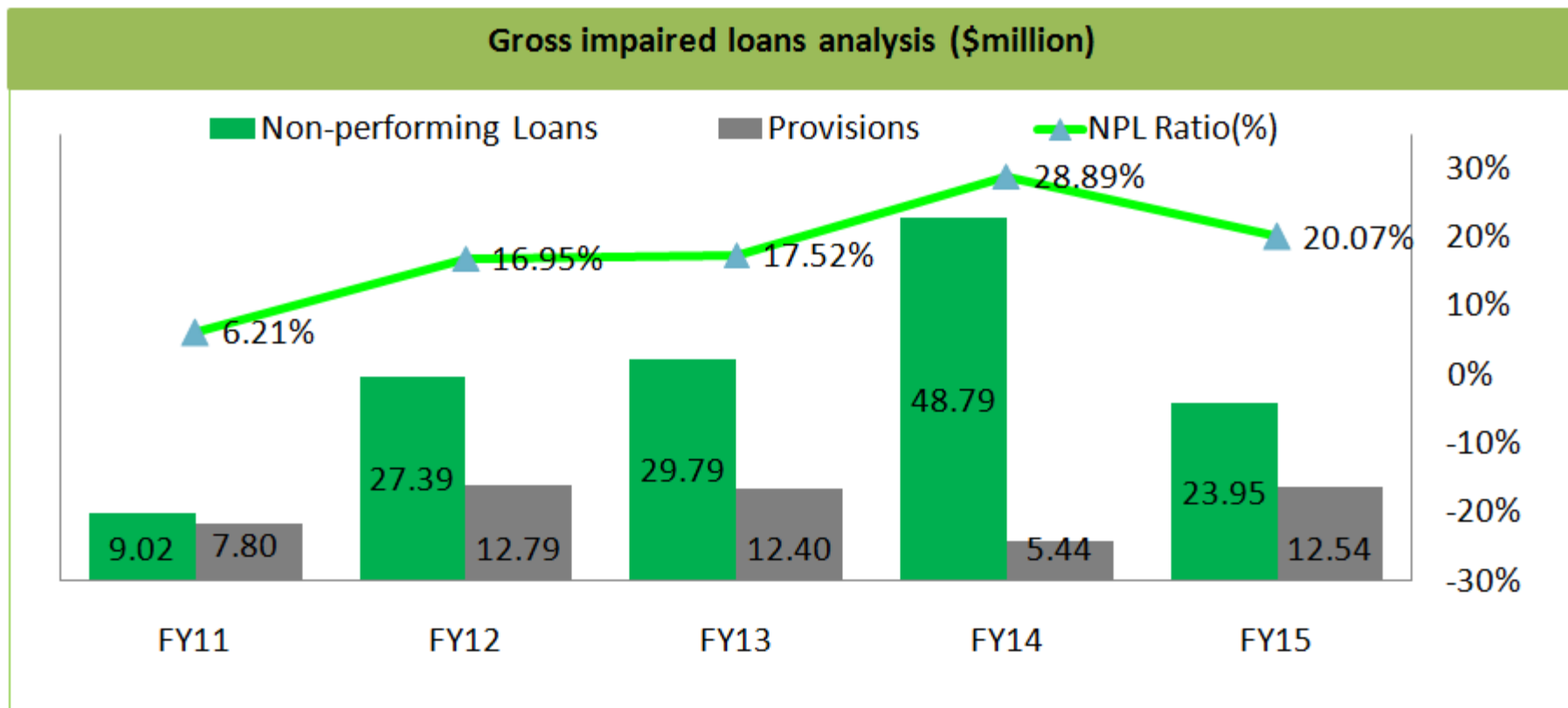
Loans and Advances - Sectoral Analysis

Bad debt recoveries in the mining and manufacturing sectors, write-offs in most sectors and renewal of loan facilities at relatively lower levels resulted in a lower loans and advances book.



