What You Need To Succeed.

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ZB FINANCIAL HOLDINGS

Unaudited Interim Results 2015

Presentation to Investors and Analysts

Presentation format

HY15 Results Outturn → Q3 15 Trading Update / Outlook → Strategy Execution

HY15 Results Outturn

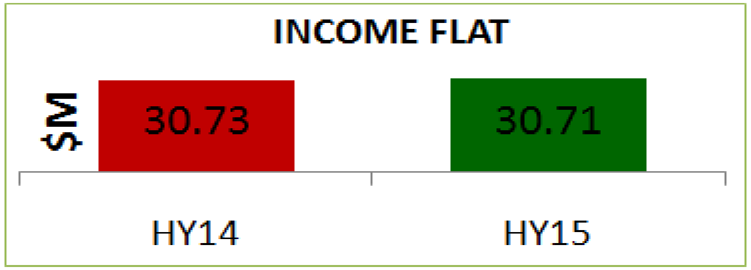
Balance sheet largely remained **flat** despite the economy having tightened; a **tactical recalibration** of the balance sheet **mix** in order to ameliorate risk on capital and liquidity in progress – hence a **pronounced increase** in money market instruments.

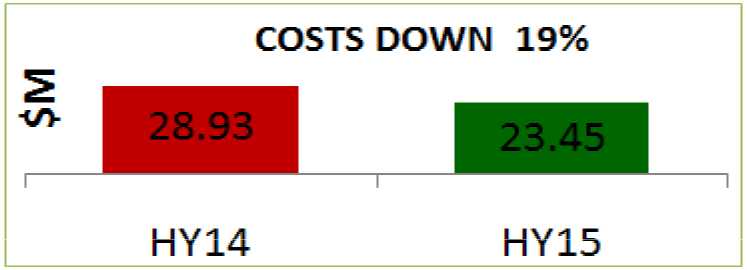
Consolidated Statement of Financial Position

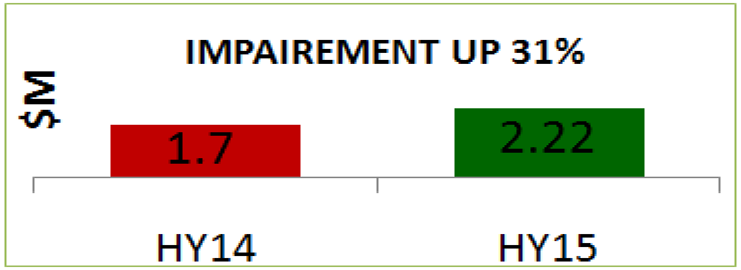
US$m	HY15	FY14	Change %
Total Assets	378.95	383.06	-1%
Total Advances	132.47	146.16	-9%
Money Market Instruments	58.03	12.09	380%
Total Deposits	219.54	243.82	-10%
Shareholders' Funds	73.90	68.45	8%
Life Assurance Funds	28.72	28.54	1%

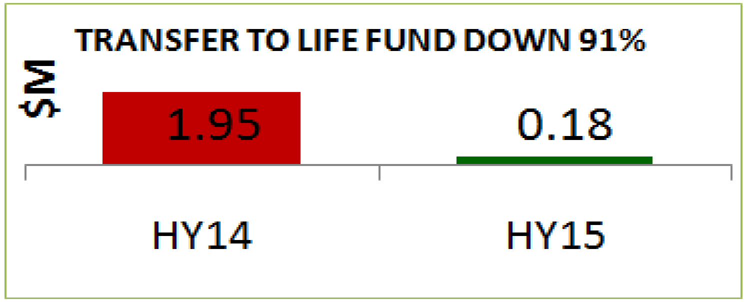
- The Group has embarked on an aggressive tactical shift on its asset mix which has resulted in an increase in treasury bills purchased by 380%.
- Deposits reduced by 10% in response to macro-economic challenges.
- Aggregate advances decreased by 9% in sympathy with the drop in deposits; creation of new credit has been slow due to limited absorption capacity in the productive sector and at household level.

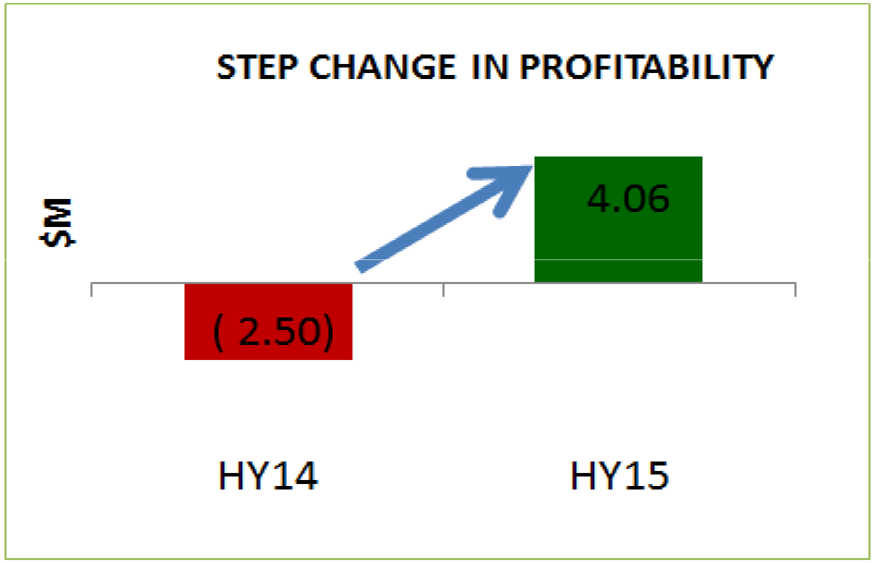
Step change in **profitability** in HY15 vs HY14.











In addition, savings of $1.3 m were achieved on discontinued operations.

Positive net result achieved despite mounting pressure on revenue generation; **cost control** measures implemented since last year beginning to yield results.

US$m				Change (y-o-y)
Income Statement	**HY15**	**HY14**		**%**
Net Interest Income	7.38	9.59		-23%
Net underwriting Income	4.99	3.92		27%
Non-Interest Income	18.34	17.22		7%
Total Income	**30.71**	**30.73**		**0%**
Operating Expenses	(23.45)	(28.93)		19%
Charge for impairment	(2.22)	(1.70)		-31%
Profit from ordinary activities	**5.04**	**0.10**		**5050%**
Transfer to Life Fund	(0.18)	(1.95)		91%
Profit/(Loss) from continuing operations	**4.95**	**(1.34)**		**470%**
Loss from discontinued operations	-	(1.25)		100%
Income tax expense	(0.89)	0.09		-1070%
Net Profit for the period	**4.06**	**(2.50)**		**262%**

Critical ratios indicate a general improvement

Efficiency Ratios	HY15	HY14
Non-Interest income Ratio	82%	73%
Cost to Income Ratio	76%	100%
Claims Ratio	73%	78%

- Non funded income dominates revenue generation as credit business slows down.
- Cost to income ratio improved. (Mid-term target 50%).
- Insurance Claims ratio improved by 7%.

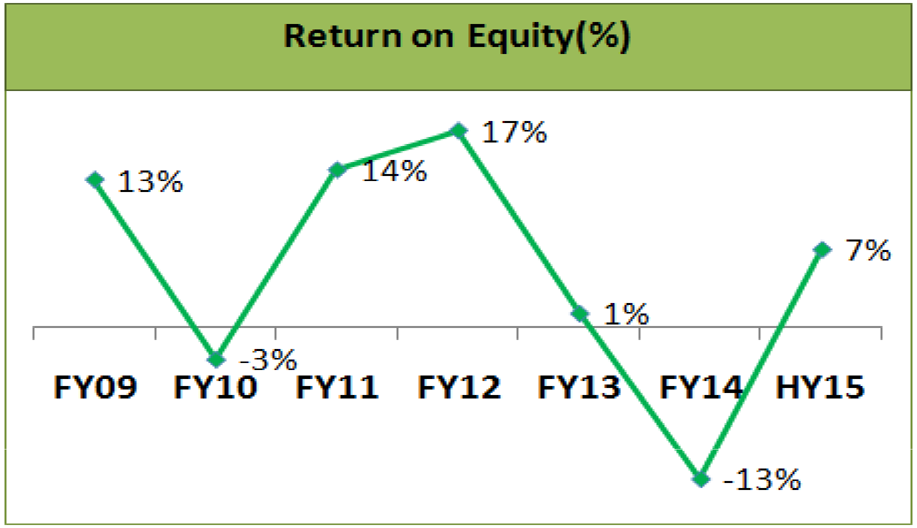
Asset Quality	HY15	FY14
NPL ratio	31%	29%
Loans to Deposit Ratio	59%	59%

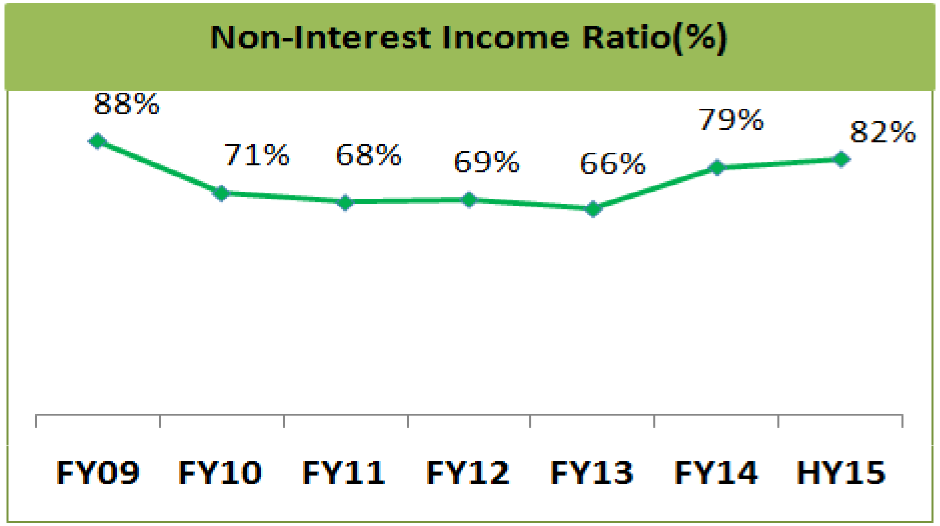
- High NPL ratio due to reduction of advances book as payments are made; Nominal level of NPLs maintained.
- Group carries reasonable cover in the form of provisions and security.

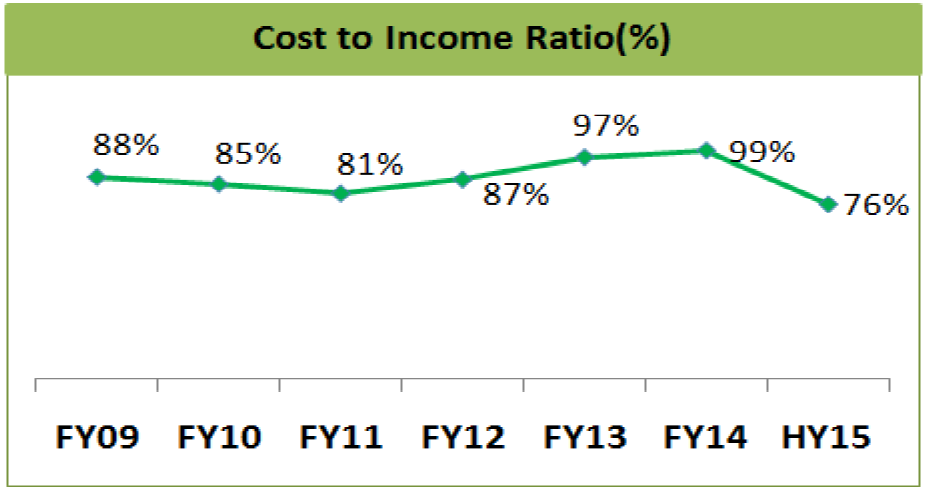
Liquidity Ratios	HY15	FY14
Liquidity Ratio	44%	38%
Cash cover	19%	34%
Tier 1 Capital Ratio	20%	18%

- Liquidity maintained at levels above the regulatory threshold of 30%.
- Strategy will be maintained until satisfactory secondary funding opportunities are in place.

