FBC Holdings Limited

strength • diversity • service

2016
ANNUAL REPORT

Contents

General Information

Registered Office
6th Floor FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe
Telephone : 263-04-700312/797770
: 263-04-708071/2
Telex : 24512 FIRSTB ZW
Swift : FBCPZWHA
Fax : 263-04-700761
E-mail : info@fbc.co.zw
Website : 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
Deloitte & Touche
West Block, Borrowdale Office Park
Borrowdale Road
Harare
P.O. Box 267, Harare
Telephone : 263-04-852120-22
263-04-852124-29
Fax : 263-04-852130

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 Practitioners
10 York Avenue, Newlands
P.O. Box CY1221, Causeway, Harare
Telephone : 263-08644133638/9

FBC Bank Limited

Belgravia Private Banking Branch
No. 2 Lanark Road, Belgravia
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

FBC Bank Limited (Continued)

Bulawayo Avenue Branch
Asbestos House
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : 263-09-76079
: 263-09-76371
Fax : 263-09-67536

Masvingo Branch
FBC House
179 Robertson Street, Masvingo
Telephone : 263-039-264118-9
: 263-039-264415-6
: 263-039-262671
Fax : 263-039-262912

Gweru Branch
71 Sixth Street
P.O. Box 1833, Gweru
Telephone : 263-054-26491
: 263-054-26493
: 263-054-26497
Fax : 263-054-26498

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Telephone : 263-04-700312
: 263-04-797761-6
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

Mutare Branch
101 A Herbert Chitepo Avenue
P.O. Box 2797, Mutare
Telephone : 263-020-62586
: 263-020-62114
Fax : 263-020-60543

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

General Information (continued)

FBC Bank Limited (Continued)

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

Chitungwiza Branch
No 197 Tilcor Township, Seke
Chitungwiza
Telephone : 263-270-30212
: 263-270-31016

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 : 263-013-45995/6
Fax : 263-013-5995/6

Msasa Branch
104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare
Telephone : 263-04-446806
Fax : 263-04-446815

Beitbridge Branch
1454 NSSA Complex
Telephone : 263 -286- 23196
: 263 -286- 23198

Bulawayo Private Branch
Asbestos Harare
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : 263 -09-76079
: 263 -09-76371
: 263 -09-67536

FBC Bank Limited (Continued)

Graniteside and SME Branch
Number 1 Crawford Road
Graniteside, Harare
Telephone : 263-04-710326
: 263-04-710327
: 263-04-710328

Borrowdale Branch
Unit 122-125, Sam Levy's Village
Borrowdale, Harare
Telephone : 263-04-850911
: 263-04-850912
: 263-04-850913

FBC Reinsurance Limited

Head Office
4th Floor, FBC Centre
45 N 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

Eagle Insurance Company Limited

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

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

Bulawayo Branch
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone :263-09-71791/4
Fax :263-09-76224

General Information (continued)

FBC Building Society

Leopold Takawira Branch
FBC 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
Corner R. Mugabe Way and 11th Avenue
Bulawayo
Telephone :263-09-79504/68679
:263-09-64547/69925/48
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
101 A Herbert Chitepo Avenue
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

FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone :263-04-797761-6 / 700373

Microplan Financial Services (Private) Limited

Head Office
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

Microplan Financial Services (Private) Limited

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

Mutoko Branch
Shop Number 1 Stand 46/47 BJ
Mall Oliver Newton Road
Chinzanga Township, Mutoko
Mobile :263-2722859

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

Bindura Branch
846 Chenjerai Hunzvi Street, Bindura
Telephone :263-0271-6581

Chinhoyi Office
5309 Magamba Way Chinhoyi | Zimbabwe
Phone: +263 067 26113 | 28079 |
Cell: +263 73 177 2730

Lupane Office
Stand Number 12
Lupane
Cell: +263 731 772 731

Chipinge Office
294A Ferreira Street
Chipinge
Cell: 0731 772 732

Kadoma Office
Office No 5, Mtetwa Family Trust Complex
6/7 Cilling Street
Kadoma

Rusape Office
Stand 9 Robert Mugabe Avenue
Rusape
Telephone : +263 731 772 734

Mt Darwin Office
Stand 206, Mount Darwin Township,
Mt Darwin
Telephone : +263 731 772 733
+263 773 396 657

Hauna Office
Stand 107, Hauna Growth Point
Mutasa
Telephone : +263 731 772 735

Guruve Office
Stand 1409, Guruve Business Centre
Guruve
Telephone : +263 731 772 736

