

# Analyst Briefing 2014



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## Operating Environment Update...

### Review of Macro - Environment:

- **2013 GDP growth projection** revised downwards to **3.4%** from 5%.
- **2013 Annual Average Inflation – 0.33%**
- **2013 Exports** revised from US\$5.201 bln to **US\$4.536 billion**.
- Launch of the **ZIM - ASSET programme** policy framework.
- Indications of an **improved 2013/14 agricultural season**.
- **2012 Population Census results released**. Population growth of 10% (2002 – 2012).

# Operating Environment Update...

## Review of Banking Sector Performance by RBZ:

|  | FY2012      | FY2013       | FBC Bank Ltd     |
|--|-------------|--------------|------------------|
| Total Sector Deposits  | US\$4.4 bln | US\$4.73 bln | US\$280 mln (6%) |
| Total sector Loans & Advances                                      | US\$3.5 bln | US\$3.7 bln  | US\$212 mln (6%) |
| Average NPLs   | 11.59%      | 15.92%       | 8.7%             |
| Government Exchequer Account moving to RBZ effective 31 March 2013 |             |              | US\$12 mln       |

- Reintroduction of **Lender of Last Resort function**; **overnight accommodation rate** to be the anchor interest rate that will benchmark market rates.
- Compliance with banking institution **MCR** of US\$100 million & US\$80 million moved to **2020**.
- Cancellation of **Memorandum of Understanding** between RBZ and banking institutions.

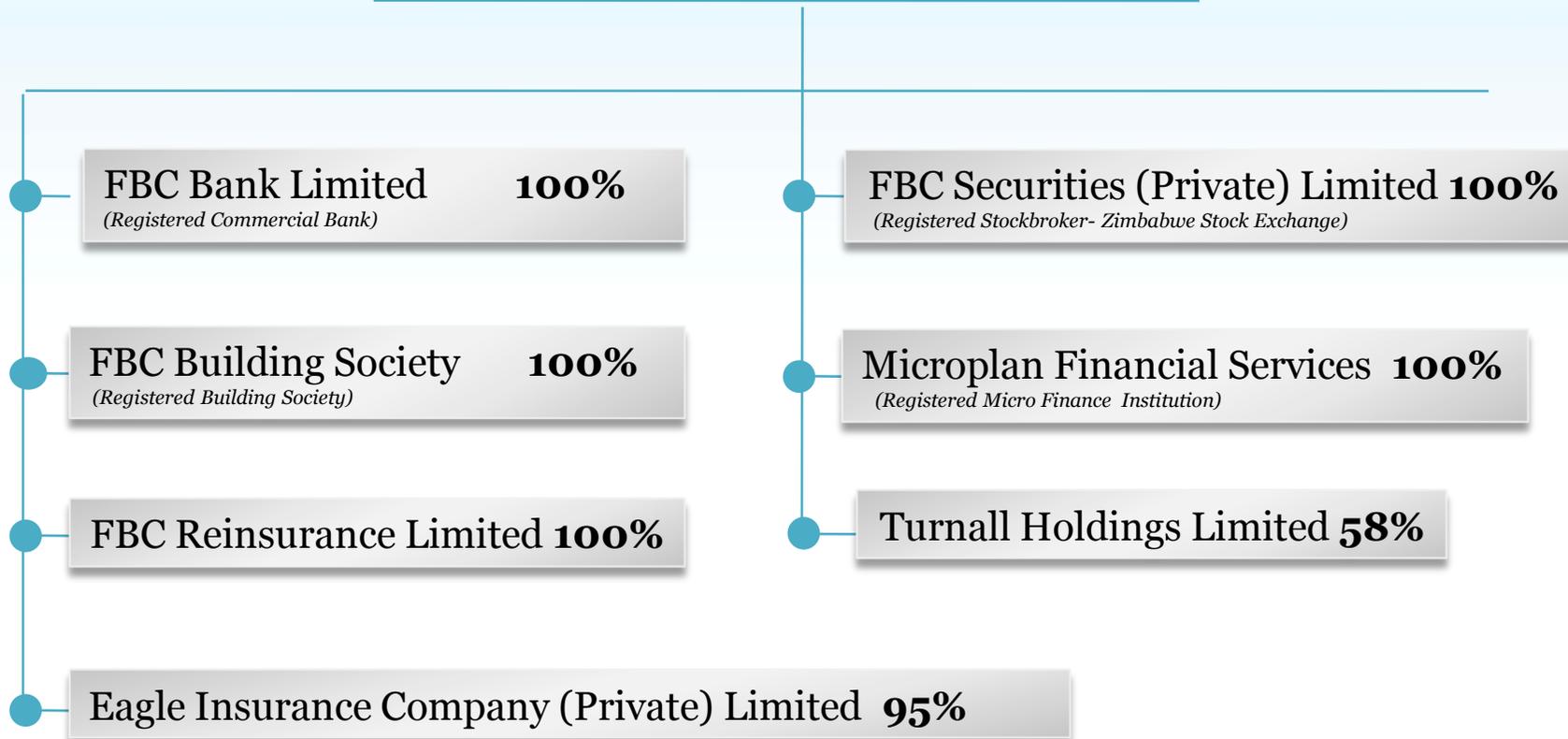
# Operating Environment Update...

## IPEC Report as at Q3 2013:

|                              | 30-Sept-12         | 30-Sept-13     | Eagle Insurance      |
|------------------------------|--------------------|----------------|----------------------|
| Gross written premiums       | US\$141.12 million | US\$153.41 mln | US\$10.03 mln (6.5%) |
| Premiums ceded to reinsurers | US\$69.51 million  | US\$78.39 mln  | US\$5.91 mln (8%)    |
| Profit after tax             | US\$7.26 mln       | US\$10.50 mln  | US\$0.49 mln (4.7%)  |

|                        | 30-Sept-12       | 30-Sept-13   | FBC Re               |
|------------------------|------------------|--------------|----------------------|
| Gross written premiums | US\$52.4 mln     | US\$78.4 mln | US\$11.3 mln (14.4%) |
| Profit after tax       | US\$0.66 million | US\$6.5 mln  | US\$1.59mln (24.4%)  |

