

ZB FINANCIAL HOLDINGS

ANALYSTS' BRIEFING PRESENTATION

REVIEWED FINANCIAL
RESULTS FOR THE HALF
YEAR ENDED 30 JUNE 2019



01

Business Environment : An overview



Economic challenges persisted with GDP contraction projected for FY19....

Foreign currency supply continued to lag demand

Erratic power supply due to low generation levels and sub-optimal tariffs

Fuel supply is currently in short supply

Improvement in current account and fiscal deficits at HY19

High inflation outturn; HY19 y-o-y inflation at 175.66%

ZSE market capitalisation increased by 39.09% as at HY19 (year to date)

Weakening of the ZWD against the USD (165.88% loss of value - 22 Feb to 28 Jun 2019)

Broad Money Supply (M3) growth 57.5% y-o-y (May 19). (Source: RBZ)

- The El Nino-induced drought and Cyclone Idai contributed downside pressure affecting performance in the agriculture and forestry sectors which are projected to contract by 15.7% in FY19.
- Confederation of Zimbabwe Industries (CZI) projects FY19 capacity utilisation at 34.3%, a decline of 7.7 percentage points compared to November 2018 levels (*CZI Manufacturing Sector Survey 2018*).
- According to the Ministry of Finance & Economic Development the economy is expected to contract in FY19 by -2.1% (*2019 Mid-year Budget Review*); whilst the IMF projects a higher level at -5.2% (*April 2019 World Economic Outlook Report*)
- SI33 and SI142 introduced a local currency (ZWL) which started to trade on 22 February, 2019; the multi-currency regime was scrapped on 24 June, 2019 in favour of a mono-currency framework anchored on the new ZWD.

Survival became the focal strategy in a difficult operating environment....

A substantial liquidity buffer was maintained to deal with fluctuations as Government pursued liquidity suppression measures.

Our Infrastructure projects were put on hold pending policy and market stabilisation.

Lines of credit increased from US\$30 million to US\$40 million. Utilisation is being affected by unfavourable economic conditions.

A significant upsurge in money transfer business, leveraging on the wide branch network and ability to mobilise cash.

Investment focus on property continued; limited traction due to volatile pricing.

Syfrets Bureau de Change launched with in-store presence at partner retail premises – satisfactory volumes posted to date.

Launch of Diaspora Banking product is imminent. Delays were caused by the changes in the legal environment.

Launch of a Micro-finance institution is expected in Q4.



| Company | HY19 | FY18 | Rating Review Date |
|------------------------|------|------|--------------------|
| ZB Bank Limited | BB | BB | Sept, 2019 |
| ZB Building Society | B- | BB- | Sept, 2019 |
| ZB Reinsurance Limited | A- | A- | May, 2020 |



The Group is on track to achieving Tier 1 capital level of \$100m for its banking operations by FY20....

| As at 30 June 2019 ZW\$(m) | | | | | | |
|---------------------------------|--------------------|-----------------------------|--------------------|------------------------------------|---------------------------------|-------------|
| Company | Gross Capital Base | Regulatory Capital (Tier 1) | Regulatory Minimum | Excess Available against regulated | 2020 Regulatory Target (Tier 1) | Gap to 2020 |
| ZB Bank Limited | 149.8 | 89.5 | 25 | 64.5 | 100 | (10.5) |
| ZB Building Society | 37.2 | 19.0 | 20 | (1.0) | 25 | (6.0) |
| ZB Reinsurance Limited | 31.4 | 31.4 | 5 | 26.4 | 5 | 26.4 |
| ZB Life Assurance | 49.4 | 49.4 | 2.5 | 46.9 | 5 | 44.4 |
| ZB Transfer Secretaries Limited | 1.6 | 1.6 | 0.2 | 1.4 | 0.2 | 1.4 |



02

Financial Outturn



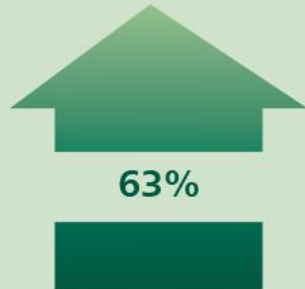
1. *The adverse opinion arises from the failure to fully comply with IAS 21 “Effects of Changes in Foreign Exchange Rates” and is a carry over from prior year.*
2. *The Group changed its functional and reporting currency from United States Dollars (“USD” or “US\$”) to Zimbabwean Dollars (“ZWL” or “ZW\$”).*
3. *Prior year figures, previously reported as USD, have been restated as ZWD at par in compliance with SI33 of 2019.*

FINANCIAL HIGHLIGHTS

Total assets

ZW\$1 078.4m
HY19

ZW\$663.2m
FY18



Total capital and reserves

ZW\$303.2m
HY19

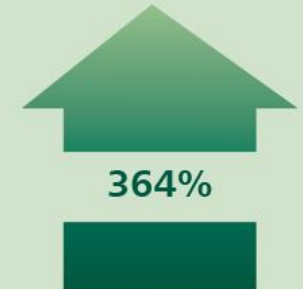
ZW\$120.4m
FY18



Net profit after taxation

ZW\$43.4m
HY19

ZW\$9.4m
HY18



Return on equity

41%
HY19

20%
FY18



Liquidity ratio (Group)

85.0%
HY19

81%
FY18



Cost to income ratio

52%
HY19

67.0%
FY18

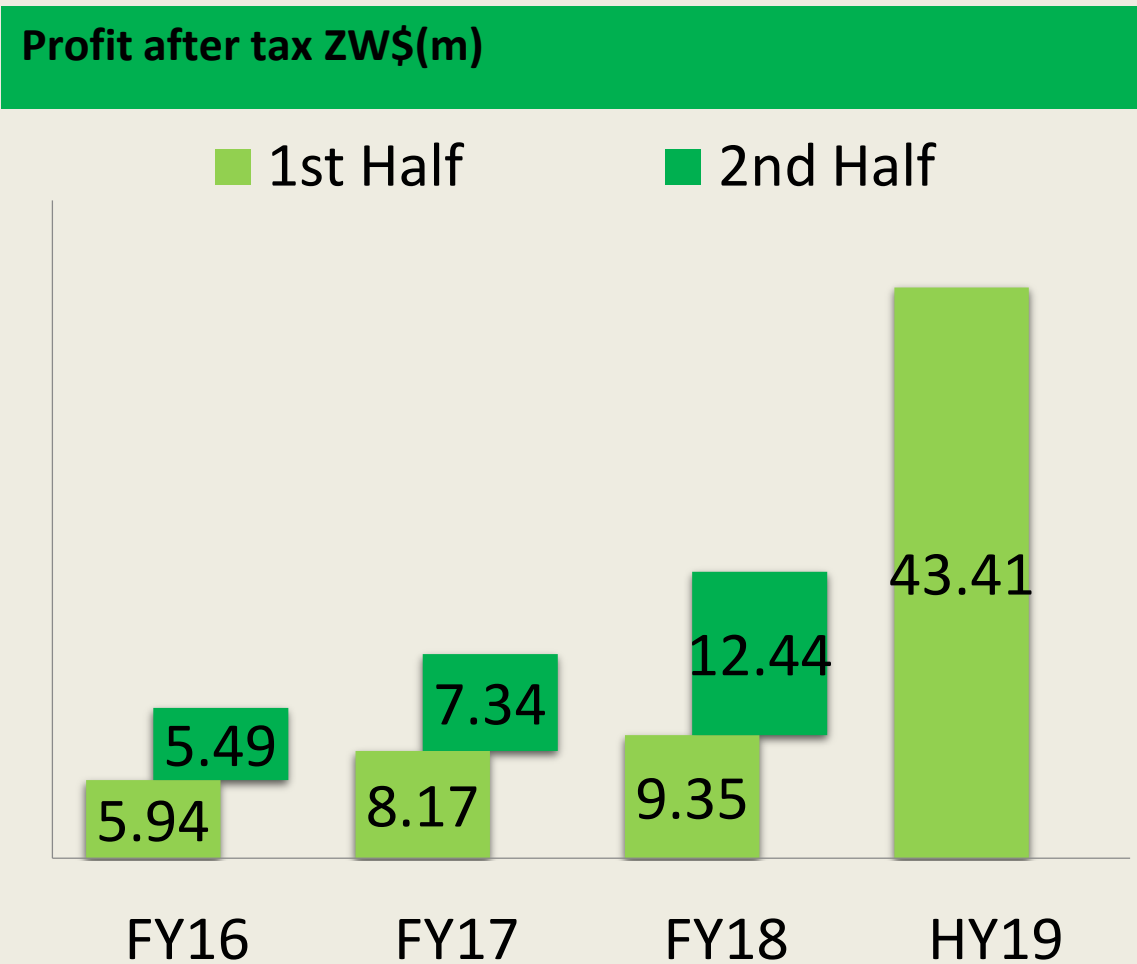


pps - percentage points

Nominal performance for HY19 was ahead of the HY18 outturn....