Loan Impairments

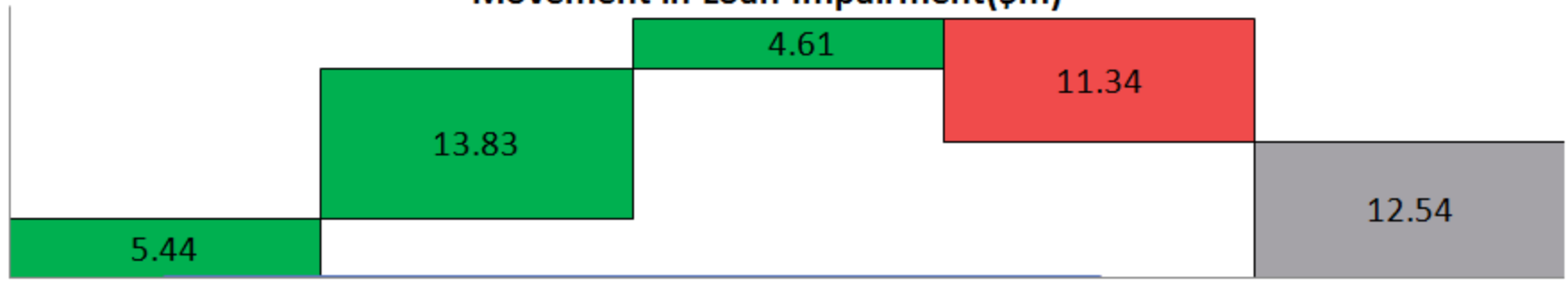
- Major recoveries and transfer of bad debts to ZAMCO in the mining and manufacturing sectors, have reduced the NPL ratio.
- NPL ratio influenced by a reduction in the gross loans (denominator); nominal level of NPLs reduced by 51%.



Loan Impairments

- Charge for loan impairment of \$13.8m was offset by a \$10.9m recovery to result in a \$2.9m charge to profit & loss.
- \$11.3m Write-offs during the year were charged against provisions.

Movement in Loan Impairment(\$m)