## Our Group Structure...



## Group Capital Position (as at 31-Dec-13)...

| <b>Company</b>  | <b>Gross Capital Base (US\$)</b> | <b>Regulatory Minimum (US\$)</b> |
|---|----------------------------------|----------------------------------|
| FBC Bank Limited  | 39 million                       | 25 million                       |
| FBC Building Society                                    | 25.8 million                     | 20 million                       |
| FBC Reinsurance Limited                                 | 8.7 million                      | 1.5 million                      |
| Eagle Insurance Company Limited                         | 3.6 million                      | 1 million                        |
| FBC Securities (Private) Limited                        | 272 408                          | 150 000                          |
| Microplan Financial Services                            | 2.2 million                      | 10 000                           |
| Turnall Holdings Limited                                | 26.4 million                     | n/a                              |
| <b>Equity attributable to holders of parent company</b> | <b>93.7 million</b>              | <b>n/a</b>                       |
| Non-Controlling Interests                               | 12.4 million                     | n/a                              |
| <b>FBC Holdings Limited (Total Equity)</b>              | <b>106.2 million</b>             | <b>n/a</b>                       |
| <b>FBCH Market Capitalisation</b>                       | <b>90.7 million</b>              |                                  |

## International Credit Ratings...

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

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## Key Financial Highlights...

|                            |  | FY2012           | FY2013           |
|----------------------------|--|------------------|------------------|
| Total Income               | ... modest increase of 7% ...  | US\$74.2 million | US\$80 million   |
| Profit Before Tax          | ... slight decrease of 4% ...  | US\$16.9 million | US\$16.2 million |
| Final Dividend (per share) | In addition to the interim dividend of US0.149 per share.            | Nil              | US0.149 Cents    |
| Cost to Income Ratio       | Marginally up due to increased impairment allowance.                 | 77%              | 80%              |
| Basic Earnings Per Share   | Slight decrease in response to the depressed performance by Turnall. | US2.42 Cents     | US2.30 Cents     |

## Key Financial Highlights Cont...

FY2012      FY2013

Total Assets

... recorded a 18% growth ...

US\$392  
million

US\$461  
million

Shareholder funds

... increased by 40% ...

US\$67  
million

US\$94  
million

Net Asset Value  
per share

... Versus ZSE closing trading price of 13.50c

US13  
Cents

US14  
Cents

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## Statement of Comprehensive Income; Highlights ...

| Line Item          | FY 2012<br>(US\$) | Change  |     | FY 2013<br>(US\$) |
|--------------------|-------------------|---|-----|-------------------|
|                    |                   | Move  | %   |                   |
| Total Income       | 74.2 mln          |    | 7%  | 79.5 mln          |
| Operating Expenses | 44.9 mln          |    | 4%  | 46.5 mln          |
| Impairment         | 3.6 mln           |    | 99% | 7.2 mln           |
| Profit Before Tax  | 16.9 mln          |    | 4%  | 16.2 mln          |
| Income Tax Expense | 1.3 mln           |    | 70% | 2.2 mln           |
| Profit After Tax   | 15.6 mln          |  | 10% | 14.0 mln          |

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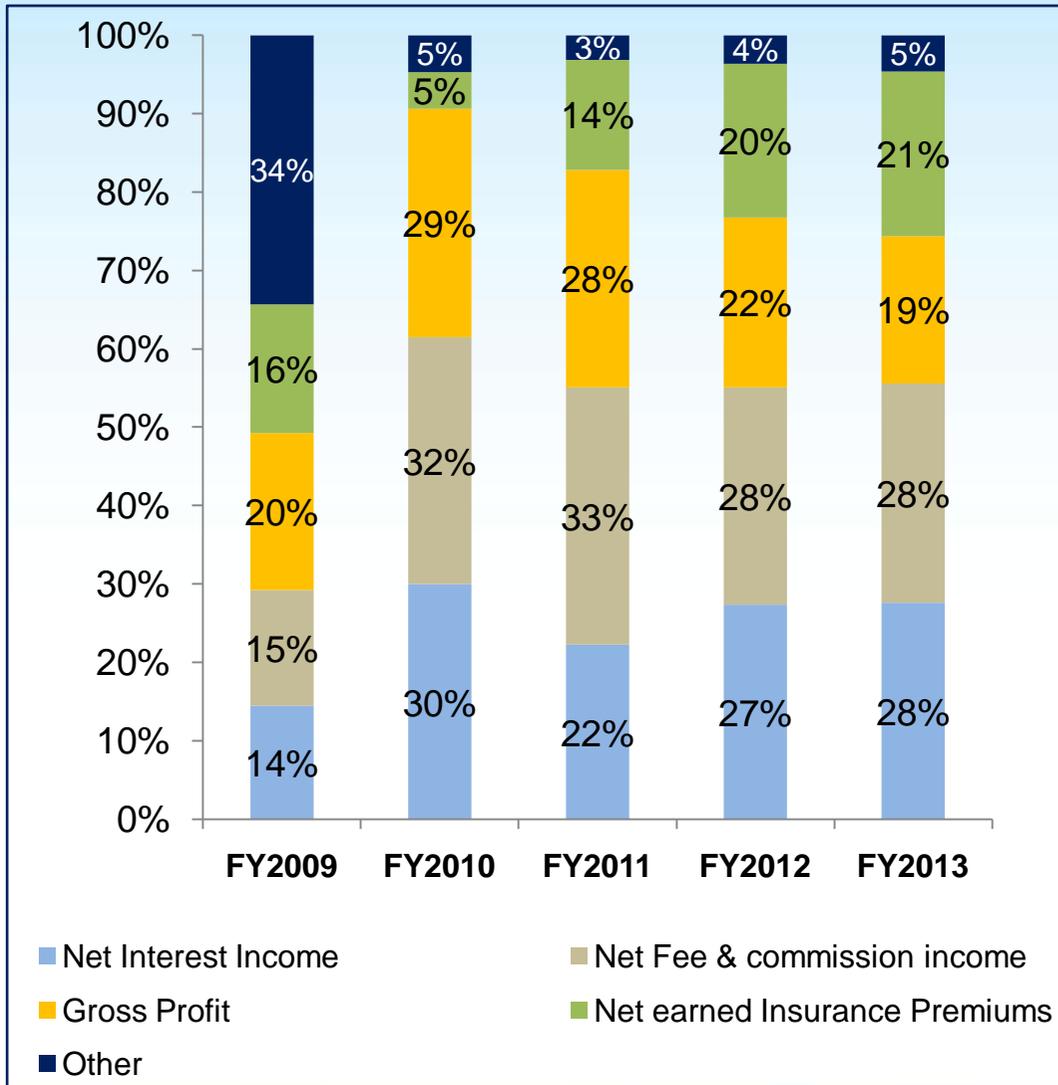
## Total Income contribution...

