

ANALYSTS' PRESENTATION



**Reviewed Financial Results for the
Half Year ended 30 June 2018**

HY18 Analysts' Briefing Outline

Business environment review



HY18 Financial outturn



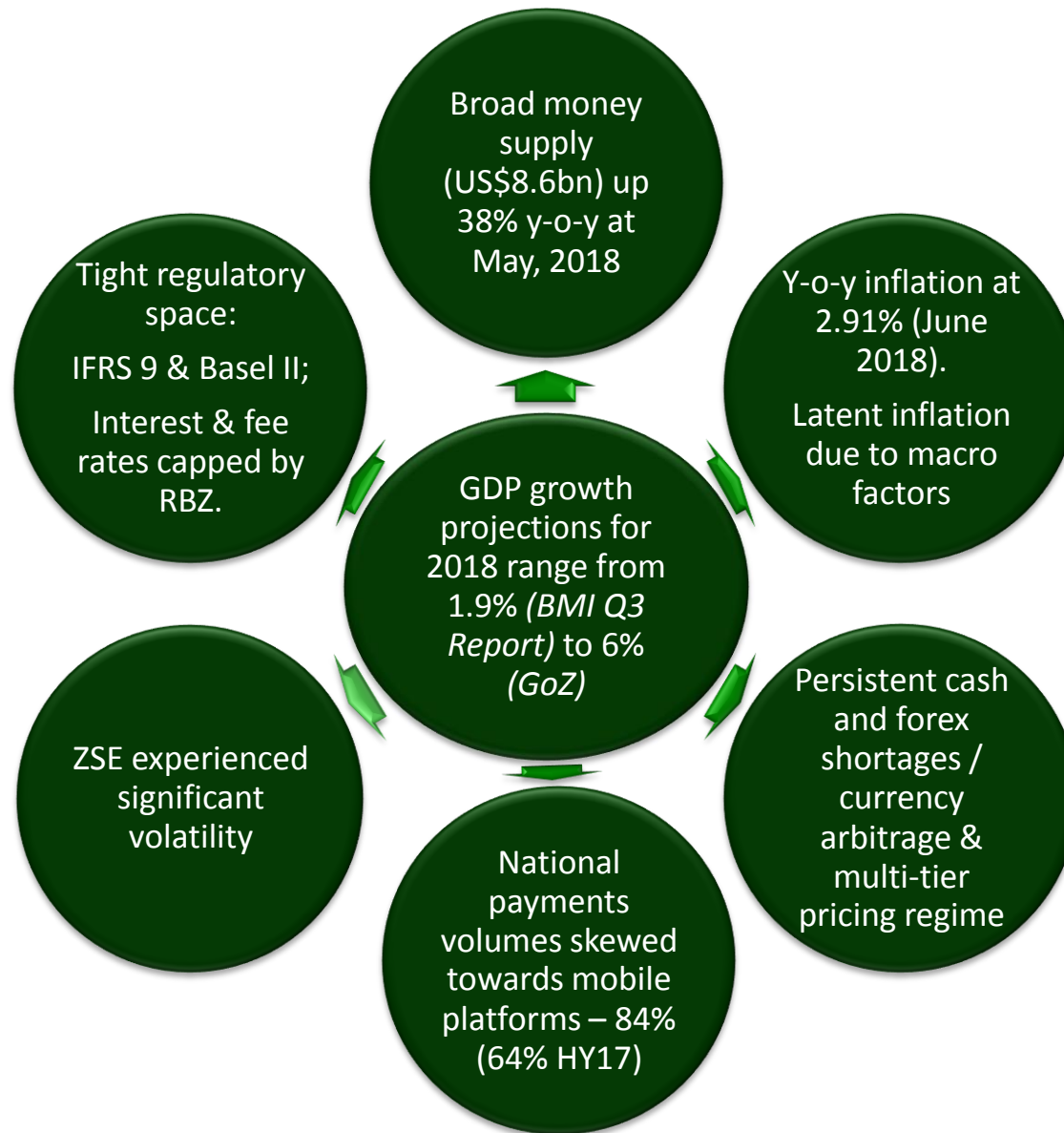
Strategy update

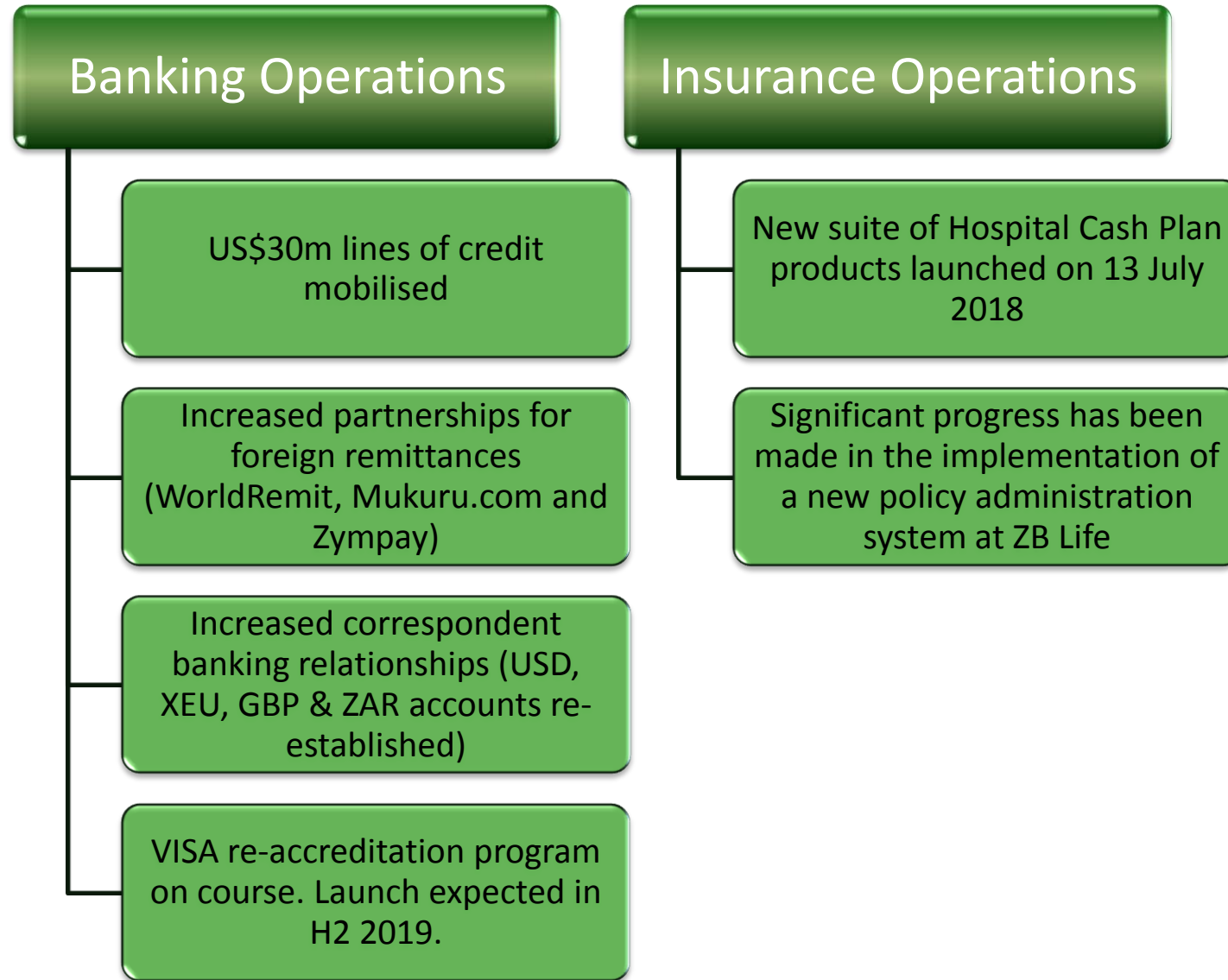


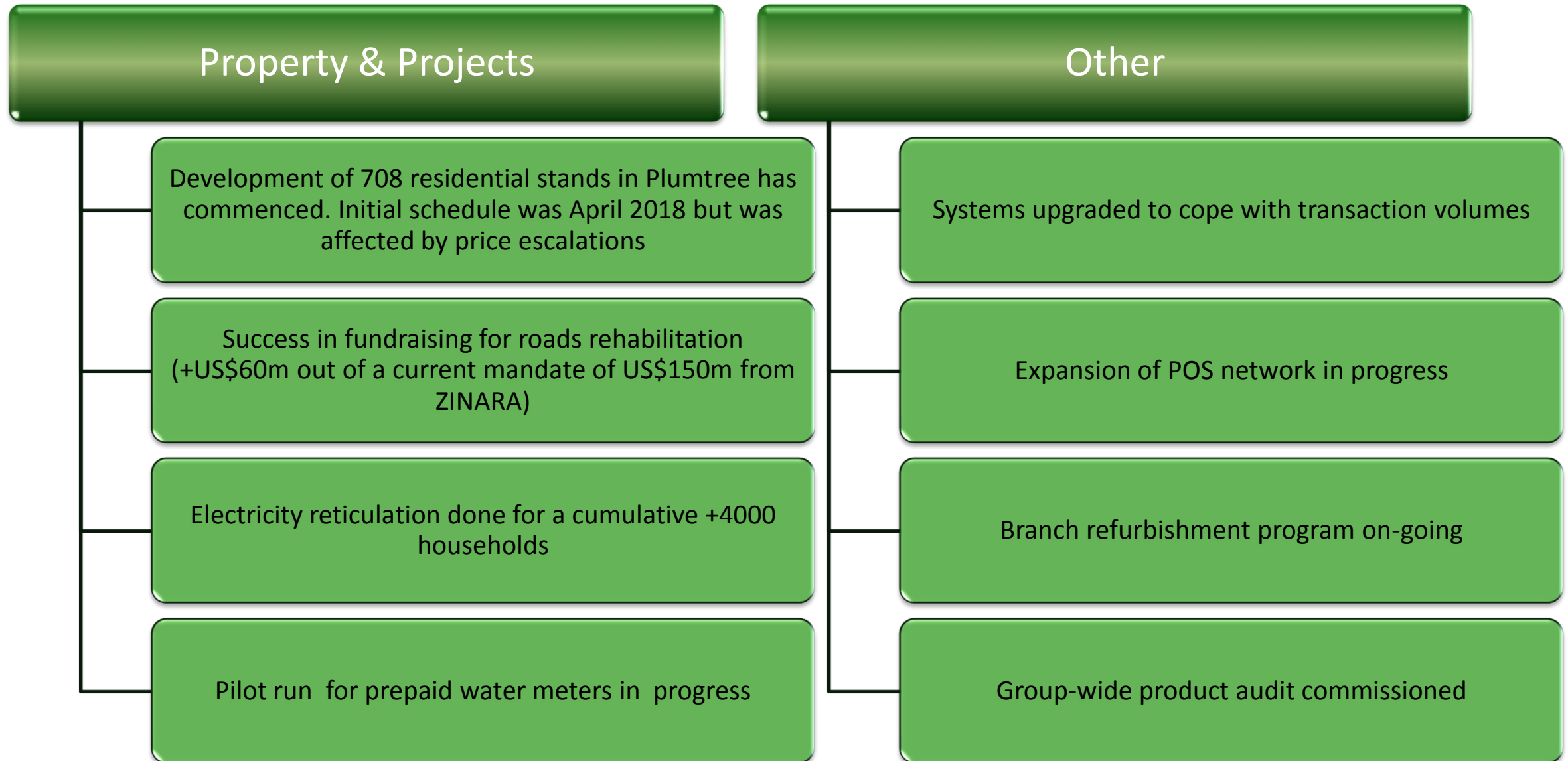
Business environment review



Business environment characterized by positive sentiment, but there are issues....







Market recognition of the Group's efforts remained high....



Superbrand's 2018 Top 200 Brands – Participant in the Superbrand Research Report



Top 100 Local Brands 2018 – Nominated among Zimbabwe's top 100 local brands



Property development –Commercial projects - 1st runner up - Zimbabwe Project Management 2017 Awards



Best bank supporting SMEs development - 1st runner up - ZNCC Awards 2017



Silver medal - Best SMEs Business Advisory Services - SMEs International Expo 2016



Outstanding Financial Institution of the year - 1st runner up - Megafest Business Awards 2016



Best Turnaround Strategy in 2015 - Zimbabwe Quoted Companies Survey 2016 Awards

