

ANALYSTS' PRESENTATION



AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED
31 DECEMBER 2016

FY16 Achievements and Awards...



Best Supporting services – Financial services - Zimbabwe Project Management 2016 Awards



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



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

MTILIKWE FINANCIAL SERVICES

STRATEGY | PERFORMANCE | LEADERSHIP

Most Innovative Agency Banking Service - Agent Banking and Digital Financial Services Conference and Awards 2016



SMEs International Expo
Vision Built Together

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



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

FY16 Analysts' Briefing Outline



FY16 Financial Outturn



Statement of Profit or Loss - Highlights

	FY16 US\$m	FY15 US\$m	Y-O-Y Change	
Total Income	65.07	57.99	12%	Total income increased despite a fall in interest margins. This was on the back of robust bad debt recoveries, growth in non-funded income and positive fair value performance in listed equities.
Net Recoveries / Loan Impairment Charges	0.77	(2.93)	126%	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.
Total Expenses	49.46	46.32	7%	The increase in expenses is a result of higher technology related costs, depreciation and amortization arising from related investments.
Profit for the period	11.43	9.36	22%	Profit sustainability is under pressure from reducing trading margins. Operational efficiency remains a key matter though cost pressure continues to mount due to the need to maintain market competitiveness.



Summary Statement of Profit or Loss

- **Total Income** increased at a faster pace relative to **OPEX**.
- **Losses in Associates** were largely driven by downward valuation of Investment Properties in Mashonaland Holdings, attributed to rent reductions and voids – there is **a real chance for recovery of value** in the future.

Line Item	FY16(\$m)	FY15(\$m)	Change	
Total Income	65.07	57.99	↑	12%
Operating Expenses	(49.46)	(46.32)	↑	7%
Profit From Ordinary Activities	15.61	11.67	↑	34%
Share Of Losses In Associates	(2.30)	(1.77)	↑	30%
Transfer To Life Fund	(0.48)	0.77	↑	162%
Profit Before Tax	12.83	10.67	↑	20%
Income Tax Expense	(1.39)	(1.31)	↑	6%
Net Profit For The Period	11.43	9.36	↑	22%



Revenue generation - Change Over Prior Year

- **Interest margins** tightened further whilst the credit book remained flat; loss of interest income from lending activities was compensated by the earnings from the treasury bill portfolio to achieve a flat net interest outturn. **Gross recoveries** amounted to \$2.7m, impairments were \$2m, to result in a **net recovery of \$0.77m** which is 126% better than FY15.
- **Commissions & fees** increased on the back of a **17% aggregated increase** in the number of accounts from 155 259 to 181 184; Related transaction fees increased despite lower fee recovery rates; A **fair value credit** was posted in FY16 vs a loss in FY15.
- **Net underwriting income** performed marginally better; short-term gross premiums dropped by 8% as a result of portfolio realignment whilst life premiums increased by 6% on increased business. Net result underscores an improved claims experience out of a quality book.

Income Line	FY16(\$m)	FY15(\$m)	Change	
Net Interest Income	16.74	16.75	↔	0%
Net Recoveries/ Charge for Impairment	0.77	(2.93)	↓	126%
Net Earnings From Lending Activities	17.51	13.81	↑	27%
Fees, Commissions And Other Income	38.77	35.70	↑	9%
Net Reinsurance Income	3.03	3.51	↓	13%
Net Life Assurance Income	5.76	4.98	↑	16%
Net Underwriting Income	8.80	8.48	↑	4%
Total Income	65.07	57.99	↑	12%