| Source of Income                     | FY 2012<br>(US\$) | Change  |           | FY 2013<br>(US\$) |
|--------------------------------------|-------------------|---|-----------|-------------------|
|                                      |                   | Move  | %         |                   |
| Interest Income                      | 37 806 670        |    | 16%       | 43 742 060        |
| Interest Expense                     | (17 511 395)      |    | 25%       | (21 824 570)      |
| <b>Net Interest Income</b>           | <b>20 295 275</b> |    | <b>8%</b> | <b>21 917 490</b> |
| Fees and commission income           | 20 605 148        |    | 8%        | 22 310 748        |
| Fees and commission expenses         | (27 318)          |   | 21%       | (21 558)          |
| <b>Net Fee and Commission Income</b> | <b>20 577 830</b> |  | <b>8%</b> | <b>22 289 190</b> |
| Revenue                              | 53 613 611        |  | 4%        | 55 861 131        |
| Cost of sales                        | (37 504 472)      |  | 9%        | (40 926 855)      |
| <b>Gross profit</b>                  | <b>16 109 139</b> |  | <b>7%</b> | <b>14 934 276</b> |

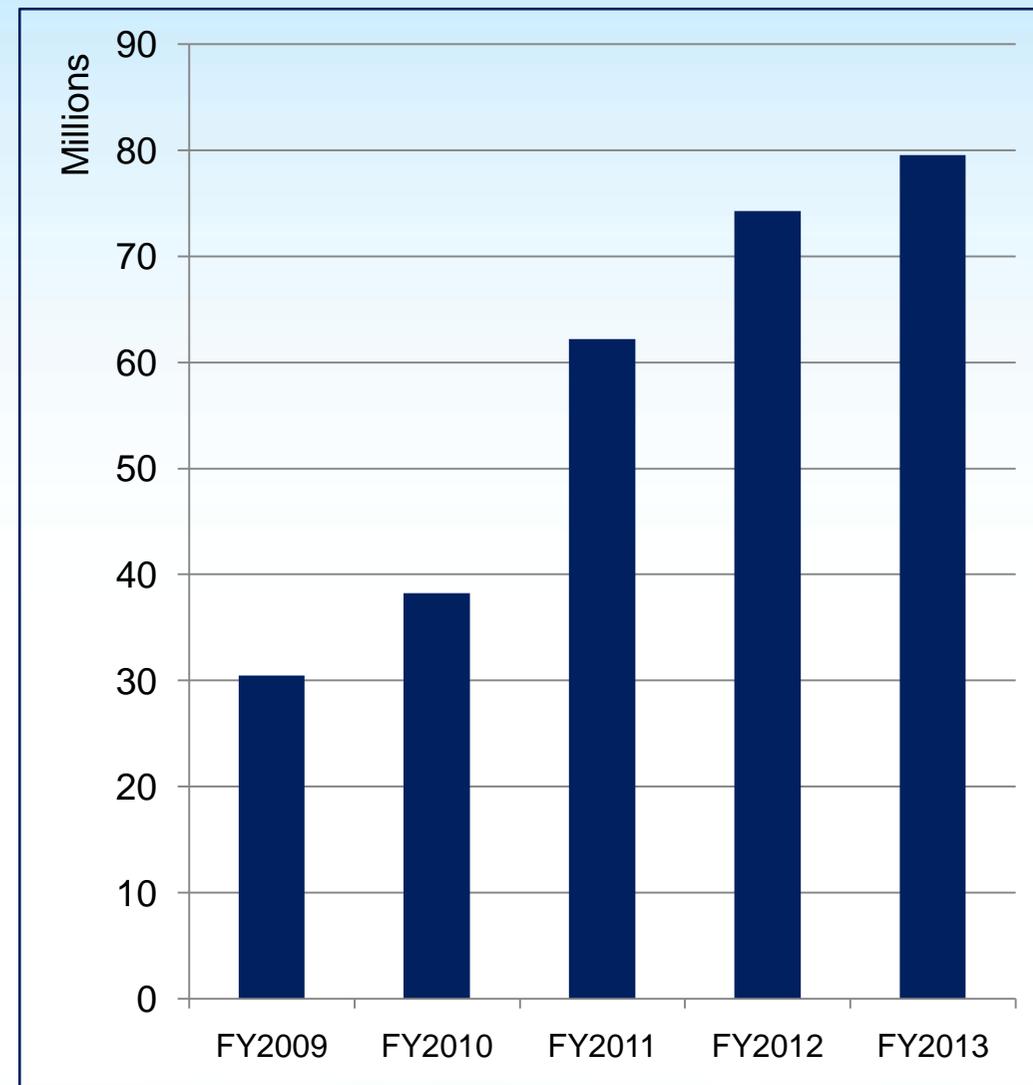
## Total Income contribution cont...

| Source of Income                    | FY 2012<br>(US\$) | Change  |            | FY 2013<br>(US\$) |
|-------------------------------------|-------------------|---|------------|-------------------|
|                                     |                   | Move  | %          |                   |
| Insurance premium revenue           | 22 951 209        |    | 21%        | 27 825 380        |
| Premium ceded to reinsurers         | (8 373 776)       |    | 33%        | (11 145 316)      |
| <b>Net earned insurance premium</b> | <b>14 577 433</b> |    | <b>14%</b> | <b>16 680 064</b> |
| Net trading income                  | 1 163 206         |    | 13%        | 1 007 454         |
| Net gains from financial assets     | 388 229           |   | 54%        | 599 201           |
| Other operating income              | 1 103 913         |  | 88%        | 2 072 690         |
| <b>Total Income</b>                 | <b>74 215 025</b> |  | <b>7%</b>  | <b>79 500 365</b> |

