



# ANALYST BRIEFING

07 AUGUST 2014



# STRATEGIC REVIEW

# Operating Environment

- TIGHT MARKETWIDE LIQUIDITY CONDITIONS
- HIGHER COST OF FUNDING

## IN RESPONSE

- FURTHER STRENGTHEN CUSTOMER RELATIONSHIPS
- EXPAND LONG TERM LINES OF CREDIT TO CREATE ROOM FOR OUR CUSTOMERS TO PAY
- ENHANCE COLLECTIONS
- CREATING MORE CUSTOMER SOLUTIONS TO ENHANCE OUR MARKET PRESENCE AND TRANSACTIONAL VOLUMES 60% (2013)
- TAKING MORE CONTROL OF OUR VALUE CHAIN TO REDUCE THE COST OF DOING BUSINESS AND ENHANCE SERVICE DELIVERY

## Financial Sector Developments

- **Completed the movement of the government accounts to the Central Bank.**
- ❖ Impact on operations was minimal as we had been given ample time to plan for this.
- ❖ The process has now been completed and we are operating like any other Bank on Government business, that of being an agent.
- ❖ Salute the government for the trust they had given us

## CAPITALISATION OF SUBSIDIARIES

	Core Capital 30 June 2014	Required By RBZ/ Commissioner	BUFFER	Total Capital 30 June 2014
	US\$m	US\$m	US\$m	US\$m
CBZ Bank	100.6	25.0	75.6	119.3
CBZ Asset Management	2.1	0.5	1.6	2.1
CBZ Life	7.0	2.0	5.0	7.0
CBZ Insurance	1.7	1.5	0.2	1.7

## MARKET SHARE

UNIT	POSITION
CBZ Bank	1
CBZ Asset Management	3
CBZ Life	5
CBZ Insurance	6

# Product Development



- Your own Bank



- Combining the benefits of medical and funeral cover

## Product Development

### Low Cost Housing Projects

- 1095 stands in Nehosho, Gweru
- 284 stands in Chikanga, Mutare
- 400 stands in Kwekwe

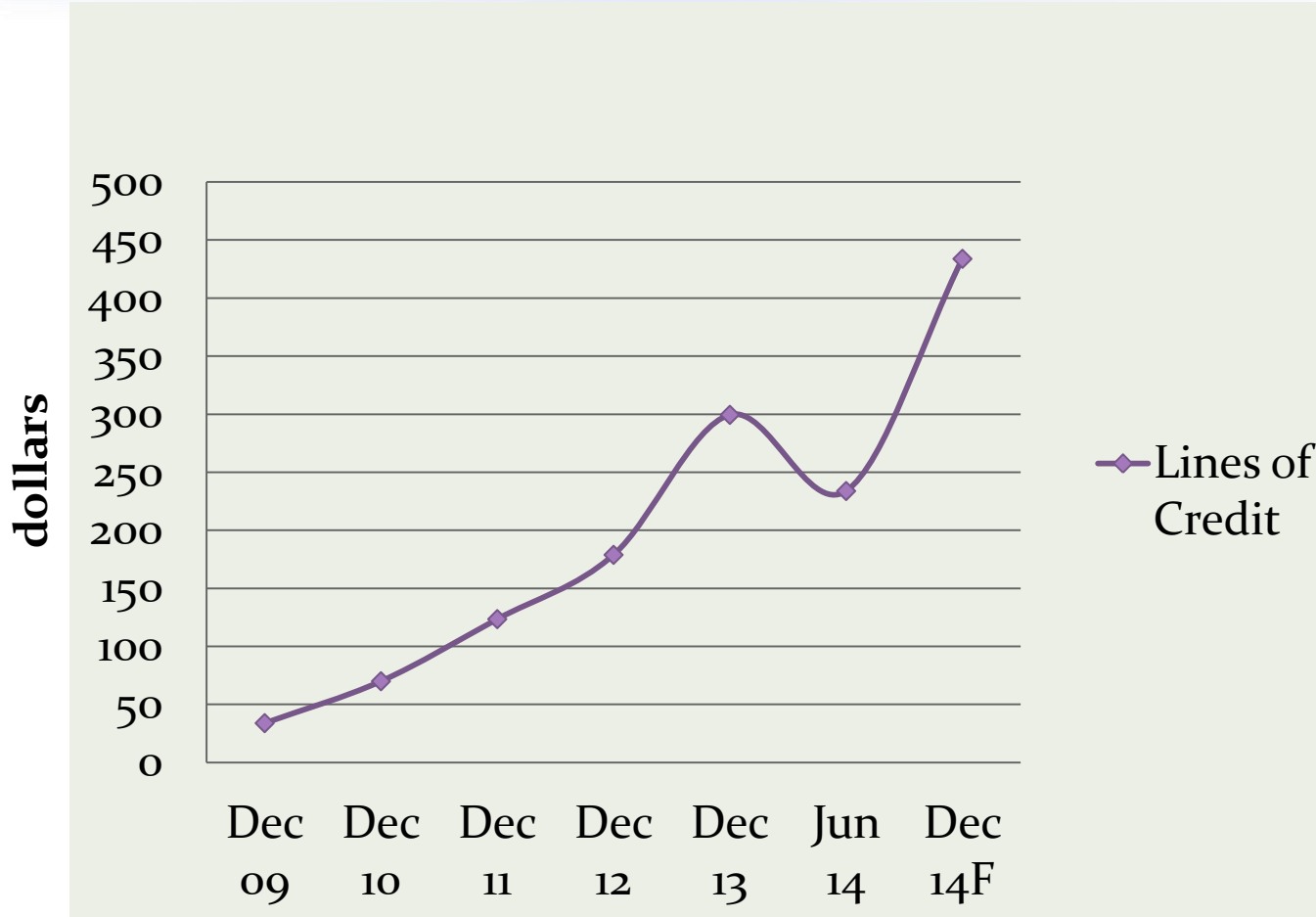
❖ Largely funded by a line of credit from Shelter Afrique



