

MEDIA & ANALYST PRESENTATION



Outline



Strategy & Operations

Background

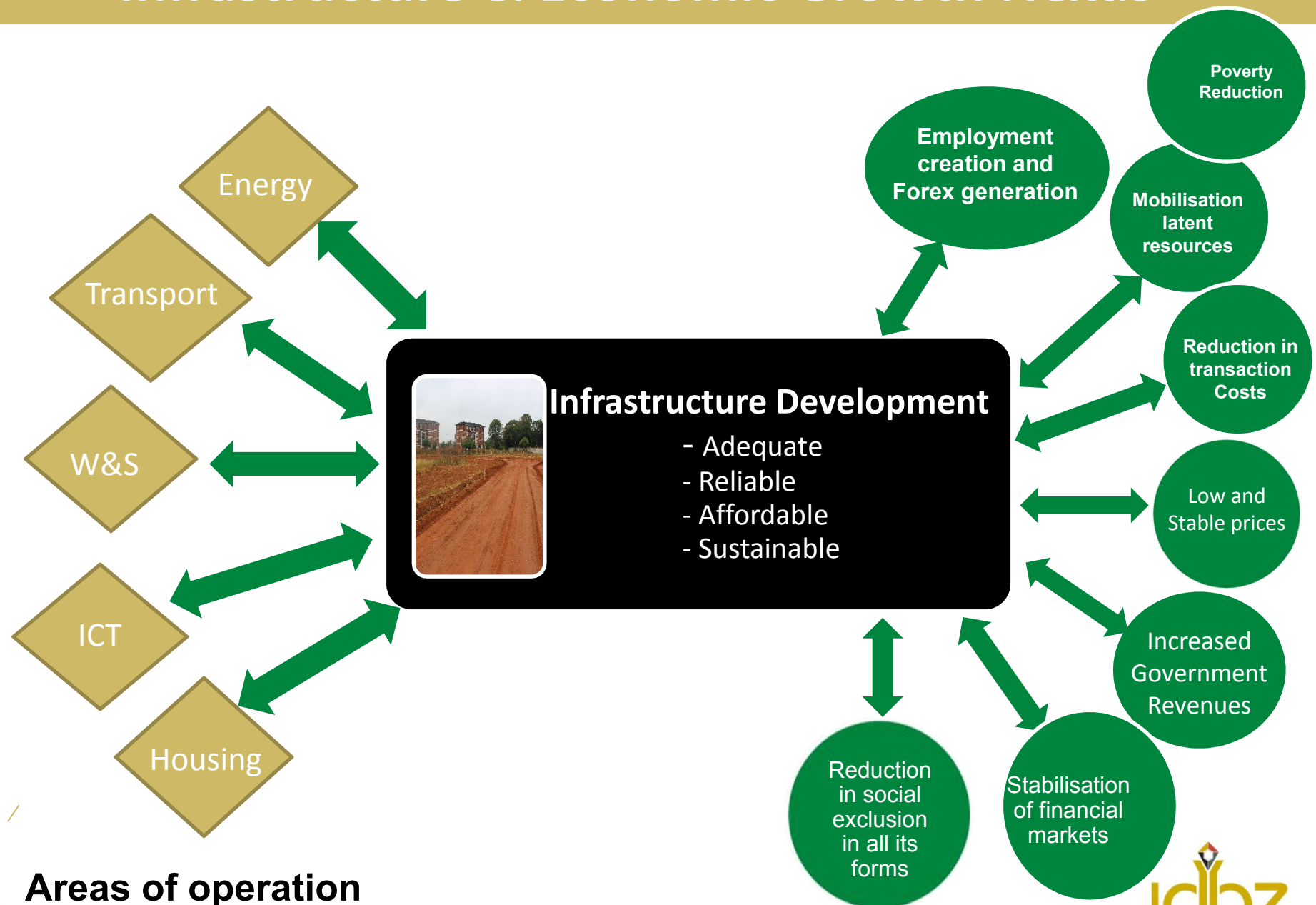


- GoZ provided some relief to the external debt burden & injected capital.
- Increased collection efforts resolved NPLs.
- ZAMCO initiative - US\$ 4.8 million
- NPLs - US\$ 20.4 million (Dec 2014) to US\$ 9.1 million (Dec 2015)

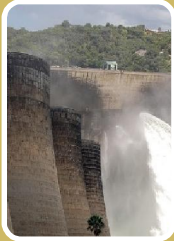
- Formed 31st of August 2005.
- The twin legacies - external debt and non-performing loans (NPLs)
- Mandate drift – survival game.
- 2014 – 2018 RBM Strategy to halt mandate drift.
- Medium Term Strategy: 2016 – 2020 (MTS) to reinforce the Bank's focus on Mandate.



