



FBC Holdings Limited
strength • diversity • service

Reviewed Financial Results

FOR THE SIX MONTHS ENDED 30 JUNE 2020




FBC Bank Limited
(Registered Commercial Bank)
strength • diversity • service



FBC Building Society
(Registered Building Society)



FBC Reinsurance Limited



FBC Securities (Private) Limited
(Registered Stockbroker) - Member of the Zimbabwe Stock Exchange



MicroPlan
Financial Services (Pvt) Limited
(A registered microfinance institution)



FBC Insurance Company Limited



CHAIRMAN'S STATEMENT

FINANCIAL HIGHLIGHTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Group total income	Group profit before income tax	Group profit after income tax	Cost to income ratio	Basic earnings per share	Net asset value per share	Asset base	Dividend declared
Inflation Adjusted ZWL\$3.5 billion	Inflation Adjusted ZWL\$2.1 billion	Inflation Adjusted ZWL\$1.6 billion	Inflation Adjusted 39%	Inflation Adjusted 265.42 ZWL cents	Inflation Adjusted 730 ZWL cents	Inflation Adjusted ZWL\$20.9 billion	Inflation Adjusted ZWL\$200 million
Historical Cost ZWL\$3.6 billion	Historical Cost ZWL\$2.3 billion	Historical Cost ZWL\$1.9 billion	Historical Cost 35%	Historical Cost 312.28 ZWL cents	Historical Cost 549 ZWL cents	Historical Cost ZWL\$20.1 billion	Historical Cost ZWL\$200 million

It is with great pleasure that I present to you the Group's reviewed interim results for the half-year ended 30 June 2020. The results are presented at a time in which the country faces both economic and humanitarian challenges largely due to the Covid-19 pandemic.

Financial Performance Review – Inflation Adjusted

The Group has continued to benefit from its diversified business model in addition to its strong risk management culture and the early adoption of digitalization in spite of the unprecedented challenging environment ignited by the Covid-19 pandemic. The Group registered a commendable profit before tax of ZWL\$2.1 billion from a loss position of ZWL\$380.1 million for the same period last year. The Group performance was mainly driven by the non-funded income derived from its effective hedging strategy. The hedging strategy resulted in noteworthy exchange gains and fair value gains being recorded as the local currency depreciated against major currencies.

The Group recorded total income of ZWL\$3.5 billion which is 82% higher than the ZWL\$1.9 billion recorded for the same period last year. The level of total net income was however, affected by the low contribution of net interest income as a result of the unsustainable low interest rate regime on local borrowings in a hyperinflationary environment. Net interest income of ZWL\$451.3 million was achieved registering a growth of 20% compared to the same period last year. Net fees and commission income decreased by 16% to ZWL\$286.7 from ZWL\$340.7 million achieved for the same period last year mainly as a result of significant reductions in volume of transactions as customers transacted less as a result of the Covid-19 pandemic lockdown measures. This revenue stream is expected to improve as the lockdown measures are eased. The repricing of services in a hyperinflationary environment was inadequate to compensate the decrease in volumes. The country started the Covid-19 pandemic at Level 4 (the highest level) at the end of March 2020 to the current level 2 which is a moderate level and has culminated in an improvement in the volume of transactions. Net profit from property sales decreased by 51% to ZWL\$5.5 million from ZWL\$11.2 million achieved for the same period last year as a result of the challenging and unsustainable operating environment.

Net insurance premium earned decreased by 5% to ZWL\$219 million from ZWL\$230 million recorded for the corresponding period last year. This was also attributable to the Covid-19 pandemic lockdown effects and the hyperinflationary environment which made the insurance business model very challenging.

The Group's administrative expenses increased by 56% to ZWL\$1.4 billion mainly driven by the repricing of overheads to match the devaluation of the local currency, and concomitant distorted and speculative pricing.

A net monetary gain of ZWL\$153 million was recorded for the Group compared to the corresponding period net monetary loss amount of ZWL\$1.2 billion.

