FBC Holdings Limited

strength • diversity • service

2013 ANNUAL REPORT

Contents

Group Structure

FBC Holdings Limited
strength • diversity • service

	Shareholding	
	31 December 2013	31 December 2012
FBC Bank Limited *(Registered Commercial Bank)*	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Building Society	100%	60%
FBC Securities (Private) Limited	100%	100%
MicroPlan Financial Services (Pvt) Limited	100%	100%
Eagle Insurance Company Limited	95%	95%
Turnall Holdings Limited	58%	58%

Destiny, Cause and Calling

Destiny

To be Africa's trendsetters in financial and risk management.

Cause

To secure individual and corporate wealth.

Calling

To create value through a passionate commitment to partnerships.

General Information

Registered Office
6th Floor, FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe

Telephone	: 263 – 04 – 700312
	: 263 – 04 – 797770
	: 263 – 04 – 708071/2
Telex	: 24512 FIRSTB ZW
Swift	: FBCPZWHA
Fax	: 263 – 04 – 700761
E-mail	: info@fbc.co.zw
Web site	: http://www.fbc.co.zw

Transfer Secretaries
First Transfer Secretaries (Private) Limited
1 Armagh Avenue, Eastlea
P.O. Box 11 Harare

Telephone	: 263-04-782869
Mobile	: 263 772146157/8

Independent Auditor
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No 4, Arundel Office Park
Norfolk Road
Mount Pleasant
P.O. Box 453, Harare

Telephone	:263-04-338 362-8
Fax	:263-04-338 395

Attorneys
Dube Manikai & Hwacha Legal Practitioners
Eastgate Building
6th Floor, Goldbridge, Southwing
Corner Sam Nujoma Street and Robert Mugabe Road
P.O. Box CR 36, Cranborne, Harare

Telephone	: 263 – 04 – 780351/2

Costa & Madzonga Legal Practioners
4th Floor, Three Anchor House,
54 Jason Moyo Avenue
P.O. Box CY 1221, Causeway, Harare

Telephone	: 263-4-790618
	: 263-4-790668
Fax	: 263-4-737575

FBC Bank Limited

Belgravia Private Banking Branch
2 Lanark Road, Belgravia, Harare
P.O. Box A852, Avondale, Harare

Telephone	:263-04-251975
	:263-04-251976
Fax	:263-04-253556

Chinhoyi Branch
Stand 5309 Magamba Way
P.O. Box 1220
Chinhoyi

Telephone	:263-067-24086
Fax	:263-067-26162

Jason Moyo Avenue Branch
Asbestos House
108 Jason Moyo Avenue
P.O. Box 2910, Bulawayo

Telephone	: 263-09-76079
	: 263-09-76371
Fax	: 263-09-67536

Gweru Branch
71 Sixth Street
P.O. Box 1833, Gweru

Telephone	: 263-054-26491
	: 263-054-26493/7
Fax	: 263-054-26498

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 1227, Harare

Telephone	: 263-04-700312
	: 263-04-797770
Fax	: 263 – 04 – 7008071/2

Kwekwe Branch
44a/b Robert Mugabe Way
P.O. Box 1963, Kwekwe

Telephone	: 263-055-24116
	: 263-055-24160
Fax	: 263-055-24208

Masvingo Branch
FBC House
179 Robertson Street, Masvingo

Telephone	: 263-039-62671
	: 263-039-62821
	: 263-039-62912
Fax	: 263-039-65876

Nelson Mandela Avenue Branch
Nelson Mandela Avenue
P.O. Box BE 818, Belvedere, Harare

Telephone	: 263-04-750946
	: 263-04-753608
Fax	: 263-04-775395

Southerton Branch
11 Highfield Junction Shop
P.O. Box St495, Southerton, Harare

Telephone	: 263-04-759712
	: 263-04-759392
Fax	: 263-04-759567

Zvishavane Branch
98 Robert Mugabe Way
P.O. Box 91, Zvishavane

Telephone	: 263-051-2176
	: 263-051-2177
Fax	: 263-051-3327

Mutare Branch
50 B Herbert Chitepo Avenue
P.O. Box 2797, Mutare

Telephone	: 263-020-62586
	: 263-020-62114
Fax	: 263-020-60543

Samora Machel Avenue Branch
Old Reserve Bank Building
76 Samora Machel Avenue
P.O. Box GD 450, Greendale, Harare

Telephone	: 263-04-700372
	: 263-04-700044
Fax	: 263-04-793799

Victoria Falls Branch
Shop 4 Galleria De Falls
P.O. Box 225, Victoria Falls

Telephone	:263-013-45996/5
Fax	:263-013-5995/6

Chitungwiza Branch
No 197 Ticlor Township, Seke
Chitungwiza

Telephone	:263-270-30212
	:263-270-31016
Fax	:N/A

Msasa Branch
104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare

Telephone	:263-04-446806
Fax	:263-051-3327

Beitbridge Branch
1454 NSSA Complex

Telephone	:263 -286- 23196
	:263 -286- 23198
Fax	n/a

General Information (Continued)

FBC Reinsurance Limited

Head Office
4th Floor, FBC Centre
45 Nelson Mandela Avenue
P.O. Box 4282, Harare
Telephone : 263-04-772703/7
Fax : 263-04772701

Bulawayo Office
1st Floor, Asbestos House
Jason Moyo Avenue
P.O. Box 2199, Bulawayo
Telephone : 263-09-888344
Fax : 263-09-888560

FBC Building Society

Leopold Takawira Branch
FBC House,Fidelity House
113 Leopold Takawira
P.O. Box 4041, Harare
Telephone : 263- 04-756811-6
Fax : 263- 04-772747

Gweru Branch
Impala Seeds Building
69B 6th Street
P.O. Box 1345, Gweru
Telephone : 263- 054-226189
: 263- 054-223586
Fax : 263- 054-226189

Bulawayo Branch
FBC House FBC House
Corner Robert Mugabe Way and 11th Avenue, Bulawayo
Telephone : 263-09-79504
: 263-09-68679
: 263-09-64547
: 263-09-69925/48
Fax : 263-09-74069

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 4041, Harare
Telephone : 263- 04-707057
Fax : 263- 04-783440

Mutare Branch
FBC House
P.O. Box 1224, Mutare
Telephone : 263-020-65894
: 263-020-65897/8
Fax : 263-020-66723

Masvingo Branch
FBC House
179 Robertson Street, Masvingo
Telephone : 263-039-62671/821/912
Fax : 263-039-65876

Eagle Insurance Company (Private) Limited

Harare Branch
Eagle House
105 Jason Moyo Avenue, Harare
Telephone : 263-04-708212
Fax : 263-04-797135

Mutare Branch
Manica Chambers
2nd Avenue Road, Mutatre
Telephone : 263-020-65723
Fax : 263-020-63079
: 263-020-65722

Bulawayo Branch
4th Floor, LAPF House
Corner 8th Avenue and Jason Moyo Street, Bulawayo
Telephone : 263-09-71791/4
Fax : 263-09-76224

Turnall Holdings Limited

5 Glasgow Road, Workington, Harare
Telephone : 263-04-754625/8
Fax : 263-04-754629

FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone : 263-04-700928
: 263-04-700373

Microplan Financial Services (Private)Limited

Harare Branch
4th Floor FBC House
113 Leopold Takawira, Harare
Telephone :263-04-772745/772729
Fax :N/A

Bulawayo Branch
1st Floor Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone :263-09-61650

Chiredzi Branch
324 Baobab Road
Chiredzi
Telephone :263-31-2752
:263-31-2820

Mutare Branch
101 Herbert Chitepo Street
Mutare
Telephone :263-20-65895
:263-20-62949

Mutoko Branch
Stand 51 Mazarura Complex
Mutoko Growth Point
Mobile :263-772432767

Masvingo Branch
1st Floor FBC Centre
179 Robertson Street, Masvingo
Mobile :263-736462940
Telephone :263-039-262912

Gwanda Branch
Stand 623 Nkala Complex
Soudan Street, Gwanda
Telephone :263-284-24296

Gweru Branch
Impala Seeds House
71 A Sixth Street, Gweru
Telephone :263-54-226808
:263-54-224524

Financial Highlights
For the year ended 31 December 2013

	31-Dec-13 US$	31-Dec-12 US$
Consolidated statement of comprehensive income		
Profit before income tax	16 220 524	16 892 650
Profit for the year	14 087 777	15 636 852
Consolidated statement of financial position		
Total equity	106 215 516	88 152 633
Total assets	460 778 310	392 054 851
Share statistics		
Shares in issue - actual (m)	672	592
Shares in issue - weighted (m)	601	536
Basic earnings per share - (US cents)	2.30	2.42
Diluted earnings per share - (US cents)	2.30	2.42
Headline earnings per share - (US cents)	2.30	2.39
Dividend per share - ordinary (US cents)	0.149	-
Closing share market price - (US cents)	13.5	7.5
Ratios		
Return on shareholders equity	13%	18%
Cost to income ratio	80%	77%

Chairman's Statement

Herbert Nkala | **Group Chairman**

Financial Performance Review

The Group has continued to benefit from its diversified business model in addition to its strong risk management culture against a backdrop of a stable but challenging environment. The Group registered a slight decrease in profit before tax of 4% to US$16.2 million from US$16.9 million in 2012. This is attributed to the negative performance of the construction-material manufacturing business unit, Turnall Holdings Limited ("Turnall"). In this respect, an impairment allowance coupled with a reduced demand for its traditional product offerings, adversely affected the performance of Turnall. The introduction of the new concrete tile product in July 2013 was inadequate to offset reduced revenues in other product lines.

Profit for the year decreased to US$14.1 million from US$15.6 million. The decrease in profit for the year was higher than that of profit before tax, as a result of an increased tax burden after the utilization of the deferred tax credit in 2012.

The Group recorded total net income of US$79.5 million which is 7% higher than the US$74.2 million recorded last year. The level of total net income increase was negatively affected by the mandatory reduction of bank charges and interest margins as was stipulated in the Memorandum of Understanding ("MoU") signed by all the banking institutions and the Reserve Bank of Zimbabwe in January 2013. The said MoU expired in December 2013 and was not renewed.

The Group continues to place considerable emphasis on cost containment, whilst concurrently investing in business expansion. The Group's cost to income ratio moved to the current level of 80% from 77% last year mainly as a result of increased impairment allowance. The Group is set to continue focusing on improving cost efficiencies anchored on e-commerce.

An impairment allowance of US$7.2 million was charged in response to the current challenging operating environment, resulting in a cumulative impairment allowance of US$18 million. This amount is in tandem with the Group's conservative view on impairment allowance. We shall continue to place notable emphasis on credit underwriting skills with particular emphasis on clients with undoubted primary and secondary sources of repayments.

All banking subsidiaries continued to maintain adequate liquidity levels for all of their depositing clients throughout the year by following prudent liquidity management strategies. The continuous exercise of prudence in the area of liquidity management under the current challenging economic environment shall remain of critical importance within the Group.

Chairman's Statement (Continued)

Financial Highlights

- Group profit before income tax US$16.2 million.
- Group profit for the year US$14.1 million.
- Cost to income ratio 80%.
- Basic earnings per share 2.30 US cents.
- Net asset value per share 14 US cents per share.
- Final dividend proposed US$1 million, bringing total dividend to US$2 million including interim dividend of US$1 million.

The Group's statement of financial position grew by 18% to US$461 million from US$392 million last year, a testimony to the improvement in the acceptance of the FBC brand amongst our numerous stakeholders. Total equity attributable to FBC Holdings shareholders increased by 40% to US$94 million from US$67 million, the position as at the 31st December 2012. This growth was primarily driven by disposal of treasury shares, the acquisition of a minority interest in one of the Group's subsidiaries and retained profits for the year.

All the Group's financial services' business units achieved commendable results. This has served to buttress the FBC Holdings footprint in the local financial services sector. It is our thrust to consolidate our position thereof, whilst ensuring that our clients are provided with an outstanding experience in utilising our various products and services.

Operating Environment

The Zimbabwe economic landscape though stable, continues to face considerable difficulties which are still evident in the current operating environment. This has, regrettably, resulted in most businesses and other major stakeholders failing to adapt to the environment. The economy continues to be constrained by acute liquidity challenges, thereby adversely affecting the ability of the productive sectors of our economy to access affordable credit lines. Consequently the productive sectors' capacity utilization fell from 44% in 2012 to 39% in 2013.

The Gross Domestic Product ("GDP") growth rate was revised downwards to 3.4% in 2013 from an initial projection of 5%. This was as a result of increased liquidity challenges and the slow gross fixed capital formation. In 2014, however, the local economy is projected to grow by 6.1%, driven mainly by mining and agriculture.

Financial Services Sector

Liquidity challenges have persisted in the economy driven mainly by low business activity, leakages due to a perpetual negative external funding position, reduced confidence in the banking sector, reduced lines of credit, perceived high country risk, policy issues and high non-performing loans. The industry average for nonperforming loans was 15.92% as at 31 December 2013. Deposits remained short term in nature, compounded by high funding costs.

The Group continues to leverage on its stable brand image and strong corporate governance record to mitigate itself from the high country risk and perceived sector vulnerabilities to access foreign lines of credit.

New Capital Requirements

In view of the current macroeconomic challenges besetting the economy, we welcome the extension of the capitalization deadline to the 31st of December

Chairman's Statement (Continued)

2020, for banking institutions to comply with the new capital requirements of US$100 million for commercial banks and US$80 million for building societies. It is our considered view that this reprieve gives the Group ample time for both the Bank and the Building Society to comply with the new capital requirements separately.

Shareholders will recall that in my interim report, I highlighted that we had obtained the required approvals for the proposal to merge the Bank and the Building Society into a single entity, FBC Bank. The decision had been necessitated by the need to comply with the new capital requirements, given the compressed compliance timeline that had been announced by the regulatory authority, the RBZ. I also highlighted in my half-year report that whilst all hurdles had been cleared, the Bank and the Society were to continue as separate legal entities until we receive clarity regarding the compliance time table. As at 31 December 2013, both the Bank and the Building Society were in excess of the current minimum capital levels of US$25 million and US$20 million respectively and will therefore continue to operate separately. Whilst we will continue to review the proposal to merge the said separate entities up to 2020, we are on course to submit a comprehensive recapitalization plan to the RBZ by the 30th June 2014.

We are pleased to report that all the FBC Holdings Limited subsidiaries are in full compliance with regulatory capital requirements.

Share Price Performance

The local equities market defied the uncertainties prevailing in the local economy to record an impressive 32.6% gain for 2013, ending the year at 202.12 points. The resources index mirrored the general sectorwide challenges that have confronted the mining sector, chief among them being, working capital support and capacity regeneration. Consequently, the mining index lost 30% in 2013 and closed at 45.79 points. Despite the economic challenges experienced in 2013, FBCH's share out-performed the index with an impressive 80% gain after closing the year at US$0.135. The Group continues to display great potential and has remained sound in a difficult operating environment. Given the present value of growth opportunities, we believe the FBC Holdings counter still remains discounted from its true value.

Corporate Social Investment

FBC Holdings as a responsible corporate citizen, has remained active in improving the livelihood of the communities we serve. The Group has been supportive of various entities, encompassing education, financial inclusion, enterprise development, sports, the arts as well as health sectors. To this end, a corporate social investment of US$466 178 was made towards charity organisations and various needy causes across the country during 2013. The Group firmly believes that it has a material role to play in the improvement of the Zimbabwean social landscape by ploughing back profits into the community in different areas of social endeavour.

Marketing and Public Relations

The FBC Brand has remained highly visible in the market place during the year as a result of a cocktail of sustained marketing and public relations initiatives that have been implemented. FBC Holdings Limited was publicly recognised once again when it scooped the Independent Quoted Companies Survey 2012 Award for the second year running, having been awarded the same recognition in 2011 and previously in 2007 where it also won the Independent Quoted Companies Overall award for the best performing company for that year. FBC Bank also won the 2nd runner up award for an outstanding performance in the Buy-Zimbabwe Campaign's Banking and Finance Awards. This accolade is in recognition of the outstanding role played by the Bank in rejuvenating the economy, employment creation and stirring national pride. The Zimbabwe Investment Authority honoured FBC Bank with the financial sector award as 1st runner-up in recognition of the Bank's contribution to the broadening of the financial services sector.

FBC Building Society continues to deliver housing units to satisfy the huge demand for shelter. During the course of 2013, the Society delivered 234 housing units into the market in both low and high density suburbs across the country.

FBC Reinsurance was the only reinsurance company in Zimbabwe to be accorded an A- credit rating in 2013, based on the institution's well established position in the domestic market, underpinned by previously demonstrated capital support from the holding company and linkages to top tier reinsurers. Microplan, the micro-

Chairman's Statement (Continued)

financing arm of FBCH was recognised as one of the major players in the microfinance industry by the Zimbabwe Insititute of Microfinance Institutions ("ZAMFI") and was accorded a "platinum" status in the micro-finance industry. Microplan has also increased its distribution points, opening branches in Mutoko, Mutare, Masvingo and Chiredzi.

The Group will continue to reach its audience through effective marketing communications on its products and service promotions so that it consistently stays ahead of its competition.

e-Commerce

The Group continues to make significant strides in the roll-out of electronic channels with customers benefiting immensely from the resultant convenience. We will focus on integrating the various payment platforms and channels with various stakeholders which should enable monetization of the investment. The mobile channel development will leverage the Group's participation in enabling the inclusion of the lower income groups into the mainstream financial services. The rollout of an agency network will enhance the reach and support of electronic channels, creating new markets for the Group. Electronic channels were the perfect antidote to overcome the curtailment of income caused by the sector Memorandum of Understanding between the financial sector and the Reserve Bank of Zimbabwe which controlled the pricing of bank charges for customers.

Dividend

On behalf of the Board, I am pleased to advise shareholders that a final dividend of 0.149 US cents per share was proposed. This makes a total dividend of 0.298 US cents per share, together with the interim dividend of 0.149 US cents per share which was paid in September 2013. The Board has taken into account the performance of the Group, the solid recapitalization plan and the postponement of banking institutions' new capitalization levels to year 2020.

Outlook

Having concluded pressing political processes during 2013, stakeholders are focused on the nation's economic recovery. Capital raising initiatives will continue to be at the centre of capital market activity, so will be the transition to an automated trading system which is expected to improve the Group's activity on the local bourse and increase its depth. The Group will leverage on strategic business units to benefit from capital raising initiatives.

Appreciation

I would like to extend my deep appreciation to our valued customers who remain loyal to the FBC brand which has grown in stature since its inception. Your continued support and confidence, shown in FBC, are invaluable. As always, I am truly grateful for the non-executive directors' unwavering guidance and counsel during this period, alongside the Group Chief Executive, John Mushayavanhu and Team FBC's professionalism, dedication and commitment demonstrated at all times.

Herbert Nkala
Group Chairman
19 March 2014

Group Chief Executive's Report

John Mushayavanhu | **Group Chief Executive**

I am pleased to present to you the FBC Holdings' audited financial results for the year ended 31st December 2013. The Group continues to build on its diversified business model while consolidating its revenue generation capacity across all business units.

Group Performance

The Group has once again delivered positive performance despite the challenges of operating in a difficult business environment. The various units within the Group have continued on an expansion path, with the exception of the construction material manufacturing business, whose performance was negatively affected by the harsh economic environment and increased impairment allowance on debtors.

The Group's total net income increased by US$5 million to US$79.5 million in 2013 from US$74 million recorded last year. The magnitude of the increase was weighed down by the capping of bank charges and interest margins payable by clients within the banking sector as a whole. All banks currently operating in Zimbabwe entered into a Memorandum of Understanding ("MoU") with the RBZ for a ten month period covering February to November 2013. In addition, our manufacturing business experienced weak demand on its traditional products due to the depressed economic activity currently obtaining in the country. The Group's other subsidiaries achieved commendable growth in revenue in 2013 buoyed mainly by increased customer acquisitions.

Although a ceiling was placed with regards to the amount of interest margins that banking institutions could charge to clients, in line with the aforementioned MoU, the Group's net interest income recorded an increase of 8% to US$21.9 million from US$20.3 million achieved in 2012. This was driven by the growth in loans and advances, and mortgages. The magnitude of net interest income was however tapered by the increased cost of funding as a result of aggressive pricing of deposits to match competition in an illiquid financial market. While the Group was successful in attracting a number of lines of credit, the price premium thereof did not significantly reduce the cost of funding to levels below those currently obtaining in the local operating environment. The contribution of net interest income to Group total net income was static at 28%.

Notwithstanding the capping of bank charges to clients, fee and commission income recorded a respectable growth of 8% to US$22.3 million from US$20.6 million in 2012. This was primarily as a result of increased volume of transactions emanating from increased customer acquisitions and the introduction of e-based transactions. The Banking subsidiaries and the micro lending subsidiary registered significant success in customer acquisitions during the year.

Group Chief Executive's Report (Continued)

"...the FBC brand continued to gain traction in the market."