Credit ratings remained stable whilst the target is to achieve investment grade ratings across all units....

Company	HY18	FY17	Rating Review Date
ZB Bank Limited	BB-	BB-	Sept, 2018
ZB Building Society	BB	BB	Sept, 2018
ZB Reinsurance Limited	A-	A-	May, 2019



The Group is targeting a tier 1 capital level of \$100m for its banking operations by 2020....

Company	As at 30 June 2018 (US\$m)					
	Gross Capital Base	Regulatory Capital	Regulatory Minimum	Excess Available against regulated	2020 Regulatory Target	Gap to 2020
ZB Bank Limited	62.1	64.2	25	39.2	100	(35.8)
ZB Building Society	17.8	17.8	20	(2.2)	80	(62.2)
ZB Reinsurance Limited	10.6	10.6	5	5.6	5	5.6
ZB Life Assurance	16.7	16.7	2.5	14.2	5	14.2
ZB Transfer Secretaries Limited	1.1	1.1	0.15	0.95	0.15	0.95



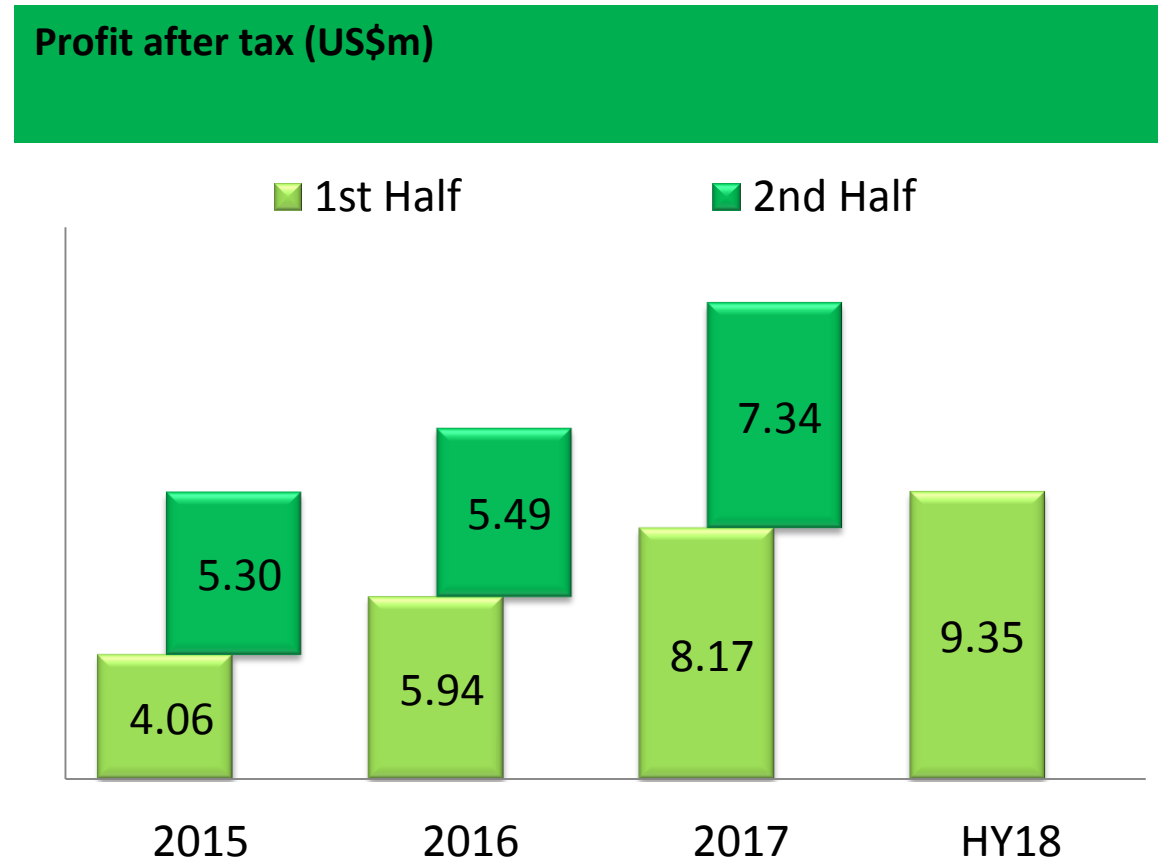
HY18 Financial outturn



HY18 financial performance is ahead of comparative period in prior year....

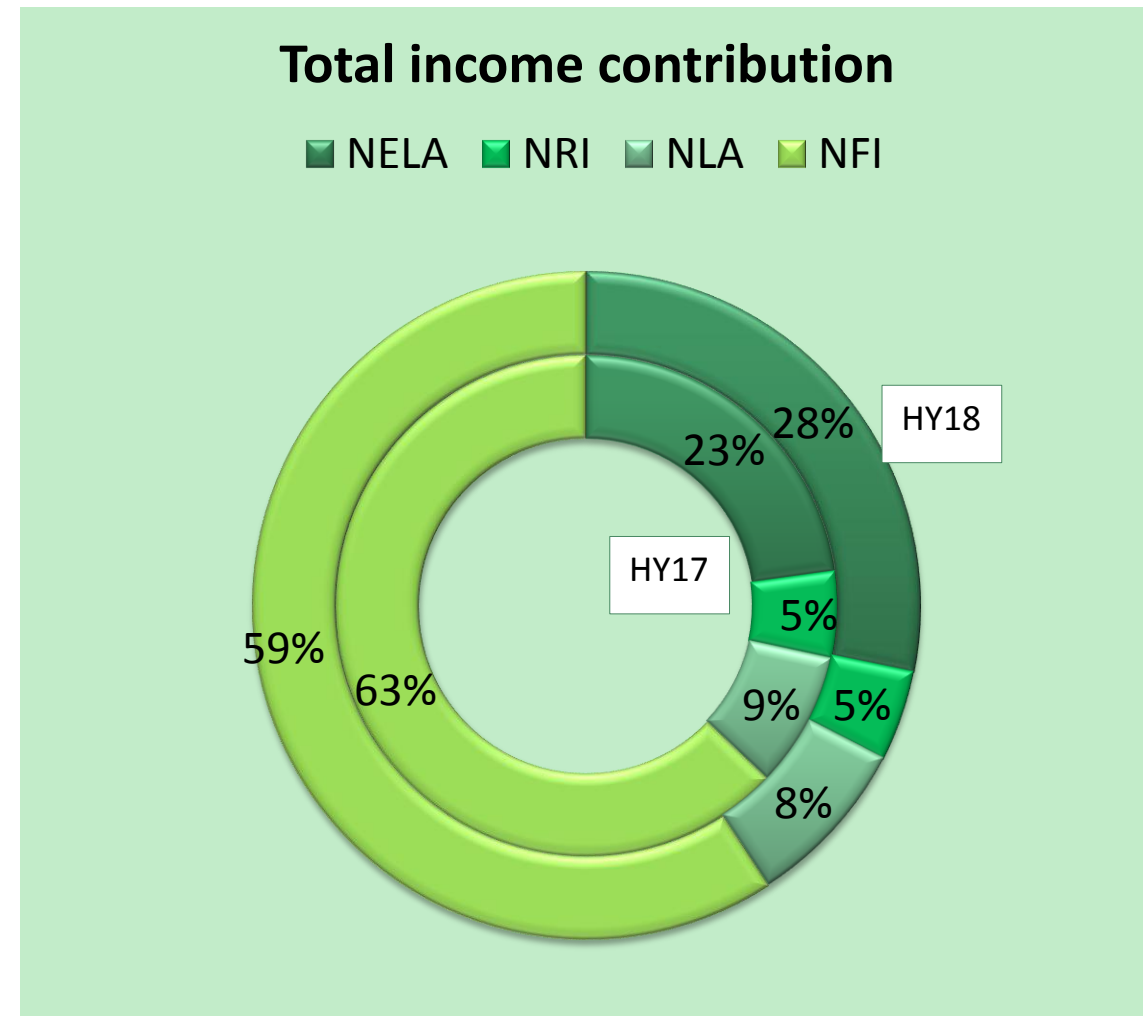
- Profit for the period increased by 15% from US\$8.17m for HY17 to US\$9.35 in HY18 resulting in the EPS increasing by 16% from US4.99c to US5.78c whilst the annualised ROE improved from 16% to 18% over the same period.