- Profit increased by 364% from ZW\$9.35m at HY18 to ZW\$43.41m at HY19 resulting in the EPS increasing by 350% from ZW5.8c to ZW26.1c, whilst the annualised ROE improved from 18% to 41% over the same period.

| Summarised statement of profit or loss | | | |
|--|-----------------|-----------------|-------------|
| | HY19 ZW\$(m) | HY18 ZW\$(m) | % Change |
| Total Income | 94.19 | 38.62 | ↑ 144% |
| Total expenses | (48.79) | (27.88) | ↑ -75% |
| Profit Before Tax | 45.40 | 10.74 | ↑ 323% |
| Movement in the Life Fund | (8.14) | (0.55) | ↑ -1381% |
| Share of profit in associates | 5.09 | 0.30 | ↑ 1572% |
| Income tax credit / (expense) | 1.06 | (1.14) | ↓ 193% |
| Profit for the period | 43.41 | 9.35 | ↑ 364% |
| Earnings per share (EPS) (cents) | 26.09 | 5.78 | ↑ 350% |
| Return on equity (ROE) | 41% | 18% | ↑ 23% |



Income concentration in non-funded sources remained high....

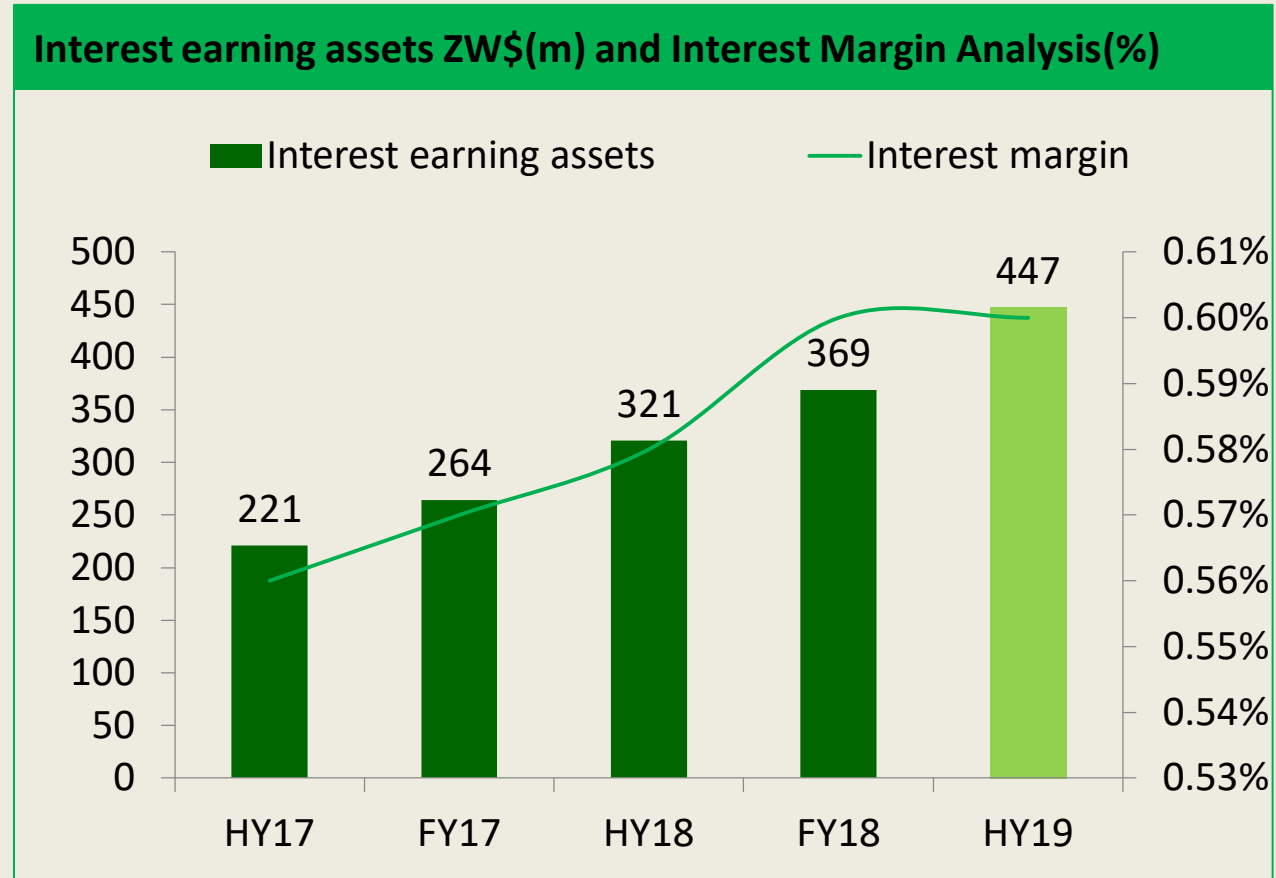
| Total income contribution | HY19 | HY18 | % | % Contribution | |
|---|--------------|--------------|-------------|----------------|-------------|
| | ZW\$(m) | ZW\$(m) | Change | HY19 | HY18 |
| Net earnings from trading and lending activities (NELA) | 10.47 | 10.89 | -4% | 11% | 28% |
| Net reinsurance income (NRI) | 2.63 | 1.7 | 55% | 3% | 4% |
| Net life assurance income (NLA) | 4.37 | 3.18 | 37% | 5% | 8% |
| Non-funded income (NFI) | 76.71 | 22.86 | 236% | 81% | 59% |
| Total income | 94.19 | 38.62 | 144% | 100% | 100% |



Interest rates increased whilst liquidity supply tightened ...

- **Interest-paying liabilities** re-priced faster than interest-earning assets resulting in a lower NII to GII ratio of 72% at HY19 against 78% at HY18.
- **The NII outturn** was better in the Q2FY19 following the removal of interest rate caps which existed previously.
- A **net impairment charge** of ZW\$3.86m was posted for HY19 against a net recovery of ZW\$0.65m at HY18.

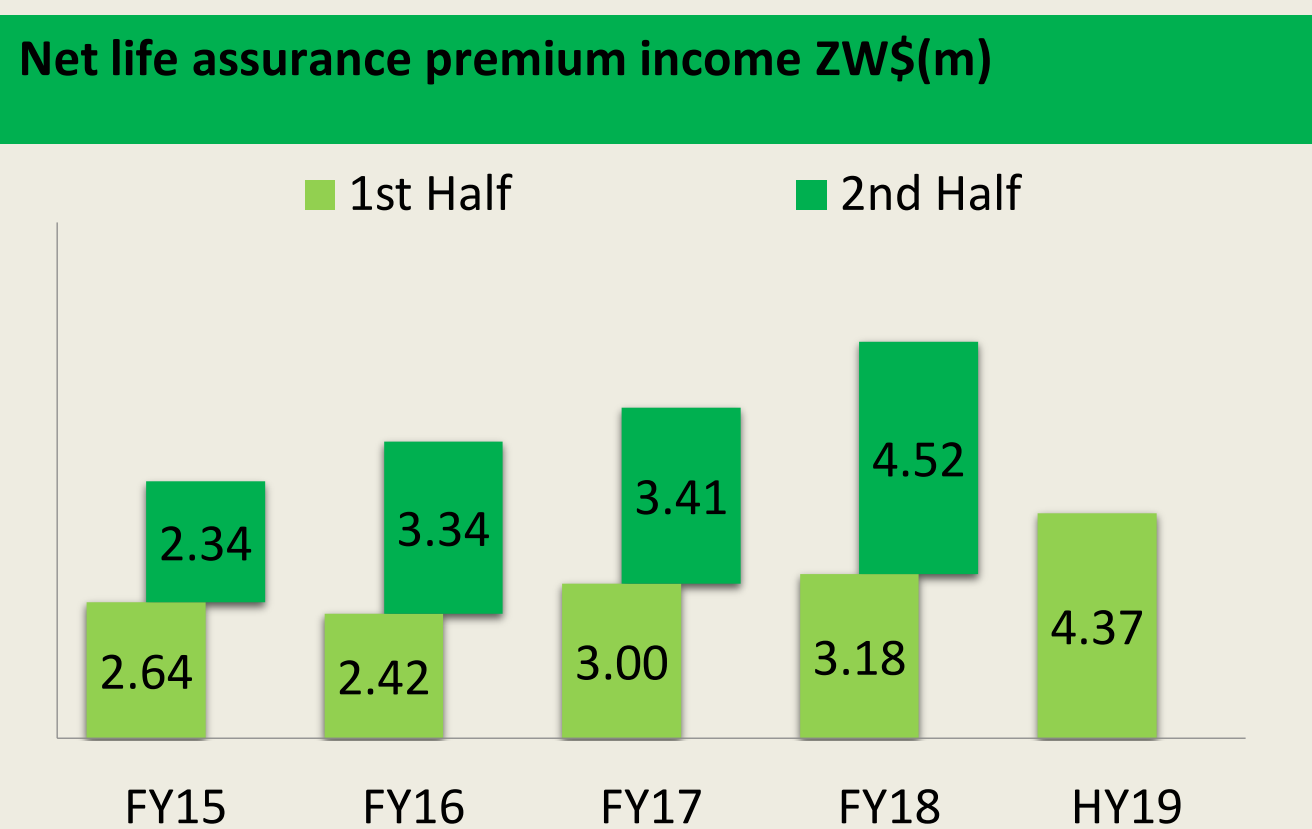
| Net interest income | HY19 ZW\$(m) | HY18 ZW\$(m) | % Change |
|---|-----------------|-----------------|-------------|
| Gross interest income(GII) | 19.96 | 13.19 | 51% |
| Interest expense | (5.63) | (2.96) | -90% |
| Net interest income(NII) | 14.33 | 10.23 | 40% |
| Net impairment (charge) / recovery | (3.86) | 0.65 | 689% |
| Net earnings from lending activities | 10.47 | 10.88 | -4% |
| NII to GII ratio | 72% | 78% | 6% |
| Net interest margin | 15% | 26% | -11% |



