

Analyst Briefing 2014



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Operating Environment Update...

Review of Macro - Environment:

- **Inflation** returns to positive territory at **0.33%** (July 2014)
- **Tobacco success:** 204.4 million kgs worth US\$647 million (FY 2014) against historical peak of 237 million kgs worth US\$400 million (FY 2000). [TIMB]
- **Manufacturing:** Capacity utilisation projected to decline to 30% (FY 2014) from 39.6% (FY 2013) [Treasury state of the economy report : MoF].
- **Job market concerns:** Retrenchments on the rise, with 2 065 employees retrenched by May 2014. [Treasury state of the economy report : MoF].

Operating Environment Update...

Review of Banking Sector by RBZ

Banking sector highlights	FY2013	H1 2014	FBC Subsidiaries
Total Banking Sector Deposits	US\$4.73 bln	US\$4.96 bln	US\$324 mln (6.5%)
Total sector Loans & Advances	US\$3.7 bln	US\$3.8 bln	US\$248 mln (6.5%)

- **Interbank market facility** to be operational between end of August and mid-September.
- Establishment of **forum to review** on a quarterly basis, **bank charges, interest rates, and the credit review system.**
- RBZ to establish a **central credit registry system** within its structures.

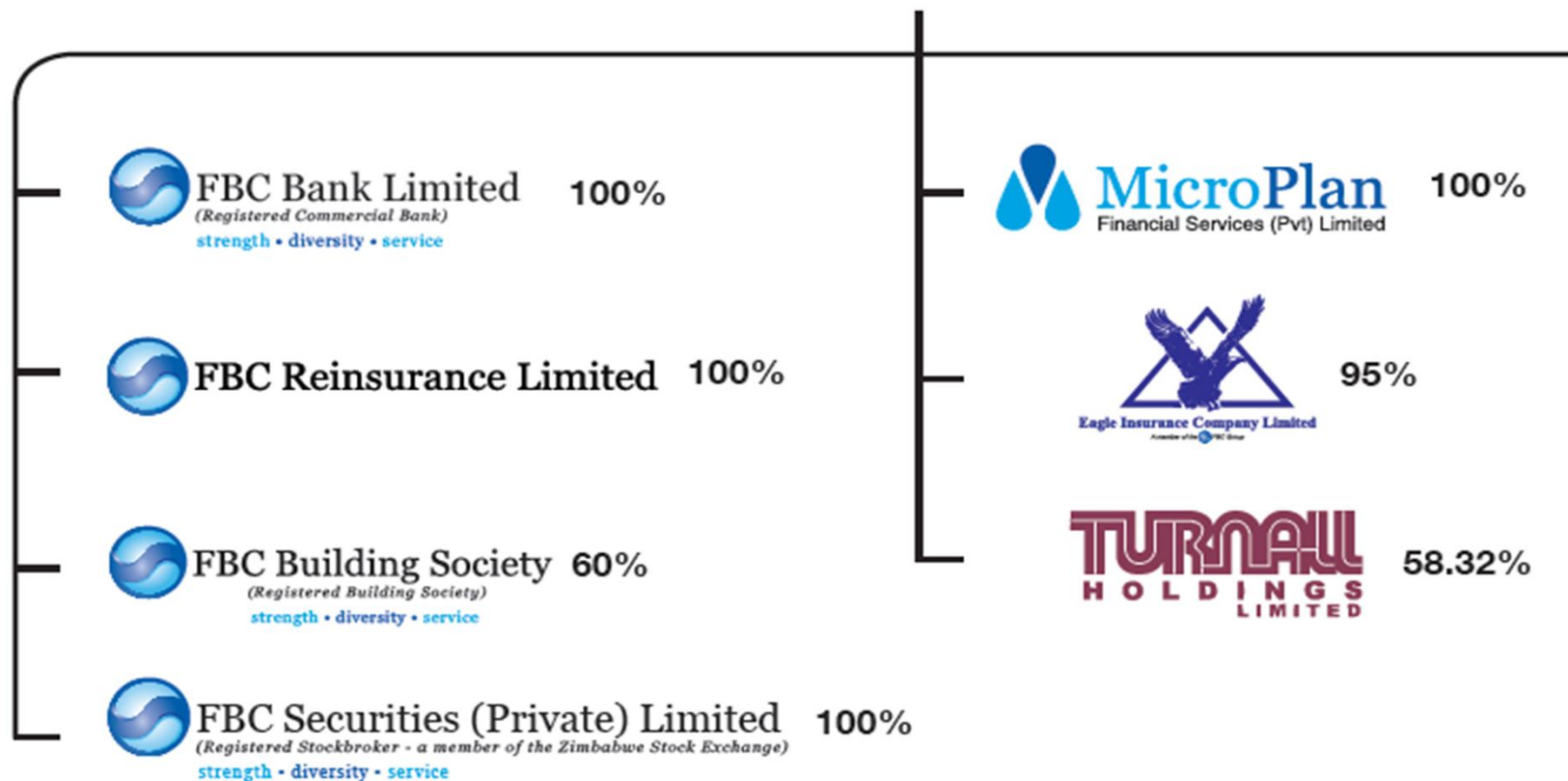
Operating Environment Update...

