



ZANACO

PRESENTATION TO
INSTITUTIONAL INVESTORS

March 2009

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Background

- In April 2007, Zambia National Commercial Bank PLC (“Zanaco”) was partially privatized with the Government of the Republic of Zambia (GRZ) selling a 49% stake in the bank to Rabobank Group
- The final stage of the privatization was completed in November 2008 by the offer for sale of 25.8% of the shares held by Zambia Privatisation Trust Fund (ZPTF) (on behalf of GRZ) to the Public
- Zanaco simultaneously raised new capital through an Offer for Subscription
- The ownership structure post IPO is:
 - Rabobank 45.59%
 - GRZ 25%
 - Free float on the LuSE 26%

Zambian Banking Sector

Zambian Banking Sector Overview

Players in the market

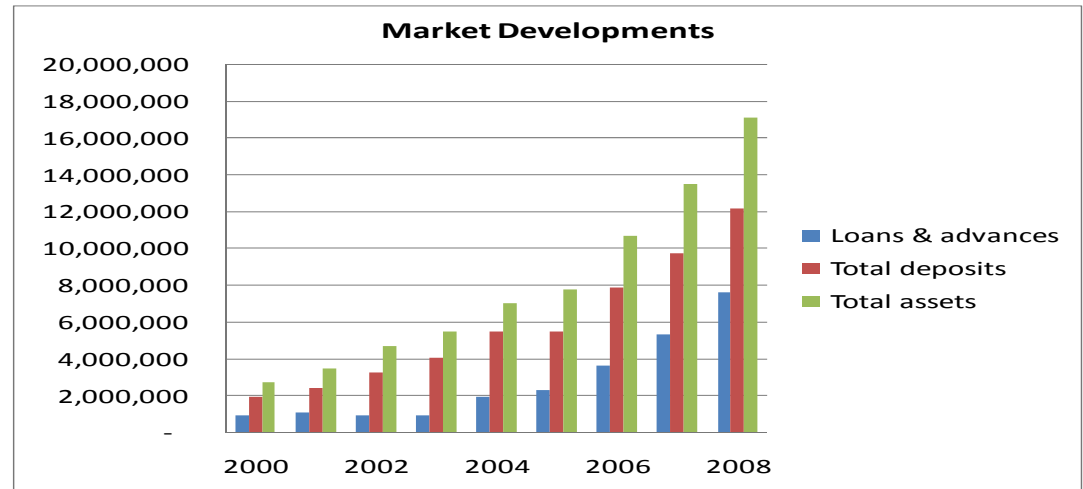
- 14 registered commercial banks
- 10 leasing companies
- 3 building societies
- 16 microfinance institutions
- 1 development bank
- 39 bureau de changes and 2 other financial institutions licensed by BOZ
- 2 new banking licences awarded to two regional banks
 - Eco Bank (Togo)
 - FNB (South Africa)

Regulation

- Banking sector is regulated by BOZ
- Regulatory statute is the Banking and Financial Services Act (BFSA) of 1994

Sustained growth rates at 25-30%

Development of the Banking Sector

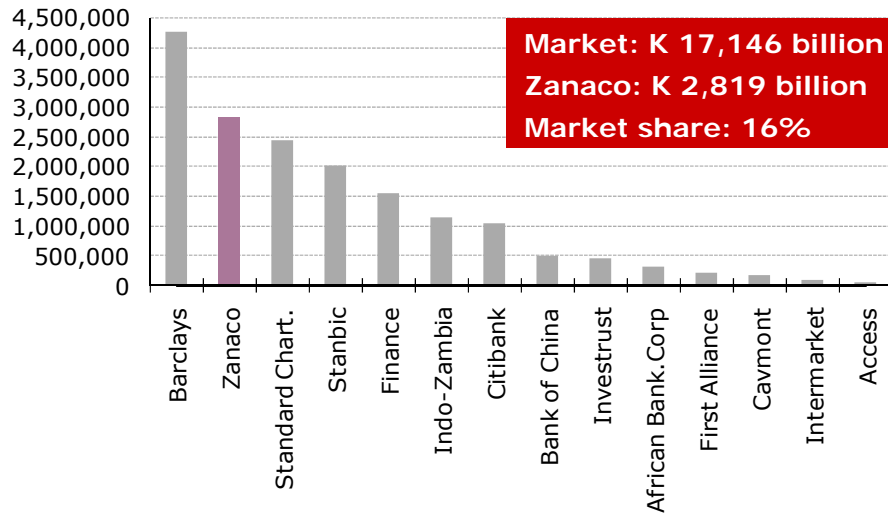


In 2000	(Kwacha million)
Total assets	2,698,040
Loans and advances	916,604
Deposits	1,916,576
In 2008	
Total assets	17,146,627
Loans and advances	7,596,371
Deposits	17,146,627