An **uneven trend** observed on key ratios over time; cost control measures undertaken, and increased **prominence of non-funded income** are key aspects to **earnings sustainability**.



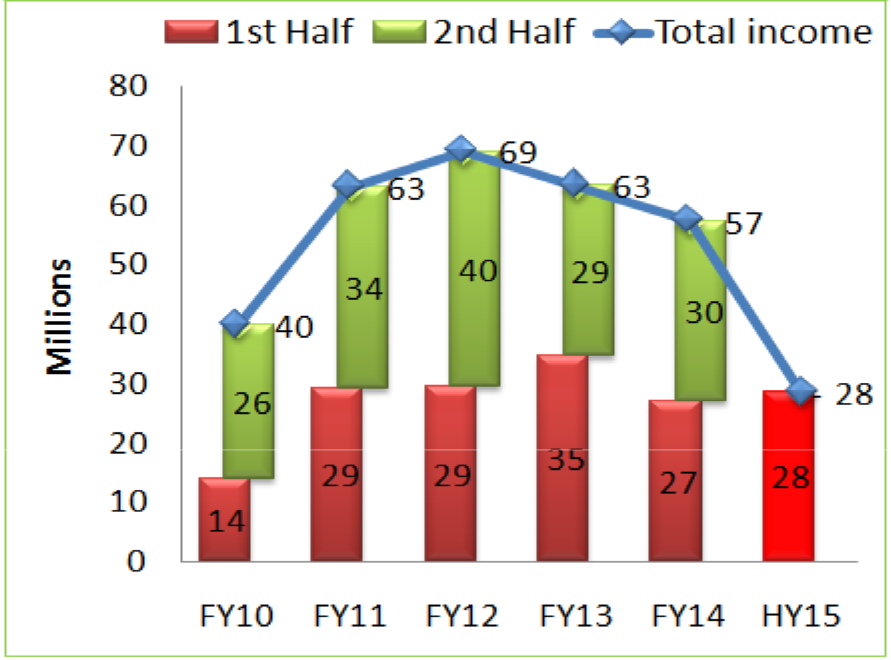




- Economic fundamentals have resulted in heavy reliance on non-interest income.
- Revenues have progressively tightened whilst costs remained an area of focus.
- Cost to income ratio for HY15 improved against FY14.

Revenue trend for HY15 **consistent** with FY14, **Stronger performance** expected in H2 F15. Banking Income dominates earnings.

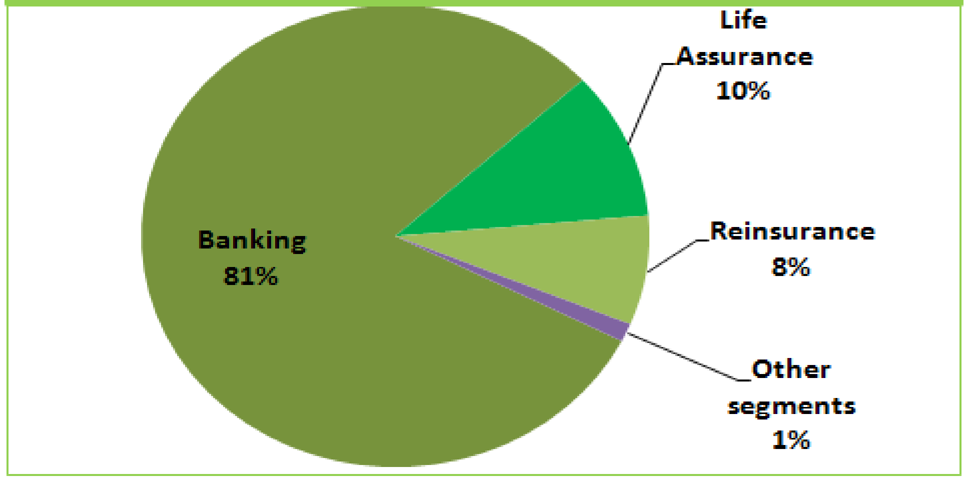
Total income contribution trend analysis



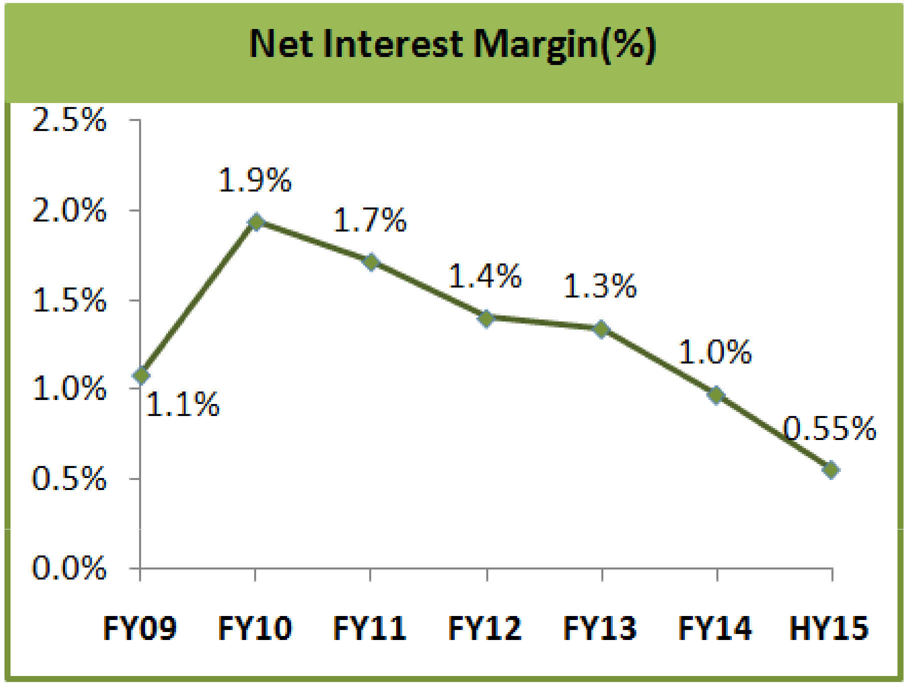
- Earnings peaked in FY12 when the general economic outlook was buoyant.
- The trend observed since FY13 is reflective of the general economic slowdown.

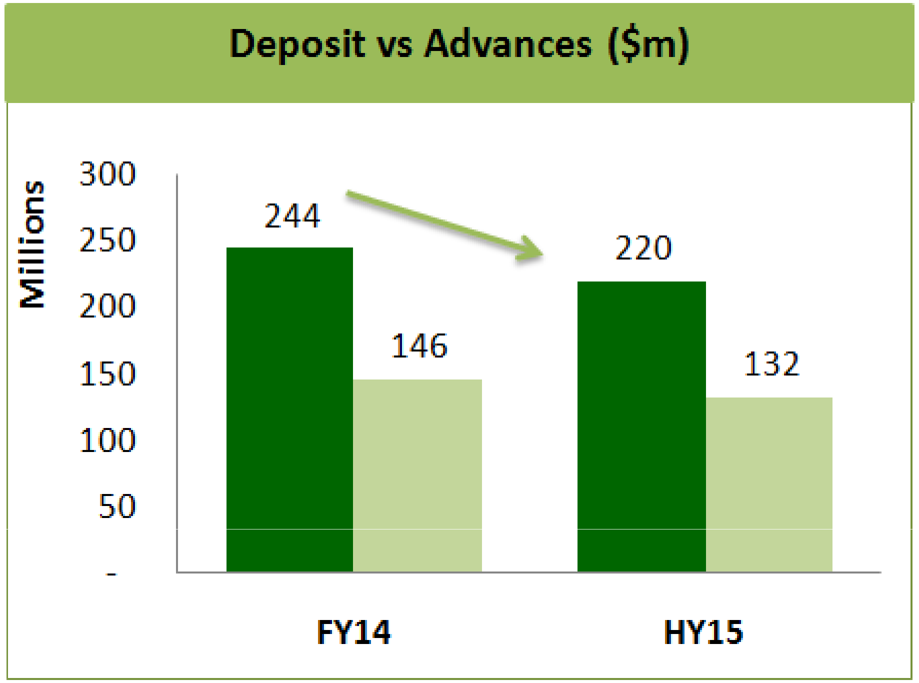
- The total income trend indicates that improved revenue generation performance is strong in the second half of the year.
- Banking revenue contributes 81% of total income.
- Reinsurance income and life assurance income contributed 8% and 10% to total income respectively.

Business Unit Contribution to Total income HY15



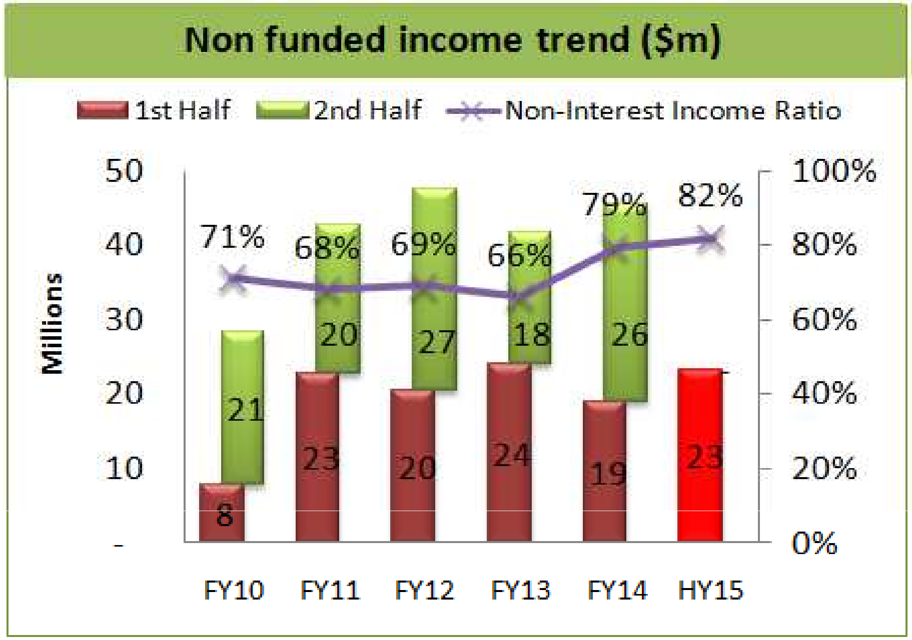
Average **yearly interest margins** have tightened on the back of pressure to reduce lending rates by the regulatory authorities

