

# ANALYST BRIEFING

25 FEBRUARY 2015



# **PRESENTATION OUTLINE**

**OPERATING ENVIRONMENT**



**STRATEGIC REVIEW**



**FINANCIAL REVIEW**



**PERFORMANCE AWARDS**



**GUIDANCE AND OUTLOOK**

# OPERATING ENVIRONMENT OVERVIEW



# Operating Environment

- HIGH CREDIT RISK
- TIGHT LIQUIDITY CONDITIONS
- HIGHER COST OF FUNDING
- IN RESPONSE:
  - Unlocking long term offshore funding
  - Further strengthened customer relationships
  - Enhanced market presence

- Increased credit collections of defaulting clients.
- 75.5% of total deposits are in the one year bracket
- Increased volume of transactions, 5% up from prior year

## Financial Sector Developments

Sector wide approach to NPLs by the Central Bank.

The resuscitation of the Interbank market.

\$200 million interbank facility was secured from Afreximbank for this purpose.

Increased use of mobile banking improved the availability of financial products.

## Capitalisation of Subsidiaries

	Core Capital 31 December 2014	Required By RBZ/ Commissioner	Buffer	Total Capital 31 December 2014
	US\$m	US\$m	US\$m	US\$m
CBZ Bank	111.2	25	86.2	125.9
CBZ Asset Management	2.4	0.5	1.9	2.4
CBZ Life	8.5	2.0	6.5	8.5
CBZ Insurance	2.1	1.5	0.6	2.1

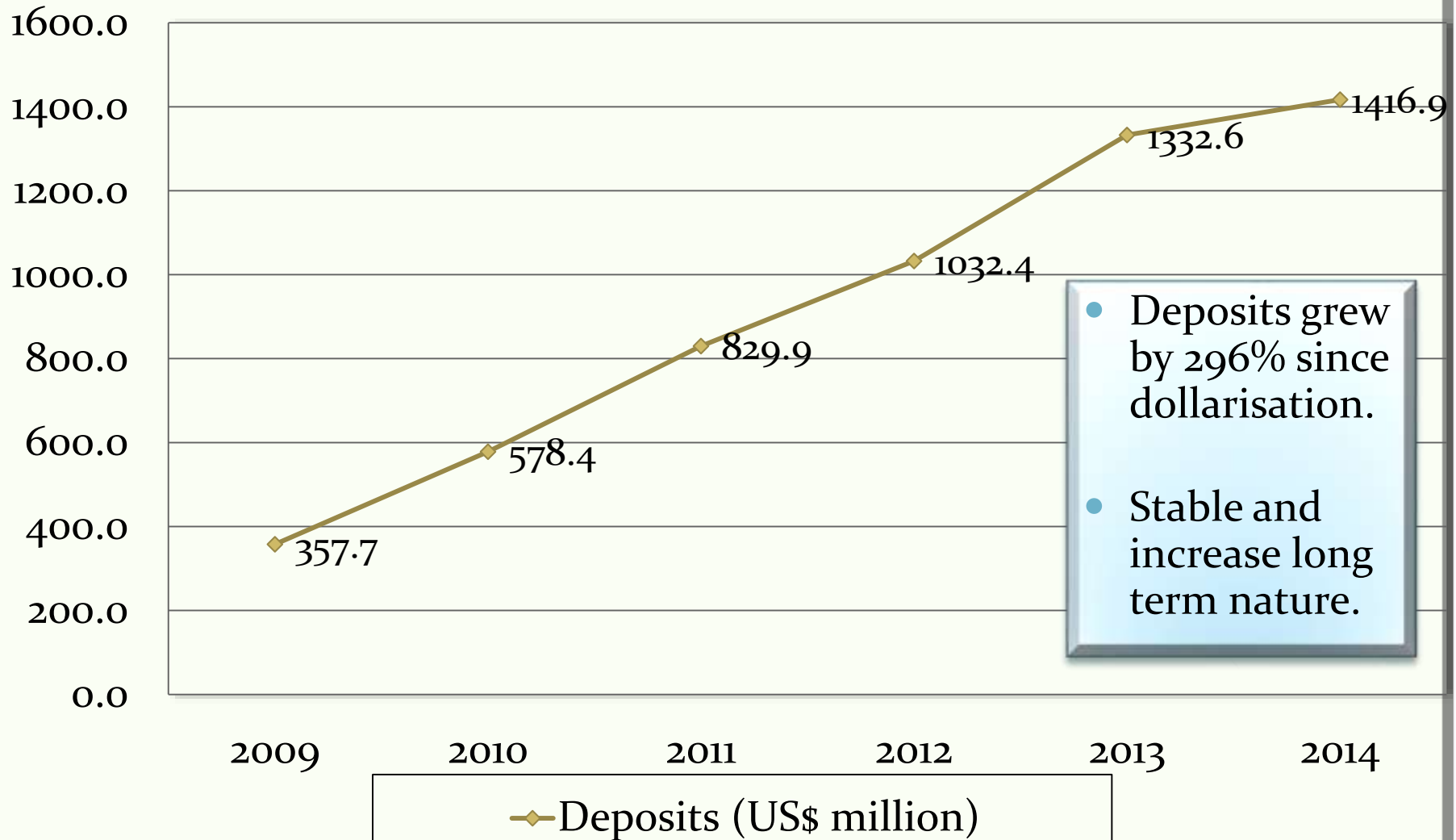
## Market Share

Unit	Position	Market share (%)	Targeted Market share (%)
CBZ Bank (Deposits)	1	26	20-30
CBZ Asset Management (Funds Under Management)	5	9	10
CBZ Life(Gross Written Premium)	6	3	5
CBZ Insurance(Gross Written Premium)	8	4	5

*Source: IPEC Report & Monetary policy Statement*



## Deposits Trend





## 5 Year Housing Strategy

### Infrastructure developments

- Largely low cost housing
- Land available and discussion with both Government and local authorities.
- Targeting informal sector, civil servants and formally employed.
- Clients saving through both cashplus housing products and payments in installments.

## Delivery Channel Initiative

### ➤ **CBZ Agency Banking Model**

- Aims at bringing convenience and accessibility of financial services.
- Entails contracting of selected reputable commercial entities nationwide.
- Agents to distribute both banking and insurance products and services to the unbanked and existing customers.

### ➤ **Website**

- Launched an interactive design responsive website which allow online submission of application forms for our products and services.

## Regional Reach

- Expansion of the advisory into the region.
- A number of mandates being worked on.
- Total project value of \$500 million.