Life assurance premiums improved on the back of a high persistency ratio despite a drop in disposable incomes....

- **Net life assurance income** improved by 37%, driven by a 15% increase in gross premiums which was partially offset by a 7% increase in policy benefits and reinsurance premium commission expenses.
- The Expense Ratio also improved from 50.5% at HY18 to 40.9% at HY19.

| Net Life Assurance Premium Income | | | |
|---|-------------|-------------|------------|
| | HY19 | HY18 | % |
| | ZW\$(m) | ZW\$(m) | Change |
| Life assurance premiums | 7.39 | 6.41 | 15% |
| Benefits paid and reinsurance commission expenses | (3.02) | (3.24) | -7% |
| Net life assurance income | 4.37 | 3.18 | 37% |
| Expense ratio | 40.9% | 50.5% | -9.6% |

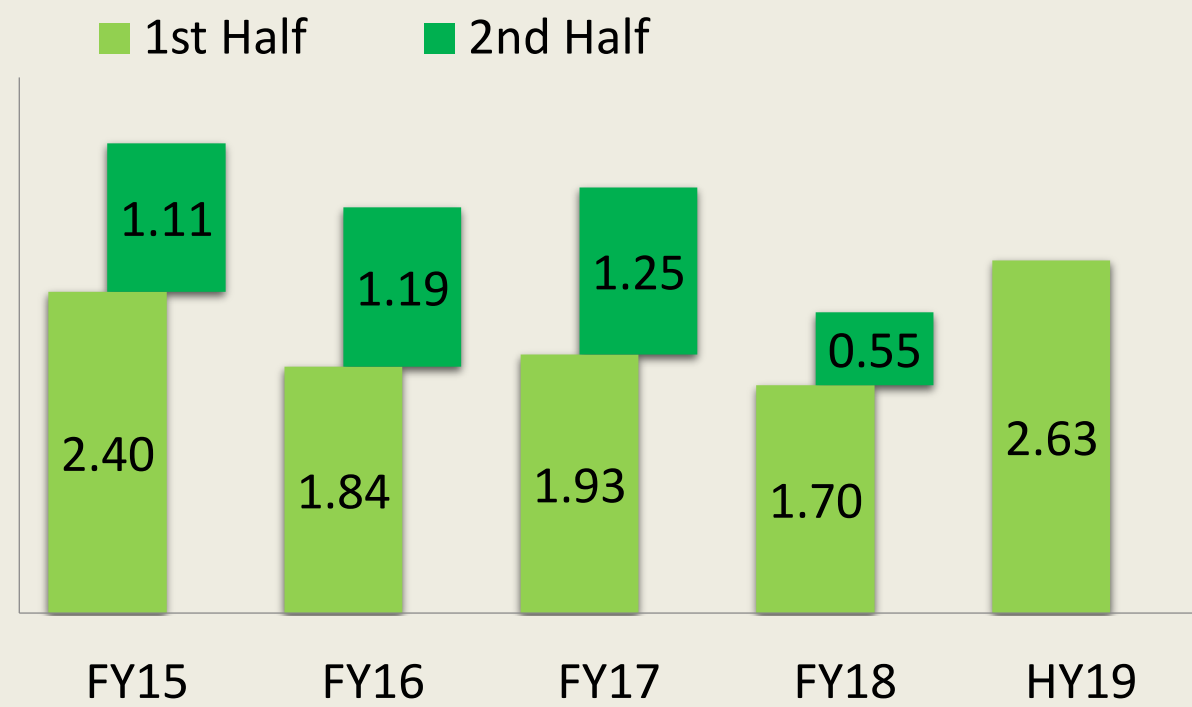


Growth in reinsurance premiums reflect partial restoration of covers against rising inflation...

- **Foreign premium contribution reduced** from ZW\$0.66m at HY18 to ZW\$0.48m at HY19 in line with the increase in exchange risk on the local market.
- Total reinsurance expenses increased by 53% on the back of a 171% increase in net claims, a 116% increase in commissions, and a 180% net movement in the unearned premium reserve. Retrocession premiums reduced by 58%.
- The technical expenses ratio remained at an acceptable level at 83%.

| | HY19 ZW\$(m) | HY18 ZW\$(m) | % Change |
|-------------------------------------|-----------------|-----------------|-------------|
| Local premium income | 15.02 | 9.42 | 59% |
| Foreign premium income | 0.48 | 0.66 | -27% |
| Reinsurance premium | 15.50 | 10.08 | 54% |
| Reinsurance expenses | (12.86) | (8.38) | -53% |
| Technical result | 2.63 | 1.70 | 55% |
| Local premium income contribution | 96.9% | 93.5% | 3.4% |
| Foreign premium income contribution | 3.1% | 6.5% | -3.4% |
| Technical expenses ratio | 83.0% | 83.2% | 0.2% |

Net reinsurance premium income ZW\$(m)



Significant revenue contribution was recorded from fair value gains and foreign exchange income...

- **Banking fees and commissions** improved by 39%, benefiting from higher transaction volumes and a review of charges effected in Q2 FY19.
- **Fair value gains** tracked general share price performance on the Zimbabwe Stock Exchange.
- Other income is largely made up of **foreign exchange gains** amounting to ZW\$29.96m.
- Fair value and foreign exchange gains are largely a result of on-going **value discovery mechanics** in the underlying markets

Non-funded income

| | HY19 ZW\$(m) | HY18 ZW\$(m) | % Change | Mix |
|-----------------------------|-----------------|-----------------|-------------|-------------|
| Fees and commissions | 27.47 | 19.79 | 39% | 36% |
| Fair values gains /(losses) | 16.68 | (0.05) | 33245% | 22% |
| Dividend received | 0.48 | 0.74 | -34% | 1% |
| Other income | 32.08 | 2.38 | 1246% | 42% |
| Total | 76.71 | 22.86 | 236% | 100% |

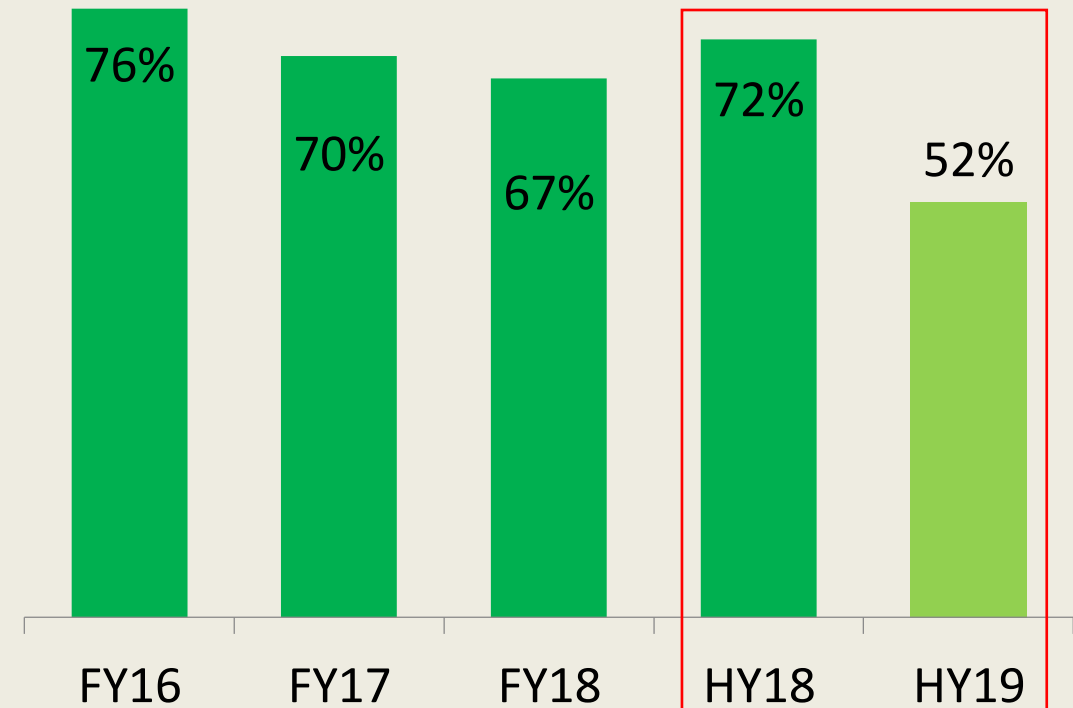


Cost to income ratio improved to 52% whilst cost pressures persist....