Summarised statement of profit or loss			
	HY18 US\$(m)	HY17 US\$(m)	% Change
Total Income	38.62	34.47	↑ 12%
Total expenses	(27.88)	(23.92)	↑ 17%
Profit Before Tax	10.74	10.55	↑ 2%
Movement in the Life Fund	(0.55)	(1.30)	↓ 58%
Share of profit in associate	0.30	0.19	↑ 58%
Income tax expense	(1.14)	(1.28)	↓ 11%
Profit for the period	9.35	8.17	↑ 15%
Earnings per share (EPS) (cents)	5.78	4.99	↑ 16%
Return on equity (ROE) - annualised	18%	16%	↑ 13%



Income concentration in non-funded sources remained high whilst revenue contribution from lending activities improved...

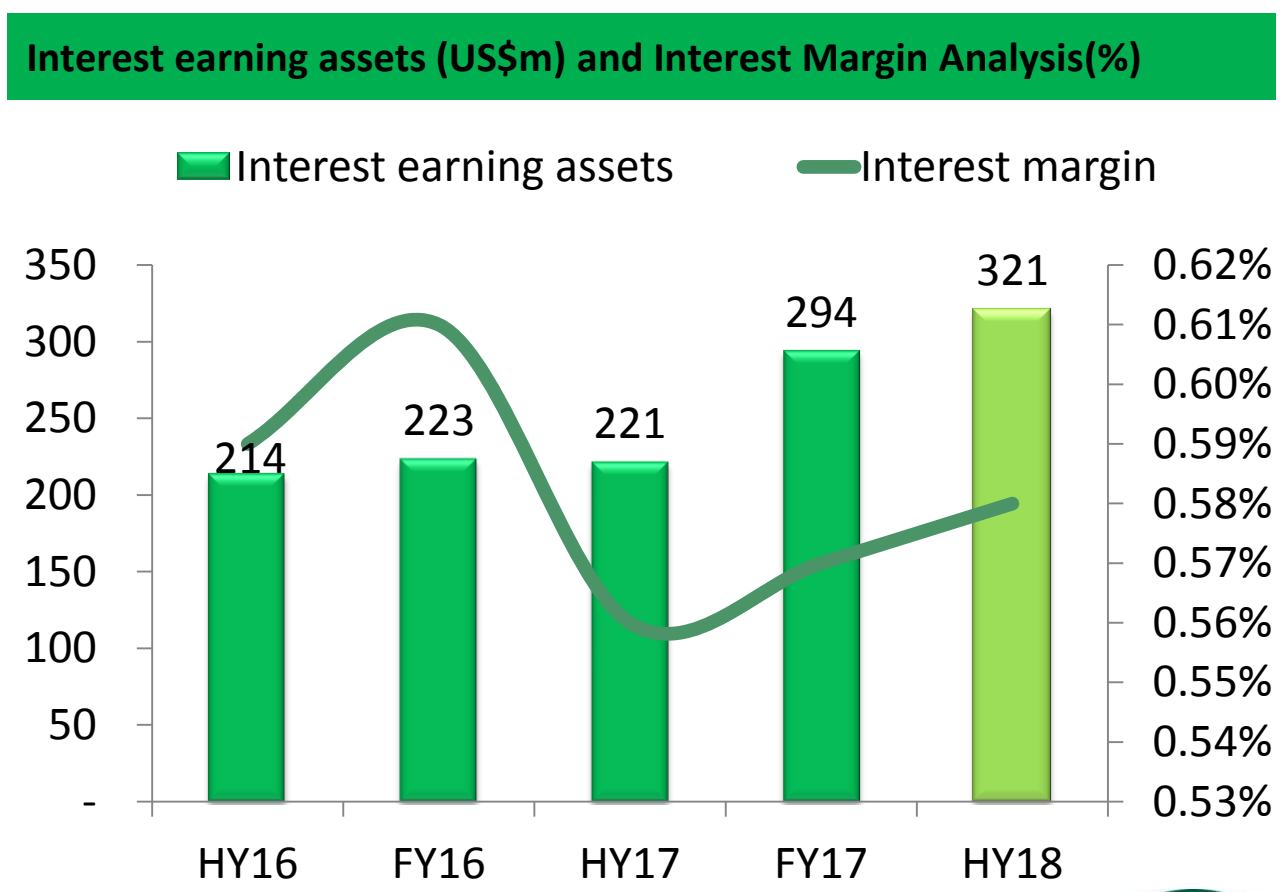
Total income contribution	HY18	HY17	%
	US\$(m)	US\$(m)	Change
Net earnings from lending activities (NELA)	10.89	7.86	39%
Net reinsurance income (NRI)	1.70	1.93	-12%
Net life assurance income (NLA)	3.17	3.00	6%
Non-funded income (NFI)	22.86	21.68	5%
Total income	38.62	34.47	12%



Interest margins weakened as rates continued to fall on the back of high liquidity on the market....

- **Interest paying liabilities** re-priced faster than interest earning assets resulting in a higher NII to GII ratio from 69% in HY17 to 78% in HY18.
- A net credit of US\$0.66m was posted for HY18 in respect of impairment and recoveries on non performing loans against a charge of US\$1.29m for HY17.

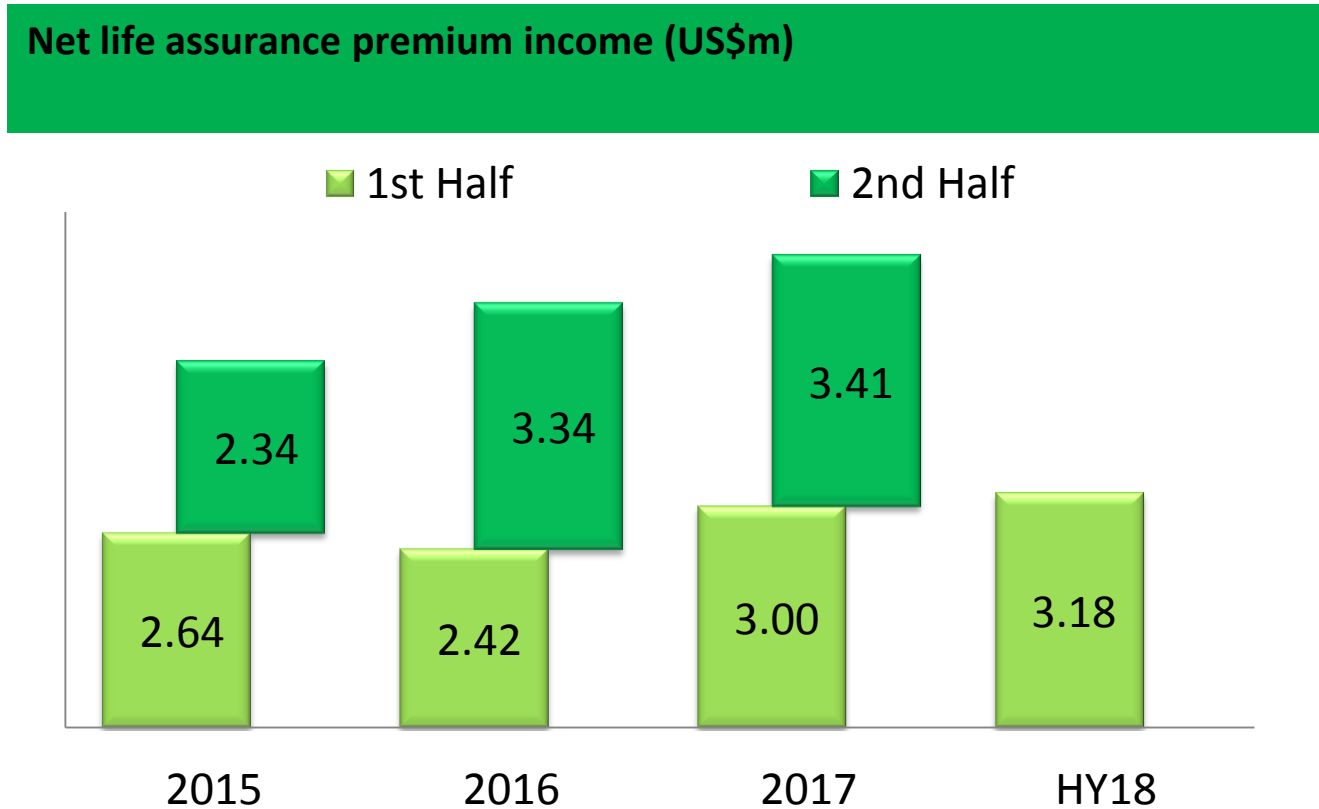
Net interest income	HY18 US\$(m)	HY17 US\$(m)	% Change
Gross interest income(GII)	13.19	13.34	-1%
Interest expense	(2.96)	(4.19)	30%
Net interest income(NII)	10.23	9.15	12%
Net impairment movement	0.66	(1.29)	151%
Net earnings from lending activities	10.89	7.86	39%
NII to GII ratio	78%	69%	9%
Net interest margin-annualised	7%	8%	-1%



Premiums from the life assurance business improved underpinned by growth in new business....

