

Trading Update For The First Quarter Ended 31 March 2020

It is with great pleasure that I present to you a brief update of the performance of FBC Holdings Limited (FBCH) for the period ended 31 March 2020. As Zimbabwe's economy has been categorized as a hyperinflationary one, the commentary is presented on an inflation adjusted basis for the respective period, with the historical basis financial highlights provided only as additional information.

Operating Environment

During the first quarter of the year, inflation and pricing distortions emerged strongly, severely affecting the operations of most businesses. In a bid to stabilize the operating environment, the government and regulatory authorities introduced an array of fiscal and monetary interventions intended to stabilize the local currency, whilst also safeguarding the investment interests of various stakeholders. The hyperinflationary environment has significantly increased balance sheet risks with the most prevalent of them being erosion of value.

In the latter part of the quarter, health and economic effects of the novel COVID-19 (coronavirus) manifested in Zimbabwe, leading to the declaration of a State of National Disaster on 11 March 2020 and the subsequent enforcement of lockdown measures which came into effect on 30 March 2020.

Following the declaration of the Covid-19 pandemic and lockdown orders, FBCH activated its business continuity management processes with special emphasis on the safety of all stakeholders. The Group's investment in digital business over the years facilitated continued service delivery in a lockdown environment.

FINANCIAL HIGHLIGHTS

	Group total income	Group profit before income tax	Group profit after tax	Cost to income ratio	Basic earnings per share	Net asset value per share
Inflation Adjusted	ZWL\$635.3 million	ZWL\$336 million	ZWL\$135.7 million	42%	22.3 cents	266.12 cents
Historical Cost	ZWL\$587 million	ZWL\$358.5 million	ZWL\$ 300.6 million	34%	49.49 cents	205.68 cents

Financial Performance Review- Inflation Adjusted

In spite of the challenging operating environment, the Group recorded a positive performance for the first quarter trading period. Total net income for the Group on a comparative basis grew by 88% from ZWL\$337.3 million to ZWL\$635.3 million, largely supported by a growth in net trading income. Meanwhile, Group administrative expenses on a year basis were up 31% to ZWL\$249.7 million, driven mainly by market-wide pricing distortions. The Group cost to income ratio for the period improved to 42% from 64%. Group profit before tax of ZWL\$336 million and after tax profit of ZWL\$135.7 million was achieved for the quarter ended 31 March 2020. The Group's statement of financial position as at 31 March 2020 remained unchanged at ZWL\$9.1 billion. Total equity attributable to shareholders of the parent company increased by 7% to ZWL\$1.6 billion, compared to the position of ZWL\$ 1.5 billion recorded as at 31 December 2019.

Update on the effects of Covid-19 Pandemic on the Business

The Group is reviewing all its business segments with a view to establishing the impact of the Covid-19 pandemic. Whilst there are still a number of unknown variables, preliminary assessments show that the Group's financial performance for the year 2020 may be impacted adversely. Product and services demand is projected to decrease, whilst impairment costs will likely increase as revenue streams of our customers are impacted. Group operations on the other hand have adapted to the new order and this includes offering of services and products using our digital platforms. This will ensure that our customers continue to access our services with minimal disruption. The Group will remodel and realign business structures in view of the need to ensure the safety of all stakeholders whilst at the same time ensuring the viability of all business units.

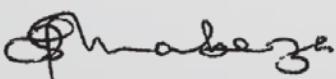
Business Continuity Plan in light of the Covid-19 Pandemic and the Lockdown Order.

The Group activated its Business Continuity Management processes following the declaration of the Covid-19 disease as a pandemic and the implementation of a lockdown order by the Government. These arrangements require that some staff members (50%) work from home whilst the other staff members (50%) work at FBCH premises to attend to those business activities which require a physical presence. In addition, management and board meetings are being conducted using virtual platforms, thereby enabling the provision of governance and business oversight despite the lockdown order. Most key services required by customers are available on our online and digital platforms. Support for the key systems that drive our service and product distribution channels is also being done online as well as through our 24 hour Contact centre.

Solvency Position in light of the effects of Covid-19 and the Lockdown Order

Whilst the Group projects a possible adverse financial impact given the Covid-19 pandemic, the Group is projected to remain solvent. This is based on an internal capital adequacy assessment which confirmed the ability of the business to absorb the possible financial impact of Covid-19 without threatening the solvency status of the institution. The Group is confident that the necessary tools and strategies will be deployed to remodel the business in line with the new operating environment.

By Order of the Board



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Friday, May 15, 2020

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