Comparison of Terms	Two Roomed Units	Three Roomed Units	Four Roomed Units
Selling Price (\$)	15 173.39	19 631.15	23 945.15
Total Deposit – 25%	6 069.36	7 852.46	9 578.06
Tenure (Years)	10	10	10
Monthly Repayment @ 15% interest	213.59	276.34	337.02

- Sales to start August 2014
- Completion of infrastructure September
- Parallel construction of units before end of August

# Credit Lines



- Continuous monitoring of the developments to reduce pricing risk
- Continuous review of the project pipeline to ensure quality of borrowers
- Unlocking value from the land bank to fund long term projects

The Group paid off the bond valued at \$68 million during the period under review and is in the process of finalising a new bond worth \$200 million

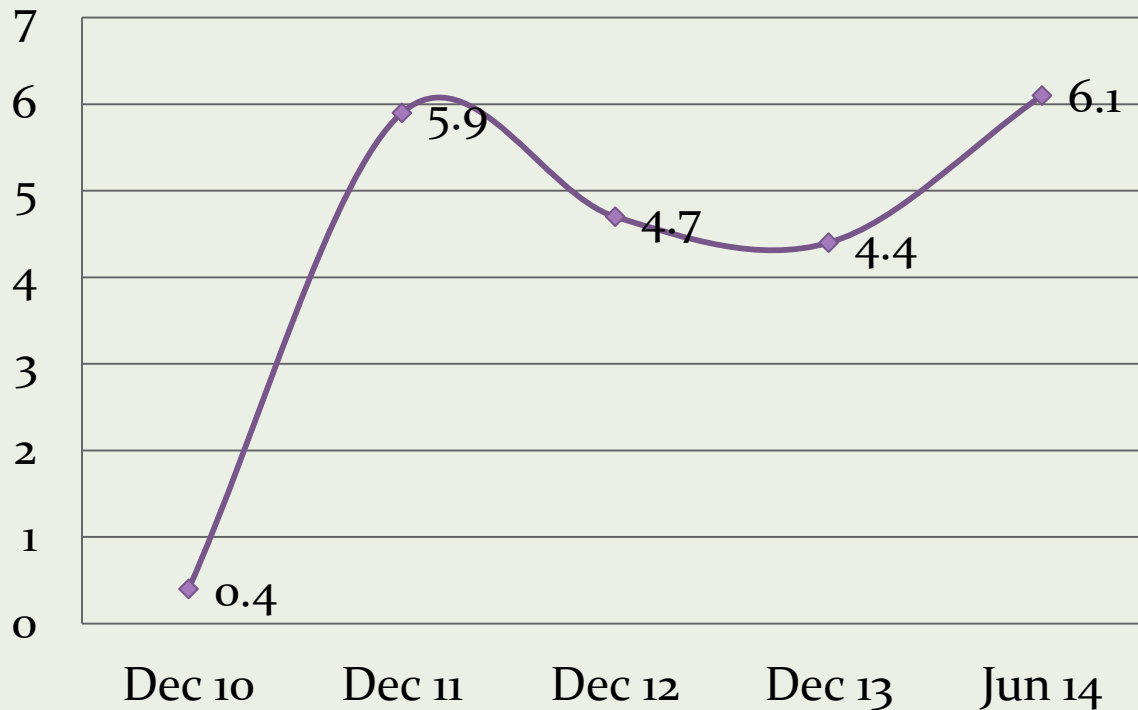
## Delivery Channel Initiatives

CBZ Global  
Fund

- Now established in Mauritius

## Quality of Earnings

### NPL RATIO - MANAGING CREDIT QUALITY



Continuous review of asset quality.

Prudential provision system maintained.

## Quality of Advances

	Jun 2014	Dec 2013
Total net advances (US\$m)	1 044.0	1 028.1
Security value (US\$m)	1 529.7	1 426.5
Security cover (times)	1.47	1.39
Provisions (US\$m)	50.1	35.9
Non performing loans (US\$m)	66.8	47.0
Coverage ratio (times)	0.75	0.76

- Target 100% coverage ratio on our NPL over and above security.
- Impairment to remain below 8% until end of year.
- NPLs fairly spread.