## Composition of Total Income...



## Total Income 5 Year Trend ...



## Subsidiary contribution to Group PBT...

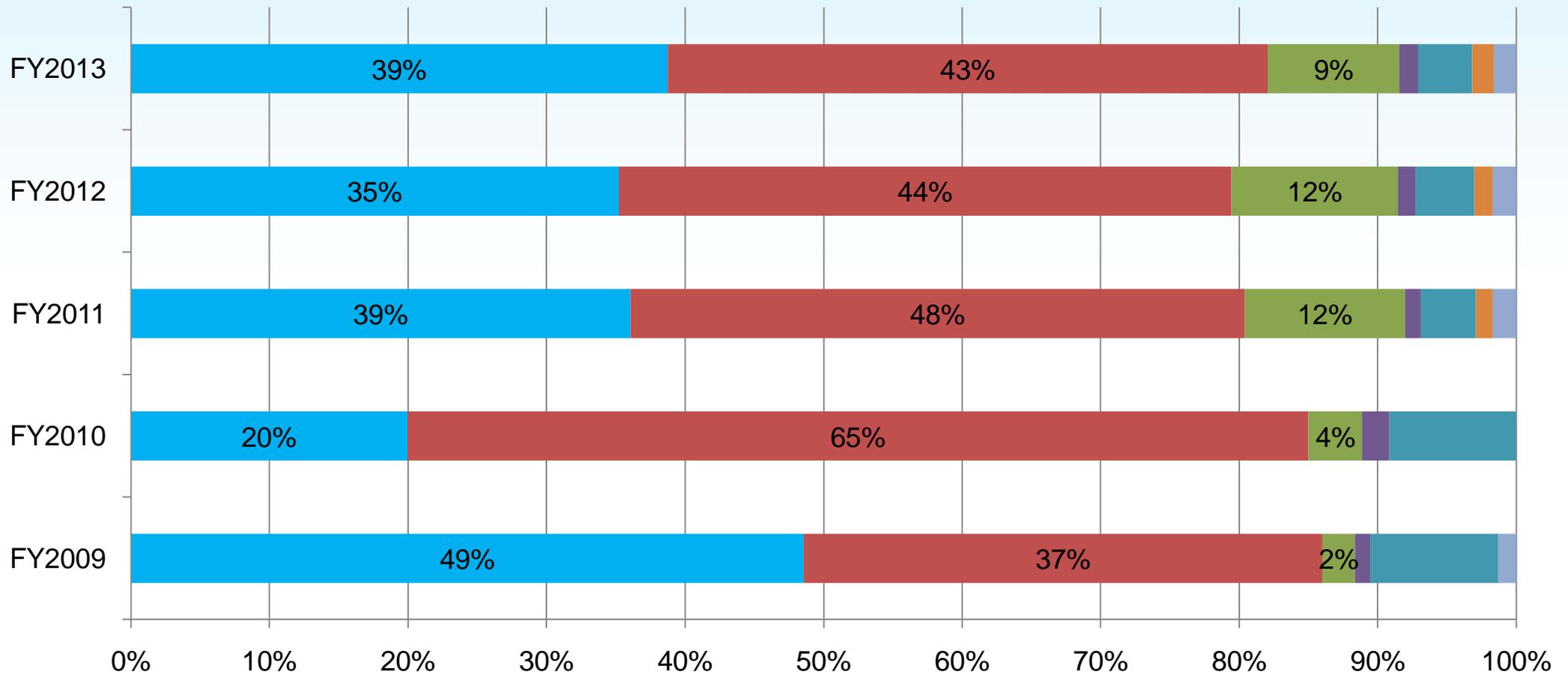
| Business Unit                             | FY 2012<br>(US\$) | Change  |            | FY 2013<br>(US\$) |
|---|-------------------|---|------------|-------------------|
|   |                   | Move  | %          |                   |
| FBC Bank Limited                          | 6 691 552         |    | 6%         | 7 070 065         |
| FBC Building Society                      | 5 478 729         |    | 29%        | 7 074 662         |
| Microplan Financial Services              | 881 412           |    | 37%        | 1 209 646         |
| Eagle Insurance Company Limited           | 739 551           |    | 126%       | 1 671 536         |
| FBC Reinsurance Limited                   | 2 094 406         |    | 37%        | 2 863 949         |
| FBC Securities (Private) Limited          | (301 364)         |  |            | 32 490            |
| <b>Total for Financial Business Units</b> | <b>15 584 286</b> |  | <b>28%</b> | <b>19 922 348</b> |
| Turnall Holdings Limited                  | 1 209 889         |  |            | (3 078 753)       |
| <b>Total PBT for FBC Holdings Limited</b> | <b>16 892 650</b> |  | <b>4%</b>  | <b>16 220 527</b> |

## Operating Expenses composition...

| Expenditure                | FY 2012<br>(US\$) | Change  |           | FY 2013<br>(US\$) |
|----------------------------|-------------------|---|-----------|-------------------|
|                            |                   | Move  | %         |                   |
| Administration Expenditure | 15 890 785        |    | 13%       | 18 024 062        |
| Staff costs                | 19 946 495        |    | 1%        | 20 161 795        |
| Directors Remuneration     | 5 428 907         |    | 19%       | 4 413 832         |
| Audit Fees                 | 566 185           |    | 12%       | 632 457           |
| Depreciation               | 1 710 700         |    | 6%        | 1 815 353         |
| Amortization (Software)    | 582 752           |  | 25%       | 729 786           |
| Operating Lease Payment    | 768 212           |  | 3%        | 745 465           |
| <b>Total Expenditure</b>   | <b>44 894 036</b> |  | <b>4%</b> | <b>46 522 750</b> |

## Composition of Operating Expenses...

- Administrative Expenses
- Staff Costs
- Director Remuneration
- Audit Fees
- Depreciation
- Amortization
- Operating lease payment



## Statement of Financial Position; Highlights ...

| Line Item                                       | FY 2012<br>(US\$) | Change |     | FY 2013<br>(US\$) |
|---|-------------------|--------|-----|-------------------|
|   |                   | Move   | %   |                   |
| Total Assets                                    | 392.1 mln         | ↑      | 18% | 460.8 mln         |
| Equity attributable to holders of parent entity | 67.0 mln          | ↑      | 40% | 93.8 mln          |
| Total Equity                                    | 88.2 mln          | ↑      | 20% | 106.2 mln         |
| Loans & Advances                                | 190.6 mln         | ↑      | 39% | 265.8 mln         |
| Total Deposits                                  | 254.1 mln         | ↑      | 18% | 299.7 mln         |
| Cash and Cash Equiv.                            | 82.4 mln          | ↓      | 16% | 69.4 mln          |