As per IPEC report as at Q1 2014

Non-Life Insurers	FY 2013	31-March-14	Eagle Insurance as at March 2014
Gross written premiums	US\$209.84 mln	US\$71.21 mln	US\$4.10 mln (5.9%)
Net written premiums	US\$110.28 mln	US\$35.82 mln	US\$2.30 mln (6.4%)
Total Assets	US\$164.26 mln	US\$181.54 mln	US\$10.24 mln (5.7%)

Reinsurers	FY 2013	31-March-14	FBC Re as at March 2014
Gross written premiums	US\$99.5 mln	US\$28.00 mln	US\$4.3 mln (15.5%)
Net written premiums	US\$72.5 mln	US\$20.26 mln	US\$3.1 mln (15.4%)
Total Assets	US\$122.9 mln	US\$122.6 mln	US\$16.3 mln (13.3%)

Our Group Structure...



Group Capital Position (as at 30-June-14)õ

Company	Gross Capital Base (US\$)	Regulatory Minimum (US\$)
FBC Bank Limited (Tier 1 Compliant)	38.7 million	25 million
FBC Building Society (Tier 1 Compliant)	28.3 million	20 million
FBC Reinsurance Limited	9 million	1.5 million
Eagle Insurance Company Limited	3.5 million	1 million
FBC Securities (Private) Limited	232 590	150 000
Microplan Financial Services	2.9 million	5 000
Turnall Holdings Limited	24.3 million	

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Group Capital Position (as at 30-June-14)

Company	FY 2013	H1 2014
Equity attributable to holders of parent company	93 849 345	99 948 813
Non-Controlling Interests	12 366 171	11 263 075
Total Equity	106 215 516	111 211 888
Market Capitalization	90 713 240	77 274 242

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International Credit Ratings

Company	2009	2010	2011	2012	2013	2014
FBC Bank Limited	A-	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Reinsurance Limited	A-	A-	A-	A-	A-	A-
Eagle Insurance Company Limited			BB	BB+	BBB-	BBB-

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Key Financial Highlights

		H1 2013	H1 2014
Total Income	• increase of 11% ...	US\$36.80 million	US\$40.99 million
Profit before tax	• down by 22% ...	US\$10.03 million	US\$7.85 million
Cost to income ratio	• lower contribution by Turnall.	73%	81%
Basic earnings per share	Slight decrease in response to the depressed performance by Turnall.	US1.31 Cents	US1.19 Cents

Key Financial Highlights Cont'd

FY2013 H1 2014

Total assets

recorded a 6% growth

US\$461
million

US\$489
million

Shareholder funds

increased by 6%

US\$94
million

US\$100
million

Net asset value
per share

versus ZSE closing trading price of 11.50c

US14
Cents

US15
Cents









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Statement of Comprehensive Income; Highlights ÷

Line Item	H1 2013 (US\$)	Change		H1 2014 (US\$)
		Move	%	
Total Income	36.8 million		11%	40.9 million
Administrative expenses	21.7 million		13%	24.6 million
Impairment allowance	0.6 million		269%	2.3 million
Net Insurance commission expense	1.8 million		5%	1.9 million
Insurance claims expense	2.6 million		65%	4.3 million
Profit before tax	10.0 million		22%	7.8 million
Income tax expense	1.7 million		42%	1.0 million
Profit after tax	8.3 million		17%	6.8 million