The contribution of gross profit to total net income decreased to 19% in 2013, from 22% in 2012 and to US$15 million from $16 million in value terms as the manufacturing business absorbed increased production costs, which it could not pass on to customers due to the weak demand. The new tiling plant commissioned in the second half of the year ameliorated the reduction in revenues from the traditional products. The newly launched Turnall concrete tile has gained acceptance by the market as a result of its strength and quality. Revenue contribution from the product is forecast to continue increasing.

The insurance businesses' revenue lines increased by 14% to US$16.7 million in the year under review from US$14.6 million last year driven by increased customer acquisitions as the FBC brand continued to gain traction in the market. The contribution of net earned insurance premium to total Group income increased to 21% from the 20% recorded last year bearing testimony to the strength of the Group's diversified business model and strong risk transfer model.

The Group's impairment allowance of US$7.2 million is prudent in view of the liquidity challenges and heightened default rates currently obtaining in the Zimbabwean economic landscape. We will continue to enhance our credit risk management framework whilst concurrently ensuring that impairment allowance is properly measured and charged. The Group's total impairment allowance at US$18 million is considered sufficient, taking into account the level of tangible security on loans.

Cost to income ratio moved to 80% from 77% last year as a result of increased impairment allowance. Administrative expenses, at US$46.5 million registered an increase of US$1.6 million in value terms and 4% in percentage terms in an environment where the Group is still expanding distribution channels and consolidating its brand equity. The strategy of the Group going forward is to align all costs to revenues through improving efficiencies.

The Group's statement of financial position at US$461 million increased by 18% compared to prior year. The marked increase in the statement of financial position was driven by a 18% increase in deposits to US$300 million from US$254 million achieved last year. This growth bears testimony to the continued consolidation of the FBC brand in the market.

Total equity attributable to shareholders of the Company is now at US$94 million compared to US$67 million as at 31 December 2012 as a result of measures being employed by the Group including but not limited to, the retention of earnings, the disposal of treasury shares and the acquisition of a minority interest in one of the

Group Chief Executive's Report (Continued)

subsidiaries. The gap between the book value of equity at US$94 million and the market capitalization of FBC Holdings Limited of US$90 million, as at 31st December 2013 narrowed down to US$4 million from US$23 million as at 31st December 2012. This gives us a great sense of satisfaction as it serves as evidence that the market is now appreciating the resilience of the FBCH business model.

FBC Bank Limited

In a market that continues to be dogged by acute liquidity challenges, FBC Bank recorded a profit before income tax of US$7.1 million compared to US$6.7 million achieved last year. The contribution of the Bank, the flagship business of the Group, to the profit before income tax increased to 44% from 40%. The Bank's total net income increased by 4% to US$37 million from US$36 million last year. The modest increase was due to prescribed bank charges and interest margins by RBZ and increased cost of funding in an illiquid market.

The Bank's statement of financial position increased by 15% to US$323 million buoyed by total deposits which increased by 16% to US$278 million from US$239 million last year.

The Bank increased its lending portfolio by 33% to US$213 million from US$160 million last year on the back of accessed credit lines. The Bank will continue to focus on securing additional external lines of credit with a view to providing the much needed support to clients with bankable businesses. The thrust is to position FBC Bank as a market leader in securing external lines of credit for on lending to quality corporates as well as qualifying individuals.

Core capital currently standing at US$39 million is well in excess of the revised minimum capital requirement of US$25 million set by the RBZ. The Bank is well positioned and has ample time to comply with the US$100 million minimum capital threshold set by the regulatory authority, wherein all banks are required to be fully compliant thereof by the 31st December 2020.

In the latter part of the year, the Bank expanded its product offering, by establishing a Lease Finance Department. Plans are also underway to establish a Debt Factoring Unit in the first quarter of 2014. The Bank's Mobile Payments platform, Mobile Moola, was expanded to cover bill payments for selected retailers and service providers. The Bank's branch network has also expanded to include Beitbridge.

The Bank maintained it's A-rating from the Global Credit Rating Agency in 2013.

FBC Building Society

The Building Society recorded a net surplus of US$7 million, registering a 27% growth from the 2012 net surplus of US$5.5 million. Total net income for the year amounted to US$13.7 million representing a 16% growth from 2012 while a modest 5% increase was recorded on operating expenses as cost control measures continue to be implemented. The Building Society contributed 44% to the Group's profit before income tax.

The Society continues to make use of robust operating strategies, in its' quest to provide new housing stock on the market and to this end, a total of 234 new housing units were released into the market during the year under review. Housing development projects were undertaken to cater for different segments of the market. A high density project was completed in Mbizo, Kwekwe, where 157 units were constructed. In Harare, a total of 67 units were constructed in medium density suburbs while 10 upmarket town houses were constructed in the low density suburbs. In 2014, the Society intends to construct 95 medium density units and 40 low density units in Harare.

The loan portfolio registered a 55% growth to US$45 million from US$29 million in 2012. The growth was mainly driven by mortgage lending arising from the development of properties. The performance of the loans portfolio remains satisfactory with a non performing loans ratio of 5%. The capital base as of the 31st December 2013 stood at US$25.8 million making the Society compliant with the regulatory minimum requirement of US$20 million set by RBZ. The unavailability of long term financing in the local market continues to be a barrier to the Building Society's prospects for optimum expansion.

Group Chief Executive's Report (Continued)

Microplan Financial Services (Private) Limited

Since its establishment in January 2011, Microplan has recorded significant growth in market share and is now ranked 3rd by balance sheet size in the market. The business unit has contributed US$1.2 million to the overall Group profit before tax, representing a 37% growth since 2012. Microplan's success is a result of employing aggressive business development tactics while at the same time applying strong risk management methods. The business unit has spread its footprint to Mutoko, Gwanda, Masvingo, Mutare and Chiredzi. This has enhanced visibility as well as market share.

Microplan Financial Services was accorded Platinum Membership status by the Zimbabwe Association of Microfinance Institutions ("ZAMFI") in recognition of its increasing role in the sector and has in the process, been accorded a seat on the ZAMFI board.

FBC Securities (Private) Limited

During the year under review, FBC Securities embarked on a deliberate strategy to broaden its local market base and make inroads into foreign markets. This resulted in the business unit achieving a break-even position as at 31 December 2013.

We believe that the business unit's strategic focus of expanding its product and service offering in line with capital market dynamics, will see the entity achieving profitability in the ensuing year.

FBC Reinsurance Limited ("FBC Re")

FBC Re's gross premium income grew by 11% to US$15.2 million during the year under review, while profit before income tax increased by 38% to US$2.9 million compared to US$2.1 million achieved last year. The company recorded a positive underwriting result of US$1.2 million which is a 40% improvement in comparison to the same period last year. The business unit continues to exercise a robust risk management framework while employing strong underwriting discipline.

We are pleased to report that FBC Re is now the lead reinsurer for the majority of the large direct insurers in Zimbabwe and, remains the most liquid and most profitable Zimbabwean reinsurer in the market. FBC Re also has the fastest claims turnaround time in the market.

In the just ended business year, FBC Re maintained its' A- rating in claims paying ability from Global Credit Rating Agency of South Africa.

Eagle Insurance Company Limited

Eagle Insurance continues to grow since its acquisition by the Group in 2011. The insurance company increased its contribution to the Group profit before income tax to 10% from 4% last year. It grew its profits by an impressive 126% to US$1.67 million in 2013 from US$0.740 million in 2012.

The outlook remains largely positive, with the business unit poised to benefit from on-going product development, prudent underwriting and a robust as well as liquid balance sheet. In 2013, Eagle Insurance's claims paying ability was upgraded to BBB- by the Global Credit Rating Agency of South Africa ("GCR").

Turnall Holdings Limited ("Turnall")

Turnall recorded static turnover of US$42 million and recorded a loss of US$3.1 million mainly due to increased impairment allowance and increased production costs. The Company widened its product range by introducing an affordable concrete tile. This range of concrete tile has gained wide acceptance in the market and is poised to continue gaining market share. However, the success of the new concrete tile product was not adequate to counter-weigh the prior weak demand experienced by the Company's traditional products. The Company is restructuring its operations in line with the demand obtaining in the market. I am confident that the new initiatives will see the Company improving its performance in the current operating environment.

Service Delivery

The Group remains committed to delivering a quality service to all clients and stakeholders through continuous product innovation and review. There has been a concerted effort to increase physical representation across the country for business units such as FBC Bank, FBC Building Society and Microplan.

In order to provide good quality service and convenience to all our valued stakeholders, the Group continues to

Group Chief Executive's Report (Continued)

invest in cutting edge technology such as the recent acquisition of state-of-the-art ATMs which are being deployed across the branch network.

Risk Management

The Group maintains a strong risk management culture reinforced by a risk philosophy which states that 'everyone in the Group is a risk manager'. Policies and procedure manuals are regularly reviewed to ensure that they remain relevant to conditions prevailing in the operating environment and are in conformity with best practices and regulatory requirements.

The Group, through its Enterprise-Wide Risk Management Framework, conducts stress tests to assess the vulnerability of the Group against severe market conditions. Proactive measures are continuously being undertaken to address any undesirable outcomes from the stress tests. In addition, the Group has embarked on a programme to adopt best practice Information Technology Operations Control Frameworks, given the e-Commerce strategic thrust being pursued. The Group's adoption of the Basel II Standards has been of great assistance in achieving the objective of maintaining robust risk management processes. Management and Board Committees which form part of the risk governance structure across the Group, provide continuous oversight on overall risks.

Human Resources

The Group continues to enjoy harmonious employee relations across all its business units. In addition, and for the third year running, the Group retained all its key and critical skills. Employee commitment has continued to improve and in 2013, the level of employee engagement was at its highest since the Group started tracking employee engagement and commitment to the Group.

The financial results of the Group are testimony to the level of productivity that engaged employees are capable of achieving. Going forward, the Group will continue to focus on those facets of human capital management that place considerable emphasis on the promotion and sustainability of higher employee engagement. This is achievable through the consistent implementation of well-oiled strategies such as sound management of industrial relations, talent, performance, commensurate rewards, learning and development, employee participation as well as other initiatives that ensure a high level of motivation and commitment.

Information Technology and e-Commerce

The operating landscape continues to demand innovative solutions in the face of a well-informed and technologically savvy client. The Group's e-Commerce thrust is starting to pay off with new revenue lines starting to flow into the fee income base driven by increased transaction traffic. The Group has enhanced its capacity to serve more clients more conveniently with the current infrastructure, hence increased productivity.

The high mobile phone penetration rate currently prevailing in Zimbabwe should see the Group leverage the channel to enter new segments with technology-driven products and services at a competitive cost. Strategic partnerships are a key factor in establishing and consolidating the existing financial reach. This serves to ensure viable financial inclusivity in an increasingly competitive industry into which mobile network operators have also entered with vigour and enthusiasm. The Group will exploit its industry knowledge as well as create partnerships in order to maintain leadership in technology driven financial services.

Product Development

The Group believes that with a sustained thrust towards understanding the desires of the market and responding to that need in the form of innovative products and services, we are well positioned to succeed in a highly contested market place.

Appreciation

Our loyal clients and stakeholders continue to be the cornerstone of our existence and for that I am truly grateful. Your invaluable support drives us to reach greater heights. I wish to take this opportunity to convey my sincere gratitude to the FBC Holdings Limited Board of Directors, Management and Staff members for their unwavering support.

John Mushayavanhu
Group Chief Executive
19 March 2014

MASOTSHA NDLOVU CLUSTER HOMES, WATERFALLS

GLAUDINA HOUSES

GREENDALE HOUSES

Directors' Report

Your directors have pleasure in submitting their tenth annual report and financial statements, for the financial year ended 31 December 2013, for FBC Holdings Limited.

1. ACTIVITIES AND INCORPORATION

FBC Holdings Limited (''the Company") and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises of five wholly-owned subsidiaries and two subsidiaries controlled 58% and 95%.The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, short term reinsurance, short term insurance, stockbrocking and other related financial services, and also manufactures pipes and roofing sheets.

2. AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of US$0.00001 each as at 31 December 2013. The issued and fully paid ordinary shares increased from 591 850 127 ordinary shares of US$0.00001 as at 31 December 2012 to 671 949 927 ordinary shares. The details of the authorized and issued share capital are set out in note 18.3 of the consolidated financial statements.

3. RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2013 was US$93 849 345 (2012: US$67 037 129).

4. FINANCIAL STATEMENTS

	2013 US$	2012 US$
The results reflected a profit before income tax for the year of	16 220 524	16 892 650
Income tax expense	(2 132 747)	(1 255 798)
Profit For The Year	**14 087 777**	**15 636 852**
Equity holders of the parent	13 838 514	12 987 368
Non-controlling interest	249 263	2 649 484
	14 087 777	**15 636 852**

5. DIRECTORS' INTERESTS

As at 31 December 2013, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' Shareholding

Number of Shares	Direct holding	Indirect holding	Total
H. Nkala (Group Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	35 666 126	35 808 367
T. Kufazvinei (Executive Director)	33 166	14 733 505	14 766 671
W. Rusere (Executive Director)	5 000	12 717 200	12 722 200
G. G. Nhemachena (Non Executive Director)	5 960	9 082	15 042
F. Gwandekwande (Executive Director)	79 763	95 075	174 838
	266 130	63 631 327	63 897 457

Directors' Report (Continued)

The other directors have no shareholding in the Company.

6. DIRECTORATE

Details of Directors are reflected on pages 23 and 24.

7. CAPITAL ADEQUACY

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

FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). 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 capital position for these subsidiaries is detailed in the table below;

Company	Regulatory authority	Minimum capital required US$	Discounted capital US$	Total equity US$
As at 31 December 2013				
FBC Bank Limited	RBZ	25 000 000	32 900 390	39 031 433
FBC Building Society	RBZ	20 000 000	24 893 035	25 810 051
FBC Reinsurance Limited	IPEC	1 500 000	8 743 520	8 743 520
FBC Securities (Private) Limited	SECZ	150 000	272 408	272 408
Eagle Insurance Company (Private) Limited	IPEC	1 000 000	3 556 696	3 556 696
Microplan Financial Services (Private) Limited	RBZ	10 000	1 968 212	1 968 212
As at 31 December 2012				
FBC Bank Limited	RBZ	25 000 000	29 727 267	34 433 093
FBC Building Society	RBZ	20 000 000	18 979 135	19 360 110
FBC Reinsurance Limited	IPEC	1 500 000	6 987 219	6 987 219
FBC Securities (Private) Limited	SECZ	150 000	243 155	243 155
Eagle Insurance Company (Private) Limited	IPEC	1 000 000	2 191 083	2 191 083
Microplan Financial Services (Private) Limited	RBZ	10 000	1 213 468	1 213 468

Directors' Report (Continued)

At 31 December 2013, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 15% and that of the building society was 46%, against the statutory minimum ratios of 12%. The respective capital adequacy ratios are determined as illustrated below.

FBC Bank Limited Capital Adequacy Ratio	31-Dec-13 US$	31-Dec-12 US$
Ordinary share capital	18 500 000	18 500 000
Retained profits	19 835 745	14 292 779
General reserve	660 244	660 244
Capital allocated for market and operational risk	(2 853 472)	(2 254 511)
Advances to insiders	(6 131 043)	(5 695 291)
Tier 1 capital	30 011 474	25 503 221
Other reserves	980 070	980 070
General provisions	(944 626)	-
Tier 1 and 2 capital	30 046 918	26 483 291
Tier 3 capital allocated for market and operational risk	2 853 472	3 243 976
	32 900 390	29 727 267
Risk weighted assets	215 450 041	195 115 408
Tier 1 ratio (%)	14%	13%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	1%	2%
Capital adequacy ratio (%)	15%	15%
Minimum Statutory Capital adequacy ratio	12%	12%

Directors' Report (Continued)

FBC Building Society Capital Adequacy Ratio	31-Dec-13 US$	31-Dec-12 US$
Share capital and share premium	11 266 599	10 141 559
Accumulated surplus	14 519 329	8 069 388
Capital allocated for market and operational risk	(1 517 765)	(1 083 182)
Advances to insiders	(917 016)	(380 975)
Tier 1 capital	23 351 147	16 746 790
Non distributable reserves	24 123	839 778
Revaluation reserves	-	309 385
Tier 1 and 2 capital	23 375 270	17 895 953
Tier 3 capital allocated for market and operational risk	1 517 765	1 083 182
	24 893 035	18 979 135
Risk weighted assets	54 547 119	37 948 332
Tier 1 ratio (%)	43%	44%
Tier 2 ratio (%)	0%	3%
Tier 3 ratio (%)	3%	3%
Capital adequacy ratio (%)	46%	50%
Minimum Statutory Capital adequacy ratio	12%	12%

8. DIVIDEND

A final dividend of 0.149 US cents per share was declared by the Board on 19 March 2014, payable on 671 949 927 ordinary shares in issue in respect of the year ended 31 December 2013. The dividend is payable to shareholders registered in the books of the Company at the close of business on Friday, 4 April 2014. The transfer books and register of members will be closed from 4 April 2014 to 7 April 2014. Dividend payment will be made to shareholders on or about 22 April 2014.

Directors' Report (Continued)

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and the integrity of the financial statements that fairly present the state of the affairs of the Group as at the end of the financial year, the statement of comprehensive income, changes in equity and cash flows for the year and other information contained in this report. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in the manner required by the Zimbabwe Companies Act (Chapter 24.03), and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96. The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment, investment property and financial assets at fair value through profit or loss.

10. INDEPENDENT AUDITOR

Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have expressed their willingness to continue in office and shareholders will be asked to confirm their re-appointment at the forthcoming Annual General Meeting and to fix their remuneration for the past year.

By order of the Board
Tichaona K. Mabeza
SECRETARY
19 March 2014

Board of Directors

HERBERT NKALA, B.Sc. Hons, MBA (CHAIRMAN)

Appointed to the First Banking Corporation Limited Board in February 1997. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.

JOHN MUSHAYAVANHU - AIBZ, DIP MANAGEMENT, MBA (GROUP CHIEF EXECUTIVE)

John is an Associate of the Institute of Bankers in Zimbabwe ("AIBZ"), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom. A career banker, John has over 26 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is a former President of Bankers Association of Zimbabwe ("BAZ"). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed the Chief Executive of the FBC Group on the 1st of June 2011.

KENZIAS CHIBOTA - B.Acc (Hons), CA(Z) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in August 2004. He is the Chief Executive Officer of Destiny Electronics (Private) Limited and director of several other companies.

GERTRUDE SIYAYI CHIKWAVA - MSc Strategic Management, AIBZ (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.

PHILIP MHARIDZO CHIRADZA (MSC - Strategic Management), Dip (Gen Management) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in June 2005. He is the former Managing Director of Beverley Building Society and is also a director of several other companies.

TRYNOS KUFAZVINEI - B Acc (Hons), CA(Z), MBA (GROUP FINANCE DIRECTOR)

Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 22 years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive Officer of the FBC Group on the 1st of June 2011.

JAMES MWAIYAPO MATIZA - MSc - Social Protection and Financing, MBA (UZ), FCIS and Dip Business Studies (UZ) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in September 2009. He is the General Manager of National Social Security Authority and holds directorships in a number of other companies.

JOHNSON REX MAWERE - B.A Public Administration and Economics, MSc - Administrative Sciences (Business management) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in August 2004. He is the former Mayor of the City of Kwekwe and is a director of several other companies.

GODFREY GAVIRO NHEMACHENA - BSc. Soc (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of Directors of First Banking Corporation Limited in June 2002 and to the Board of FBC Holdings in August 2004. He holds directorships in a number of other companies. He is the former Town Clerk for the City of Gweru and is the past Chairman of the Local Authorities Pension Fund.

Board of Directors (Continued)

FELIX GWANDEKWANDE - AIBZ, MBA in Accounting, Banking and Economics (UK) (EXECUTIVE DIRECTOR)

Felix was appointed Managing Director of FBC Building Society on the 1st of June 2011. A career banker, chartered marketer, and a holder of an Masters in Business Administration from Nottingham Trent University, Felix has over 27 years experience in the financial services industry encompassing most aspects of banking. He joined FBC Bank in 1998, rising through branch management and heading the Bank's Retail Operations.

WEBSTER RUSERE - AIBZ, MBA (EXECUTIVE DIRECTOR)

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager and rose to become Managing Director of FBC Bank Limited Congo Sarl in November 2000. After the expiry of the DRC management contract in 2004, he was appointed Head of Retail Banking Division. He held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.

CANADA MALUNGA - B.Acc (Hons), CA(Z) (NON-EXECUTIVE DIRECTOR)

Canada, a Chartered Accountant (Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the former Managing Director of Murray & Roberts Zimbabwe Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

KLETO CHIKETSANI - Bachelor of Business Studies (Honours) (UZ), AIISA (NON EXECUTIVE DIRECTOR)

Kleto has 20 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is a founder member of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.

CHIPO MTASA - B.Acc (Hons), CA(Z) (NON-EXECUTIVE DIRECTOR)

Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.

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.

Guidelines issued by the Reserve Bank of Zimbabwe from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises of five executive directors and nine non-executive directors.