## Product Development

CBZ SmartCash

CBZ Smart  
money

CBZ Custodial  
services

CBZ School fees  
plan

Civil servants  
Loan scheme

Prepaid electricity  
vending in  
banking halls,  
POS and ATM

Telecash agency  
services

Chikanga  
Housing Scheme

Nehosho Housing  
Scheme

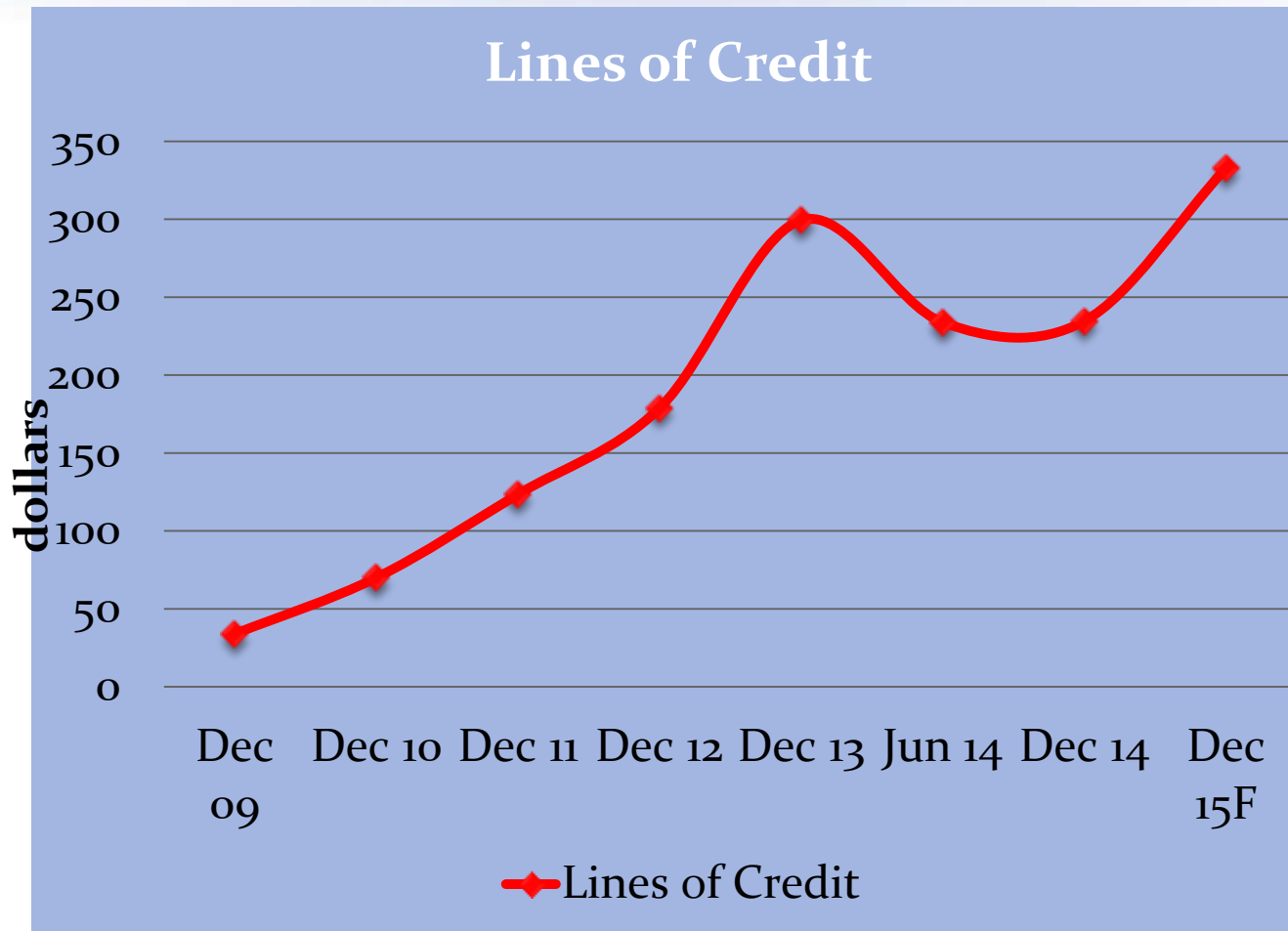
## CBZ SmartCash

CBZ SmartCash product is a virtual account which is linked to our Mobile Banking solution (SmartMoney).

### Key Attributes

- A KYC-Lite product – customer only need to submit valid ID.
- Simplified account opening process- opened within 5 minutes.
- The account linked to mobile number.
- Affordable – no monthly service charge.
- Minimum balance is zero.
- Convenience – use of Zimswitch and over 5 000 CBZ POS machines nationwide.

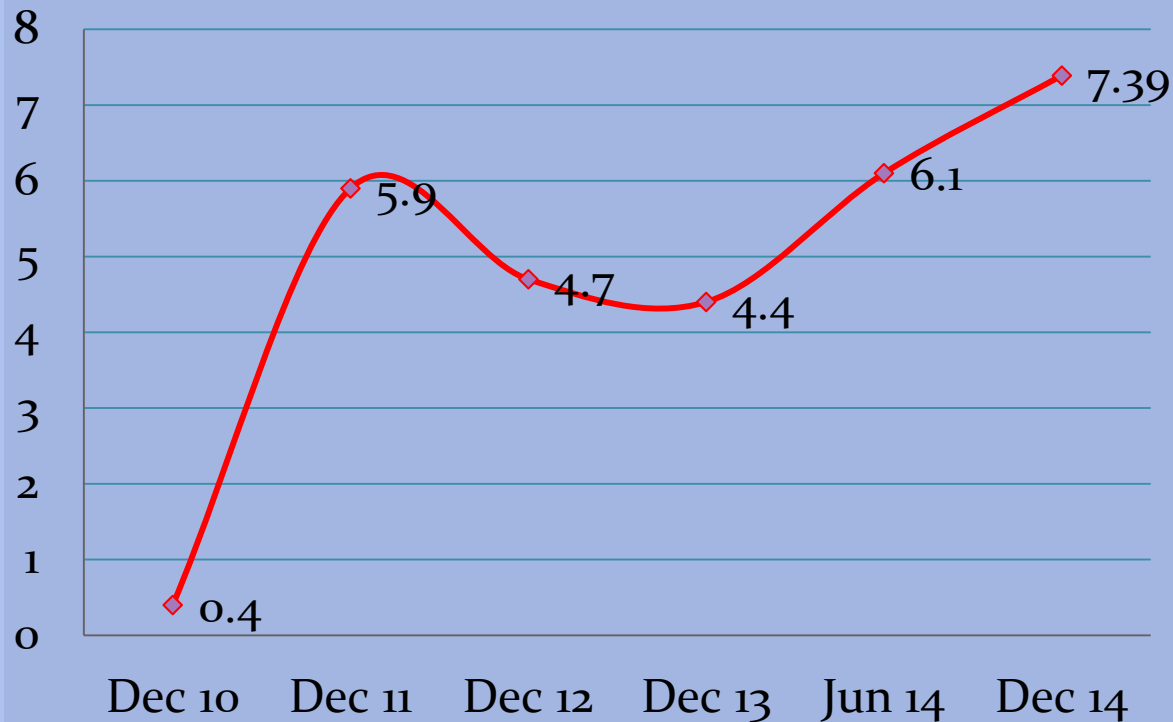
# Credit Lines



- 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

## Quality of Earnings

### NPL RATIO – MANAGING CREDIT QUALITY



☐ Continuous review of asset and earnings quality.