FY14

Charge to Income
Statement

Interest Reserve

Write offs

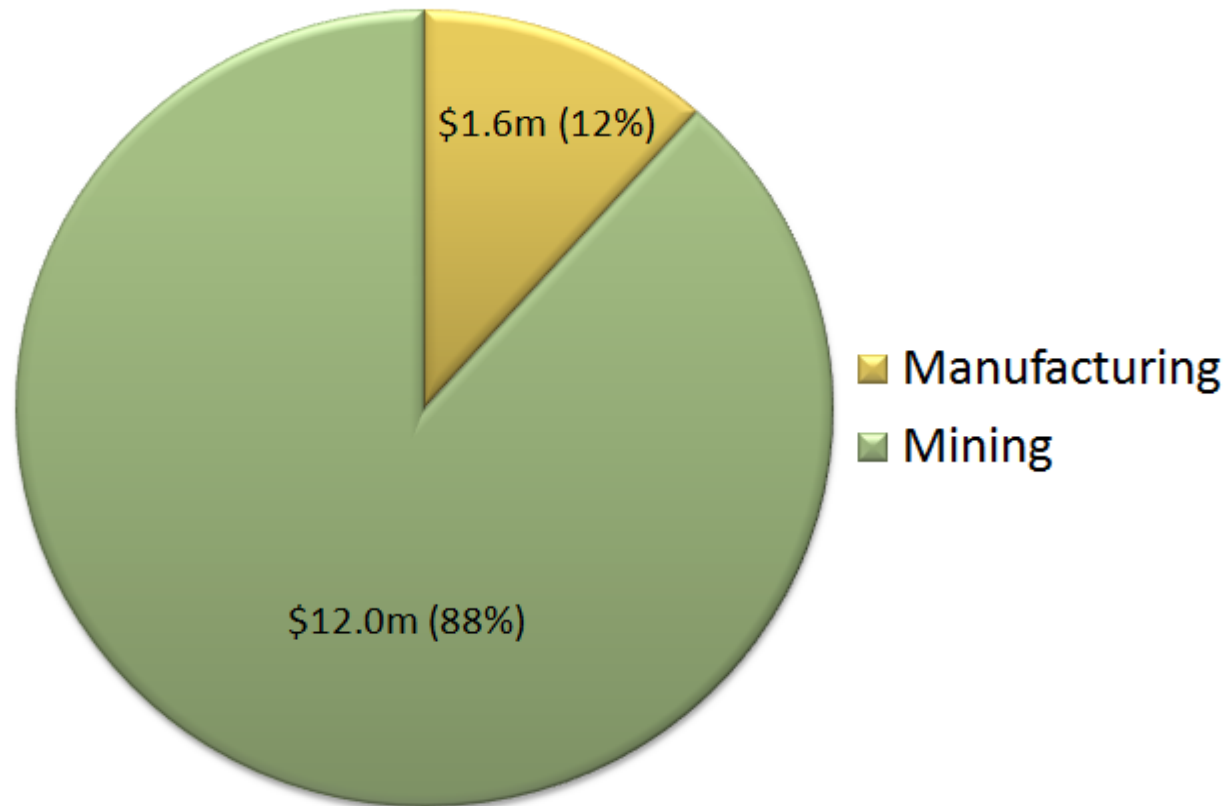
FY15

1.44	Specific provision	8.34
2.30	Portfolio provision	0.81
1.70	Interest reserved	3.39
5.44	Total	12.54



Debt workout through ZAMCO

- ZAMCO provided credit relief to the Group with TBs worth \$13.6m being received for Non-performing loans, through asset rescue packages.
- The rescued assets were largely in the Mining Sector (88%)



Non-Performing Loans by Sector

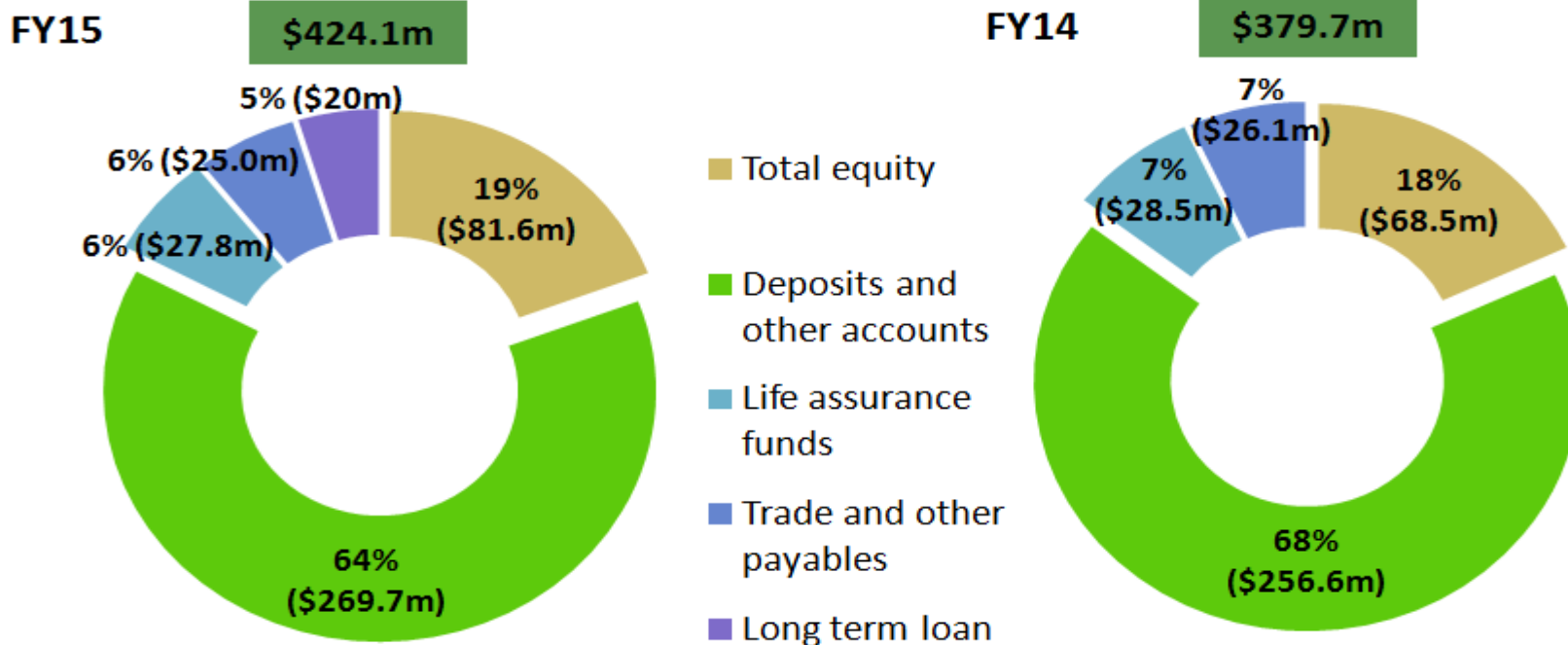
- The Group continues to pursue **aggressive loan recovery efforts**.
- **An SPV for Residual NPLs** will be launched in FY16. This will provide an alternative investment avenue.