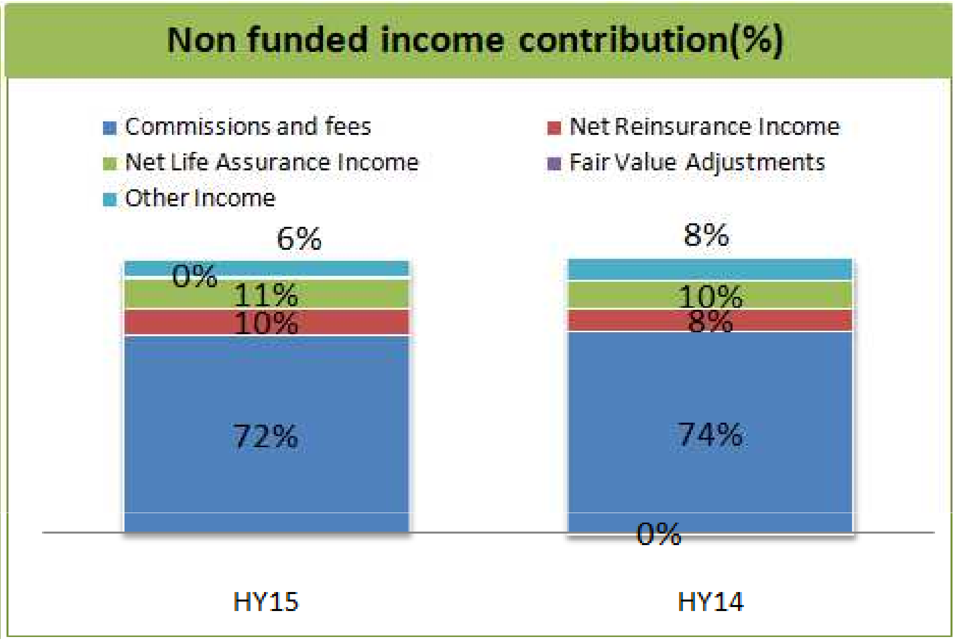




- Interest trend-line is consistent with general movement in interest rates on the market.
- Reduction in interest rates and slow down in loan growth have impacted on the interest margins.
- Wholesale deposits constitute a significant portion of the funding and resultant interest expense.

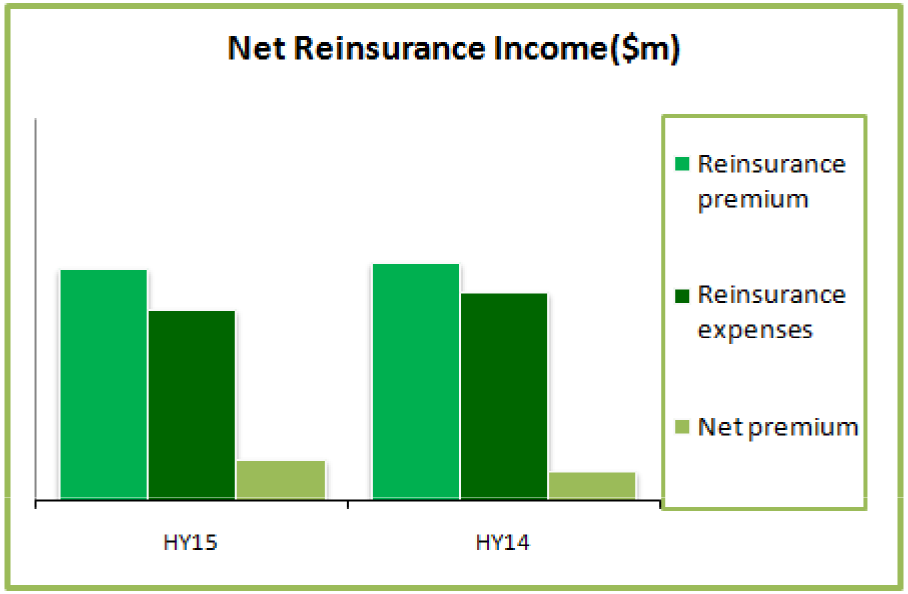
Non funded income continues to **grow** and contribute a significant portion of the Group's revenues

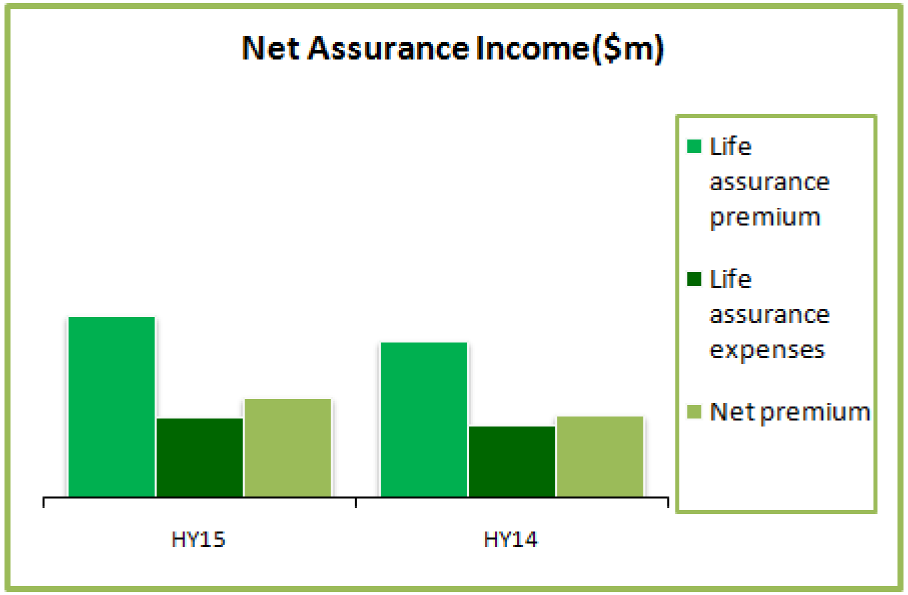




- Non interest income has contributed 82% to HY15.
- Commissions and Fees up by 8% due to:
  - Increase in the number of banking accounts
  - Agency banking activities – the new revenue line introduced last year exhibited an upward profile.
  - Increased customer reach leveraging on technology (e.g. e-Banking products contributed 11%)
- Strategic and operational alliances with customers were key in revenue activation.

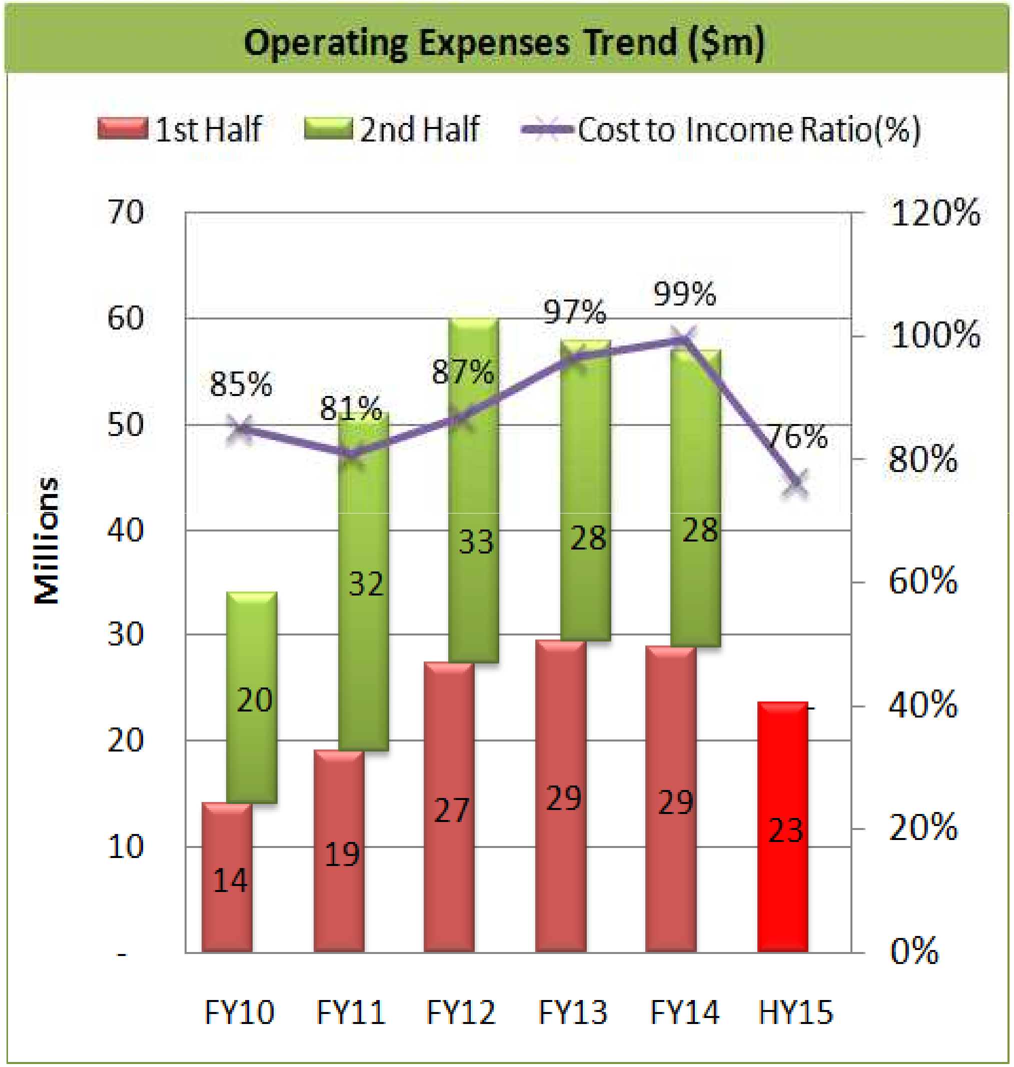
Insurance Underwriting Income improved on the back of increased premium collections and reduced insurance expenses; business mobilisation remained tight in line with macro-economic trends.