OPEX – Change Over Prior Year

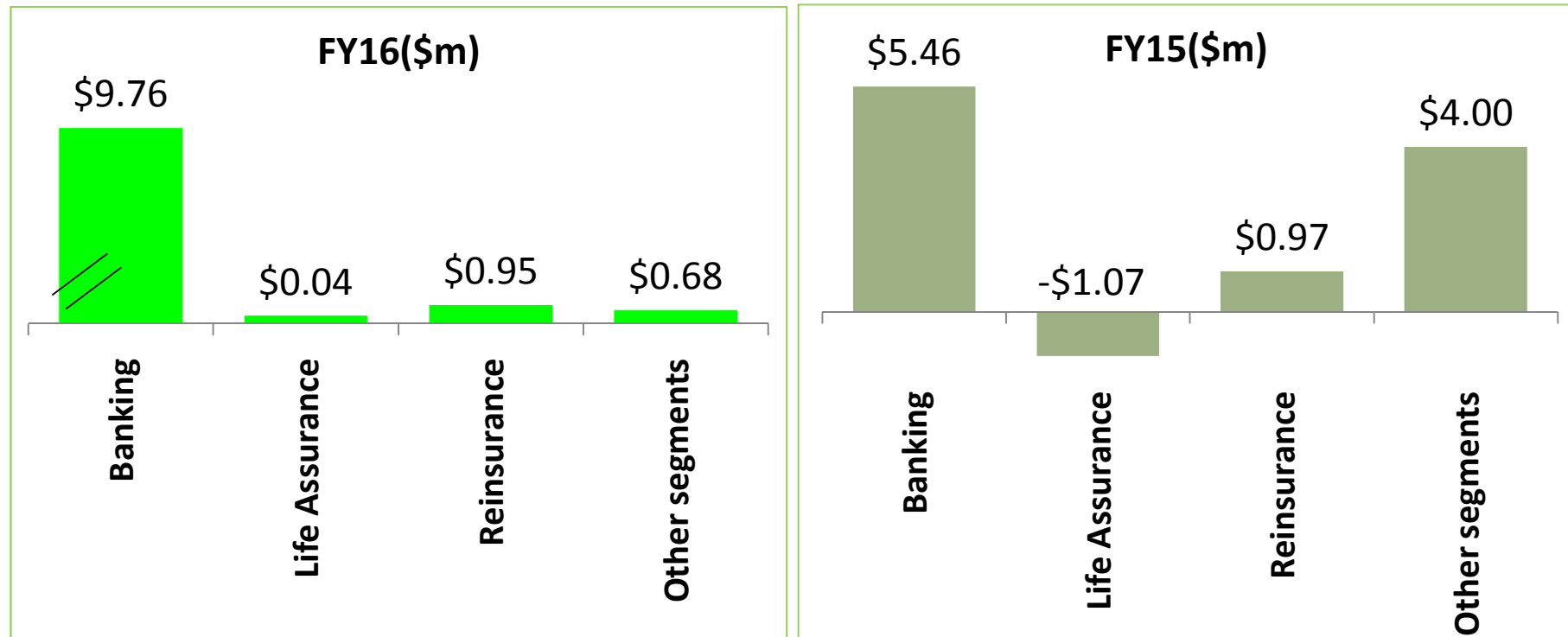
- The on-going investment in **new technologies** has resulted in increased **depreciation** and **amortisation** costs.
- Increase in **administration costs** reflects the logistical burden of cash mobilisation and increased replenishment frequency operating on a vastly reduced base.
- **OPEX** pressure remains high; however tight control will be maintained with emphasis on efficiency.

Expenditure	FY16(\$m)	FY15(\$m)	Change	
Administration	13.21	11.66	↑	13%
Staff	21.73	21.02	↑	3%
Occupation	4.94	5.32	↓	7%
Computer and IT	2.30	2.19	↑	5%
Communication	0.61	0.70	↓	12%
Transport	1.11	1.23	↓	10%
Depreciation	2.61	2.39	↑	9%
Amortisation (Software)	2.95	1.81	↑	63%
Total Expenditure	49.46	46.32	↑	7%



Business Unit Contribution to PAT(\$m)

- *All Strategic Business Units operated profitably during FY16.*
- *Banking operations contributed 85% of profits whilst non-banking operations contributed 15%.*
- *Earnings stability is **still to be achieved** for all entities.*



Summary Statement of Financial Position

	FY16 US\$m	FY15 US\$m	Y-O-Y Change(%)	
Total Assets	439.3	417.6	5	Asset growth is supported by a 15% increase in Treasury Bill instruments and a 47% increase in cash and near-cash balances.
Treasury Bills	117.5	99.3	15	Growth in TBs resulted from purchases in the secondary market as an alternative asset in order to maximize short-term returns. \$20.4m worth of bills were acquired through debt settlement transactions with ZAMCO.
Loans and Advances	99.2	99.6	0	The Group has maintained a guarded approach to credit expansion as credit absorption capacity remains weak. An aggressive recoveries strategy is being pursued.
Deposits	275.3	269.7	2	The increase in deposits was on the back of a 17% increase in customer accounts from 155 259 to 181 184 .
Total Equity	89.4	80.7	11	Capital preservation is critical in order to strengthen the underwriting capacity of the Group and its subsidiaries.



Composition of Assets(\$m)

- *Earning Assets* increased from 67% to 69% of total assets. The Group projects further increases in this ratio going forward in order to guarantee the sustainability of operations.

Composition of Total Assets	FY16	Restated FY15	% Change
Earning assets			
Treasury Bills	117.45	99.28	18%
Money market investments	5.52	11.09	-50%
Loans and other advances	99.19	99.58	0%
Investment properties	26.73	15.00	78%
Investment securities	20.40	18.41	11%
Investment in associates	35.23	36.70	-4%
Total earning assets	304.52	280.06	9%
Non-earning assets			
Cash and short term funds	82.19	55.79	47%
Other assets	12.12	27.89	-57%
Property and equipment	40.45	53.89	-25%
Total non-earning assets	134.77	137.56	-2%
Grand total	439.29	417.63	5%
Earning assets contribution	69%	67%	3%



Treasury Bills

- *The Group is **not under pressure to off-load its TB portfolio** prematurely before the expiry of their term. 71% of the portfolio is designated as available for sale and the Group will exit these positions only when doing so is considered to be the most beneficial thing to do.*
- **Capitalisation TBs (CTBs) have been discounted at 5%** after an extensive study of probable rates was undertaken; A prior year adjustment was processed in relation to this matter.
- *An average discount above 15% was earned on secondary market TBs; \$12.3m was booked to statement of profit or loss .*