SECTOR	FY15 (\$m)	FY14 (\$m)	Change		FY15 Contribution	FY14 Contribution
PRIVATE	3.97	8.29	↓	52%	17%	17%
AGRICULTURE	8.49	11.15	↓	24%	35%	23%
MINING	0.01	12.50	↓	100%	0%	26%
MANUFACTURING	2.87	9.37	↓	69%	12%	19%
DISTRIBUTION	4.04	5.22	↓	23%	17%	11%
CONSTRUCTION	0.84	0.66	↑	29%	4%	1%
TRANSPORT	0.02	0.02	↑	10%	0%	0%
COMMUNICATION	0.34	0.38	↓	11%	1%	1%
SERVICES	1.76	1.20	↑	46%	7%	2%
FINANCIAL SERVICES	1.61	0.00	↑	72412%	7%	0%
TOTAL	23.95	48.79	↓	51%	100%	100%



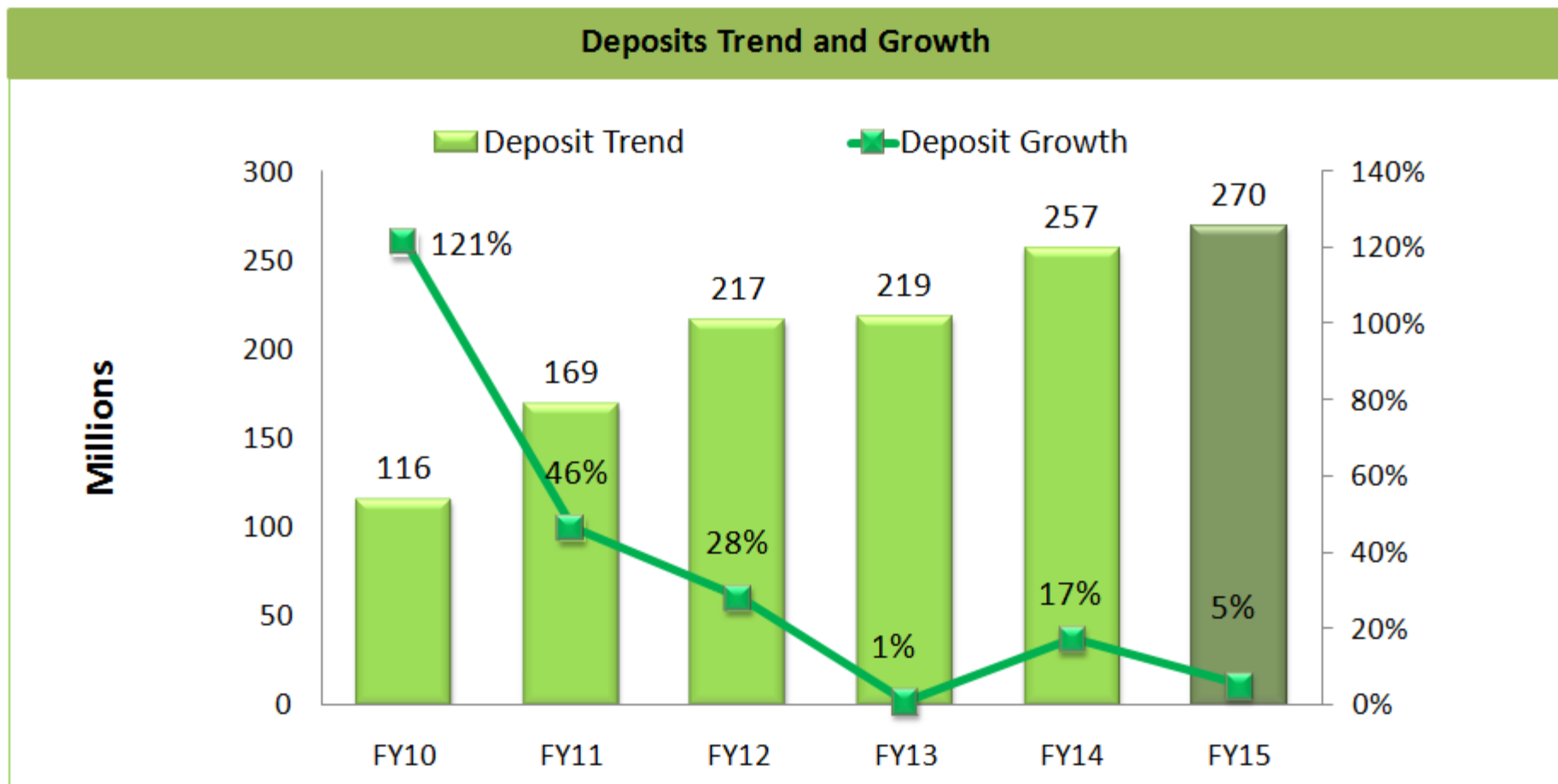
Funding sources

- Growth in deposits has been achieved on the back of a 3% increase in number of customers.
- A marginal increase in deposits was achieved despite restrictive liquidity conditions on the market.



Deposits – Trend and Growth

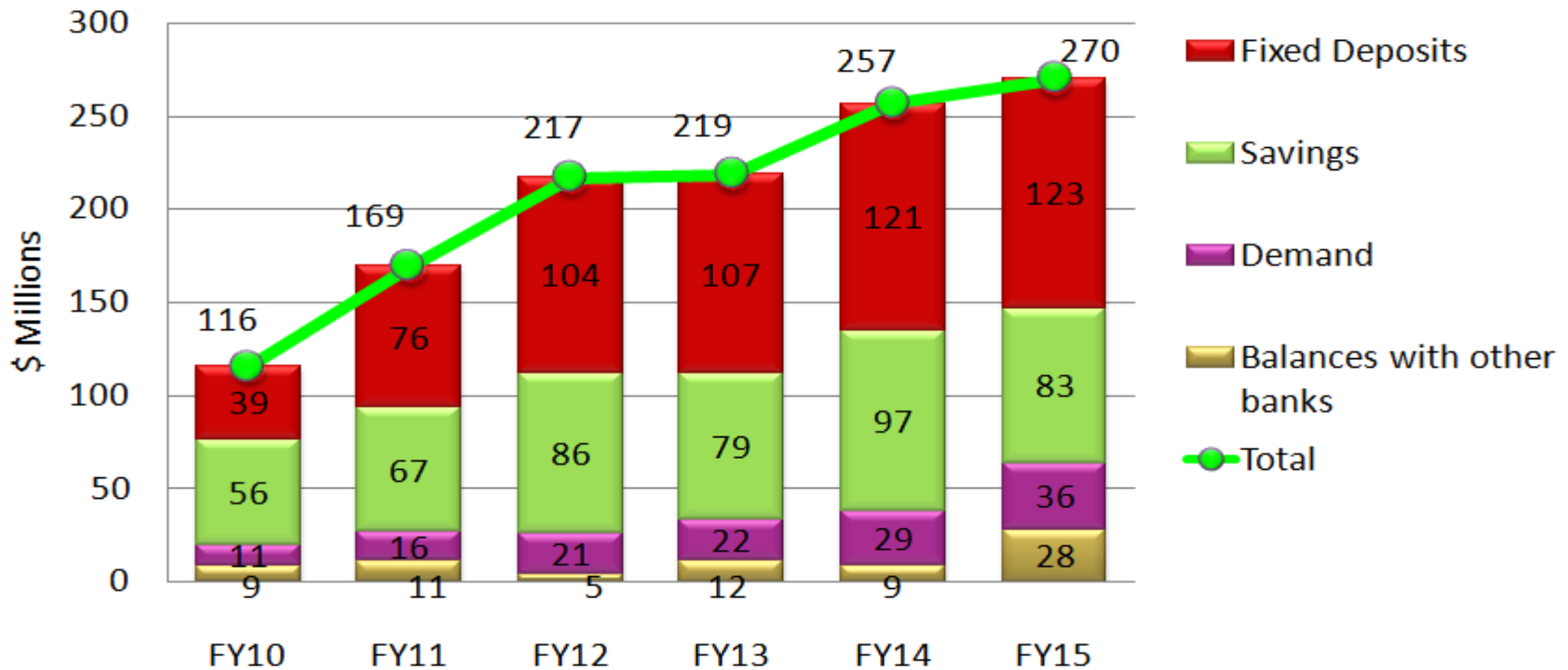
Long-term growth rate in total deposits has remained erratic.