## Security

	Jun 2014	Dec 2013
Total security value (US\$m)	1 529.7	1 426.5
<b>Comprised of:</b>		
Cash cover (US\$m)	31.7	31.8
Collateral ( mortgage security) (US\$m)	796.5	737.2
Other forms of security including Notarial General Covering Bonds (NGCBs), cessions, etc. (US\$m)	701.5	657.5

# FINANCIAL REVIEW

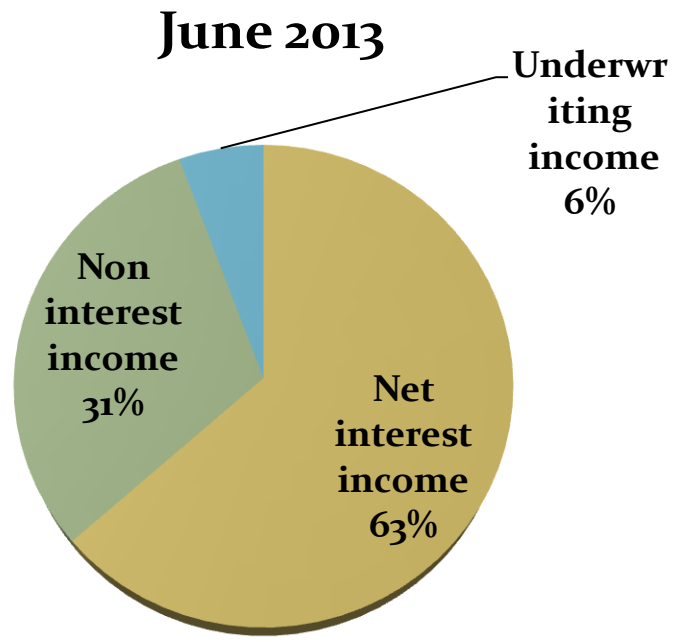
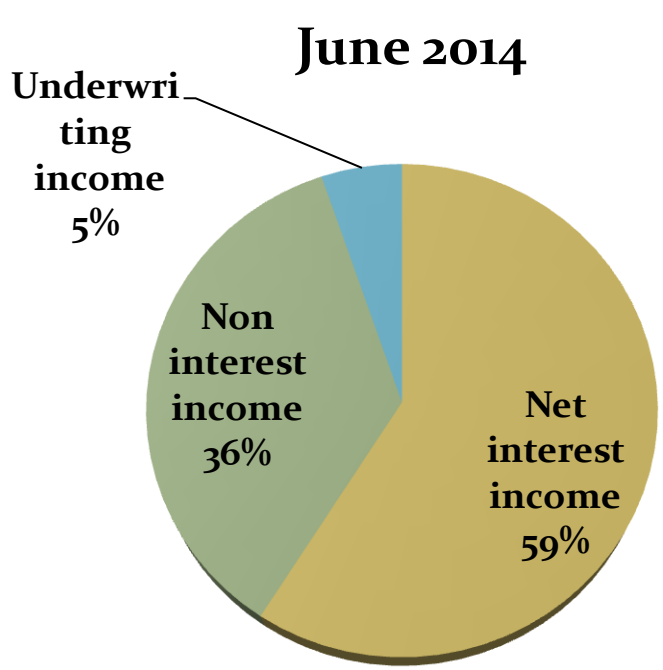
## 2014 Set Objectives

- DIVERSIFICATION OF INCOME
- INCREASED CREDIT LINES
- QUALITY OF EARNINGS
- LIQUIDITY MANAGEMENT
- COMPLIANCE
- PROFITABILITY



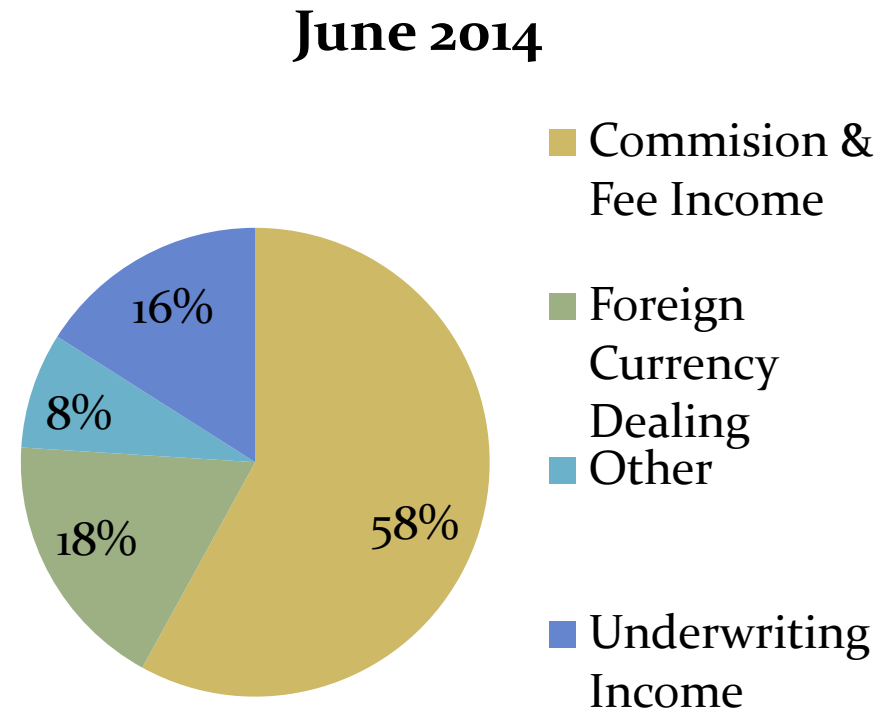
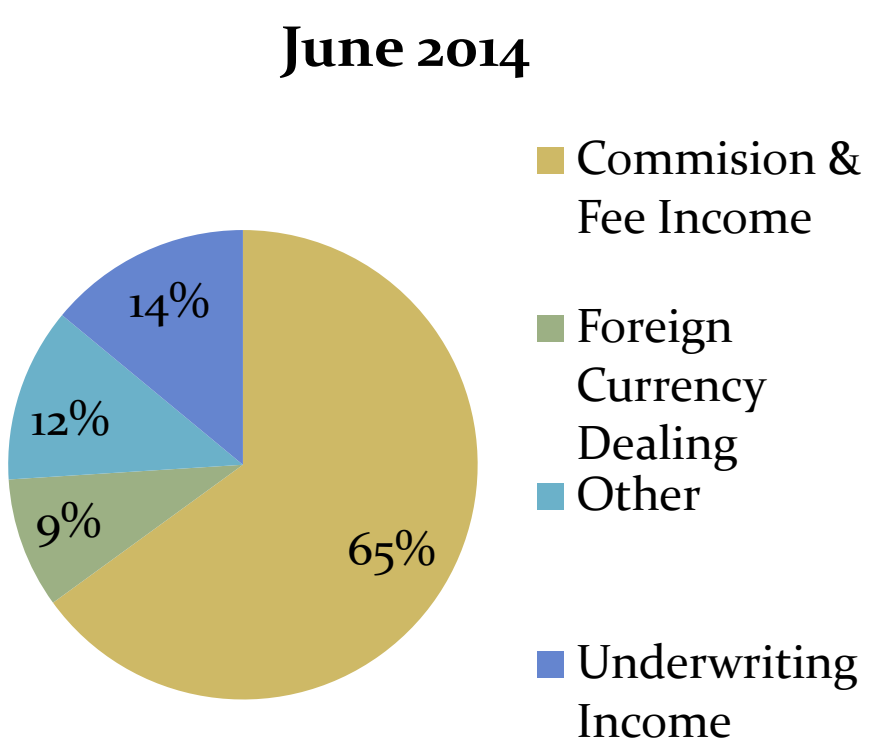
# Diversification of Income