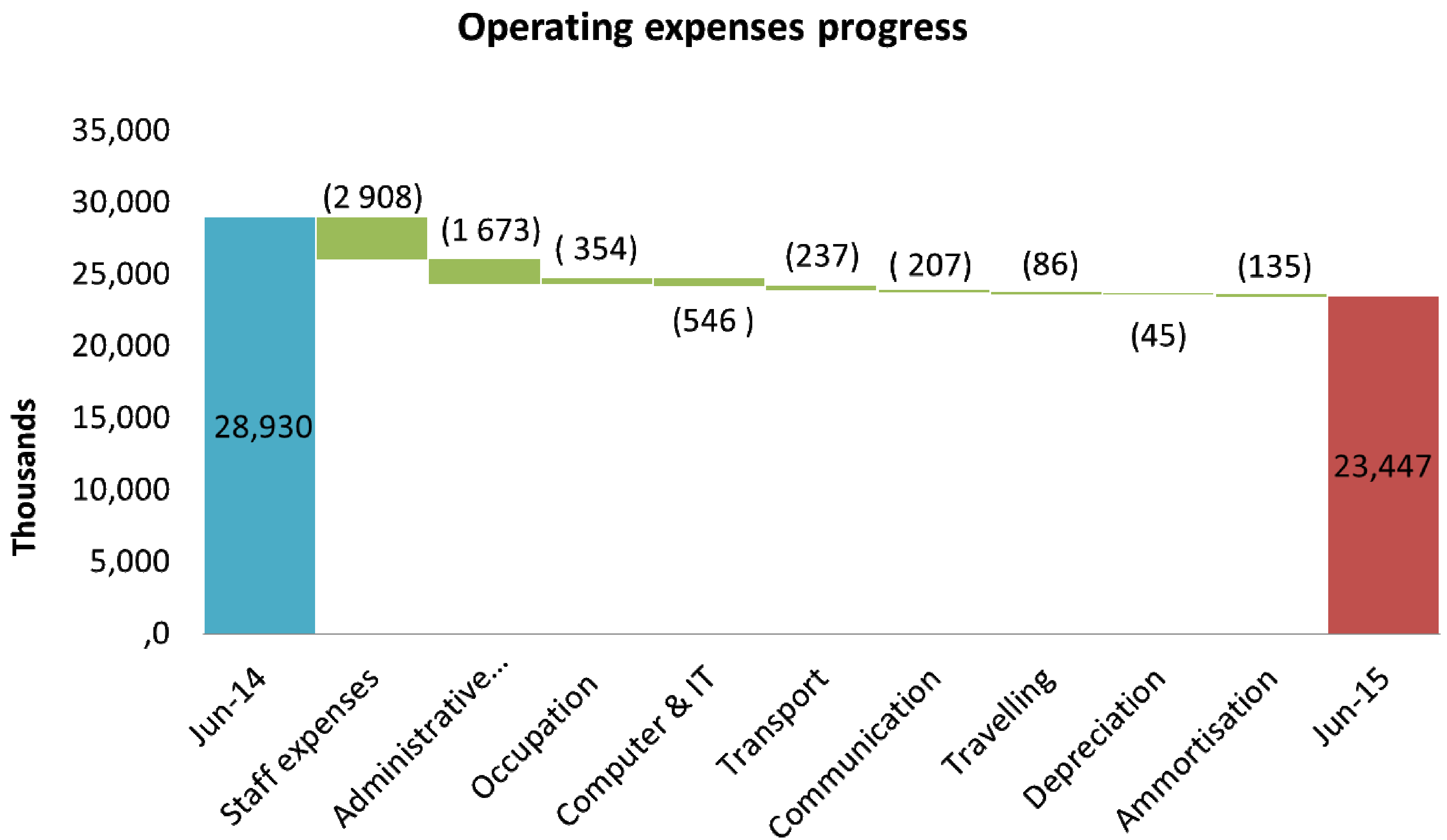
- Net underwriting results increased by 27%
- Reinsurance underwriting margin closed at 18%, a comfortable level for sustained profits
- Regional markets contributed 3% of reinsurance revenue.
- Life Assurance technical result increased by 20% despite a 11% increase in life assurance expenses.
- The positive result achieved on Life Assurance business was due to mortality profits earned on the Morecover range of products (Endowment and Cash Funeral Plan).

Improved **cost efficiency** remains a strategic imperative on the backdrop of **shrinking income margins**.

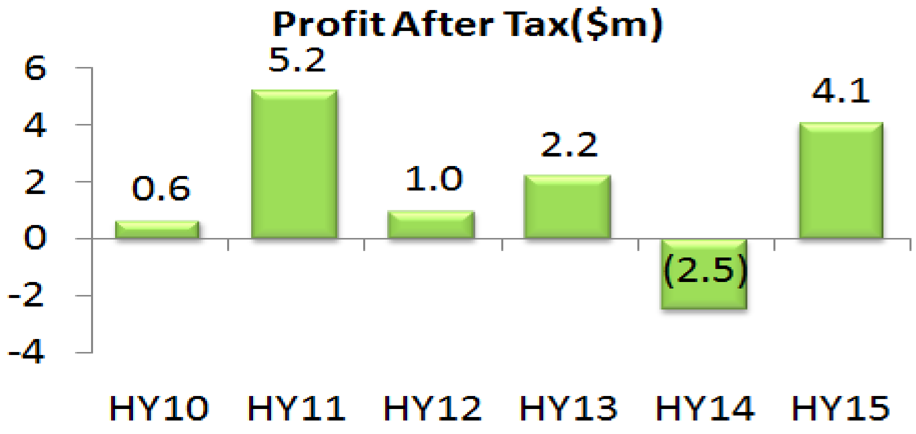


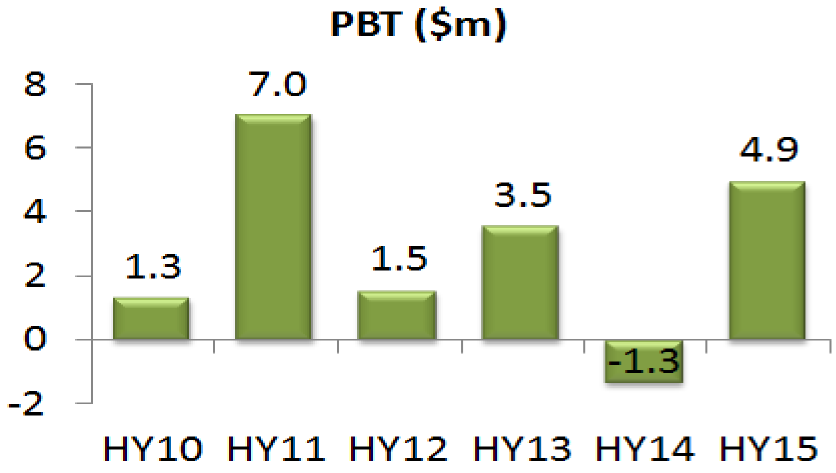
- A 19% overall OPEX reduction was achieved during the period.
- Cost efficiency ratio at 76% is still lagging behind the mid term target of 50%

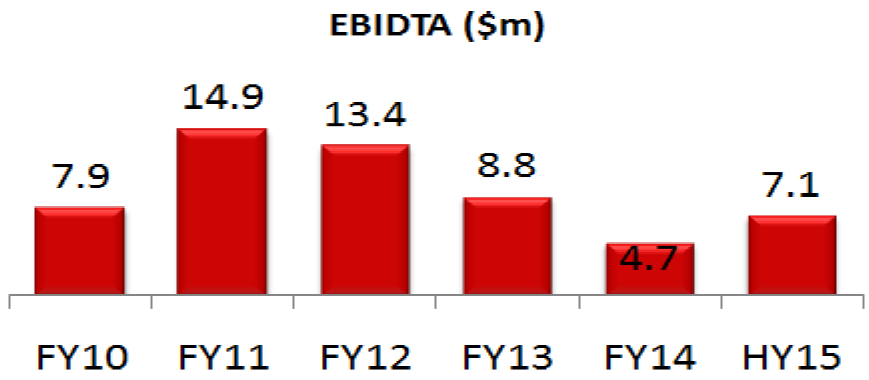
OPEX reduction achieved across **all** cost categories.