- *The technical result improved by 6%, driven by an 18% increase in gross premiums which was partially offset by a 32% increase in technical expenses.*
- *The technical expense ratio increased on the back of increased surrenders as household income levels continue to deteriorate.*

Net Life Assurance Premium Income			
	HY18	HY17	%
	US\$(m)	US\$(m)	Change
Life assurance premium	6.41	5.46	18%
Life assurance expenses	(3.24)	(2.46)	-32%
Technical result	3.17	3.00	6%
Technical expenses ratio	50.5%	44.9%	12.3%



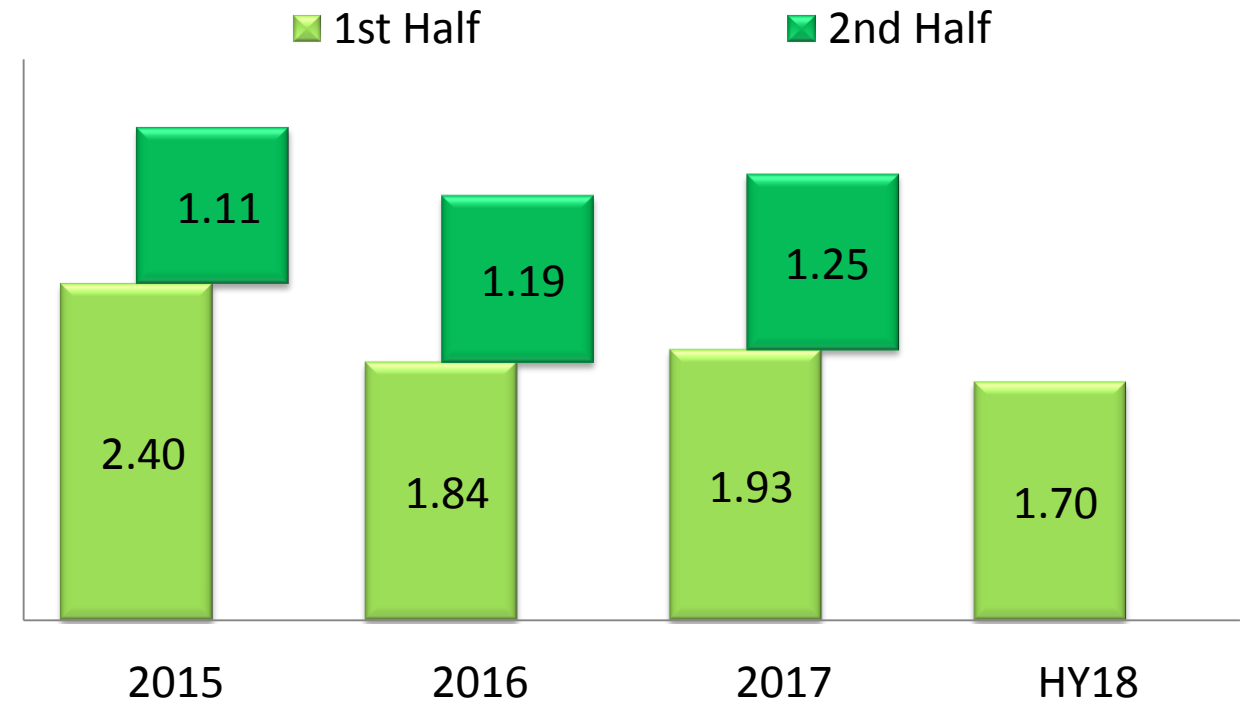
Reinsurance gross premium income remained flat....

- *Foreign premium contribution reduced from 16% for HY17 to 7% for HY18 due to the amplified foreign exchange risk on the local market. The loss was offset by increases in other local risk classes such as tobacco hail.*
- *Claims remained at acceptable levels.*

Net Reinsurance Premium Income

	HY18 US\$(m)	HY17 US\$(m)	% Change
Local premium income	9.42	8.41	12%
Foreign premium income	0.66	1.65	-60%
Reinsurance premium	10.08	10.06	0%
Reinsurance expenses	(8.38)	(8.13)	-3%
Technical result	1.70	1.93	-12%
Local premium income contribution	93%	84%	9%
Foreign premium income contribution	7%	16%	-9%
Technical expenses ratio	83%	81%	2%

Net reinsurance premium income (US\$m)



Increase in number of accounts & transaction volumes spurred non-funded income growth, despite stringent controls

- *Banking commissions and fees improved by 25% largely driven by increased volumes in electronic banking products.*
- *Investment returns recovered after significant Q1 2018 losses in line with ZSE price movements resulting in a small fair value loss for HY18 of US\$0.05m. Dividend income reduced by 64% and this was due to the inclusion of a once off dividend from an investee entity in HY17 which is not expected to recur going forward.*
- *Other income includes fees earned on advisory mandates.*

Non-funded income

	HY18 US\$(m)	HY17 US\$(m)	% Change	Mix
Commissions and fees	19.79	15.89	25%	87%
Fair Values	(0.05)	1.63	-103%	0%
Dividend received	0.74	2.03	-64%	3%
Other income	2.38	2.13	11%	10%
Total	22.86	21.68	5%	100%

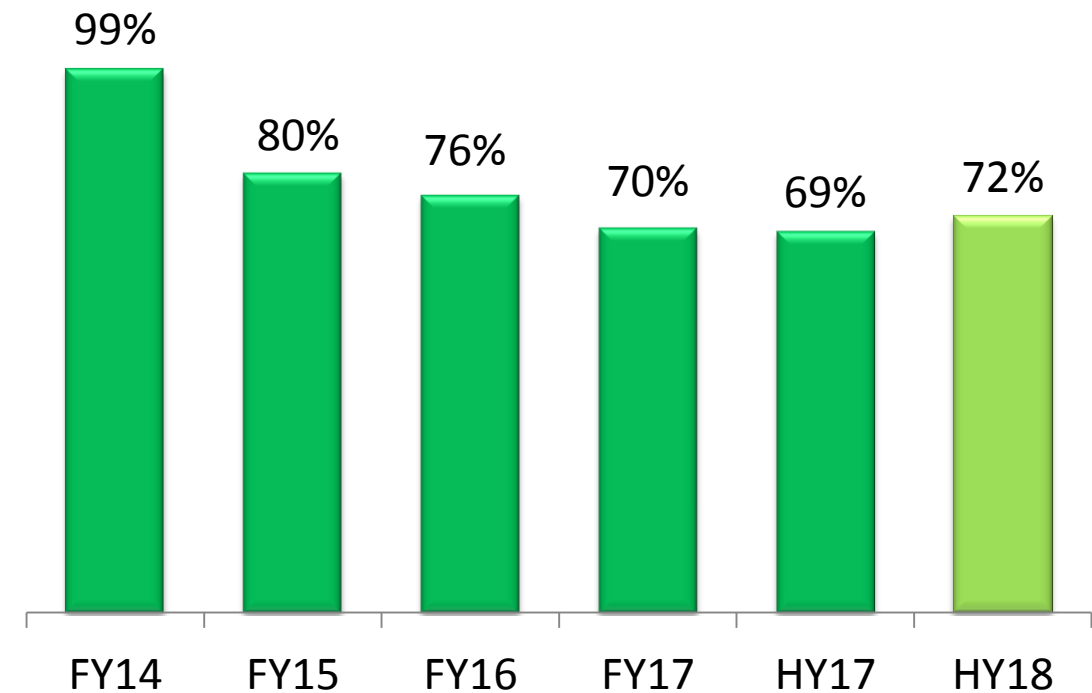


Cost to income ratio for the period was 72% as cost expansion pressure rose...

- Operating expenses increased due to higher acquisition costs in banking and insurance operations, advertising and brand promotion expenses.*

OPEX analysis				
	HY18 US\$(m)	HY17 US\$(m)	% Change	Mix
Administration	7.08	5.11	-39%	25%
Staff	13.40	11.55	-16%	48%
Occupation	2.20	2.25	2%	8%
Computer and IT	1.73	1.42	-22%	6%
Communication	0.64	0.36	-77%	2%
Transport	0.48	0.52	8%	2%
Cash based OPEX	25.53	21.21	-20%	92%
Depreciation	1.42	1.26	-12%	5%
Amortisation	0.93	1.45	36%	3%
Non-cash OPEX	2.35	2.71	14%	8%
Total Expenditure	27.88	23.92	-17%	100%

