

ANALYSTS' PRESENTATION



ZB FINANCIAL HOLDINGS

**REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR
ENDED 30 JUNE 2016**

HY16 Analysts' Briefing Outline



HY16 Financial Outturn



Statement of Profit or Loss - Highlights

	YOY Change			
		YOY Change	HY16 US\$m	HY15 US\$m
Total Income	3%		29.39	28.49
Net Recoveries/ Loan Impairment Charges	191%		2.03	(2.22)
Total Expenses	7%		21.83	23.45
Profit For the Period	46%		5.94	4.06

Total income increased despite a fall in interest margins. This was on the back of robust bad debt recoveries realised during the period.
Total income is presented net of recoveries and loan impairment charges. Gross recoveries on non-performing loans amounted to \$4.6m and is non-recurring.
Technology driven cost control measures remained key in offsetting shrinking income margins.
Increase in profitability was mainly due to reduction in operating expenses and recoveries of bad debts.



Summary Statement of Profit or Loss

Pressure on income is expected to continue in the foreseeable future due to liquidity challenges, introduction of interest rate caps and reduction of e-banking and RTGS charges.

Line Item	HY16 US\$m	HY15 US\$m	Change
Total Income	29.39	28.49	↑ 3%
Operating Expenses	(21.83)	(23.45)	↓ 7%
Profit From Ordinary Activities	7.56	5.04	↑ 50%
Share Of Profit From Associates	(0.08)	0.09	↓ -193%
Transfer To Life Fund	(0.43)	(0.18)	↑ -137%
Profit Before Tax	7.05	4.95	↑ 42%
Income Tax Expense	(1.11)	(0.89)	↑ -25%
Net Profit For The Period	5.94	4.06	↑ 46%

Revenue generation - Change Over Prior Year

Interest margins tightened on a reduced loan book; Despite an aggregated increase in the number of banking transactions, Commissions & fees dropped on the back of reduced charges; fair value adjustments weighed down revenues whilst net underwriting income reduced due to low business outturn experienced by the insurance business.

Income Line	HY16 US\$m	HY15 US\$m	Change	
Net Interest Income	7.24	7.38	↓	2%
Net Recoveries/ Charge for Impairment	2.03	(2.22)	↑	191%
Net Earnings From Lending Activities	9.27	5.16	↑	80%
Fees, Commissions And Other Income	15.86	18.34	↓	14%
Net Reinsurance Income	4.26	4.99	↓	15%
Net Life Assurance Income	2.42	2.64	↓	8%
Net Underwriting Income	6.68	7.62	↓	12%
Total Income	29.39	28.49	↑	3%



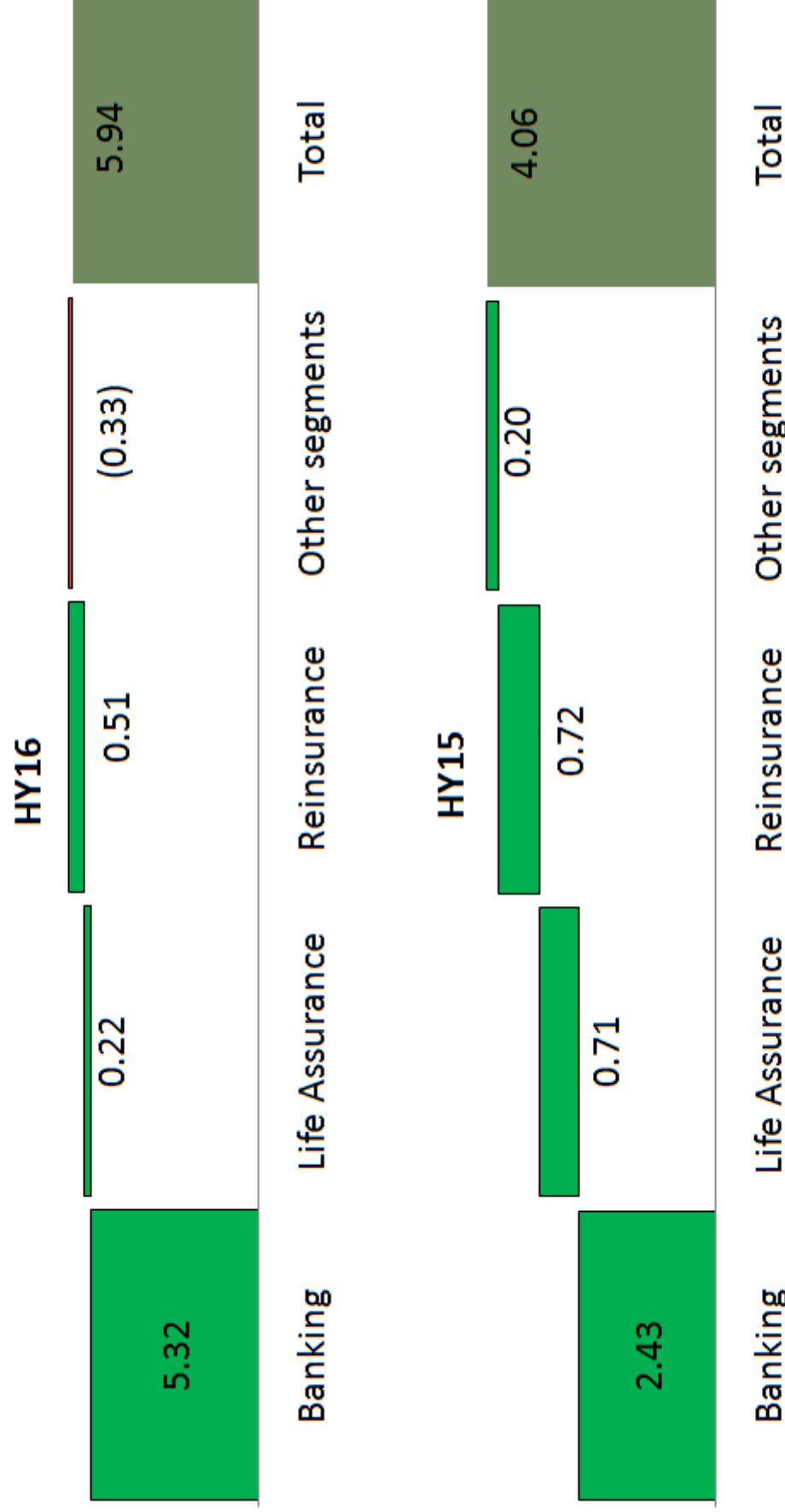
OPEX – Change Over Prior Year

The on-going investment in **new technologies** has resulted in increased **depreciation** and **amortisation** costs. Other **OPEX lines** have been managed within reasonable levels.