Immediate strategic challenge is on **sustaining the profits**

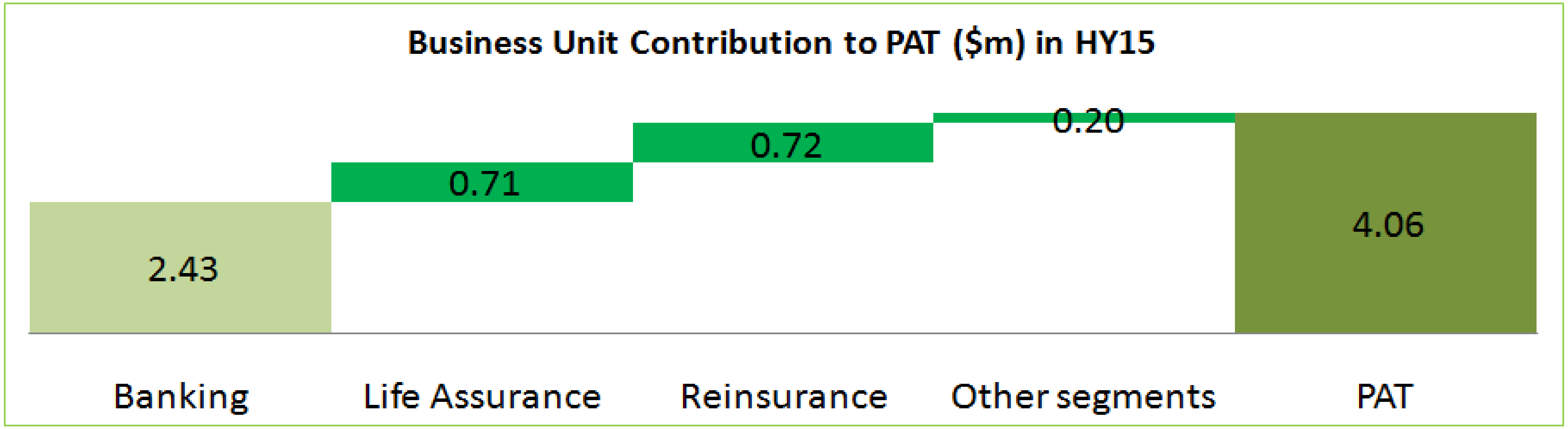


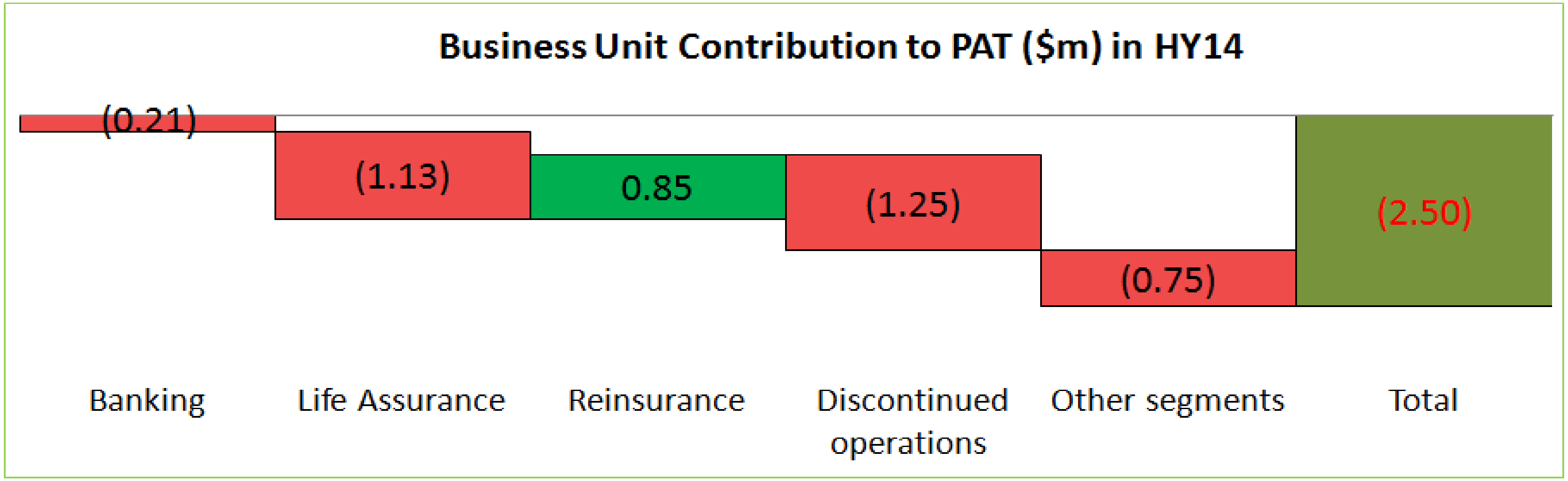




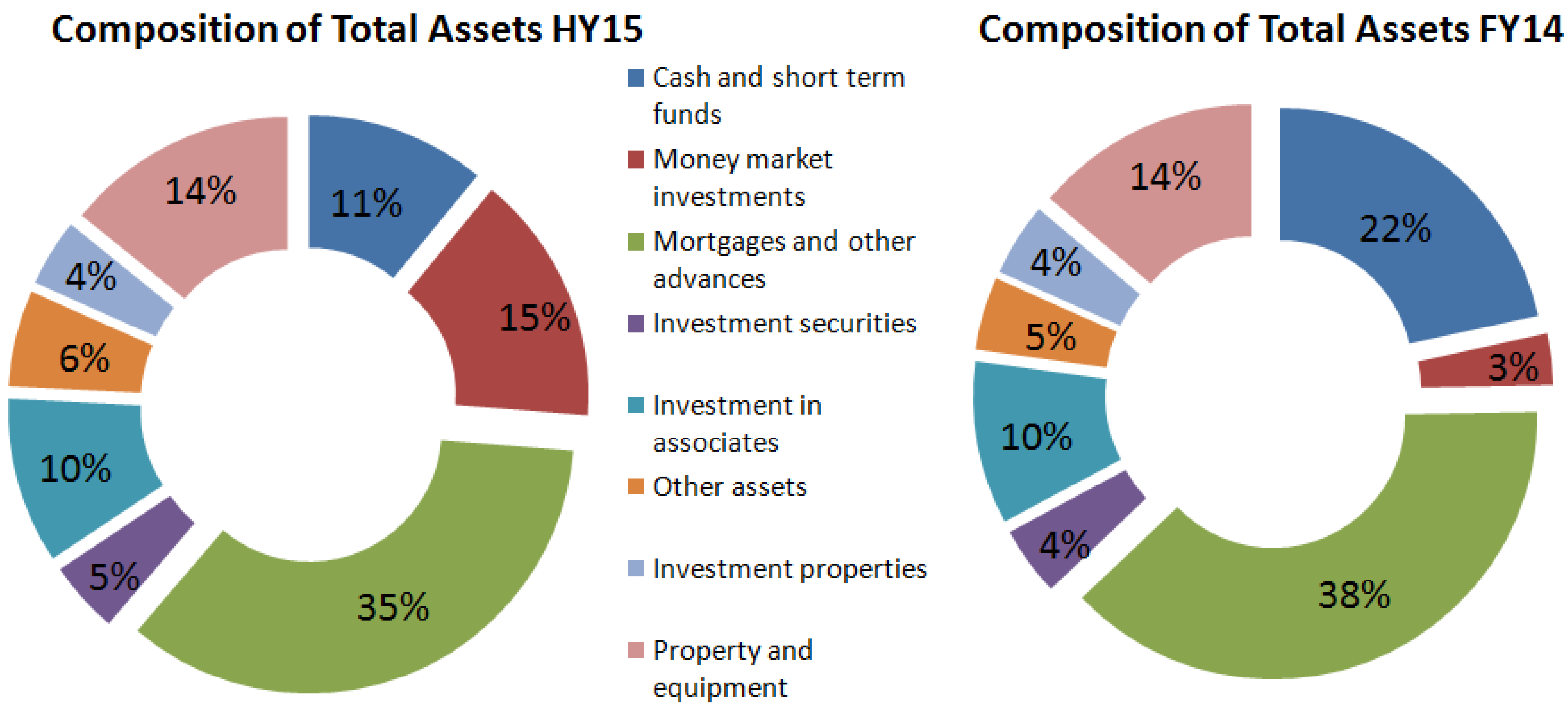
- The Group is now on a profitable footing.
- Expected full year results to follow the same trend exhibited by the first half.

All business segments contributed positively to the HY15 outturn.



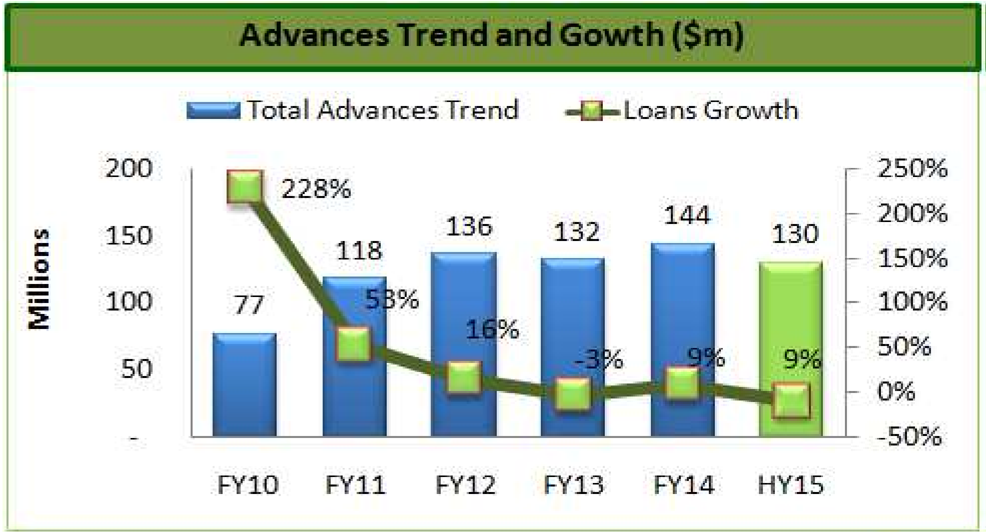


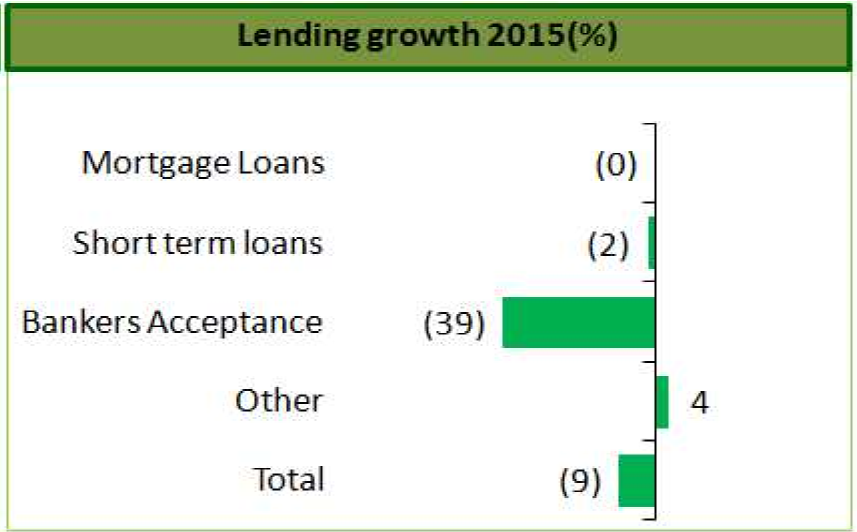
Increase in money market instruments due to purchase of treasury bills both from the primary and secondary markets.

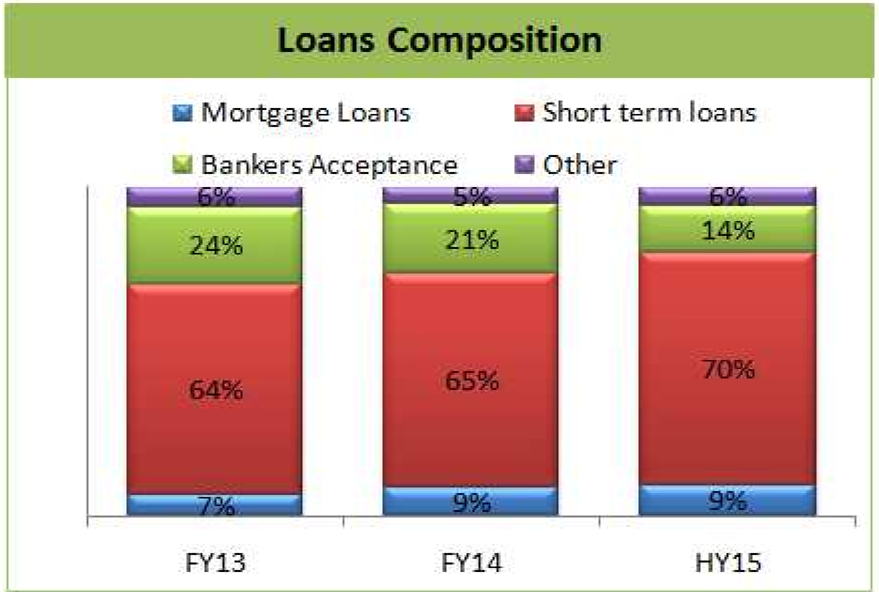


- 50% of total assets are non-income earning.
- Treasury bills were purchased at discounts yielding a better return than loans.

Credit expansion limited as risk remains high.