☐ Prudential provisioning system maintained.

- Restructuring is allowed on good projects which are being affected by short term credit.



## Quality of Advances

	Dec 2014	Dec 2013
Total net advances (US\$m)	1 125.9	1 028.1
Security value (US\$m)	1 763.5	1 426.5
Security cover (times)	1.6	1.4
Provisions (US\$m)	65.8	35.9
Non performing loans (US\$m)	87.1	47.0
Coverage ratio (times)	0.76	0.76

- Target 100% coverage ratio on our NPLs over and above security.
- 23.6% increase in security value.
- ZAMCO established to assist NPL management.
- NPLs fairly spread.

## Security

	Dec 2014	Dec 2013
Total security value (US\$m)	1 763.5	1 426.5
Comprised of:		
Cash cover (US\$m)	152.0	31.8
Collateral ( mortgage security) (US\$m)	857.5	737.2
Other forms of security including Notarial General Covering Bonds (NGCBs), cessions, etc. (US\$m)	754.1	657.5

## FINANCIAL REVIEW



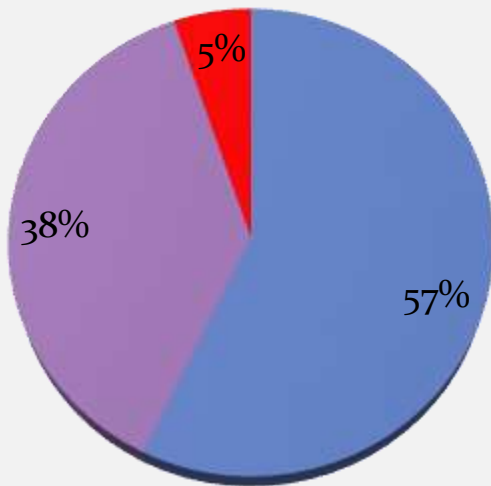
## 2014 Financial Milestones

- Diversification of Income
- Quality of Earnings
- Liquidity Management
- Risk Management
- Profitability