The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

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.

Board Attendance

Board member	Main board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing & PR			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Godfrey G Nhemachena	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A
Kenzias Chibota	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A
Philip M Chiradza	√	√	√	√	√	x	√	√	√	x	√	√	N/A	N/A	N/A	N/A	√	x	√	√	N/A	N/A	N/A	N/A
Kleto Chiketsani	√	√	x	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	√	x	x
John Mushayavanhu	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	√	x	√	√	√	√	√
Webster Rusere	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	√	√	√
Chipo Mtasa	x	√	√	√	√	√	x	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A
Gertrude S Chikwava	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√
Trynos Kufazvinei	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James M Matiza	√	√	x	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√
Johnson R Mawere	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Herbert Nkala	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Felix Gwandekwande	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	x	√	√

Legend

Not a member N/A   Attended √   Apologies x   Quarter Q   Meeting postponed P

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:

Board Finance and Strategy Committee Members

K. Chibota (Chairman)
J. Mushayavanhu
T. Kufazvinei
W. Rusere
J. M. Matiza
F Gwandekwande
G. Chikwava
K. Chiketsani

Corporate Governance (Continued)

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:
- The Group's financial statements, and accounting policies,
- The Group's strategy and budget,
- The Group's performance against agreed benchmarks and
- The adequacy of the Group's management information systems.

Board Human Resources and Remuneration Committee Members

H. Nkala (Chairman)
J. Mushayavanhu
P.M. Chiradza
J.R. Mawere

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources.

The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance.

The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

Board Audit Committee Members

P.M. Chiradza (Chairman)
J.R. Mawere
G.G. Nhemachena
C. Malunga
C. Mtasa

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:
- Review compliance with statutory regulations,
- Review the effectiveness of internal controls,
- Review and approve the financial statements and
- Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

Board Risk and Compliance Committee Members

G.G. Nhemachena (Chairman)
K. Chibota
J. Mushayavanhu
W. Rusere
P.M. Chiradza
F. Gwandekwande
K. Chiketsani
C. Mtasa

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/ regulatory breaches and monitoring resolution of such any such breaches.

Corporate Governance (Continued)

Board Credit Committee Members

G.R. Bera (Chairman)
D.W. Birch
T. Mazoyo
W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The Heads of Credit and Risk Management attend the committee meetings by invitation.

Board Loans Review Committee Members

P.F. Chimedza (Chairman) (Resigned 31 July 2013)
M. Ndoro (Chairman) (Appointed new Chairman)
T. Mutunhu
S. Mutangadura

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only. Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Head of Credit and Risk and the Group Chief Executive.

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

Board Assets and Liabilities Committee Members

D.W. Birch (Chairman)
G. Bera
T. Mazoyo
J. Mushayavanhu
S. Mutangadura
T. Mutunhu
W. Rusere

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

Internal Controls

The Directors are responsible for the Group's internal control system, which incorporates procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:
i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.
ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.
iii) Detailed monthly management accounts with comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

Executive Committee

The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:
The Group Chief Executive
Group Finance Director
Group Company Secretary
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (Eagle Insurance Company (Private) Limited)
Divisional Director Human Resources

Corporate Governance (Continued)

It meets fortnightly or more frequently if necessary and acts on behalf of the Board.

Internal Audit

The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

Risk Management and Control

Introduction and Overview

Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

The most important risks that the Group is exposed to are listed below:

- Credit risk,
- Market risk,
- Liquidity risk,
- Reputational risk,
- Strategic risk,
- Operational risk and
- Compliance risk.

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities and the Group's manufacturing subsidiary.

Risk Management Framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committees for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society.

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.

In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:

- Group Risk Management,
- Group Internal Audit and
- Group Compliance.

Group Risk Management Division assumes a central role in oversight and management of all risks that the Group is exposed to in its various activities. The Head of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk

Corporate Governance (Continued)

within the Group. The Head of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Board Risk and Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Board Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed in note 40 under Financial Risk Management.

Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

Group's Approach to Managing Operational Risk

The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

Operational Risk Framework and Governance

The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Subsidiaries have board committees responsible for ensuring robust operational risk management frameworks. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

The Management and Measurement of Operational Risk

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the appropriate risk committees which include the Group Risk and Compliance Committee and Group New Product Committee.

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 Management

Corporate Governance (Continued)

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.

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 Group'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.

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) and The Companies Act (Chapter - 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01) and the Value Added Tax Act (Chapter 23:12).

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.

International Credit Ratings

The banking and reinsurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating. All subsidiaries have maintained their investor grade ratings as illustrated below.

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

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Live life your way

Make life much simpler by getting the prestigious FBC MasterCard Gold card from your FBC bank branch. Save money when travelling outside of Zimbabwe. It is the safest and convenient way to make international purchases and handle banking needs.

Call, SMS or WhatsApp our FBC Help Centre on:
Mobiles : +263 772 419 693 and +263 772 152 647 Landlines : (04) 704 481-82
Toll - free : 080 800 25 and 080 800 26 Email : help@fbc.co.zw
skype FBC.Help.Centre

Accepted at more than 33.3 million ATM and merchant locations in 210 countries worldwide.

info@fbc.co.zw www.fbc.co.zw

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

Independent auditor's report

to the shareholders of

FBC HOLDINGS LIMITED

We have audited the consolidated financial statements of FBC Holdings Limited and its subsidiaries ("the Group"), and the statement of financial position of FBC Holdings Limited (the "Company"), standing alone, (together the "consolidated financial statements") which comprise the consolidated and separate statements of financial position as at 31 December 2013 and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 33 to 113.

Directors' Responsibility for the Consolidated Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03), and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial positions of the Group and Company as at 31 December 2013, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96.

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare 16 April 2014

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
P O Box 453, Harare, Zimbabwe
T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 US$	2012 US$
ASSETS			
Balances with other banks and cash	4	69 386 905	82 415 090
Loans and advances to customers	5.1	265 760 858	190 592 547
Trade and other receivables including insurance receivables	5.2	27 393 114	26 582 806
Financial assets at fair value through profit or loss	6	1 495 227	2 932 818
Debentures	7	2 664 279	-
Inventory	8	22 163 975	22 152 528
Prepayments and other assets	9	7 541 727	6 921 582
Current income tax asset		844 192	-
Deferred income tax assets	17	2 428 213	1 664 338
Investment property	10	25 000	25 000
Intangible asset	11	1 276 109	1 457 875
Property, plant and equipment	12	59 798 711	57 310 267
Total assets		**460 778 310**	**392 054 851**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	13.1	153 004 772	128 101 881
Deposits from other banks	13.2	75 931 501	84 389 793
Borrowings	14	70 808 097	41 566 592
Insurance liabilities	15	11 635 967	10 976 731
Trade and other payables	16	34 550 076	29 885 061
Current income tax liability		1 789 455	1 712 581
Deferred income tax liability	17	6 842 926	7 269 579
Total liabilities		**354 562 794**	**303 902 218**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	18.3	14 089 892	7 681 908
Other reserves	19	42 183 895	34 616 972
Retained profits		37 575 558	24 738 249
		93 849 345	67 037 129
Non controlling interest in equity		12 366 171	21 115 504
Total equity		106 215 516	88 152 633
Total equity and liabilities		**460 778 310**	**392 054 851**

The consolidated financial statements on pages 33 to 113 were authorised for issue by the board of directors on 19 March 2014 and were signed on its behalf.

Herbert Nkala	**John Mushayavanhu**	**Tichaona K. Mabeza**
(Chairman)	(Group Chief Executive)	(Company Secretary)

Company Statement of Financial Position
As at 31 December 2013

	Note	2013 US$	2012 US$
ASSETS			
Amounts due from related parties	20	12 425 949	7 451 340
Available for sale financial asset	21	2 568 992	2 825 891
Investments in subsidiaries	22	46 648 586	40 240 602
Time - share asset	23	78 750	90 000
Deferred income tax asset		-	10 075
Total assets		**61 722 277**	**50 617 908**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	24	1 417 202	1 271 459
Other liabilities		415 964	377 141
		1 833 166	1 648 600
Equity			
Share capital and premium		14 089 892	7 681 908
Other reserves	25	45 799 219	41 287 400
		59 889 111	48 969 308
Total equity and liabilities		**61 722 277**	**50 617 908**

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	2013 US$	2012 US$
Interest income	26	43 742 060	37 806 670
Interest expense	26.1	(21 824 570)	(17 511 395)
Net interest income		21 917 490	20 295 275
Fee and commission income	27	22 310 748	20 605 148
Fee and commission expense	27.1	(21 558)	(27 318)
Net fee and commission income		22 289 190	20 577 830
Revenue	28	55 861 131	53 613 611
Cost of sales	28.1	(40 926 855)	(37 504 472)
Gross profit		14 934 276	16 109 139
Insurance premium revenue	29	27 825 380	22 951 209
Premium ceded to reinsurers and retrocessionaires		(11 145 316)	(8 373 776)
Net earned insurance premium		16 680 064	14 577 433
Net trading income		1 007 454	1 163 206
Net gains from financial assets at fair value through profit or loss	30	599 201	388 229
Other operating income	31	2 072 690	1 103 913
		3 679 345	2 655 348
Total net income		79 500 365	74 215 025
Impairment allowance on financial assets	5.4	(7 176 388)	(3 603 842)
Net insurance commission expense	32	(3 310 674)	(3 012 597)
Insurance claims and loss adjustment expenses	33	(6 270 029)	(5 811 900)
Administrative expenses	34	(46 522 750)	(44 894 036)
Profit before income tax		**16 220 524**	**16 892 650**
Income tax expense	35	(2 132 747)	(1 255 798)
Profit for the year		**14 087 777**	**15 636 852**
Other comprehensive income, net income tax		-	-
Total comprehensive income for the year		**14 087 777**	**15 636 852**
Profit attributable to:			
Equity holders of the parent		13 838 514	12 987 368
Non-controlling interest		249 263	2 649 484
Profit for the year		**14 087 777**	**15 636 852**
Total comprehensive income attributable to:			
Equity holders of the parent		13 838 514	12 987 368
Non - controlling interest		249 263	2 649 484
Total comprehensive income for the year		**14 087 777**	**15 636 852**
Earnings per share (US cents)			
Basic	39.1	2.30	2.42
Diluted	39.2	2.30	2.42

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital US$	Share premium US$	Retained profits US$	Share option reserve US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Regulatory reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2012	**5 918**	**7 675 990**	**13 106 111**	**110 716**	**(2 686 644)**	**33 659 224**	**3 191 743**	**690 650**	**(214 766)**	**55 538 942**	**18 679 890**	**74 218 832**
Profit for the year	-	-	12 987 368	-	-	-	-	-	-	12 987 368	2 649 484	15 636 852
Other comprehensive income;												
Regulatory impairment allowance	-	-	63 060	-	-	-	-	(63 060)	-	-	-	-
Total other comprehensive income	**-**	**-**	**63 060**	**-**	**-**	**-**	**-**	**(63 060)**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**13 050 428**	**-**	**-**	**-**	**-**	**(63 060)**	**-**	**12 987 368**	**2 649 484**	**15 636 852**
Transaction with owners:												
Dividend declared and paid	-	-	(1 352 280)	-	-	-	-	-	-	(1 352 280)	(213 870)	(1 566 150)
Treasury share purchase	-	-	-	-	(201 085)	-	-	-	-	(201 085)	-	(201 085)
Treasury share reserve release		-	(66 010)	-	130 194	-	-	-	-	64 184	-	64 184
Balance as at 31 December 2012	**5 918**	**7 675 990**	**24 738 249**	**110 716**	**(2 757 535)**	**33 659 224**	**3 191 743**	**627 590**	**(214 766)**	**67 037 129**	**21 115 504**	**88 152 633**
Balance as at 1 January 2013	**5 918**	**7 675 990**	**24 738 249**	**110 716**	**(2 757 535)**	**33 659 224**	**3 191 743**	**627 590**	**(214 766)**	**67 037 129**	**21 115 504**	**88 152 633**
Profit for the year	-	-	13 838 514	-	-	-	-	-	-	13 838 514	249 263	14 087 777
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**13 838 514**	**-**	**-**	**-**	**-**	**-**	**-**	**13 838 514**	**249 263**	**14 087 777**
Transaction with owners:												
Dividend declared and paid	-	-	(1 001 205)	-	-	-	-	-	-	(1 001 205)	(5 111)	(1 006 316)
Increase in ownership interest	801	6 407 183	-	-	-	-	-	-	2 585 501	8 993 485	(8 993 485)	-
Treasury share purchase	-	-	-	-	(100 015)	-	-	-	-	(100 015)	-	(100 015)
Treasury share disposal	-	-	-	-	2 518 400	2 563 037	-	-	-	5 081 437	-	5 081 437
Balance as at 31 December 2013	**6 719**	**14 083 173**	**37 575 558**	**110 716**	**(339 150)**	**36 222 261**	**3 191 743**	**627 590**	**2 370 735**	**93 849 345**	**12 366 171**	**106 215 516**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 US$	2012 US$
Cash flow from operating activities			
Profit before income tax		16 220 524	16 892 650
Adjustments for non cash items:			
Amortisation charge	11	729 786	582 752
Depreciation	12	4 096 996	3 830 018
Impairment allowance on financial assets	5.4	7 176 388	3 603 842
Fair value adjustment on financial assets at fair value through profit or loss		(599 201)	(388 229)
Profit on disposal of property, plant and equipment	31	(21 883)	(175 109)
Net cash generated before changes in operating assets and liabilities		**27 602 610**	**24 345 924**
Increase in loans and advances		(78 924 354)	(63 331 490)
Increase in debentures		(2 664 279)	-
Increase in trade and other receivables		(4 230 652)	(3 822 387)
Decrease/(increase) in financial assets at fair value through profit or loss		1 437 591	(809 579)
Increase in inventory		(11 447)	(4 861 655)
Increase in prepayments and other assets		(620 145)	(1 212 809)
Increase in deposits from customers		24 902 891	57 311 590
(Decrease)/increase in deposits from other banks		(8 458 292)	30 275 459
Increase in insurance liabilities		659 236	2 596 323
Increase in trade and other payables		4 665 015	8 018 676
		(35 641 826)	**48 510 052**
Income tax paid		(3 455 130)	(6 257 608)
Net cash (used in)/generated from operating activities		**(39 096 956)**	**42 252 444**
Cash flows from investing activities			
Purchase of intangible assets	11	(548 020)	(621 836)
Purchase of property, plant and equipment	12	(6 668 505)	(4 336 496)
Proceeds from sale of property, plant and equipment		104 948	239 484
Net cash used in investing activities		**(7 111 577)**	**(4 718 848)**
Cash flows from financing activities			
Proceeds from borrowings		53 513 012	36 725 399
Repayment of borrowings		(24 271 507)	(31 663 432)
Dividend paid to the Company's shareholders		(1 001 205)	(1 352 280)
Dividend paid to non-controlling interests		(5 111)	(213 870)
Proceeds from sale of treasury shares		5 081 437	-
Purchase of treasury shares		(100 015)	(201 085)
Net cash generated from financing activities		**33 216 611**	**3 294 732**
Net (decrease)/increase in cash and cash equivalents		(12 991 922)	40 828 328
Cash and cash equivalents at beginning of the year		81 920 185	41 091 857
Cash and cash equivalents at the end of year	4.2	**68 928 263**	**81 920 185**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage financing, micro lending, reinsurance, short-term insurance, and stockbrocking services and also manufactures pipes and roofing sheets.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe.

These consolidated financial statements were approved for issue by the Board of Directors on 19 March 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the International Financial Reporting Interpretations Committee, ("IFRS IC") interpretations and in the manner required by the Zimbabwe Companies Act, (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 62/96 and SI 33/99. The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, investment property and property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.2 Changes in Accounting Policy and Disclosures

(a) New standards, amendments and interpretations, effective on or after 1 January 2013

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2013 and are relevant to the Group;

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
International Accounting Standard ("IAS") 1 (amendment)	Other comprehensive income	1 July 2012
IAS 19 (amendment)	Employee benefits	1 January 2013
IAS 27 (amendment)	Separate financial statements	1 January 2013
IAS 34 (amendment)	Interim financial reporting	1 January 2013
IFRS 7 (amendment)	Asset and liability offsetting	1 January 2013
IFRS 10 (new)	Consolidated financial statements	1 January 2013
IFRS 11 (new)	Joint arrangements	1 January 2013
IFRS 12 (new)	Disclosures of interests in other entities	1 January 2013
IFRS 13 (new)	Fair value measurement	1 January 2013
IFRS 10, 11 (amendment)	Amendment to the transition requirements	1 January 2013
Annual improvements 2012	Improvements to various International Financial Reporting Standards	1 January 2013

IAS 1 (amendments) 'Financial statements presentation' regarding other comprehensive income. The amendment requires entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income.

IAS 19 (amendment) 'Employee benefits' The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and terminination benefits, and to the disclosures for all employee benefits.

IAS 27 (amendment) 'Separate financial statements'. This revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 34 (amendment) 'Interim financial reporting'. The amendment brings IAS 34 into line with the requirements of IFRS 8, Operating Segments. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

IFRS 7 (amendment) 'Financial instruments: disclosures' on derecognition. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 (new) 'Joint arrangements'. This presents a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form.

IFRS 12 (new) 'Disclosures of interests in other entities'. IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 (new) 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements'and IFRS 12, 'Disclosure of interests in other entities'. The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Control should be assessed at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

Annual Improvements
Improvements to IFRS were issued by the International Accounting Standard Board ("IASB") to be applied for financial periods beginning 1 January 2013. They contain numerous amendments to IFRS that the IASB considered non urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology amendments related to a variety of individual IFRS standards.

These new standards, amendments and interpretations do not have a material impact on the Group's consolidated financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

The following, set out below, are expected to have an effect on the consolidated financial statements of the Group;

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9 (new, updated and amended)	Financial instruments	1 January 2015
IAS 32 (amendment)	Asset and liability offsetting	1 January 2014
IAS 36 (amendment)	Disclosure	1 January 2014
IFRS 10, IFRS 12 and IAS 27 (amendments)	Investment entities	1 January 2014
IFRIC 21 (new)	Accounting for levies	1 January 2014
Annual Improvements to IFRSs 2013	A collection of amendments to IFRSs, in response to issues addressed during the 2011-2013 cycle	1 July 2014

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in 2009, updated in 2010 and amended in 2011. It replaces the parts of IAS 39 'Financial instruments: recognition and measurement' that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IAS 32 (amendment) 'Financial instruments: presentation'. This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

IAS 36 (amendments) 'Impairment of assets'. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities. The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

IFRS IC 21 (new) 'Levies'. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Annual Improvements to IFRSs 2013 Cycle - The amendments reflect issues discussed by the International Accounting Standards Board affecting : IFRS 1 Meaning of effective IFRSs, IFRS 3 Scope exemptions for joint ventures, IFRS 13 Scope of portfolio exeptions and IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment property where classifying property as investment property or owner occupied property.

The Group is considering the implications of these new standards, amendments and interpretations, and their impact on the Group and the timing of their adoption.

(c) New standards, amendments and interpretations effective for accounting periods beginning on or after 1 January 2013 and not relevant to the Group

The following new standards, amendments and interpretations have been issued and are effective but are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 28 (amendment)	Associates and joint ventures	1 January 2013
IFRS 1 (amendment)	Government loans	1 January 2013
IFRS IC 20 (new)	Stripping costs in the production phase of a surface mine	1 January 2013

IAS 28, (amendment) 'Associates and joint ventures'. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 1 (amendment) 'First time adoption', on government loans. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS.

IFRS IC 20 (new) 'Stripping costs in the production phase of a surface mine'. This interpretation sets out the accounting for overburden waste removal ("stripping") costs in the production phase of a surface mine.

2.1.3 Going Concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2.2 Basis of Consolidation

(a) Subsidiaries

The consolidated financial statements combine the financial statements of FBC Holdings Limited ("the Company") and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company recognises investments in subsidiaries at cost. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or loses arising from such remeasurement are recognised through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised profits or losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within "changes in ownership reserve". Gains or losses on disposals to non-controlling interests are also recorded in equity within "changes in ownership reserve".

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment Reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it earns revenues and incur expenses (including revenues and expenses relating to transactions with other components of the entity); whose operating results are reviewed regularly by the entity's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments. In accordance with IFRS 8, Operating Segments, the Group has the following business segments: commercial banking, microlending, mortgage financing, reinsurance, short-term insurance, stockbroking and manufacturing.

2.3.1 Commercial Banking

The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

2.3.3 Mortgage Financing

The principal activities of this segment consist of mortgage lending, savings deposit accounts and other money market investment products.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2.3.4 Reinsurance
The principal activities of this segment consist of underwriting the following classes of reinsurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.5 Short - term Insurance
The principal activities of this segment consist of underwriting the following classes of insurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.6 Stockbroking
The principal activities of this segment consist of dealing in the equities market and offering advisory services.

2.3.7 Manufacturing
The principal activities of this segment consist of the production of building materials including fibre cement roofing products, piping and accessories.