Infrastructure & Economic Growth Nexus



Infrastructure Sector Activities



Energy

- Power plants rehabilitation
- New energy generation projects
- Transmission lines rehabilitation



Transport

- Road rehabilitation
- Rail rehabilitation
- Airports upgrades



Water and Sanitation

- Dam construction
- Water distribution infrastructure
- Water & sewer treatment plants



ICT

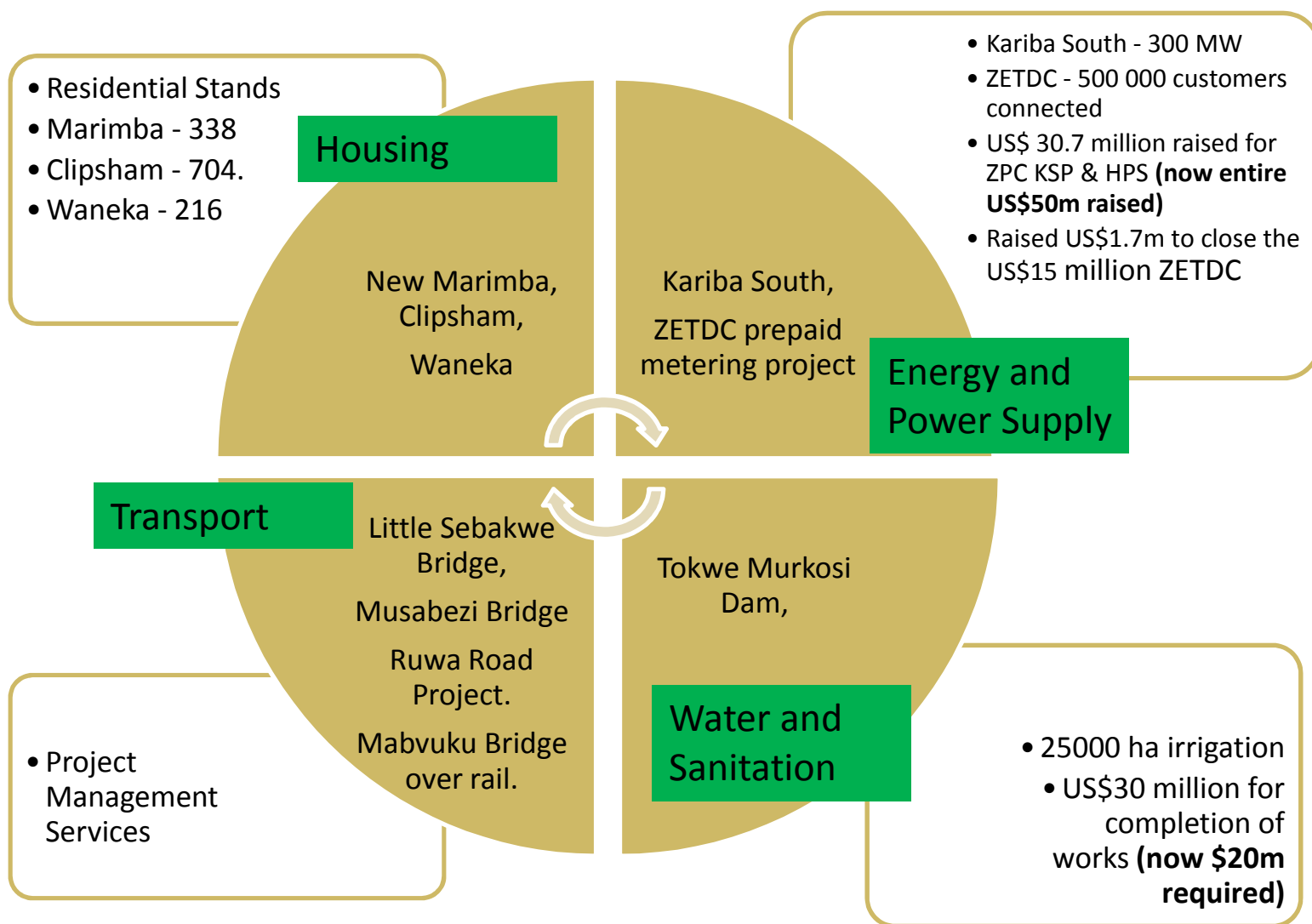
- Backbone infrastructure
- Need to address fragmentation.



Housing

- Water & sewer reticulation
- Roads construction
- Electricity reticulation

Operations



Way Forward: Energy and Power Supply

- ❑ Tokwe Murkosi – Mini Hydro
- ❑ Hwange Thermal Power Station
- ❑ Thermal Power Station Rehabilitation
 - Munyati
 - Harare
 - Bulawayo



Way Forward: Transport

❑ Road Rehabilitation

- Beitbridge – Harare- Chirundu
- Harare- Nyamapanda
- Christmass Pass – by Pass
- Bulawayo – Victoria Falls