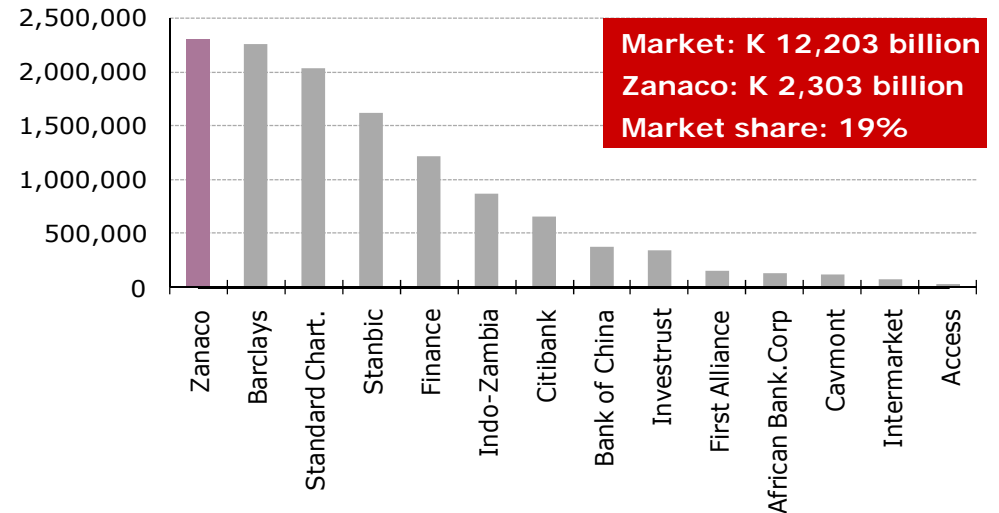
Source) Bank of Zambia, as at 31 December 2008

Competitive Landscape

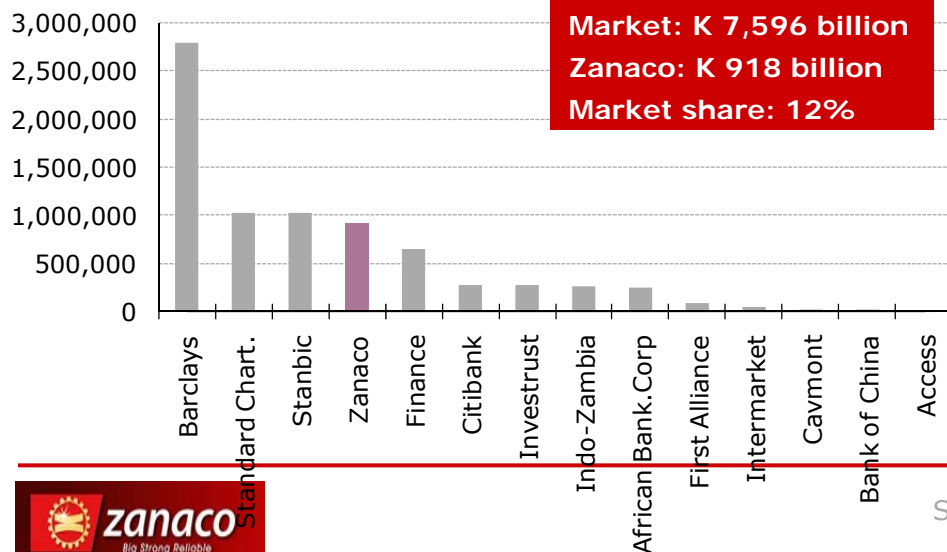
Ranking by total assets (K' m)



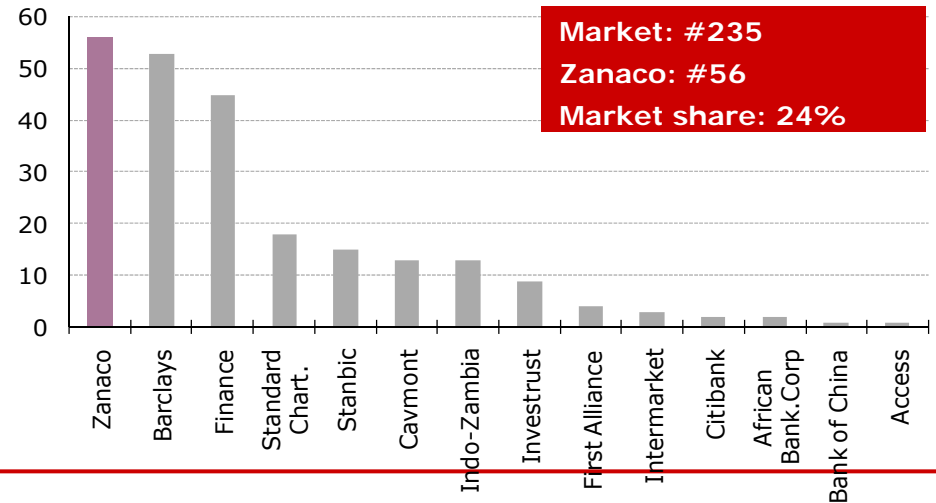
Ranking by total deposits (K' m)