# Diversification of Income

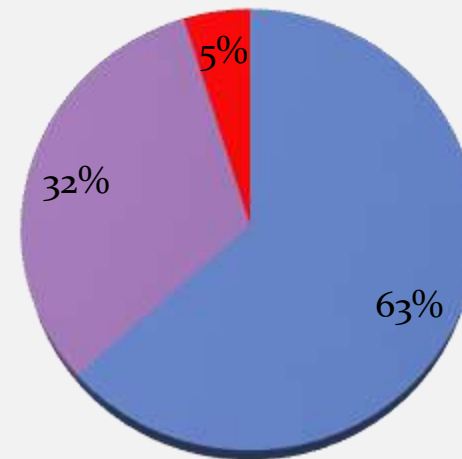
## Income Mix

December 2014



- Net interest income
- Non interest income
- Underwriting income

December 2013

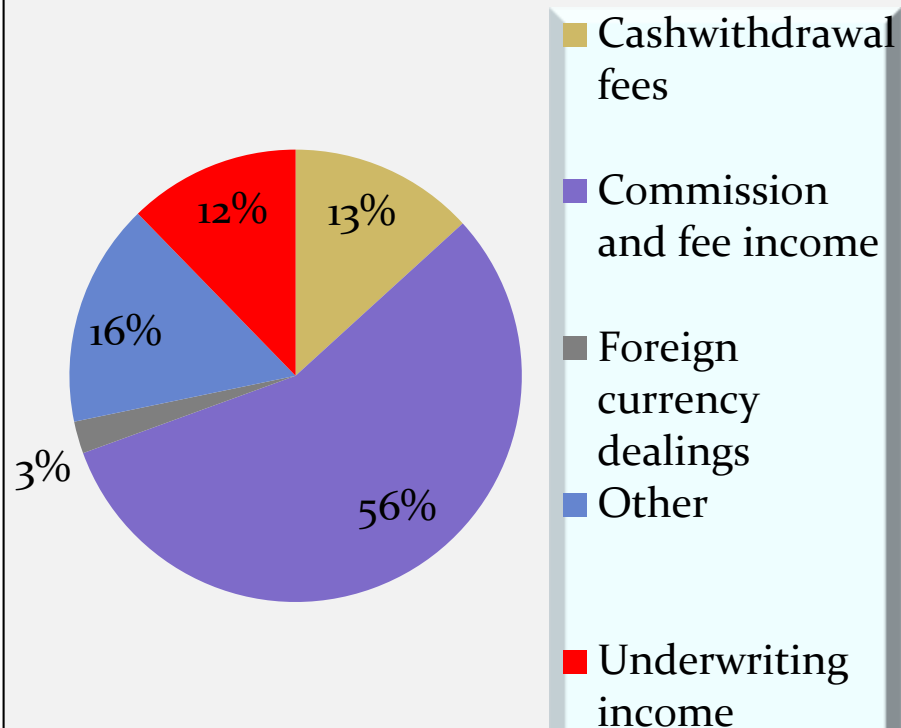


- Net interest income
- Non interest income
- Underwriting income

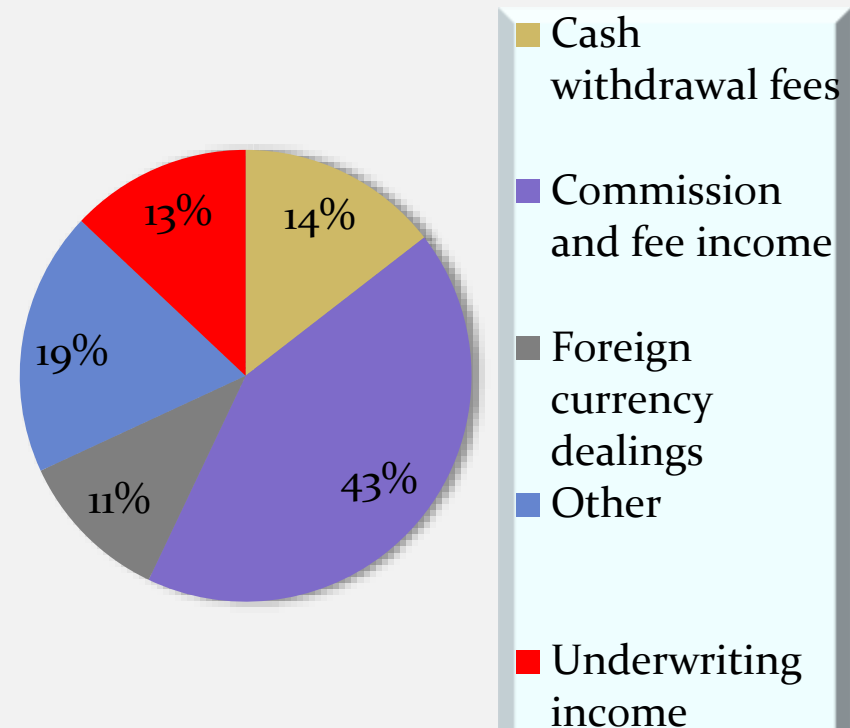
# Diversification of Income

## Non Interest Income Mix

Non interest income Dec 2014



Non interest income Dec 2013

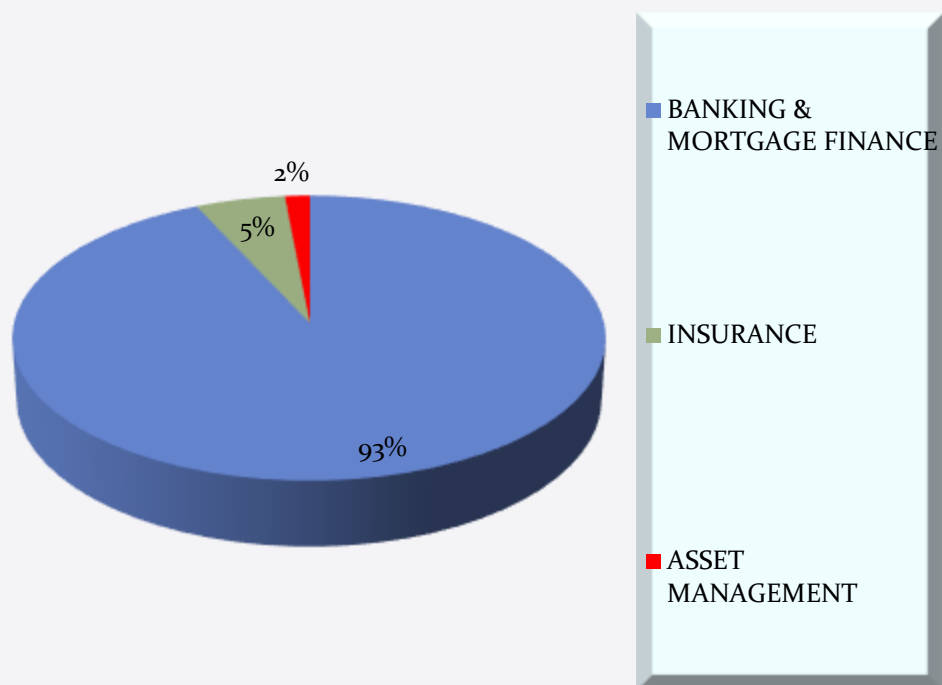


Growth in non interest income as a result of increased transactional volumes.