❑ Rail Rehabilitation Programme - NRZ



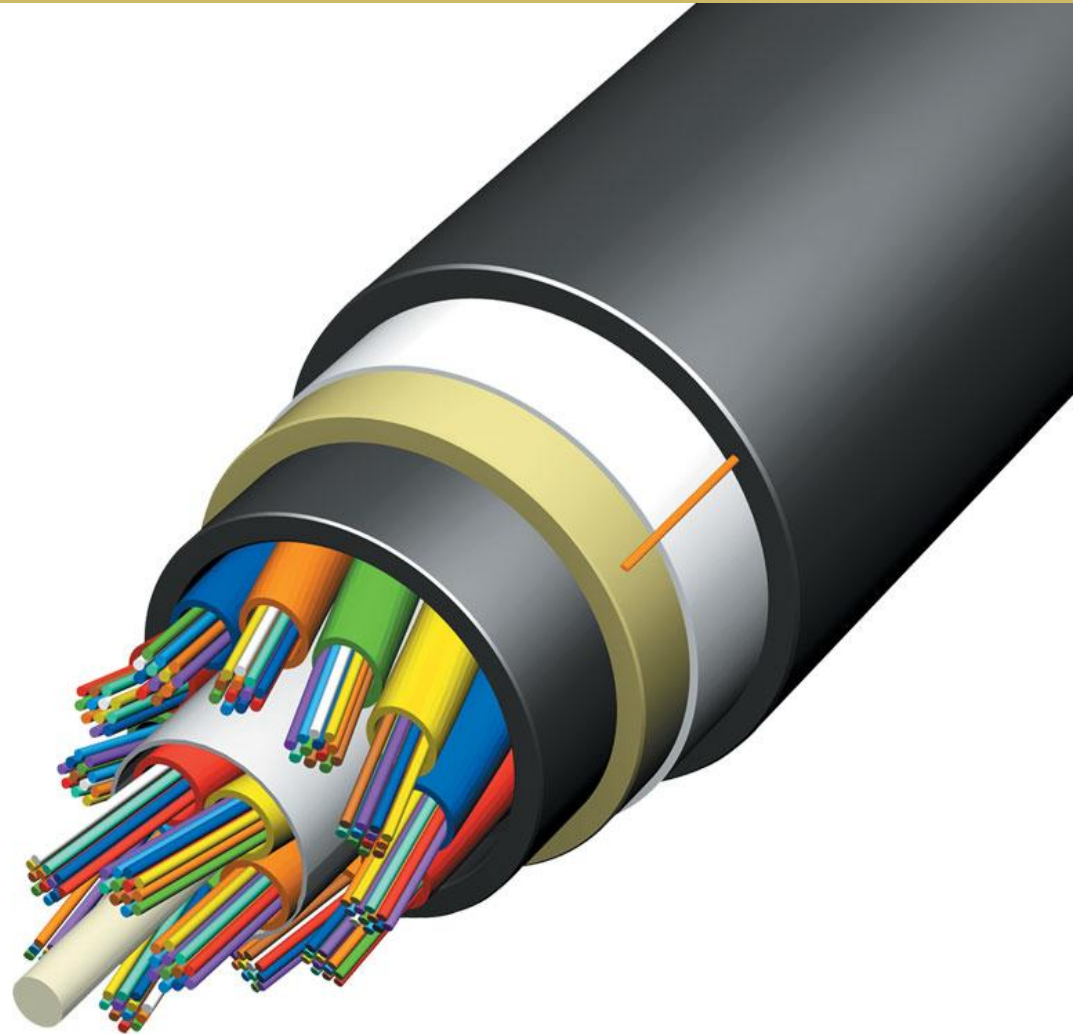
Way Forward: Water & Sanitation

- ☐ Marovanyati, Buhera
- ☐ Tokwe – Murkosi
- ☐ Causeway, Marondera
- ☐ Municipal Water and Sanitation Rehab (Chinhoyi, Chipinge, Gwanda, Hwange)



Way Forward: ICT

- ☐ Development of Backbone Infrastructure
- ☐ Address fragmentation



Way Forward: Housing & Municipalities

- ☐ New Marimba
 - ☐ Clipsham Views
 - ☐ Mbizvo 22
 - ☐ Knockmalloch
 - ☐ Umvutcha
 - ☐ Gimboki
 - ☐ Newmara
 - ☐ Eton Park
 - ☐ Sumben
 - ☐ Rural District
- Infrastructure project



Way Forward: Project Preparation

- ☐ PPDF US\$2.5m set up
- ☐ Bankable projects -the missing link in infrastructure investment.
- ☐ Project Bankability
 - Technical
 - Legal
 - Environmental
 - Financial
 - Economic and Social
- ☐ Project preparation costs varies from 2 - 5 % of total costs
 - Costs are recovered at financial close.



Way Forward: Project Preparation (cont'd)

❑ Project Development Cycle

1. Project Identification
2. Project Preparation
 - Feasibility Studies
 - Project Structuring
3. Project Appraisal
4. Financial Close
5. Procurement and Implementation



Way Forward: Procurement

- ☐ Inefficient and Non-transparent
 - Corruption
 - Rent seeking
- ☐ Full disclosure and transparency
- ☐ Promotion of competitive bidding





