



**STOCK STATISTICS**

Price:	16.00
52 Wk High:	16.50
52 Wk Low:	11.40
20 Day VWAP:	15.90
P/E:	2.51
D/Y:	0.02
PBV:	0.71
EV/EBITDA:	15.00
Issued Shares:(000)	706,211
Market Cap (\$000)	112,994

Financials	2012 \$m	2013 \$m	Change Change
Net interest income	95.34	95.27	-0.07%
Non funded income	44.07	48.11	9.15%
Other income (Underwriting)	4.72	7.17	51.83%
Impairment losses	(4.63)	(19.45)	319.76%
Operating expenses	(83.30)	(88.81)	6.62%
PBT	55.56	42.22	-24.00%
PAT	45.02	36.65	-18.60%
OCI	5.06	3.21	-36.53%
TCI	50.09	39.87	-20.41%

Stmnt of Financial position	2012	2013	Change
Customer Assets/Advances	854.69	1,028.12	20.29%
Investment Securities/Money	24.90	175.13	603.44%
Interest Bearing Assets	27.08	186.93	590.35%
Investment Property	20.34	21.85	7.44%
Cash & Bank balances	180.19	152.61	-15.30%
Other Assets	56.92	75.06	31.86%
Non Interest bearing Assets	9.63	17.65	83.32%
<b>Total Assets</b>	<b>1,223.09</b>	<b>1,558.67</b>	<b>27.44%</b>
Customer Liabilities	1,032.35	1,332.56	29.08%
Other Liabilities	30.06	20.26	-32.62%
Equity	160.68	205.85	28.11%

RATIOS	2012	2013	Change
Basic EPS (us cents)	7.39	6.30	-14.7%
Cost to income ratio	57.80	59.00	2.1%
NFI to Total Income	33.90	36.70	8.3%
Loan Loss ratio	-0.54%	-1.89%	249.0%
Loans to Deposit Ratio	83%	77%	-6.8%
Capital Adequacy Ratio	12.90	13.89	7.7%
Core Tier 1 ratio	8.67	7.72	-11.0%
Liquidity ratio	33.09	31.73	-4.1%

**Financials**

CBZ Holdings Limited’s revenue for the year to Dec 2013 was up 4% at \$150m compared to the outturn in the prior year. These were broken down into net interest income \$95.3m, Non-funded income \$ 48.1 and underwriting income of \$7.2m. Operating income for the year then came in at \$61.7m after accounting for expenses of \$88.8m while a \$19m charge for impairments saw the group close with PBT of \$42.2m and after tax profits of \$36.6m (headline EPS 6.18c). Revaluation gains of \$3.8m helped the group comprehensive income to close at \$39.9m. The group’s balance stood at \$1.6bn funded by shareholders equity of \$205.2m as well as obligations of \$1.4bn. Deposits amounted to \$1.3bn while advances were sitting at \$1bn.

**Review of operations**

The group operating costs were higher in the year under review with the cost to income ratio coming in at 59% compared to 57.8% achieved in the prior year. This was despite a revenues being higher in the year under review. Deposits grew 29.1% while advances were up 20.3% helping contain the loans to deposits ratio to 83%, though this was higher than the 77% attained in the prior year. Growth in non-funded income was largely constrained by the memorandum of understanding which the banking sector entered into with the central bank, resultantly this only grew by 9.15%. In sync with the economic challenges in the country that have affected the ability of some economic players to service obligations the group’s impairment provision for the 2013 financial year went up 319.8% to \$19.45m giving a provisions to total loans ratio of 1.79%. The group’s PBT margins went down to 28% from 39% owing to the unprecedented threefold growth in impairment provision coupled with the faster growth in operating expenses of 6.62% relative to the revenue growth of 4%.

The group’s balance sheet grew 27.44% owing largely to a growth in customer deposits of 29% to \$ 1.3bn and a 28% growth in shareholders’ equity, consolidating the bank’s status as the leader by balance sheet size as well as deposits by the end of the year 2013. Loans were by far the largest asset on the book at \$1bn, and these had grown 20.29% to represent 66% of the group’s balance sheet. Loans written off in the year under review amounted to \$32m while impairment provisions amounted to only \$19.5m raising concerns on level of provisioning given the impairment charge.

The group’s lines of credit grew to \$289.6mln against \$178.84mln posted in the prior period. CBZ has been assuming a significant role in the economy with the central bank being having no capacity to fully extend the roles of lenders of last resort. Government plans to re-establish these roles for the central bank should see some business flow back to the reserve bank.



Source: EFE.

### Outlook

Going into the ensuing year the strategic focus areas are liquidity management, growth in long term deposits, expansion of mortgage finance products and growth in investment banking. Focus will also be on diversification of income, increase of credit lines, improve quality of earnings, cost control and liquidity management to enhance stakeholder returns. Management expect total assets to grow in 2014 by 15% while the movement of funds to the exchequer is expected to have little impact as it should coincide with the group’s raising of funds through the diaspora bond of \$200m that will be guaranteed by Afreximbank. The group further intends to proceed with the development of its \$66m land bank.

### Comment

CBZ’s FY13 are probably reflective of the state of the national economy given their pivotal role in the financial services sector and by extension the economy at large given the size of their loan book. While the slow-down was expected, it is the some constituent aspects of their financials that are of concern like the write-offs and the level of provisioning for non-performing loans. The alluring thing about the group however is that capitalisation issues are already out of the way and management should put their focus back to creating value for stakeholders. With the government set to move their business to the central bank the attendant challenges of dealing with same should also be relieved from the group thus refocussing their energies on satisfying their stakeholders. A plus for CBZ however are the undemanding valuations that currently places the group at a trailing PBV of 0.71x and a trailing P/E of 2.51x, comparing quite favourably against the averages for its peers on the ZSE of 0.70x and 3.40x respectively. With a possible price of 21.85c on the P/E valuation matrix we see CBZ as a worthy investment option. **BUY.**



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