Total Income contribution

Source of Income	H1 2013 (US\$)	Change		H1 2014 (US\$)
		Move	%	
Interest Income	20 319 390		40%	28 548 380
Interest Expense	(10 464 365)		20%	(12 566 751)
Net Interest Income	9 855 025		62%	15 981 629
Fees and commission income	11 474 111		12%	12 850 644
Fees and commission expenses	(5 867)		236%	(19 742)
Net Fee and Commission Income	11 468 244		12%	12 830 902
Revenue	24 833 494		33%	16 612 240
Cost of sales	(18 503 085)		22%	(14 479 665)
Gross profit	6 330 409		66%	2 132 575









Total Income contribution cont'd

Source of Income	H1 2013 (US\$)	Change		H1 2014 (US\$)
		Move	%	
Insurance premium revenue	12 088 498		27%	15 411 881
Premium ceded to reinsurers	(4 872 989)		29%	(6 072 222)
Net earned insurance premium	7 215 509		14%	9 339 659
Net trading income	409 646		30%	532 450
Net gains / (loss) from financial assets	236 263		49%	(121 529)
Other operating income	1 286 678		77%	293 579
Total Income	36 801 774		11%	40 989 265

Subsidiary contribution to Group PBT_o

Business Unit	H1 2013 (US\$)	Change		H1 2014 (US\$)
		Move	%	
FBC Bank Limited	4 150 444		5%	4 375 489
FBC Building Society	3 123 605		6%	3 300 069
Microplan Financial Services	563 977		179%	1 571 784
Eagle Insurance Company Limited	464 378		3%	452 291
FBC Reinsurance Limited	1 635 871		54%	758 738
FBC Securities (Private) Limited	102 896		134%	(34 688)
Total for Financial Business Units	10 041 171		4%	10 423 683
Turnall Holdings Limited	29 320			(3 516 023)

Operating Expenses composition

Expenditure	H1 2013 (US\$)	Change		H1 2014 (US\$)
		Move	%	
Administration Expenditure	8 644 641		21%	10 468 753
Staff costs	10 968 552		9%	11 966 493
Directors Remuneration	256 742		27%	326 698
Audit Fees	182 228		38%	251 287
Depreciation	923 618		11%	1 021 705
Amortization (Software)	335 905		56%	147 688
Operating Lease Payment	375 473		6%	399 565
Total Expenditure	21 687 159		13%	24 581 189

Statement of Financial Position; Highlights ÷

Line Item	FY 2013 (US\$)	Change		H1 2014 (US\$)
		Move	%	
Total Assets	460.8 mln	↑	6%	489.5 mln
Equity attributable to holders of parent entity	93.8 mln	↑	6%	99.9 mln
Total Equity	106.2 mln	↑	8%	111.2 mln
Loans & Advances	265.8 mln	↓	7%	247.8 mln
Total Deposits	299.7 mln	↑	8%	323.6 mln
Cash and Cash Equiv.	69.4 mln	↑	71%	118.9 mln