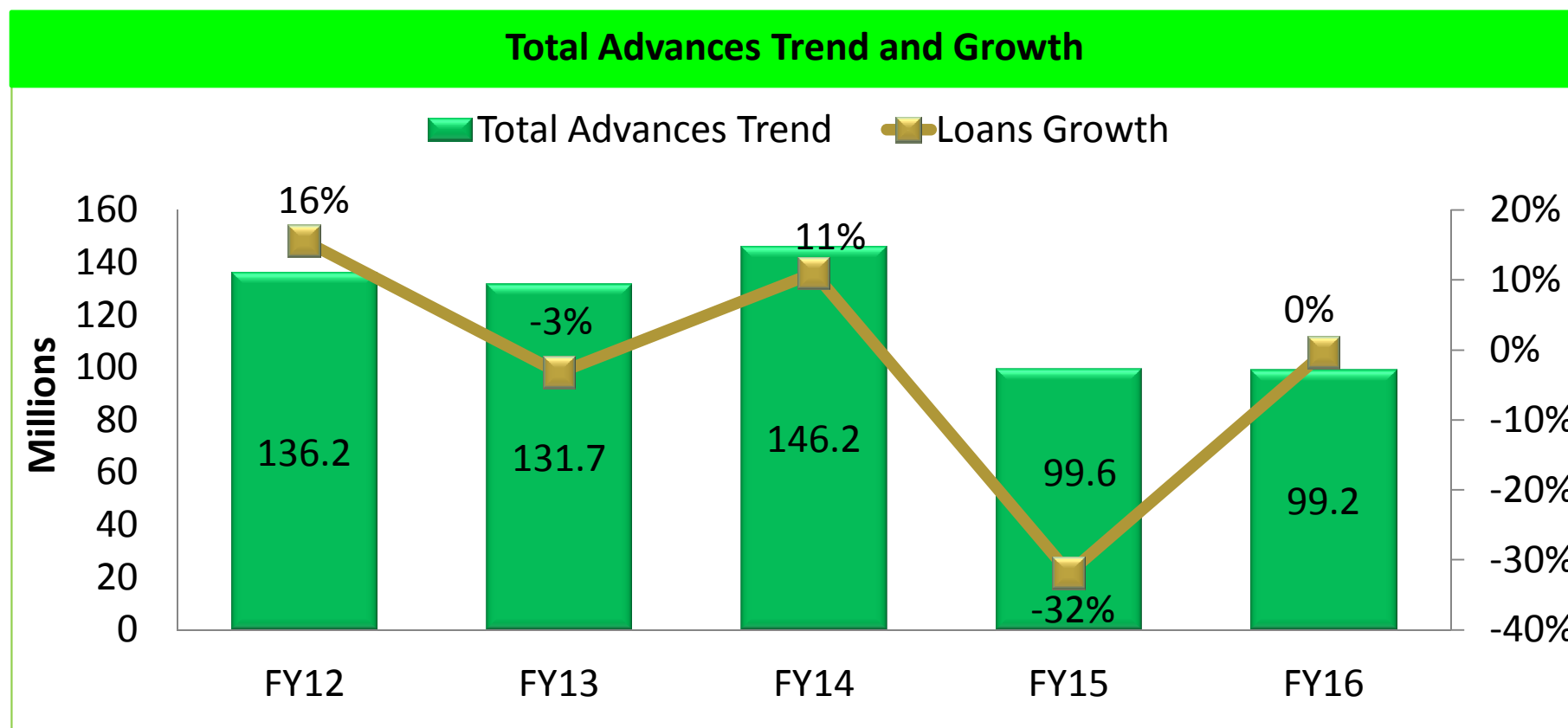
Treasury Bills categories	FY16 (\$m)	FY15 (\$m)	FY16 Contribution	FY15 Contribution
TBs from primary market	-	4.15	0%	4%
TBs from secondary market	83.49	68.54	71%	69%
Capitalisation Treasury Bills*	13.54	12.89	12%	13%
ZAMCO TBs	20.43	13.70	17%	14%
Total	117.45	99.28	100%	100%

**These were issued in order to capitalise ZB Bank Limited.*



Loans and Other Advances – Trend

- **Loan assets** remained flat; new loan creation was offset by repayments achieved from aggressive recovery efforts.
- New loan creation over the last two years has been considerably slower with much tighter qualification criteria; this has been a response to the poor credit absorption on the market.



Loans and Other Advances – Composition

- An **upward trend** was achieved on the **mortgages portfolio**. These were preferred due to their value protection features and lower impact on capital in the event of default.
- **Innovative solutions to support credit expansion** will be sought in order to achieve asset growth.