Deposits Composition

All product types have exhibited an upward trend with **fixed deposits** contributing significantly (47% in FY14 and 45% in FY15 from 33% in FY10)

Deposits Composition By Product Type



Deposits By Sector

Deposit sources remained largely unchanged across all sectors as the Group relied on its loyal customer base.

SECTOR	FY15 (\$m)	FY14 (\$m)	Change		FY15 Contribution	FY14 Contribution
Private individuals	44.90	48.94	↓	8%	17%	19%
Agriculture	6.20	7.45	↓	17%	2%	3%
Mining	0.96	1.11	↓	13%	0%	0%
Manufacturing	16.29	13.21	↑	23%	6%	5%
Distribution	7.38	5.50	↑	34%	3%	2%
Construction	2.69	2.67	↑	1%	1%	1%
Transport	1.74	3.16	↓	45%	1%	1%
Services	66.36	51.11	↑	30%	25%	20%
Financial	83.05	84.70	↓	2%	31%	33%
Other	40.12	38.70	↑	4%	15%	15%
Total	269.70	256.55	↑	5%	100%	100%



Financial Ratios

FY15 FY14

**Non-Interest
Income Ratio**

76%

79%

Non-funded income remains the major income earner as the Group slows down on lending activities. The decline in FY15 was largely due to a higher negative Fair Value Adjustment posted during the year.

**Cost to
Income Ratio**

78%

99%

Improved on the back of a raft of cost cutting measures taken by the Group. Revenue growth imperative in 2016 in order to realise the medium-term target of 50%.

Claims Ratio

73%

71%

The Group has been able to comfortably honour insurance claims from premiums and aims for a lower ratio going forward.

NPL Ratio

20%

29%

The loan book decreased over the period under review, yet the transfer of part of the non-performing book to ZAMCO aided by recoveries of bad debts saw the ratio fall.



Financial Ratios



Loans to Deposit Ratio

37%

54%

The loan book went down significantly while the deposit book grew marginally, over the period under review.

Liquidity Ratio

60%

39%

Liquidity management is a key strategic imperative. ZB consistently surpassed the minimum regulatory requirement of 30%

Tier 1 Capital Ratio

19%

18%

Whilst the capital ratio is attractive, capital mobilisation still remains a key matter in order to augment the Group's resources.



Financial Ratios

FY15

FY14

Return On Equity

13%

(16%)

Positive ratio in 2015 was a result of the turnaround to profitability.

Return On Assets

2%

(3%)

Positive ratio in 2015 was a result of the turnaround to profitability.

Earnings per Share

5.4c

(6.3c)

A positive earnings per share achieved on account of positive net earnings

Dividend per Share

0.54c

Nil

A dividend equivalent to 10% of attributable earnings has been proposed by Management and will be recommended to the shareholders.



Business Overview



Global Credit Ratings (as at 31 Dec 2015)

- After taking a dip in FY15, **ZB Bank's credit rating has started to improve** with a short term targeted rating of **BBB+**
- **ZB Building Society and ZBRE** maintained their credit ratings.

Company	2012	2013	2014	2015	2016
ZB Bank Limited	BBB+	BBB+	BBB+	B+	BB-
ZB Building Society	BBB-	BBB-	BBB-	BB	BB
ZB Reinsurance Limited	BBB+	BBB+	BBB+	BBB+	BBB+



Summary of Capital Position (as at 31 Dec 2015)

All Units are compliant with the minimum regulatory capital. **ZB Building Society will be merged with ZB Bank.**

Company	Gross Capital Base (US\$m)	Regulatory Minimum (US\$m)	Excess Available (US\$m)	2020 Regulatory Target (US\$m)
ZB Bank Limited	57.7	25	27.7	100
ZB Building Society	17.2	20	(2.8)	80
ZB Reinsurance Limited	9.3	1.5	7.8	5.0
ZB Life Assurance	15.9	2.0	13.9	5.0
ZB Transfer Secretaries Limited	0.5	0.15	0.36	0.15
ZB Capital	0.4	0.15	0.21	0.15



Strategy Execution in 2015



Technology remained key to the delivery promise



1. Deployed a new state of the art Card Management and POS System. Product experience on the new platform will be enjoyed starting from 2016.
2. Deployed 15 new ATMs and 5 ATS machines. Some of the new machines have deposit-taking capabilities.
3. Brand was launched on social media and is enjoying vibrant conversations with stakeholders through the platform.
4. A new telephony system which supports integration was implemented during the year.
5. Paperless banking was implemented and has been a major success.