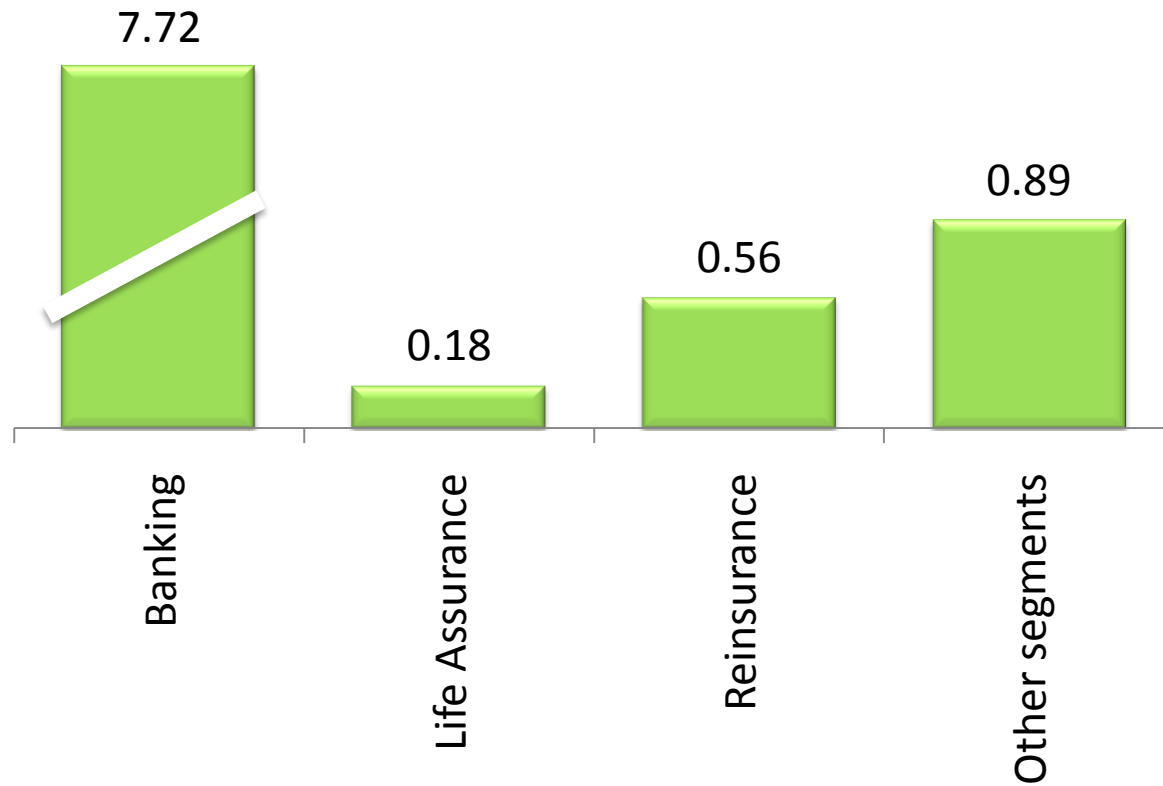
Cost to income ratio %



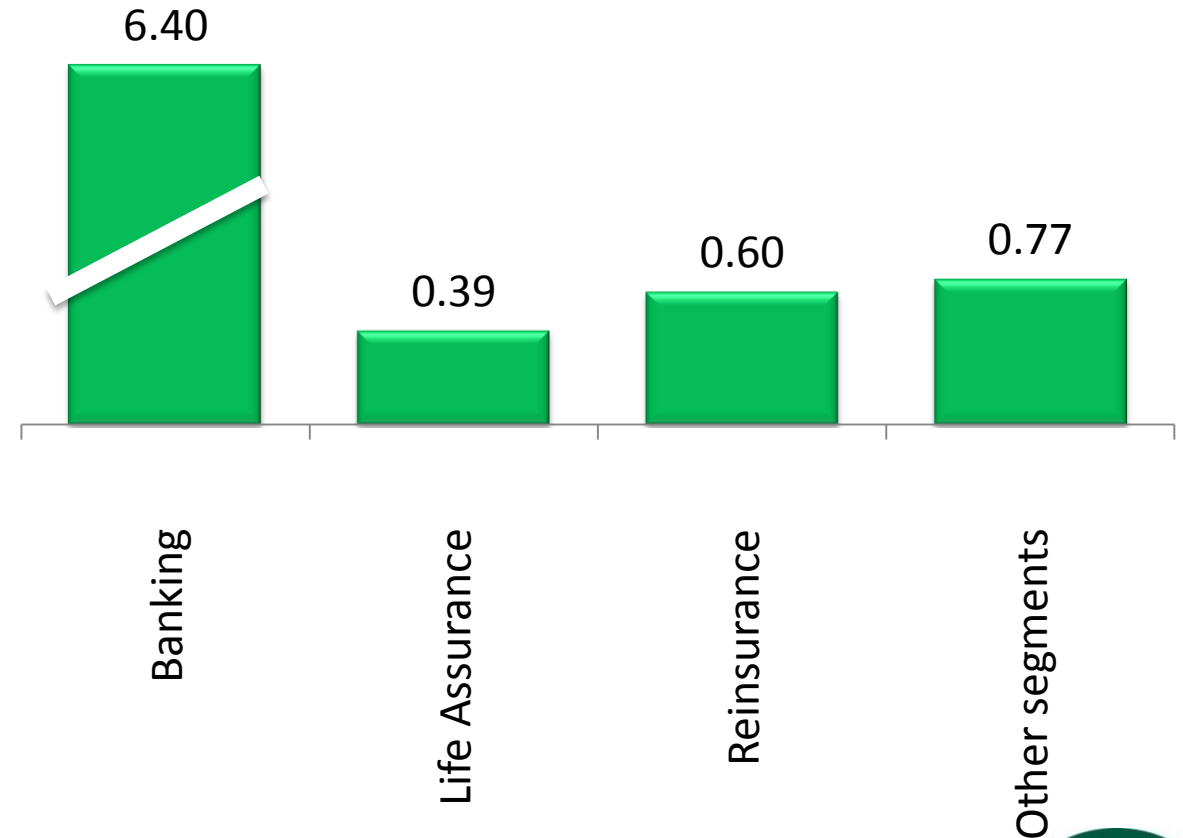
PAT contribution from banking operations increased from 78% for HY17 to 83% for HY18....

- All other business segments contributed positively to total outturn.

SBU PAT contribution- HY18 US\$(m)



SBU PAT contribution- HY17 US\$(m)

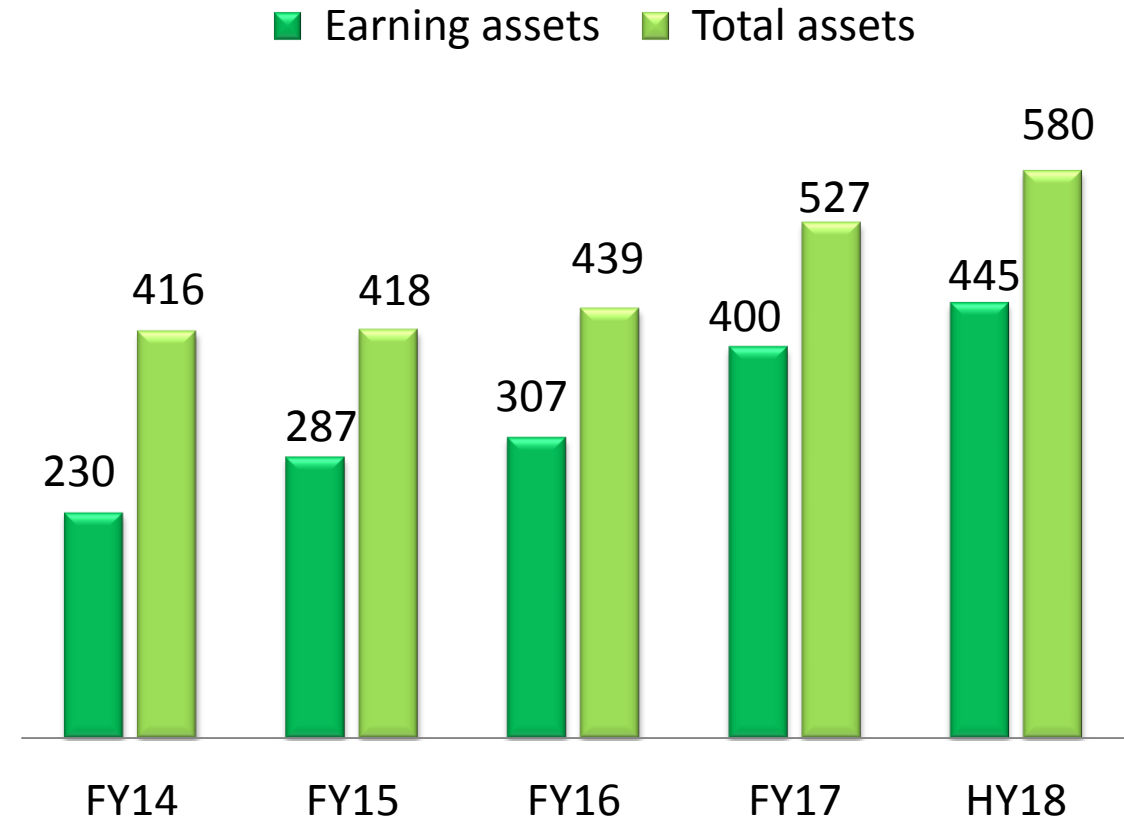


Total assets increased by 10%....

- *Earning Assets* contributed 77% of total assets.
- *Investment securities* increased by 59% as the Group optimised on short-term opportunities.

Composition of Total Assets			
	HY18 US\$(m)	FY17 US\$(m)	% Change
Earning assets			
Treasury Bills	187.15	155.95	20%
Money market investments	35.81	36.54	-2%
Investment securities	58.33	36.71	59%
Loans and other advances	97.98	104.97	-7%
Investment properties	29.97	29.97	0%
Investment in associates	35.30	35.49	-1%
Total earning assets	444.54	399.63	11%
Non-earning assets			
Cash and short term funds	87.63	73.82	19%
Other assets	8.53	14.19	-40%
Property and equipment	39.13	39.45	-1%
Total non-earning assets	135.29	127.45	6%
Grand total	579.83	527.09	10%
Earning assets contribution	77%	76%	1%

Total assets growth US\$(m)

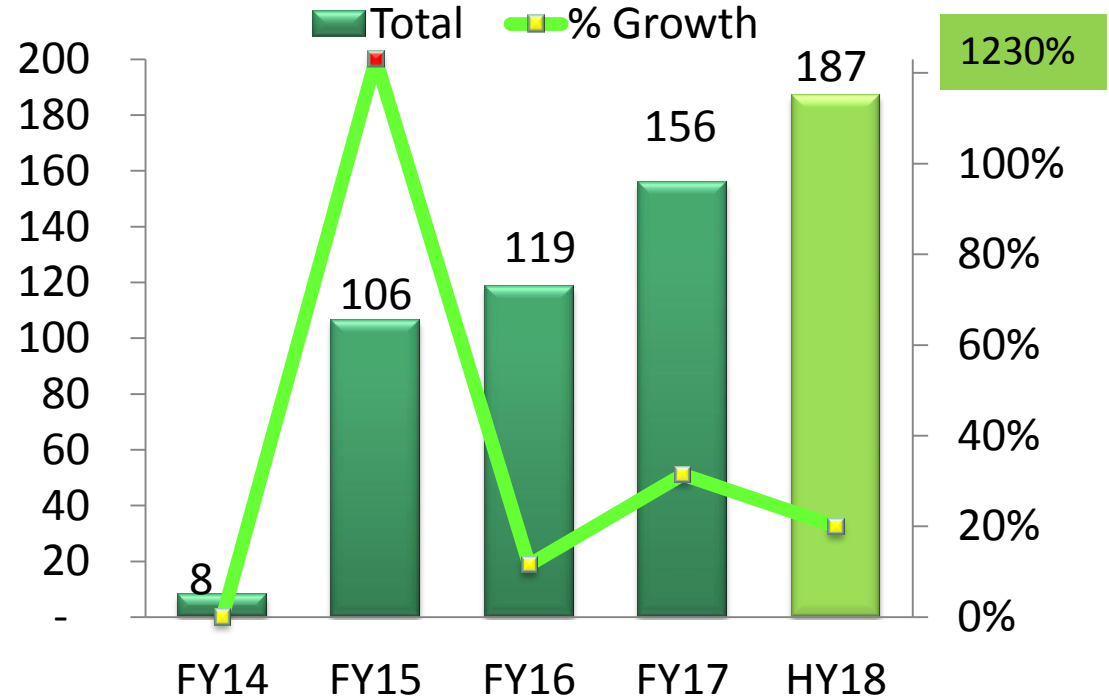


Treasury Bills (TBs) investments increased by 20%....