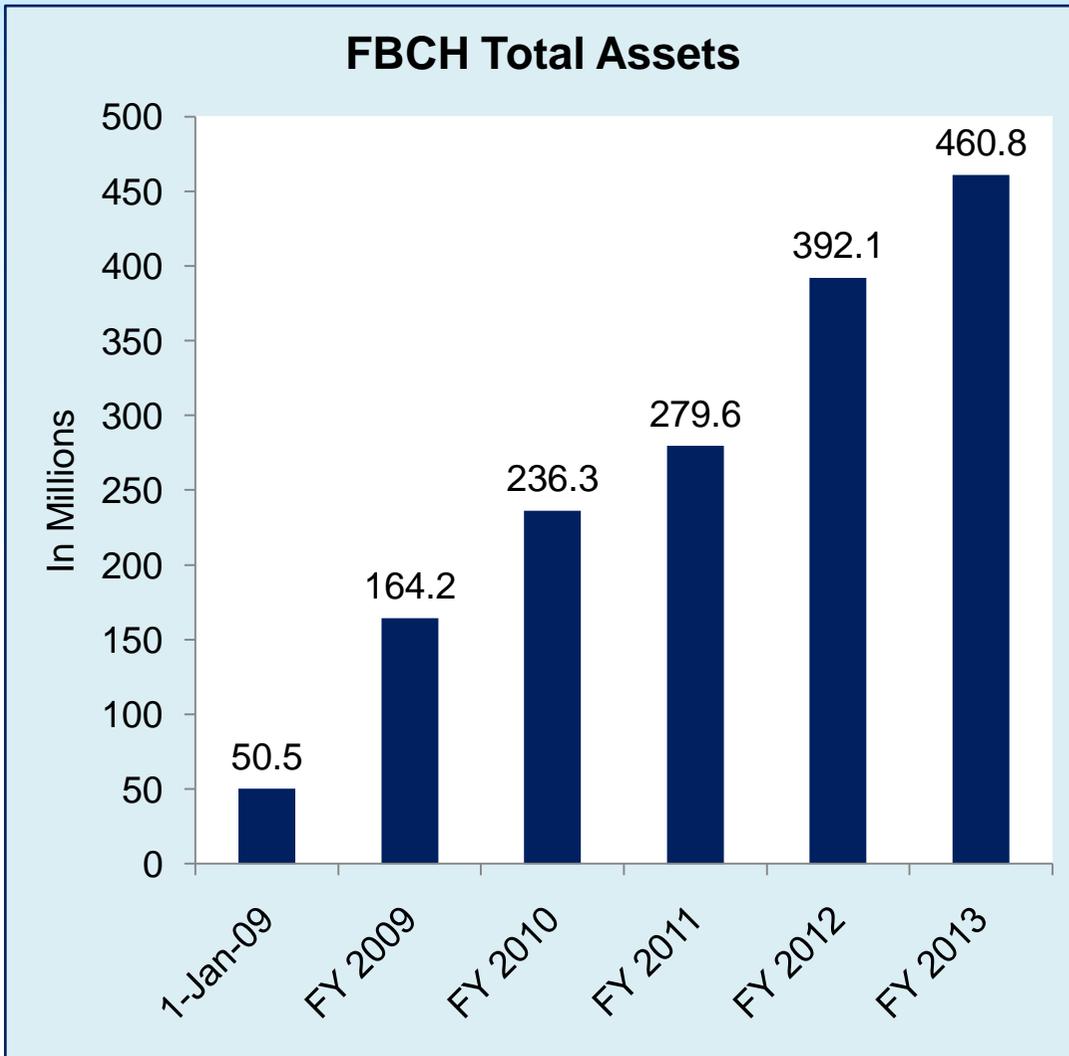
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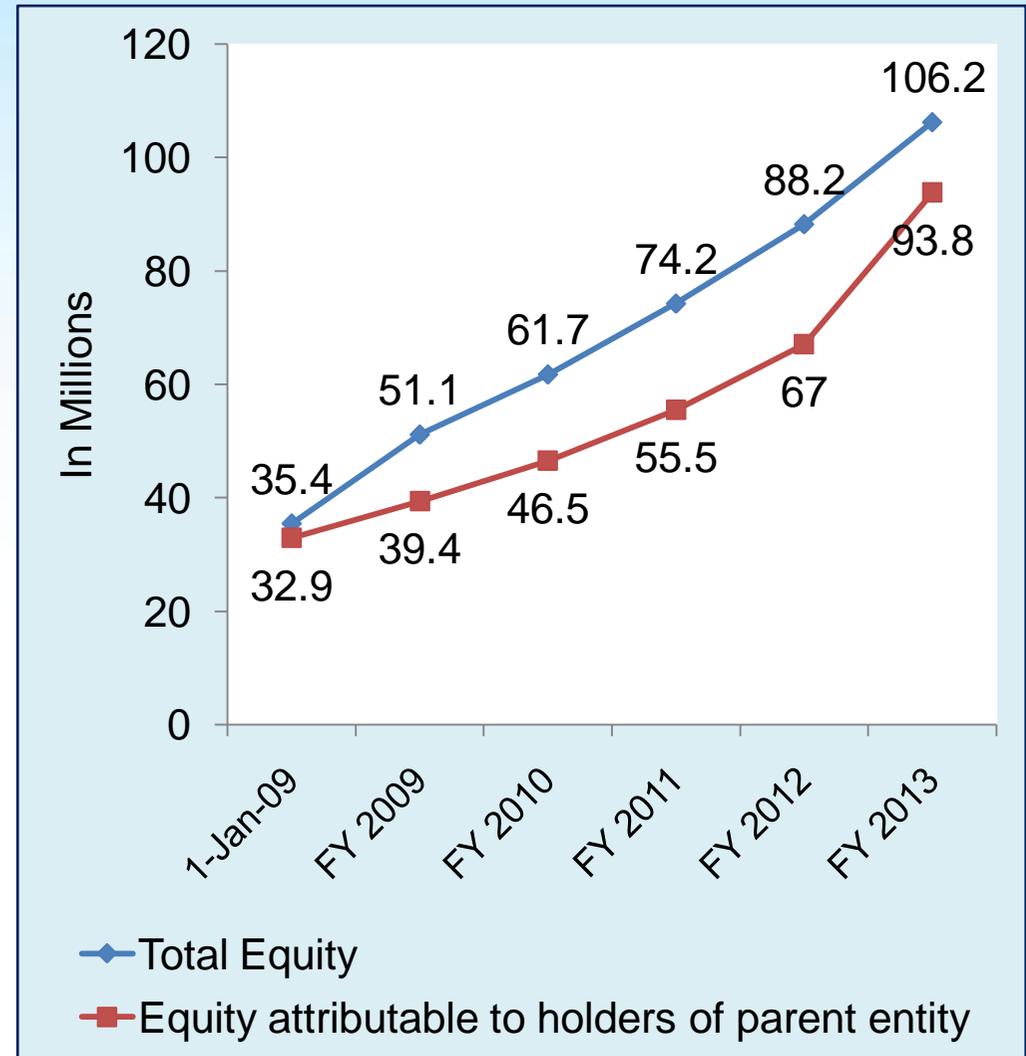
Coming together is a beginning,  
staying together is progress,  
and working together is success