Ranking by loans and advances (K' m)



Ranking by number of branches

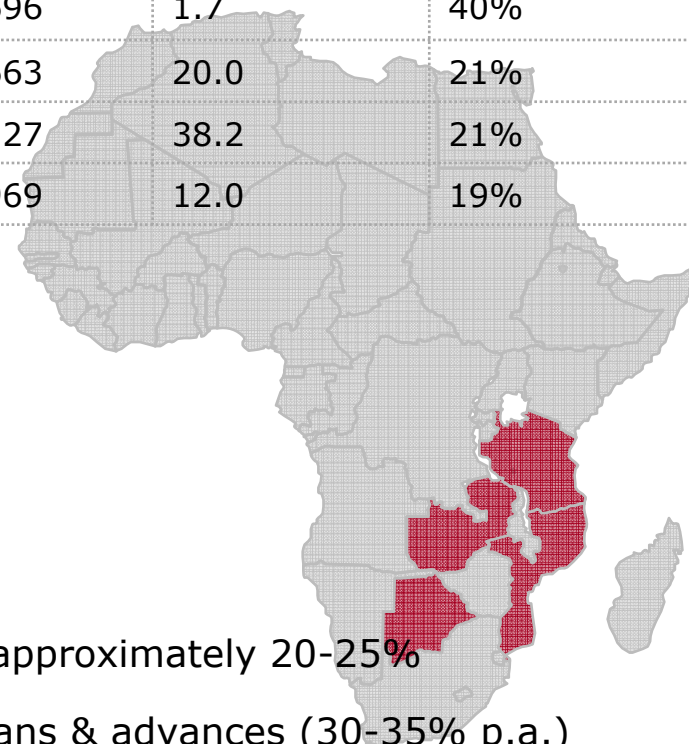


Source) Bank of Zambia, as at 31 December 2008



Zambia stage of development and Regional Comparison

COUNTRY	GDP (USD m) 2007	Real GDP Growth rate 2007	BANKING DEPOSITS (USD m) 2006	BANKING CREDIT (USD m) 2006	BANKING ASSETS (USD m) 2006	POPULATION (estimated million) 2006	BANKING PENETRATION (BANKING DEPOSIT/GDP)
Botswana	9,931	5.0%	3,996	2,033	5,696	1.7	40%
Mozambique	8,758	6.8%	1,800	1,024	2,663	20.0	21%
Tanzania	15,675	7.3%	3,216	1,608	4,127	38.2	21%
Zambia	15,164	5.7%	2,866	1,569	3,969	12.0	19%



- Low overall levels of access to the formal financial system
- Low usage of credit products from formal institutions
- Low financial product penetration
- Two thirds of Zambia's adults are not yet served
- Low banking penetration with a ratio of deposits to GDP of approximately 20-25%
- High historic growth rates of deposits (25-30% p.a.) and loans & advances (30-35% p.a.)

Zanaco Profile

Zanaco: the “People’s Bank”

- Registered commercial bank whose principal activity is to provide banking and financial services in Zambia
- Top tier bank in Zambia in terms of deposits, assets, loans and advances and branch network
- Originally formed by the GRZ in 1969 to operate as a state owned enterprise
- Partially privatized in April 2007, when Rabobank acquired 49% of GRZ’s interest in Zanaco
- Privatization and the entry of Rabobank provide Zanaco with:
 - management and technical support for strategic direction
 - capability to recapture lead position in the market
 - cement position as a broad based retail bank with rural presence
 - Opportunity to improve operational and financial efficiency