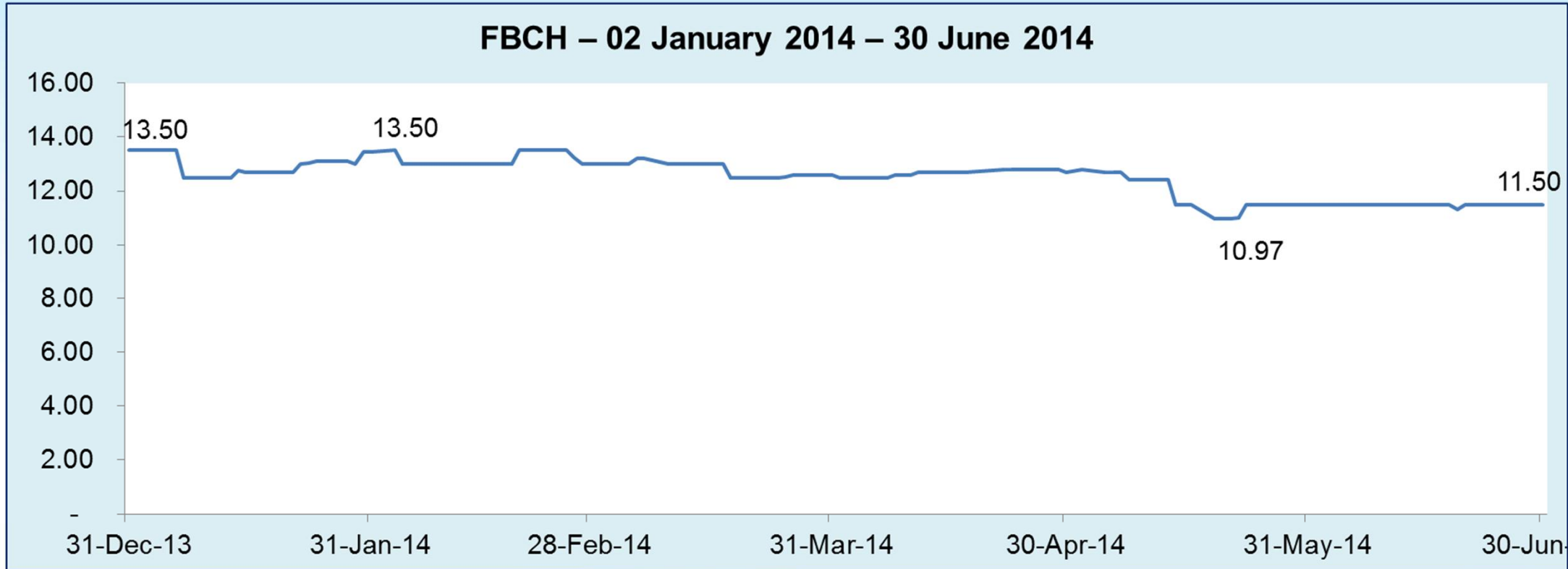
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Coming together is a beginning,
staying together is progress,
and working together is success



Our Share Price Performance...



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FBC Bank Ltd

US\$40 million Syndicated Loan oversubscribed by US\$20 million

Secured a US\$10 million Grain Import Facility

Jointly raising US\$15 million with Agribank for 2014/15 agriculture season

Repaid US\$23 million to Afreximbank and PTA Bank on maturity of facilities

MasterCard EMV project successfully concluded

FBC Bank Ltd

Automation - Zimra payments; Tertiary Fees payments.

16 new Voice Interactive ATMs Installed and now operational

FBC Highfield Branch opening in Q3 of 2014; Zvishavane branch renovated.

New Products . Vehicle licensing

Asset Quality By Grade

		FY 2013		H1 2014	
GRADE	DESCRIPTION	AMOUNT	Proportion	AMOUNT	Proportion
Grade 1 . 7	Unimpaired	204 839 816	91%	190 993 736	91%
Grade 8 . 10	Individually Impaired	19 924 110	9%	19 327 545	9%
TOTAL		224 763 926	100%	210 321 281	100%