	FY16 (\$m)	FY15 (\$m)	Change %	FY16 Contribution	FY15 Contribution
Mortgage Loans	17.73	12.33	44	18%	12%
Short term loans	71.56	73.33	2	72%	74%
Bankers Acceptance	3.43	6.73	49	3%	7%
Other	6.47	7.19	10	7%	7%
Total	99.19	99.58	0	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.*
- *The loan portfolio indicates a **shift towards productive sectors of the economy**; great care will be taken regarding consumptive lending in the private sector as applicants generally tend to be overburdened from debts of different types.*

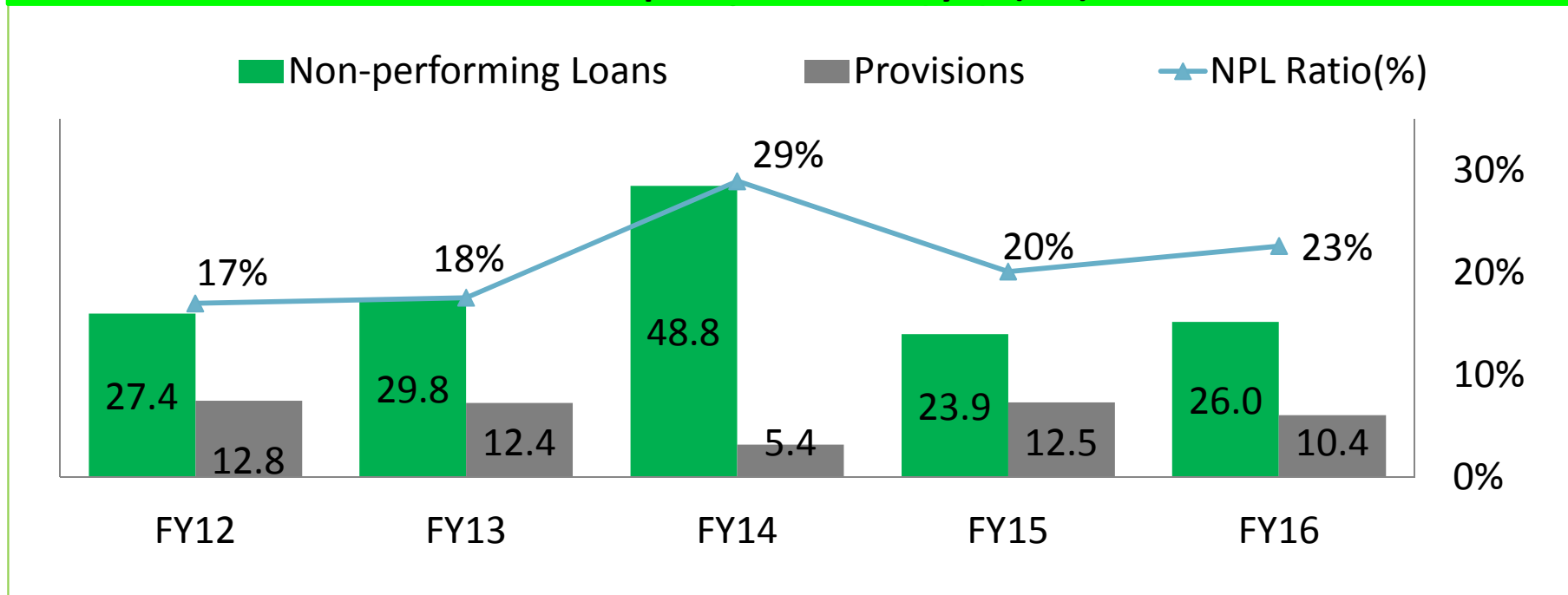
SECTOR	FY16 (\$m)	FY15 (\$m)	Change		FY16 Contribution	FY15 Contribution
Private	47.59	54.06	↓	12%	43%	48%
Agriculture	11.41	18.94	↓	40%	10%	17%
Mining	6.79	6.33	↑	7%	6%	6%
Manufacturing	9.45	7.60	↑	24%	9%	7%
Distribution	7.57	6.55	↑	16%	7%	6%
Construction	0.97	0.82	↑	18%	1%	1%
Transport	1.30	1.80	↓	28%	1%	2%
Services	16.88	12.38	↑	36%	15%	11%
Financial	6.97	2.31	↑	202%	6%	2%
Communication	0.65	1.33	↓	51%	1%	1%
Gross loans and advances	109.58	112.12	↓	2%	100%	100%
Less provisions	(10.38)	(12.54)	↓	17%		
Net loans and advances	99.20	99.58	↔	0%		



Loans and Other Advances – Impairment Charges

- The **NPL ratio increased** in FY16; this is a result of interest accumulation on previously downgraded loans and a further downgrading of accounts during the year; this ratio remains amplified due to the lack of growth in the lending book.
- The Group will **remain cautious** and will focus on quality credit creation in order to reduce the ratio.
- Aggregate loan provisions reduced by 17% from \$12.5m to \$10.4m.

Gross impaired loans analysis (\$m)



Loans and Other Advances - NPLs by Sector

- The Group continues to pursue **aggressive loan recovery efforts**.
- NPLs with a net value of \$9.6m have been packaged within an SPV entity called Credsave (Pvt)Ltd. The security coverage on these assets equates to 141%. The search for suitors is underway.