Expenditure	HY16 US\$m	HY15 US\$m	Change	
Administration	4.81	4.44	↑	8%
Staff	10.06	11.40	↓	12%
Occupation	2.55	3.35	↓	24%
Computer and IT	1.03	1.13	↓	8%
Communication	0.25	0.46	↓	45%
Transport	0.59	0.60	↓	3%
Depreciation	1.36	1.21	↑	13%
Amortization (Software)	1.38	0.86	↑	60%
Total Expenditure	21.83	23.45	↓	7%

Business Unit Contribution to PAT(\$m)

All Strategic Business Units operated profitably during HY16.



Summary Statement of Financial Position

	HY16 US\$m	HY15 US\$m	YOY Change	
Total Assets	396	424	7%	The reduction is largely on the back of a 14% decrease in cash balances and a 6% decline in the loan book.
Money Market	120	117	2%	Operating assets are skewed towards sovereign paper for better yields and capital preservation.
Loans and Advances	94	100	6%	The Group has maintained a cautious approach to credit expansion as credit absorption capacity remains weak. An aggressive recoveries strategy is being pursued.
Deposits	255	269	6%	The decrease in deposits is in line with the prevailing liquidity challenges in the operating environment.
Total Equity	84	82	2%	Capital preservation remains critical in order to meet capitalisation targets for 2020. A final dividend of \$2.3m for 2015 was paid in May 2016.



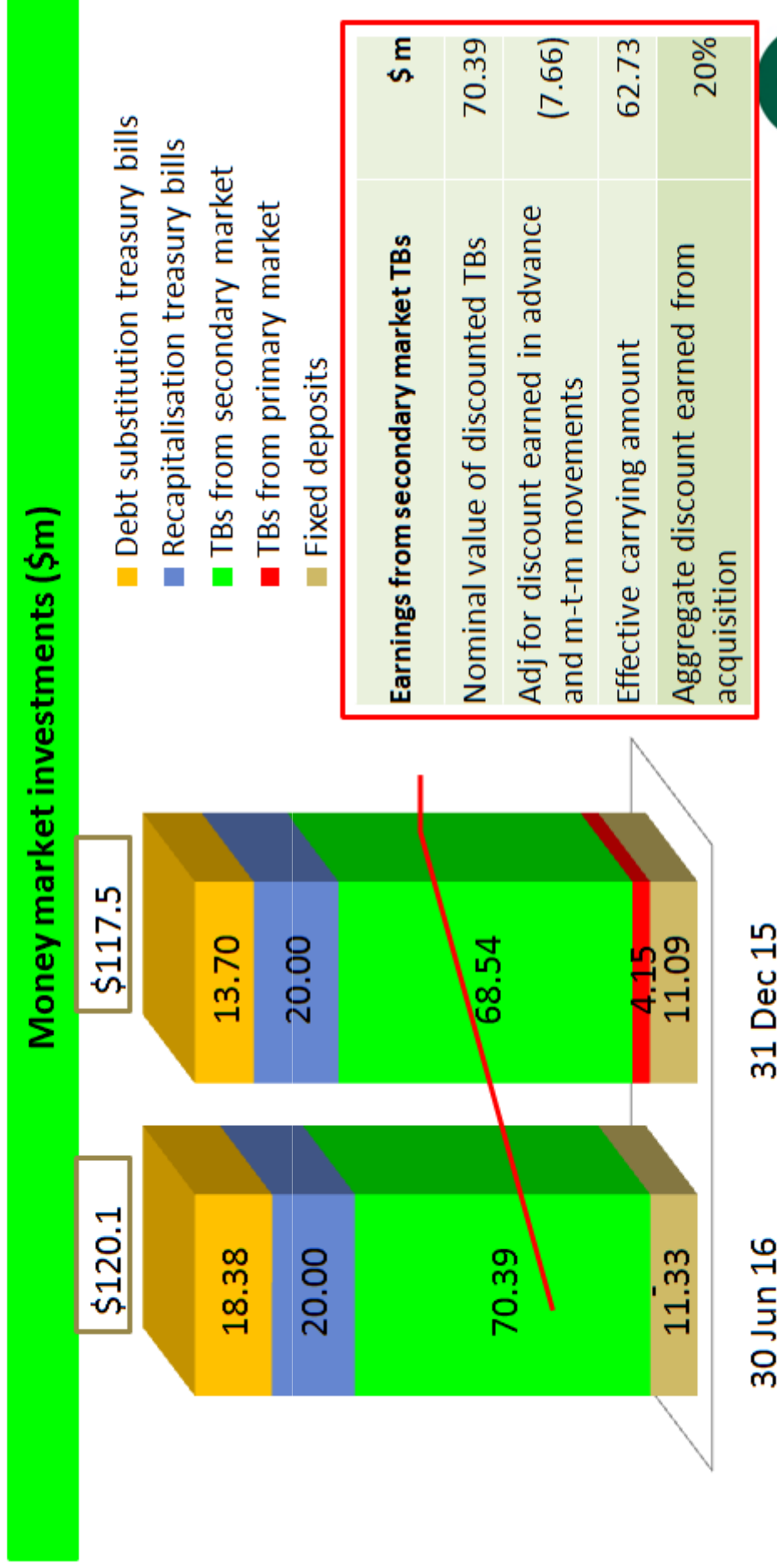
Composition of Assets

In proportion to total assets, Earning Assets increased from 68% to 72% largely due to a higher reduction in non-earning asset classes.