Financial

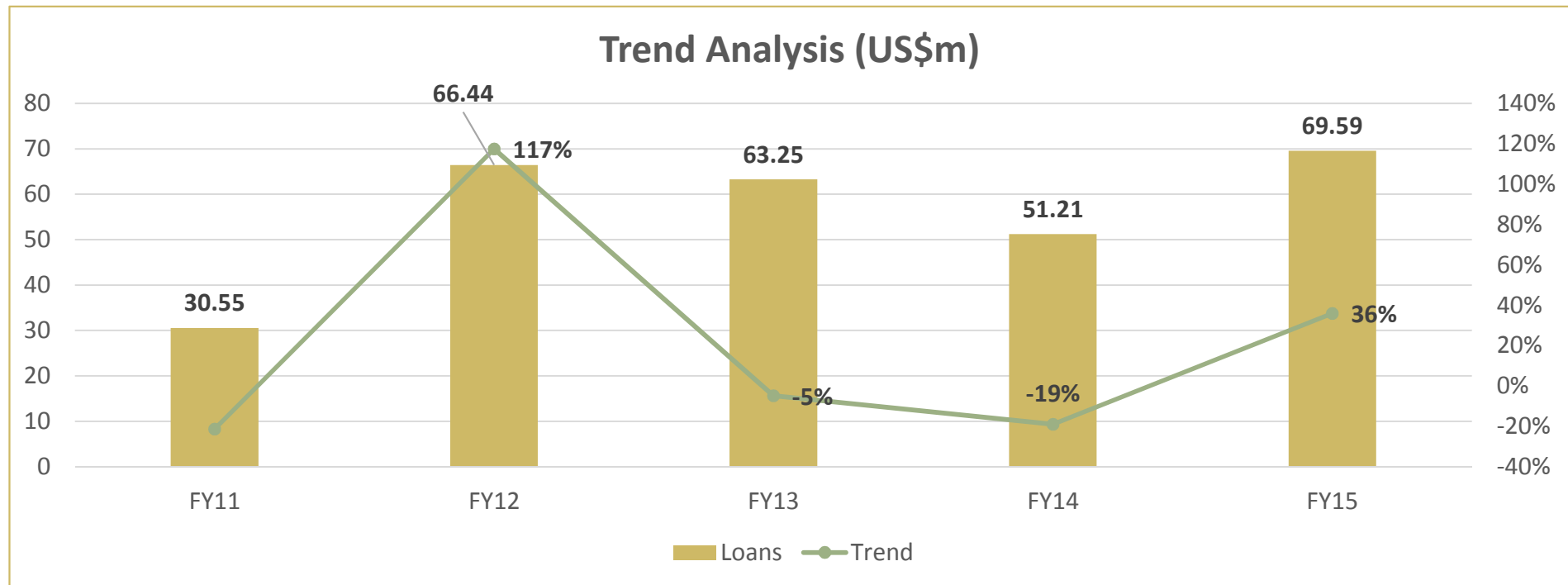
FY15 Financial Performance

	FY15 US\$m	FY14 US\$m	Change	
Total income	6.68	7.50	11% ↓	Short term lending curtailed, Low PSIP funding and no lines of credit
Total expenses	10.14	9.5	6% ↑	Retrenchment costs \$2.3m incurred as part of refocussing the Bank to core mandate
Loan impairment	0.72	0.81	11% ↓	Mainly general provision from the long term loans and a few write-offs
Profit	(4.00)	0.88	555% ↓	Loss a result of retrenchment costs \$2.3m, fair value losses on property \$1.8m, NPL write- offs