- Coupons on primary market acquisitions ranged between 7% and 10% whilst discounts on secondary market trades ranged between 4% and 14%.

Treasury bills by category			
	HY18	FY17	%
	US\$(m)	US\$(m)	change
TBs from primary market	17.26	11.43	51%
TBs from secondary market	131.83	105.69	25%
Capitalisation treasury bills	15.72	15.34	2%
ZAMCO TBs	22.34	23.49	-5%
Total	187.15	155.95	20%

Treasury bills growth US\$(m)



Total investment securities and money market investments increased by 31%, exploiting the available short term opportunities....

- Parastatal Bonds and RBZ Savings Bonds have been utilised for the optimisation of returns in the short term pending the creation of longer term assets.*

Investment securities and money market investments			
	HY18	FY17	%
	US\$(m)	US\$(m)	Change
Money market	35.81	36.54	-2%
Parastatal Bonds	22.50	7.80	188%
RBZ Savings Bonds	15.40	-	100%
Quoted	13.27	14.74	-10%
Unquoted and public utilities stock	7.16	14.17	-45%
Total	94.14	73.25	31%

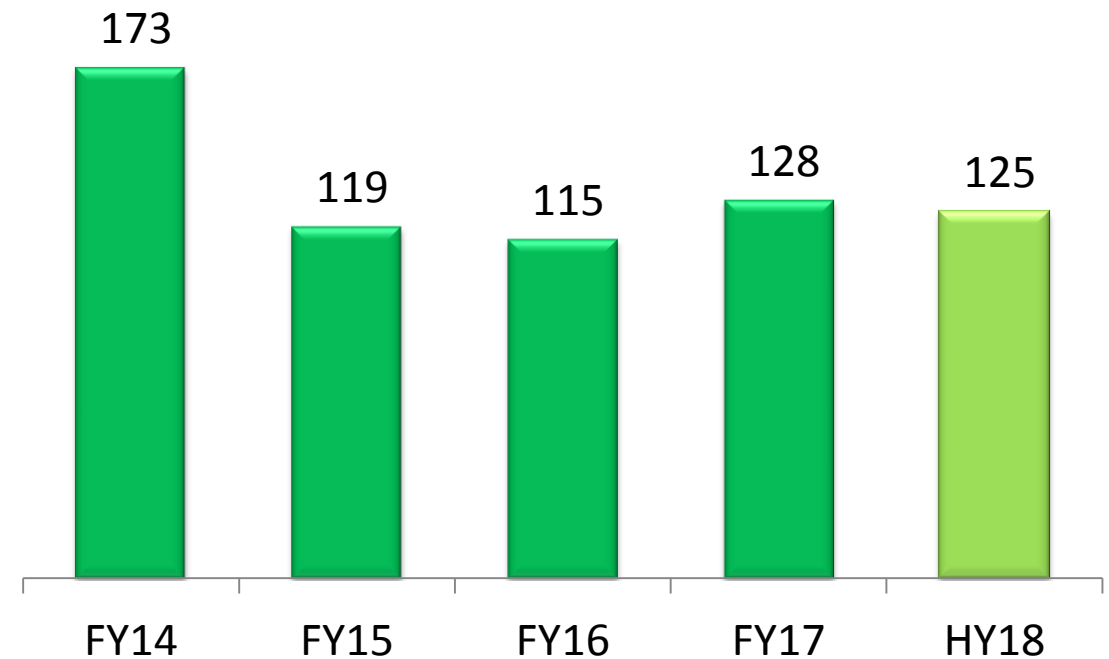


Adverse macro factors affected expansion of the loan book....

- **General facility utilization** averaged 55% during the period under review.
- The Group has increased focus on **guarantee** programmes for loan growth.
- Pervasive low credit quality on the market has had negative effects on loan uptake whilst mortgage facilities have struggled to find favour with property sellers.

Gross Loans by product			
	HY18	FY17	%
	US\$(m)	US\$(m)	Change
Mortgage advances	18.20	16.90	8%
Short term loans	83.83	91.85	-9%
Bankers acceptances	0.98	1.40	-30%
Insurance debtors	5.89	4.62	27%
Guarantees	15.63	13.57	15%
Total	124.53	128.34	-3%

Gross loans growth trend US\$(m)



Lending retreated by 3% with significant reduction in the manufacturing and private sectors....

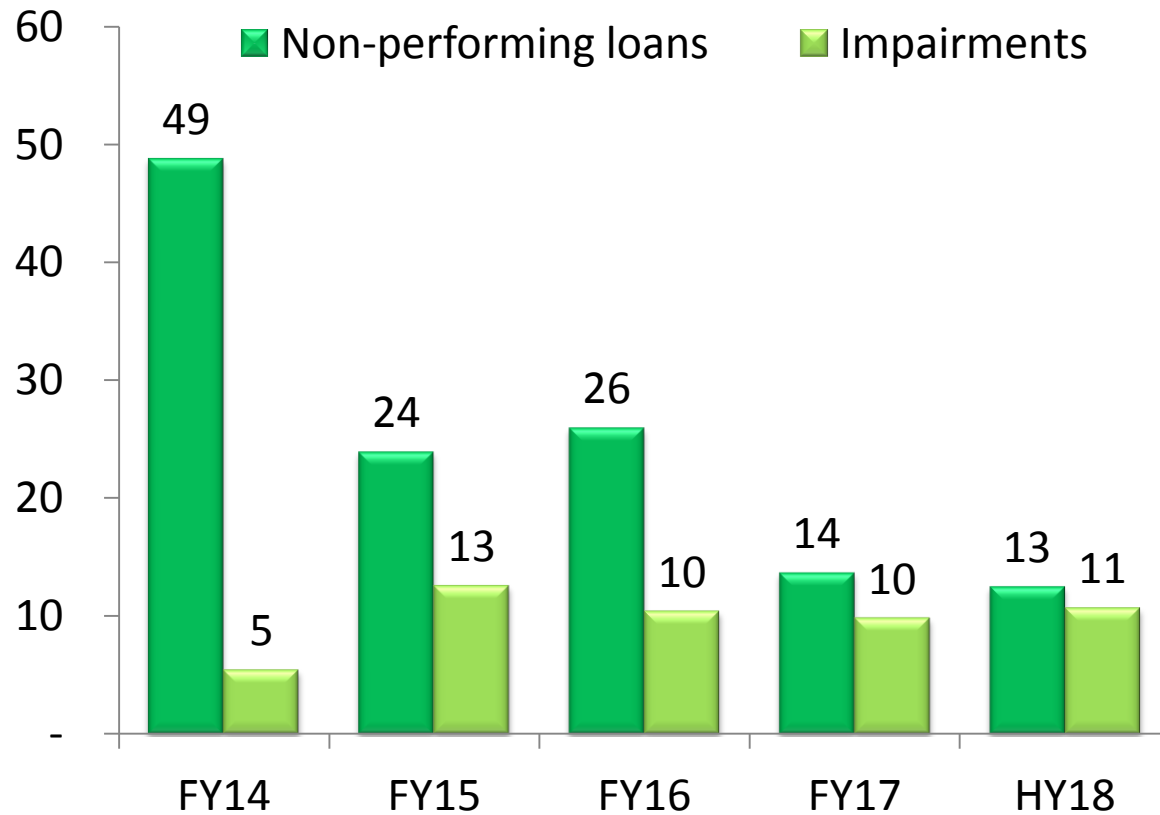
GROSS LOANS SECTORAL ANALYSIS						
	HY18 US\$(m)	FY17 US\$(m)		% Change	HY18 Contribution	HY17 Contribution
Private	27.86	29.05	↓	4%	22%	23%
Mortgage loans	18.20	16.9	↑	8%	15%	13%
Agriculture	13.03	12.75	↑	2%	10%	10%
Mining	0.38	0.67	↓	43%	0%	1%
Manufacturing	17.86	20.24	↓	12%	14%	16%
Distribution	6.12	7.29	↓	16%	5%	6%
Construction	2.04	1.90	↑	8%	2%	1%
Transport	3.65	3.47	↑	5%	3%	3%
Services	25.22	25.39	↓	1%	20%	20%
Financial	9.69	10.04	↓	4%	8%	8%
Communication	0.48	0.64	↓	25%	0%	1%
Total	124.53	128.34	↓	3%	100%	100%