Composition of Total Assets	HY16	FY15	% Change
Earning assets			
Money market investments	120.10	117.48	2%
Loans and other advances	93.64	99.58	-6%
Investment properties	15.00	15.00	0%
Investment securities	18.55	18.41	1%
Investment in associates	36.62	36.70	0%
Total earning assets	283.90	287.17	-1%
Non-earning assets			
Cash and short term funds	48.08	55.79	-14%
Other assets	11.47	27.24	-58%
Property and equipment	52.79	53.89	-2%
Total non-earning assets	112.34	136.92	-18%
Grand total	396.24	424.08	-7%
Earning assets contribution	72%	68%	6%

Money Market Investments

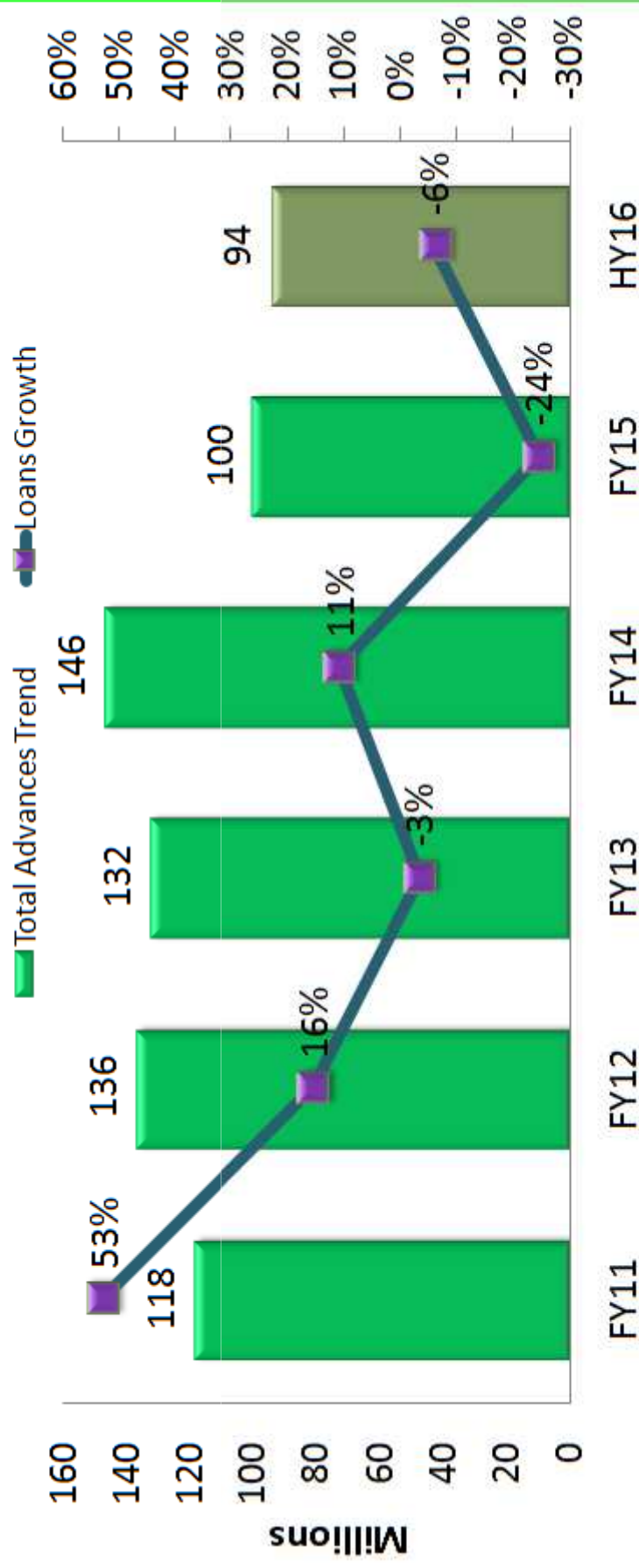
The Group has been a **market maker** for the secondary trading of TBs in a market in which deep discounts are commonplace. Valuation of recapitalisation TBs remains an issue under technical consultation.



Loans and Other Advances – Trend

Credit assets reduced as credit creation lagged behind the aggregate rate of credit collections and normal repayments.

Loans and Other Advances (Trend and Growth)



Loans and Other Advances – Composition

The Asset Mix in the Credit portfolio remained largely unchanged compared to end of FY15.

	HY16 (\$m)	FY15 (\$m)	Change %	HY16 Contribution	FY15 Contribution
Mortgage Loans	13.39	12.33	9	14%	12%
Short term loans	68.30	73.33	7	73%	74%
Bankers Acceptance	5.51	6.73	18	6%	7%
Other	6.44	7.19	10	7%	7%
Total	93.64	99.58	6	100%	100%



Loans and Other Advances - Sectoral Analysis

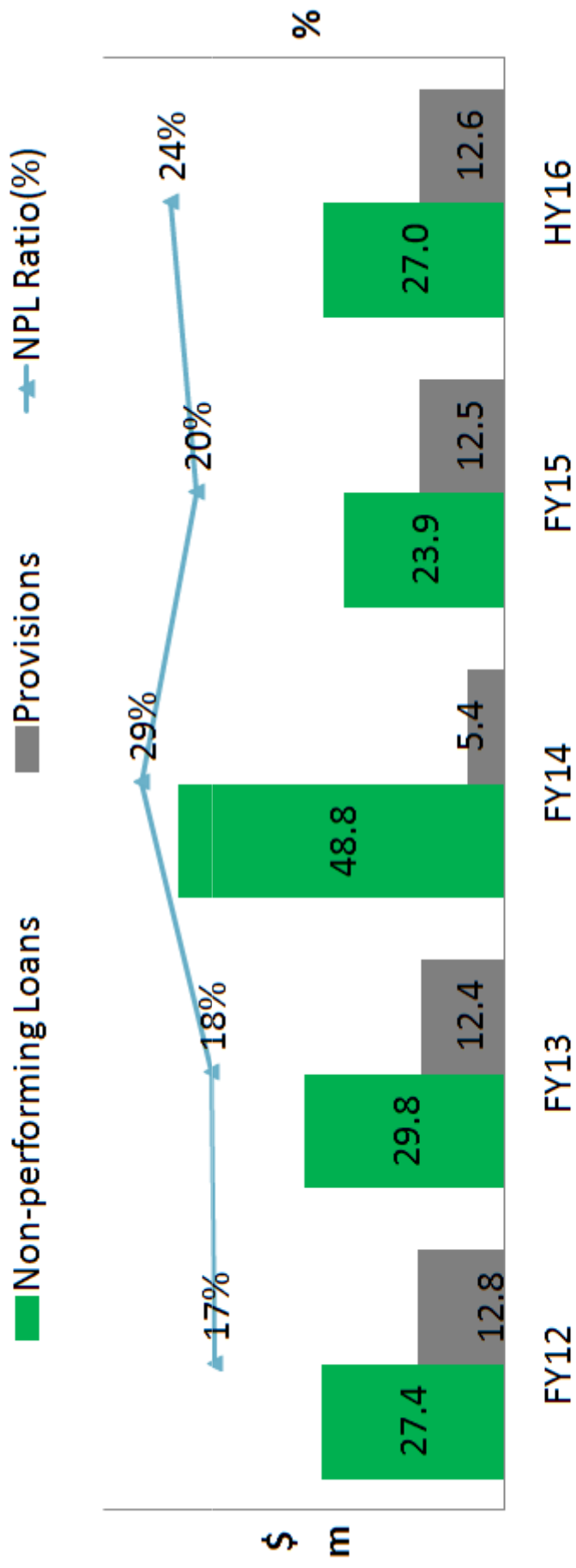
- *Bad debt recoveries in the agriculture sector and renewal of loan facilities at relatively lower levels resulted in a lower loans and advances book.*
- *Notable facility renewals were recorded under the mining sector on the back of improving metal pricing dynamics.*