2.4 Foreign Currency Translation
(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the United States of America dollar ("US$"), which is the Group's presentation currency. All the Group's subsidiaries operate in Zimbabwe and have the United States of America dollar ('US$') as their functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains or losses are presented in the statement of comprehensive income within 'net trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2.5 Financial Assets and Liabilities

2.5.1 Financial Assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. The Group's loans and receivables comprise 'balances with banks and cash', 'loans and advances to customers', 'debentures', and 'trade and other receivables including insurance receivables' on the statement of financial position. Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and receivables are stated net of impairment allowances.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value are initially recognised at fair value, and transaction costs are expensed within administrative expenses in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When these financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains or losses from investment securities'.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset (and for unlisted securities) is not available, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group classifies the financial instruments into classes that reflect the nature of information and take into account characteristics of those financial instruments. The classification made can be seen in section 2.5.6.

2.5.2 Financial Liabilities

The Group's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from other banks and customers, borrowings, certain insurance liabilities and trade and other liabilities. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

2.5.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.5.4 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2.5.5 Customer Deposits

Customer deposits are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2.5.6 Categories of Financial Instruments

<table>
<tr><th colspan="2">Category (as defined by IAS 39) Financial instruments: recognition and measurement</th><th colspan="2">Class (as determined by the Group)</th><th colspan="2">Subclasses</th></tr>
<tr><td rowspan="11">Financial assets</td><td>Financial assets at fair value through profit or loss</td><td colspan="2">Financial assets held for trading</td><td colspan="2">Equity securities (listed on the Zimbabwe Stock Exchange)</td></tr>
<tr><td colspan="3">Available for sale</td><td colspan="2">Equity securities (listed on the Zimbabwe Stock Exchange)</td></tr>
<tr><td rowspan="9">Loans and receivables</td><td colspan="2">Loans and advances to other banks</td><td colspan="2">Placements</td></tr>
<tr><td colspan="2" rowspan="2">Trade receivables</td><td colspan="2">Large corporate customers</td></tr>
<tr><td colspan="2">Retail customers</td></tr>
<tr><td rowspan="6">Loans and advances to customers</td><td rowspan="3">Loans to individuals</td><td colspan="2">Mortgages</td></tr>
<tr><td colspan="2">Term loans</td></tr>
<tr><td colspan="2">Overdrafts</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td><td rowspan="3">Bankers acceptances, Mortgages, Term loans, Overdrafts</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Other</td></tr>
<tr><td rowspan="6">Financial liabilities</td><td rowspan="6">Financial liabilities at amortised cost</td><td colspan="4">Deposits from other banks</td></tr>
<tr><td colspan="4">Lines of credit</td></tr>
<tr><td colspan="2" rowspan="3">Deposits from customers</td><td>Large corporate customers</td><td rowspan="3">Call deposits
Time deposits</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Individuals</td></tr>
<tr><td colspan="4">Other borrowings</td></tr>
<tr><td rowspan="2">Contingent liabilities and commitments</td><td colspan="5">Loan commitments</td></tr>
<tr><td colspan="5">Guarantees and letters of credit</td></tr>
</table>

2.5.7 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains or losses arising from a group of similar transactions such as in the Group's trading activity.

2.5.8 Impairment of Financial Assets

Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as default or delinquency in interest or principal payments;

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that a loss event (or events) on loans and receivables carried at amortised cost has occurred, the amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the allowance is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring an impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the statement of comprehensive income.

Impairment losses on loans and advances
Impairment losses are held in respect of loans and advances to customers. The level of impairment is determined in accordance with the provisions set out in International Accounting Standard, ("IAS"), 39, Financial instruments: recognition and measurement.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans and advances. The amount of the allowance is the difference between the carrying amount and the recoverable amount. The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for the impairment. Subsequent recoveries are credited to the statement of comprehensive income.

Specific impairment for non-performing loans, covering identified impaired loans, are based on periodic evaluations of the loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Specific impairment against loans and advances is based on an appraisal of the loan portfolio, and is made where the repayment of identified loans is in doubt. Portfolio impairment is made in relation to losses which, although not separately identified, are known from experience to exist in any loan portfolio.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

The Banking Regulations issued by the Reserve Bank of Zimbabwe also give guidance on provisioning for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

In order to comply with both prescriptions, the Directors have taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is effectively an appropriation charged against equity and where it is more, the full amount will be charged to the statement of comprehensive income.

Impairment allowances are applied to write-off advances when all security has been realised and further recoveries are considered to be unlikely. Recoveries of bad debts that would have been written off are shown as other income in the financial statements and where the bad debts are still part of an impairment allowance in the financial statements they are shown as a recovery in the statement of financial position.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose repayment terms have been renegotiated are no longer considered to be past due but are reset to performing loans status. These loans are subject to ongoing review to determine whether they are considered impaired or past due.

Non-performing loans

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customers' account but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

2.5.9 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests any remaining control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a portion of the risks.

2.5.10 Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment, (when a payment under the guarantee has become probable).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2.6 Balances with Other Banks and Cash
Cash and bank balances comprise cash on hand, deposits held at call with other banks, and cash and balances with the Central Bank.

2.6.1 Cash and Cash Equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown as liabilities.

2.7 Trade and Other Receivables Including Insurance Receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.8 Insurance Contracts
Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (“the policyholder”) by agreeing to compensate the policyholder or other beneficiary in the event of loss are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Recognition and measurement

Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties based on premiums.

Premiums written include estimates for ‘pipeline’ premiums and adjustments to estimates of premiums written in previous years.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims' provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

Reinsurance assets

The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessonaire) and the short-term insurance subsidiary cedes insurance risk to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within trade and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Reinsurance liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when due.

Deferred acquisition costs

Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisitions costs include direct cost such as commission and indirect costs such as administrative expenses connected with the processing of proposals and issuing of policies.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For insurance contracts the deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

2.9 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investment Property

Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value.

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner-occupation for a transfer from investment property to owner-occupied property. The property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

2.11 Intangible Assets

2.11.1 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition. Negative goodwill is immediately recognised in the statement of comprehensive income.

2.11.2 Software Licences

Separately acquired software licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives not exceeding 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranging from three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.12 Property, Plant and Equipment

(a) Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

Land and buildings comprise mainly factories, retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent accumulated depreciation for buildings and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing working condition for its intended use, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as separate property, plant and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income within 'administrative expenses' during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from 'revaluation reserve' to 'retained profits' on disposal of the revalued asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold premises	50 years
Plant and machinery	5 - 13 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Furniture and fittings	10 years

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other 'operating income'.

The carrying amounts of the Group's items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than the estimated recoverable amount (note 2.14)

(c) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.13 Time - Share Asset

The time - share asset comprises a house boat jointly owned with external entities and the Group has a majority share. The boat is recognised as an asset for owner use. The boat is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the Time - share asset.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over the estimated useful life of 10 years.

2.14 Impairment of Non-financial Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment allowance is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Current and Deferred Income Tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Deferred income tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.17 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital (“treasury shares”), where any group company purchases the Company’s share capital (“treasury shares”), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

2.19 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Company's directors.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in the statement of comprehensive income within 'other operating income' on a straight-line basis over the lease term

2.21 Revenue Recognition

Revenue is derived substantially from the business of banking and related activities, provision of insurance services and the sale of manufactured products. Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, measurement of the associated costs incurred to earn the revenue or the possible return of the goods. Revenue is recognised as follows; for the manufacturing subsidiary, revenue represents amounts invoiced to customers for goods supplied and services rendered, net of value added tax and allowances for defective goods.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

From the business of banking and related services; revenue comprises interest income, fees and commission income, net trading income and dividend income.

2.21.1 Interest Income and Expense

Interest income and expense are recognised in the statement of comprehensive income for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Net interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2.21.2 Fee and Commission Income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Loan commitment fees ("establishment fees") for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Commission and fee income arising in the negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Other management advisory and service fees are recognised based on an accrual basis.

2.21.3 Net Trading Income

Net trading and dealing income includes gains or losses arising from disposals and changes in financial assets and liabilities held for trading. Net trading income also includes gains or losses arising from changes in foreign currency exchange rates.

Income from equity investments and other non-fixed income investments is recognised as income on an accrual basis.

2.21.4 Dividend Income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.21.5 Sale of Goods - Manufacturing

The Group manufactures and sells a range of tubing and roofing products in the wholesale market. Sales of goods are recognised when the Group has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.21.6 Sale of Goods - Property Sales

The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group recognises revenue from sale of houses using the stage of completion method. Revenue on the land portion is recognized in full on execution of the sale agreement.

Revenue from sale of properties in the ordinary course of business is measured at fair value of the consideration received or receivable. Revenue is recognised when persuasive evidence exists usually in the form of an executed sales agreement, that the significant risk and rewards of ownership have been transferred to the buyer.

2.21.7 Insurance Premium (Including Reinsurance Premiums)

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business.

Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

2.22 Employee Benefits

(i) Termination benefits

Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates : (a) when the Group can no longer withdraw the offer for these benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(ii) Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iii) Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pension obligation

The Group provides for retirement benefit obligation in respect of its employees as follows;

- FBCH Pension Fund - Defined Contribution Fund,
- Eagle Insurance Pension Fund (for the short-term insurance subsidiary employees) - Defined Contribution Fund,
- SMM Holdings Pension Fund (for the manufacturing subsidiary employees) - Defined Contribution Fund, and
- National Social Security Authority ("NSSA") - a Statutory Defined Benefit Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(iv) Profit sharing and bonus plans

The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after an external audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

(v) Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs within operating expenses in the statement of comprehensive income.

2.23 Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company, held as treasury shares.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company, held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

2.24 Headline Earnings Per Share

The Group presents headline earnings per share ("HEPS") for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/ subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements of investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on disposals of financial assets classified as available for sale or associates and gains or losses in the loss of control or a subsidiary.

The adjusted earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

3.1 Impairment Allowances on Loans and Advances

Collective impairment

The Group assesses its loan portfolios for impairment at least monthly. In determining whether an impairment allowance should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and past due but not impaired loans is calculated on a portfolio basis based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated emergence period. At year end, the Group applied the following loss emergence periods:

	Average loss emergence period 2013 Months	Sensitivity 2013 US$	Average loss emergence period 2012 Months	Sensitivity 2012 US$
Loans and advances	3	138 608	3	381 081

Sensitivity is based on the effect of a one month increase in the emergence period on the value of impairment.

Specific loan impairments

Non-performing loans include those for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for long periods. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows;

	Expected time to recovery 2013 Months	Expected recoveries as a percentage of impaired loans 2013 %	Impairment loss Sensitivity 2013 US$	Expected time to recovery 2012 Months	Expected recoveries as a percentage of impaired loans 2012 %	Impairment loss Sensitivity 2012 US$
Personal loans	12	11%	34 758	12	92%	15 589
Corporate loans	24	83%	109 461	24	85%	66 459

Sensitivity is based on the effect of a one percentage point increase in the value of the estimated recovery on the value of the specific impairment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

3.2 Income Taxes

The Group is subject to income tax in Zimbabwe except for one subsidiary, FBC Building Society which is exempt from income tax. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination during the ordinary course of business is estimated. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax liabilities in the period in which such determination is made. Additional information is disclosed in note 17 and 35.

3.3 Claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 15.

3.4 Inventory Valuation

The process for evaluating inventory obsolescence or market value often requires the Group to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. The Group adjusts the inventory by the difference between the estimated market value and the actual cost of the inventory to arrive at net realizable value. The Group's estimates for market value are reviewed at least annually and updated. Any write down resulting from this review is reflected in the statement of comprehensive income in 'cost of sales'.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

		2013 US$	2012 US$
4	**BALANCES WITH BANKS AND CASH**		
4.1	**Balances with Reserve Bank of Zimbabwe ("RBZ")**		
	Current account balances	32 781 621	50 701 657
	Balances with banks and cash		
	Notes and coins	23 319 109	23 907 633
	Other bank balances	13 286 175	7 805 800
		36 605 284	31 713 433
	Balances with banks and cash (excluding bank overdrafts)	**69 386 905**	**82 415 090**
	Current	69 386 905	82 415 090
	Non-current	-	-
	Total	**69 386 905**	**82 415 090**

4.2 Cash and Cash Equivalents

Cash and bank balances comprise balances with less than three months maturity from date of acquisition, including cash on hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Cash and cash equivalents include the following for the purposes of the statement of cash flows;

	2013 US$	2012 US$
Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	32 781 621	50 701 657
Balances with banks and cash (note 4.1)	36 605 284	31 713 433
Bank overdrafts	(458 642)	(494 905)
	68 928 263	**81 920 185**

		2013 US$	2012 US$
5	**LOANS AND RECEIVABLES**		
5.1	**Loans and Advances to Customers**		
	Loans and advance maturities		
	Maturing within 1 year	136 266 134	144 452 501
	Maturing after 1 year	143 715 897	55 928 410
	Gross carrying amount	**279 982 031**	**200 380 911**
	Impairment allowance	(14 221 173)	(9 788 364)
		265 760 858	**190 592 547**
	Current	130 643 528	135 315 806
	Non-current	135 117 330	55 276 741
	Total	**265 760 858**	**190 592 547**

The maturity analysis of loans and receivables is based on contractual maturity from year end. Assets with a value of US$57 637 340 (2012 - US$27 901 388) were pledged as collateral on deposits from customers.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

Reconciliation of Impairment Allowance by Nature of Advance	Mortgages US$	Personal loans US$	Corporate loans US$	Total US$
As at 1 January 2012	175 337	851 482	3 003 308	4 030 127
Charge for the year	292 872	1 715 928	1 098 914	3 107 714
Increase in impairment allowances	292 872	1 715 928	1 098 914	3 107 714
Reversal of impairment	-	-	-	-
Interest in suspense	-	349 312	2 301 211	2 650 523
Amount written off during the year and uncollectable	-	-	-	-
As at 31 December 2012	**468 209**	**2 916 722**	**6 403 433**	**9 788 364**
As at 1 January 2013	468 209	2 916 722	6 403 433	9 788 364
Charge for the year	486 738	368 499	2 909 034	3 764 271
Increase in impairment allowances	486 738	360 272	2 909 034	3 756 044
Reversal of impairment	-	8 227	-	8 227
Interest in suspense	-	105 470	1 412 578	1 518 048
Amount written off during the year and uncollectable	(45 401)	(804 109)	-	(849 510)
As at 31 December 2013	**909 546**	**2 586 582**	**10 725 045**	**14 221 173**

The specific allowance is arrived at after discounting the expected cash flows either from repayment or realisation of registered bond values of security held. The collective allowance has been determined using the Group's historical loss experience.

5.2 Trade and Other Receivables

	2013 US$	2012 US$
Wholesale trade receivables	20 180 732	16 813 011
Insurance receivables;		
- Due by insurance clients and insurance brokers	6 429 247	4 807 101
- Due by reinsurers	714 504	492 749
- Due by retrocessionaires	4 216 799	4 497 710
Gross carrying amount	**31 541 282**	**26 610 571**
Impairment allowance	(4 148 168)	(27 765)
	27 393 114	**26 582 806**
Current	26 217 921	26 582 806
Non-current	1 175 193	-
Total	**27 393 114**	**26 582 806**

5.3 Irrevocable Commitments

There are no irrevocable commitments to extend credit, which can expose the Group to penalties or disproportionate expense.

5.4 Allowance for Impairment

	Loans and Advances	Trade and Other Receivables	Total
Balance as at 1 January 2012	4 030 127	324 795	4 354 922
Impairment allowance through statement of comprehensive income	3 107 714	496 128	3 603 842
Reversal of impairment	-	(41 419)	(41 419)
Amounts written off during the year as uncollectible	-	(751 739)	(751 739)
Interest in suspense	2 650 523	-	2 650 523
Balance as at 31 December 2012	**9 788 364**	**27 765**	**9 816 129**
Balance as at 1 January 2013	9 788 364	27 765	9 816 129
Impairment allowance through statement of comprehensive income	3 756 044	3 420 344	7 176 388
Reversal of impairment	8 227	-	8 227
Amounts written off during the year as uncollectible	(849 510)	-	(849 510)
Interest in suspense	1 518 048	700 059	2 218 107
Balance as at 31 December 2013	**14 221 173**	**4 148 168**	**18 369 341**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 US$	2012 US$
Listed securities at market value	**1 495 227**	**2 932 818**
Current	1 495 227	2 932 818
Non-current	-	-
Total	**1 495 227**	**2 932 818**

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other operating income' in the statement of comprehensive income. The fair value of all equity securities is based on their current bid prices on an active market, the Zimbabwe Stock Exchange

7 DEBENTURES

	2013 US$	2012 US$
Maturing after 1 year but within 5 years	2 664 279	-
	2 664 279	**-**

Debtures have a fixed interest rate of 7% and 10% and mature on 9 March 2018

8 INVENTORY

	2013 US$	2012 US$
Consumables	2 234 140	1 508 735
Raw materials	3 300 632	4 334 764
Work in progress	2 676 770	3 854 289
Finished goods	13 952 433	12 454 740
	22 163 975	**22 152 528**
Current	22 163 975	22 152 528
Non-current	-	-
Total	**22 163 975**	**22 152 528**

Included in work in progress is US$2 493 898 (2012: US$1 796 799) relating to residential properties for sale which are under construction. The cost of inventory recognised as an expense and included in the cost of sales amounted to US$28 477 010 (2012: US$29 136 968). The Group recorded an inventory write-down of US$526 862 in 'cost of sales' in the statement of comprehensive income.

9 PREPAYMENTS AND OTHER ASSETS

	2013 US$	2012 US$
Prepayments	3 464 921	2 385 095
Deferred acquisition costs	1 041 220	848 404
Recoveries	-	276 898
Commission receivable	1 711 042	1 474 367
Refundable deposits for Mastercard and Visa transactions	285 674	198 697
Stationary stock and other consumables	26 858	76 228
Time - share asset	78 750	90 000
Other	933 262	1 571 893
	7 541 727	**6 921 582**
Current	5 751 935	6 831 582
Non-current	1 789 792	90 000
Total	**7 541 727**	**6 921 582**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

10 INVESTMENT PROPERTY	2013 US$	2012 US$
Balance as at 1 January	25 000	25 000
Fair value adjustment	-	-
Transfer to property, plant and equipment	-	-
Balance as at 31 December	**25 000**	**25 000**
Current	-	-
Non-current	25 000	25 000
Total	**25 000**	**25 000**
Investment property comprises the following:		
Residential house, Victoria Falls	25 000	25 000

The fair value of the investment property as at 31 December 2011 was arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. No liabilities are guaranteed by investment property.

Included in other operating income is rental income of US$2 400 (2012: US$2 400) relating to investment property.

11 INTANGIBLE ASSETS	Software US$
Year ended 31 December 2012	
Opening net book amount	1 418 791
Additions	621 836
Amortisation charge	(582 752)
Closing net book amount	1 457 875
As at 31 December 2012	
Cost	3 249 573
Accumulated amortisation	(1 791 698)
Net book amount	**1 457 875**
Year ended 31 December 2013	
Opening net book amount	1 457 875
Additions	548 020
Amortisation charge	(729 786)
Closing net book amount	1 276 109
As at 31 December 2013	
Cost	3 797 593
Accumulated amortisation	(2 521 484)
Net book amount	**1 276 109**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$	Plant and machinery US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
Year ended 31 December 2012						
Opening net book amount	28 545 237	22 758 317	1 274 448	2 973 783	1 316 380	56 868 165
Additions	140 000	2 586 205	459 396	819 268	331 627	4 336 496
Disposals	-	(577)	(13 209)	(39 231)	(11 359)	(64 376)
Impairment	-	-	-	-	-	-
Depreciation	(601 941)	(1 949 319)	(507 041)	(391 156)	(380 561)	(3 830 018)
Closing net book amount	**28 083 296**	**23 394 626**	**1 213 594**	**3 362 664**	**1 256 087**	**57 310 267**
As at 31 December 2012						
Cost or valuation	30 220 085	28 052 262	2 651 891	4 675 175	3 557 314	69 156 727
Accumulated depreciation	(2 082 241)	(4 657 636)	(1 438 297)	(1 312 511)	(2 049 676)	(11 540 361)
Accumulated impairment	(54 548)	-	-	-	(251 551)	(306 099)
Net book amount	**28 083 296**	**23 394 626**	**1 213 594**	**3 362 664**	**1 256 087**	**57 310 267**
Year ended 31 December 2013						
Opening net book amount	28 083 296	23 394 626	1 213 594	3 362 664	1 256 087	57 310 267
Additions	836 144	3 675 885	263 923	1 506 975	385 578	6 668 505
Disposals	(8 000)	-	(1 310)	(9 446)	(64 309)	(83 065)
Depreciation	(582 708)	(2 111 351)	(521 390)	(444 670)	(436 877)	(4 096 996)
Closing net book amount	**28 328 732**	**24 959 160**	**954 817**	**4 415 523**	**1 140 479**	**59 798 711**
As at 31 December 2013						
Cost or valuation	31 048 229	31 728 147	2 893 212	6 169 007	3 517 244	75 355 839
Accumulated depreciation	(2 664 949)	(6 768 987)	(1 938 395)	(1 753 484)	(2 125 214)	(15 251 029)
Accumulated impairment	(54 548)	-	-	-	(251 551)	(306 099)
Net book amount	**28 328 732**	**24 959 160**	**954 817**	**4 415 523**	**1 140 479**	**59 798 711**

The Group's land and buildings were revalued as at 31 December 2011 by independent valuers. Valuations were made on the basis of open market values. The revaluation gain net of deferred income taxes was credited to the revaluation reserve in the shareholders' equity. The revaluation loss on other land and buildings has been recognized as an impairment loss in the statement of comprehensive income. Other assets were also tested for impairment on the same date through comparison with open market values determined by independent valuers. No borrowing costs were capitalised (2012: US$ nil). Depreciation expense of US$ 1 844 831 (2012: US$1 900 862) has been charged to 'cost of sales' and US$ 2 281 642 (2012: US$1 637 487) to 'administrative expenses'.