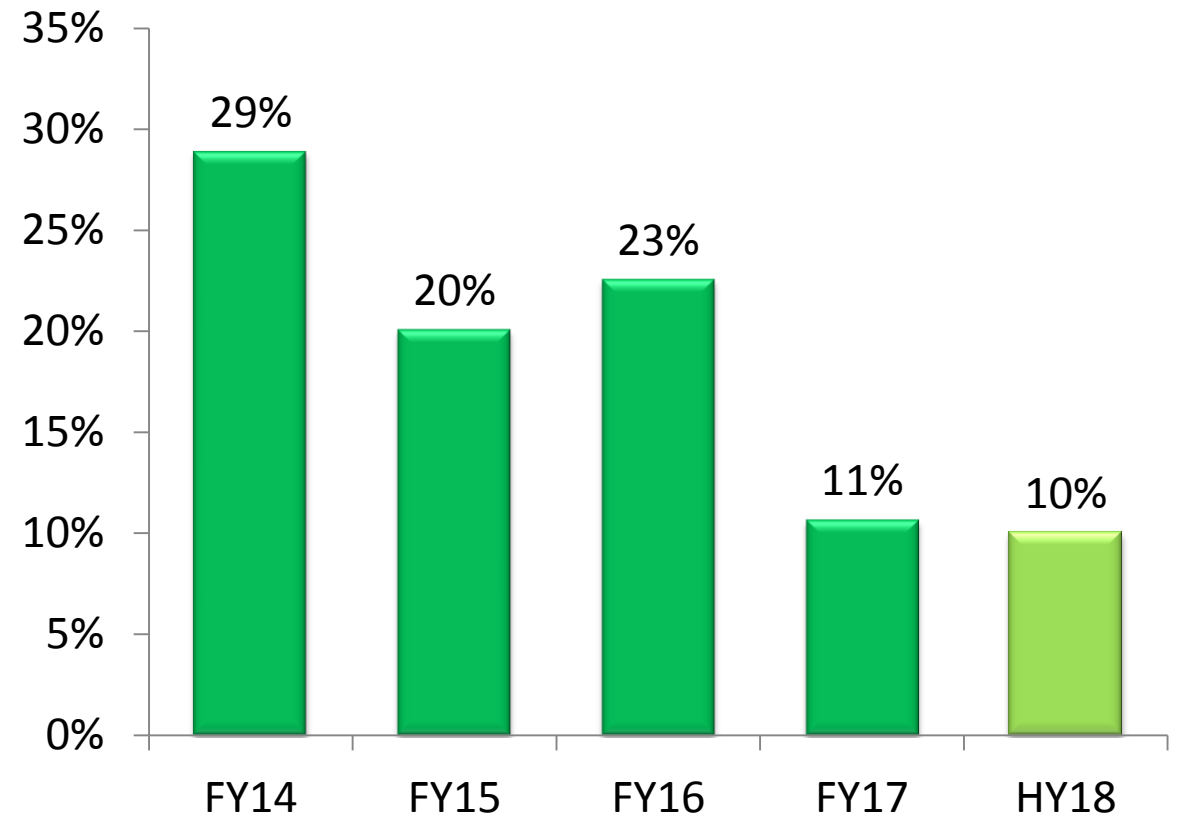
A sustained reduction in NPLs has been experienced over the years....

- The NPL book reduced by 3% from US\$13.7m at 31 Dec 17 to US\$12.5m at 30 Jun 18, the movement having been a result of recoveries made during the period.
- **The NPL ratio** improved from 11% at 31 Dec 17 to 10% at 30 Jun 18.










Gross loans impairment analysis US\$(m)



Non-performing loans ratio (%)









The reduction in NPLs was across all sectors apart from the private sector....

NPL sectoral analysis						
	HY18 US\$(m)	FY17 US\$(m)		% Change	HY18 Contribution	FY17 Contribution
Private	4.29	3.42		26%	34%	25%
Agriculture	0.51	0.76		33%	4%	6%
Mining	0.18	0.39		54%	1%	3%
Manufacturing	3.11	3.59		13%	25%	26%
Distribution	1.64	2.30		29%	13%	17%
Construction	0.82	1.02		19%	7%	7%
Services	1.26	1.38		9%	10%	10%
Financial Services	0.71	0.83		15%	6%	6%
TOTAL	12.52	13.69		8%	100%	100%



Funding improved supported by deposit expansion and organic growth in capital...

- The increase in funding was across all sources, driven by earnings growth and business generation.*

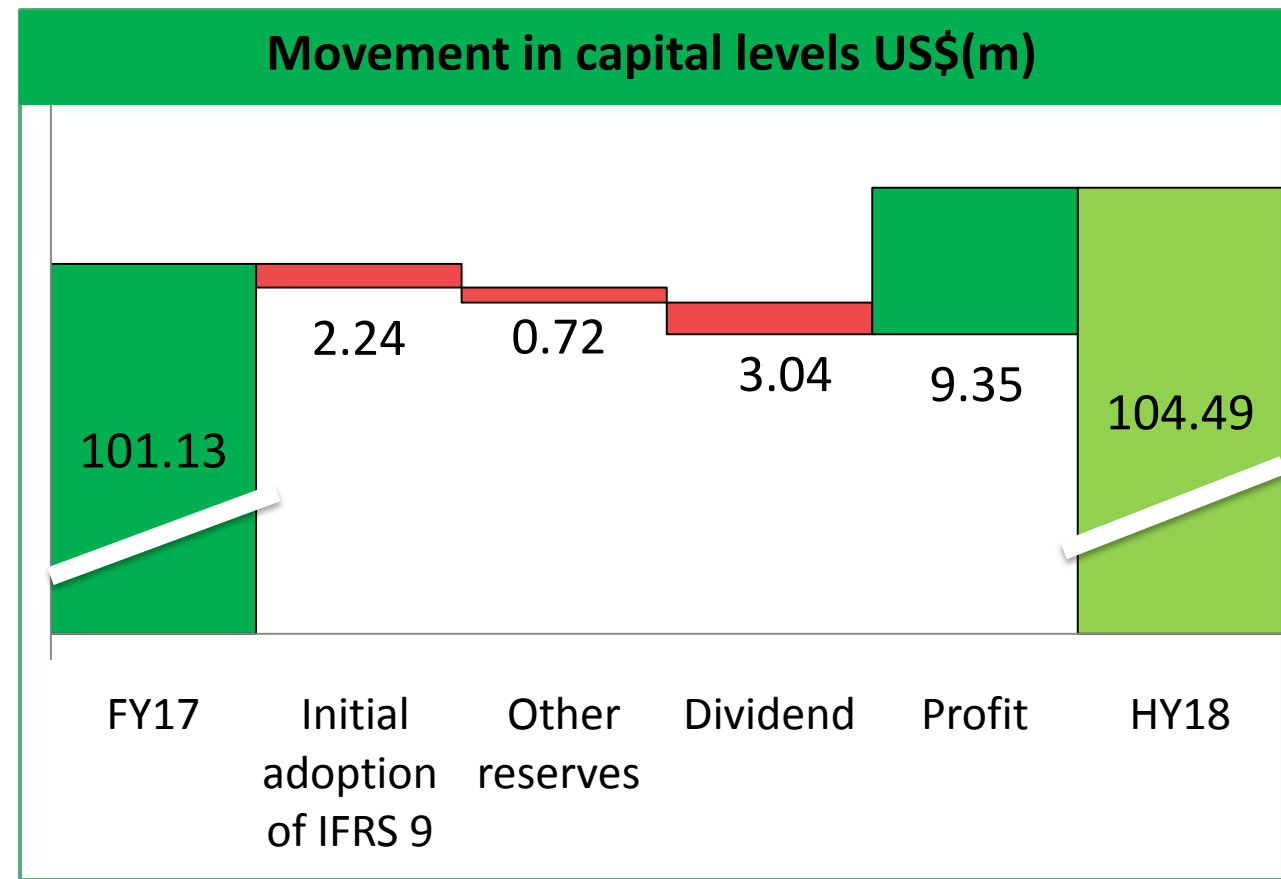
Funding Sources	HY18 US\$(m)	FY17 US\$(m)		% Change
Total equity	104.49	101.13		3%
Deposits and other accounts	391.47	347.11		13%
Life assurance funds	32.36	31.81		2%
Trade and other payables	37.22	33.10		12%
Long term loan	14.29	13.94		2%
Total	579.83	527.09		10%



Current period profitability has more than offset diminution in capital at the beginning of the period due to adoption of IFRS 9....

- Total dividends paid out by the Group in respect of FY17 amounted to US\$3.04m comprising US\$2.88m paid to holders of the Company and \$0.16m to non-controlling shareholders in subsidiary companies.
- At US\$84.18m , equity attributable to shareholders of the parent company as at 30 Jun 18 , equalled 81% of total equity.