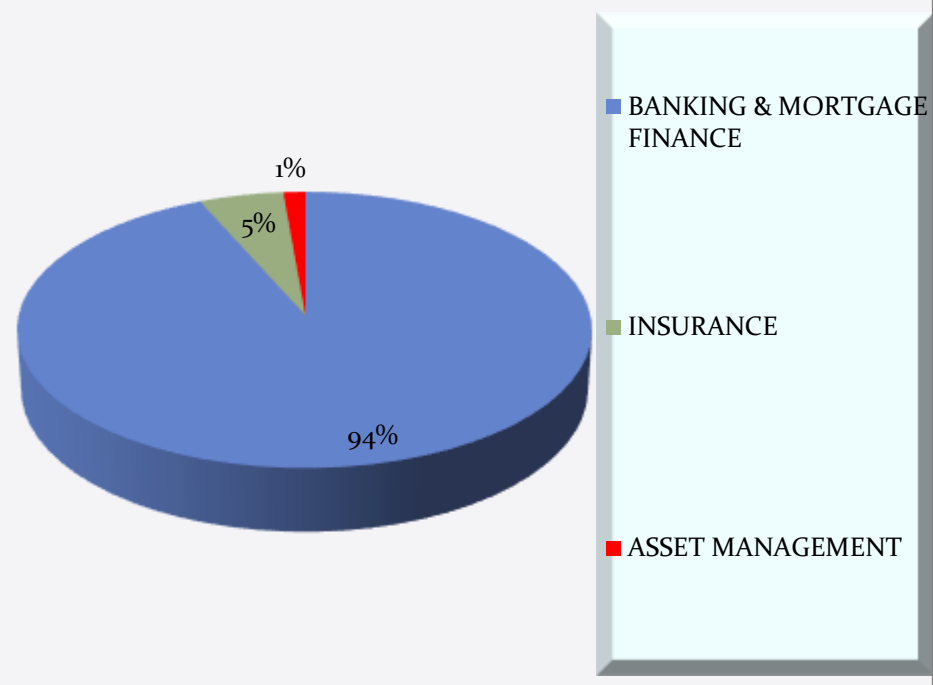
# Diversification of Income

## Subsidiaries contribution to income

December 2014



December 2013



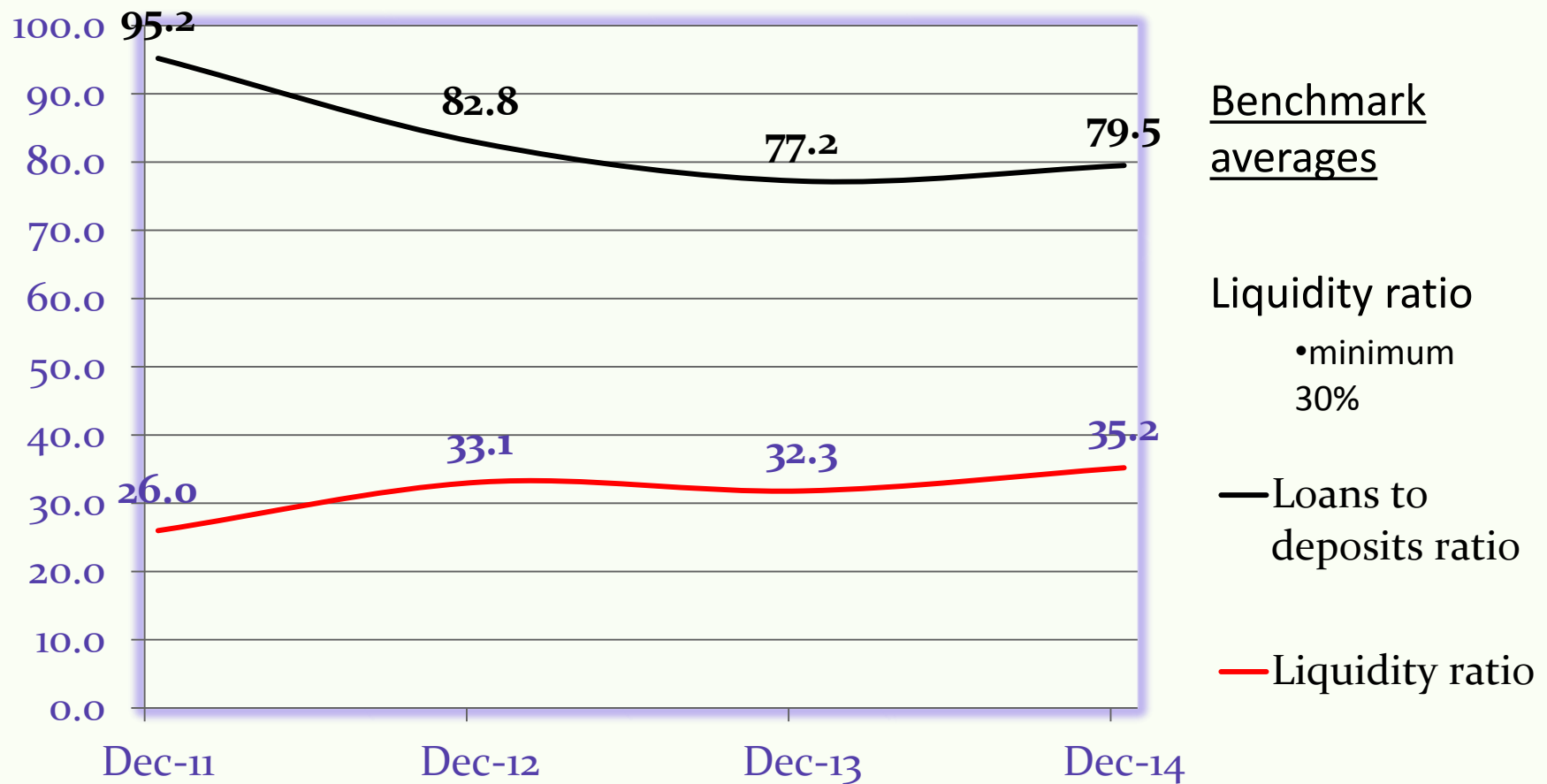
**Contribution of non-banking business is targeted to be at 20% of total revenue in the long term.**



## Quality of Earnings

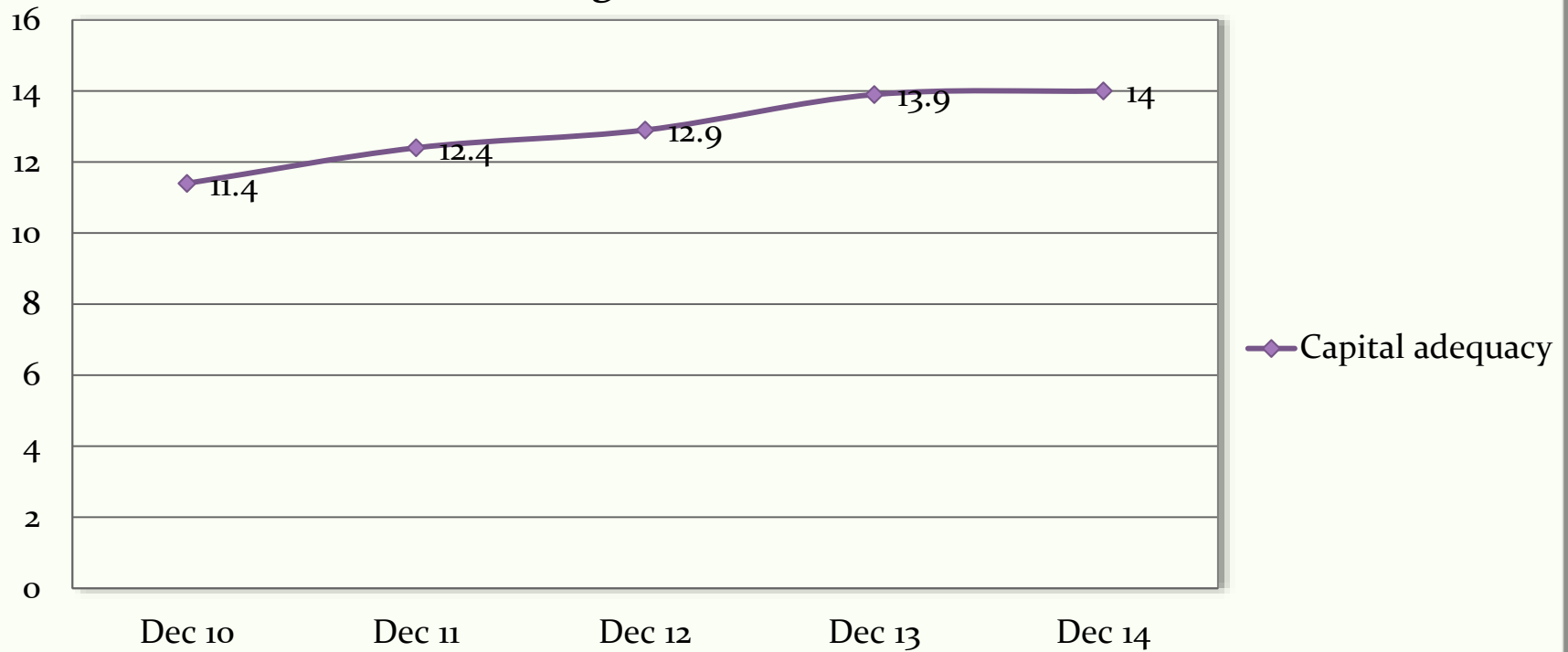
	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Net interest margin (%)	5.0	6.1	7.3	7.9	7.6	4.0
Interest in suspense (US\$m)	16.5	13.7	9.3	2.1	-	-
Impairments(P&L) (US\$m)	18.0	19.4	4.6	14.4	1.6	3.8
Write offs	4.5	32.4	-	-	-	-
Provisions (excl interest in suspense)(US\$m)	49.4	22.2	26.3	19.6	5.1	3.5
Non performing loans (US\$m)	87.1	47.0	41.9	48.0	1.9	2.8