- The increase in **OPEX**, at 75%, **lagged inflation**. Pent-up pressure is likely to see a faster pace of cost escalation in H2 FY19.
- Growth in net revenue (144%) was higher than the level of cost expansion, thus **creating positive jaws**, which provides a buffer against short-term structural dislocations in the operating environment and enhances prospects for the future sustainability of operations.
- The Group will grapple with **cost escalations in the short-term**.

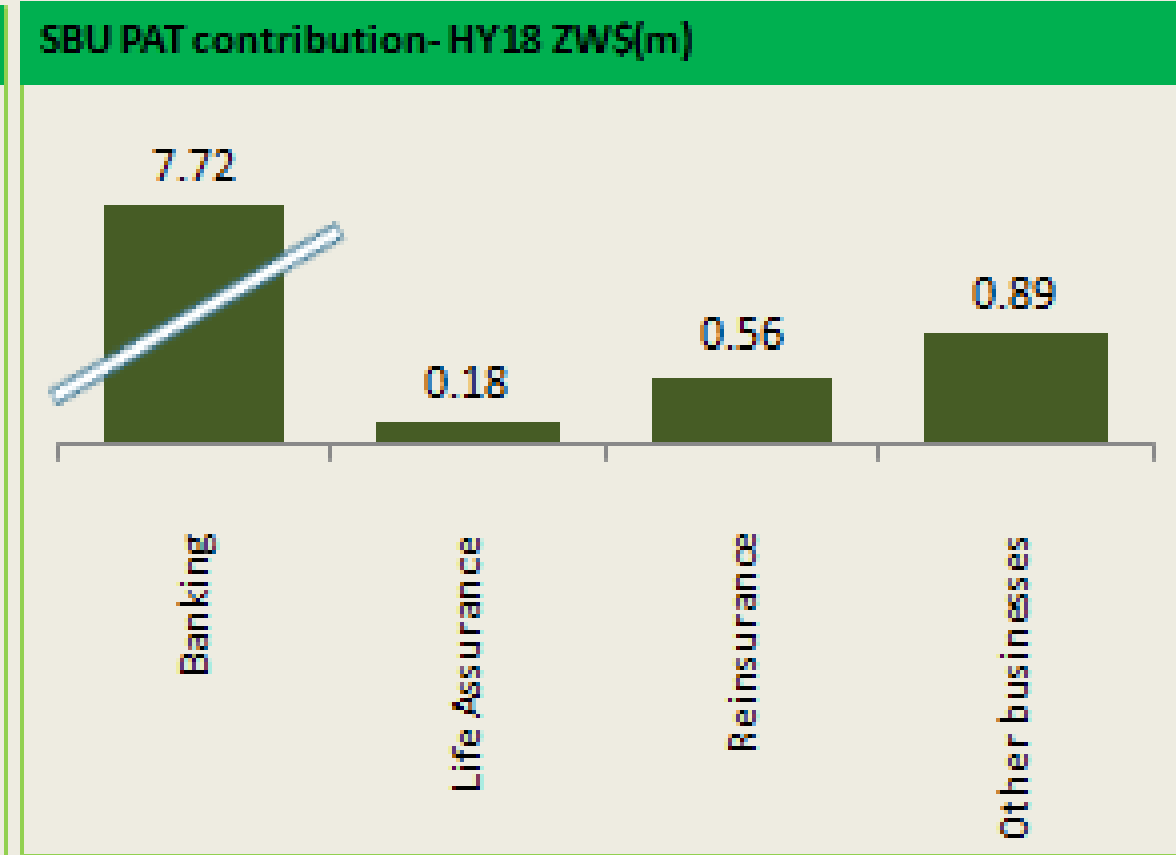
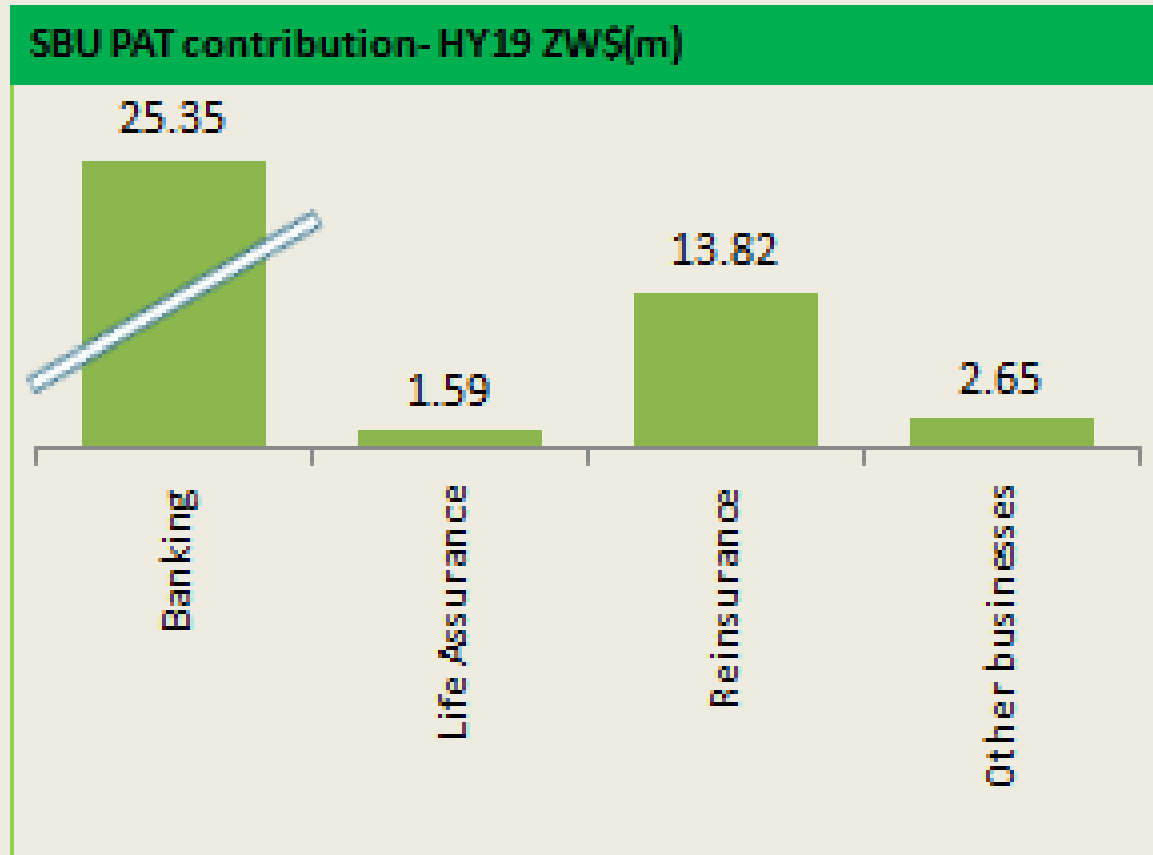
| OPEX analysis | HY19 ZW\$(m) | HY18 ZW\$(m) | % Change | Mix |
|-------------------------------|-----------------|-----------------|--------------|-------------|
| Administration | 12.51 | 6.79 | -84% | 26% |
| Staff | 18.14 | 13.40 | -35% | 37% |
| Occupation | 3.39 | 2.20 | -54% | 7% |
| Computer and IT | 4.05 | 1.73 | -134% | 8% |
| Communication | 1.55 | 0.64 | -141% | 3% |
| Transport | 1.59 | 0.77 | -108% | 3% |
| Cash based OPEX | 41.22 | 25.54 | -61% | 85% |
| Depreciation and amortisation | 7.56 | 2.35 | -222% | 15% |
| Non-cash OPEX | 7.56 | 2.35 | -222% | 15% |
| Total Expenditure | 48.78 | 27.88 | -75% | 100% |

Cost to income ratio %



Banking operations continued to dominate Group performance between HY18 and HY19....