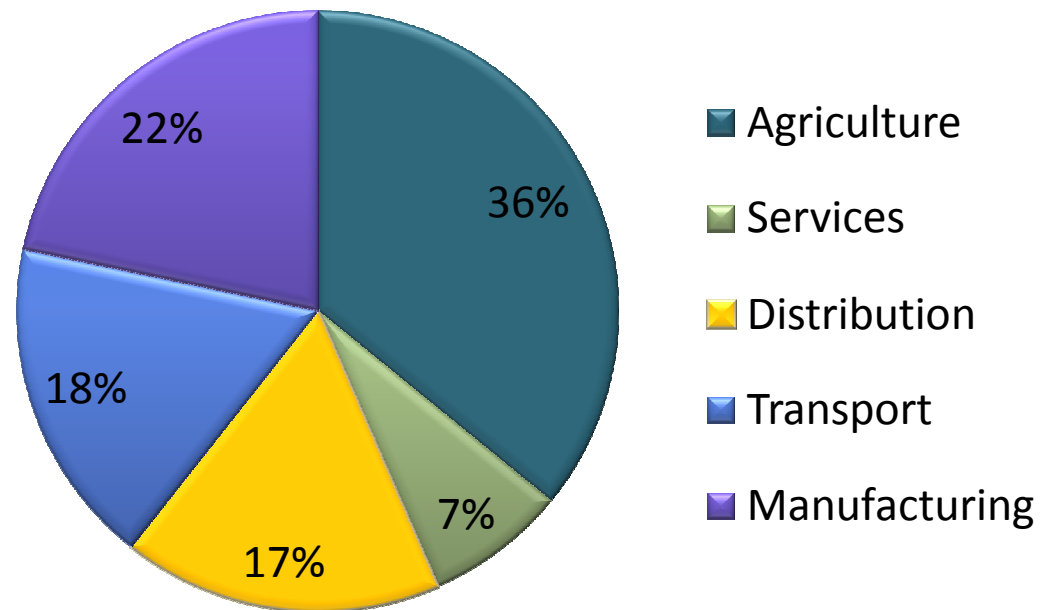
SECTOR	FY16 (\$m)	FY15 (\$m)	Change		FY16 Contribution	FY15 Contribution
Private	6.81	5.01	↑	36%	26%	21%
Agriculture	4.64	4.13	↑	12%	18%	17%
Mining	0.47	0.01	↑	7319%	2%	0%
Manufacturing	6.30	5.86	↑	8%	24%	24%
Distribution	4.16	4.06	↑	3%	16%	17%
Construction	0.34	0.84	↓	59%	1%	4%
Communication	0.02	0.34	↓	94%	0%	1%
Services	1.84	2.10	↓	12%	7%	9%
Financial Services	1.38	1.61	↓	14%	5%	7%
TOTAL	25.98	23.95	↑	8%	100%	100%



Loans and Other Advances - Debt workout through ZAMCO

- **During FY16 ZAMCO provided credit relief to the Group with TBs worth \$3.7m bringing the cumulative rescue package to \$20.4 million in respect of Non-Performing Loans.**
- **The cured assets in FY16 were largely in the Agriculture Sector (36%) and Manufacturing Sector (22%).**

SECTOR	FY16 (\$m)
Agriculture	1.34
Services	0.28
Distribution	0.64
Transport	0.66
Manufacturing	0.81
TOTAL	3.72