# Liquidity Management








**COMPLIANCE****CAPITAL ADEQUACY**








**Capital Adequacy Ratio-CBZ Bank**  
**Regulated Minimum 12%**



## Consolidated Statement of Financial Position

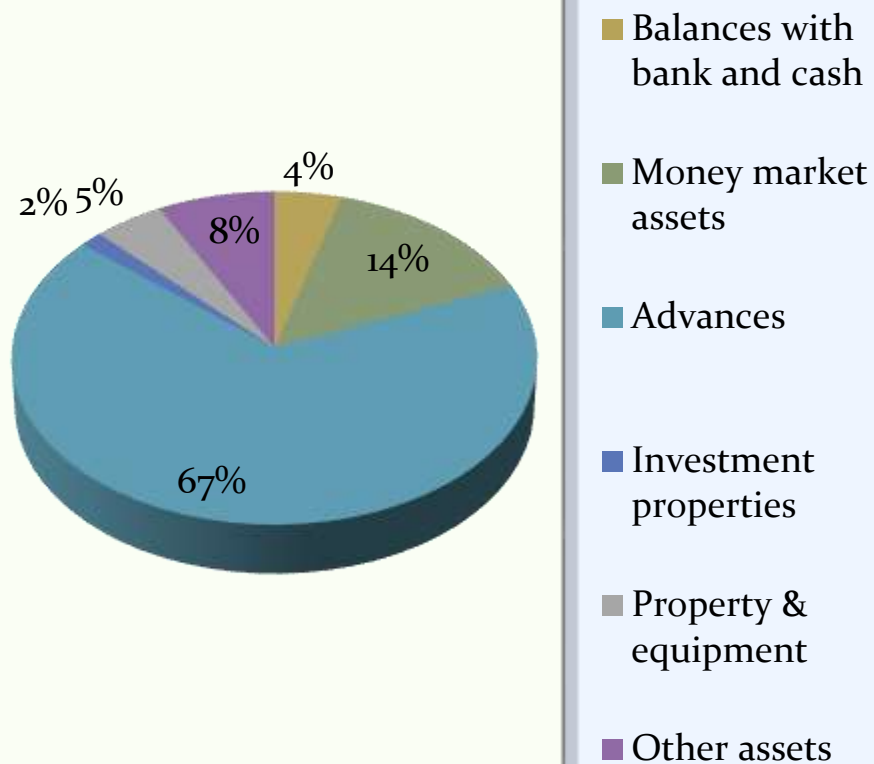
	31 Dec 2014 (m)	31 Dec 2013 (m)	Annual Growth (%)
Total assets	\$1 670.4	\$1 558.7	7.2 
Total advances	\$1 125.9	\$1 028.1	9.5 
Total deposits	\$1 416.9	\$1 332.6	6.3 
Funds Under Management	\$136.4	\$140.2	2.7 
Insurance assets	\$4.2	\$4.0	5.0 

## Consolidated Statement of Comprehensive Income

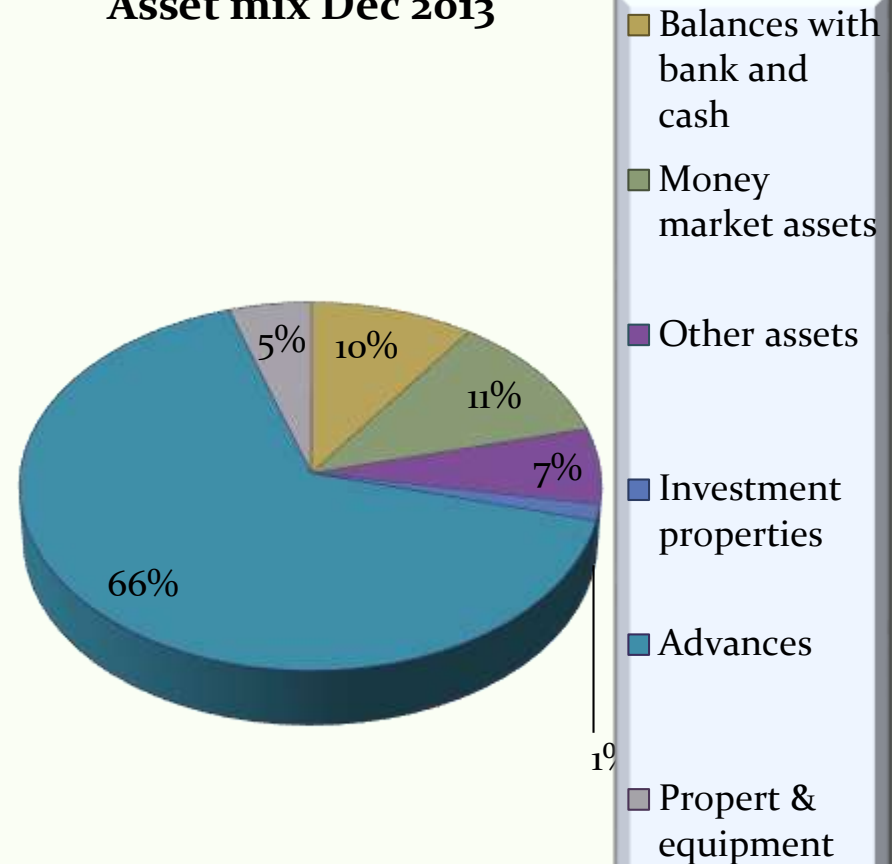
	31 Dec 2014 \$m	31 Dec 2013 \$m	Annual Growth (%)
Total Income	154.6	150.5	2.7 
Underwriting income	8.1	7.2	12.5 
Total Expenditure	98.7	88.8	11.1 
Charge for impairment	18.0	19.4	7.2 
Profit After Tax	33.0	36.7	10.1 
EPS (cents)	5.6	6.3	11.1 
P/E	1.7	2.4	29.2 

## Asset Composition Analysis

**Asset mix Dec 2014**



**Asset mix Dec 2013**



## Advances Sectoral Analysis

Sector	Dec 2014 %	Dec 2013 %
Private	10	10
Agriculture	28	27
Mining	2	2
Manufacturing	8	9
Distribution	25	23
Construction	-	1
Transport	2	2
Communication	-	1
Services	23	23
Financial Organisations	2	2
Total	100	100