FY15 Financial Position

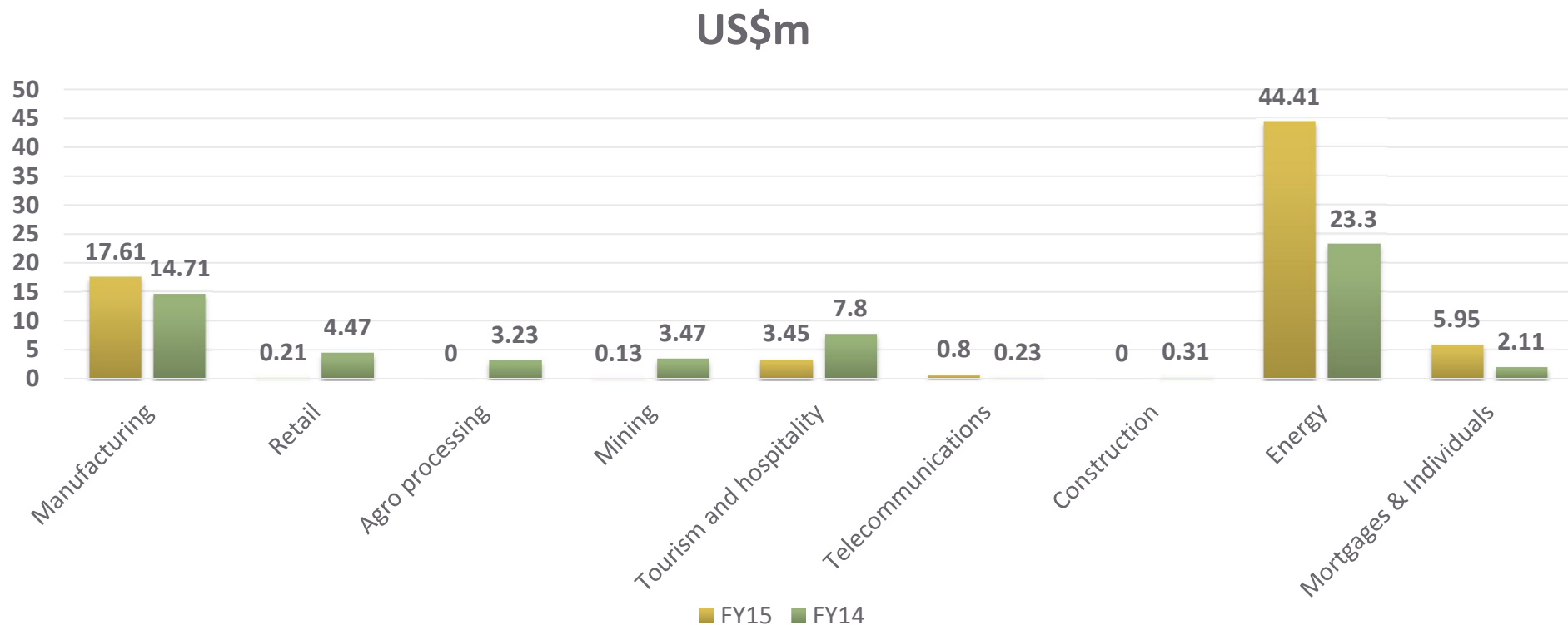
	FY15 US\$m	FY14 US\$m	Change	
Total assets	130.69	122.79	6% ↑	Growth from increased long term loans and held-to-maturity investments.
Total liabilities	102.62	90.49	13% ↑	Growth in bonds and presales revenue on housing stands
Total equity	28.07	32.30	13% ↓	Effect of the FY15 loss (a restructuring cost)
Loans & Advances	69.59	51.21	36% ↑	Increase from long term loans to the energy sector funded by bonds
Deposits	48.61	51.79	6% ↓	Utilisation of sinking funds to pay bond maturities and bal. is funds awaiting drawdown
Bonds	46.63	25.99	79% ↑	Bank issued \$41m in bonds and held funds for PSIP projects

Loans and advances – Trend Analysis



- The FY15 growth is mainly driven by the growing long term infrastructure loans to energy and housing sectors.

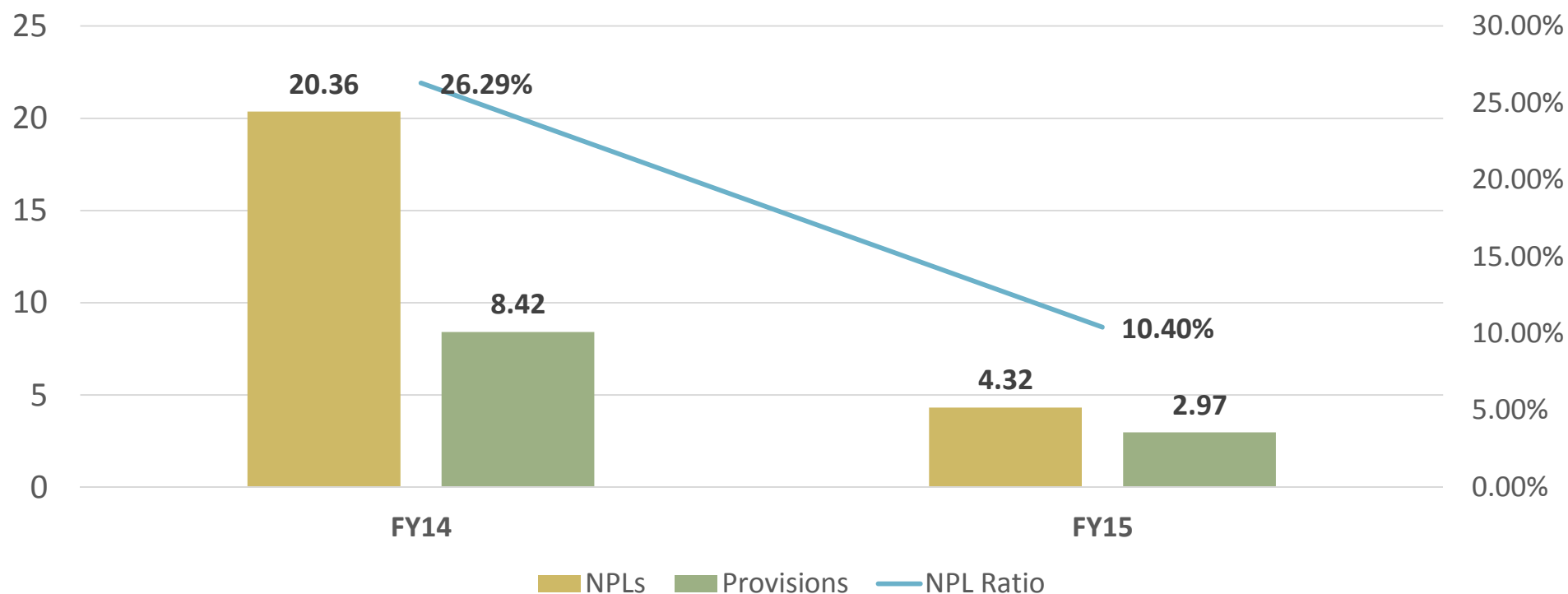
Loans and Advances - Sectoral Analysis



- The major exposures are in energy (ZPC & ZETDC projects funded by bonds), manufacturing which comprises restructured exposure to Cairns and a sticky book from short term lending.
- Mortgages have more than doubled following sales of Graniteside flats and New Marimba stands.