SECTOR	HY16 (\$m)	FY15 (\$m)	Change	HY16 Contribution	FY15 Contribution
Private	25.40	29.19	↓ 13%	27%	29%
Agriculture	15.41	18.94	↓ 19%	16%	19%
Services	9.54	12.38	↓ 23%	10%	12%
Mortgage loans	12.28	12.33	↔ 0%	13%	12%
Manufacturing	6.35	7.60	↓ 16%	7%	8%
Financial	4.56	7.32	↓ 38%	5%	7%
Distribution	5.29	6.55	↓ 19%	6%	7%
Transport	2.36	1.81	↑ 31%	3%	2%
Mining	11.38	1.33	↑ 757%	12%	1%
Communication	0.49	1.33	↓ 63%	1%	1%
Construction	0.58	0.82	↓ 29%	1%	1%
Total	93.64	99.58	↓ 6%	100%	100%

Loans and Other Advances – Impairment Charges

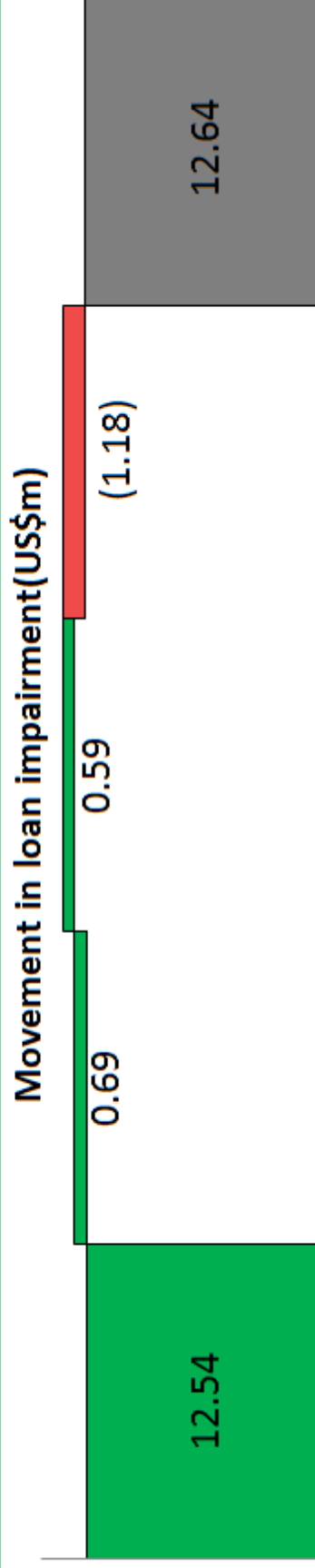
The NPL ratio increased in HY16 as a result of a reduction in gross advances, accumulation of interest on NPLs carried forward, and a further downgrade of accounts as credit performance remained constrained.

Gross impaired loans analysis



Loans and Other Advances – Impairment Charges

- The charge for loan impairment of \$0.69m was offset against a \$2.72m recovery to result in a credit of \$2.03m to Profit & Loss.
- \$1.18m Recoveries during the period were charged against provisions.



	FY15	Charge to Income Statement	Interest Reserve	Recoveries	HY16
	8.34		Specific provision		8.62
	0.81		Portfolio provision		0.05
	3.39		Interest reserved		3.98
	12.54		Total		12.64

Loans and Other Advances - NPLs by Sector

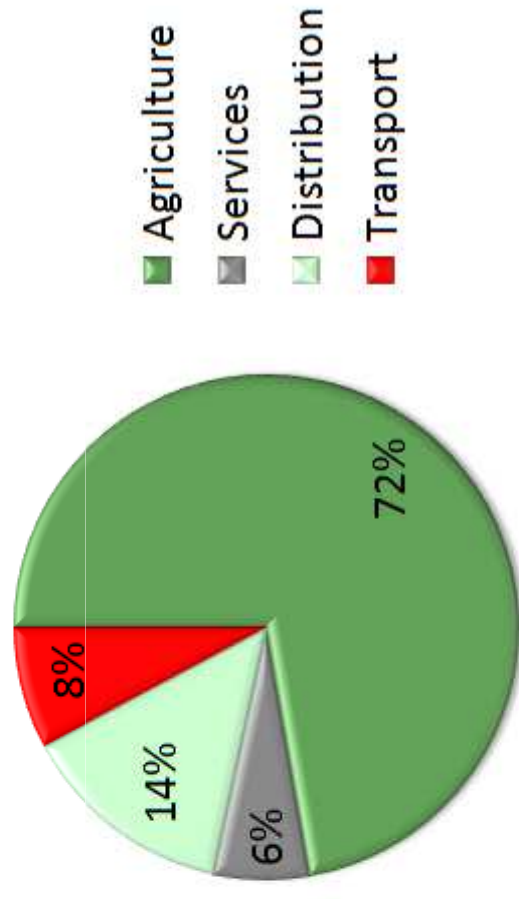
- The Group continues to pursue **aggressive loan recovery efforts**.
- An SPV for **Residual NPLs** has been approved by the regulator. This will provide an alternative investment avenue.

SECTOR	HY16 (\$m)	FY15 (\$m)	Change	HY16 Contribution	FY15 Contribution
Private	4.66	3.97	↑	17%	17%
Agriculture	8.65	8.49	↑	32%	35%
Mining	0.35	0.01	↑	1%	0%
Manufacturing	3.52	2.87	↑	13%	12%
Distribution	4.36	4.06	↑	16%	17%
Construction	0.72	0.84	↓	3%	4%
Communication	0.36	0.34	↑	1%	1%
Services	2.48	1.76	↑	9%	7%
Financial Services	1.90	1.61	↑	7%	7%
TOTAL	27.01	23.95	↑	100%	100%

Loans and Other Advances - Debt workout through ZAMCO

- During HY16 ZAMCO provided credit relief to the Group with TBs worth \$4.6m bringing the cumulative rescue package to \$18.4 million in respect of Non-Performing Loans.
- The cured assets in HY16 were largely in the Agriculture Sector (72%) and Distribution Sector (14%).