	2013 US$	2012 US$
If land and buildings were stated on historical cost basis, the amount would be as follows;		
Cost	26 550 831	25 714 687
Accumulated depreciation	(2 664 949)	(2 082 241)
Net book amount	**23 885 882**	**23 632 446**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

13 DEPOSITS

13.1 Deposits from Customers

	2013 US$	2012 US$
Demand deposits	90 517 914	91 944 231
Promissory notes	48 518 105	30 007 720
Other time deposits	13 968 753	6 149 930
	153 004 772	**128 101 881**
Current	149 441 562	128 101 881
Non-current	3 563 210	-
Total	**153 004 772**	**128 101 881**

13.2 Deposits from Other Banks

	2013 US$	2012 US$
Money market deposits	75 931 501	84 389 793
Current	75 931 501	84 389 793
Non-current	-	-
Total	**75 931 501**	**84 389 793**

13.3 Deposit Concentration

	2013 US$	%	2012 US$	%
Agriculture	5 601 111	2%	4 982 313	2%
Construction	4 515 344	2%	2 225 233	1%
Wholesale and retail trade	31 409 246	14%	31 663 276	15%
Public sector	19 684 382	9%	16 766 961	8%
Manufacturing	10 941 874	5%	10 930 868	5%
Telecommunication	2 801 024	1%	2 351 318	1%
Transport	4 193 781	2%	4 558 834	2%
Individuals	36 899 939	16%	38 390 033	18%
Financial services	75 931 501	33%	84 389 793	40%
Mining	13 461 905	6%	12 699 878	6%
Other	23 496 166	10%	3 533 167	2%
	228 936 273	100%	212 491 674	100%

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise amounts payable on demand.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

14 BORROWINGS	2013 US$	2012 US$
Bank borrowings	4 448 043	7 789 365
Foreign lines of credit	66 360 054	33 777 227
Other borrowings	-	-
	70 808 097	**41 566 592**
Current	65 883 734	37 449 753
Non-current	4 924 363	4 116 839
Total	**70 808 097**	**41 566 592**

These loans are analysed as follows:

African Export-Import Bank ("Afreximbank") - US$40 million with a maturity date of 30 June 2014. The loan is secured by a guarantee issued by the Company and bears interest at a rate of LIBOR plus 4.5% per annum.

African Export-Import Bank ("Afreximbank") - US$15 million to be repaid yearly over 3 years ending 8 November 2015. The loan is unsecured and bears interest at a rate of LIBOR plus 4.5% per annum.

African Export-Import Bank ("Afreximbank") through Zimbabwe Economic and Trade Revival Facility ("Zetref") - US$15 million to be repaid on maturity after 3 years ending 31 December 2015. The loan is unsecured and bears interest at a rate of LIBOR plus 4.5% per annum.

Kingdom Bank Limited - US$2.54 million global loan facility ending 31 December 2014 that is unsecured and bears interest at a rate of 20% per annum.

Shelter Afrique - US$5 000 000 to be repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period and bears interest at a rate of 11% per annum.

African Banking Corporation Zimbabwe Limited - US$5 million global loan facility ending 30 March 2014 that is unsecured, and bears interest at a rate of 16% per annum.

The carrying amount of the Group borrowings are denominated in US$.

15 INSURANCE LIABILITIES	2013 US$	2012 US$
Gross outstanding claims (note 15.1)	7 192 096	7 336 142
Liability for unearned premium (note 15.2)	4 443 871	3 640 589
	11 635 967	**10 976 731**
Current	11 635 967	10 976 731
Non-current	-	-
Total	**11 635 967**	**10 976 731**
15.1 Gross Outstanding Claims		
Gross outstanding claims at the beginning of the year	7 334 299	5 918 568
Reinsurer's share of technical liabilities	(4 497 710)	(4 026 380)
Net outstanding claims at the beginning of the year	2 836 589	1 892 188
Change in liability for claims	54 697	796 729
Reinsurer's share of technical liabilities at the end of the year	4 300 810	4 647 225
Gross outstanding claims at the end of the year	**7 192 096**	**7 336 142**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

	2013 US$	2012 US$
15.2 Liability for Unearned Premium		
Gross liability for unearned premium	5 670 299	4 622 793
Reinsurer's share of the provision for unearned premium	(1 226 428)	(982 204)
Balance at end of the year	**4 443 871**	**3 640 589**

Assumptions and sensitivities for general insurance liabilities

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The liabilities are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 7% (2012 : 7%) of net written premium for the reinsurance subsidiary and 5% (2012: 5%) of net written premium for the insurance subsidiary. The 7% and 5% were arrived at after consideration of past experiences. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of excess of loss reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, gross IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The table below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% with all other variables held constant.

Impact of 10% increase in the percentage used to estimate IBNR	2013 US$	2012 US$
Incurred but not yet reported ("IBNR") losses	112 031	103 281

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

	2013 US$	2012 US$
16 TRADE AND OTHER PAYABLES		
Trade and other payables	26 739 655	21 249 775
Deferred income	3 136 683	1 122 067
Other liabilities	4 673 738	7 513 219
	34 550 076	**29 885 061**
Current	33 822 711	29 885 061
Non-current	727 365	-
Total	**34 550 076**	**29 885 061**

17 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.75% (2012:25.75%).

The movement on the deferred income tax account is as follows:

	2013 US$	2012 US$
As at 1 January	5 605 241	7 582 334
Statement of comprehensive income charge (note 35)	(1 190 528)	(1 977 093)
As at 31 December	**4 414 713**	**5 605 241**

17.1 Analysis of Charge in the Statement of Comprehensive Income

The deferred income tax charge in the statement of comprehensive income comprises the following temporary differences:

	2013 US$	2012 US$
Allowance for loan impairment	(608 613)	(1 162 446)
Property, plant and equipment allowances	(123 091)	(514 541)
Unrealised gains on foreign exchange and equities	(113 867)	(883 273)
Accrual for leave pay	81 523	(68 135)
Deferred acquisition costs	49 651	48 970
Unearned premium reserve and deferred income	(505 394)	582 805
Prepayments and other assets	(2 936)	237 468
Assessable tax loss	66 096	25 316
Net outstanding claims	(33 897)	(243 257)
Total	**(1 190 528)**	**(1 977 093)**

17.2 Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities are attributable to the following items:

	2013 US$	2012 US$
Allowance for loan impairment	(2 961 455)	(2 352 842)
Property, plant and equipment allowances	8 343 395	8 466 486
Unrealised gains on foreign exchange and equities	(24 595)	89 272
Accrual for leave pay	(10 109)	(91 632)
Deferred acquisition costs	268 114	218 463
Unearned premium reserve and deferred income	(565 958)	(60 564)
Prepayments and other assets	311 363	314 299
Assessable tax loss	(309 628)	(375 724)
Net outstanding claims	(636 414)	(602 517)
	4 414 713	**5 605 241**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

		2013 US$	2012 US$
17.3	**Timing of Reversal Temporary Differences**		
	Deferred income tax assets		
	-Deferred income tax asset to be recovered after more than 12 months	2 428 213	1 664 338
	-Deferred income tax asset to be recovered within 12 months	-	-
	Total	**2 428 213**	**1 664 338**
	Deferred income tax liabilities		
	-Deferred income tax liability to be recovered after more than 12 months	6 842 926	7 269 579
	-Deferred income tax liability to be recovered within 12 months	-	-
	Total	**6 842 926**	**7 269 579**
	Net deferred income tax liability	**4 414 713**	**5 605 241**

The deferred income tax arising from property, plant and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA").

The Group is awaiting ZIMRA's approval for these income tax values following its submissions.

18 SHARE CAPITAL AND SHARE PREMIUM

		2013	2012
18.1	**Authorised**		
	Number of ordinary shares, with a nominal value of US$0,00001	800 000 000	800 000 000
18.2	**Issued and Fully Paid**		
	Number of ordinary shares, with a nominal value of US$0,00001	671 949 927	591 850 127

		Number of Shares	Share Capital US$	Share Premium US$	Total US$
18.3	**Share Capital Movement**				
	As at 1 January 2012	591 850 127	5 918	7 675 990	7 681 908
	As at 31 December 2012	591 850 127	5 918	7 675 990	7 681 908
	Share issue	80 099 800	801	6 407 183	6 407 984
	As at 31 December 2013	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**

The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Stock Exchange Listing Requirements and the Articles and Memorandum of Association of the Company.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

19 OTHER RESERVES

	2013 US$	2012 US$
Share option reserves	110 716	110 716
Revaluation reserves	3 191 743	3 191 743
Non distributable reserves	36 222 261	33 659 224
Regulatory reserves	627 590	627 590
Treasury shares reserves	(339 150)	(2 757 535)
Changes in ownership reserve	2 370 735	(214 766)
	42 183 895	34 616 972

The definitions of the reserves are as follows;

The share option reserve is a reserve for the expected cost of issuing shares to employees that exercise options.

The revaluation reserve consists of increases in the value of land and buildings on revaluation.

Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW$") or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transfered to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS.

Treasury share reserve represents shares the Group has issued and subsequently reacquired.

Change in ownership reserve represents the net expense or gain resulting in a step acquisition of a subsidiary.

Notes 20 - 25 Related to the FBC Holdings Limited (the Company) Statement of Financial Position

20 AMOUNTS DUE FROM RELATED PARTIES

	2013 US$	2012 US$
Share option balances due from subsidiaries	82 926	82 926
Other intercompany receivables	12 343 023	7 368 414
	12 425 949	**7 451 340**
Current	12 425 949	7 451 340
Non-current	-	-
Total	**12 425 949**	**7 451 340**

Amounts receivable from group companies were not considered impaired at year end.

21 AVAILABLE FOR SALE FINANCIAL ASSETS

	2013 US$	2012 US$
At 1 January	2 825 891	-
Transfer from investment in subsidiary on Group restructuring	-	2 345 011
Net loss transfer to equity	(256 899)	480 880
As at 31 December	**2 568 992**	**2 825 891**

The available-for-sale financial assets include Zimbabwe Stock Exchange listed shares denominated in the United States of America dollars. The resulting available-for-sale financial assets are the remaining shares in Turnall Holdings Limited after a Group restructuring where a portion of the investment in Turnall Holdings Limited was disposed to another subsidiary. This was fully eliminated in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

22 INVESTMENT IN SUBSIDIARIES

22.1 Investment in Subsidiaries

	Equity interest 2013	Equity interest 2012	2013 US$	2012 US$
FBC Bank Limited	100%	100%	25 924 911	25 924 911
FBC Building Society	100%	60%	12 996 785	6 588 801
FBC Reinsurance Limited	100%	100%	5 995 330	5 995 330
FBC Securities (Private) Limited	100%	100%	599 573	599 573
Eagle Insurance Company (Private) Limited	95%	95%	1 126 987	1 126 987
Microplan Financial Services (Private) Limited	100%	100%	5 000	5 000
			46 648 586	**40 240 602**

22.2 Movement Analysis - Investment in Subsidiaries

	US$
Balance as at 1 January 2012	53 113 958
Capital injection	
FBC Securities (Private) Limited	250 000
Group restructuring	
Disposal to FBC Bank Limited of 48% interest in Turnall Holdings Limited	(10 778 345)
Reclassification of remaining 10% shareholding in Turnall Holdings Limited to available for sale financial asset	(2 345 011)
Balance as at 31 December 2012	**40 240 602**
Balance as at 1 January 2013	40 240 602
Group restructuring	
Purchase of 40% interest in FBC Building Society	6 407 984
Balance as at 31 December 2013	**46 648 586**

23 TIME - SHARE ASSET

	2013 US$	2012 US$
The Company has a 45% share in a houseboat for use by the Company's employees. The value stated is the value of the share held according to a directors valuation performed on recognition.		
Balance at 1 January	90 000	101 250
Depreciation	(11 250)	(11 250)
Balance as at 31 December	**78 750**	**90 000**

The time - share asset is included in prepayments and other assets on the consolidated statement of financial position.

24 AMOUNTS DUE TO RELATED PARTIES

	2013 US$	2012 US$
Short term loan liability	1 417 202	1 271 459

The liability relates to an amount payable to FBC Reinsurance Limited by the holding Company following purchase of Eagle Insurance Company Limited in 2011. The loan attracts interest of 14% per annum.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

25 OTHER RESERVES

The Company's analysis of other reserves is as follows:

	Share option reserves US$	Revaluation reserves US$	Non distributable reserves US$	Treasury share reserves US$	Available for sale ("AFS") reserves US$	Retained profits US$	Total US$
At 1 January 2012	110 726	112 500	33 546 724	(2 354 535)	-	7 603 686	39 019 101
AFS revaluation gain	-	-	-	-	480 880	-	480 880
Deferred tax on AFS revaluation gain	-	-	-	-	(48 088)	-	(48 088)
Profit for the year	-	-	-	-	-	3 187 787	3 187 787
Dividend declared and paid	-	-	-	-	-	(1 352 280)	(1 352 280)
Balance at 31 December 2012	**110 726**	**112 500**	**33 546 724**	**(2 354 535)**	**432 792**	**9 439 193**	**41 287 400**
AFS revaluation loss	-	-	-	-	(256 899)	-	(256 899)
Deferred tax on AFS revaluation loss	-	-	-	-	25 690	-	25 690
Profit for the year	-	-	-	-	-	1 067 668	1 067 668
Sale of treasury shares	-	-	2 322 030	2 354 535	-	-	4 676 565
Dividend declared and paid	-	-	-	-	-	(1 001 205)	(1 001 205)
Balance at 31 December 2013	**110 726**	**112 500**	**35 868 754**	**-**	**201 583**	**9 505 656**	**45 799 219**

The definitions of the reserves are as follows;

The share option reserve is a reserve for the expected cost of issuing shares to employees that exercise options.
The revaluation reserve consists of increases in the value of the time - share asset on initial valuation.
Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW$") or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transfered to share capital and share premium.
Treasury shares reserves represent shares the Company has issued and subsequently reacquired.
Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.
Retained profits are Company profits not distributed to shareholders.

26 INTEREST INCOME

	2013 US$	2012 US$
Cash and cash equivalents	2 939 633	1 823 319
Loans and advances to other banks	1 497 933	919 545
Loans and advances to customers	35 004 133	32 053 931
Banker's acceptances and tradable bills	4 070 546	2 809 677
Other interest income	229 815	200 198
	43 742 060	**37 806 670**

26.1 INTEREST EXPENSE

	2013 US$	2012 US$
Deposit from other banks	7 230 405	6 625 777
Demand deposits	422 180	218 328
Afreximbank and PTA Bank	3 257 316	6 474 285
Time deposits	10 914 669	4 193 005
	21 824 570	**17 511 395**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

		2013 US$	2012 US$
27	**FEE AND COMMISSION INCOME**		
	Retail service fees	16 587 820	15 403 897
	Credit related fees	4 598 723	4 799 658
	Investment banking fees	489 556	102 713
	Brokerage commission	363 636	95 844
	Financial guarantee contract commission	271 013	203 036
		22 310 748	**20 605 148**
27.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	21 558	27 318
28	**REVENUE**		
	Property sales	12 982 890	11 105 170
	Sales of construction products	41 206 886	41 516 549
	Export sales of construction products	1 671 355	991 892
		55 861 131	**53 613 611**
28.1	**COST OF SALES**		
	Depreciation of property, plant and equipment	2 281 642	2 119 318
	Raw materials	28 477 010	29 136 969
	Staff costs	6 054 491	6 052 734
	Other	4 113 712	195 451
		40 926 855	**37 504 472**
29	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	28 628 662	24 129 957
	Change in unearned premium reserve (“UPR”)	(803 282)	(1 178 748)
		27 825 380	**22 951 209**
30	**NET GAINS FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7), fair value gains	**599 201**	**388 229**
31	**OTHER OPERATING INCOME**		
	Rental income	319 180	317 581
	Profit disposal of property, plant and equipment	21 883	175 109
	Sundry income	1 731 627	611 223
	Rental income is earned from owner occupied properties. Included in rental income is US$2 400 earned from investment property.	**2 072 690**	**1 103 913**
32	**NET INSURANCE COMMISSION EXPENSE**		
	Commissions paid	4 210 301	3 604 237
	Commission received	(732 577)	(461 550)
	Change in technical provisions	(167 050)	(130 090)
		3 310 674	**3 012 597**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

33 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross US$	Reinsurance US$	Net US$
Year ended 31 December 2012			
Claims and loss adjustment expenses	8 640 361	(3 777 142)	4 863 219
Change in technical provisions	923 782	24 899	948 681
Total claims	**9 564 143**	**(3 752 243)**	**5 811 900**
Year ended 31 December 2013			
Claims and loss adjustment expenses	6 260 828	-	6 260 828
Change in technical provisions	9 201	-	9 201
Total claims	**6 270 029**	**-**	**6 270 029**

34 ADMINISTRATIVE EXPENSES

	2013 US$	2012 US$
Marketing	2 407 463	1 640 948
Premises	2 139 126	1 895 187
Computer	1 992 244	1 634 589
Insurance	1 550 716	1 229 368
Travel	1 887 248	1 785 420
Security	1 712 623	1 533 428
Communication	978 704	796 344
Donations	466 178	639 849
Subscriptions	502 092	600 382
Other administration expenses	4 387 668	4 135 270
Staff costs (note 34.1)	19 171 264	19 946 495
Directors' remuneration (note 34.2)	5 404 363	5 428 907
Audit fees:		
- Current year fees	531 453	468 362
- Prior year fees	101 004	34 099
- Other services	-	63 724
Depreciation	1 815 353	1 710 700
Amortisation (note 11)	729 786	582 752
Operating lease payment	745 465	768 212
	46 522 750	**44 894 036**

34.1 Staff Costs

	2013 US$	2012 US$
Salaries and allowances	17 343 510	18 125 087
Share based payments	-	243 699
Social security	328 416	206 973
Pension contribution	1 499 338	1 370 736
	19 171 264	**19 946 495**

34.2 Director's Remuneration

	2013 US$	2012 US$
Board fees	642 673	667 756
Other emoluments	130 442	61 642
For services as management	4 631 248	4 699 509
	5 404 363	**5 428 907**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

34.3 Operating Leases

Non - cancellable operating lease rentals are payable as follows:

	2013 US$	2012 US$
Up to one year	643 459	640 914
One to two years	169 218	166 546
	812 677	**807 460**

The Group leases some of its properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index.

During the year ended 31 December 2013, US$ 745 465 (2012: US$ 768 212) was recognised as an expense in the statement of comprehensive Income.

35 INCOME TAX EXPENSE:

35.1 Charge for the Year

	2013 US$	2012 US$
Current income tax on income for the reporting year	2 518 114	2 878 323
Adjustments in respect of prior years	805 161	354 431
Deferred income tax	(1 190 528)	(1 977 093)
Withholding tax	-	137
Income tax expense	**2 132 747**	**1 255 798**

The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2013 is 25.75% (2012:25.75%).