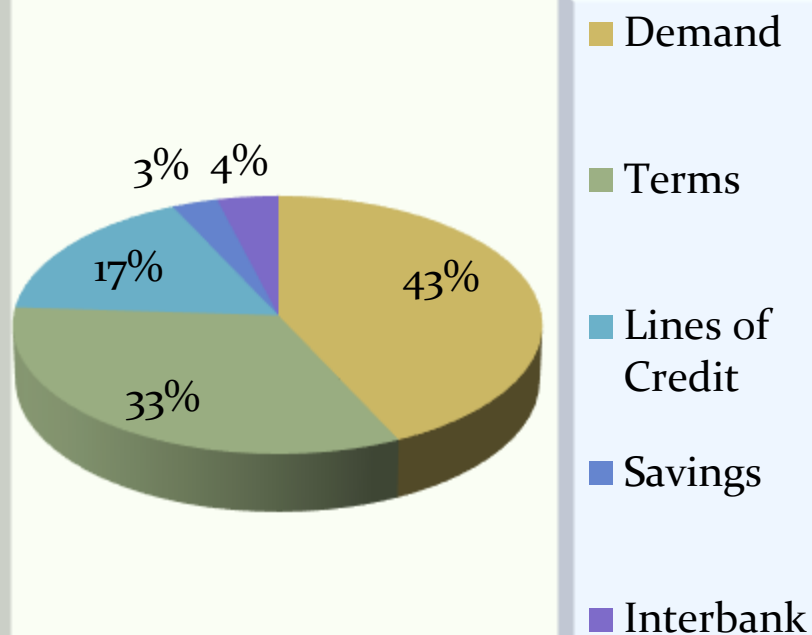


## Deposits Sectoral Analysis

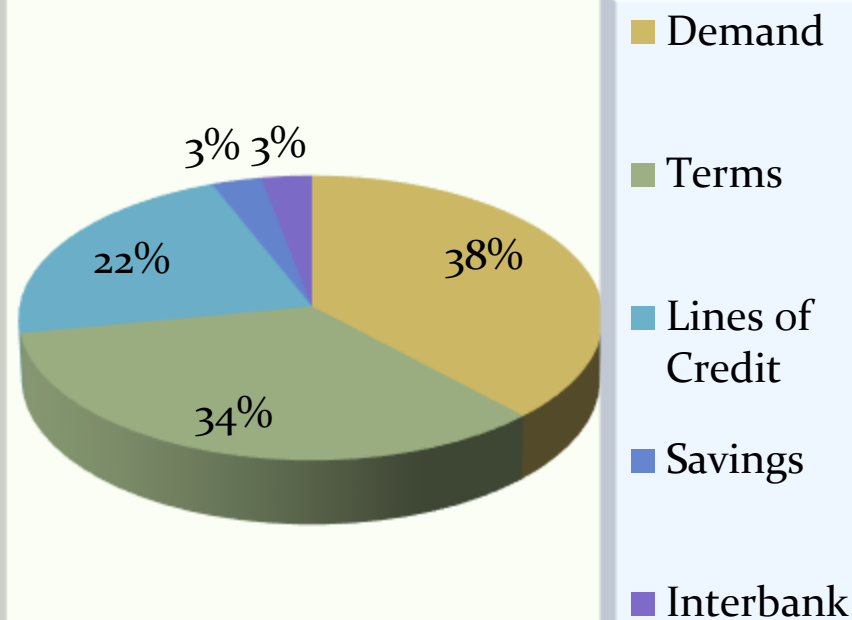
Sector	Dec 2014 %	Dec 2013 %
Private	6	5
Agriculture	2	3
Mining	1	1
Manufacturing	6	9
Distribution	10	10
Construction	2	2
Transport	1	1
Communication	2	5
Services	31	24
Financial Organisations	37	37
Financial and investments	2	3
Total	100	100
Government	0.5	2

## Deposits & Funding – Deposit Composition






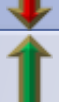



**December 2014**









**December 2013**









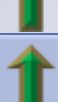
## CBZ BANK SUMMARISED RESULTS

	Dec 2014 US \$m	Dec 2013 US \$m	YOY% change
Total income	116.8	116.4	0.3 
Operating expenditure	79.8	74.8	6.7 
Profit before tax	20.2	23.3	13.3 
Charge for impairment	16.9	18.3	7.7 
Profit after tax	16.3	17.5	6.9 
Total assets	1 518.4	1 427.8	6.3 
Shareholders' funds	125.9	112.8	11.6 
Total advances	960.9	899.0	6.9 
Total deposits	1 383.0	1 304.0	6.1 








## CBZ LIFE SUMMARISED RESULTS

	Dec 2014 US \$m	Dec 2013 US \$m	Annual % Growth
Underwriting income	5.2	4.9	6.1 
Profit before tax	2.6	3.3	21.1 
Profit after tax	2.6	3.3	21.1 
Total assets	11.4	8.4	35.7 
Shareholders' funds	8.5	6.0	41.7 
Life Fund	2.3	1.6	43.8 