The Group's statement of financial position as at 30 June 2020 increased by 29% to ZWL\$20.9 billion from the 31 December 2019 position of ZWL\$16.3 billion. The growth in the statement of financial position was mainly driven by a 31% increase in deposits riding on foreign currency denominated deposits and credit lines.

The Group's total equity attributable to shareholders of the parent company increased by 69% to ZWL\$4.4 billion from ZWL\$2.6 billion as at 31 December 2019 as a result of retained revenue reserves for the period.

Operating Environment

The trading environment remained challenging during the first half of the year as the country grappled with the effects of the Covid-19 pandemic. The Government introduced a raft of measures to contain the spread of the Coronavirus. This inevitably disrupted business transactions and volumes which translated to reduced revenue streams across a number of businesses. The Covid-19 pandemic is likely to have significant adverse financial impact on business and the economy in general for the year 2020. Globally, economies are expected to be negatively impacted by this pandemic and this may translate to weak global trade. Zimbabwe is projected to experience low export performance and this may further impact foreign exchange rate stability. A combination of Government interventions and external development support towards the mitigation of the Covid-19 pandemic is expected to provide relief and may neutralize the impact of the pandemic on businesses and the general citizenry going forward.

Foreign exchange developments

The Reserve Bank of Zimbabwe introduced the Foreign Exchange Auction System to promote both financial and price stability through an efficient and transparent process. As anticipated, the price discovery process resulted in the local currency depreciating from a fixed rate of USD1: ZWL 25 to USD1:ZWL63.74 as at 30 June 2020. A second foreign currency auction system was subsequently introduced on the 4th of August 2020 to cater for the foreign currency needs of small and medium enterprises. These initiatives coupled with other monetary policy interventions are expected to result in increased participation on the auction system by a number of economic players which in turn will boost confidence in the foreign currency auction system.

Inflation

Inflation levels remain high though the country has witnessed some price stability in the recent past weeks. This is partly attributable to the recently introduced foreign currency auction system which has enabled firms and organizations to access foreign currency on the official market. Year on year inflation for the month of June 2020 was 737.3% compared to 785.6% for the month of May 2020. It is anticipated that prices of goods and services will stabilize in the short-to medium term if current measures are applied consistently. This development will also facilitate long-term planning and result in increased business confidence and activities.

Banking Sector

The sector has not been spared by the devastating effects of the Covid-19 pandemic. Business disruption has been frequent since the introduction of the lockdown measures during the month of March 2020. Key areas adversely affected include volume of transactions and increased credit risk. In response, the Reserve Bank implemented various regulatory measures aimed at ensuring that banking institutions are able to continue to support the economy and to maintain financial sector stability. These measures include credit relief measures to enable counterparties to restructure loan facilities. The Group however remains liquid and is able to discharge its liquidity obligations despite constrained business environment.

On the other hand the sector has been stepping up efforts to digitalize processes, services and products as part of measures to enhance customer convenience. This complements current strategies under the current Covid-19 pandemic to minimize all forms of physical contact. FBC Holdings had already started this transformative digital journey prior to Covid-19 pandemic. The pandemic has further pushed the organization to accelerate the digitalization initiative. The sector is projected however to remain stable owing to regulatory and institutional interventions which will reduce the impact of the pandemic to the sector.

Insurance Sector

High inflation and low customer spending has weakened demand for insurance services across the economy. The sector's prospects have been dented by the macroeconomic challenges. Product affordability has been a hindrance to business retention and growth. Currency instability since the beginning of the year has also contributed to low insurance uptake. The industry in response has reconfigured product offerings through offering foreign currency denominated policies. However the key setback to this is that most companies are still to generate adequate foreign currency revenues to afford insurance products. The Group is focusing on product innovation to tap into new market segments.

Property Market

The sector's potential has been slowed down by a number of factors, key among them, the general economic slowdown and lack of suitable funding. The real estate sector however remains a viable hedging option given the inflationary environment. Funding however remains a challenge as funds are largely short-term yet this sector requires patient and long-term funding. Activity has remained largely confined to residential property development at the expense of commercial real estate as occupancy levels have dipped significantly. FBC Holdings Limited has earmarked this sector as a strategic target in its quest to preserve value and enhance revenues. During the period under review, the Group embarked on Kuwadzana housing project wherein 266 housing units will be completed.