## Income Mix



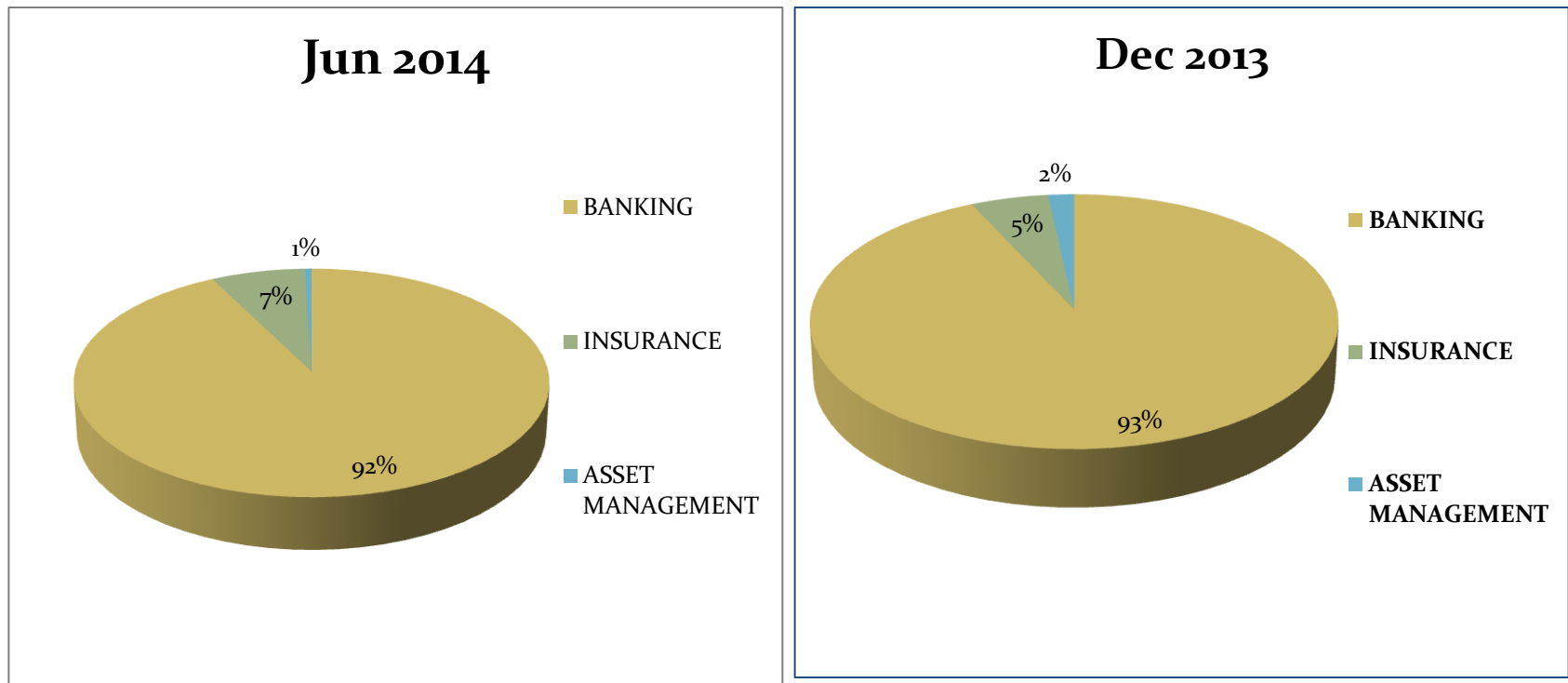
# Diversification of Income

## Non Interest Income Mix



# Diversification of Income

## Subsidiaries contribution to income



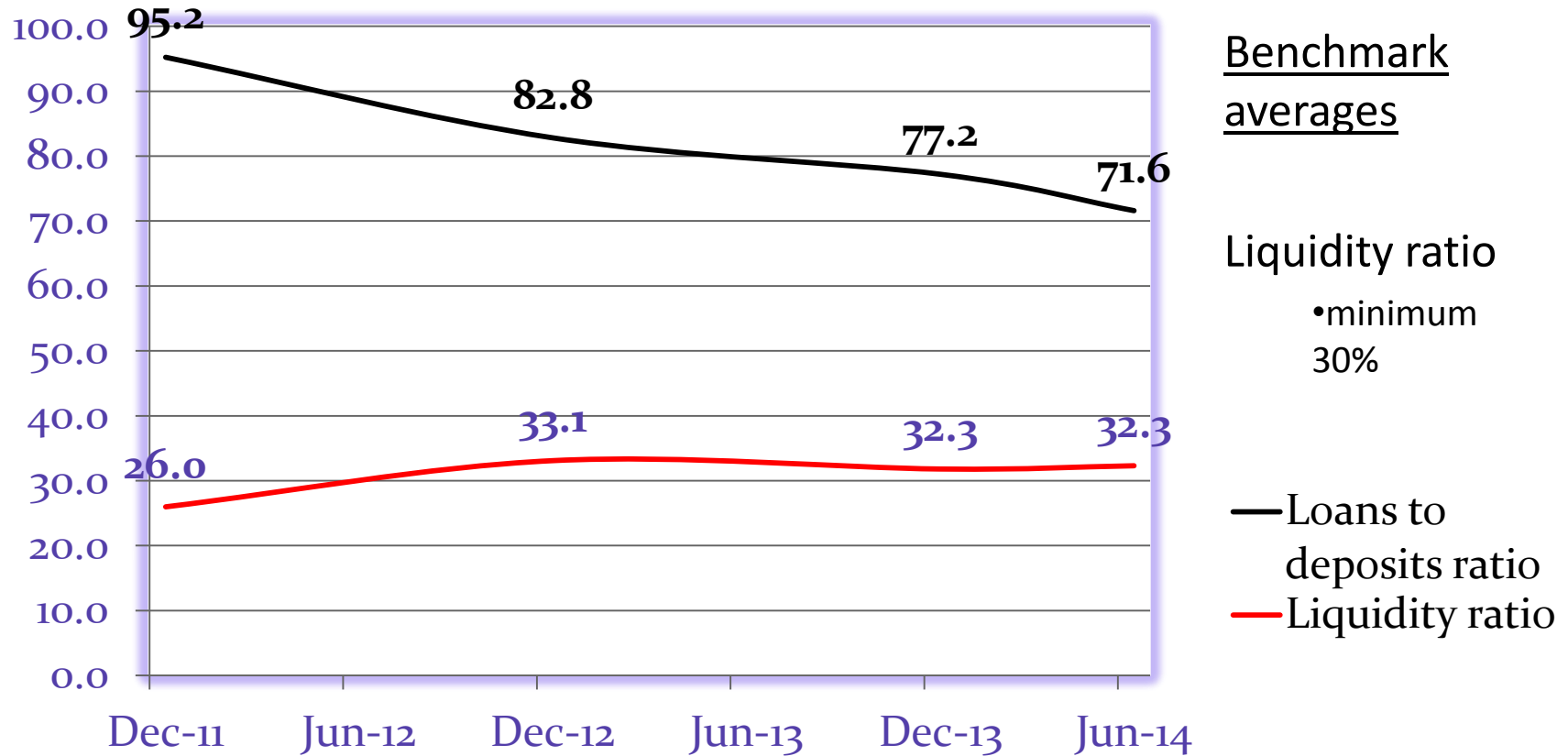
**Contribution of non-banking business rises to 7.0% from 5.2% toward the targeted 20%.**

## Quality of Earnings

	Jun 2014	Dec 2013	Jun 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Net interest margin (%)	4.30	6.1	5.6	7.3	7.9	7.6	4.0
Interest in suspense (US\$m)	20.6	13.4	13.0	11.3	2.1	-	-
Impairments(P&L) (US\$m)	7.6	19.4	6.6	4.6	14.4	1.6	3.8
Write offs	1.0	33.5	10.2	-	-	-	-
Provisions (excl interest in suspense)(US\$m)	29.4	22.5	27.6	29.4	19.6	5.1	3.5
Non performing loans (US\$m)	66.8	45.0	40.7	41.9	48.0	1.9	2.8