35.2 Reconciliation of Income Tax Expense

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 25.75% (2012:25.75%) as follows;

	2013 US$	2012 US$
Profit before income tax	**16 220 524**	**16 892 650**
Income tax charged based on profit for the year at 25.75% (2012:25.75%)	4 176 785	4 349 857
Tax effect of:		
Exempt income	(2 365 478)	(1 572 483)
Additional/(savings) tax resulting from permanent differences	18 620	166 243
Income subject to tax at lower rates	-	(2 802)
Expenses not deductible for tax purposes	839 513	3 353
Adjustments in respect of prior years	805 161	354 431
Withholding tax	-	137
Other	(1 341 854)	(2 042 938)
Income tax expense	**2 132 747**	**1 255 798**
Effective rate	**13%**	**7%**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

36 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Company or have the power to exercise controlling influence over the management or financial and operating policies of the Group. The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

Key management

Name	Position
John Mushayavanhu	Group Chief Executive
Trynos Kufazvinei	Group Finance Director
Kleto Chiketsani	Managing Director (FBC Reinsurance Limited)
Webster Rusere	Managing Director (FBC Bank Limited)
Felix Gwandekwande	Managing Director (FBC Building Society)
Tichaona Mabeza	Group Company Secretary
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
John Jere	Managing Director (Turnall Holdings Limited)
Musa Bako	Managing Director (Eagle Insurance Company (Private) Limited)

The following are companies related to directors, key management and the Group:

Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
Cotition Investments (Private) Limited (owned by FBC Bank Limited board member)
Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
Rus Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
Defined Wear (PBC) (Private) Limited (owned by FBC Building Society board member)
Codchem (Private) Limited (owned by FBC Building Society board member)
Destiny Electronics (Private) Limited (owned by FBC Holdings Limited board member)
J Med Supplies (Private) Limited (owned by FBC Building Society board member)
Altiwave Investments (Private) Limited (related to FBC Bank Limited)

Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2013.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

	2013 US$	2012 US$
Arena Investments (Private) Limited	249 825	260 530
Fleetwood Investments (Private) Limited	-	16 717
J Med Supplies (Private) Limited	63 058	66 005
Altiwave Investments (Private) Limited	134 876	477 183
Destiny Electronics (Private) Limited	230 602	164 521
Codchem (Private) Limited	-	-
Rus Enterprises (Private) Limited	-	11 096
Gossard Enterprises t/a Woodmaster (Private) Limited	-	36 000
Décor on View (Private) Limited	-	1 689
Algorhythm (Private) Limited	-	46
Defined Wear (PBC) (Private) Limited	49 606	77 212
The above loans are all secured by tangible security.	**727 967**	**1 110 999**
Loans to non executive directors		
Balance as at 1 January	229 359	262 932
Advances during the year	346 016	186 361
Repayments made during the year	(222 354)	(219 934)
Balance as at 31 December	**353 021**	**229 359**
Loans to executive directors		
Balance as at 1 January	1 947 842	2 534 317
Advances during the year	390 338	176 664
Repayments made during the year	(242 463)	(763 139)
Balance as at 31 December	**2 095 717**	**1 947 842**

The loans advanced to directors and officers of the Group have, along with other loans been subjected to impairment procedures.No allowance for impairment is provided against loans from related parties (2012 : US$ nil).

	2013 US$	2012 US$
Compensation for key management		
Short term employee benefits	4 631 248	4 699 509
Post- employment benefits	270 832	38 251
Termination benefits	-	607 913
	4 902 080	**5 345 673**
Income from loans to executive directors		
Income from loans to executive directors	93 386	185 769
Income from loans to non-executive directors		
Income from loans to non-executive directors	74 660	61 332

Group entities	Equity interest 2013	Equity interest 2012
FBC Bank Limited	100%	100%
FBC Building Society	100%	60%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Turnall Holding Limited	58%	58%
Microplan Financial Services (Private) Limited	100%	100%
Eagle Insurance Company (Private) Limited	95%	95%

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Other related party transactions
Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund.

37 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary
On 28 June 2013, the Company acquired the remaining 40% of the issued shares of FBC Building Society for a purchase consideration of US$ 6 407 984. The Group now holds 100% of the equity share capital of FBC Building Society. The carrying amount of the non-controlling interests in FBC Building Society on the date of acquisition was US$8 993 486. The Group derecognised non-controlling interests of US$8 993 486 and recorded an increase in equity attributable to owners of the parent of US$ 2 585 502. The effect of changes in the ownership interest of FBC Building Society on the equity attributable to owners of the Company during the year is summarised as follows:

	2013 US$	2012 US$
Carrying amount of non-controlling interests aquired	8 993 486	-
Consideration paid to non-controlling interests	(6 407 984)	-
Excess of consideration paid recognised in parent's equity	2 585 502	-

38 PRINCIPAL SUBSIDIARIES

The Group had the following subsidiaries at 31 December 2013

Group and Company

Name	Nature of business	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
FBC Bank Limited	Commercial banking	100	100	-
FBC Building Society	Mortgage financing	100	100	-
FBC Reinsurance Limited	Short term reinsurance	100	100	-
FBC Securities (Private) Limited	Stockbroking	100	100	-
Turnall Holdings Limited	Manufacturing	10	58	42
Eagle Insurance Company Limited	Short term insurance	72	95	5
Microplan Financial Services (Private) Limited	Microlending	100	100	-

All subsidiaries were incorporated in Zimbabwe, which is also their place of business.

FBC Bank Limited holds 48% of Turnall Holdings Limited acquired from FBC Holdings Limited during the financial year ended 31 December 2012.
FBC Reinsurance Limited holds 23% of Eagle Insurance Company Limited, acquired from external parties in previous years.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is US$ 13 786 973, of which US$13 633 113 is for Turnall Holdings Limited. The remainder, which is not material is attributed to Eagle Insurance Company (Private) Limited.

Significant restrictions
There are no material restrictions with regards to any of the subsidiaries' ability to access or use assets, and settle liabilities of the Group.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Summarised financial information on subsidiaries with material non-controlling interests
Set out below is the summarised financial information for Turnall Holdings Limited, being the only subsidiary that has non-controlling interests that are material to the Group. The information below is the amount before inter-company eliminations.

	Turnall Holdings Limited As at 31 December	
Summarised Statement of Financial Position	**2013 US$**	**2012 US$**
Current		
Assets	34 621 348	36 004 413
Liabilities	(35 922 969)	(31 840 927)
Total current net assets	(1 301 621)	4 163 486
Non-current		
Assets	34 361 277	31 976 428
Liabilities	(6 086 836)	(6 604 514)
Total non-current net assets	28 274 441	25 371 914
Net assets	26 972 820	29 535 400
Summarised Statement of Comprehensive Income		
Revenue	42 878 242	42 508 441
(Loss)/Profit before income tax	(3 078 753)	1 209 889
Income tax expense	516 173	(149 974)
(Loss)/Profit for the year	(2 562 580)	1 059 915
Other comprehensive income	-	-
Total comprehensive (loss)/income	(2 562 580)	1 059 915
Total comprehensive income allocated to non-controlling interests	-	-
Dividends paid to non-controlling interests	-	-
Summarised Statement of Cash Flows		
Cash flows from operating activities		
Cash generated from operations	6 621 070	8 723 950
Interest paid	(2 314 527)	(2 699 914)
Income tax paid	-	(638 551)
Net cash generated from operating activities	4 306 543	5 385 485
Net cash used in investing activities	(3 784 318)	(2 600 875)
Net cash used in financing activities	(1 236 965)	(2 814 522)
Net decrease in cash and cash equivalents	**(714 740)**	**(29 912)**
Cash, cash equivalents and bank overdrafts at the beginning of the year	498 484	528 396
Exchange gains / (losses) on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	(216 256)	498 484

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

39 EARNINGS PER SHARE

39.1 Basic Earnings Per Share

	2013 US$	2012 US$
Profit attributable to equity holders	13 838 514	12 987 368

Weighted average number of ordinary shares	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2012				
Issued ordinary shares as at 1 January 2012	591 850 127	53 379 734	538 470 393	538 470 393
Treasury shares purchased	-	2 912 065	(2 912 065)	(2 184 049)
Weighted average number of ordinary shares as at 31 December	**591 850 127**	**56 291 799**	**535 558 328**	**536 286 344**
Basic earnings per share for the year ended 31 December 2012 (US cents)				2.42
Weighted average number of ordinary shares				
Year ended 31 December 2013				
Issued ordinary shares as at 1 January 2013	591 850 127	56 291 799	535 558 328	535 558 328
Treasury shares purchased	-	967 661	(967 661)	(725 746)
Treasury shares sold	-	(51 577 785)	51 577 785	25 788 893
New share issue	80 099 800	-	80 099 800	40 049 900
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**5 681 675**	**666 268 252**	**600 671 375**
Basic earnings per share for the year ended 31 December 2013 (US cents)				2.30

39.2 Diluted Earnings Per Share

Diluted 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.

	2013 US$	2012 US$
Profit attributable to equity holders	13 838 514	12 987 368
Weighted average number of ordinary shares at 31 December	**600 671 375**	**536 286 344**
Diluted earnings per share (US cents)	**2.30**	**2.42**

39.3 Headline Earnings Per Share

	2013 US$	2012 US$
Profit attributable to equity holders	13 838 514	12 987 368
Adjusted for excluded remeasurements		
Profit on the disposal of property, plant and equipment (note 21)	(21 883)	(175 109)
Headline earnings	**13 816 631**	**12 812 259**
Weighted average number of ordinary shares at 31 December	**600 671 375**	**536 286 344**
Headline earnings per share (US cents)	**2.30**	**2.39**

40 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:
(a) Credit risk
(b) Market risk
(b.i) Interest rate risk,
(b.ii) Currency risk, and
(b.iii) Price risk
(c) Liquidity risk
(d) Settlement risk
(e) Capital risk

The Group seeks to control these risks by diversifying its exposures and activities among products, clients, and by limiting its positions in various instruments and investments.

40.1 Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products. Credit risk and exposure to loss are inherent parts of the Group's business.

The Group manages, limits and controls concentration of credit risk in respect of individual counterparties and groups. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group or counterparties and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

The Board Credit Committees of the Bank, Microplan and the Building Society periodically review and approve policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary Management Credit Committee must be approved by the subsidiary Board Credit Committee.

The Group Credit Management Department evaluates the credit exposures and assures ongoing credit quality by reviewing individual credit and concentration and monitoring of corrective action.

The Group Credit Management Department periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assesses the adequacy of the impairment allowance. Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

Credit policies, procedures and limits

The Group has sound and well-defined policies, procedures and limits which are reviewed annually and approved by the Board of Directors of the subsidiary companies and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management, board credit committees and the Board. In addition there are counterparty limits, individual account limits, group limits and concentration limits.

Credit risk mitigation and hedging

As part of the Group's credit risk mitigation and hedging strategy, various types of collateral is taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to a counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness for the guarantor is established in line with the credit policy.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Credit risk stress testing
The Group recognises the possible events or future changes that could have a negative impact on the credit portfolios which could affect the Group's ability to generate more business. To mitigate this risk, the Group has put in place a stress testing framework that guides the Group in conducting credit stress tests.

Impairments
An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Credit terms:

Default
This is failure by a borrower to comply with the terms and conditions of a loan facility as set out in the facility offer letter or loan contract. Default occurs when a debtor is either unwilling or unable to repay a loan.

Past due loans
These are loans whereby the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

Impaired loans
The Group's policy regarding impaired/ doubtful loans is all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest.

All such loans are classified in the 8, 9 and 10 under the Basel II ten tier grading system.

Provisioning policy and write offs
Determination of general and specific provisions

The Group complies with the following Reserve Bank of Zimbabwe provisioning requirements:

<table>
<tr><th>Rating</th><th>Descriptive classification</th><th>Risk level</th><th>Level of allowance</th><th>Old five grade/ tier system</th><th>2012 Grading and level of allowance</th><th>Type of allowance</th></tr>
<tr><td>1</td><td>Prime grade</td><td>Insignificant</td><td>1%</td><td rowspan="3">Pass</td><td rowspan="3">A (1%)</td><td rowspan="7">General</td></tr>
<tr><td>2</td><td>Strong</td><td>Modest</td><td>1%</td></tr>
<tr><td>3</td><td>Satisfactory</td><td>Average</td><td>2%</td></tr>
<tr><td>4</td><td>Moderate</td><td>Acceptable</td><td>3%</td><td rowspan="4">Special</td><td rowspan="4">B (3%)</td></tr>
<tr><td>5</td><td>Fair</td><td>Acceptable with care</td><td>4%</td></tr>
<tr><td>6</td><td>Speculative</td><td>Management attention</td><td>5%</td></tr>
<tr><td>7</td><td>Speculative</td><td>Special mention</td><td>10%</td></tr>
<tr><td>8</td><td>Substandard</td><td>Vulnerable</td><td>20%</td><td>Substandard</td><td>C (20%)</td><td rowspan="3">Specific</td></tr>
<tr><td>9</td><td>Doubtful</td><td>High default</td><td>50%</td><td>Doubtful</td><td>D (50%)</td></tr>
<tr><td>10</td><td>Loss</td><td>Bankrupt</td><td>100%</td><td>Loss</td><td>E (100%)</td></tr>
</table>

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

General allowance for impairment

Prime to highly speculative grades "1 to 7"
General allowance for impairment for facilities in this category are maintained at the percentage (detailed in table above) of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Specific allowance for impairment
Sub-standard to loss grades "8 to 10" - Timely repayment and/or settlement may be at risk
Specific allowance for impairment for facilities in this category are currently maintained at the percentages (detailed above) of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

Credit risk and Basel II
The Group applied Credit Risk Basel II standards in line with the regulatory authority's approach. Internal processes were revamped in an effort to comply with the requirements. Policies and procedure manuals have been realigned to comply with the minimum requirements of Basel II.

40.1.1 Exposure to Credit Risk	**2013 US$**	**2012 US$**
Loans and advances		
Past due and impaired		
Grade 8: Impaired	11 514 185	12 741 919
Grade 9: Impaired	4 875 240	3 059 909
Grade 10: Impaired	7 629 635	2 470 241
Gross amount, past due and impaired	24 019 060	18 272 069
Allowance for impairment	(10 551 613)	(7 633 643)
Carrying amount, past due and impaired	13 467 447	10 638 426
Past due but not impaired		
Grade 4 - 7:	34 157 470	13 003 340
Neither past due nor impaired		
Grade 1 - 3:	221 805 501	169 105 502
Gross amount, not impaired	255 962 971	182 108 842
Allowance for impairment	(3 669 560)	(2 154 721)
Carrying amount, not impaired	252 293 411	179 954 121
Total carrying amount	**265 760 858**	**190 592 547**

Loans and advances neither past due nor impaired
Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be within the grade 1 to 3 category. Past due loans and advances are those whereby the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Loans and advances past due but not impaired
Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross loans and advances to customers by class that were past due but not impaired were as follows;

	Personal loans US$	Corporate loans US$	Mortgages US$	Total US$
As at 31 December 2013				
Past due up to 1 month	4 710 211	-	-	4 710 211
Past due 1-3 months	273 276	21 160 711	8 013 272	29 447 259
Past due 3-6 months	-	-	-	-
Past due 6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**4 983 487**	**21 160 711**	**8 013 272**	**34 157 470**
Value of collateral	2 677 865	11 483 747	8 126 616	22 288 228
Amount of (under)/over collateralisation	(2 305 622)	(9 676 964)	113 344	(11 869 242)
As at 31 December 2012				
Past due up to 1 month	4 908 590	-	765 607	5 674 197
Past due 1-3 months	361 915	3 880 938	3 086 290	7 329 143
Past due 3-6 months	-	-	-	-
Past due 6-12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**5 270 505**	**3 880 938**	**3 851 897**	**13 003 340**
Value of collateral	817 000	4 503 000	4 035 727	9 355 727
Amount of (under)/over collateralisation	(4 453 505)	622 062	183 830	(3 647 613)

Loans and advances past due and impaired
The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US$24 019 061 (2012: US$18 272 069) The breakdown of the fair value of related collateral held by the Group as security, are as follows;

	Personal loans US$	Corporate loans US$	Total US$
As at 31 December 2013			
Gross carrying amount	9 547 828	14 471 232	24 019 060
Less allowance for impairment	(2 272 139)	(8 279 474)	(10 551 613)
Net carrying amount	**7 275 689**	**6 191 758**	**13 467 447**
Value of collateral	**5 505 833**	**3 800 125**	**9 305 958**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

40.1.1 Exposure to Credit Risk

	Personal loans US$	Corporate loans US$	Total US$
As at 31 December 2012			
Gross carrying amount	4 555 802	13 716 267	18 272 069
Less allowance for impairment	(1 564 132)	(6 069 510)	(7 633 642)
Net carrying amount	**2 991 670**	**7 646 757**	**10 638 427**
Value of collateral	**1 597 992**	**5 750 500**	**7 348 492**

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review.

	2013 US$	2012 US$
Renegotiated loans and advances to customers -		
- Continuing to be impaired after restructuring	-	-
- Non-impaired after restructuring – would otherwise have been impaired	3 730 861	2 469 658
- Non-impaired after restructuring – would otherwise not have been impaired	-	-
Total	**3 730 861**	**2 469 658**

Sectorial analysis of utilizations of loans and advances to customers
(net of impairment allowances)

	2013 US$	2013 %	2012 US$	2012 %
Mining	14 601 090	5%	12 395 909	7%
Manufacturing	48 249 356	18%	35 382 390	19%
Mortgage	28 639 380	11%	16 968 935	9%
Wholesale	14 734 254	6%	12 210 166	6%
Distribution	26 256 359	10%	19 621 528	10%
Individuals	82 832 246	31%	46 758 523	25%
Agriculture	14 730 474	6%	9 886 442	5%
Communication	5 572 108	2%	1 938 286	1%
Construction	3 316 647	1%	1 971 742	1%
Local authorities	20 975 505	8%	2 133 306	1%
Other services	5 853 439	2%	31 325 320	16%
	265 760 858	**100%**	**190 592 547**	**100%**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Analysis of credit quality by sector - loans and advances to customers after impairment
As at 31 December 2013

Sector	Grades 1 to 3 US$	Grades 4 to 7 US$	Grade 8 US$	Grade 9 US$	Grade 10 US$	Total US$
Manufacturing	35 009 612	6 569 131	5 334 830	42 663	1 293 120	48 249 356
Wholesale	14 665 058	69 055	-	141	-	14 734 254
Individuals	76 581 884	3 884 871	1 161 793	833 969	369 729	82 832 246
Mortgage	19 049 603	7 884 505	1 176 444	526 548	2 280	28 639 380
Agriculture	9 943 996	4 711 903	1 566	23 545	49 464	14 730 474
Other services	27 195 702	2 352 666	357 475	605 065	1 598 890	32 109 798
Construction	2 968 190	340 558	2 608	-	5 291	3 316 647
Communication	5 490 029	53	-	24 940	57 086	5 572 108
Local Authorities	19 367 642	1 607 863	-	-	-	20 975 505
Mining	11 533 785	3 067 305	-	-	-	14 601 090
	221 805 501	**30 487 910**	**8 034 716**	**2 056 871**	**3 375 860**	**265 760 858**
Percentage of total loans	83%	12%	3%	1%	1%	100%

As at 31 December 2012

Sector	Grades 1 to 3 US$	Grades 4 to 7 US$	Grade 8 US$	Grade 9 US$	Grade 10 US$	Total US$
Manufacturing	28 377 176	2 890 674	2 853 835	378 466	882 239	35 382 390
Wholesale	10 337 374	558 585	312 790	819 792	181 625	12 210 166
Individuals	43 206 363	1 208 396	1 663 053	579 462	101 249	46 758 523
Mortgage	12 321 443	3 999 586	530 406	-	117 500	16 968 935
Agriculture	9 647 639	145 278	60 601	-	32 924	9 886 442
Other services	47 190 413	3 625 343	116 876	13 471	745	50 946 848
Construction	1 954 499	13 486	77	-	3 680	1 971 742
Communication	1 713 236	28 066	136	-	196 848	1 938 286
Local Authorities	2 133 219	-	87	-	-	2 133 306
Mining	10 603 345	-	1 792 564	-	-	12 395 909
	167 484 707	**12 469 414**	**7 330 425**	**1 791 191**	**1 516 810**	**190 592 547**
Percentage of total loans	88%	7%	3%	1%	1%	100%

Reconciliation of allowance for impairment for loans and advances

Allowances for impairment	**31 December 2013**			**31 December 2012**		
	Specific allowance US$	**Collective allowance US$**	**Total US$**	**Specific allowance US$**	**Collective allowance US$**	**Total US$**
Balance at 1 January	7 633 643	2 154 721	9 788 364	2 895 075	1 135 052	4 030 127
Increase in impairment allowance	2 249 432	1 506 612	3 756 044	2 088 045	1 019 669	3 107 714
Impairment reversal	-	8 227	8 227	-	-	-
Write off	(849 510)	-	(849 510)	-	-	-
Interest in suspense	1 518 048	-	1 518 048	2 650 523	-	2 650 523
	10 551 613	**3 669 560**	**14 221 173**	**7 633 643**	**2 154 721**	**9 788 364**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

40.1.2 Trade and Other Receivables Including Insurance Receivables	2013 US$	2012 US$
Past due and impaired	12 581 142	6 430 768
Allowance for impairment	(4 148 168)	(27 765)
Carrying amount	8 432 974	6 403 003
Past due but not impaired	3 847 946	2 870 522
Neither past due nor impaired	15 112 194	17 309 281
Gross amount, not impaired	18 960 140	20 179 803
Allowance for impairment	-	-
Carrying amount, not impaired	18 960 140	20 179 803
Total carrying amount	**27 393 114**	**26 582 806**

As at 31 December 2013, trade receivables amounting to US$3 847 946 (2012 : US$2 870 522) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Up to 3 months	3 513 727	2 062 408
3 to 6 months	334 219	808 114
	3 847 946	**2 870 522**

As at 31 December 2013 trade receivables amounting to US$12 581 142 (2012: US$6 430 768) were impaired. The amount of the allowance was US$4 148 168 as at 31 December 2013 (2012: US$27 765) The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

Over 6 months	12 581 142	6 430 768
	12 581 142	**6 430 768**

Reconciliation of the allowance for impairment of trade receivables including insurance receivables		
Allowances for impairment		
Balance as at 1 January	27 765	324 795
Allowance for trade receivables including insurance receivables' impairment	3 420 344	496 128
Receivables written off during the year as uncollectible	-	(751 739)
Unused amounts reversed	-	(41 419)
Interest in suspense	700 059	-
Balance as at 31 December	**4 148 168**	**27 765**

The allowance amount of US$4 148 168 consists of US$4 029 977 provided on trade receivables in the Group's manufacturing subsidiary and the remaining amount relates to insurance receivables in the Group's insurance subsidiaries.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Maximum exposure to credit risk before collateral held or other credit enhancement
Credit risk exposures relating to on-balance sheet assets are as follows;

	2013 US$	2012 US$
Loans and advances to customers;		
- Individuals	111 471 626	67 112 389
- Corporates	168 510 405	133 268 522
	279 982 031	200 380 911
Debentures	2 664 279	-
Trade and other receivables including insurance receivables	31 541 282	26 610 571
Commission receivable	1 711 042	1 474 367
Balances with other banks and cash	69 386 905	82 415 090
Total on balance sheet	**385 285 539**	**310 880 939**
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	6 498 133	8 225 844
- Loan commitments	-	-
Total off balance sheet credit exposure	6 498 133	8 225 844
Total credit exposure	**391 783 672**	**319 106 783**

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2013, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Credit quality of balances with other banks and cash
Counterparties with external credit rating

Rating	Agency	2013	2012
A	Fitch	2 325 691	1 860 553
AA	Moodys	424 723	403 486
AA	Fitch	444 233	377 598
AA-	Fitch	3 855 309	3 315 565
AAA	Moodys	1 205 210	1 096 741
AAA	Fitch	35 717	3 571
BBB-	GCR	4 345 292	748 286
Counterparties without credit rating		650 000	-
		13 286 175	**7 805 800**

Counterparties without external ratings comprises a major development financial institution which management believes is of high credit quality.