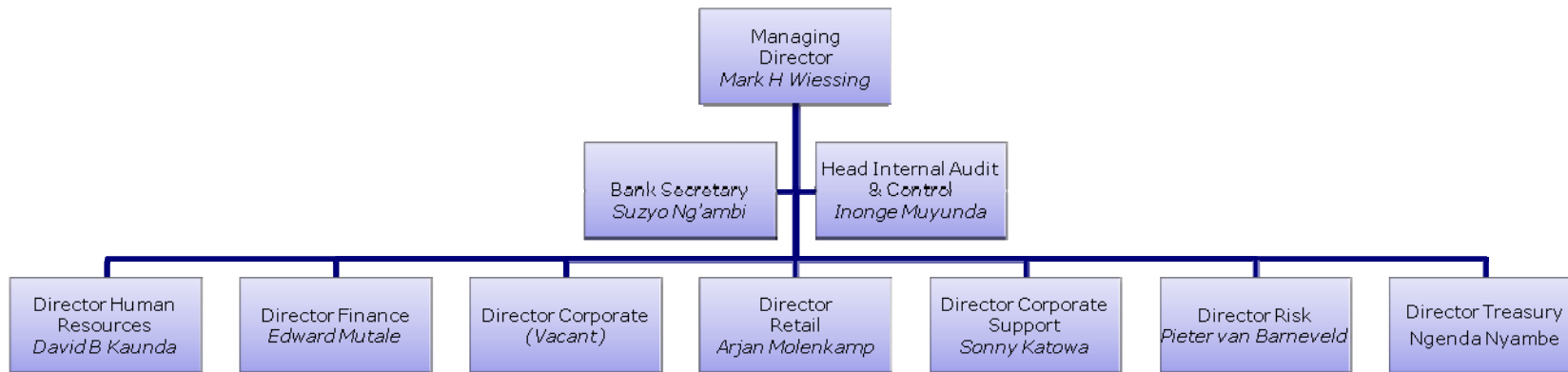
Zanaco Board Membership and Governance

- **3 directors nominated by Rabobank, of which one is in executive capacity (CEO)**
 - Arnold J.A. M. Kuijpers (Chairman); Senior Rabobank Executive, MD of RFID
 - Fred Weenig (Head of Special Asset Management Rabobank)
 - Mark H Wiessing, Managing Director
- **2 non executive directors nominated by GRZ**
 - Chintu Y. Mulendema (CYMA Accountants)
 - Gertrude M. Akapelwa-Ehueni (former ADB executive)
- **1 independent non executive director**
 - Guy N.H. Robinson (President ZNFU)

Relationship Rabobank/GRZ:

- Shareholder agreement (management services agreement, technical assistance)
- Arm's length principle

Management



Corporate Governance

- Zanaco is committed to good corporate governance and is fully devoted to the principles of accountability, integrity and transparency
- The Directors are committed to ensuring that the Company complies with the major principles of modern corporate governance and best practice
- The Board has established 3 committees to enable it to properly discharge its duties and responsibilities and effectively fulfill its decision making process:

AUDIT COMMITTEE	CREDIT COMMITTEE	LOANS REVIEW COMMITTEE
<ul style="list-style-type: none"> ▪ Assist the Board in financial reporting, compliance, and effectiveness of internal control environment ▪ Ensure existence of appropriate internal controls ▪ Review investments and material transactions ▪ Review of annual financial statements ▪ Liaise with external and internal auditors ▪ Ensure compliance with BFSA regulations 	<ul style="list-style-type: none"> ▪ Ensure limitation of risks through adequate diversification of credit portfolio ▪ Manage credit risk through policies on concentration and large risk exposures ▪ Ensure proper asset classification and adequate loan provisioning ▪ Approve the general credit procedures of the Company ▪ Approve individual credit exposures for amounts above those delegated to management 	<ul style="list-style-type: none"> ▪ Review loan reports from management ▪ Review loans portfolio to identify risk and ensure adequacy of the allowance for loan losses account ▪ Ensure compliance to Statutory Instrument No. 142 issued pursuant to the BFSA

Branch / ATM Network/IT infrastructure

- Zanaco has one of the widest branch and ATM networks in the country
- All Zanaco's branches are fully computerized and thus funds transfer within the network is real time online
- Zanaco has 56 points of representation with 2 new outlets opened since privatisation
- Furthermore, Zanaco has 67 fully operational ATMs, 33 additional ATMs to be installed soon. Target total of 145 ATMs by year end 2009
- Zanaco operates off "Flexcube" platform supported by VSAT, DSL, Fibre optic and, other communication tools



Existing Product Mix

■ Retail

- Account Services: current, savings
- Personal Loans: Premier, "Scheme", Home loans
- E-Banking: Visa Electron, SMS banking (balance enquiries), E-Tracer (statement e-mailer), ATM's, POS, internet banking,
- "Xapit" Instant Banking: mobile banking
- Remittances: Salaries, Western Union, Bill Muster
- Cash Services: Kwacha, forex, Cash, TC's