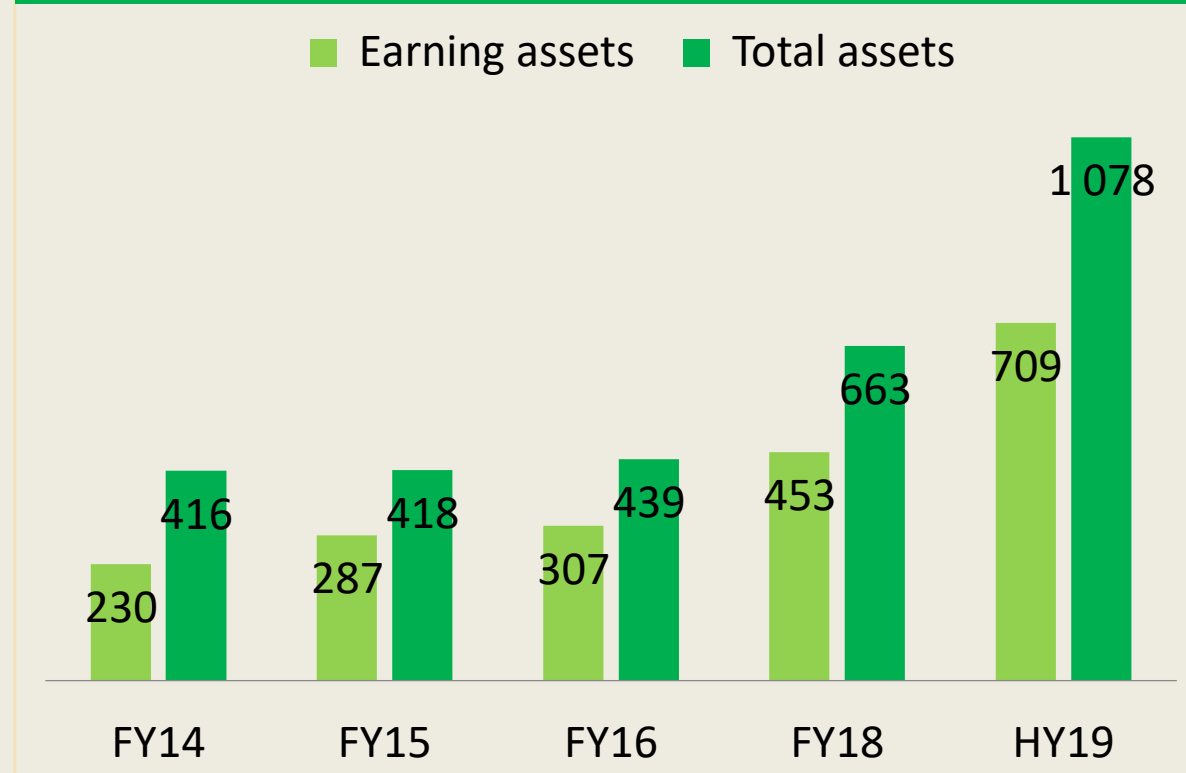
- *The reinsurance business posted a significant growth in performance (2 371%)*
- *All other business segments contributed positively to total outturn.*



- **Earning Assets** contributed 66% of total assets, reducing from 68% as at 31 December 2018.
- **Property and equipment, investment properties and investments in associates** increased largely as a result of translation from USD to ZW\$ at the beginning of the period.
- **Increase in loans** reflects growth and loan renewals at higher levels in response to inflation.

| Composition of Total Assets | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change |
|------------------------------------|-----------------|-----------------|-------------|
| Earning assets | | | |
| Treasury bills | 219.67 | 194.35 | 13% |
| Money market investments | 10.80 | 10.71 | 1% |
| Loans and other advances | 216.91 | 121.91 | 78% |
| Investment properties | 83.47 | 33.32 | 150% |
| Investment securities | 93.38 | 56.51 | 65% |
| Investment in associates | 84.85 | 36.15 | 135% |
| Total earning assets | 709.08 | 452.95 | 57% |
| Non-earning assets | | | |
| Cash and short term funds | 225.13 | 143.87 | 56% |
| Other assets | 17.05 | 12.05 | 41% |
| Right of use assets | 4.49 | 6.41 | -30% |
| Property and equipment | 122.60 | 47.92 | 156% |
| Total non-earning assets | 369.28 | 210.25 | 76% |
| Grand total | 1 078.36 | 663.20 | 63% |
| Earning assets contribution | 66% | 68% | -2% |

Total assets growth ZW\$(m)

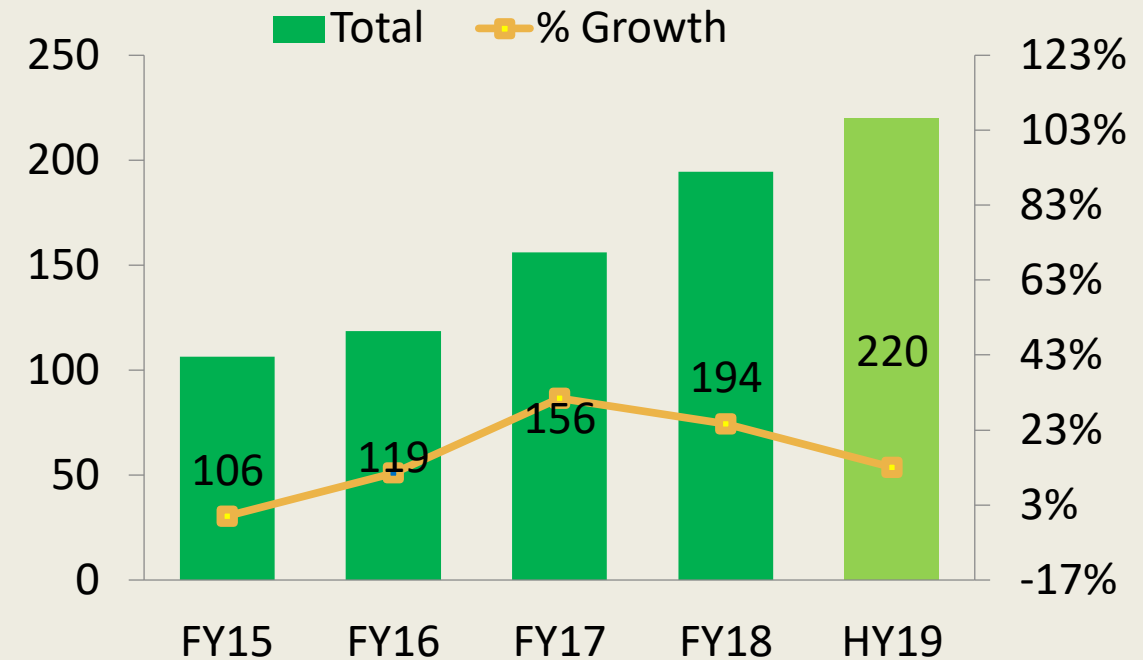


Treasury Bills (TBs) investments increased by 13%....

- Coupons on primary market acquisitions ranged between 7% and 10% whilst discounts on secondary market trades ranged between 5% and 18%.

| Treasury bills by category | ZW\$(m) | | % Contribution | |
|-------------------------------|---------------|---------------|----------------|-------------|
| | HY19 | FY18 | HY19 | FY18 |
| TBs from primary market | 22.96 | 22.75 | 10% | 12% |
| TBs from secondary market | 154.87 | 134.77 | 71% | 69% |
| Capitalisation treasury bills | 16.51 | 16.10 | 12% | 8% |
| ZAMCO TBs | 25.33 | 20.73 | 7% | 11% |
| Total | 219.67 | 194.35 | 100% | 100% |

Treasury bills growth ZW\$(m)



45% of TBs in portfolio are maturing in 12 months....

- The TB portfolio achieved a value weighted yield of 10.39% against the Group's average minimum lending rate of 13.34% during the period.
- This represents negative returns when compared to the inflation outturn for the period (y-o-y inflation of 175.66%)

| Maturity profile | HY19 | Contribution | FY18 | Contribution |
|------------------|---------------|--------------|---------------|--------------|
| | ZW\$(m) | % | ZW\$(m) | % |
| Up to 1 year | 98.25 | 45% | 91.87 | 47% |
| 1 to 2 years | 23.08 | 11% | 36.97 | 19% |
| 2 to 5 years | 35.05 | 16% | 21.62 | 11% |
| 5 to 10 years | 39.45 | 18% | 20.05 | 10% |
| Above 10 years | 23.85 | 11% | 23.85 | 12% |
| Total | 219.67 | 100% | 194.35 | 100% |

| Portfolio | Carrying Amount ZW\$(m) | Yield | Weighted yield |
|----------------------|----------------------------|--------------|----------------|
| Primary market TBs | 22.96 | 8.06% | 0.84% |
| Secondary market TBs | 154.87 | 12.61% | 8.89% |
| Capitalisation TBs | 16.51 | 1.00% | 0.08% |
| ZAMCO TBs | 25.33 | 5.00% | 0.58% |
| Total | 219.67 | 6.67% | 10.39% |



Investment securities increased by 55% with a fair spread of underlying instruments....