Stock Market Performance

The stock market remained an attractive investment option during the first half of the year as investors sought assets which are responsive to inflation and currency developments. As a result market indices trended upwards with the all share index gaining 677% in nominal terms. In line with its hedging strategy, the Group carries equity exposures through certain of its subsidiaries. The stock market however suffered a temporary setback on 28 June 2020 when authorities suspended trading on the bourse to facilitate investigations of alleged financial crime related practices. Trading resumed on 3 August 2020 and investors are expected to evaluate and realign their investment strategies.

Share Price Performance

The FBCH counter traded well ahead of the overall market, gaining 2,160% compared to 677% recorded by the all share index to close the period at ZWL14.75. A total of 36.4 million shares were traded at a weighted average price of ZWL2.55, a gain of 395% from 2019 full year's weighted price of ZWL0.5155. Consistent corporate performance will remain a key focus for the Group to ensure decent returns to Shareholders.

Dividend

On behalf of the Board of FBC Holdings Limited, I am pleased to advise shareholders that an interim dividend of 29.76 ZWL cents per share is proposed for the half year ended 30 June 2020 after taking into account the performance of the Group and the need to continue strengthening the Group's capital position. The proposed dividend translates to approximately 9.5 times cover.

Information Technology, Digital Transformation and Innovation

FBC Holdings Limited has been able to leverage on its Information Technology investment to respond to the global pandemic. The organisation continues to serve its customers through digital channels. The Covid-19 pandemic has presented an opportunity for the Group to accelerate

the development of exciting new electronic products and services which will be rolled out during the second half of the year. This is expected to increase convenience to our customers. The Group has also taken a deliberate effort to go paperless in light of the availability of many digital channels where customers can access our products and services. The digitalization drive has resulted in the Group scaling down on physical branches in favour of electronic delivery channels.

The aggressive adoption of the technology as a means to deliver service and convenience to customers inevitably attracts new risks. FBC Holdings continues to prioritise the security of its Information and Technology environment. The Group's Information Security Management processes are aligned to international best practice standards, ISO 27001, which prescribe various practices and activities to secure our platforms and channels.

Covid-19 Pandemic Response Strategy and Measures

The country has witnessed a surge in the number of Covid-19 cases over the recent past weeks. Key to note is that the bulk of the cases are now local transmissions. This development has increased the risk of cases of infection within FBC Holdings and potentially disrupting business operations. FBC Holdings has instituted a number of health and safety measures to protect its employees, customers and the community it serves.

These measures are:

- Awareness and dissemination of information to members of staff on Covid-19 and measures to take and abide by as guided by the WHO and Ministry of Health and Child Care.
- Instituting Group-wide testing across all business units for all staff including Board members.
- Regular tests on a targeted basis in areas that are considered high risk in particular our frontline staff.
- Social distancing, sanitization of persons, disinfection of offices, wearing of masks and other hygiene protocols have been put in place as a matter of policy. In addition, staff in offices that regularly interface with outsiders or customers have been provided with face shields over and above masks. All office premises are being disinfected on a weekly basis and where there is a reported positive case immediate evacuation of staff, disinfection and PCR testing are instituted promptly. Further strengthening of these measures is underway by considering the acquisition of automatic sanitization/spray booths and foot baths for entrances.
- Introduction of work from home (WFH) arrangements where only a restricted number of employees are allowed to work on premise whilst the rest work from home.
- All staff members who will have tested positive are supported through the Group Human Resources function and the Company's Medical Doctor.