Loan book is predominantly secured




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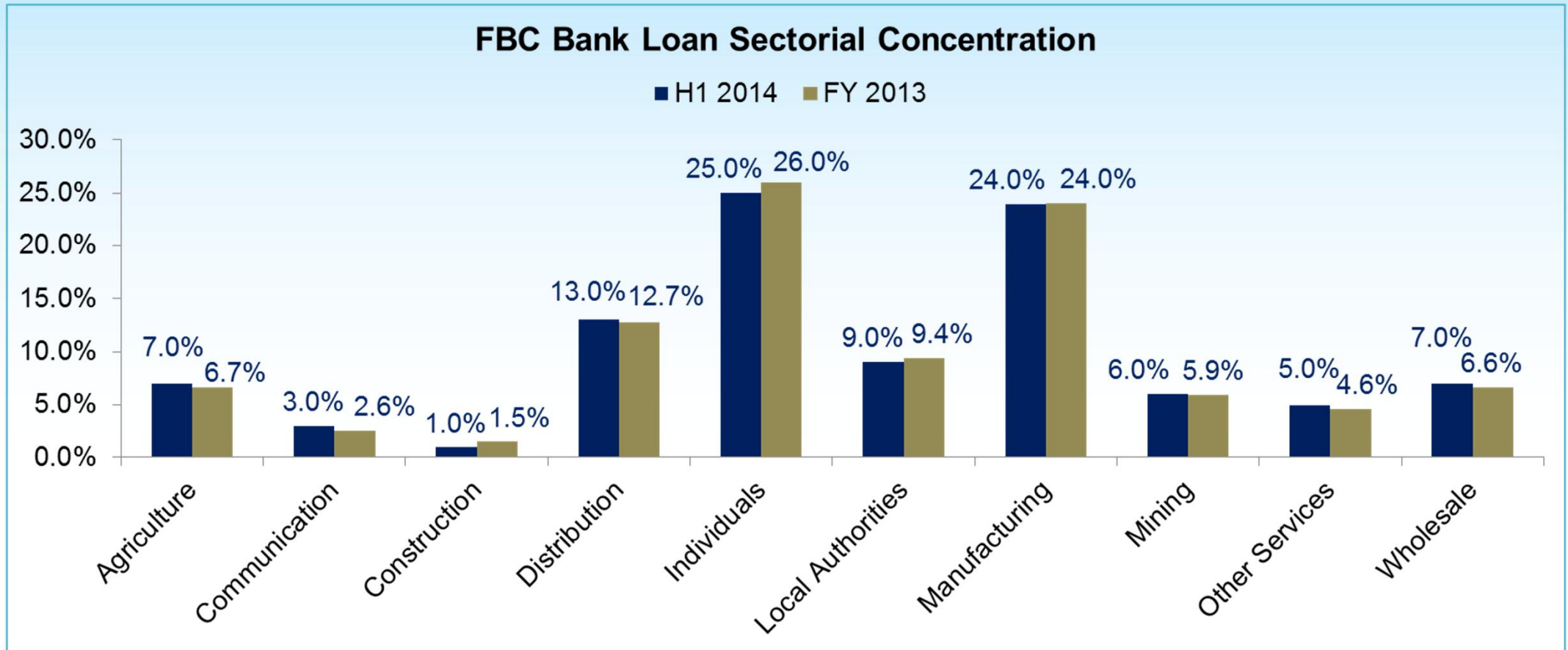
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Loans Concentration by Sector



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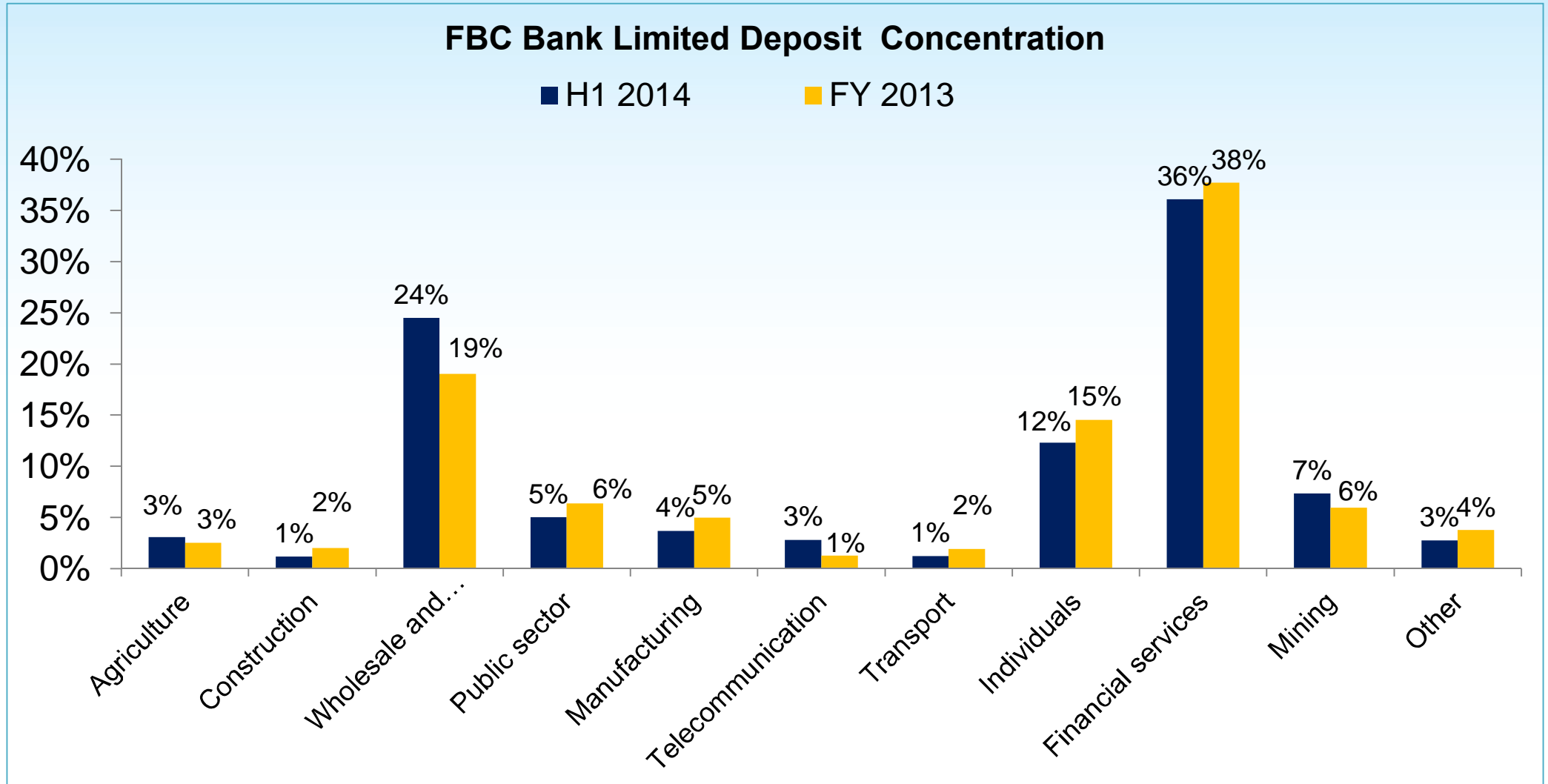
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Deposits Concentration by Sector