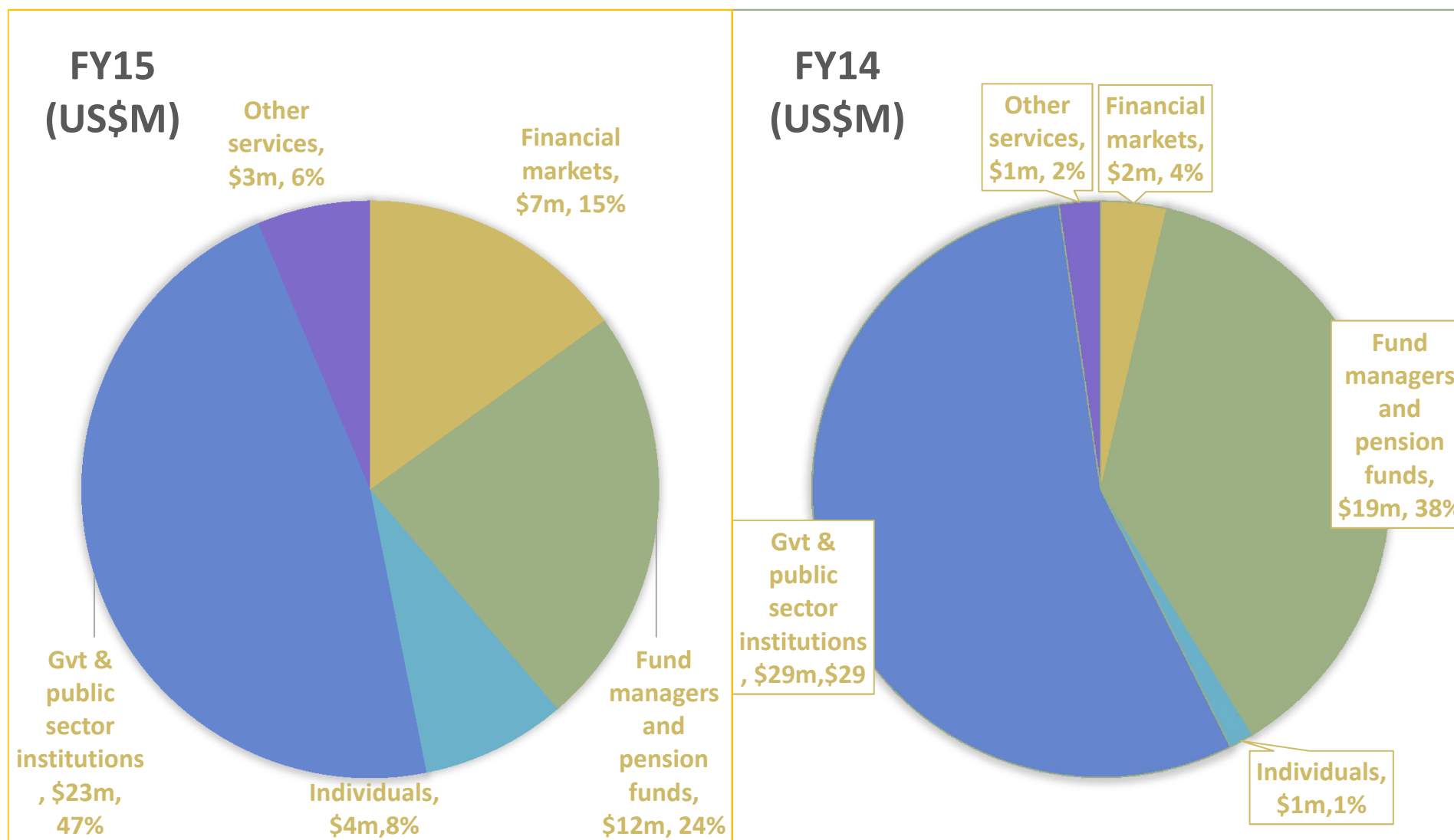
Loan Impairments

NPLs and Impairment (US\$m)