- *The portfolio remains significantly exposed to monetary instruments thus carrying performance and valuation risk in a highly inflationary environment.*
- *Within regulatory parameters, rebalancing continues to be pursued in order to increase the level of non-monetary assets.*

| Investment securities and money market investments | | | |
|--|-----------------|-----------------|-------------|
| | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change |
| Money market | 10.80 | 10.71 | 1% |
| Parastatal bonds | 20.84 | 21.16 | -2% |
| Quoted equities | 45.33 | 21.44 | 111% |
| Unquoted and public utilities stock | 27.21 | 13.92 | 96% |
| Total | 104.18 | 67.23 | 55% |

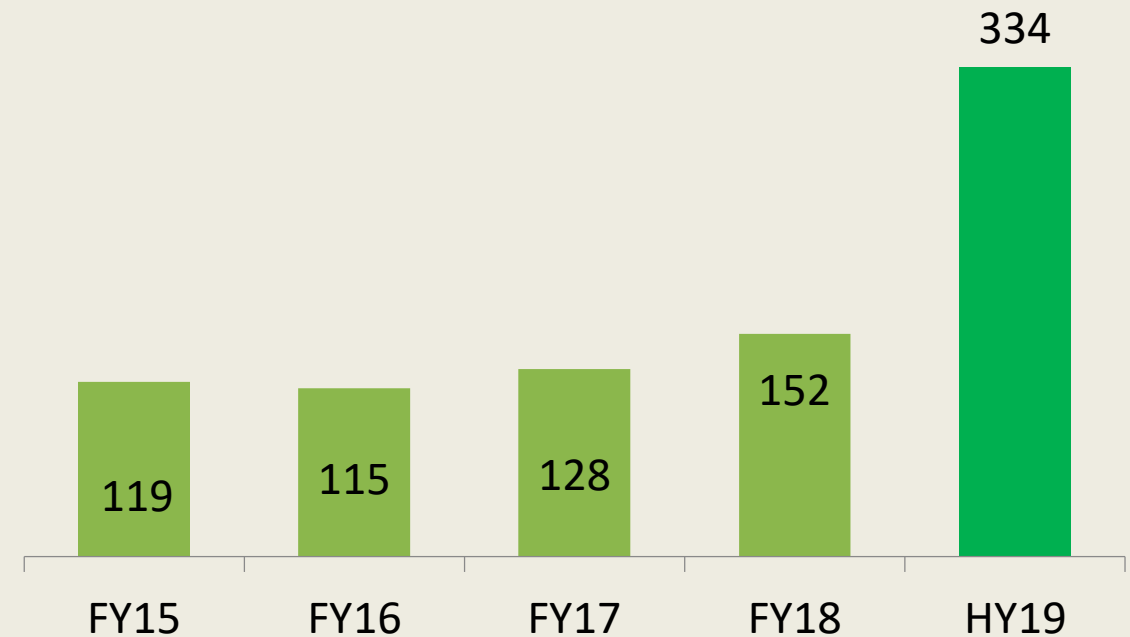


Loan book has increased; borrower credentials continue to pose performance risk...

- **General facility utilization** averaged 48% during the period under review.
- The Group has increased focus on **guarantee** programmes for loan growth.
- Mortgage facilities uptake has remained low as sellers remained apprehensive of the monetary environment.













| Gross loans by product | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change |
|------------------------|-----------------|-----------------|-------------|
| Mortgage advances | 23.25 | 21.28 | 9% |
| Short term loans | 203.11 | 107.14 | 90% |
| Bankers acceptances | 5.25 | 1.18 | 346% |
| Insurance debtors | 6.69 | 6.60 | 1% |
| Guarantees | 75.74 | 16.04 | 372% |
| Total | 314.04 | 152.23 | 106% |

Gross loans growth trend ZW\$(m)



Lending increased by 106% with significant increases in the mining, manufacturing, agriculture and distribution sectors....

Gross loans sectoral analysis

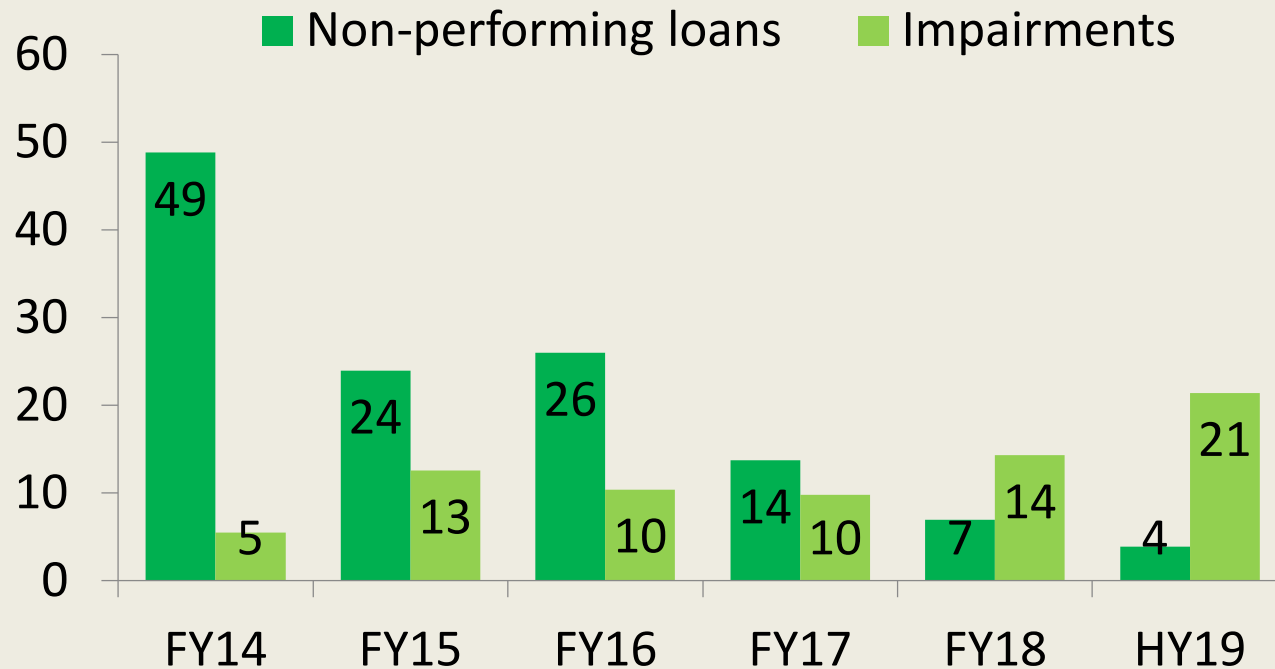
| | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change | HY19 Contribution | FY18 Contribution |
|----------------|-----------------|---|-------------|-------------------|-------------------|
| Private | 62.88 | 50.15  | 25% | 20% | 33% |
| Mortgage loans | 23.25 | 16.90  | 38% | 7% | 11% |
| Agriculture | 25.91 | 12.16  | 113% | 8% | 8% |
| Mining | 46.21 | 6.27  | 636% | 15% | 4% |
| Manufacturing | 72.19 | 16.85  | 328% | 23% | 11% |
| Distribution | 13.33 | 6.49  | 106% | 4% | 4% |
| Construction | 4.23 | 5.22  | -19% | 1% | 3% |
| Transport | 4.45 | 3.45  | 29% | 1% | 2% |
| Services | 46.27 | 24.45  | 89% | 15% | 16% |
| Financial | 15.24 | 10.02  | 52% | 5% | 7% |
| Communication | 0.08 | 0.28  | -71% | 0% | 0% |
| Total | 314.04 | 152.23  | 106% | 100% | 100% |