SECTOR	HY16 (\$m)
Agriculture	3.34
Services	0.28
Distribution	0.64
Transport	0.36
TOTAL	4.62



Funding sources

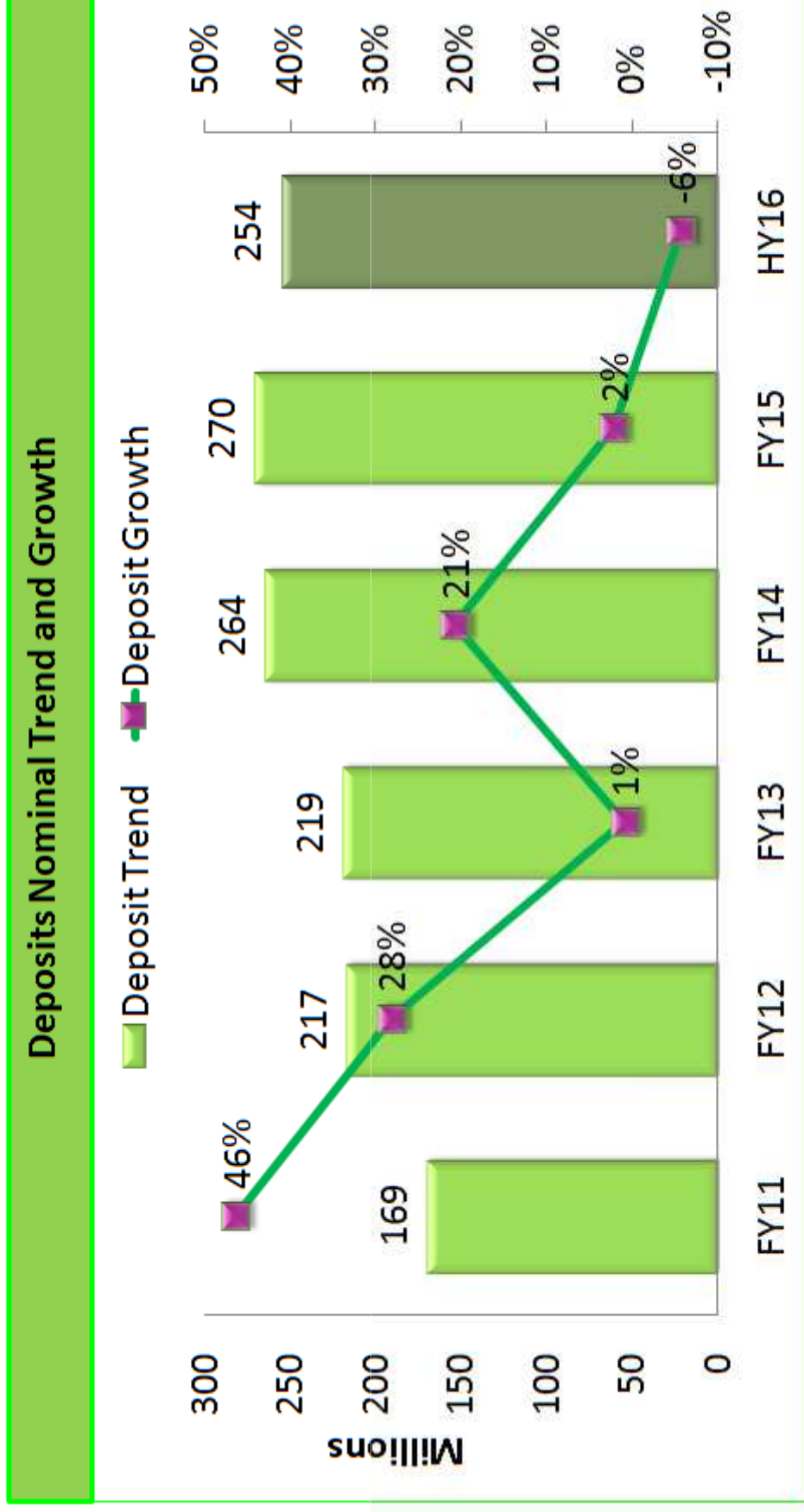
Deposits reduced on the back of liquidity challenges experienced in the market.

	HY16(\$m)	FY15(\$m)	% Change
Total equity	83.58	81.57	2
Deposits and other accounts	254.48	269.70	6
Life assurance funds	28.20	27.77	2
Trade and other payables	9.98	25.04	60
Long term loan	20.00	20.00	0
Total	396.24	424.08	7