## Consistent Total Assets growth...



## ...with enhanced Shareholder Value



# Our Share Price Performance...

**FBCH : January 2013 – December 2013**



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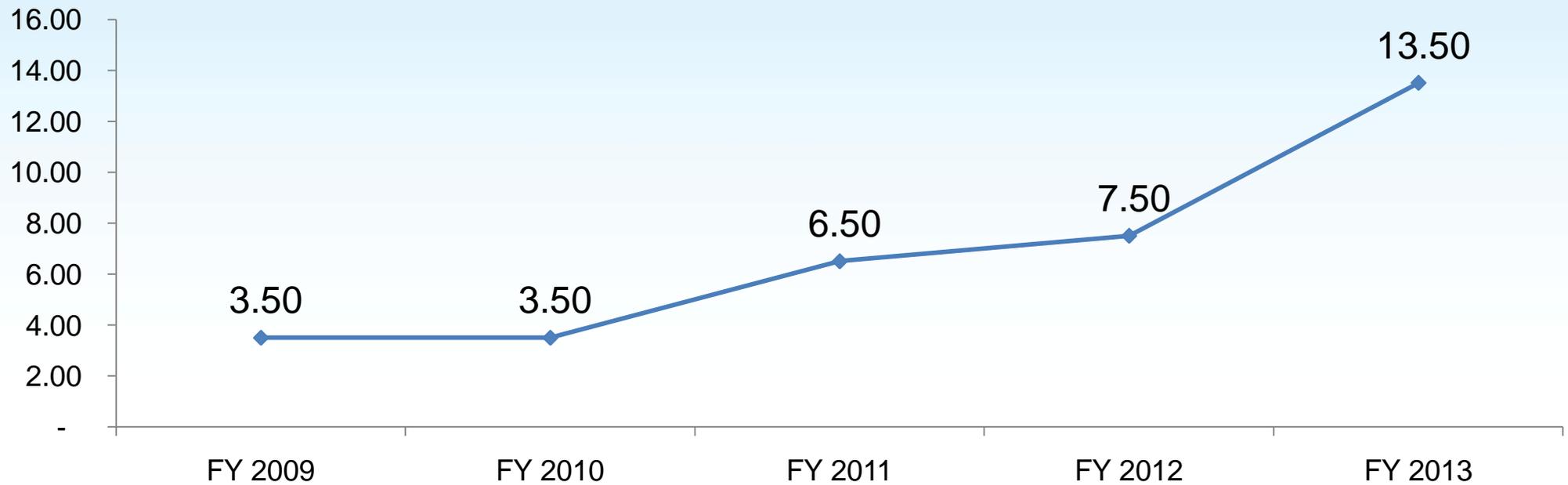


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# Year End Share Price...

**FBCH : FY 2009 – FY 2013**



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## FBC Bank Ltd

▶ Deposits increased by 16% to US\$279 million

▶ Net Loans and Advances grew by 35% to US\$215 million

▶ Balance Sheet grew by 15% to US\$323 million

▶ Total Lines of Credit : US\$75 million

▶ Lease Finance added to FBC Bank's product suite.. US\$3m already disbursed to date

## FBC Bank Ltd

▶ Debt Factoring to be introduced soon..

▶ 16 new robust NCR Machines acquired and being installed

▶ We are now in Beitbridge.... FBC Beitbridge Branch opened August 2013

▶ Zimra online payments – FBC Point of Sale terminals deployment at Ports of Entry

▶ Mobile Moola Offering expanded to cover bill payments, ZESA, DSTV, Municipalities, Mobile Phone top ups

## FBC Bank Limited Awards...

### **1<sup>st</sup> Runner Up - ZIA Financial Sector Awards:**

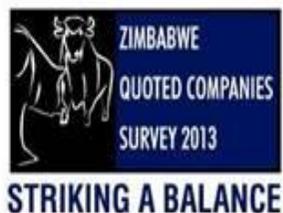
- Recognition for contribution to the broadening of the financial services sector

### **2<sup>nd</sup> Runner Up - Buy Zimbabwe Banking and Finance Awards**

- Outstanding role in rejuvenating the economy, employment creation and stirring national pride

### **3<sup>rd</sup> Place – ZIMRA Taxpayer award (PAYE category)**

- Consistency in complying with Tax Laws with minimum intervention from the Revenue Authority



Proud to be in the Winner's Circle

FBC Holdings takes pride in it's achievement of being awarded Best Bank 2012/13 in the Quoted Companies Survey 2013.



 **FBC Holdings Limited**  
strength • diversity • service

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## Asset Quality By Grade...

|              |                       | 2012               |             | 2013               |             |
|--------------|-----------------------|--------------------|-------------|--------------------|-------------|
| GRADE        | DESCRIPTION           | AMOUNT             | Proportion  | AMOUNT             | Proportion  |
| Grade 1 – 7  | Unimpaired            | 152 780 800        | 91%         | 204 839 816        | 91%         |
| Grade 8 – 10 | Individually Impaired | 14 678 396         | 9%          | 19 924 110         | 9%          |
| <b>TOTAL</b> |                       | <b>167 459 197</b> | <b>100%</b> | <b>224 763 926</b> | <b>100%</b> |

*Loan book is predominantly secured*



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## Insider loan Analysis...

|              |                       | FBC Bank Limited |             | FBC Building Society |             |
|--------------|-----------------------|------------------|-------------|----------------------|-------------|
| GRADE        | DESCRIPTION           | AMOUNT           | Proportion  | AMOUNT               | Proportion  |
| Grade 1 – 7  | Unimpaired            | 6 069 733        | 99%         | 865 021              | 93%         |
| Grade 8 – 10 | Individually Impaired | 61 310           | 1%          | 63 096               | 7%          |
| <b>TOTAL</b> |                       | <b>6 131 043</b> | <b>100%</b> | <b>928 118</b>       | <b>100%</b> |