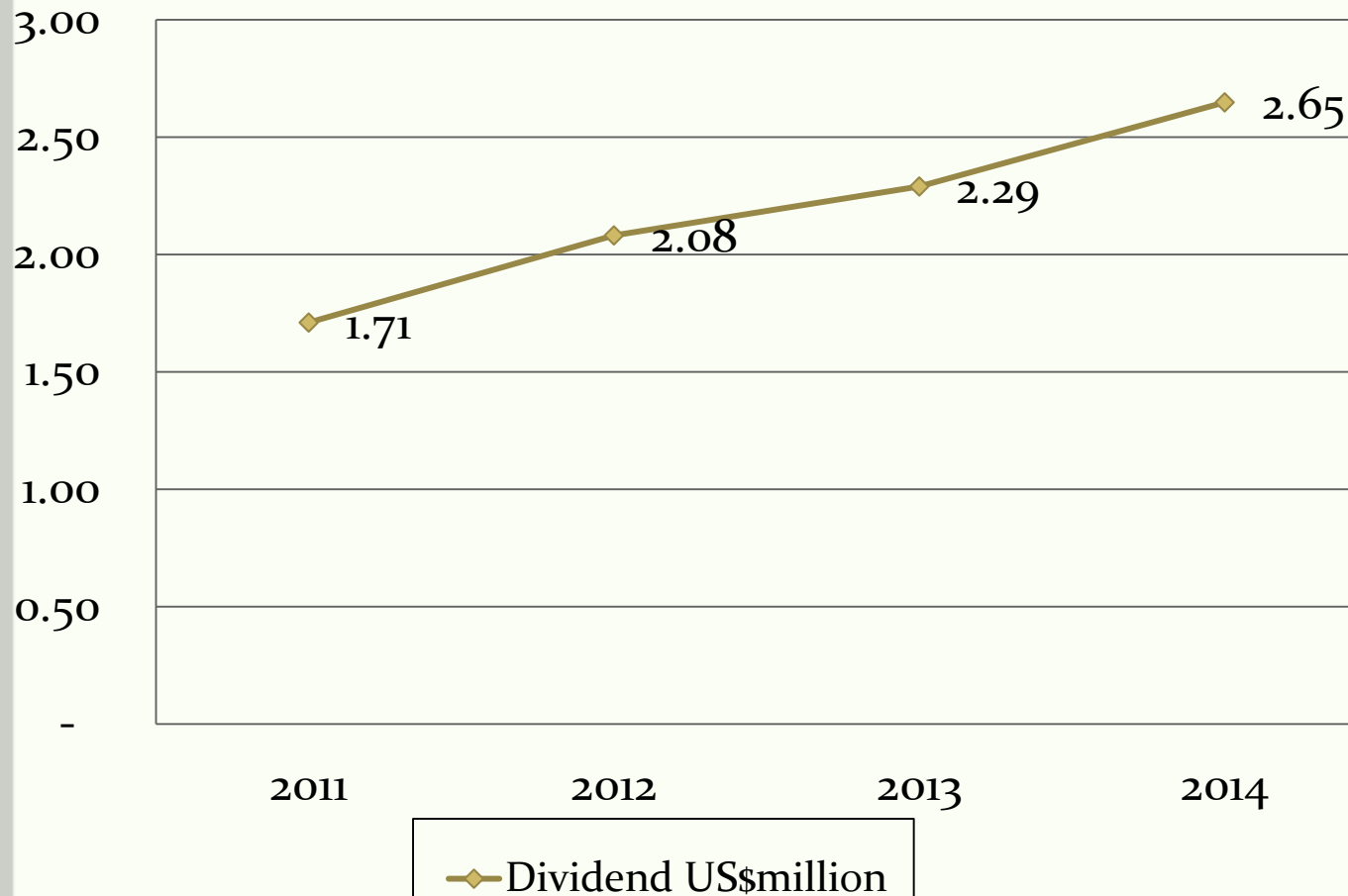
## CBZ INSURANCE SUMMARISED RESULTS

	Dec 2014 US \$m	Dec 2013 US \$m	YOY % change
Underwriting income	2.1	2.3	8.7 
Profit before tax	0.7	0.6	16.7 
Profit after tax	0.5	0.4	25.0 
Total assets	7.8	5.6	39.3 
Shareholders' funds	2.1	1.6	31.3 
Insurance assets	3.9	3.6	8.3 
Insurance liabilities	5.1	3.6	41.7 

## CBZ ASSET MANAGEMENT SUMMARISED RESULTS

	Dec 2014 US \$m	Dec 2013 US \$m	YOY % change
Total income	2.3	2.1	9.5 
Operating expenditure	1.8	1.6	12.5 
Profit before tax	0.5	0.5	- 
Profit after tax	0.3	0.4	0.25 
Total assets	2.8	2.6	7.7 
Shareholders' funds	2.4	2.1	14.3 
Funds under management	136.4	140.2	2.7 

## Dividend Trend



- Dividend growth of 55.0% since 2011.



In line with the Group's dividend growth policy, and considering the need for prudent capitalisation, the Board has proposed the declaration of a final gross dividend of \$1 388 945. Having declared an interim dividend of \$1 259 245, total dividend translates to \$2 648 190.

Dividend per share = 0.386 US cents

Dividend cover = 12.44 times

## Performance Awards

Best Governed  
Company Award – ZSE

Best Board Practices  
Award – ZSE

Super Brand Award in  
Banking & Finance –  
MAZ

Best in Large Clients  
Category (Income tax)  
– Zimra

Best in Large Clients  
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One of the Top 5  
Banks Award –  
Zimbabwe  
Independent Banking  
Survey

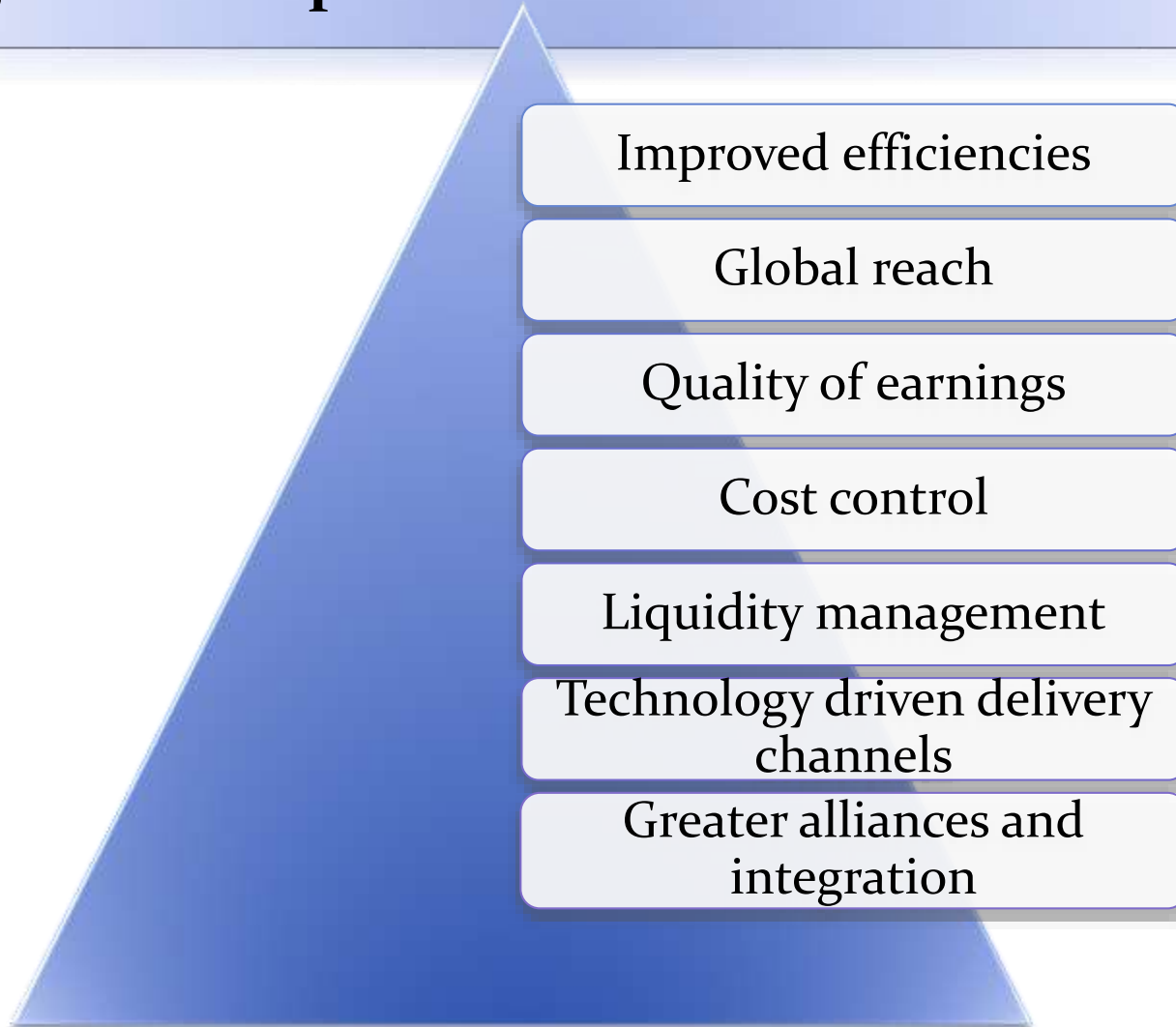
## GUIDANCE AND OUTLOOK



## Key Forecasts

	Actual Growth Dec 2014 (%)	Forecast Growth Dec 2015 (%)
Total Assets	7	10
Advances	10	5
Deposits	6	10
Funds under management	(3)	11
Total Income	3	7

## Strategic Roadmap



## Follow Up Meetings

1. 26 February 2015
2. 27 February 2015

NB: Both meetings are at 1200 hours at Pomona.