Balances with the Reserve Bank of Zimbabwe
Balances with the RBZ represent amounts in current accounts available for daily transactional use. As at the reporting date,the amount has been considered to be recoverable in full.

Write-off policy
The Group writes off an irrecoverable debt when the Board Credit Committee determines that the debt is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance and standardised loans, write off decisions are generally based on a product specific past due status.

Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital payment obligations and by changes to these lending limits where appropriate.

40.2 Liquidity Risk
Liquidity risk is the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities, settle claims and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

Management of liquidity risk
The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the subsidiary companies through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Managers for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Liquidity and funding management
The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt the liquidity policy approved by the Board with independent monitoring being provided by the Group Risk Management Department. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for banking subsidiaries.

Cash flow and maturity profile analysis
The Group uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile.

Liquidity contingency plans
In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

Liquidity stress testing
It is the Group's policy that each entity conducts stress tests on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. In this regard, anticipated on-and-off balance sheet cash flows are subjected to a variety of specific and systemic stress scenarios during the period in an effort to evaluate the impact of unlikely events on liquidity positions.

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturity analysis On balance sheet items as at 31 December 2013	**Up to 3 months US$**	**3 months to 1 year US$**	**Over 1 year US$**	**Total US$**
Liabilities				
Deposits from customers	138 714 686	10 678 086	3 612 000	153 004 772
Deposits from other banks	72 055 536	3 875 965	-	75 931 501
Borrowings	39 998 971	23 668 500	7 140 626	70 808 097
Insurance liabilities	-	1 944 582	9 691 385	11 635 967
Current income tax liabilities	-	1 789 455	-	1 789 455
Trade and other liabilities	10 106 815	10 587 225	13 856 036	34 550 076
Total liabilities - (contractual maturity)	260 876 008	52 543 813	34 300 047	347 719 868
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	53 816 658	15 570 247	-	69 386 905
Loans and advances to customers	85 976 887	75 515 452	118 489 692	279 982 031
Trade and other receivables including insurance receivables	4 711 181	3 640 003	23 190 097	31 541 281
Financial assets at fair value through profit or loss	1 495 227	-	-	1 495 227
Prepayments and other assets	4 076 806	-	-	4 076 806
Debentures	-	-	2 664 279	2 664 279
	150 076 759	94 725 702	144 344 068	389 146 529
Liquidity gap	(110 799 249)	42 181 889	110 044 021	41 426 661
Cumulative liquidity gap - on balance sheet	(110 799 249)	(68 617 360)	41 426 661	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	6 498 133	-	-	6 498 133
Commitments to lend	4 965 854	-	-	4 965 854
Total liabilities	11 463 987	-	-	11 463 987
Liquidity gap	(11 463 987)	-	-	(11 463 987)
Cumulative liquidity gap - on and off balance sheet	(122 263 236)	(80 081 347)	29 962 674	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

On balance sheet items as at 31 December 2012	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total Total US$
Liabilities				
Deposits from customers	107 565 002	18 948 879	1 588 000	128 101 881
Deposits from other banks	50 461 284	33 928 509	-	84 389 793
Borrowings	882 958	30 486 709	10 196 925	41 566 592
Insurance liabilities	-	1 674 174	9 302 557	10 976 731
Current income tax liabilities	-	1 712 581	-	1 712 581
Trade and other liabilities	7 938 366	15 060 174	6 886 521	29 885 061
Total liabilities - (contractual maturity)	166 847 610	101 811 026	27 974 003	296 632 639
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	57 972 862	24 442 228	-	82 415 090
Loans and advances to customers	119 728 990	30 810 784	49 841 137	200 380 911
Trade and other receivables including insurance receivables	2 240 000	6 855 869	17 514 702	26 610 571
Financial assets at fair value through profit or loss	2 932 818	-	-	2 932 818
Prepayments and other assets	4 536 487	-	-	4 536 487
	187 441 157	62 108 881	67 355 839	316 875 877
Liquidity gap	20 563 547	(39 702 145)	39 381 836	20 243 238
Cumulative liquidity gap - on balance sheet	20 563 547	(19 138 598)	20 243 238	-
Off balance sheet items as at 31 December 2012				
Liabilities				
Guarantees and letters of credit	-	8 225 844	-	8 225 844
Commitments to lend	-	-	13 270 266	13 270 266
Total liabilities	-	8 225 844	13 270 266	21 496 110
Liquidity gap - off balance sheet	-	(8 225 844)	(13 270 266)	(21 496 110)
Cumulative liquidity gap - on and off balance sheet	20 563 547	(27 364 442)	(1 252 872)	-

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

Management of liquidity gap on short-term maturities
The cash flows presented above reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group therefore seeks to manage its liabilities both on a contractual and behavioural basis. The Group prescribes various liquidity stress scenarios as part of stress testing that include accelerated withdrawal of deposits over a period of time and prescribed measures are in place to ensure that cash inflows exceed outflows under such scenarios.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

40.3 Market Risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non–trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 40.3.1 to 40.3.3.

40.3.1 Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis. The Group's policy is to monitor positions on a daily basis to ensure positions are maintained within the established limits.

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:

i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.

ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired.

This risk is managed by ALCO through the analysis of interest rate sensitive assets and liabilities, using such models as Value at Risk ("VAR"), Scenario Analysis and control and management of the gap analysis.

Scenario analysis of net interest income

The Group's trading book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analyzing the impact of a shift in the yield curve on the Group's interest income, the Group recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then conducted to give an appreciation of the distribution of future net interest income and economic value of equity as well as their respective expected values.

Scenario :	Impact on earnings as at 31 December			
5% increase in interest rates	**2013 US$**	**2013 US$**	**2012 US$**	**2012 US$**
Assets	306 719 437	2 207 353	211 728 282	1 893 597
Liabilities	215 981 634	(786 287)	254 058 266	(875 569)
Net effect		**1 421 066**		**1 018 028**

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static Group portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2013

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	24 073 127	-	-	-	-	45 313 778	69 386 905
Loans and advances to customers	93 486 151	30 049 090	24 037 525	44 722 031	87 687 234	(14 221 173)	265 760 858
Trade and other receivables including insurance receivables	-	-	-	-	-	27 393 114	27 393 114
Financial assets at fair value	-	-	-	-	-	1 495 227	1 495 227
Debentures	-	-	-	-	2 664 279	-	2 664 279
Inventory	-	-	-	-	-	22 163 975	22 163 975
Prepayments and other assets	-	-	-	-	-	7 541 727	7 541 727
Income tax asset	-	-	-	-	-	844 192	844 192
Deferred income tax assets	-	-	-	-	-	2 428 213	2 428 213
Investment property	-	-	-	-	-	25 000	25 000
Intangible asset	-	-	-	-	-	1 276 109	1 276 109
Property, plant and equipment	-	-	-	-	-	59 798 711	59 798 711
Total assets	117 559 278	30 049 090	24 037 525	44 722 031	90 351 513	154 058 873	460 778 310
Liabilities							
Deposits from customers	50 414 406	6 567 684	3 078 562	5 569 383	3 612 001	83 762 736	153 004 772
Deposits from other banks	49 101 996	22 261 448	2 646 430	1 921 627	-	-	75 931 501
Borrowings	38 712 123	1 286 848	15 291 428	6 026 197	9 491 501	-	70 808 097
Insurance liabilities	-	-	-	-	-	11 635 967	11 635 967
Trade and other payables	-	-	-	-	-	34 550 076	34 550 076
Current income tax liabilities	-	-	-	-	-	1 789 455	1 789 455
Deferred income tax liabilities	-	-	-	-	-	6 842 926	6 842 926
Shareholder equity	-	-	-	-	-	106 215 516	106 215 516
Total liabilities	138 228 525	30 115 980	21 016 420	13 517 207	13 103 502	244 796 676	460 778 310
Interest rate repricing gap	(20 669 247)	(66 890)	3 021 105	31 204 824	77 248 011	(90 737 803)	-
Cumulative gap interest rate repricing gap	(20 669 247)	(20 736 137)	(17 715 032)	13 489 792	90 737 803	-	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2012

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	8 666 679	2 479 117	201 575	-	-	71 067 719	82 415 090
Loans and advances to customers	72 555 610	37 931 443	21 667 286	35 716 807	32 509 765	(9 788 364)	190 592 547
Trade and other receivables including insurance receivables	-	-	-	-	-	26 582 806	26 582 806
Financial assets at fair value	-	-	-	-	-	2 932 818	2 932 818
Inventory	-	-	-	-	-	22 152 528	22 152 528
Prepayments and other assets	-	-	-	-	-	6 921 582	6 921 582
Deferred income tax assets	-	-	-	-	-	1 664 338	1 664 338
Investment property	-	-	-	-	-	25 000	25 000
Intangible asset	-	-	-	-	-	1 457 875	1 457 875
Property, plant and equipment	-	-	-	-	-	57 310 267	57 310 267
Total assets	81 222 289	40 410 560	21 868 861	35 716 807	32 509 765	180 326 569	392 054 851
Liabilities							
Deposits from customers	108 093 485	12 160 294	7 238 102	610 000	-	-	128 101 881
Deposits from other banks	37 956 591	20 441 492	8 670 650	17 321 060	-	-	84 389 793
Borrowings	-	833 333	-	30 486 709	10 246 550	-	41 566 592
Insurance liabilities	-	-	-	-	-	10 976 731	10 976 731
Trade and other payables	-	-	-	-	-	29 885 061	29 885 061
Current income tax liabilities	-	-	-	-	-	1 712 581	1 712 581
Deferred income tax liabilities	-	-	-	-	-	7 269 579	7 269 579
Shareholder equity	-	-	-	-	-	88 152 633	88 152 633
Total liabilities	146 050 076	33 435 119	15 908 752	48 417 769	10 246 550	137 996 585	392 054 851
Interest rate repricing gap	(64 827 787)	6 975 441	5 960 109	(12 700 962)	22 263 215	42 329 984	-
Cumulative gap interest rate repricing gap	(64 827 787)	(57 852 346)	(51 892 237)	(64 593 199)	(42 329 984)	-	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

40.3.2 Currency Risk

The Group operates locally and the majority of its customers transact in US$, the functional currency of the Group and its subsidiaries. The Group is exposed to various currency exposures primarily with respect to the South African rand, Botswana pula, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities. This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Group manages this risk through monitoring long and short positions and assessing the likely impact of forecast movements in exchange rates on the Group's profitability.

The table below indicates the extend to which the Group was exposed to currency risk.

Foreign exchange gap analysis as at 31 December 2013

Base currency	ZAR	EUR	BWP	GBP	TOTAL
	US$ equivalent	US$ equivalent	US$ equivalent	US$ equivalent	US$ equivalent
Assets					
Balances with other banks and cash	2 250 840	389 665	248 018	1 589 170	4 477 693
Trade and other receivables	1 007 214	2	20 178	-	1 027 394
Loans and advances to customers	179 869	1 778	221	615	182 483
Total assets	**3 437 923**	**391 445**	**268 417**	**1 589 785**	**5 687 570**
Liabilities					
Deposits from customers	1 136 766	278 414	98 551	20 753	1 534 484
Trade and other payables	291 185	103 125	9 537	108	403 955
Total liabilities	**1 427 951**	**381 539**	**108 088**	**20 861**	**1 938 439**
Net currency position	**2 009 972**	**9 906**	**160 329**	**1 568 924**	**3 749 131**

Foreign exchange gap analysis as at 31 December 2012

	ZAR	EUR	BWP	GBP	TOTAL
Assets					
Balances with other banks and cash	1 895 916	273 359	799 644	798 911	3 767 830
Trade and other receivables	2 047 113	-	74 613	-	2 121 726
Loans and advances to customers	459 552	732	1 545	321	462 150
Total assets	**4 402 581**	**274 091**	**875 802**	**799 232**	**6 351 706**
Liabilities					
Deposits from customers	1 407 255	198 199	154 822	49 414	1 809 690
Trade and other payables	339 036	63 192	40	104	402 372
Total liabilities	**1 746 291**	**261 391**	**154 862**	**49 518**	**2 212 062**
Net currency position	**2 656 290**	**12 700**	**720 940**	**749 714**	**4 139 644**

Below are major cross rates to the US$ used by the Group as at 31 December:

Currency	2013 Cross rate	2012 Cross rate
British pound ("GBP")	1.648	1.616
SA rand ("ZAR")	10.428	8.476
Euro ("EUR")	1.379	1.319
Pula ("BWP")	8.718	7.874

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% with all other variables held constant.

Impact of 10% increase in exchange rates:	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
For the year ended 31 December 2013					
Assets	(312 538)	39 145	(24 402)	158 979	(138 816)
Liabilities	129 814	(38 154)	9 826	(2 086)	99 400
Net position	**(182 724)**	**991**	**(14 576)**	**156 893**	**(39 416)**
For the year ended 31 December 2012					
Assets	(400 235)	27 409	(79 618)	79 923	(372 521)
Liabilities	158 754	(26 139)	14 078	(4 952)	141 741
Net position	**(241 481)**	**1 270**	**(65 540)**	**74 971**	**(230 780)**

40.3.3 Price Risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's post-tax profit for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

Impact of 25% equity index:	2013 US$	2012 US$
Financial assets at fair value through profit or loss	373 807	733 204

40.4 Settlement Risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/ clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

40.5 Capital Risk

40.5.1 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

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	Regulatory Authority	Minimum capital required US$	Net Regulatory Capital US$	Total Equity US$
As at 31 December 2013				
FBC Bank Limited	RBZ	25 000 000	32 900 390	39 031 433
FBC Building Society	RBZ	20 000 000	24 893 035	25 810 051
FBC Reinsurance Limited	IPEC	1 500 000	8 743 520	8 743 520
FBC Securities (Private) Limited	SECZ	150 000	272 408	272 408
Eagle Insurance Company (Private) Limited	IPEC	1 000 000	3 556 696	3 556 696
Microplan Financial Services (Private) Limited	RBZ	10 000	1 968 212	1 968 212
As at 31 December 2012				
FBC Bank Limited	RBZ	25 000 000	29 727 267	34 433 093
FBC Building Society	RBZ	20 000 000	18 979 135	19 360 110
FBC Reinsurance Limited	IPEC	1 500 000	6 987 219	6 987 219
FBC Securities (Private) Limited	SECZ	150 000	243 155	243 155
Eagle Insurance Company (Private) Limited	IPEC	1 000 000	2 191 083	2 191 083
Microplan Financial Services (Private) Limited	RBZ	10 000	1 213 468	1 213 468

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

40.5.2 Capital Allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals. Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

41 FAIR VALUE OF ASSETS AND LIABILITIES

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 of liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputes - 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 and unobservable 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 (fair value hierarchy)

	VALUATION TECHNIQUE USING			
As at 31 December 2013	Quoted market prices Level 1 US$	Observable inputs Level 2 US$	Significant unobservable inputs Level 3 US$	Total US$
Assets				
Financial assets at fair value through profit or loss	1 495 227	-	-	1 495 227
Investment property	-	-	25 000	25 000
Land and buildings	-	-	28 083 296	28 083 296
Liabilities	**-**	**-**	**-**	**-**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

There were no transfers between levels during the year

Valuation techniques and sensitivity analysis
Sensitivity analysis is performed on valuations of assets and liabilities with significant unobservable inputs (Level 3) to generate a range of reasonable possible alternative valuations, The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods.

The valuation techniques and sensitivity analysis for the assets classified in Level 3 are described below.

Description
Investment property. This comprises a residential house.

Land and buildings. This comprises commercial and residential properties.

Valuation
Valuations for investment property and land and buildings are determined by independent third party appraiser. The external valuations have been performed using a sales comparison approach. The key inputs to the valuation are size, age and condition of the properties and comparable prices.

Observability
Since each property is unique in nature and the commercial and residential real estate is illiquid, valuation inputs are largely unobservable.

Level 3 Sensitivity
Sensitivity is determined by a range of asset specific market bids.

Scenario :

Impact on value as at 31 December 2013	5% increase in valuation US$	5% decrease in valuation US$
Investment property	1 250	(1 250)
Land and buildings	1 416 437	(1 416 437)

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The following table summarises the fair value of financial assets and liabilities measured at amortised cost on the Group's consolidated statement of financial position:

	Carrying value 2013 US$	Fair value 2013 US$
Financial assets		
Loans and advances to customers	265 760 858	266 964 537
Trade and other receivables including insurance receivables	27 393 114	27 205 202
Debentures	2 664 279	2 513 586
Financial liabilities		
Deposits from banks	75 931 501	75 931 501
Due to customers		
– Individuals	36 899 939	36 899 939
– Corporates	116 104 833	116 104 833
Borrowings	70 808 097	70 808 097
Insurance liabilities	11 635 967	11 635 967
Trade and other payables	34 550 076	34 550 076

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Loans and advances to customers
The fair value of loans and advances to customers, for the purposes of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Gross loan values are discounted at a rate of the Group's contractual margins depending on credit quality and period to maturity. As such Group product margins are deemed significant inputs in the fair value models for the purposes of this disclosure, the related balances are classified as level 3 since the inputs are unobservable.

Trade and other receivables
The fair value of trade and other receivables, for the purposes of this disclosure, is calculated by the use of discounted cash flow techniques where the gross receivables balance are discounted at the Group's borrowing rate. Significant inputs in the valuation model are unobservable and are thus classified as level 3 for purposes of this disclosure.

Deposits from banks and amounts due to customers
The fair value disclosed approximates carrying value because the instruments are short term in nature. The deposits from banks and customers are classified as level 3. There are no deposits with long term maturities.

Borrowings
The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant due to the market terms (rates and tenor) available. The fair value of the non current portion, for purposes of this disclosure are based on cash flows discounted using a rate based on the contractual borrowing rates. As internal rates are significant inputs to the valuation, they are within level 3 of the fair value hierarchy. The carrying amount equals the carrying amounts for borrowings with longer term maturities as the discount rate approximates the liabilities' effective interest rates.

Insurance liabilities and trade and other payables
The fair value disclosed approximates carrying value because the instruments are short term in nature.

Guarantees, acceptances and other financial facilities
The fair value disclosed approximates carrying value because the instruments are short term in nature.