■ Corporate

- Credit Facilities: working capital, term loans, syndicated loans, agric seasonal finance, asset finance
- Treasury and Investments: spot/forward, time/notice deposits, treasury bills/bonds, securities
- Transactional Services:
 - E-Banking: payroll management, bulk payments, internet banking, SWIFT
 - Trade Services: import and export L/C's and collections
 - Cash Services: CIT, nationwide payments and collections

Relationship with stakeholders

▪ **BOZ:**

- Regulator and Supervisor
- Counterparty in money market operations (arm's length) and for statutory reserves

▪ **GRZ:**

- 25% shareholder (with 2 board seats)
- Customer at central and local government level (no preferential relationship)
- Parent/owner of other parastatal bodies and companies (no preferential relationship)

▪ **Rabobank:**

- 45.59% shareholder (with 3 board seats, of which one is Executive)
- Management Services agreement

▪ **ZNFU**

- 3.41% shareholding bought from Rabobank (as part of the privatisation agreement) just before the listing
- 1 board seat

Key regulatory requirements

- Statutory requirements include:
 - Core Liquid Assets reserve ratio 9%
 - Statutory reserves ratio 8%
 - Net Open Position limits 25%
 - Single name exposure limits 25% of regulatory capital
 - Minimum regulatory capital adequacy 10%

- Other regulatory/accounting information:
 - Financial and operational reporting to BOZ for prudential purposes
 - Publication of prudential accounts in local press
 - Prudential accounts do not meet IFRS standards, main difference: provisioning
 - Reporting standard for LuSE and corporate purposes: IFRS
 - Probable move to Basel II by 2012

Strategy and Outlook

Aspirations

- Sustainably profitable
- Broad based retail bank for all segments (corporate, retail, public service, agric)
- Consistent quality, fair price
- Sales/service oriented
- Urban/rural distribution
- Employee and customer satisfaction
- Organisation structured to meet business requirements
- Use technology advantage to achieve benefit of scale at low cost
- Clear segmentation to drive business direction and resourcing
- Grow at least at market growth rates and recapture market shares
- Target # 1 position
- Efficiency ratios to improve to at least current market averages (C/I, LDR, staff/ooe ratio)
- Rabobank link for key relationships and technical assistance

Vision, Values and Mission

Vision

- To be the people's bank, and to be the leading financial services firm in Zambia, providing sustainable financial returns and benefits to all our stakeholders

Values

What drives us?

- Proactive, result oriented, and pride

How do we achieve our goals?

- Teamwork, accountability, and competence

What guides us?

- Integrity, respect, and professionalism

Mission

- To consistently exceed our stakeholders' expectations in proactively designing, selling, delivering, and servicing competitively priced financial solutions for all key segments of the Zambian public, in rural and urban areas, through appropriate technology, and distribution channels, with empowered and motivated staff

Strategic choices

- Segmentation and Sales
 - Retail Banking and Corporate Banking Divisions to mobilise sales focused on chosen segments
 - Use of relationship managers, branch sales and direct sales agents
- Products:
 - Core product functionality fully operational
 - designing and rolling out product extensions particularly electronic solutions
 - ATMs, GPRS enabled POS terminals
 - Visa Electron,
 - Internet Banking,
 - Mobile banking
- Distribution:
 - Branch benchmarking and review of functionalities
 - Employing alternative distribution channels and partnerships
 - Optimise existing network, selective growth;

Strategic choices (contd.)

- Process:
 - Branch process re-engineering
 - Centralised processes
- People:
 - Move from payroll management/control function to management advisory
 - Implementation of best practice and performance management
 - Training
 - Staff migration/reduction
- Credit:
 - Tighter credit standards, control provisions
 - Credit process reengineering
 - Credit scoring for improved turnaround times and active portfolio management
- IT/Technology:
 - Enhance existing and rollout new cost effective ICT solutions based on customer needs

Key assumptions and metrics for the medium term future

- GDP growth at around 5% p.a.
- Deposits to grow at least at market (25-30%)
- Loans and advances to grow at least at market growth rates (25-30%), preferably higher, subject to NPL and provisioning improving
- Net interest margin declines slightly from 8% to 6% as a result of lower interest expectations in the medium term, and need to increase deposit pricing to continue gradually gaining market share and lengthen tenor of liabilities
- Non-interest income to trend to 50% of total income
- Trading income from 1 to 3% of assets
- Revenue growth to trend to about 30% p.a.
- Operational cost to income ratio to trend to 65%
- Staff expenses (excluding restructuring charges) to reduce from 65% to 50% of total expenses
- ROE to increase from mid-teens to 25%