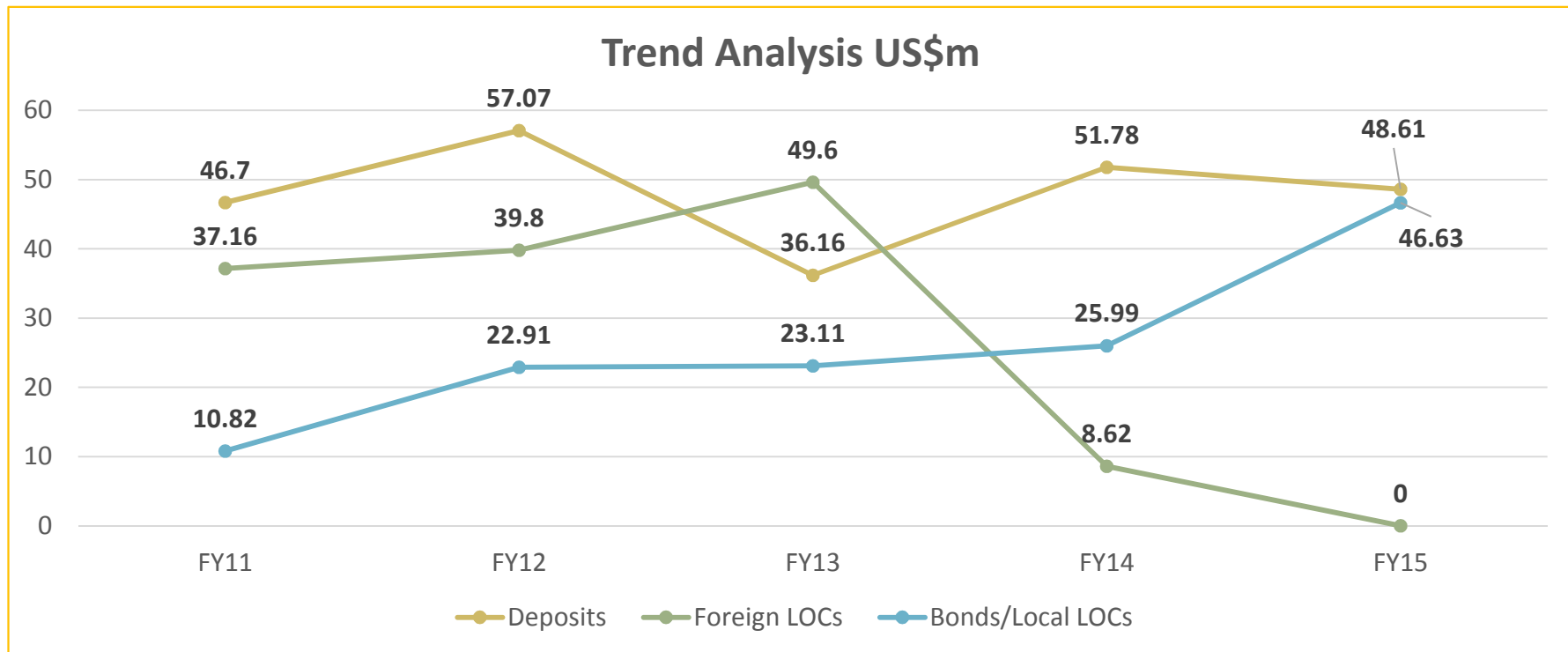


- There were recoveries and transfers of NPLs to ZAMCO resulting in the improvement in the NPL ratio
- The growth in the loan book also helped the ratio.