Deposits – Nominal Trend and Growth

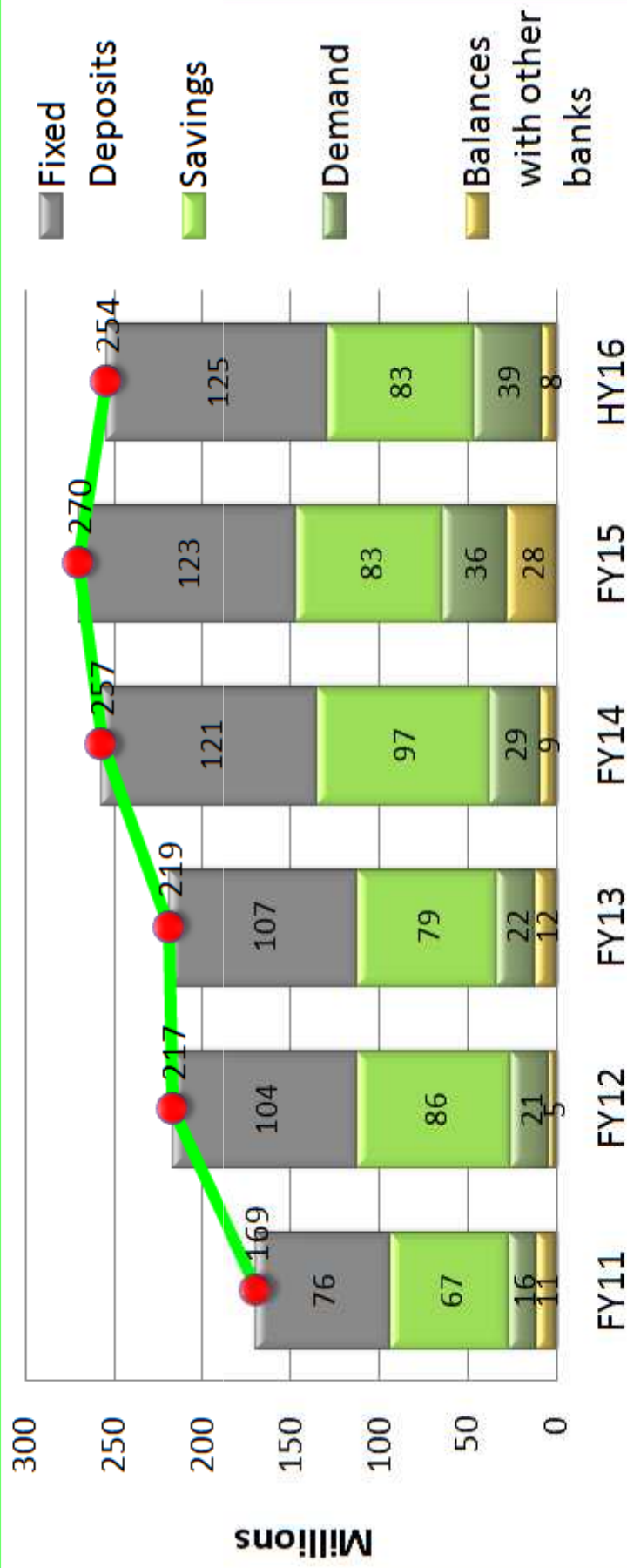
From 2010, the growth rate in total deposits has displayed a downward trend.



Deposits Composition

The reduction in deposits was a result of the maturity of liquidity support instruments negotiated with the RBZ in December 2015. Regular customer deposits, otherwise remained largely unchanged.