FBC in the Community

FBC Holdings Limited is proactively implementing and championing sustainable Corporate Social Responsibility (CSR) initiatives. The Group values being a responsible corporate citizen and will actively participate in community development initiatives. In light of the global Covid-19 pandemic, FBC Holdings donated Ten Thousand (10 000) Coronavirus test kits in the interest of public health. The test kits will assist in detecting people exposed to the virus, leading to the implementation of the necessary health measures to contain transmission of the same. The Group has also been extensively involved in the area of education. The Group undertook to reconstruct classroom blocks at schools destroyed by Cyclone Idai in Manicaland and Masvingo Provinces. The Group donated building material for the re-construction of classroom blocks at Charleswood Primary School in Chimanimani. Construction of four (4) classrooms is now at an advanced stage.

FBC Trendsetting

FBC Bank was recognized as a Super brand by the Marketers Association of Zimbabwe (MAZ) in June this year. The super brand identifies brands that are performing above and beyond others within the market. The Group is excited about this recognition and will build on the same to enhance the FBC brand position in the country.

Compliance and Regulatory Developments

The Group operates under a complex and dynamic regulatory environment. The compliance requirements have been increasing every year. The period under review was characterized by the introduction of a number of Statutory Instruments which in some cases impacted the Group's operations significantly. The Covid-19 pandemic has seen the introduction of regulations to prevent and contain the spread of the deadly virus.

The country has been designated under European Union (EU) regulations amongst countries considered to have strategic deficiencies in their anti-money laundering and counter-terrorist financing frameworks. The aim of this list is to protect the EU financial system by better preventing money laundering and terrorist financing risks. As a result of the listing, banks and other entities covered by EU anti-money laundering rules will be required to apply increased checks (due diligence) on financial operations involving customers and financial institutions from these high-risk third countries to better identify any suspicious money flows. On the local front there has been enhanced surveillance of transactions on mobile money and banking platforms through the Financial Intelligence Unit (FIU).

The Group is committed to complying with all applicable laws, regulations, standards and international best practices. Any breach of the applicable laws and regulations exposes the Group to legal, regulatory and reputational risks and may result in de-risking and financial abandonment which will impair the Group's ability to provide products and services to its customer base. The Group therefore realizes the serious impact of non-compliance and will continue to place great emphasis and commit resources on measures to mitigate the same. The Group has zero tolerance for non-compliance.

Capitalisation

The Reserve Bank of Zimbabwe (RBZ) reviewed the minimum capital requirements for banking institutions during the period under review. FBC Bank Limited and FBC Building Society are required to have capital levels of US\$30 million and US\$20 million respectively by 31 December 2021. These subsidiaries are expected to self-capitalize through normal trading by the regulated deadline. The Insurance and Pension Commission (IPEC) also reviewed minimum capital thresholds with reinsurance companies expected to have a minimum capital of ZWL\$150 million and composite primary insurance companies ZWL\$112.5 million. The Group has a detailed capitalization plan in place to ensure full compliance.

Environment, Social and Governance (ESG) Priorities (Sustainability)

Sustainability is important to our clients and to the societies we serve. FBC Holdings is redefining its corporate strategy making sure that it incorporates issues of environmental integrity, economic prosperity as well as social equity and cohesion. The Group is well positioned not only to provide financial support but also to share knowledge to help our clientele meet and create demand for products and services with a sustainability focus.

FBCH firmly believes that for the financial sector to drive the transition to a green, inclusive, digital and sustainable economy, the financial institutions have to be sustainable themselves. As such, the Group is developing a revised comprehensive set of policies and guidelines which will ensure that sustainability is embedded in the decision-making processes and that related risks are adequately identified, analyzed, mitigated, managed, monitored and reported timeously. The Group is also in the process of creating sustainability oversight structures which will aid in the provision of corporate support and divisional implementation. FBC Bank Limited is participating in the Sustainability Standards and Certification Initiative ("SSCI") and is progressing towards certification thereof.

Outlook

The economic outlook remains unpredictable largely due to the uncertainties brought about by the Covid-19 pandemic. The business is still faced with a lot of unknown possibilities. The Group is however hopeful that the current economic policies and measures being implemented which have brought some price stability will further improve the economic environment going forward. The Group will continue to seek opportunities to preserve its balance sheet and reconstitute its business model. The business model will be reconfigured in line with regulatory requirements and the changes to the macroeconomic landscape.