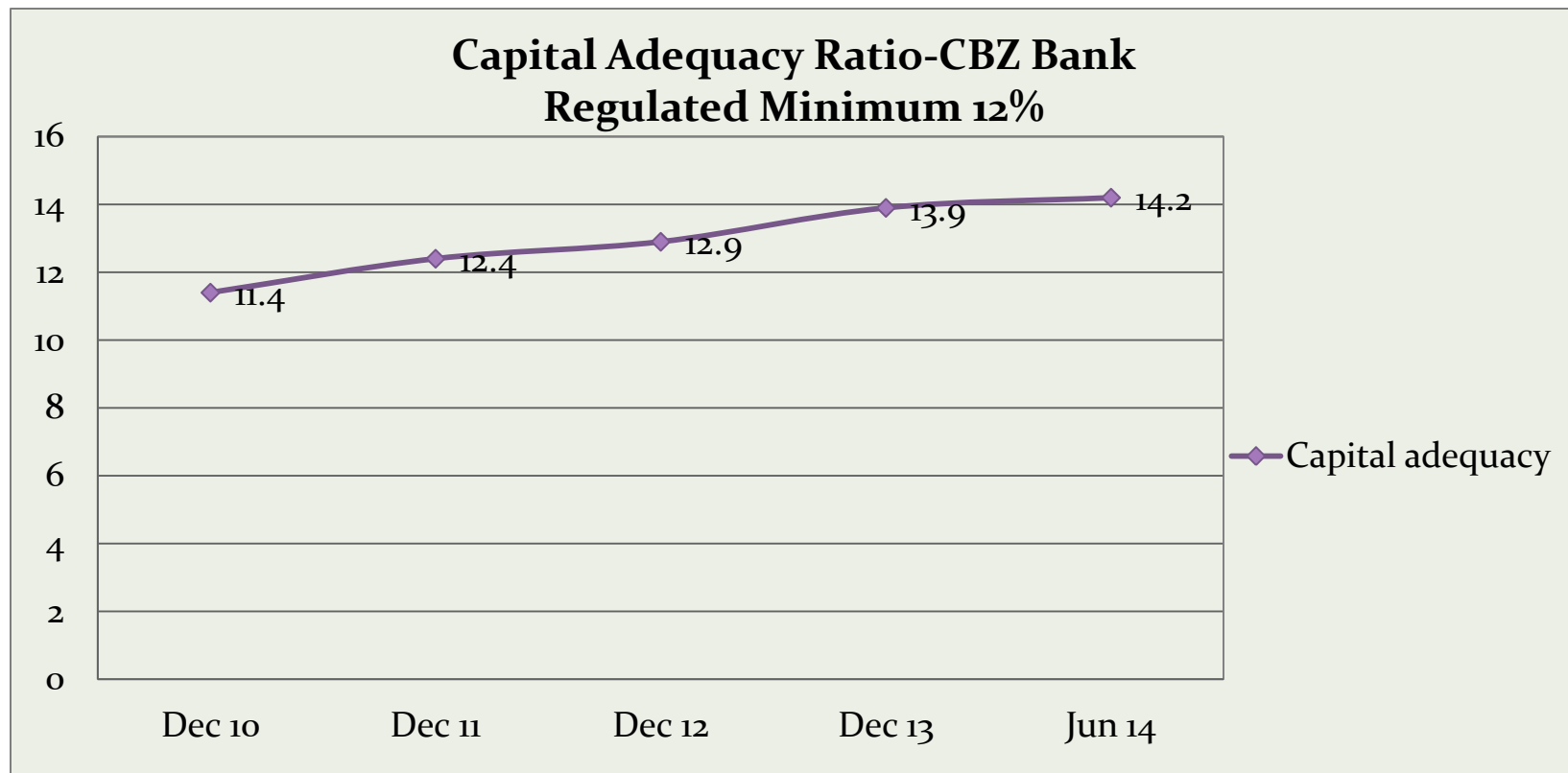
Net Interest Margin set to improve on account of increased liquidity from the low priced \$200m bond

# Liquidity Management



**COMPLIANCE**







**CAPITAL ADEQUACY**



## Consolidated Statement of Financial Position

	30 June 2014 (m)	31 Dec 2013 (m)	Y.T.D Growth (%)	
Total assets	\$1 693.4	\$1 558.7	8.6	↑
Total advances	\$1 044.0	\$1 028.1	1.5	↑
Total deposits	\$1 457.2	\$1 332.6	9.4	↑
Funds Under Management	\$141.2	\$140.2	0.7	↑
Insurance assets	\$5.4	\$4.0	35.0	↑

## Consolidated Statement of Comprehensive Income

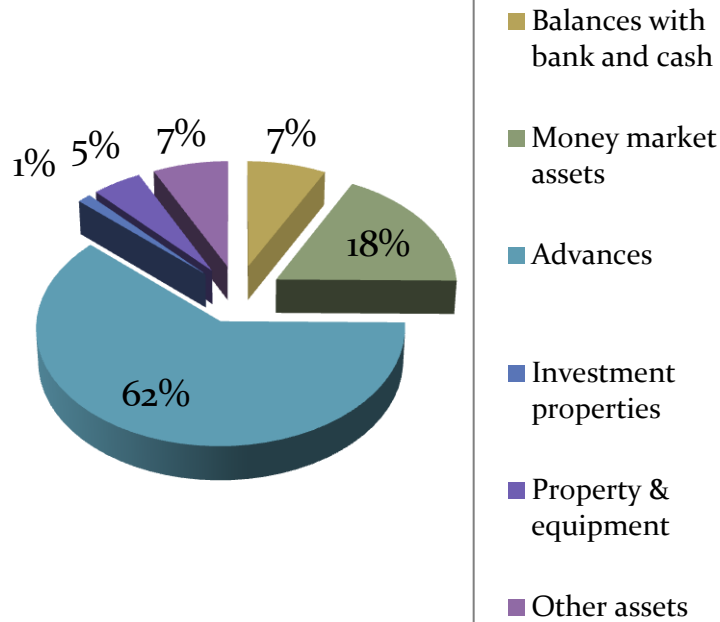
	30 June 2014	30 June 2013	Y.O.Y Growth (%)
Total Income	\$69.6m	\$69.2m	 1
Total Expenditure	\$46.4m	\$42.1m	 10
Charge for impairment	\$7.6m	\$6.6m	 15
Profit After Tax	\$12.8m	\$16.0m	 20
EPS (cents)	4.13	5.64	 27
P/E	3.3	2.4	 37