Funding sources

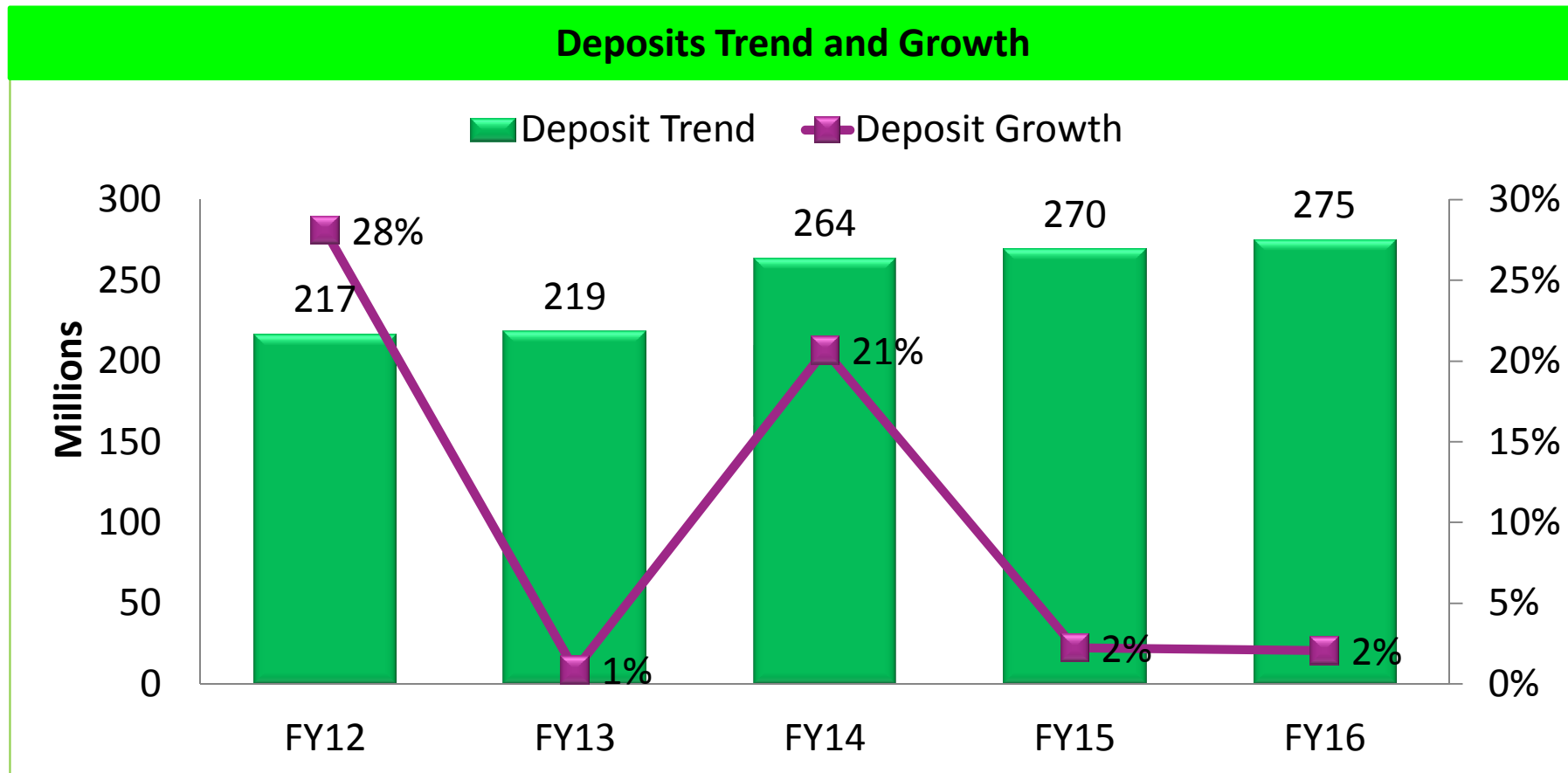
- **Deposits increased** on account of a 17% increase in the number of customer accounts.
- An **increase of 2%** was achieved for the **life fund**.

	FY16(\$m)	FY15(\$m)	% Change
Total equity	89.43	80.67	11
Deposits and other accounts	275.27	269.70	2
Life assurance funds	28.25	27.77	2
Trade and other payables	32.80	26.59	23
Long term loan	13.54	12.89	5
Total	439.29	417.63	5



Deposits – Nominal Trend and Growth

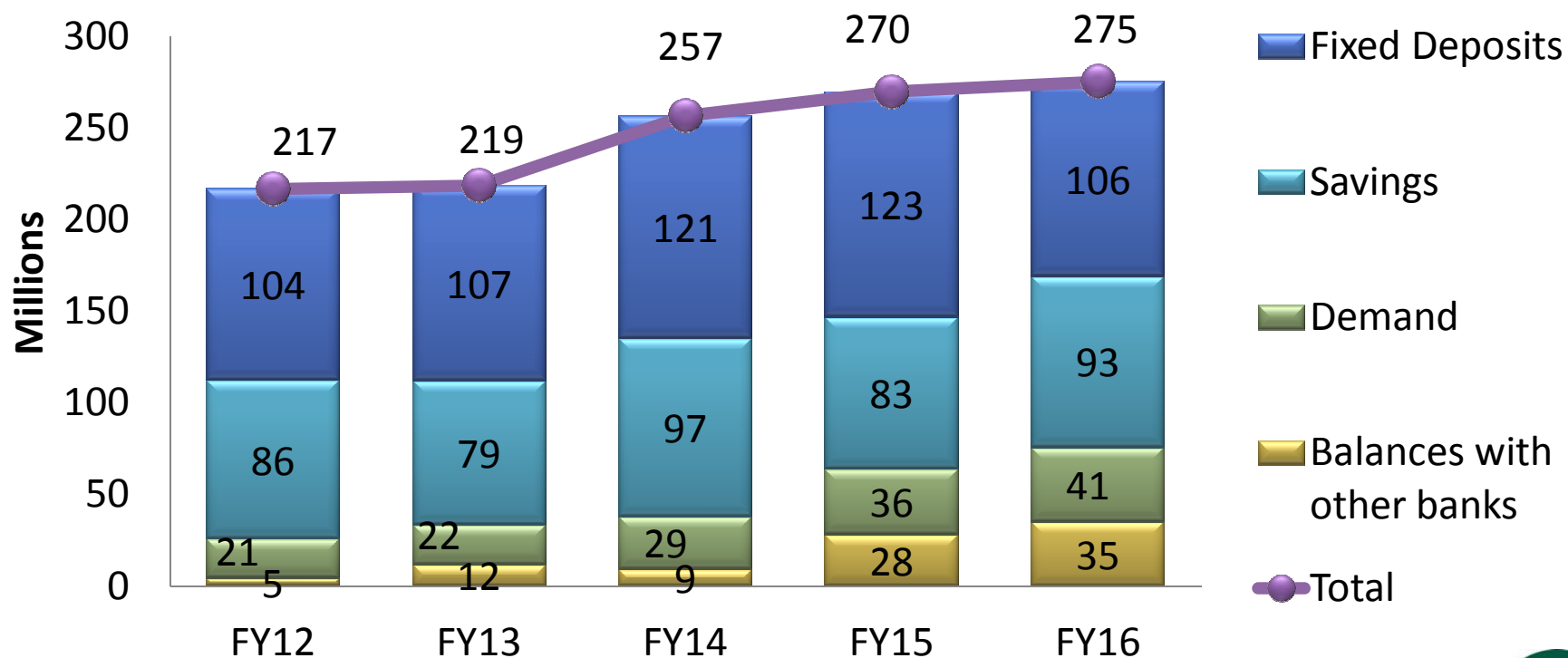
- *Deposits increased marginally by 2%, the same rate achieved in FY15.*