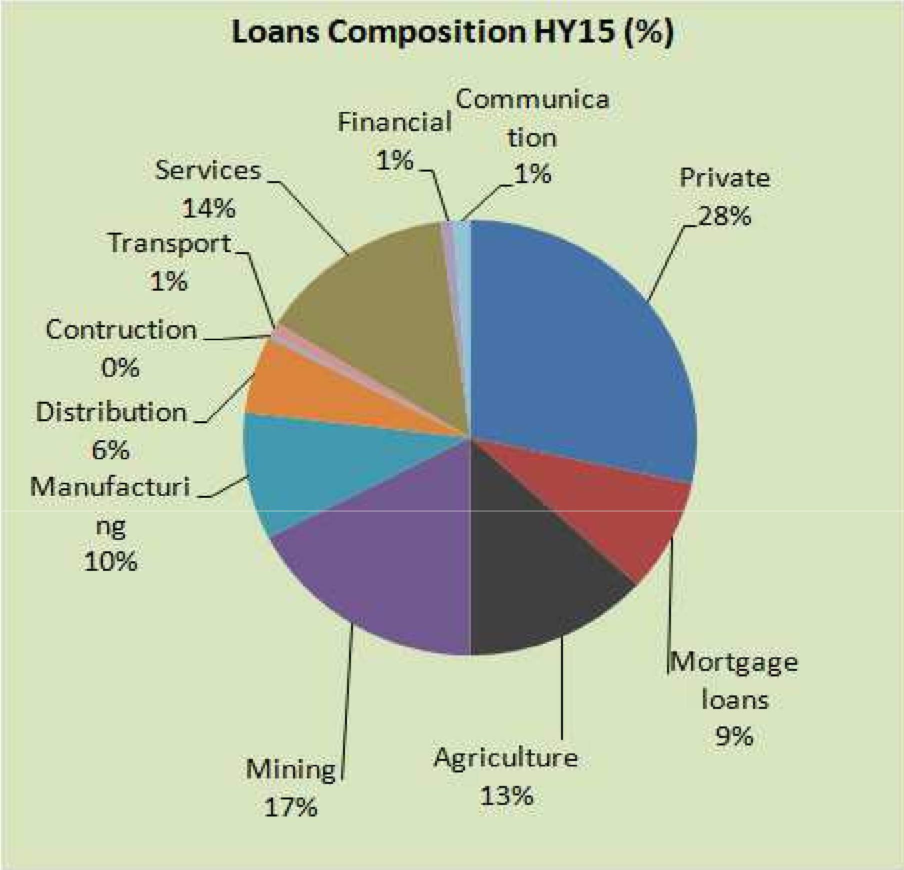


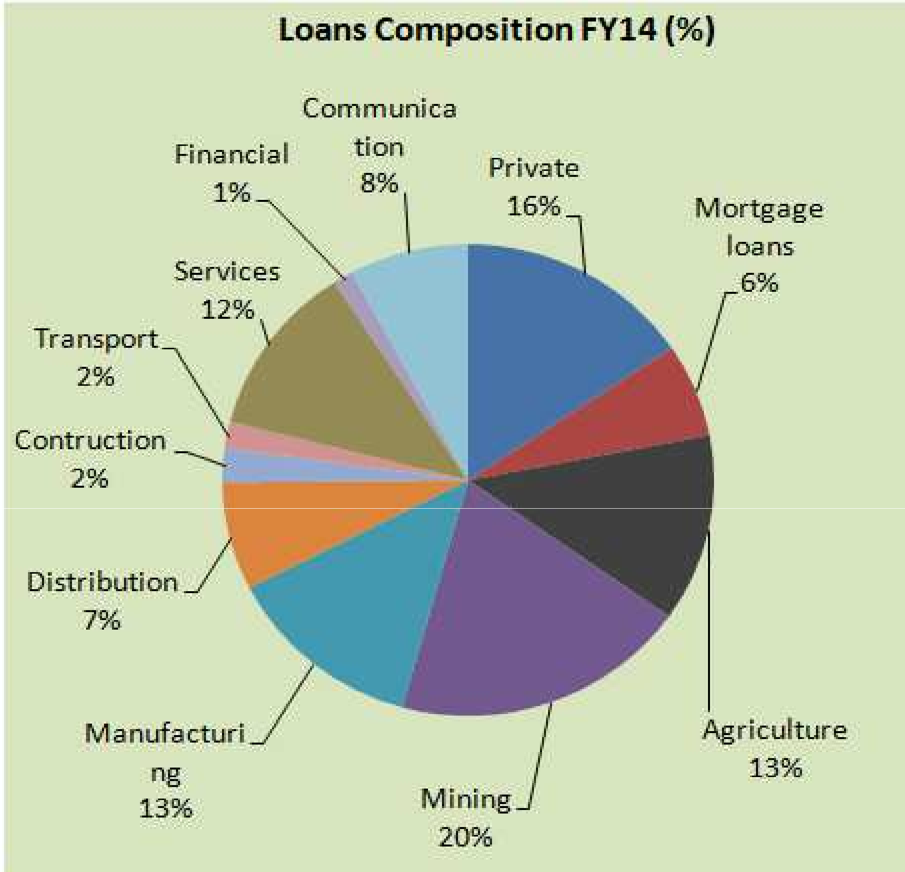




- A decrease of 10% in gross advances was as a result of a strategic plan to restrict growth and maintain a quality book.
- Mortgage facilities remained at the same level with FY14 and the Group will continue to look for more property opportunities.
- Bankers acceptances were deliberately reduced to manage credit risk.

Group has spread credit to **all sectors** of the economy.

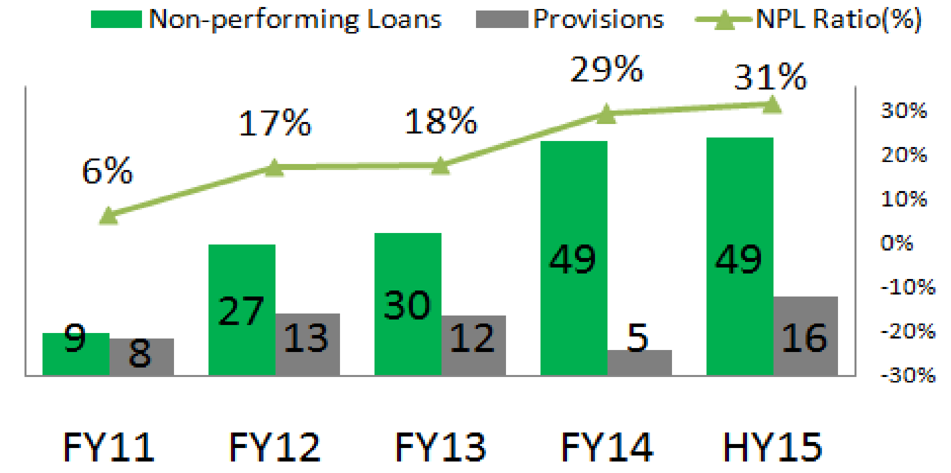




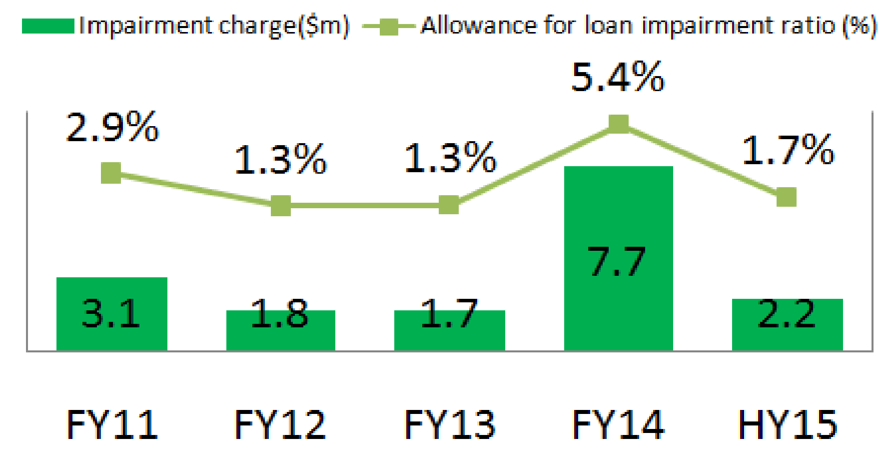
- Credit absorption in the productive sectors is generally constrained.
- Relative exposure to the Private Sector increased from 16% to 28% despite the nominal balances remaining stagnant during the period.
- Increased focus on collections resulted in improved general performance of the loan book.

NPL ratio increased mainly due to a reduction in the loan book; Otherwise nominal level **remained stagnant.**

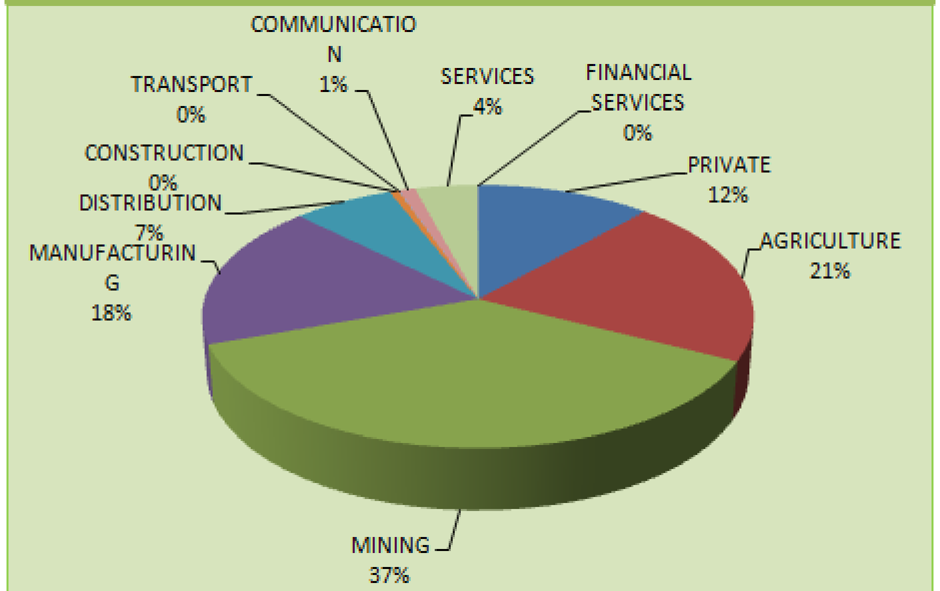
Gross impaired loans analysis ($m)



Impairment allowance analysis

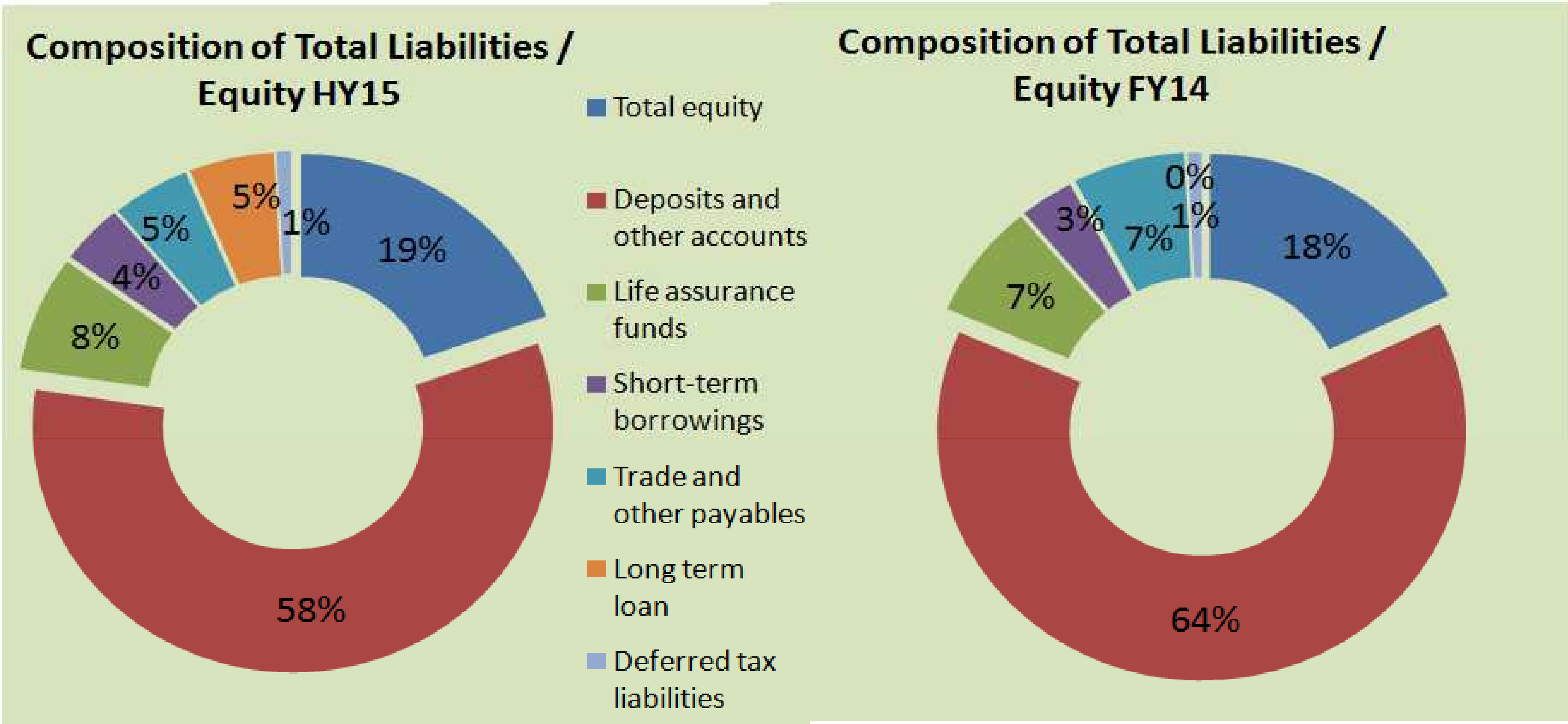


SECTORAL ANALYSIS OF NON-PERFORMING LOANS



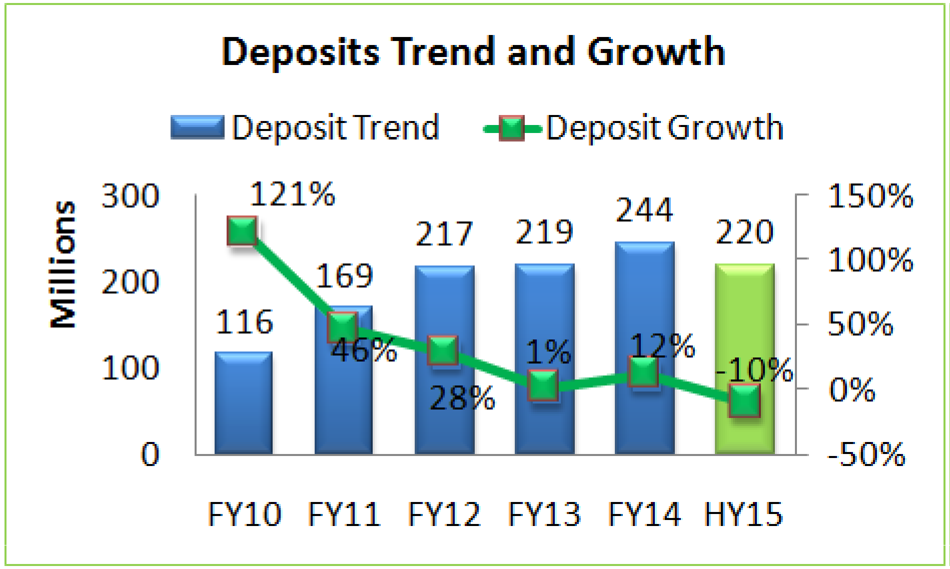
- Significant portion of NPLs are in the mining and agriculture sectors .
- Marginal increase in impaired loan ratio from 29% to 31% due to decrease in gross advances.