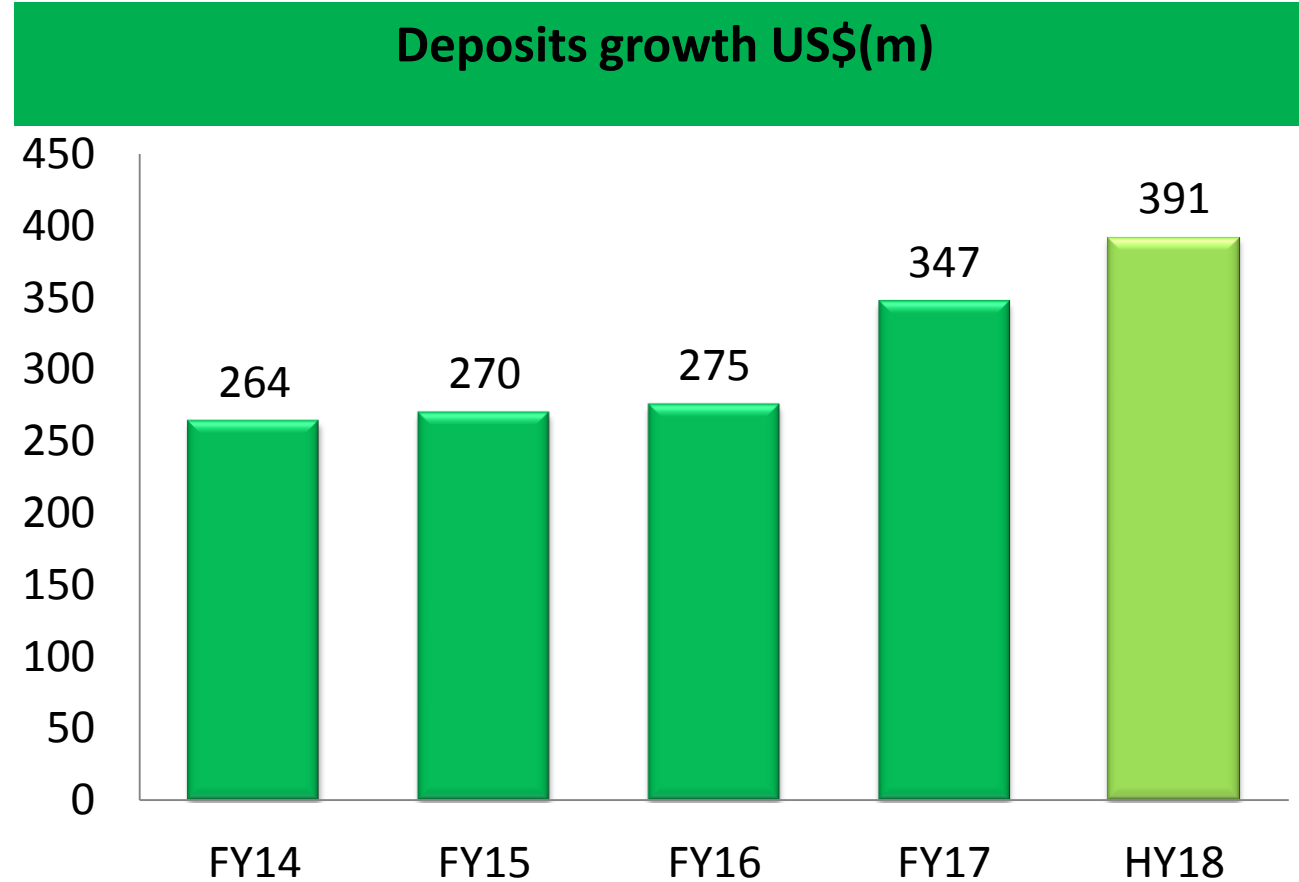
Equity distribution(\$m)			
	HY18 US\$(m)	FY17 US\$(m)	% Change
Total equity	104.49	101.13	3%
Equity attributable to parent	84.18	80.01	5%
Equity attributable to NCI	20.31	21.12	-4%



Deposits increased in line with money supply trends on the market....

- Fixed deposits contribution reduced to 33% at 30 Jun 18 compared to 36% at 31 Dec 17 reflecting funding sustainability in the short to medium term.*

Deposits by product					
	HY18	FY17	%	HY18	FY17
	US\$(m)	US\$(m)	Change	% Mix	% Mix
Bank placements	8.42	13.20	-36%	2%	4%
Demand	64.31	53.67	20%	16%	16%
Savings	190.03	154.06	23%	49%	44%
Fixed deposits	128.71	126.16	2%	33%	36%
Total	391.47	347.11	13%	100%	100%



Deposits growth was experienced across all sectors except for construction and communication....

Deposit sectoral analysis						
	HY18 US\$(m)	FY17 US\$(m)		% Change	HY18 Contribution	FY17 Contribution
Private individuals	79.41	66.92	↑	19%	20%	19%
Agriculture	28.06	11.49	↑	144%	7%	3%
Mining	2.39	1.19	↑	102%	1%	0%
Manufacturing	44.67	44.32	↑	1%	11%	13%
Distribution	10.96	10.72	↑	2%	3%	3%
Construction	3.45	6.13	↓	44%	1%	2%
Transport	2.22	1.57	↑	41%	1%	0%
Services	110.91	92.35	↑	20%	28%	27%
Financial	69.78	66.25	↑	5%	18%	19%
Communication	39.62	46.16	↓	14%	10%	13%
TOTAL	391.47	347.1	↑	13%	100%	100%



Key ratios show stable performance....

Key Performance ratios	HY18	FY17	FY16	FY15	FY14
Net interest income ratio	28%	20%	27%	24%	21%
Non-interest income ratio	72%	80%	73%	76%	79%
Cost to income ratio	72%	70%	76%	80%	99%
Loans to deposits ratio	32%	30%	36%	36%	59%
NPLs ratio	10%	11%	23%	20%	29%
Liquidity ratio	76%	77%	75%	60%	38%
Capital ratio	18%	19%	20%	19%	16%
Return on equity	18%	16%	13%	13%	-13%
Return on assets	4%	3%	2%	2%	-3%
Dividend yield	0.70%	0.51%	0.36%	0.39%	0.00%
Earnings per share (cents)	5.78	9.15	6.32	5.71	5.90
Price/Earnings ratio (times)	0.33*	0.39	0.55	0.61	(0.51)
Net asset value (cents)	53.44	50.79	43.90	38.79	31.16
Price to Book (times)	0.06	0.07	0.08	0.09	0.10

*Rolling PE



Strategy update



The Group will continue to execute its Growth oriented strategy based on 4 action pillars

Pillar 1: Strengthen Balance Sheet & Capital

1. Revenue growth to be mobilised from current and new business lines such as Diaspora business, International Business & Trade Finance, Project Finance.
2. De-risking of the balance sheet to be pursued as an ongoing strategy to hedge against loss of value and concentration risk. Land banks remain an asset category of choice.
3. Tactical culling of non-performing products to be pursued.
4. The Group will seek to mobilise more lines of credit, leveraging on the correspondent banking relationships that have been created.

The Group will continue to execute its Growth oriented strategy based on 4 action pillars

Pillar 2: Expand Investment Portfolio & Markets

1. Focused diversification of revenue streams leveraging on technologies for quick deployment.
2. The Group is considering setting up a micro-finance operation for better interaction with the micro, small and medium enterprises (MSME) sector.

The Group will continue to execute its Growth oriented strategy based on 4 action pillars

Pillar 3: Improve Customer Service

1. Product audit currently underway; products to be realigned to customer needs.
2. Technological platforms being optimised for better customer experience. The Group is embarking on a digitalization journey.
3. The branch refurbishment program will continue as the Group seeks to improve general ambience. Renovations for Douglas Road and Belmont Branches are earmarked for commencement in Q3 2018 whilst a new sub-branch in Glendale is scheduled for opening during the same period.
4. Customer service clinics have been on-going and are scheduled for completion in Q4 2018.



The Group will continue to execute its Growth oriented strategy based on 4 action pillars

Pillar 4: Operational Effectiveness & Governance

1. Further opportunities for cost savings will be explored across major cost lines. The paperless business model is set to be rolled out to back-office functions and investment into a document management system is underway. Furthermore, space rationalisation proposals are being progressed.
2. The Group is investing in a suite of systems for compliance management as required to satisfy Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT).
3. Further, fraud management systems are being implemented to deal with the emerging risk of card cloning and general cyber crimes.
4. The Group will be seeking to achieve ISO certification in a number of areas.

---THANK YOU---






Data Card



ZB Bank

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	489.2	442.3
Total Equity	62.1	62.1
Total Income	30.2	26.0
Expenses	21.8	19.3
PBT	7.9	6.7

Change	
	11%
	0%
	16%
	13%
	18%






Key Ratios	HY18	PY17
Return on Equity	13%	19%
Return on Assets	2%	3%
Cost to Income Ratio	73%	76%
Loans to Deposit Ratio	23%	29%
NPL ratio	10%	11%
Liquidity Ratio	81%	73%
Capital adequacy ratio	26%	26%



ZB Building Society

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	45.88	45.52
Total Equity	21.91	22.32
Total Income	2.58	2.86
Expenses	2.73	2.61
PBT	(0.16)	0.26

Change	
	1%
	2%
	10%
	5%
	162%

Key Ratios	HY18	PY17
Return on Equity	-1%	6%
Return on Assets	0%	3%
Cost to Income Ratio	106%	81%
Capital adequacy ratio	54%	55%



ZB Reinsurance

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	15.40	14.05
Total Equity	10.63	10.22
Total Income	1.94	1.92
Expenses	1.18	1.15
PBT	0.75	0.77

Change	
↑	10%
↑	4%
↑	1%
↑	3%
↓	3%






Key Ratios	HY18	PY17
Return on Equity	5%	5%
Return on Assets	4%	5%
Cost to Income Ratio	61%	60%



ZB Life Assurance

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	52.47	51.56
Total Equity	16.62	16.68
Total Income	3.95	4.37
Expenses	3.12	2.58
PBT	0.27	0.48

Change	
	2%
	0%
	10%
	21%
	43%

Key Ratios	HY18	PY17
Return on Equity	1%	4%
Return on Assets	1%	2%
Cost to Income Ratio	79%	52%

ZB Capital

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	2.60	1.26
Total Equity	2.11	1.06
Total Income	1.54	1.04
Expenses	0.16	0.09
PBT	1.38	0.95

Change	
↑	106%
↑	98%
↑	48%
↑	67%
↑	46%

Key Ratios	HY18	PY17
Return on Equity	66%	69%
Return on Assets	54%	60%
Cost to Income Ratio	10%	18%



ZB Transfer Secretaries

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	1.11	0.99
Total Equity	1.02	0.88
Total Income	0.28	0.26
Expenses	0.10	0.15
PBT	0.18	0.10

Change	
↑	12%
↑	15%
↑	9%
↓	33%
↑	72%






Key Ratios	HY18	PY17
Return on Equity	13%	12%
Return on Assets	12%	10%
Cost to Income Ratio	37%	68%



ZB Associated Services

Financial Highlights

Line Item	HY18 US\$m	PY17 US\$m
Total Assets	0.79	0.88
Total Equity	0.70	0.78
Total Income	0.38	0.61
Expenses	0.41	0.45
PBT	(0.03)	0.17

Change	
	10%
	10%
	38%
	8%
	120%

Key Ratios	HY18	PY17
Return on Equity	-4%	27%
Return on Assets	-3%	24%
Cost to Income Ratio	109%	76%