Contribution to Group

Total Assets
\$348.0 m
(62.7%)

Total Equity
\$38.7 m
(34.8%)

PBT
\$4.4 m
(63.3%)

Profitable Operations

Total Income
\$20.8 m
(51.7%)

Expenses
\$16.4 m
(49.3%)



FBC Building Society

Released a total of 69 new housing units for the market in H1 2014

Completed and handed over Masotsha Ndlovu Phase 2 cluster homes project

Aggressive management of credit risk in view of deteriorating lending environment

Long term capital raising initiatives remain a key enabler for our business model

Asset Quality By Grade

		FY 2013		H1 2014	
GRADE	DESCRIPTION	AMOUNT	Proportion	AMOUNT	Proportion
Grade 1 . 7	Unimpaired	43 710 786	95%	41 857 840	94%
Grade 8 . 10	Individually Impaired	2 362 084	5%	2 894 610	6%
TOTAL		46 072 870	100%	44 752 450	100%

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2014 PROJECTS	TOTAL UNITS PRODUCED	TOTAL PROJECT SALES	COMMENT
Masotsha Ndlovu	36	23	Phase 1 and 2 completed and handed over
Glaudina (Harare)	40	15	Construction work completed, sales in progress
Mbizo (Kwekwe)	157	109	Construction commenced in August 2013
Greendale (Harare)	10	2	Sales made off plan; Construction in progress
Newlands (Harare)	30	1	Sale made off plan; Construction in progress



Masotsha Ndlovu, Waterfalls Homes
Now Selling
18 Cluster Homes

For more information contact

Cell : 0775 196 610 Landline 04 - 757904
: 0772 744 111 : 04 - 772732
: 0712 456 149 : 04 - 781804
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Contribution to Group

Total Assets \$95.7 m (17.2%)	Total Equity \$28.3 m (25.5%)	Surplus \$3.3 m (47.8%)
-------------------------------------	-------------------------------------	-------------------------------

Profitable Operations

Total Income 6.7 m (16.7%)	Expenses \$3.4 m (10.3%)
----------------------------------	--------------------------------



Microplan

▶ Focused more on collections in view of increasing credit risk in lending environment.

▶ Financial inclusion efforts . 57% of borrowers women, 10% of borrowers in rural areas.