Deposits Composition

- *A **slow down in wholesale funding** was observed; this was done to minimise funding costs in the absence of suitable margin trading opportunities.*
- ***Retail deposits have continued to grow over time**; these are a source of stability in the long term.*

Deposits Composition By Product Type



Deposits By Sector

- The Group continued to **enjoy patronage from a loyal customer base**, minimizing downswings in the deposit base which are not consistent with the trading cycles of the customers.
- **Nominal reductions** were noted in the financial, construction, transport and private sectors.

SECTOR	FY16 (\$m)	FY15 (\$m)	Change		FY16 Contribution	FY15 Contribution
Private individuals	43.19	44.9	↓	4%	16%	17%
Agriculture	10.32	6.2	↑	67%	4%	2%
Mining	1.23	0.96	↑	29%	0%	0%
Manufacturing	16.28	16.29	↔	0%	6%	6%
Distribution	10.02	7.38	↑	36%	4%	3%
Construction	2.07	2.69	↓	23%	1%	1%
Transport	1.30	1.74	↓	25%	0%	1%
Services	69.22	66.36	↑	4%	25%	25%
Financial	95.84	98.38	↓	3%	35%	36%
Communication	25.78	24.79	↑	4%	9%	9%
TOTAL	275.27	269.69	↑	2%	100%	100%



Financial Ratios

FY16

FY15

**Non-Interest
Income Ratio**

73%

76%

Non-funded income remained the major income earner.

**Interest
Income Ratio**

27%

24%

The contribution of interest income increased in FY16 compared FY15 on the back of increased trading in treasury bills.

**Cost to
Income Ratio**

76%

80%

The ratio improved on the back of an improved revenue outturn and a tight cost control regime.

**Earnings Per
Share**

6.5c

5.7c

EPS improved by 14% on the back of an improved profit outturn. Earnings sustainability is still to be achieved.



Financial Ratios

FY16

FY15

**Loans to
Deposit
Ratio**

35%

36%

The ratio declined marginally as deposits increased marginally at 2% whilst the loan book remained flat. The transient nature of deposits does not lend support to an aggressive approach to loan expansion.

**Liquidity
Ratio**

75%

60%

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

**Capital
Ratio**

20%

19%

Capital mobilisation still remains a key matter in order to enable the Group to remain competitive.



Financial Ratios

FY16

FY15

Return On Equity

13.4%

12.6%

Ratio exhibits improved efficiency in capital utilisation during FY16.

Return On Assets

3%

2%

Asset utilisation improved slightly.



Strategy Execution



Strategy Execution - Credit Ratings

- **ZB Bank's credit rating improved** from B+ to BB- in FY16. Further improvement in the rating is expected in the short-term
- **ZB Building Society** maintained its credit rating.
- **ZBRE improved** the credit rating from BBB+ to A-.

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



Strategy Execution - Capital Management

- All Business Units in the Group are compliant with the minimum regulatory capital **save for ZB Building Society**.
- The life operations **achieved a solvency cover (surplus/minimum capital) of 7.9 times**.

Company	Gross Capital Base* (US\$m)	Regulatory Minimum (US\$m)	Excess Available (US\$m)	2020 Regulatory Target (US\$m)
ZB Bank Limited	56.18	25	31.18	100
ZB Building Society	17.6	20	(2.4)	80
ZB Reinsurance Limited	10.3	1.5	8.8	1.5
ZB Life Assurance	15.8	2.0	13.8	2.0
ZB Transfer Secretaries Limited	0.8	0.15	0.65	0.15

*Gross capital base represents the IFRS capital as per the statement of financial position.



Key Success Areas – FY16



Banking Operations



1. Efforts to de-risk the assets portfolio resulted in the following:
 - a) Enhanced credit granting framework with focus on small to mid-tier deal tickets.
 - b) Aggressive debt collections through a dedicated unit
 - c) Expansion of sovereign assets for short-term profits and capital protection
2. Agency banking was launched under the brand name “ZB Pauri / Khonapho”. More than 10 000 agents are currently active throughout the country.
3. A new digital banking platform was implemented in 2016. This has introduced a refreshing experience in mobile and online banking.
4. In partnership with Fidelity Printers and Refiners, a Gold Card was launched for use by miners.
5. A local credit card is currently being rolled out to customers.
6. Branch renovations continued – Fife Street in Bulawayo, Harare Polytechnic Sub-branch, and Borrowdale branches have been completed.