Strategy Execution in 2015



Group is committed to providing a comfortable service environment, whilst remaining watchful of attendant costs.



1. A new Head Office was opened at 21 Natal Road in Avondale.
2. Relocated branches in Avondale and Juliasdale to new and better locations (Riverside Walk Shopping Mall and Nyanga Village respectively).
3. New branch opened at 21 Natal whilst refurbishment programme continued for some old branches.
4. Closed Checheche and Redcliff Branches.



Strategy Execution in 2015



New products were introduced in response to customer needs



1. **ZB Smart Connect** – helps customers to acquire electronic gadgets for personal and home use.
2. **ZB Education Plan** – assists parents in planning for the education requirements of their children.
3. **Agent banking** – was strengthened with limited service in order to enhance customer reach (+5000 agents).



2016 Key Focus Areas



Key Focus Areas in 2016



Strengthen asset quality through participation in more treasury instruments and deliberate focus on small ticket clients for credit exposures.



Consolidation of technological platforms for better service and to lead transactional revenue growth. A new digital platform for internet and mobile banking and a new life administration system to be rolled out during 2016.



Portfolio optimisation in the property development, micro-finance and advisory segments of the business.



Continued footprint recalibration - in relation to channels, markets, products and investments.





---THE END---

Data Card



Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	331.3	291.5
Total Equity	57.7	29.3
Total Income	42.1	40.6
Expenses	37.2	50.0
PBT	4.6	(9.4)

Change	
↑	14%
↑	97%
↑	4%
↓	25%
↑	149%






Key Ratios	FY15	FY14
Return on Equity	11%	(28%)
Return on Assets	1%	(3%)
Cost to Income Ratio	88%	123%
Loans to Deposit Ratio	38%	56%
Liquidity Ratio	73%	38%



ZB Building Society

Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	48.0	49.9
Total Equity	16.6	15.2
Total Income	7.8	8.8
Expenses	6.1	9.7
PBT	1.6	(0.8)

Change	
	4%
	9%
	12%
	37%
	298%

Key Ratios	FY15	FY14
Return on Equity	8%	(4%)
Return on Assets	3%	(2%)
Cost to Income Ratio	79%	109%



ZB Reinsurance

Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	14.4	13.3
Total Equity	9.3	8.4
Total Income	3.6	4.2
Expenses	2.2	2.3
PBT	1.4	1.9

Change	
↑	8%
↑	12%
↓	14%
↓	1%
↓	29%






Key Ratios	FY15	FY14
Return on Equity	16%	25%
Return on Assets	58%	27%
Cost to Income Ratio	62%	54%



ZB Life Assurance

Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	46.1	47.6
Total Equity	15.9	17.0
Total Income	4.8	5.0
Expenses	5.0	5.6
PBT	(1.2)	0.7

Change	
	3%
	7%
	4%
	12%
	273%

Key Ratios	FY15	FY14
Return on Equity	(7%)	6%
Return on Assets	(42%)	4%
Cost to Income Ratio	103%	112%



ZB Capital

Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	0.58	0.45
Total Equity	0.36	0.41
Total Income	0.09	0.05
Expenses	0.14	0.14
PBT	(0.05)	(0.09)

Change	
↑	28%
↓	12%
↑	82%
↑	5%
↑	50%

Key Ratios	FY15	FY14
Return on Equity	(12%)	(23%)
Return on Assets	(17%)	(33%)
Cost to Income Ratio	153%	293%



ZB Transfer Secretaries

Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	0.63	0.49
Total Equity	0.51	0.39
Total Income	0.57	0.57
Expenses	0.40	0.47
PBT	0.17	0.10

Change	
↑	29%
↑	30%
↑	1%
↓	15%
↑	74%

Key Ratios	FY15	FY14
Return on Equity	34%	26%
Return on Assets	28%	21%
Cost to Income Ratio	70%	82%



ZB Associated Services

Financial Highlights

Line Item	FY15 US\$m	FY14 US\$m
Total Assets	0.50	0.28
Total Equity	0.20	(0.27)
Total Income	1.45	1.89
Expenses	0.85	2.23
PBT	0.59	(0.35)

Change	
↑	82%
↑	173%
↓	23%
↓	62%
↑	272%

Key Ratios	FY15	FY14
Return on Equity	300%	128%
Return on Assets	152%	(125%)
Cost to Income Ratio	59%	118%