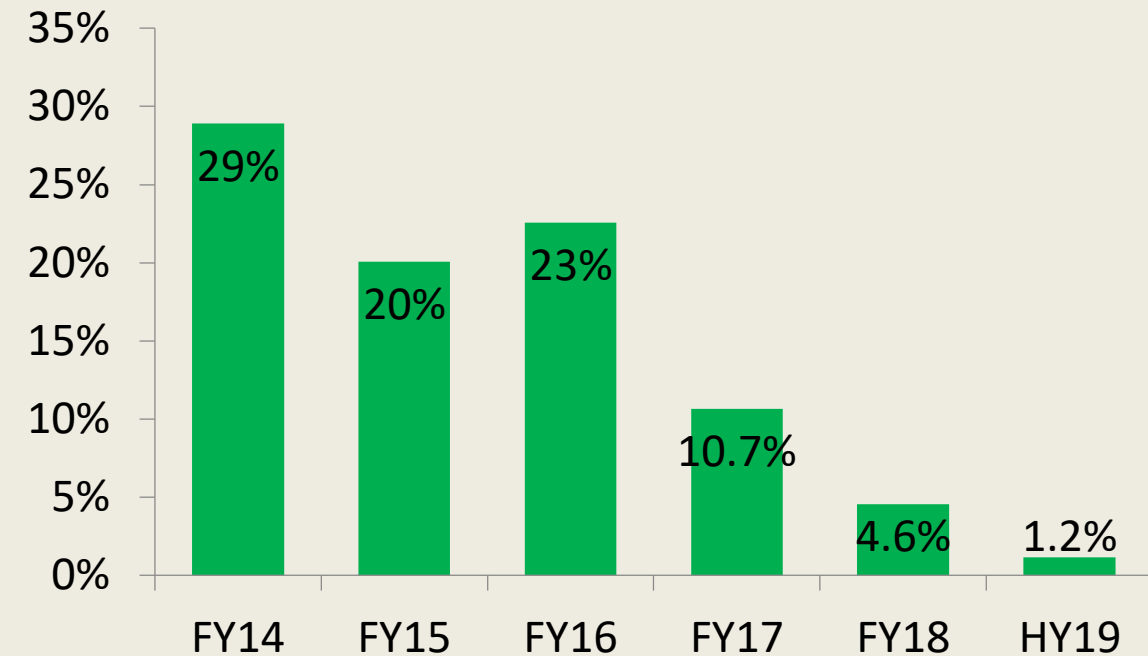
NPLs have maintained a steady decline whilst IFRS 9 impairments continue to increase....

- The **NPL book reduced by 44%** from ZW\$6.95m at 31 December 2018 to ZW\$3.38m at 30 June 2019, the movement having been a result of concerted recovery efforts.
- The **NPL ratio improved from 4.6%** at 31 December 2018 to **1.2%** at 30 June 2019.
- **Impairment loss provisions increased by 50%** from ZW\$14.3m at 31 December 2018 to ZW\$21.4m at 30 June 2019.

Gross loans impairment analysis ZW\$(m)



Non-performing loans ratio (%)



The reduction in NPLs was across all sectors except agriculture, construction and services....

| NPL sectoral analysis | | | | | | | |
|-----------------------|-----------------|-----------------|-------------|-------------|----------------------|----------------------|--|
| | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change | | HY19 Contribution | FY18 Contribution | |
| Private | 1.52 | 1.57 | ↓ | -3% | 39% | 23% | |
| Agriculture | 1.00 | 0.49 | ↑ | 104% | 26% | 7% | |
| Mining | 0.01 | 0.18 | ↓ | -93% | 0% | 3% | |
| Manufacturing | 0.33 | 3.77 | ↓ | -91% | 9% | 54% | |
| Distribution | 0.01 | 0.35 | ↓ | -96% | 0% | 5% | |
| Construction | 0.15 | 0.05 | ↑ | 218% | 4% | 1% | |
| Services | 0.81 | 0.50 | ↑ | 62% | 21% | 7% | |
| Financial Services | 0.03 | 0.05 | ↓ | -29% | 1% | 1% | |
| TOTAL | 3.87 | 6.95 | ↓ | -44% | 100% | 100% | |



Nostro and foreign cash balances have continued to grow....

| Analysis of cash and cash equivalents | HY19 | % Contribution | FY18 | % Contribution |
|---|---------------|----------------|---------------|----------------|
| | ZW\$(m) | | ZW\$(m) | |
| Nostro balances at RBZ | 16.23 | 7% | - | 0% |
| Foreign bank balances | 47.14 | 21% | 3.18 | 3% |
| Foreign cash on hand | 64.32 | 29% | 6.18 | 4% |
| Total foreign bank and cash balances | 127.68 | 57% | 9.36 | 7% |
| Local balances at RBZ | 88.97 | 40% | 125.31 | 87% |
| Local cash on hand | 8.48 | 3% | 9.21 | 6% |
| Total local bank and cash balances | 97.45 | 43% | 134.51 | 93% |
| Total cash and cash equivalents | 225.13 | 100% | 143.87 | 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.*

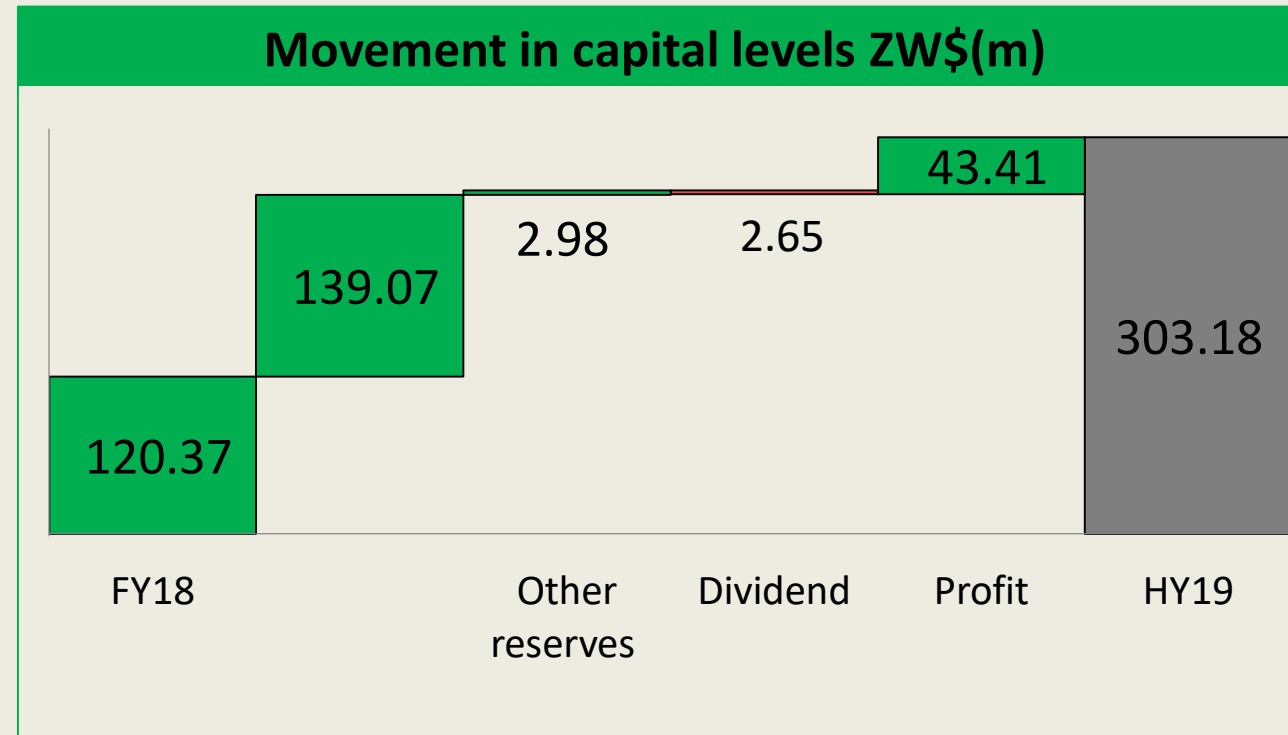
| Funding sources | HY19 ZW\$(m) | FY18 ZW\$(m) | | % Change |
|-----------------------------|-----------------|-----------------|---|-------------|
| Total equity | 303.18 | 120.37 | ↑ | 152% |
| Deposits and other accounts | 533.80 | 433.01 | ↑ | 23% |
| Life assurance funds | 67.61 | 37.44 | ↑ | 81% |
| Trade and other payables | 107.46 | 45.23 | ↑ | 138% |
| Long term loan | 15.01 | 14.64 | ↑ | 3% |
| Offshore borrowings | 46.95 | 5.95 | ↑ | 689% |
| Lease liability | 4.34 | 6.56 | ↓ | -34% |
| Total | 1 078.36 | 663.20 | ↑ | 63% |



Equity increased driven by the combined effects of current period performance and the functional currency translation reserve ...