Appreciation

My sincere and heartfelt appreciation goes out to all our stakeholders and in particular to our valued customers who have demonstrated unwavering support for the FBCH Brand. To our customers, we would like to reaffirm our promise that You Matter Most and as such we will endeavour to deliver sustainable, innovative and market-leading products under the prevailing conditions.

I am also grateful to the FBC Holdings Board of Directors, management and staff members, for their guidance, contribution and support in the execution of our business strategy. The health and well-being of our clients, employees, their families and the nation at large, is our primary concern and we will continue to put in place and review measures to curb the spread of Coronavirus.

Stay safe and healthy!



Herbert Nkala
Group Chairman
27 August 2020



	Reviewed 30 June 2020 ZWL\$	Reviewed 30 June 2019 ZWL\$	Reviewed 30 June 2020 ZWL\$	Reviewed 30 June 2019 ZWL\$
29.3 Headline earnings per share				
Profit attributable to equity holders	1 611 686 076	(743 692 169)	1 896 257 168	54 205 716
Adjusted for excluded remeasurements				
Profit on the disposal of property and equipment	-	(187 596)	-	(19 595)
Other	-	-	-	-
Headline earnings	1 611 686 076	(743 879 765)	1 896 257 168	54 186 121
Weighted average number of ordinary shares at 30 June	607 223 863	620 015 423	607 223 863	620 015 423
Headline earnings per share (ZWL cents)	265.42	(119.98)	312.28	8.74

29.4 Diluted headline earnings per share
Diluted headline earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

	Reviewed 30 June 2020 ZWL\$	Reviewed 30 June 2019 ZWL\$	Reviewed 30 June 2020 ZWL\$	Reviewed 30 June 2019 ZWL\$
Headline earnings	1 611 686 076	(743 879 765)	1 896 257 168	54 186 121
Weighted average number of ordinary shares at 30 June	607 223 863	620 015 423	607 223 863	620 015 423
Diluted earnings per share (ZWL cents)	265.42	(119.98)	312.28	8.74

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE HIERARCHY
IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices - Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets in active markets where the quoted price is readily available.

Valuation technique using observable inputs - Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant observable inputs - Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by valuation technique:

Valuation technique using:

	Quoted prices in active markets for identical assets (Level 1) ZWL\$	Significant other observable inputs (Level 2) ZWL\$	Significant unobservable inputs (Level 3) ZWL\$
Recurring fair value measurements			
Inflation Adjusted			
As at 30 June 2020			
Investment property	-	-	707 795 976
Financial assets at amortised cost	-	-	206 257 531
Financial assets at fair value through profit or loss	523 110 904	-	-
Financial assets at fair value through other comprehensive income	30 196 384	-	-
Land and buildings	-	-	1 078 886 278
As at 31 December 2019			
Investment property	-	-	404 207 587
Financial assets at amortised cost	-	-	499 697 254
Financial assets at fair value through profit or loss	143 918 815	-	-
Financial assets at fair value through other comprehensive income	38 958 073	-	-
Land and buildings	-	-	660 039 981
Historical cost			
As at 30 June 2020			
Investment property	-	-	707 469 984
Financial assets at amortised cost	-	-	206 257 531
Financial assets at fair value through profit or loss	553 701 360	-	-
Financial assets at fair value through other comprehensive income	30 196 384	-	-
Land and buildings	-	-	767 631 162
As at 31 December 2019			
Investment property	-	-	154 282 658
Financial assets at amortised cost	-	-	190 730 266
Financial assets at fair value through profit or loss	57 760 631	-	-
Financial assets at fair value through other comprehensive income	14 869 971	-	-
Land and buildings	-	-	251 931 744

31 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below sets out the Group's classification of each class of financial assets and liabilities.