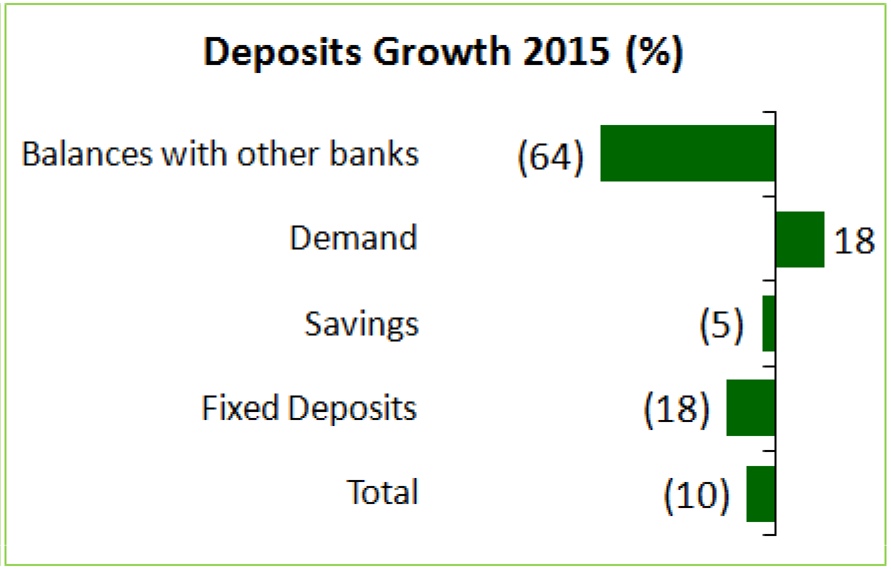
Funding sources to support the Group's operations were **enhanced** by a $20 million injection.

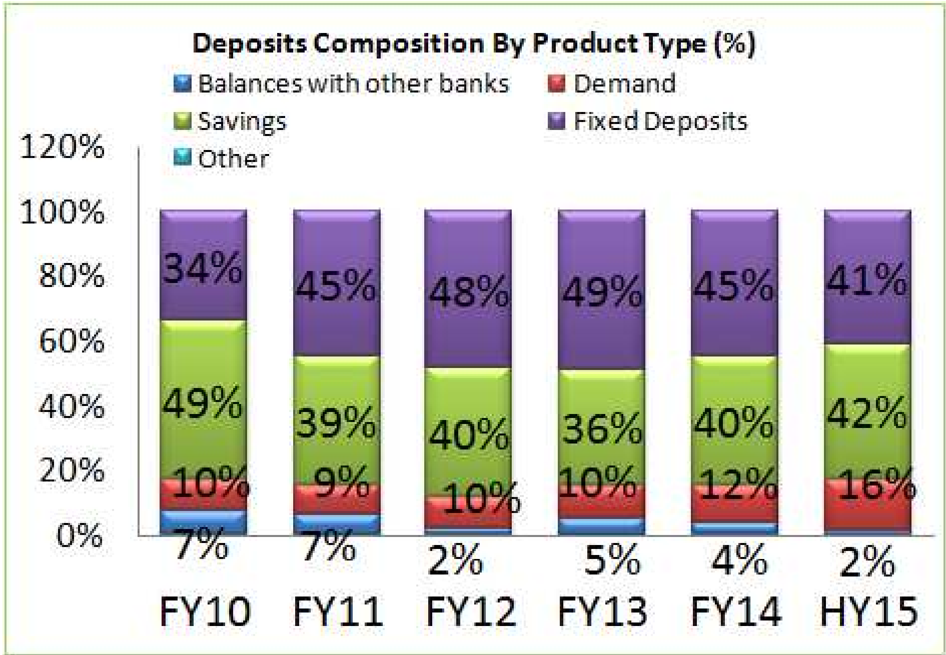


- Regulatory Capital for ZB Bank Limited received a boost with an injection of $20 million sourced by the Holding Company.

Reduction in deposits a result of **tactical withdrawal** from wholesale funding in the absence of quality matching assets.

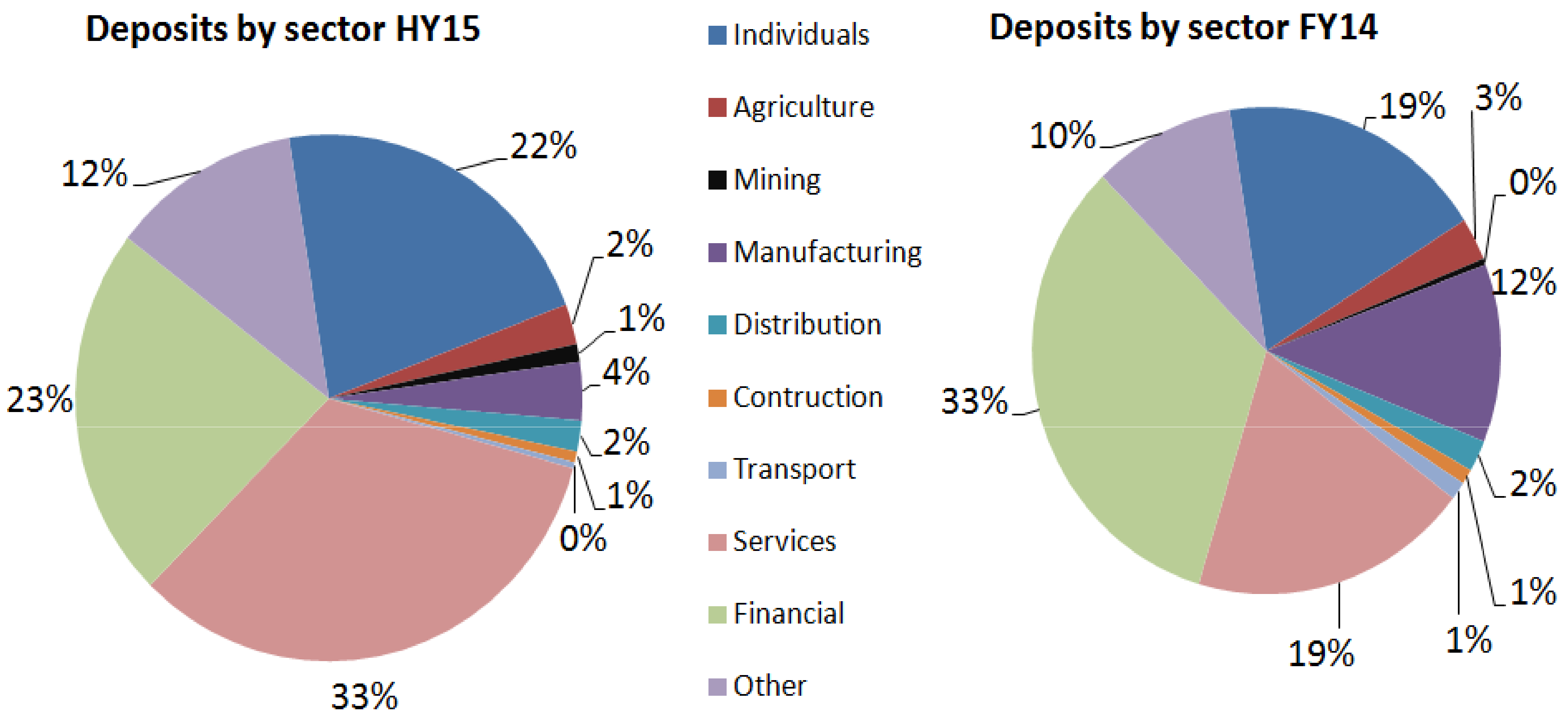






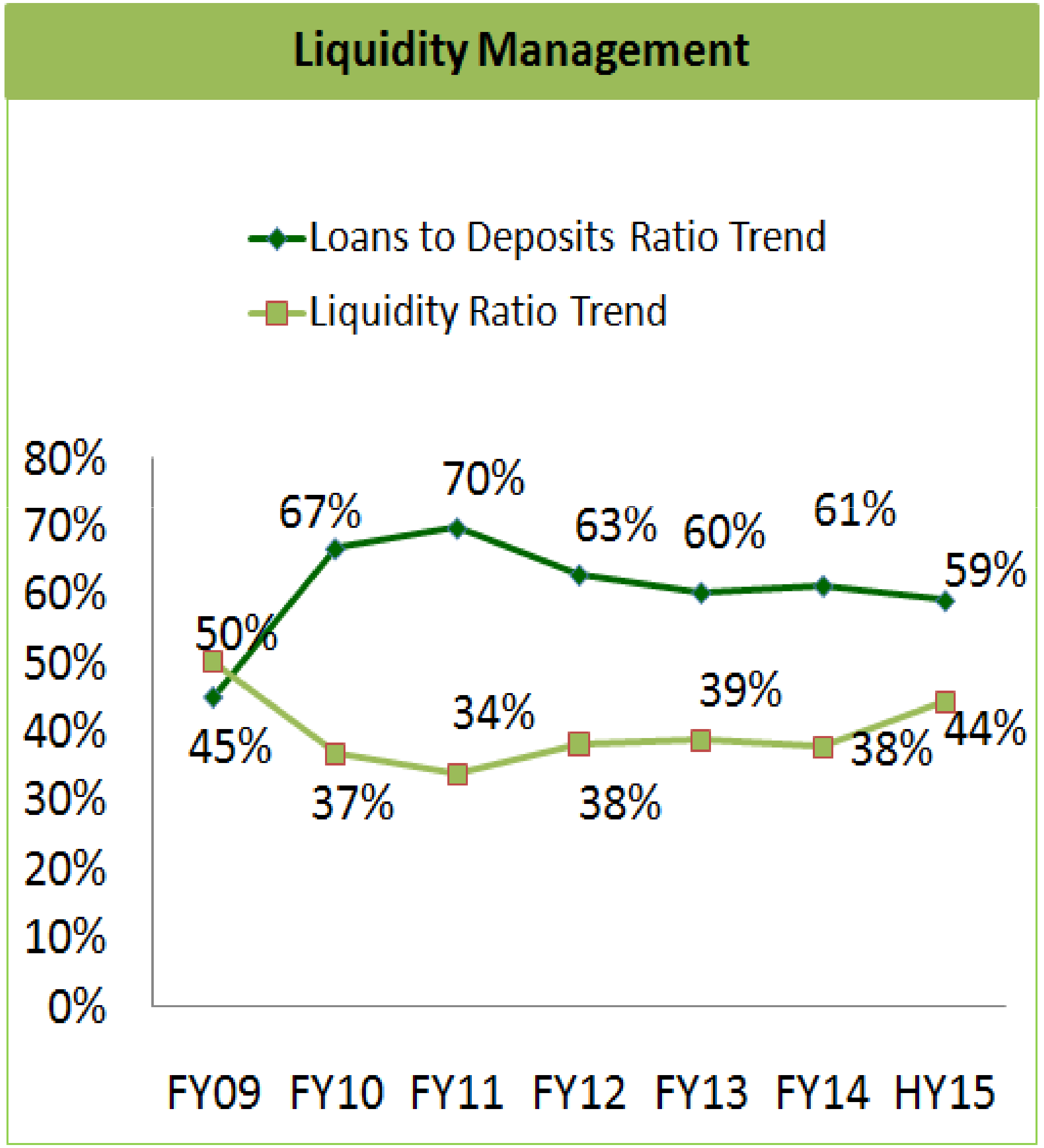
- 10% decrease in deposits from FY14 position as wholesale deposits reduced.
- Demand deposits performed better as the number of banking customers continued to grow (3% growth for the period).
- Deposits remain of short-term nature.