- A total of ZW\$139.07m was posted to the Functional Currency Translation Reserve upon change in functional and reporting currency at the beginning of the period.
- Total dividends paid out by the Group in respect of FY18 amounted to ZW\$2.65m comprising ZW\$2.47m paid to shareholders of the Company and ZW\$0.18m to non-controlling shareholders in subsidiary companies.
- At ZW\$249.72m equity attributable to shareholders of the parent company as at 30 June 2019 was equivalent to 82% of total equity.

| Equity distribution(\$m) | | | |
|-------------------------------|---------|---------|--------|
| | HY19 | FY18 | % |
| | ZW\$(m) | ZW\$(m) | Change |
| Total equity | 303.18 | 120.37 | 152% |
| Equity attributable to parent | 249.72 | 98.11 | 155% |
| Equity attributable to NCI | 53.46 | 22.26 | 140% |



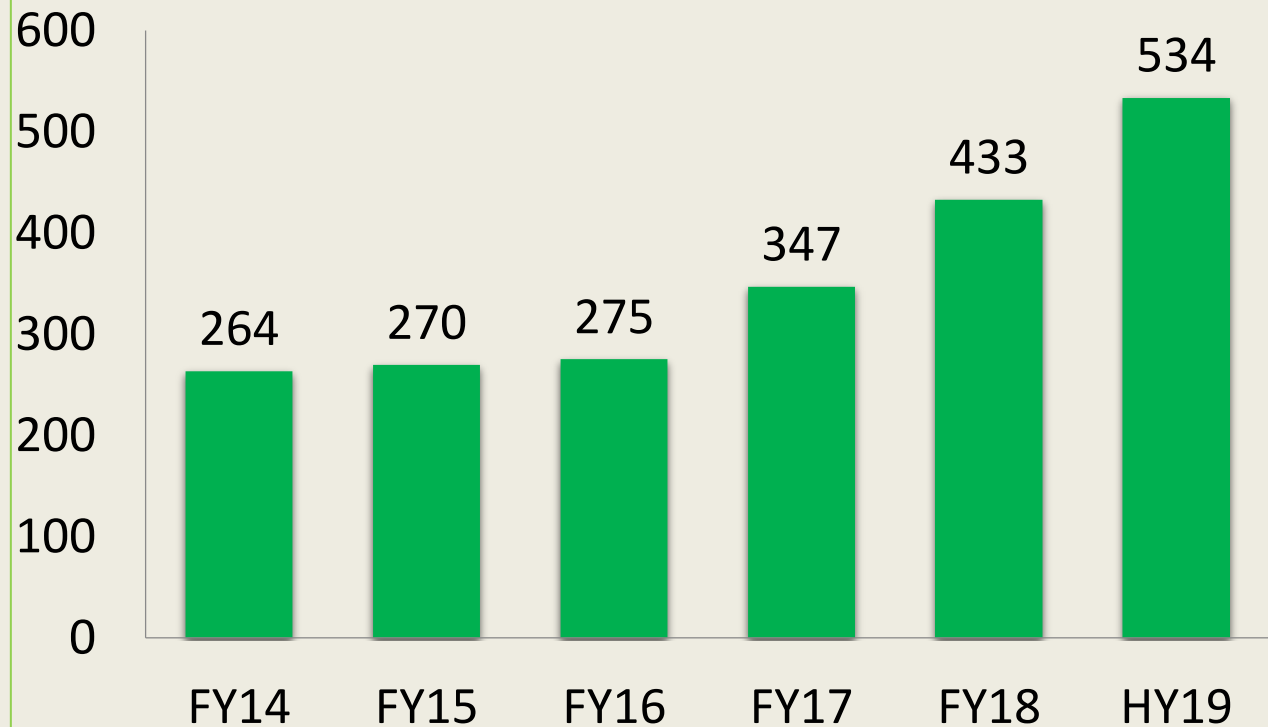
The rate of deposits increase, at 23%, lagged inflation....

- **Fixed deposits** contribution reduced to 21% at 30 June 2019 compared to 27% at 31 December 2018 reflecting funding sustainability in the short to medium term.

Deposits by product

| | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change | HY19 % Mix | FY18 % Mix |
|-----------------|-----------------|-----------------|-------------|---------------|---------------|
| Bank placements | 7.99 | 14.78 | -46% | 1% | 3% |
| Demand | 117.03 | 83.33 | 40% | 22% | 19% |
| Savings | 297.82 | 218.09 | 37% | 56% | 50% |
| Fixed deposits | 110.96 | 116.80 | -5% | 21% | 27% |
| Total | 533.80 | 433.01 | 23% | 100% | 100% |

Deposits growth ZW\$(m)



Deposits growth was experienced across all sectors except for private and manufacturing....

| Deposit sectoral analysis | | | | | | |
|---------------------------|-----------------|-----------------|--------------|--|----------------------|----------------------|
| | HY19 ZW\$(m) | FY18 ZW\$(m) | % Change | | HY19 Contribution | FY18 Contribution |
| Private individuals | 64.80 | 70.32 | ↓ -8% | | 12% | 16% |
| Agriculture | 38.70 | 29.99 | ↑ 29% | | 7% | 7% |
| Mining | 8.80 | 2.29 | ↑ 284% | | 2% | 1% |
| Manufacturing | 34.70 | 44.04 | ↓ -21% | | 7% | 10% |
| Distribution | 23.78 | 11.15 | ↑ 113% | | 4% | 3% |
| Construction | 5.15 | 4.76 | ↑ 8% | | 1% | 1% |
| Transport | 5.06 | 3.94 | ↑ 28% | | 1% | 1% |
| Services | 234.29 | 154.19 | ↑ 52% | | 44% | 36% |
| Financial | 60.73 | 56.23 | ↑ 8% | | 11% | 13% |
| Communication | 57.80 | 56.09 | ↑ 3% | | 11% | 13% |
| TOTAL | 533.80 | 433.01 | ↑ 23% | | 100% | 100% |



Key ratios reflect a gap between share pricing and nominal performance amidst limited trades....

| Key Performance ratios | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | HY19 | FY18 | FY17 | FY16 | FY15 |
| Net interest income ratio | 11% | 23% | 20% | 27% | 24% |
| Non-interest income ratio | 89% | 77% | 80% | 73% | 76% |
| Cost to income ratio | 52% | 67% | 74% | 76% | 80% |
| Loans to deposits ratio | 51% | 27% | 30% | 36% | 36% |
| NPLs ratio | 1% | 5% | 11% | 23% | 20% |
| Liquidity ratio | 85% | 81% | 77% | 75% | 60% |
| Capital ratio | 28% | 18% | 19% | 20% | 19% |
| Return on equity | 41% | 20% | 14% | 13% | 13% |
| Return on assets | 10% | 4% | 3% | 2% | 2% |
| Earnings per share (ZW cents) | 26.09 | 12.52 | 8.29 | 6.32 | 5.71 |
| Price/Earnings ratio (times) | 2.30 | 2.8 | 3.9 | 5.5 | 6.1 |
| Net asset value (ZW cents) | 158.53 | 62.28 | 50.79 | 43.90 | 38.79 |
| Price to Book (times) | 0.4 | 0.6 | 0.7 | 0.8 | 0.9 |



03

Strategy Update



**Pillar 1:
Grow
Asset
Base and
Capital**

1. Capital preservation continues to be a key area of focus against rising inflation.
2. De-risking of the balance sheet will continue to be pursued as an ongoing strategy to hedge against loss of value and concentration risk. Land bank acquisition remains a key strategic focus area.
3. The Group will pursue capital raising opportunities in order to strengthen underwriting capacity.
4. The Group will seek to mobilise more lines of credit, and increase activity in the International Business and Trade Finance and Project Finance areas in order to enhance the quality of earnings.

**Pillar 2:
Expand
Investment
Portfolio &
Markets**

1. Focused diversification of revenue streams leveraging on technologies and partnerships. Focus areas remain:
 - i. Agency Banking;
 - ii. Diaspora Banking;
 - iii. Money transfer business;
 - iv. Bureaux de change operations; and
 - v. Micro, small and medium enterprises (MSME) sector.
2. Regional expansion for ZB Reinsurance remains on the cards and capitalisation models are under consideration.

**Pillar 3:
Improve
Customer
Service**

1. Customer contact centre to be launched in Q3, FY19.
2. Soft skills and wellness clinics have been conducted for all staff in order to improve quality of service to customers.
3. The Group is in discussions with VISA and Mastercard with a view to launching prepaid and credit cards in the near future.
4. WhatsApp Banking product is at pilot testing stage, pending full launch in Q3, FY19.
5. Added a new partner for Diaspora remittances, United States based RIA Money Transfer with presence in 146 countries and on-line presence. This marks the entrance of RIA into the Zimbabwean market.

**Pillar 4:
Operational
Effectiveness
&
Governance**

1. Implementation of compliance management systems to satisfy requirements for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) is in progress.
2. An Organisational Transformation Program is currently underway and is expected to engender operational effectiveness through a refreshed business model, improved processes & systems and cost effective delivery platforms. This has become a strategic imperative in a fast-changing operating environment.
3. Groundwork for the adoption of ISO27000 is underway. Full adoption is expected by HY20.

**Pillar 5:
Digitalise
Group
Operations**

1. Digitalisation has been subsumed as a key component of the Organisational Transformation Program
2. Automation of processes through implementation of a workflow, document management and archiving solution as well as a reconciliations management system is at mobilisation stage having been delayed by the limited supply of foreign currency.
3. The Group will be investing in an Oracle Private Cloud Appliance through which various key services will be consolidated with a view to improving processing speed, storage and maintenance efficiencies.

---THANK YOU---