	Financial assets at amortised cost ZWL\$	Financial assets at fair value through profit or loss ZWL\$	Financial assets at fair value through other comprehensive income ZWL\$	Loans and receivables ZWL\$	Financial liabilities at amortised cost ZWL\$
Inflation Adjusted					
As at 30 June 2020					
Trading assets					
Balances with other banks and cash	-	-	-	7 477 130 140	-
Financial assets at amortised cost	206 257 531	-	-	-	-
Loans and advances to customers	-	-	-	8 424 971 011	-
Trade and other receivables including insurance receivables	-	-	-	196 284 744	-
Bonds and debentures	203 218 585	-	-	-	-
Financial assets at fair value through profit or loss	-	523 110 904	-	-	-
Financial assets at fair value through other comprehensive income	-	-	30 196 384	-	-
	409 476 116	523 110 904	30 196 384	16 098 385 895	-
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	13 450 995 575
Insurance liabilities	-	-	-	-	144 228 127
Trade and other payables	-	-	-	-	2 471 602 185
	-	-	-	-	16 066 825 887
As at 31 December 2019					
Trading assets					
Balances with other banks and cash	-	-	-	4 998 555 026	-
Financial assets at amortised cost	499 697 254	-	-	-	-
Loans and advances to customers	-	-	-	6 709 458 395	-
Trade and other receivables including insurance receivables	-	-	-	270 821 072	-
Bonds and debentures	318 347 641	-	-	-	-
Financial assets at fair value through profit or loss	-	143 918 815	-	-	-
Financial assets at fair value through other comprehensive income	-	-	38 958 073	-	-
	818 044 895	143 918 815	38 958 073	11 978 834 493	-
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	10 328 618 302
Insurance liabilities	-	-	-	-	263 647 423
Trade and other payables	-	-	-	-	2 305 680 099
	-	-	-	-	12 897 945 824
Historical cost					
As at 30 June 2020					
Trading assets					
Balances with other banks and cash	-	-	-	7 477 130 140	-
Financial assets at amortised cost	206 257 531	-	-	-	-
Loans and advances to customers	-	-	-	8 424 903 311	-
Trade and other receivables including insurance receivables	-	-	-	197 115 439	-
Bonds and debentures	203 218 585	-	-	-	-
Financial assets at fair value through profit or loss	-	553 701 360	-	-	-
Financial assets at fair value through other comprehensive income	-	-	30 196 384	-	-
	409 476 116	553 701 360	30 196 384	16 099 148 890	-
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	13 450 995 575
Insurance liabilities	-	-	-	-	106 921 160
Trade and other payables	-	-	-	-	2 471 045 816
	-	-	-	-	16 028 962 551
As at 31 December 2019					
Trading assets					
Balances with other banks and cash	-	-	-	1 907 906 680	-
Financial assets at amortised cost	190 730 266	-	-	-	-
Loans and advances to customers	-	-	-	2 560 920 299	-
Trade and other receivables including insurance receivables	-	-	-	104 144 323	-
Bonds and debentures	121 510 634	-	-	-	-
Financial assets at fair value through profit or loss	-	57 760 631	-	-	-
Financial assets at fair value through other comprehensive income	-	-	14 869 971	-	-
	312 240 900	57 760 631	14 869 971	4 572 971 302	-
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	3 942 347 289
Insurance liabilities	-	-	-	-	51 333 232
Trade and other payables	-	-	-	-	865 030 059
	-	-	-	-	4 858 710 580

32 RELATED PARTIES

The Group carried out banking and investment related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The full list of related party transactions are provided in the Group's annual report for the year ended 31 December 2019.



The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators (KRIs) which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk Limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management

To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy. The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

34.6 Capital risk

34.6.1 Regulatory Capital and Financial Risk Management

Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments.

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the Group's subsidiaries;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;

- Tier 1 capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items.

The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period.