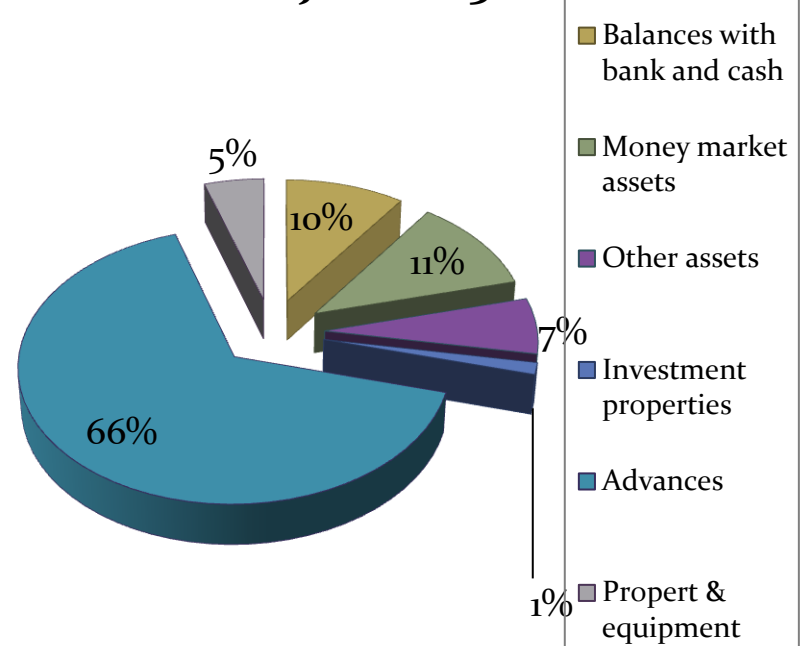
# Analysis of Statement of Financial Position

## Asset Composition Analysis

Asset mix Jun 2014



Asset mix June 2013



## Analysis of Statement of Financial Position

### ADVANCES SECTORAL ANALYSIS

Sector	Jun 2014 %	Dec 2013 %
	Advances	Advances
Consumer finance	12	10
Agriculture	25	27
Mining	1	2
Manufacturing	9	9
Distribution	25	23
Construction	1	1
Transport	2	2
Communication	1	1
Services	23	23
Financial Organisations	1	2
<b>Total</b>	<b>100</b>	<b>100</b>

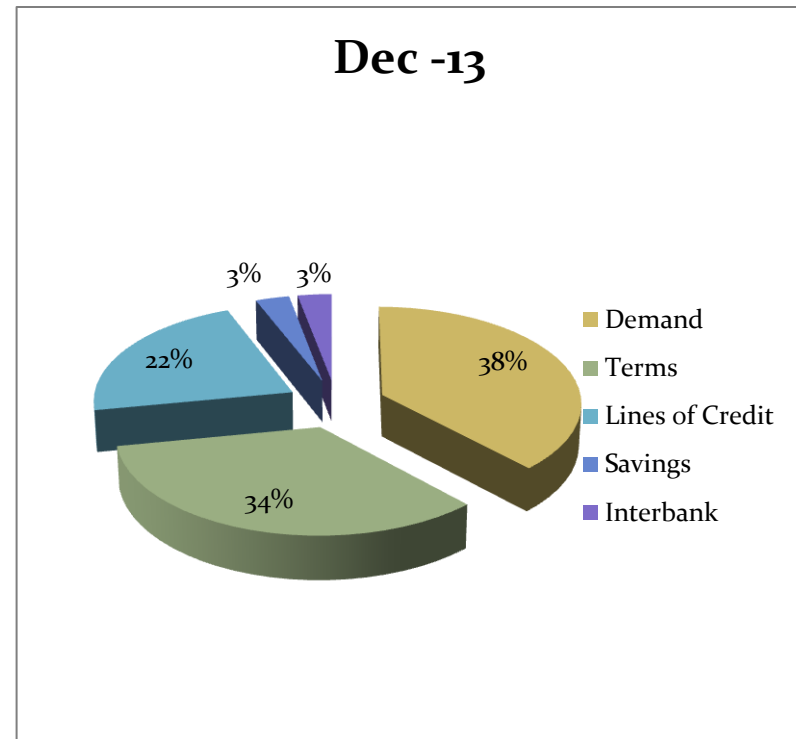
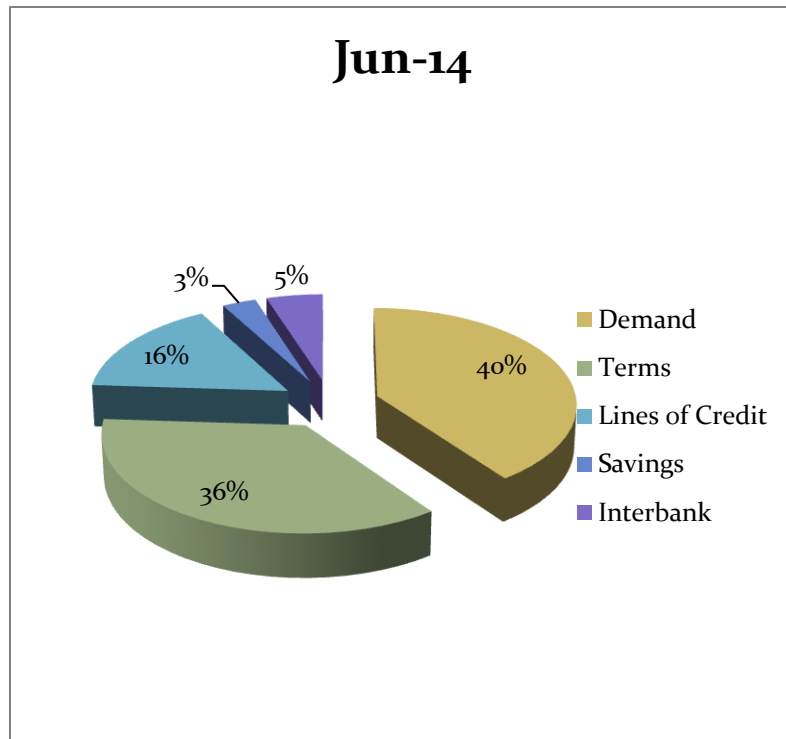
## Analysis of Statement of Financial Position