Insider loans as a percentage of Total Loan Book 3%

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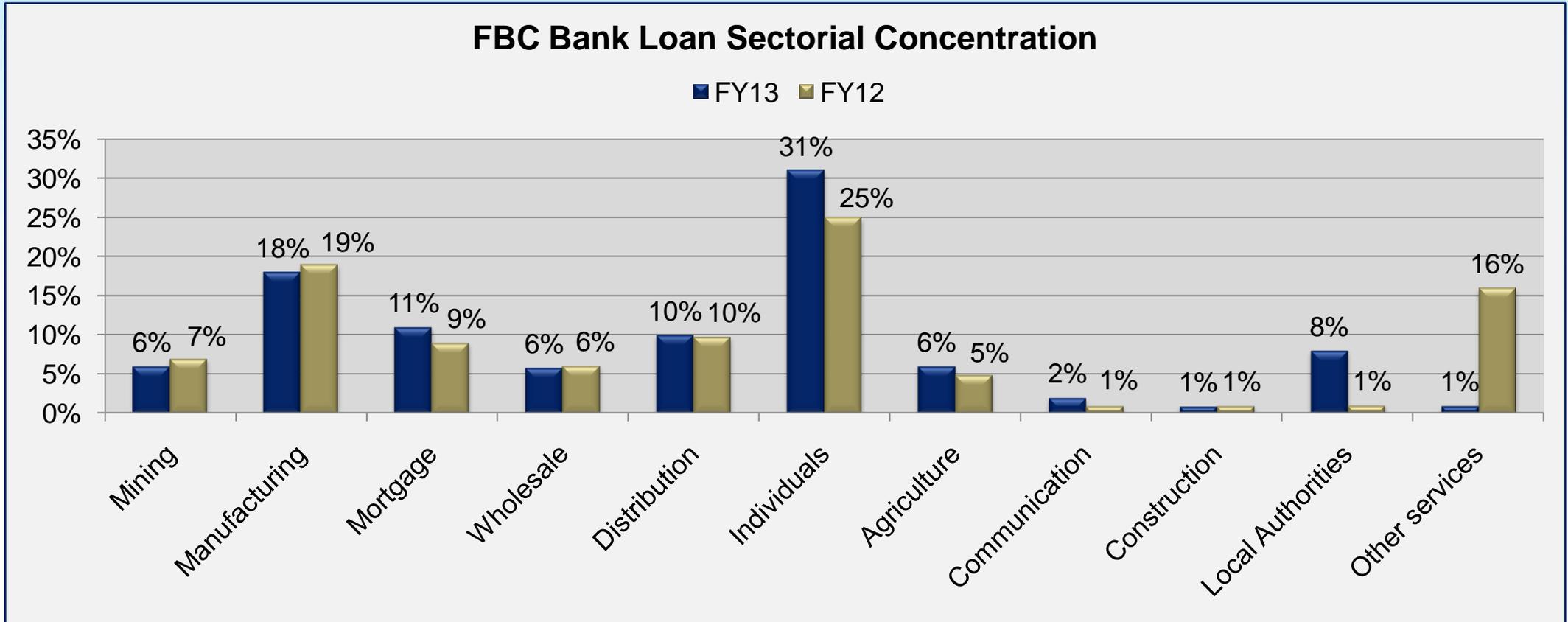
Internet Banking

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# Loans Concentration by Sector...



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SMS the word 'cover' to 0775 223 693 / 0733 229 561 and we will call you back.

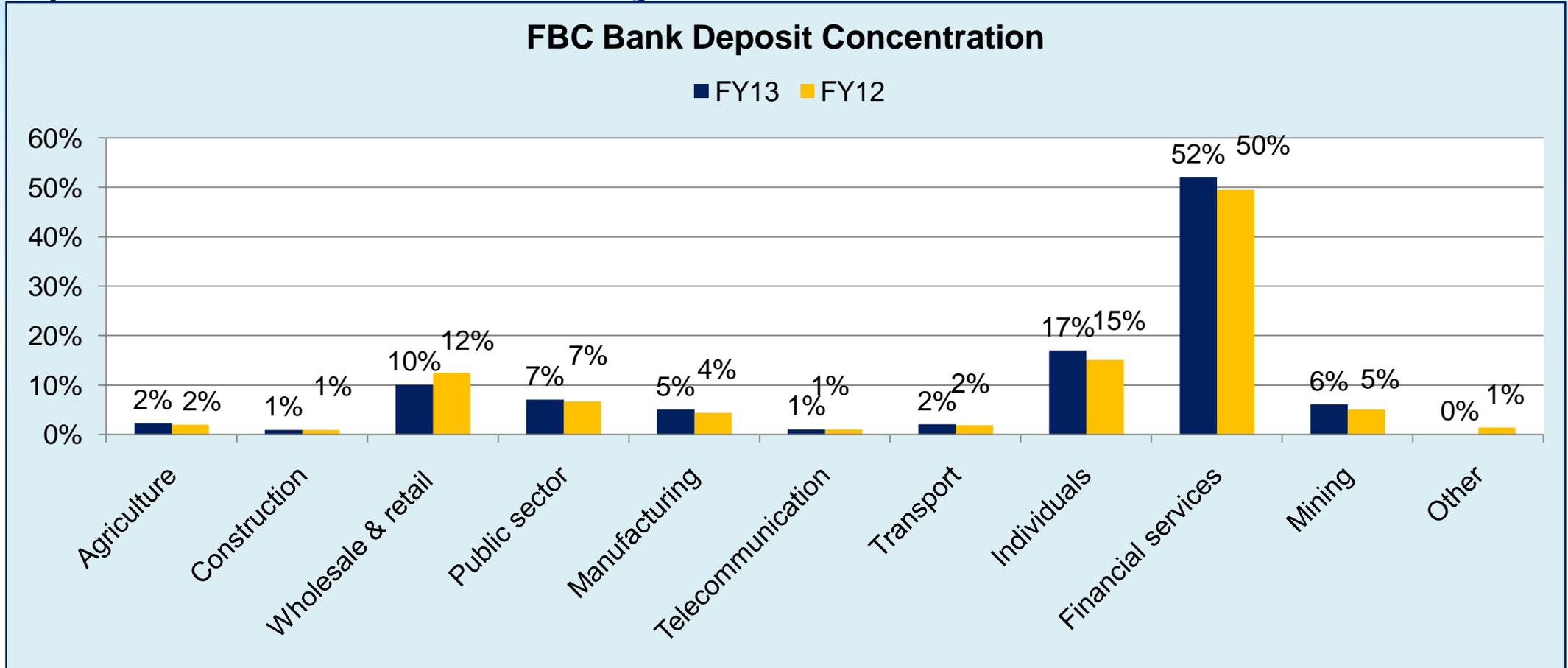
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## Deposits Concentration by Sector...



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• ATM transactions  
• Internet banking transactions

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e-enjoy the convenience of online banking



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(Registered Commercial Bank)  
strength • diversity • service

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Internet Banking

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## Contribution to Group

**Total Assets**  
\$322.8 m  
(71%)

**Total Equity**  
\$38.9 m  
(37%)

**PBT**  
\$7.1 m  
(44%)

## Profitable Operations

**Total Income**  
\$36.7 m  
(46%)

**Expenses**  
\$27.5 m  
(43%)



## FBC Building Society

▶ Total Mortgage book grew by 55% in 2013 to US\$45 million

▶ Disbursed an additional US\$5 million as direct mortgage lending

▶ Released a total of 234 new housing units for the market in 2013

▶ Deposits increased by 48% to US\$49.9 million

▶ Balance Sheet grew by 40% to US\$78.9 million

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

# Asset Quality By Grade...

|              |                       | 2012              |             | 2013              |             |
|--------------|-----------------------|-------------------|-------------|-------------------|-------------|
| GRADE        | DESCRIPTION           | AMOUNT            | Proportion  | AMOUNT            | Proportion  |
| Grade 1 – 7  | Unimpaired            | 28 591 982        | 96%         | 43 710 786        | 95%         |
| Grade 8 – 10 | Individually Impaired | 1 236 417         | 4%          | 2 362 084         | 5%          |
| <b>TOTAL</b> |                       | <b>29 828 399</b> | <b>100%</b> | <b>46 072 870</b> | <b>100%</b> |