Zambia operating environment 2009

- Government budget assumptions;
 - GDP growth 5%
 - Inflation 10%
 - Increased government borrowings from 1.4% to 1.8% of GDP
- Recent developments
 - Copper price reduction
 - Expectation of economic slowdown
 - Higher interest rates, higher inflation
 - Kwacha depreciation
- Industry outlook
 - Slow down in (retail) lending
 - Increased risk of provisions
 - But still open economy, convertible currency

Achievements since privatisation

- Further increasing distribution channels
 - 2 new branches opened
 - ATMs increased from 38 to 100
 - Roll out of 350 GPRS enabled POS
 - Launch of first ever (in Zambia) full mobile (cellphone) transactability banking platform “Xapit instant banking”. Booked in 12,000 customers within 6 weeks of launch
- Product enhancement and new products
 - Conversion of proprietary card base to Visa electron
 - Enhanced mass saving product “SEBA”
 - Launch of sale of cellphone airtime top-up on ATMs
 - Launch of corporate internet banking
- Funding & capital
 - Successful drawdown of USD 25 million in a USD 35 million unsecured facility from FMO/Proparco
 - Successfully raised ZKw 80 billion (USD 20 million) equity capital through IPO in October 2008

Achievements since privatisation (cont'd)

- Branding and Marketing
 - Re-branded the Bank
 - Complete refurbishment of 5 branches, facelift of many other branches
 - Roll out of Corporate Social Responsibility (CSR) program
- People
 - Implemented performance management culture
 - Implemented variable pay component for all staff
 - Staff training in sales and customer service across all levels
 - Successful completion of an Employee Share Ownership Program
 - Voluntary separation; staff reduction from 1100 to 1000
- Organisation
 - Structure aligned to the business
 - Relationship management focused on corporate customers and key customer segments
 - Agribusiness unit
 - Separating credit approval processes (Risk management) from sales
 - Process re-engineering

Financials

Financial Performance FY2007 vs FY2006

Based on IFRS			
(K' billion)	Actual '07	Actual '06	Change
Revenues	295	242	22%
Operating expenses	230	183	26%
PBT	64	59	8%
Impairment	22	19	16%
Tax charge/ (credit)	(5)	11	145%
PAT	47	29	62%
Deposits	1,799	1,459	23%
Operational C/ I	78	76	3%
Operational less one off (C/ I)	74	76	3%
Dividends/share	10 (act)	10	-
Prudential Provisions	48	31	55%

Financial Performance FY2008 vs FY2007

- Revenue growth of 22% despite strong internal focus and low key sales initiatives (vs. average growth rate of leading banks 23%)
- Fees and commissions up 36% from volume growth and price adjustments
- Deposits growth of 23%; No. 1 deposit taker in the market by volume
- Lowest cost of funds of all banks
- Expenses under control and within budget
- Loan book growth principally in retail lending, still the lowest loan to deposit ratio among leading banks despite high growth rate
- Staff expenses also within budget despite significant once-off staff separation costs and litigation settlements
- Provisions line still the major risk, second highest of all banks
- PAT up 62% on last year
- Dividends left flat due to restructuring and repositioning exercise

Financial Performance FY2008 vs FY2007

Based on IFRS			
(K' billion)	Actual '08	Actual '07	Change
Revenues	399	298	34%
Operating expenses	281	234	20%
PBT	90	45	100%
Impairment	28	19	47%
Tax charge/ (credit)	32	(5)	740%
PAT	58	51	14%
Deposits	2,325	1,799	29%
Operational C/ I	70%	79%	11%
Operational less one off (C/ I)	68%	74%	8%
Dividends/share	15.75 (prop)	10(act)	58%
Prudential Provisions	31	48	35%

Financial Performance 2008

- Revenue growth of 34%
- Operating expenses increased by 20% including once off restructuring charges
- Operating expenses under control and within budget
- Provisions stabilised and within budget; NPL 9.5% of loan book
- PBT up 100%
- PAT up 14% as now paying full tax rate at 40%
- Still number one deposit taker, deposits up by 29%
- Operational cost to income down to 70%, down from 79%
- RoE at 18%
- Loans and Advances up by 26%
- Still the lowest loan to deposit ratio among leading banks

Notable financial metrics 2008

- Revenue growth
- Cost to income ratio improved
- Deposit growth and strong liquidity (both domestic and foreign currency)
- Strong capital adequacy improvement from 12% FYE 2007 to 21% FYE 2008 (IFRS)
- Closed USD 25 million FMO funding (at pre-crisis margins)
- Low cost of funds from “sticky” core deposits (no hot money)

