

Trading Update For The Third Quarter Ended 30 September 2020

It is my pleasure to present to you the third quarter trading update for FBC Holdings Limited under the Covid-19 induced challenging operating environment.

Operating Environment

During the period under review, economic activity remained generally constrained due in part to the Covid-19 pandemic which has not abated, while its adverse impact continues to negatively affect business activity. Consequently, this has also negatively impacted on the volume of transactions the Group has processed during the quarter under review.

Although hyperinflationary conditions continue to weigh heavily on the Zimbabwean economy, we have witnessed a marked reduction in both the year-on-year inflation as well as the month-on-month inflation. On a year-on-year basis, average consumer prices increased by 659.40% in September 2020, coming down from 761.02% in August 2020, and 838% recorded in July 2020. On a month-on-month basis, average consumer prices increased by 3.83% in September 2020, down from 8.44% and 35.53% in August 2020 and July 2020 respectively.

From 01 July 2020 to 30 September 2020, the local currency (ZWL) depreciated by approximately 28% against the United States Dollar (US\$). However in the last two months of the third quarter of 2020, the ZWL started appreciating, gaining 9% in August and a further 2% in September, closing the month of September at ZWL81.43 to the US\$.

The Reserve Bank of Zimbabwe in its mid-term monetary policy statement extended by one year the compliance date for the minimum capital requirements set by the Monetary Policy Committee on the 17th of January 2020. In making this extension, the Reserve Bank of Zimbabwe noted the impact of the prevailing challenging environment worsened by the negative impact of the Covid-19 pandemic.

Key Financial Highlights

Financial Highlights						
	Group total income	Group profit before tax	Group profit after tax	Cost to income ratio	Basic earnings per share	Net asset value per share
Inflation Adjusted	ZWL6.3 billion	ZWL2.7 billion	ZWL1.9 billion	54%	ZWL(c) 320.31	ZWL10
Historical Cost	ZWL5.43 billion	ZWL3.4 billion	ZWL2.9 billion	34%	ZWL(c) 477.19	ZWL7

Financial Performance Review - Inflation Adjusted

Despite the challenging operating environment, FBC Holdings Limited recorded a 59% growth in total income to ZWL6.3 billion, compared to same period last year. The income was mainly driven by a strong growth in net trading income and net interest income. Administrative expenses for the period were up 33% to ZWL3.2 billion on the back of a devaluation of the local currency. Group profit before tax increased eight fold to ZWL2.7 billion.

The Group's statement of financial position as at 30 September 2020 increased by 19% to ZWL29.5 billion from the 31 December 2019 position of ZWL24.8 billion.

Equity attributable to shareholders of the parent company increased by 52% to ZWL6.1 billion from ZWL4 billion as at 31 December 2019, supported by improved retained revenue reserves.

Group Digital Transformation

The Group's commitment to enhancing customer experience gathered momentum in the period under review with a number of exciting digital onboarding capabilities introduced in our targeted niche markets.

The Group launched Noku, a smart Digital Assistant equipped with the capabilities to assist clients in accessing banking and insurance services on WhatsApp at any time of the day. FBCH also introduced a WhatsApp capability on YAKO, our digital insurance onboarding product which allows vehicle owners to purchase Third Party Motor Insurance instantly using a mobile device.

Over the three months period, the above innovations resulted in our banking and insurance subsidiaries improving the pace of customer acquisition.

Outlook

The emergence of a second wave of Covid-19 pandemic in countries which are our major trading partners and source of tourists for the tourism sector will no doubt impact negatively on the recovery prospects for our economy. We nevertheless remain cautiously optimistic that normalcy will return, as we continue to activate, review and strengthen our Business Continuity and Disaster Recovery Plans.


By Order of the Board




Tichaona Mabeza

Company Secretary

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