Fair value heirarchy for assets and liabilities carried at amortised cost

As at 31 December 2013	Quoted market prices Level 1 US$	Observable inputs Level 2 US$	Significant unobservable inputs Level 3 US$	Fair value US$
Financial assets				
Loans and advances to customers	-	-	266 964 537	266 964 537
Trade and other receivables including insurance receivables	-	-	27 205 202	27 205 202
Debentures	-	-	2 513 586	2 513 586
Financial liabilities				
Deposits from banks		-	75 931 501	75 931 501
Due to customers				
– Individuals	-	-	36 899 939	36 899 939
– Corporates	-	-	116 104 833	116 104 833
Borrowings	-	-	70 808 097	70 808 097
Insurance liabilities	-	-	11 635 967	11 635 967
Trade and other payables	-	-	34 550 076	34 550 076

42 FINANCIAL INSTRUMENTS

Financial assets and liabilities

Accounting classifications and fair values
The table below sets out the Group's classification of each class of financial assets and liabilities

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

42.1 Position as at 31 December 2013

	Held for trading US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets				
Balances with other banks and cash	-	69 386 905	-	69 386 905
Loans and advances to customers	-	265 760 858	-	265 760 858
Trade and other receivables including insurance receivables	-	27 393 114	-	27 393 114
Financial assets at fair value through profit or loss	1 495 227	-	-	1 495 227
Debentures	-	2 664 279	-	2 664 279
Total	**1 495 227**	**365 205 156**	**-**	**366 700 383**
Liabilities				
Deposits from other banks	-	-	153 004 772	153 004 772
Deposits from customers	-	-	75 931 501	75 931 501
Borrowings	-	-	70 808 097	70 808 097
Insurance liabilities	-	-	11 635 967	11 635 967
Trade and other liabilities	-	-	34 550 076	34 550 076
Total	**-**	**-**	**345 930 413**	**345 930 413**

42.2 Position as at 31 December 2012

	Held for trading US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets				
Balances with other banks and cash	-	82 415 090	-	82 415 090
Loans and advances to customers	-	190 592 547	-	190 592 547
Trade and other receivables including insurance receivables	-	26 582 806	-	26 582 806
Financial assets at fair value through profit or loss	2 932 818	-	-	2 932 818
Total	**2 932 818**	**299 590 443**	**-**	**302 523 261**
Liabilities				
Deposits from other banks	-	-	128 101 881	128 101 881
Deposits from customers	-	-	84 389 793	84 389 793
Borrowings	-	-	41 566 592	41 566 592
Insurance liabilities	-	-	10 976 731	10 976 731
Trade and other liabilities	-	-	29 885 061	29 885 061
Total	**-**	**-**	**294 920 058**	**294 920 058**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

43 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the two subsidiaries; FBC Reinsurance Limited and Eagle Insurance Company Limited.

43.1 Risk Management Objectives and Policies for Mitigating Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The reinsurers and retrocessionaires that the Group transacted with for the year had the following ratings;

Year ended 31 December 2013

Ratings	Number of reinsurers and retrocessionaires
A	1
A-	2
B+	3
BB+	4
BB	1
BB-	1
Total	12

Year ended 31 December 2012

Ratings	Number of reinsurers and retrocessionaires
A	1
A-	2
B+	3
BB+	4
BB	1
BB-	1
Total	12

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

43.2 Underwriting Strategy

The Group underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, and class of business in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 60 days notice, as well as the right to reject the payment of a fraudulent claim.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

43.3 Reinsurance Strategy

The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the statement of financial position. The short-term insurance company utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers. The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

43.4 Retrocession Strategy

The reinsurance company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the arrangement and placement of retrocession programmes with reputable reinsurers. This is led by Aon Sub Sahara Africa in South Africa and J B Boda Reinsurance Brokers (Pvt) Ltd of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

43.5 Terms and Conditions of Short-term Insurance Contracts

The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within a stipulated credit period;
ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and
iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group through its subsidiary, Eagle Insurance Company Limited, writes the following types of business within its Commercial and Personal Lines:

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

Products	Commercial	Personal Lines
Fire		
Assets all risks	*	*
House owners	*	*
Fire combined	*	*
Accident		
Money	*	x
Glass	*	x
Goods in transit	*	*
Theft	*	*
Personal all risks	*	*
Business all risks	*	x
Fidelity guarantee	*	x
Householders	*	*
Personal accident		
Group personal accident	*	x
Personal accident	*	*
Motor		
Private motor	*	*
Commercial motor	*	*
Motor cycle	*	*
Trailer	*	*
Motor fleet	*	*
Engineering		
Electronic equipment	*	x
Machinery breakdown	*	x
Machinery breakdown loss of profits	*	x
Contractors all risks	*	x
Erection all risks	*	x
Civil engineering completed risks	*	x
Plant all risks	*	x
Marine		
Marine cargo	*	*
Marine hull	*	*
Liability		
Public liability	*	*
Employers liability	*	x
Professional indemnity	*	x
Products liability	*	x
Directors and officer liability	*	x
Bonds and guarantees		
Court bond	*	x
Performance bond	*	x
Bid bond	*	x
Advance payment bond	*	x
Government/customs bonds	*	x

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

Legend
* class of business underwritten
x class of business not underwritten

Commercial department underwrites small to large business from companies. Personal department provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:
- **Fire** – fire, storm, explosions, malicious and earthquake
- **Accident** – all risks of accidental loss or damage to property
- **Personal accident** – death, permanent disablement, total disablement and medical expenses
- **Motor** – private and commercial (comprehensive, full third party, fire and theft)
- **Engineering** – accidental physical loss or damage to machinery on an all risks basis
- **Marine** – loss or damage to cargo in transit or vessel
- **Liability** – legal liability following death or injury to third parties or damage to third party property
- **Bonds and guarantees** – guarantees that contractual obligations will be met in case of default

The return to shareholders arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover claims and administrative expenses incurred by the Group.

43.6 Terms and Conditions of Short-Term Reinsurance Contracts

Nature of risks covered
The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

The Group, through its subsidiary, FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative divisions.

Products	Treaty	Facultative
Fire	*	*
Miscellaneous accident	*	*
Motor	*	*
Engineering	*	*
Marine - hull and cargo	*	*
Aviation	*	*
Credit	*	*

* class of business underwritten
x class of business not underwritten

Both Treaty and Facultative departments provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities. The following perils are covered under the different types of business:
- **Fire** - fire, storm, explosions, riot, malicious and earthquake.
- **Accident** - all risks of accidental loss or damage to property.
- **Personal accident** - death, permanent disablement, total disablement and medical expenses.
- **Motor** - private and commercial (comprehensive, full third party, fire and theft).
- **Engineering** - accidental physical loss or damage to machinery on an all risks basis.
- **Marine** - loss or damage to cargo in transit or vessel.
- **Liability** - legal liability following death or injury to third parties or damage to third party property.
- **Bonds and guarantees** - guarantees that contractual obligations will be met in case or default

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

There is limited scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the environment in which they operate.

The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group's ability to proactively detect fraudulent claims.

43.7 Concentration of Insurance Risk

With the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is risk that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the property risks. Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Group has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur meaning that the Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

43.8 Claims Development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at the balance sheet date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 7% (2012 - 7%) of net premium written for the reinsurance subsidiary and 5% (2012 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

43.9 Management of Risk Relating to Changes in Underwriting Variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

44 SEGMENT REPORTING

Segment information is presented in respect of business segments.

Segment revenue, expenses, results and assets are items that are directly attributable to the business segment or which can be allocated on a reasonable basis to a business segment.

The Group comprises seven business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short term insurance, stockbroking and manufacturing.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group Executive Committee.

31 December 2013	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term Insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment net income								
Interest income	36 231 880	4 015 984	9 269 954	-	144 049	85 767	19 619	49 767 253
Interest expense	(19 274 829)	(1 916 176)	(4 379 362)	-	-	-	(3 222 760)	(28 793 127)
Net interest income / loss	16 957 051	2 099 808	4 890 592	-	144 049	85 767	(3 203 141)	20 974 126
Turnover	-	-	12 982 889	-	-	-	42 878 242	55 861 131
Cost of sales	-	-	(8 544 309)	-	-	-	(32 382 546)	(40 926 855)
Gross profit	-	-	4 438 580	-	-	-	10 495 696	14 934 276
Net earned insurance premium	-	-	-	10 888 085	6 572 376	-	-	17 460 461
Net fee and commission income	17 946 118	430 535	4 218 411	-	-	349 642	-	22 944 706
Net trading income and other income	2 548 401	457 889	131 556	1 640 352	103 651	(2 169)	383 133	5 262 813
Total net income for reported segments	37 451 570	2 988 232	13 679 139	12 528 437	6 820 076	433 240	7 675 688	81 576 382
Intersegment revenue	(3 976 588)	-	(2 591 207)	(943 364)	(137 776)	(2 338)	-	(7 651 273)
Intersegment interest expense and commission	3 248 631	1 633 559	1 090 020	-	590 415	-	1 088 648	7 651 273
Net income from external customers	**36 723 613**	**4 621 791**	**12 177 952**	**11 585 073**	**7 272 715**	**430 902**	**8 764 336**	**81 576 382**
Segment profit before income tax	**7 070 065**	**1 209 646**	**7 074 662**	**2 863 949**	**1 671 536**	**32 490**	**(3 078 753)**	**16 843 595**
Impairment allowances on financial assets	2 909 034	360 271	486 738	-	118 192	-	3 302 153	7 176 388
Depreciation	1 066 532	5 615	187 405	78 045	103 634	24 240	2 631 525	4 096 996
Amortisation	615 770	-	58 236	-	55 780	-	-	729 786
Segment assets	**322 785 345**	**12 865 510**	**78 926 565**	**22 564 186**	**9 028 769**	**1 725 116**	**68 982 627**	**516 878 118**
Total assets includes :								
Additions to non-current assets	1 960 032	81 035	526 563	36 583	230 669	-	3 833 623	6 668 505
Investment in associates	-	-	-	491 139	-	-	-	-
Segment liabilities	**283 929 258**	**10 897 298**	**53 116 514**	**13 820 667**	**5 472 074**	**1 452 709**	**42 009 807**	**410 698 327**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	Production and sales of building materials	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2013

31 December 2012	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment net income								
Interest income	33 926 104	2 252 320	5 653 513	-	43 680	104 291	3 285	41 983 193
Interest expense	(16 191 911)	(740 188)	(2 038 362)	-	-	-	(3 117 802)	(22 088 263)
Net interest income	17 734 193	1 512 132	3 615 151	-	43 680	104 291	(3 114 517)	19 894 930
Turnover	-	-	11 105 170	-	-	-	42 508 441	53 613 611
Cost of sales	-	-	(7 370 540)	-	-	-	(30 133 932)	(37 504 472)
Gross profit	-	-	3 734 630	-	-	-	12 374 509	16 109 139
Net earned insurance premium	-	-	-	10 916 829	5 372 704	-	-	16 289 533
Net fee and commission income	16 578 794	181 650	4 325 001	-	-	68 526	-	21 153 971
Net trading income and other income	1 852 785	254 497	108 727	1 221 043	81 089	-	253 761	3 771 902
Total net income for reported segments	36 165 772	1 948 279	11 783 509	12 137 872	5 497 473	172 818	9 513 753	77 219 475
Intersegment revenue	(2 516 072)	(257 455)	(1 731 588)	(1 186 712)	(1 349 678)	(39 766)	(55 929)	(7 137 200)
Intersegment interest expense and commission	3 366 209	529 888	1 116 681	150 088	724 283	-	1 250 052	7 137 200
Net income from external customers	**37 015 909**	**2 220 712**	**11 168 602**	**11 101 248**	**4 872 078**	**133 052**	**10 707 876**	**77 219 475**
Segment profit before income tax	**6 691 552**	**881 412**	**5 478 729**	**2 094 406**	**739 551**	**(301 364)**	**1 209 889**	**16 794 175**
Impairment allowances on financial assets	2 031 685	685 152	390 877	-	-	-	496 128	3 603 842
Depreciation	1 013 614	639	167 377	81 875	79 622	24 466	2 462 425	3 830 018
Amortisation	553 825		28 927					582 752
Segment assets	**281 171 886**	**8 507 481**	**56 461 813**	**19 243 995**	**6 586 222**	**1 606 752**	**67 485 937**	**441 064 086**
Total assets includes :								
Additions to non-current assets	1 413 685	1 020	134 045	41 602	87 392	54 589	2 604 160	4 336 493
Investment in associates	-	-	-	491 139	-	-	-	-
Segment liabilities	**246 738 794**	**7 294 013**	**37 101 703**	**12 216 923**	**4 550 136**	**1 353 932**	**37 950 537**	**347 206 038**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	Production and sales of building materials	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

44 SEGMENT REPORTING (CONTINUED)

	2013 US$	2012 US$
Operating segments reconciliations		
Net income		
Total net income for reportable segments	81 576 382	77 219 475
Total net income for non reportable segments	1 701 284	-
Elimination of intersegment revenue received from the holding company	(1 827 638)	(445 819)
Less fair value gain on treasury shares	(401 988)	-
Intersegment eliminations	(1 547 676)	(2 558 631)
Group total net income	**79 500 364**	**74 215 025**
Group profit before tax		
Total profit before income tax for reportable segments	16 843 595	16 794 175
Intersegment eliminations	(623 070)	98 475
Profit before income tax	**16 220 525**	**16 892 650**
Group assets		
Total assets for reportable segments	516 878 118	441 064 086
Other group assets	78 750	90 000
Deferred tax asset allocated to the holding company	-	10 075
Intersegment eliminations	(56 178 558)	(49 109 310)
Group total assets	**460 778 310**	**392 054 851**
Group liabilities		
Total liabilities for reportable segments	410 698 327	347 206 038
Elimination of intersegment payables	(56 135 533)	(43 303 819)
Group total liabilities	**354 562 794**	**303 902 219**

In the normal course of business, group companies trade with one another and the material intergroup transactions include:

1) Underwriting of insurance risk by the insurance subsidiary;
2) Reinsurance of the insurance subsidiay's insurance risk by the reinsurance subsidiary;
3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
4) Placement of funds with the Building Society by group companies.

These transactions result in income and expenses and assets and liabilities that are eliminated on consolidation.

Entity wide information

Breakdown of total net income from all services is as follows;

	2013 US$	2012 US$
Analysis of net income by category:		
- Gross profit from residential properties	4 438 580	3 734 630
Revenue	12 982 889	11 105 170
Cost of Sales	(8 544 309)	(7 370 540)
- Gross profit from sales of construction products	10 495 696	12 374 509
Revenue	42 878 242	42 508 441
Cost of Sales	(32 382 546)	(30 133 932)
- Net income from services	64 566 089	58 105 886
Total	**79 500 365**	**74 215 025**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

The Group is domiciled in Zimbabwe. Included in gross profit from sales of construction products is revenue amounting to US$1 671 355 from external customers in South Africa. All other revenue was earned from external customers in Zimbabwe.

All assets of the Group are located in Zimbabwe.

Total net income was earned by a variety of customers with no signicant concentration on one customer.

45 BORROWING POWERS

The directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party. There is no set borrowing limit.

46 POST EMPLOYMENT BENEFITS

	2013 US$	2012 US$
Contributions made during the year are as follows:		
Self administered pension fund	1 499 338	1 370 736
National Social Security Authority ("NSSA") Scheme	328 416	206 973
	1 827 754	**1 577 709**

The Group operates a defined contribution pension scheme whose assets are held independently of the Group's assets in separate trustee administered funds. All permanent employees are members of this fund.

The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% (2012 : 3%) of pensionable salary to a maximum as set from time to time.

47 CAPITAL COMMITMENTS

	2013 US$	2012 US$
Capital expenditure authorised but not yet contracted	7 943 188	7 687 961

Capital commitments will be funded from the Group's own resources

48 CONTINGENT LIABILITIES

	2013 US$	2012 US$
(a) Letters of credit The contingent liabilities relate to letters of credit undertaken on behalf of various customers.	6 498 133	8 225 844

(b) Legal proceedings
The Group had no other contingent liabilities as at 31 December 2013 (2012 - US$nil).

49 SUBSEQUENT EVENTS

DIVIDEND DECLARED

A final dividend of 0.149 US cents per share was declared by the Board on 19 March 2014, payable on 671 949 927 ordinary shares in issue in respect of the year ended 31 December 2013. The dividend is payable to shareholders registered in the books of the Company at the close of business on Friday, 4 April 2014. The transfer books and register of members will be closed from 4 April 2014 to 7 April 2014. Dividend payment will be made to shareholders on or about 22 April 2014.

Shareholding Information
For the year ended 31 December 2013

Spread of shareholding

Range	Shareholders Number	%	Shares held Number(M)	%
0 - 100	1 233	14.57	-	0.02
101 - 200	1 564	18.48	-	0.04
201 - 500	2 521	29.79	1	0.12
501 - 1,000	974	11.51	1	0.10
1,001 - 5,000	1 330	15.72	3	0.45
5,001 - 10,000	271	3.20	2	0.29
10,001 - 50,000	343	4.05	7	1.09
50,001 - 100,000	72	0.85	5	0.81
100,001 - 500,000	84	0.99	19	2.88
500,001 - 1,000,000	18	0.21	12	1.86
1,000,001 - 10,000,000	40	0.48	163	24.23
10,000,001 -	12	0.15	459	68.11
Total	**8 462**	**100.00**	**672**	**100.00**

Analysis of shareholding

Industry	Shares held Number(M)	%
Bank	-	0.01
CO	229	34.03
Employee	1	0.22
EST	-	-
External Companies	49	7.31
Fund Managers	1	0.10
Government	-	0.01
Insurance Companies	14	2.06
Investment Trusts And Property	4	0.56
Local Resident	15	2.20
Non Resident Never Resident	-	-
Nominees Local	37	5.52
Non Residents	35	5.25
Non Resident Individual	6	0.85
Other Corporate Holdings	-	0.01
Pension Fund	281	41.87
Total	**672**	**100.00**

Top ten shareholders

Institution	Shares held Number(M)	%
National Social Security Authority	236	35.12
Shorecap II Limited	49	7.31
Tirent Investments (Private) Limited	36	5.31
Stanbic Nominees (Private) Limited	34	5.13
Cashgrant Investments (Private) Ltd	28	4.11
Local Authorities Pension Fund	22	3.34
Three Hearts Investemnts (Private) Limited	16	2.43
Vidryl International (Private) Limited	15	2.19
Scodal Investments (Private) Limited	13	1.89
Equivest Nominees (Private) Limited	12	1.79
Total	**461**	**68.62**

Performance on the Zimbabwe Stock Exchange	**2013**	**2012**
Number of shares in issue	671 949 927	591 850 127
Market prices (US cents per share)		
Closing	13.50	7.50
High	14.51	8.00
Low	6.49	3.50
Market Capitalisation (US$)	**90 713 240**	**44 388 760**

Notice of Annual General Meeting

Notice is hereby given that the Tenth Annual General Meeting of Shareholders of FBC Holdings Limited will be held in the Main Lounge, Royal Harare Golf Club, 5th Street Extension, Harare on Thursday, 26 June 2014 at 1200 hours.

Agenda

1. To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2013.

2. To sanction the dividend paid.

3. To elect Directors of the Company.

3.1 In terms of Article 95 of the Company's Articles of Association, Mr James Mwaiyapo Matiza, Mrs Gertrude Siyayi Chikwava and Mrs Chipo Mtasa retire by rotation. Being eligible, Mr Matiza, Mrs Chikwava and Mrs Mtasa offer themselves for re-election.

3.2 To confirm the appointment of Mr Franklin Hugh Kennedy to the Board.

4. To approve the remuneration of the Directors for the past financial year.

5. To approve the remuneration of the auditor for the past audit and to re-appoint Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) of Harare as auditor of the Company.

6. Special Business
Share Buy-Back as ordinary resolutions
To consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following:-

6.1 Purchase of own shares
That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 79 of the Companies Act (Chapter 24:03) to purchase the Company's own shares subject to the following terms and conditions:
The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (five percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

6.2 The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.

6.3 This authority shall expire on the date of the Company's next Annual General Meeting.

6.4 That the shares purchased according to this resolution shall be utilized for treasury purposes.

Directors Statement
In relation to the aforesaid proposed resolution, the Directors of the Company state that:-

(i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.
(ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.
(iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.
(iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.

7. To transact all such other business as may be transacted at an Annual General Meeting.

By Order Of the Board

Tichaona Mabeza
Company Secretary

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE
29 May 2014

Notes

Proxy Form

For the year ended 31 December 2013

I/We ____

(name(s) in block letters)

of ____

____

(address in block letters) ____

being (a) member(s) of the Company and entitled to vote, do hereby appoint

____

____

or, failing him/her,

____

or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the Company to be held on Thursday, 26 June 2014 at 1200 hours and at any adjournment thereof, as follows:

		In favour of*	Against *	Abstain*
1.	Resolution to adopt the company annual financial statements			
2.	Resolution to sanction payment of a dividend			
3.	Resolution to re-elect the retiring directors by single resolution and confirm appointment of a new director			
4.	Resolution to approve the remuneration of the directors			
5.	Resolution to approve the remuneration of the auditors and re-appoint them			
6.	Resolution to purchase the company's own shares			

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at ______________________ on ______________________ 2014

Full name(s) ____

(in block letters)

Signature (s) ____

Notes:

1) In order to be effective, proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, P O Box 11, Harare so as to reach this address not later than 1200 hours on Tuesday 24, June 2014.
2) The delivery of a duly completed proxy form shall not preclude any member or his/her duly authorized representative from attending the meeting and speaking and voting thereat instead of the proxy.
3) If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.

Notes

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FBC Holdings Limited
strength • diversity • service

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