Prudential accounts comparables

2008	Zanaco	Barclays	Stanbic	Stanchart	Finance	Mkt
Assets ZKw bn	2,819	4,258	2,027	2,444	1,555	17,147
LDR	40%	123%	63%	51%	53%	62%
C/I	73.3%	70.5%	69.3%	74.3%	49%	66%
Provisions (ZKw Bn)	31	59	50	29	3	182
CAR	18%	12%	15%	13%	20%	19%
Capital (ZKw Bn)	221	385	212	170	163	1,817

2006	Zanaco	Barclays	Stanbic	Stanchart	Finance	Mkt
Assets ZKw bn	1,677	1,901	1,445	1,807	1,819	10,675
LDR	32%	72%	54%	46%	60%	46%
C/I	78.0%	54.4%	48.8%	50.6%	53.5%	56%
Provisions (ZKw Bn)	31	109	11	13	1	182
CAR	15%	11%	22%	18%	14%	20%
Capital (ZKw Bn)	101	148	173	162	98	1,080

Dividend Policy

- The table below shows the dividend the Company has declared and paid out in the last 3 financial years

Kwacha millions	2008 (proposed)	2007	2006	2005
Dividends paid	18,191	10,001	10,001	10,007

- Following the listing on the LuSE, the Company will follow a policy of declaring dividends out of the net profit of the Company as the Directors may deem prudent from time to time
- Over the next few years, Zanaco will retain a significant part of its earnings which allows the Company to invest in the ongoing restructuring and repositioning of the business and its growth ambitions. After this, Zanaco expects to increase its dividend pay-out ratio
- Proposed dividend per share for 2008: K 15.75

IPO and listing

IPO and listing

- IPO completed in October 2008 in difficult market circumstances
 - Economic : global credit crisis
 - Political : death of the president and subsequent presidential election
- Timing driven by external constraints (ZPTF mandate expiring)
- Transaction consisted of
 - Offer for Sale by ZPTF (to Zambian citizens)
 - Offer for Subscription by Zanaco (open to all)
- Last and largest ever privatisation by ZPTF
- First ever combined sale and capital raise
- Partially underwritten
- Last phase of the Zanaco privatisation process
- Largest “free float” on the market i.e. 26%