▶ Business Development . Micro housing loans introduced, launching micro leasing in H2

▶ Market presence . opening Bindura branch in H2

Asset Quality By Grade

		FY 2013		H1 2014	
GRADE	DESCRIPTION	AMOUNT	Proportion	AMOUNT	Proportion
Grade 1 . 7	Unimpaired	11 035 764	87%	11 229 546	85.45%
Grade 8 . 10	Individually Impaired	1 694 382	13%	1 911 808	14.55%
TOTAL		12 730 146	100%	13 141 354	100%



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Contribution to Group

Total Assets
\$15.0 m
(2.7%)

Total Equity
\$2.9 m
(2.6%)

PBT
\$1.6 m
(22.8%)

Profitable Operations

Total Income
\$2.7 m
(6.7%)

Expenses
\$1.1 m
(3.4%)





Eagle Insurance

▶ Impressive Year to Date performance of the Hospital Cash Plan product

▶ Opening up the Hospital Cash Plan product to mutually beneficial partnership arrangements

▶ Aggressively pursuing opportunities in Motor and Property classes of insurance

▶ Continuously improving claims control mechanisms to ensure insurance fraud detection

▶ Maintained its Global Credit Rating (GCR) of BBB-



Eagle Insurance Company Limited
A member of the FBC Group

Contribution to Group

Total Assets
\$10.5 m
(1.9%)

Total Equity
\$3.5 m
(3.2%)

PBT
\$0.5 m
(6.5%)

Profitable Operations

Total Income
\$3.9 m
(9.6%)

Expenses
\$3.4 m
(10.3%)

FBC Re

Best rated Reinsurer in Zimbabwe - Global Credit Rating (GCR) of ~~A-~~ **A++**

Successful renewal of retrocession programme with some of the world's strongest reinsurers

Launched client Risk Management Survey services to minimize the incidents of fire losses

Continuous asset re-balancing in favour of liquid assets to ensure claim settlement abilities

H2 FY 2014 performance to be driven by treaty business and Agriculture season renewals

 FBC Reinsurance Limited

Contribution to Group			Profitable Operations	
Total Assets \$21.10 m (3.8%)	Total Equity \$9.0 m (8.1%)	PBT \$0.76 m (11%)	Total Income \$5.91 m (14.7%)	Expenses \$5.2 m (15.5%)



FBC Securities (Pvt) Ltd.
strength • diversity • service

Contribution to Group

Total Assets
\$1.9 m
(0.3%)

Total Equity
\$0.23 m
(0.2%)

PBT
(\$0.03 m)
(-0.5%)

Profitable Operations

Total Income
\$0.2 m
(0.5%)

Expenses
\$0.23 m
(0.7%)

Our Journey with Turnall...

● Time of acquisition by FBCH

- Overreliance on Endurite and Corrugated sheets (93% contribution of sales)
- Factories . 3 sheeting lines and 1 pipe plant

● Our contribution to date

- Broadening of product range (New concrete tiling products contributing 11% to sales)
- Introduction of new technology (New tech plant)
- Remodeling of route to market (cash sales model)
- 23% turnover growth from \$34.9 million (FY 2010) to \$42.9 million (FY2013)

● The future of Turnall Holdings Limited

- Firming demand for roofing sheets after initial cash sales resistance by market
- Additional contribution to sales by Tiles (Backlog on tiling plant)
- Additional scope for R & D on new production lines; e.g. brick manufacturing
- Economic business still has strong fundamentals.



Contribution to Group			Profitable Operations	
Total Assets \$62.6 m (11.3%)	Total Equity \$24.3 m (21.9%)	PBT (\$3.5 m) (-50.9%)	Total Income - (0%)	Expenses \$3.5m (10.5%)

Dividend in specie

- Distribution of FBC Bank and FBCH's 58.32% shareholding in Turnall Holdings Limited as an interim dividend.
- FBCH Shareholders receiving 0.39 Turnall shares for every 1 ordinary share held in FBCH.
- Dividend in specie entitlement to be 10% less of withholding tax where applicable.
- Turnall Holdings Limited will cease to be a subsidiary of FBC Holdings Limited.
- Rationale
 - Disposal of non-core business from Group's financial service portfolio.
 - Regulatory compliance in the case of FBC Bank Limited.

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Outlook

- Banking Businesses
 - Liquidity Management
 - Asset Quality
 - Robust Risk Management
 - Increasing digital and electronic transactions.
- Insurance Businesses
 - Collectable premiums written
 - Liquid balance sheets
 - Strong underwriting discipline



Thank You