Deposits Composition By Product Type

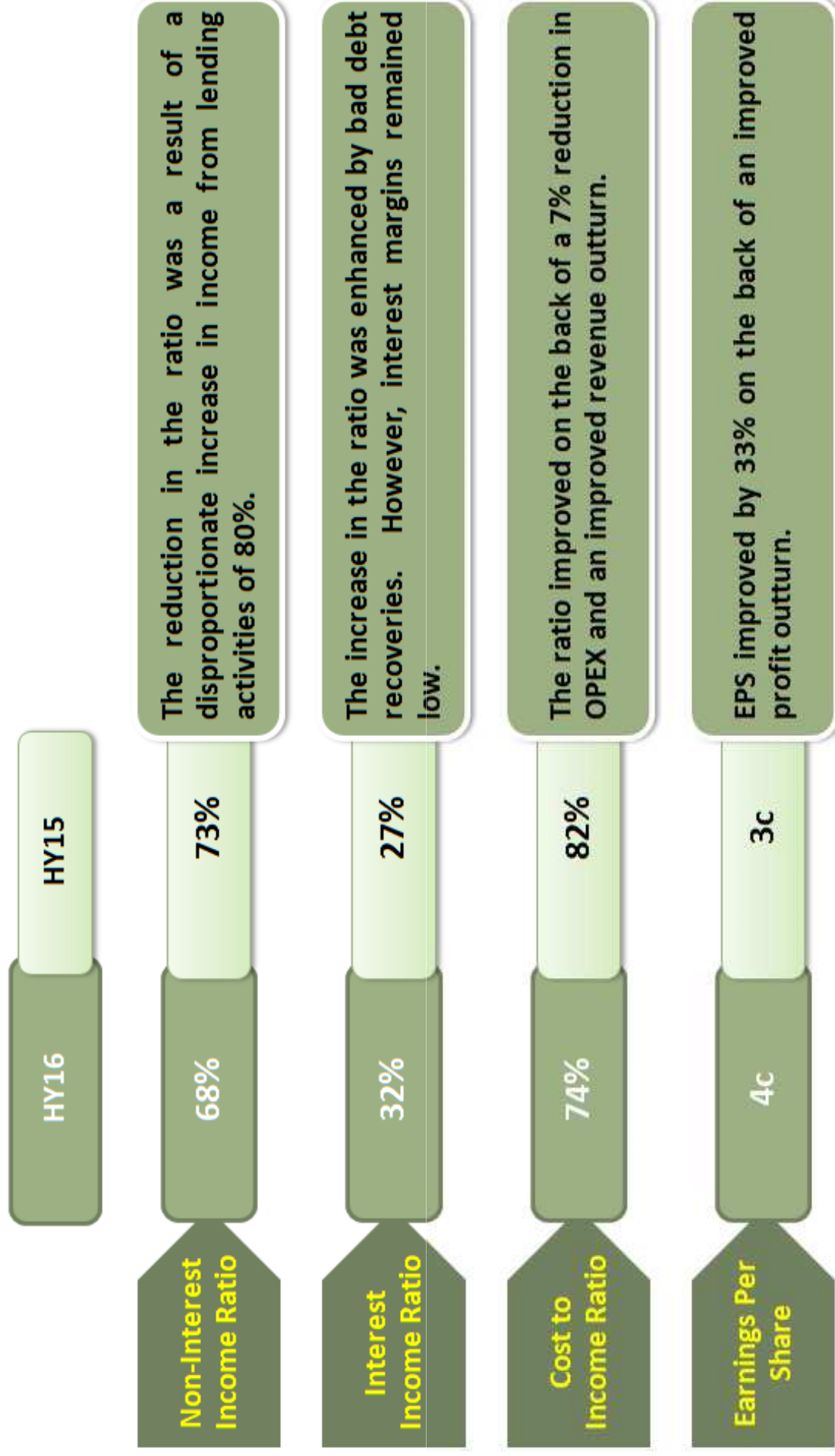


Deposits By Sector

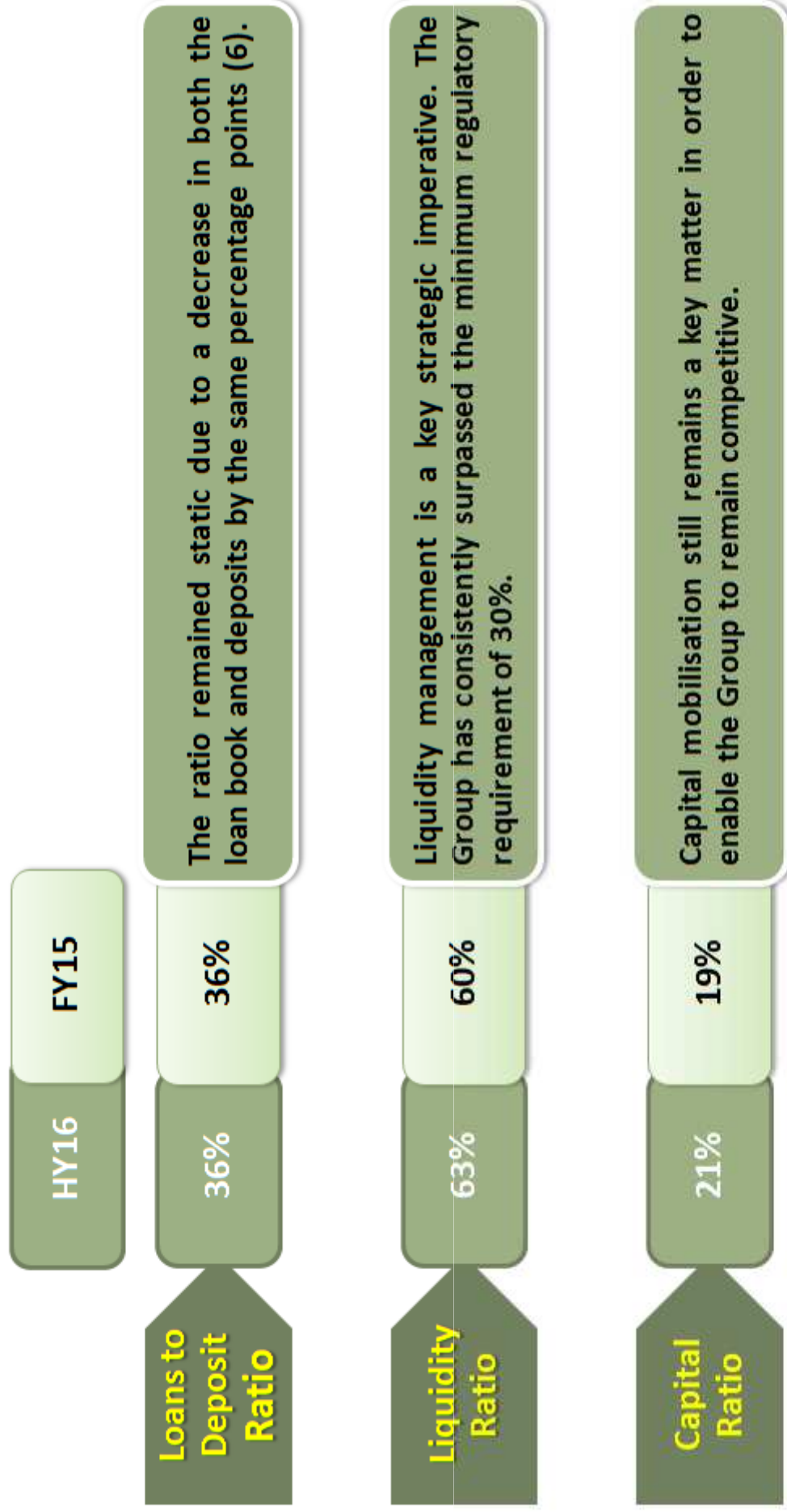
Deposit mobilised from most sectors decreased except for individuals, mining and communication sectors.

SECTOR	HY16 (\$m)	FY15 (\$m)	Change	HY16 Contribution	FY15 Contribution
Private individuals	47.24	44.9	↑ 5%	19%	17%
Agriculture	5.64	6.2	↓ 9%	2%	2%
Mining	4.46	3.71	↑ 20%	2%	1%
Manufacturing	2.53	16.29	↓ 84%	1%	6%
Distribution	7.2	7.38	↓ 2%	3%	3%
Construction	1.4	2.69	↓ 48%	1%	1%
Transport	1.14	1.74	↓ 34%	0%	1%
Services	64.56	66.36	↓ 3%	25%	25%
Financial	91.67	95.63	↓ 4%	36%	35%
Communication	28.64	24.79	↑ 15%	11%	9%
TOTAL	254.48	269.69	↓ 6%	100%	100%

Financial Ratios



Financial Ratios



Financial Ratios



Strategy Execution



Strategy Execution - Credit Ratings

- *After taking a dip in FY15, ZB Bank's credit rating has started to improve with a short term target rating of BBB+*
- *ZB Building Society maintained its credit rating and ZBRE improved the credit rating from BBB+ to A-.*

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



Strategy Execution - Capital Management

*All Business Units in the Group 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	56.3	25	31.3	100
ZB Building Society	16.2	20	(3.8)	80
ZB Reinsurance Limited	9.9	1.5	8.4	5.0
ZB Life Assurance	16.0	2.0	14.0	5.0
ZB Transfer Secretaries Limited	0.7	0.15	0.55	0.15
ZB Capital	0.3	0.15	0.15	0.15



Strategy Execution – Corporate Level in HY16

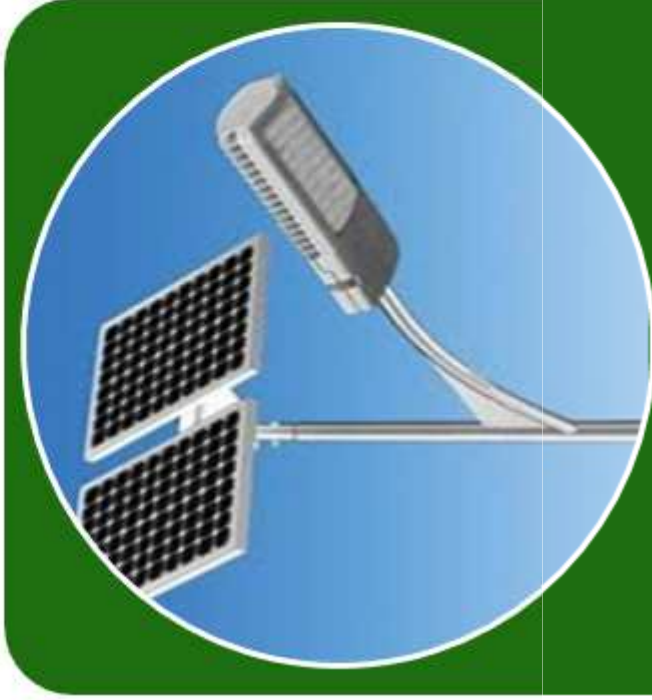


Aggressive focus on resource optimisation and diversification of investment portfolio.