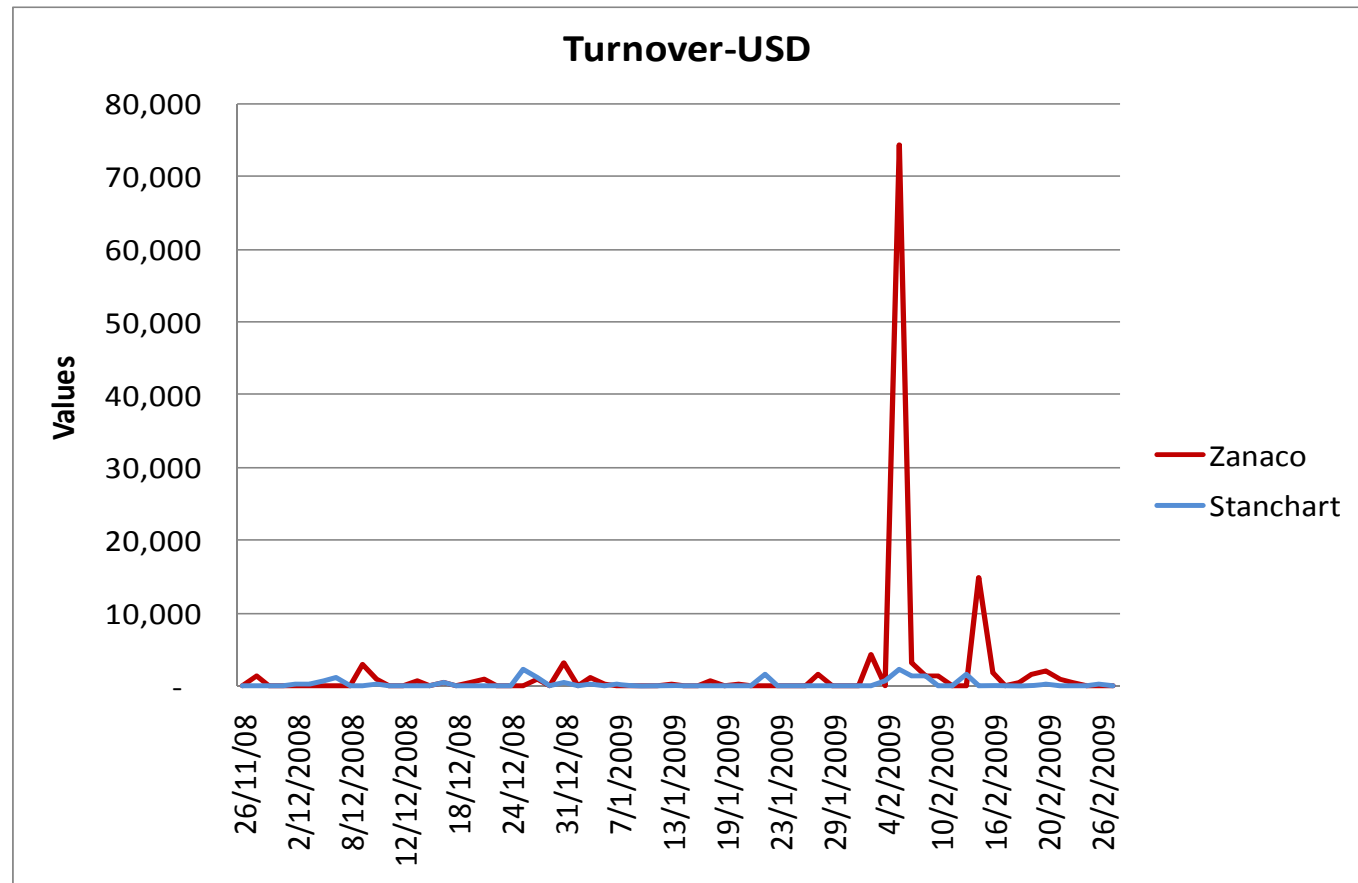
Shareholding structure

- Current ownership structure

- Rabo 45.59%
- GRZ 25%
- Institutional investors 21.48%
- Public 6.62%
- Staff 1.31%

Share trading performance

- Listing price K 470
- Current price K 299
- Low trading volumes for Zanaco; average daily USD turnover since listing in November 2008 USD 2,000
- Low trading volumes for the market; average daily USD turnover in the last 3 months USD 120,000
- LuSE ZKw Index lost 16% over the same period
- LuSE USD Index lost 32%



Selected Historic comparables as at 06/02/09 (2007 IFRS)

Stock	Market Capitalization	P/E Ratio	P/BV ratio
Zanaco	US \$ 73 million	6.9 times	1.9 times
Stanchart (Zambia)	US \$ 271 million	19 times	8.9 times
Equity Bank (Kenya)	US \$ 697 million	13.6 times	3.0 times
KCB (Kenya)	US \$ 552 million	9.7 times	2.1 times
Stanchart (Kenya)	US \$ 531 million	12 times	3.8 times
Stanbic (Uganda)	US \$ 389 million	14.5 times	6.3 times
Stanchart (Botswana)	US \$ 653 million	19.6 times	16.7 times
Stanchart (Malawi)	US \$ 121 million	13.1 times	4.8 times

Conclusion

Zanaco as an Investment

- Strong brand in the market
- Wide distribution channel; presence throughout country
- Strong and loyal retail customer base and emerging corporate customer base
- Well established IT banking platform
- Strategic relationship with Rabobank
- After years of maintenance mode, now Zanaco has the opportunity to improve its efficiency and to grow
- Opportunity for continued financial improvement
 - Cost to income ratio
 - Loan to deposit ratio
 - Trading income
 - Provision levels
 - Staff to other operating expenses ratio
 - Focus on sustained and stable earnings growth

Conclusion

- Aspire for #1 position
- Uncertain external environment 2009
- Residual risk of increased provisions
- Focus on earnings stability, sustainability and growth
- Multiplier effect of :
 - GDP plus inflation
 - banking sector penetration gains
 - market share gains
- IPO valuation at 2.33x PBV, and 9.79 x PE (October 2008)
- Current valuation (based on 2008 IFRS, and price as at 27/02/09)
 - P/E 5.2 times
 - P/BV 1.1 times
- Low comparable valuation in Sub Sahara Africa

Appendix

Parties Involved in the IPO

Joint Lead Advisors to the Offer



STOCKBROKERS ZAMBIA

Co Lead Advisor to the Offer



Reporting accountant



Sponsoring broker



STOCKBROKERS ZAMBIA

Auditors



Legal advisor to the Offer

Lewis Nathan
Advocates

Share Registrar

CORPSERVE

Transfer agent

Lewis Nathan
Advocates

Independent Legal advisor to Zanaco



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