Funding sources

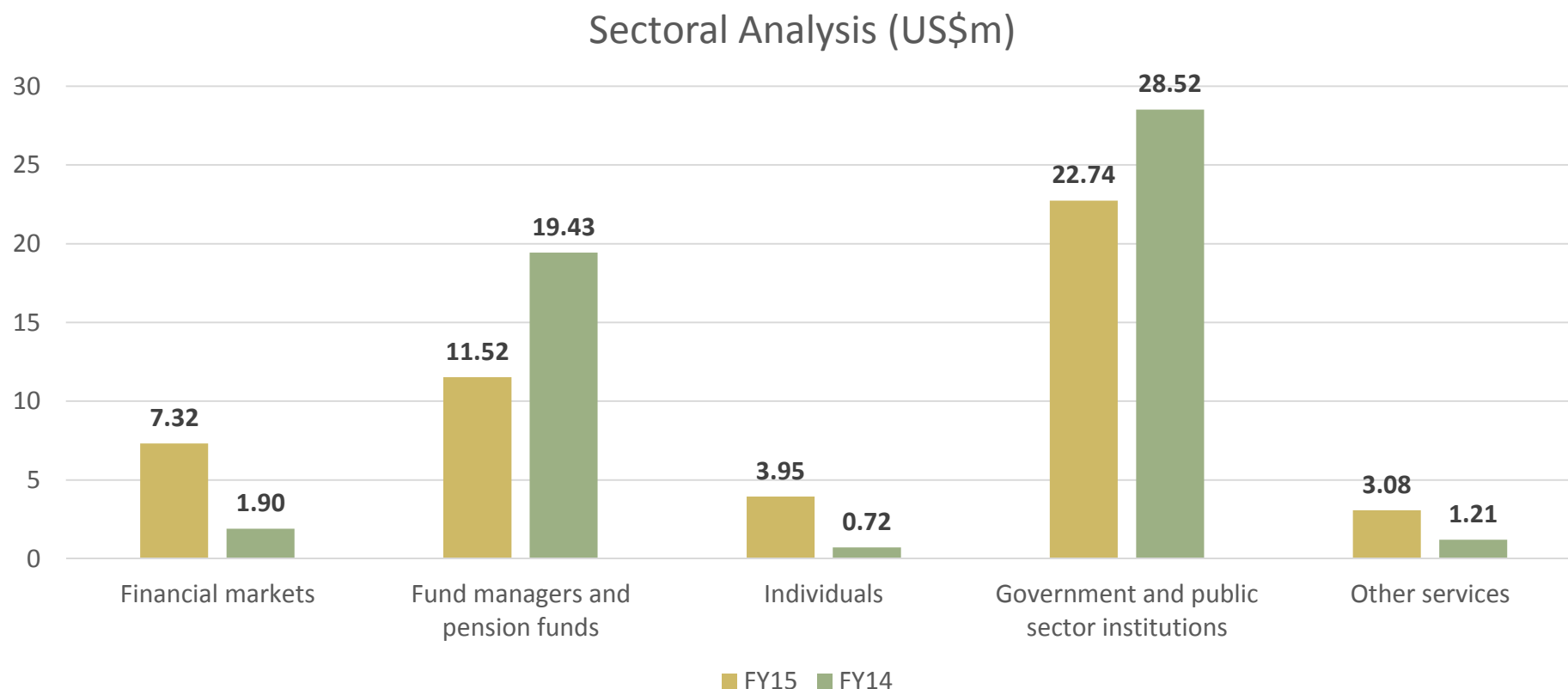


Deposits – Trend and Growth



- Money market funding: Aftrades and fixed placements significantly contributed to funding secured by mainly treasury paper.
- Bonds/Local LOCs increasing their contribution in funding operations.
- No running Foreign LOCs as (1) legacy debt was hived-off (2) ZETREF was paid off

Deposits By Sector



- Gvt & Public Sector Institutions are mainly sinking funds and amounts awaiting drawdown on projects being implemented.
- The decrease on Fund Mgrs & Pension Funds is a result of reallocation from fixed deposits (short term) to bonds (long term instruments).

Key Ratios

	FY15	FY14	
Cost to Income ratio (CIR)	152%	127%	CIR deteriorated as a result of retrenchment costs and short term lending curtailment. <i>FY14 the ratio factored out realised FX gain on legacy debt hive-off</i>
NPL Ratio	10.4%	26.3%	Improvement a result of recoveries and transfers to ZAMCO as well as the loan book growth
Liquidity ratio	36%	42%	Meeting both RBZ 30% and IDBZ Act 10%. In Q4-FY15, Bank paid significant bond maturities.
Loans to Deposit Ratio	73%	59%	Increase mainly from the utilisation of sinking funds to service bond maturities which reduced deposits.
ROE	-14%	3%	FY15 loss resulted in poor ratios
ROA	-3%	1%	

2016 Trading Update

HY2016 Financial Performance

	HY16 US\$m	HY15 US\$m	Change	
Total income	2.96	1.81	64% ↑	Growth in the Bank's loan book is mainly from low margin long term exposures and Treasury Bills income.
Total expenses	2.94	5.85	50% ↓	FY14 included \$2.3m retrenchment costs. Effective cost mgt measures now in place
Loan impairment	0.52	0.62	17% ↓	HY16 mainly general provision & hair cuts on restructured exposures. Continued prudence on lending
Profit	0.17	(3.98)	104% ↑	Bank experiencing growth in stable long term loans funded by bonds thus bolstering profitability.

HY16 Financial Position

	HY16 US\$m	FY15 US\$m	Change	
Total assets	168.47	130.69	29% ↑	Growth from increased long term loans and held-to-maturity investments.
Total liabilities	119.57	102.62	17% ↑	Growth in bonds, project funds on call and presales revenue on housing stands
Total equity	48.90	28.07	74% ↑	\$20.7m equity injection by major shareholder.
Loans & Advances	63.09	69.59	9% ↓	Transfers to ZAMCO in return for T-bills, offset by increase in long term loans
Deposits	41.82	48.61	14% ↓	Payment of bond maturities from sinking funds, Afrades repayment and drawdowns from projects funds on call
Bonds	70.05	46.63	50% ↑	Net increase from energy and housing bonds

Key Ratios

	HY16	HY15	
Cost to Income ratio	99%	324%	Effective cost management measures in place. HY15 had the retrenchment costs effect
NPL Ratio	8%	10%	Improvement a result of recoveries, transfers to ZAMCO and loan book growth
Liquidity ratio	86%	36%	Bank has maintained liquidity to support projects (Tokwe, ZPC). Met RBZ & IDBZ Act requirements
Loans to Deposit Ratio	56%	73%	Increased call deposits (undrawn project funds) and PSIP funds awaiting disbursement
ROE	0.3%	-14%	Improvement reflects the profitable HY16. HY15 had the retrenchment costs effect
ROA	0.1%	-3%	

Key Issues to Drive Financial Performance

1. Sustain the financial solidity through prudent liquidity management
2. Speedy implementation on housing projects so that income can be booked to P/L
3. Underwriting trade finance facilities in the infrastructure value chain
4. Maintaining effective cost management
5. Continue to unlock value out of the remaining NPLs and sticky exposures
6. Better project preparation will result in timely financial closure on infrastructure projects