Funding base for the Group's operations **remains wide,** with a high degree of **customer loyalty** across all sectors of the economy.



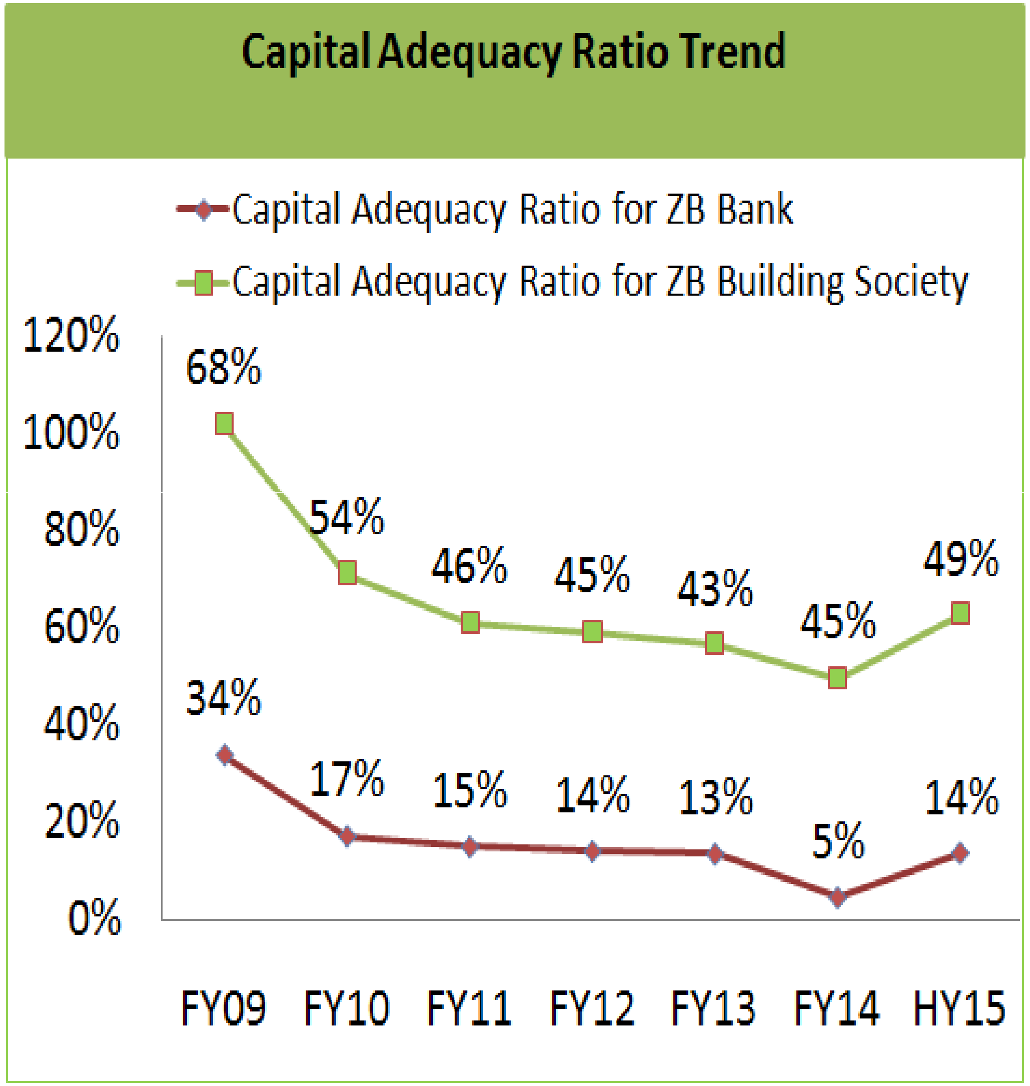
- Measures implemented by the monetary authorities to stimulate inter-bank operations will go a long way in releasing liquidity and enhancing financial intermediation by banking players.

Liquidity management has remained under very **close scrutiny.**



- Positive jaws maintained between LDR and Liquidity Ratio
- High liquidity ratio has assisted with service delivery in a market fraught with liquidity challenges.

Capital for Banking operations improved due to **capital injection** for the period under review



- CAR for ZB Bank Limited has recovered significantly from 5% to 14%.
- Merger of ZB Bank and ZB Building Society is still a strategic requirement in order to optimise capital resources.

Q315 Trading Update / Outlook

Positive outturn expected for Q3 and Q4 despite expected **tightening of interest margins**.

- **Earnings trend has continued up to August, 2015 on the back of tight cost control; Up 315% on a y-o-y basis. Cost efficiency at 76%.**
- **Some material recoveries on, hitherto, non-performing loans expected to strengthen second half performance.**
- **The recent RBZ guidelines on interest rates will slow down growth in banking revenues.**

Strategy Execution

Strategy execution has progressed **satisfactorily**.

Business Model:

1. Operations have stabilised after the rationalisation which commenced during Q4 FY14
2. A few teething problems were encountered and ironed out with minimal impact on customer service.
3. Focus now is on value creation and sustainability.
4. All business units are set to continue operating profitably in the outlook period.

Strategy execution has progressed **satisfactorily**.

Channels:

1. All channels are making a positive contribution to profits.
2. $2.6m investment in ICTs in HY15.
3. Roll-out of new card management system commenced in April, 2015.
4. A new suite of Digital Channels (Mobile Banking & Internet Banking) will be launched by the end of August, 2015.
5. +3 000 Agents were registered to sell electricity vouchers and offer limited banking services.
6. Paperless banking concept was extended to all branches during the period under review; Focus now on back-end operations.
7. Social media has been activated.

https://www.facebook.com/pages/ZB-Financial-Holdings-Limited/810887415619738

https://twitter.com/zbbank1

Strategy execution has progressed **satisfactorily**.

Regional Markets:

1. Set-up of reinsurance office in Mozambique in final stages; delays experienced due to regulatory processes
2. Other regional opportunities are under consideration.

Property Development:

1. Remains a prominent focus area.
2. Twentydales project is now at selling stage
3. Development of completed housing units at Springvale (Ruwa) (100) and Beitbridge (150) will commence in H2 FY15.
4. Mobilisation of land banks and related project funding has been escalated.
5. Focus will be on low-cost housing.

Strategy execution has progressed **satisfactorily**.

Capital Raising - An update

1. The search for a technical partner still remains a strategic imperative
2. Recent recapitalisation of Banking Operations provides some form of relief for the Group to consider most suitable recapitalisation proposals which also protects value for existing shareholders.

Thank you

Data Card - ZB Bank Limited

Income statement	HY15	HY14	Change %
Total Income	19 404 098	20 607 097	-6%
Total Expenditure	17 852 899	21 234 288	-16%
Profit Before Tax	1 551 199	(627 191)	-347%
Profit After Tax	1 391 762	(529 056)	-363%
Financial position	**HY15**	**FY14**	**Change %**
Total Assets	288 481 758	291 466 691	-1%
Total Advances	117 958 572	130 849 101	-10%
Total Deposits	211 319 478	234 493 480	-10%
Shareholders' Funds	52 113 230	29 312 002	78%
Key ratios			
Return on Equity	4%	-2%	-302%
Return on Assets	1%	0%	-349%
Cost to Income Ratio	92%	103%	11%

Data Card - ZB Building Society

Income statement	HY15	HY14	Change %
Total Income	4 186 650	4 333 248	-3%
Total Expenditure	3 079 535	3 893 212	-21%
Profit Before Tax	1 107 115	440 035	152%
Profit After Tax	1 035 572	315 378	228%
Financial position	**HY15**	**FY14**	**Change %**
Total Assets	47 122 255	49 945 879	-6%
Total Advances	18 588 544	19 081 860	-3%
Total Deposits	21 177 081	21 009 781	1%
Shareholders' Funds	20 273 119	19 237 547	5%
Key ratios			
Return on Equity	6%	2%	150%
Return on Assets	2%	1%	135%
Cost to Income Ratio	74%	90%	18%

Data Card - ZB Life Assurance

Income statement	HY15	HY14	Change %
Total Income	3 031 651	2 681 893	13%
Total Expenditure	2 459 618	2 468 728	0%
Profit Before Tax	657 812	(1 267 046)	-152%
Profit After Tax	711 971	(1 131 550)	-163%
Financial position	HY15	FY14	Change %
Total Assets	48 237 254	47 572 358	1%
Money Market Investments	3 171 817	2 779 881	14%
Investment Properties	1 820 500	3 380 500	-46%
Life Assurance Fund	28 719 990	28 538 514	1%
Shareholders' Funds	17 675 352	16 963 381	4%
Key ratios			
Return on Equity	4%	-11%	-135%
Return on Assets	22%	-7%	-410%
Cost to Income Ratio	81%	92%	-12%

Data Card -ZB Reinsurance

Income statement	HY15	HY14	Change %
Total Income	2 240 508	2 193 806	2%
Total Expenditure	1 225 833	1 060 217	16%
Profit Before Tax	1 014 675	1 133 589	-10%
Profit After Tax	721 810	845 392	-15%
Financial position	**HY15**	**FY14**	**Change %**
Total Assets	14 108 049	13 338 657	6%
Insurance Receivables	2 700 658	2 288 644	18%
Money Market Investments	6 666 447	5 614 218	19%
Investment Securities	1 360 137	1 526 921	-11%
Shareholders' Funds	9 092 207	8 370 397	9%
Key ratios			
Return on Equity	8%	-17%	-146%
Return on Assets	26%	-18%	-250%
Cost to Income Ratio	55%	48%	13%

Data Card - Investment Banking

Income statement	HY15	HY14	Change %
Total Income	407 584	249 565	63%
Total Expenditure	326 933	338 599	-3%
Profit Before Tax	80 651	(89 034)	-191%
Profit After Tax	85 285	(61 547)	-239%
Financial position	**HY15**	**FY14**	**Change %**
Total Assets	1 060 941	938 882	13%
Money Market Investments	334 373	-	100%
Investment Securities	382 604	357 853	7%
Shareholders' Funds	883 217	797 932	11%
Key ratios			
Return on Equity	10%	-11%	-186%
Return on Assets	8%	-9%	-185%
Cost to Income Ratio	80%	136%	-41%