### DEPOSITS SECTORAL ANALYSIS

Sector	June 2014 %	Dec 2013 %
Services	29	24
Individuals	5	5
Manufacturing	11	9
Financial Organisations	32	37
Communication	3	5
Agriculture	3	3
Distribution	11	10
Transport	1	1
Financial and investments	2	3
Construction	2	2
Mining	1	1
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Government</b>	<b>4</b>	<b>2</b>










**Analysis of Statement of Financial Position**

**DEPOSITS & FUNDING – DEPOSIT COMPOSITION**





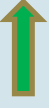



**Movement towards deposit stability.**





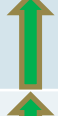


**CBZ BANK SUMMARISED RESULTS**

	June 2014 US \$m	June 2013 US \$m	YOY% change	
Total income	64.8	64.9	0.2	
Operating expenditure	42.8	40.1	6.8	
Profit before tax	14.6	18.2	19.8	
Charge for impairment	7.5	6.6	13.6	
Profit after tax	12.5	14.0	10.7	
Total assets	1 660.0	1 323.2	25.5	
Shareholders' funds	189.1	156.6	20.8	
Total advances	1 044.3	917.5	13.8	
Total deposits	1 465.0	1 158.8	26.4	








**CBZ LIFE SUMMARISED RESULTS**

	June 2014 US \$m	June 2013 US \$m	YOY % change
Underwriting income	2.5	2.8	10.7 
Profit before tax	1.0	1.8	44.4 
Profit after tax	1.0	1.8	44.4 
Total assets	9.8	7.0	40.0 
Shareholders' funds	7.0	4.6	52.2 
Life Fund	2.3	1.7	35.3 

**CBZ INSURANCE SUMMARISED RESULTS**

	June 2014 US \$m	June 2013 US \$m	YOY % change
Underwriting income	0.8	1.0	20.0 
Profit before tax	0.04	0.5	92.0 
Profit after tax	0.06	0.4	85.0 
Total assets	7.8	8.4	7.1 
Shareholders' funds	1.7	1.6	6.3 
Insurance assets	5.2	4.2	23.8 
Insurance liabilities	5.8	4.9	18.4 

**CBZ ASSET MANAGEMENT SUMMARISED RESULTS**

	June 2014 US \$m	June 2013 US \$m	YOY % change	
Total income	1.0	1.1	9.1	
Operating expenditure	0.9	0.8	12.5	
Profit before tax	0.1	0.3	66.6	
Profit after tax	0.08	0.2	60.0	
Total assets	2.7	2.1	28.6	
Shareholders' funds	2.1	1.9	10.5	
Funds under management	141.2	136.1	3.7	



In line with the Group's dividend growth policy, and considering the need for capital preservation, the Board has proposed the declaration of an interim dividend of \$1 259 245.

- Dividend per share 0.183 US cents
- Dividend cover 10.2 times

# GUIDANCE AND OUTLOOK

- ❑ Development and disposal of the \$US68.7m land bank.
- ❑ Securing long term funding for the mortgage finance.
- ❑ Enhanced credit quality
- ❑ Continued income diversification
- ❑ Continued new product development focusing on our technological investments

## Key Forecasts

	Growth to June 2014	Forecast YOY % Growth on FY 2013
Total Assets	9	20
Advances	2	7
Deposits	9	22
Funds under management	1	10
Total Income (annualised)	1	8