



FBC Holdings Limited

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TRADING UPDATE

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

I wish to take this opportunity to provide a brief update on the year to date performance of FBC Holdings Limited.

Operating Environment

During the period under review, the economy continued to be curtailed by inflationary pressures and acute shortages of foreign currency that have resulted in shortages of electricity, fuel, essential drugs and an increase in the cost of basic commodities. The net effect of this has been evident with the more pronounced erosion of household incomes, savings and purchasing power.

In an effort to address the aforementioned challenges, monetary and fiscal authorities introduced a number of interventions during the period under review. These, among other measures, include the gazetting of legal instruments to enable the exclusive use of the Zimbabwe dollar for domestic transactions, injecting new notes and coins as well as introducing pricing for fuel and electricity which approximates market realities.

The parallel market foreign exchange premiums against the interbank market, which for part of the third quarter had been eliminated, continue to hinder national efforts towards formalizing the foreign exchange market in Zimbabwe. In line with the country's exchange control guidelines, export proceeds beyond the permitted retention thresholds are at the appropriate time acquitted at the prevailing interbank rates. The major factors of production are however being indexed to prevailing parallel market rates resulting in loss of economic value to exporters as a result of distortions between the realised value of export proceeds and the production cost of the exports. Continuation of this disparity will inadvertently result in a general slowdown of export performance as exporters re-evaluate economic viability.

The Group's financial highlights are as follows:

- Group total income ZWL 388 629 938.
- Group profit before income tax ZWL 189 365 266.
- Group profit after tax ZWL 148 744 890.
- Cost to income ratio 51%.
- Basic earnings per share 23.95 ZWL cents.
- Net asset value 56.31 ZWL cents per share.

Financial Performance Review

The Group continues to record positive performance, building on the good performance in the first half of the year.

Compared to the first half of 2019, total net income in the third quarter grew by 96% to ZWL388.6 million from ZWL198.4 million. Total net income was also 275% up from ZWL103.6 million recorded for the nine months ended 30 September 2018. Further, it is pleasing to note that all of the Group's revenue lines were comparatively higher than what was reported, both at interim and during the comparable period ended 30 September 2018.

Administrative expenses were up 74% to ZWL152.9 million from ZWL87.7 million incurred for the six months ended 30 June 2019. However, due to the strong income growth between the first half year of

2019 and Q3 2019, cost-to-income ratio improved to 51% compared to 55% recorded for the six months ended 30 June 2019.

Profit before tax increased by 110% to ZWL189.4 million from ZWL90.0 million recorded for the six months ended 30 June 2019, and was 533% higher than the ZWL30.0 million recorded for the nine months ended 30 September 2018.

The Group's statement of financial position as at 30 September 2019 at ZWL3.9 billion, registered a 63% growth on the 30 June 2019 position of ZWL2.4 billion, and was also 248% higher than the ZWL1.1 billion recorded as at 31 December 2018.

Total equity attributable to shareholders of the parent company increased by 29% to ZWL349.1 million, compared to ZWL269.9 million recorded as at 30 June 2019.

Business Update

During the period under review, all the Group's business units remained profitable and ahead of their respective year to date performance targets. The Group's digitalization program also remains on course and the Group's businesses will continue to introduce new customer experiences.

During the course of 2019, the Group embarked on an Oracle Core Banking and Digital banking system upgrade as well as an Oracle super cluster hardware upgrade for FBC Bank and FBC Building Society. The investment brings with it a new Digital Banking Experience in a secure and convenient environment. The Group is, however, still stabilizing the internet banking platform to maximize convenience to customers.

Legacy Debt

The Group is still in the process of registering with the Reserve Bank of Zimbabwe an external loan of USD10 million obtained by FBC Holdings Limited from a regional financial institution under the legacy debt. Pending finalization of the registration process, the Group continues to absorb the exchange losses arising therefrom. The exchange losses are expected to reverse upon conclusion of the registration process.

By Order of the Board

Tichaona Mabeza
Company Secretary

Friday, November 15, 2019

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