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| 2013 PROJECTS         | TOTAL UNITS PRODUCED & SOLD | COMMENT                                |
|-----------------------|-----------------------------|--|
| Masotcha Ndlovu       | 18                          | Construction commenced in October 2013 |
| Glaudina (Harare)     | 49                          | An additional 40 units coming in 2014  |
| Washington Ave 2      | 16                          | Project completed and handed over.     |
| Greendale (Harare)    | 10                          | Construction commenced in June 2013    |
| Mbizo (Kwekwe)        | 160                         | Construction commenced in August 2013  |
| Philadelphia (Harare) | 7                           | Project completed and handed over.     |
| Mkoba 14 (Gweru)      | 202                         | Project completed and handed over.     |



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*Another successful project...  
Greendale town houses project*



*14 of these were sold in 3 months!!!*





| 2014 PROJECTS                    | TOTAL UNITS | TYPE           |
|----------------------------------|-------------|----------------|
| Chaplin Road (Greendale, Harare) | 10          | Town Houses    |
| Glaudina (Harare)                | 40          | Medium Density |
| Newlands (Harare)                | 30          | Garden Flats   |
| Masotcha Ndlovu (Harare)         | 60          | Cluster Homes  |

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| Contribution to Group             |                                   |                             | Profitable Operations             |                              |
|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------------|------------------------------|
| Total Assets<br>\$78.9 m<br>(17%) | Total Equity<br>\$25.8 m<br>(24%) | Surplus<br>\$7.1 m<br>(44%) | Total Income<br>\$12.1 m<br>(15%) | Expenses<br>\$6.1 m<br>(10%) |



## Microplan

▶ Significant Market Share growth - Now ranked 3rd in industry by balance sheet size

▶ Market presence – branch openings in Mutoko, Gwanda, Masvingo, Mutare and Chiredzi

▶ Loan book growth - Achieved 90% asset (loan book) growth of quality low risk assets

▶ Balance Sheet grew by 51% to US\$12.9 million

▶ Industry Recognition - Accorded Platinum Membership status by ZAMFI

▶ Skills recognition – Microplan General Manager appointed board member of ZAMFI.

## Asset Quality By Grade...

|              |                       | 2012             |             | 2013              |             |
|--------------|-----------------------|------------------|-------------|-------------------|-------------|
| GRADE        | DESCRIPTION           | AMOUNT           | Proportion  | AMOUNT            | Proportion  |
| Grade 1 – 7  | Unimpaired            | 4 317 883        | 65%         | 11 035 764        | 87%         |
| Grade 8 – 10 | Individually Impaired | 2 357 257        | 35%         | 1 694 382         | 13%         |
| <b>TOTAL</b> |                       | <b>6 675 140</b> | <b>100%</b> | <b>12 730 146</b> | <b>100%</b> |



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the Sky is the limit.





| Contribution to Group            |                                 |                        | Profitable Operations           |                             |
|----------------------------------|---------------------------------|------------------------|---------------------------------|-----------------------------|
| Total Assets<br>\$12.9 m<br>(3%) | Total Equity<br>\$2.0 m<br>(2%) | PBT<br>\$1.2 m<br>(7%) | Total Income<br>\$4.6 m<br>(6%) | Expenses<br>\$3.4 m<br>(3%) |





## Eagle Insurance

▶ Claims turnaround period reduced to five (5) days

▶ Global Credit Rating (GCR) claims paying ability upgraded to BBB-

▶ Underwriting capacity increased through robust and liquid balance sheet

▶ Profitability enhanced due to prudent underwriting and efficiency in debtor management

▶ Profitability enhanced due to prudent underwriting and efficiency in debtor management

▶ Continuously improving claims control mechanisms to ensure insurance fraud detection



Eagle Insurance Company Limited  
A member of the FBC Group

## Contribution to Group

Total Assets  
\$9.0 m  
(2%)

Total Equity  
\$3.6 m  
(3%)

PBT  
\$1.7 m  
(10%)

## Profitable Operations

Total Income  
\$7.2 m  
(9%)

Expenses  
\$5.5 m  
(9%)

## FBC Re

▶ Trendsetters for profitability and liquidity management in Zimbabwe's Reinsurance Industry

▶ Best rated Reinsurer in Zimbabwe - Global Credit Rating (GCR) of "A-"

▶ Retrocession programme placed with some of the world's strongest reinsurers

▶ Aggressively exploring geographical and business mix diversification

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

▶ Undertaking CSR initiatives - Capacitating insurance players through technical training

 FBC Reinsurance Limited

| Contribution to Group            |                                 |                         | Profitable Operations             |                              |
|----------------------------------|---------------------------------|-------------------------|-----------------------------------|------------------------------|
| Total Assets<br>\$22.4 m<br>(5%) | Total Equity<br>\$8.7 m<br>(8%) | PBT<br>\$2.9 m<br>(18%) | Total Income<br>\$11.6 m<br>(15%) | Expenses<br>\$8.7 m<br>(14%) |

## TURNALL HOLDINGS LIMITED

| Contribution to Group             |                                   |                          | Profitable Operations            |                              |
|-----------------------------------|-----------------------------------|--------------------------|----------------------------------|------------------------------|
| Total Assets<br>\$69.0 m<br>(15%) | Total Equity<br>\$27.0 m<br>(25%) | PBT<br>(\$3.1 m)<br>(0%) | Total Income<br>\$8.8 m<br>(11%) | Expenses<br>\$11.9m<br>(19%) |

# The return to profitability...



| Contribution to Group             |                                   |                           | Profitable Operations           |                             |
|-----------------------------------|-----------------------------------|---------------------------|---------------------------------|-----------------------------|
| Total Assets<br>\$1.7 m<br>(0.4%) | Total Equity<br>\$0.3 m<br>(0.2%) | PBT<br>\$0.03 m<br>(0.2%) | Total Income<br>\$0.4 m<br>(1%) | Expenses<br>\$0.4 m<br>(1%) |

1

Environment & Group Business Update

2

2013 Group Financial Performance Review

3

2013 Review of Operations

4

2014 Outlook

## 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
- Turnall Holdings Limited
  - Working Capital Management
  - Cash or bank guaranteed credit to manage default risk



**Thank You**