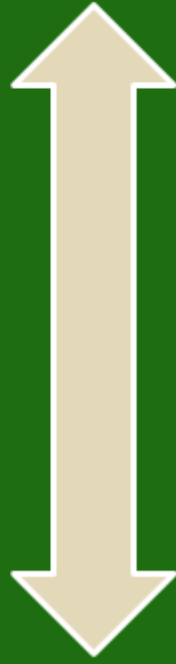


1. Substantial progress has been made towards the achievement of the medium-term cost to income ratio of 50%.
2. Mobilisation of land banks countrywide has intensified with a target for 10,000 housing units by 2018.
3. Establishment of a Micro-finance Unit.
4. The Group will continue to pursue profitable opportunities in the region. Approvals for the establishment of an office for Re-insurance operations in Mozambique is now in place.

Strategy Execution – Investment Banking in HY16



Have created a steady and exciting deal flow despite liquidity challenges



1. Pursuing a project based approach to capital mobilisation with a current deal book of US\$30 million.
2. Piloted a project on backbone electricity infrastructure in collaboration with ZETDC resulting in 3,000 households being connected to the national grid. A national roll-out of the model will commence soon.
3. Have implemented solar street lighting solutions in a number of places across the country.

Strategy Execution – Corporate Banking Initiatives in HY16



Major thrust is to de-risk the balance sheet and expand portfolio mix



1. Vigorous debt collection and a strengthened credit granting framework critical in reducing NPLs.
2. Deliberate skew of the credit book towards small and mid tier tickets to reduce concentration risk.
3. Have maintained a high exposure to sovereign assets for capital preservation purposes.

Strategy Execution – Retail Banking in HY16



Service delivery is anchored on cutting edge technologies whilst a channel refresh project has progressed well.



1. A new Card Management System anchors the financial inclusion thrust. Products launched in HY16 include;
 - *A monicard branded Pauri/Konapho*
 - *The Fidelity Gold Card.*
 - *A Local Credit Card*

More branded cards will be rolled out.

2. A new integrated internet and mobile platform has been implemented and is being rolled out.
3. The improvement of branch ambience across the network is in progress.



Strategy Execution – Agent Banking in HY16



Agency Banking has become a new frontier for service delivery to hitherto, unbanked communities



1. ZB Pauri/Konapho was officially launched in May 2016.
2. The Group has more than 9,000 signed up agents.

Strategy Execution – Insurance Operations in HY16



Investment consolidation and improved productivity are the key focus areas



1. The Group continues to explore means through which it will consolidate its investments in the short-term insurance sector.
2. Various initiatives have been undertaken to improve Agents' productivity in the Life Assurance Business.
3. 19% of gross premium in the Reinsurance Business was earned from the region, thus underlining the importance of portfolio diversification.

Strategy Execution – Technology Initiatives in HY16



Technology remained key to the delivery promise



1. A cumulative +\$5 million investment in new technologies has been made over the last two years. Customers are beginning to experience the benefits.
2. An investment for a new life administration system is planned to commence in the second half of the year.
3. Continued to leverage on social media for stakeholder conversations.

Focus Areas to End of Year



Focus Areas to End of Year



Strengthen asset quality



Consolidation of technological platforms for better service delivery and transactional revenue growth.



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



ZB Bank

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	311.8	331.3
Total Equity	59.1	57.7
Total Income	24.2	19.4
Expenses	19.5	17.9
PBT	4.7	1.5

Change
 -6%
 3%
 25%
 -9%
 202%

Key Ratios	HY16	PY15
Return on Equity	13%	9%
Return on Assets	2%	1%
Cost to Income Ratio	80%	85%
Loans to Deposit Ratio	39%	43%
NPL ratio	25%	20%
Liquidity Ratio	72%	73%



ZB Building Society

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	48.24	48.01
Total Equity	16.80	16.60
Total Income	3.67	4.19
Expenses	2.90	3.08
PBT	0.77	1.11

Change	
	0%
	1%
	-12%
	6%
	-30%

Key Ratios	HY16	PY15
Return on Equity	4%	5%
Return on Assets	2%	2%
Cost to Income Ratio	79%	74%

ZB Reinsurance

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	14.51	14.40
Total Equity	9.86	9.35
Total Income	1.71	2.24
Expenses	0.97	1.23
PBT	0.74	1.01

Change
↑ 1%
↑ 5%
↓ -24%
↓ 21%
↓ -27%

Key Ratios	HY16	PY15
Return on Equity	8%	12%
Return on Assets	5%	8%
Cost to Income Ratio	57%	55%



ZB Life Assurance

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	46.71	46.08
Total Equity	16.02	15.90
Total Income	2.91	2.99
Expenses	2.35	2.41
PBT	0.25	0.66

Change
↑ 1%
↑ 1%
↓ -3%
↓ 3%
↓ -61%

Key Ratios	HY16	PY15
Return on Equity	2%	6%
Return on Assets	1%	2%
Cost to Income Ratio	81%	81%



ZB Capital

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	0.64	0.58
Total Equity	0.34	0.36
Total Income	0.03	0.05
Expenses	0.07	0.08
PBT	(0.04)	(0.03)

Change	
	10%
	-6%
	-32%
	16%
	11%

Key Ratios	HY16	PY15
Return on Equity	(10%)	(9%)
Return on Assets	(6%)	(5%)
Cost to Income Ratio	203%	162%



ZB Transfer Secretaries

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	1.03	0.63
Total Equity	0.72	0.51
Total Income	0.41	0.36
Expenses	0.11	0.24
PBT	0.31	0.11

Change	
↑	64%
↑	41%
↑	16%
↓	56%
↑	174%

Key Ratios	HY16	PY15
Return on Equity	43%	22%
Return on Assets	30%	18%
Cost to Income Ratio	26%	69%



ZB Associated Services

Financial Highlights

Line Item	HY16 US\$m	PY15 US\$m
Total Assets	0.64	0.50
Total Equity	0.39	0.20
Total Income	0.82	0.67
Expenses	0.47	0.44
PBT	0.36	0.23

Change	
	27%
	98%
	22%
	-5%
	55%

Key Ratios	HY16	PY15
Return on Equity	56%	46%
Return on Assets	63%	46%
Cost to Income Ratio	57%	66%