The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

The following subsidiaries have their capital regulated by the regulatory authorities:

Company As at 30 June 2020	Regulatory Authority	Minimum capital required US\$	Minimum capital required ZWL\$	Net Regulatory Capital ZWL\$	Total Equity ZWL\$
FBC Bank Limited	RBZ	30 000 000	1 720 800 000	2 103 659 844	2 115 283 630
FBC Building Society	RBZ	20 000 000	1 147 200 000	359 671 944	573 122 489
FBC Reinsurance Limited	IPEC	150 000 000	438 822 733	438 822 733	
FBC Securities (Private) Limited	SECZ	150 000	6 739 315	6 739 315	
FBC Insurance Company (Private) Limited	IPEC	112 500 000	107 805 216	107 805 216	
Microplan Financial Services (Private) Limited	RBZ		25 000	15 251 776	15 251 776

34.7 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards. The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in financial services activities. These rules are those which arise from the institution's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

35 Statement of Compliance

The Group complied with the following statutes inter alia:-

The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23); Statutory Instrument 33 of 2019; Statutory Instrument 33 of 1999; Statutory Instrument 62 of 1996; Statutory Instrument 142 of 2019 and The Companies and Other Business Entities Act (Chapter - 24:31).

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

36 International credit ratings

The banking, reinsurance, insurance and microfinance subsidiaries had their credit ratings reviewed annually in the past by international credit rating agencies, Global Credit Rating and Microfinanza. All subsidiaries have maintained their investor grade ratings as illustrated below although the prevailing environment did not permit a rating exercise in 2020.

Subsidiary	2019	2018	2017	2016
FBC Bank Limited	BBB+	BBB+	BBB+	A-
FBC Reinsurance Limited	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	A-
Microplan Financial Services	BBB	BBB-	BBB-	N/A

37 Interim dividend paid

Notice is hereby given that an interim dividend of 29.76 ZWL cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 27 August 2020 in respect of the half year ended 30 June 2020.

The dividend is payable to shareholders registered in the books of the company at the close of business on Friday 18 September 2020. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 15 September 2020 and ex-dividend as from 16 September 2020. Dividend payment will be made to Shareholders on or about 25 September 2020.

38 SUBSEQUENT EVENTS

The Reserve Bank of Zimbabwe (RBZ) reviewed the minimum capital requirements for banking institutions during the period under review. FBC Bank Limited and FBC Building Society are required to have capital levels of US\$30 million and US\$20 million respectively by 31 December 2021. These subsidiaries are expected to self-capitalize through normal trading by the regulated deadline. The Group has a detailed capitalization plan in place to ensure full compliance.

39 CORPORATE GOVERNANCE

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

The Board meets regularly, with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant: (i) Board Audit Committee, (ii) Board Human Resources and Remuneration Committee, (iii) Board Finance and Strategy (iv) Board Risk Committee.

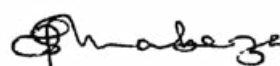
Board Attendance

Board member	Main board		Board Audit		Board Human Resources		Board Finance and Strategy		Board Risk and Compliance		Board Marketing and Public Relations	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Herbert Nkala	a	a	N/A	N/A	a	a	N/A	N/A	N/A	N/A	N/A	N/A
John Mushayavanhu	a	a	N/A	N/A	N/A	N/A	a	a	N/A	N/A	a	a
Kleto Chiketsani	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gertrude S Chikwava	a	a	N/A	N/A	N/A	N/A	a	a	a	a	a	a
Aeneas Chuma	a	a	a	a	N/A	N/A	N/A	N/A	a	a	a	a
Trynos Kufazvinei	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	a	a	N/A	N/A	N/A	N/A	a	a	N/A	N/A	N/A	N/A
Chipo Mtasa	a	a	a	a	a	a	N/A	N/A	N/A	N/A	a	a
Charles Msipa	a	a	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A
Webster Rusere	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin H Kennedy	a	a	N/A	N/A	N/A	N/A	a	a	a	a	N/A	N/A
Rutenhuro Moyo	a	a	a	a	N/A	N/A	a	a	a	a	N/A	N/A
Garry Collins	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Legend

Not a member - N/A
Apologies - r
Attended - a
Quarter - Q

By order of the Board



Tichaona K. Mabeza
GROUP COMPANY SECRETARY
27 August 2020




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