Key Success Areas – FY16



Insurance Operations



1. A new policy administration system is currently being implemented; this is expected to improve efficiencies as well as enhance customer interactions.
2. 21% of re-insurance premiums were earned from the region in FY16.
3. A strategic review of the need for a physical set-up in Mozambique is underway given developments in that country.



Key Success Areas – FY16



Projects & Property Developments



1. 67 stands in Springvale have been sold leaving 33 stands which will be disposed of as developed units from a selection of model structures.
2. Plan approvals have been obtained for model structures in respect of 150 stands in Beitbridge.
3. Acquisition of land banks in Kadoma and Plumtree is at conclusion stage.
4. A total of \$35.4m was raised during the year through the investment banking unit. This was used for projects in the agriculture and energy sectors.



Strategy Execution – FY16 and Beyond



Strategic reorientation has become necessary due to shareholder and board changes as well as removal from US sanctions list .



1. Removal from sanctions opens the Group to new international business opportunities; capacity restoration has been done and clients are beginning to enjoy service in this area.
2. A much more aggressive approach to local and regional investment opportunities will be pursued.
3. Capital expansion remains a critical area; mobilisation on the back of identified projects is one of the approaches under consideration.
4. Cost control has remained a focal point; Group-wide cost efficiency has improved. Medium-term target for cost to income ratio remains 50%.
5. Technology has been, and will continue to be, an investment area as the Group seeks to enrich customer experience whilst achieving cost efficiency and effectiveness.





---THE END---

Data Card



ZB Bank

Financial Highlights

Line Item	FY16 US\$m	FY15 US\$m
Total Assets	358.5	324.2
Total Equity	56.2	49.7
Total Income	49.3	42.8
Expenses	39.4	37.2
PBT	9.5	5.3






Change	
↑	11%
↑	13%
↑	15%
↑	6%
↑	80%

Key Ratios	FY16	FY15
Return on Equity	16%	10%
Return on Assets	2%	1%
Cost to Income Ratio	80%	87%
Loans to Deposit Ratio	43%	43%
NPL ratio	23%	20%
Liquidity Ratio	71%	60%



ZB Building Society

Financial Highlights

Line Item	FY16 US\$m	FY15 US\$m	Change	
Total Assets	48.22	48.06		0%
Total Equity	17.08	16.60		3%
Total Income	7.01	7.76		10%
Expenses	6.60	6.12		8%
PBT	0.40	1.64		75%

Key Ratios	FY16	FY15
Return on Equity	2%	8%
Return on Assets	1%	3%
Cost to Income Ratio	94%	79%



ZB Reinsurance

Financial Highlights

Line Item	FY16 US\$m	FY15 US\$m
Total Assets	15.36	14.40
Total Equity	10.29	9.35
Total Income	3.20	3.60
Expenses	1.95	2.22
PBT	1.24	1.38

Change	
↑	7%
↑	10%
↓	11%
↓	12%
↓	10%

Key Ratios	FY16	FY15
Return on Equity	13%	15%
Return on Assets	8%	10%
Cost to Income Ratio	61%	62%



ZB Life Assurance

Financial Highlights






Line Item	FY16 US\$m	FY15 US\$m	Change		Key Ratios	FY16	FY15
Total Assets	46.86	46.08	↑	2%	Return on Equity	1%	-7%
Total Equity	15.84	15.90	↔	0%	Return on Assets	0%	-3%
Total Income	7.46	4.83	↑	54%	Cost to Income Ratio	65%	103%
Expenses	4.87	4.97	↓	2%			
PBT	0.09	(1.18)	↑	108%			



ZB Capital

Financial Highlights

Line Item	FY16 US\$m	FY15 US\$m
Total Assets	0.55	0.58
Total Equity	0.52	0.36
Total Income	0.33	0.09
Expenses	0.13	0.14
PBT	0.20	(0.47)

Change	
	6%
	45%
	267%
	4%
	515%

Key Ratios	FY16	FY15
Return on Equity	44%	(13%)
Return on Assets	35%	(8%)
Cost to Income Ratio	40%	153%



ZB Transfer Secretaries

Financial Highlights

Line Item	FY16 US\$m	FY15 US\$m
Total Assets	1.00	0.63
Total Equity	0.78	0.51
Total Income	0.63	0.57
Expenses	0.25	0.40
PBT	0.38	0.17

Change	
↑	58%
↑	52%
↑	9%
↓	38%
↑	117%

Key Ratios	FY16	FY15
Return on Equity	49%	34%
Return on Assets	38%	28%
Cost to Income Ratio	40%	70%



ZB Associated Services

Financial Highlights

Line Item	FY16 US\$m	FY15 US\$m	Change		Key Ratios	FY16	FY15
Total Assets	0.83	0.50	↑	65%	Return on Equity	95%	46%
Total Equity	0.67	0.20	↑	238%	Return on Assets	118%	46%
Total Income	1.75	1.45	↑	21%	Cost to Income Ratio	55%	66%
Expenses	0.96	0.85	↑	13%			
PBT	0.79	0.59	↑	33%			