Group Structure

FBC Holdings Limited
strength • diversity • service

Consumer and Investment Banking Services				Insurance Services	
FBC Bank Limited (Registered Commercial Bank)	FBC Building Society (Registered Building Society)	MicroPlan Financial Services (Pvt) Limited (A registered microfinance institution)	FBC Securities (Private) Limited	FBC Reinsurance Limited	Eagle Insurance Company Limited
100%	100%	100%	100%	100%	95.4%
Commercial Banking + Advisory Services + Factoring Services + Custodial Services	Mortgage Finance + Property Development	Micro Finance Services	Equities Trading + Sponsoring Broker	Short Term Reinsurance + Life & Health Re-Assurance	Non-Life Insurance + Medical Insurance

The FBC Footprint

Our Pillars of Strength

Core Values	Governance	Our Team	Social Impact & Financial Inclusion
Integrity	7 Boards of Directors in the Group	±550 Permanent Employees	+500 Construction Jobs
Teamwork	Independent Chairpersons	+80% Aged <45 years	+400 Agencies
Commitment	24 Non-Executive Directors	43% Female Employees	9 Rural of 17 Microfinance Branches
Communication	20 Executive Directors	±190 on Attachement & Internship	500 000 clients Group wide HCP Subcribers +100 000
Life-Long Learning			270 974 Mobile Banking Subscribers

Our Promise to Our Stakeholders

Clear Purpose	To be Trendsetters in Financial & Risk Management		
Strategic Priorities	New Business Development	Risk Management & Compliance	e-Commerce & Operational Efficiences
Strong Foundation	Adequate Capital	Appropriate Skills Mix	Robust IT Systems
Responsible Corporate Citizen	Environmental Management	Social Impact Management	Strong Governance

Strong Earnings Capacity

Stable & Sustainable ROE

Consistent Dividend Pay-out

Consistent Sustainability & Growth Strategy

Financial Highlights
For the year ended 31 December 2016

	31-Dec-16 US$	31-Dec-15 US$
Consolidated Statement of Comprehensive Income		
Profit before income tax	25 675 705	21 348 021
Profit for the year	21 937 726	18 098 243
Consolidated Statement of Financial Position		
Total equity	123 712 596	104 889 030
Total assets	610 144 717	490 565 322
Share Statistics		
Shares in issue - actual (million)	672	672
Shares in issue - weighted (million)	644	663
Basic earnings per share - (US cents)	3.40	2.72
Diluted earnings per share - (US cents)	3.40	2.72
Headline earnings per share - (US cents)	3.39	2.71
Dividend per share - ordinary (US cents)	0.52	0.30
Closing share market price - (US cents)	8.0	7.0
Ratios		
Return on shareholders equity	18%	17%
Cost to income ratio	72%	74%

Group Chairman's Statement

Total income up
14%
to US$93 million

Group profit after tax up
21%
to US$21.9 million

Group profit before tax up
20%
to US$25.7 million

Cost to income ratio improved to
72%
from 74%

Return on shareholders equity
18%

Basic earning per share up
25%
to 3.40 US cents

Net Asset value per share up
21%
to 19.2 US cents

Final dividend proposed
US$2million
Bringing total dividends to US$3.5 million

Group statement of financial position up
24%
to US$610.1 million

Group total equity up
18%
to US$123.4 million

Group Chairman’s Statement (continued)

Financial Performance Review

It is with great pleasure that I present to you, our valued stakeholders, the 2016 full year financial performance for FBC Holdings Limited. It is particularly emboldening to note that despite the ever challenging economic environment, our diversified business model has remained resilient and able to deliver yet another strong performance across all subsidiaries.

Group profit after tax increased by 21% to US$21.9 million compared to US$18.1 million for the prior year, on the back of a 14% improvement in the Group’s total income. Total income increased to US$93 million from US$81.9 million, underpinned by a 22% increase in net interest income from US$36.6 million to US$44.8 million and a net fee and commission income growth of 24% from US$20.9 million to US$25.9 million. The aforementioned revenue lines benefitted from an improvement in net interest margins and increased transaction volumes due to widespread adoption and use of e-commerce driven platforms.

Gross profit on property sales remained static at $1million, despite an increase in gross property sales by 4% as the improvement was counterweighed by increased construction costs. The Group is continuously re-examining its housing stock delivery model with the objective of making the houses more affordable in order to stimulate demand, whilst improving the overall quality of our products. Our housing development projects continue to be a major feeder of a high quality mortgage loan book, further enhancing the quality of revenues.

Our insurance businesses recorded a decline in both gross premium written and net earned insurance premium of 8% to US$32.7 million and 15% to US$18.8 million respectively. This was primarily due to a combination of depressed insurable market values and rate under-cutting by the market in an attempt to stay afloat in a constrained economic environment. The Group is venturing into micro insurance as part of financial inclusion strategy to stimulate growth in insurance businesses, with a number of initiatives already underway that are expected to bear fruit in the medium term.

The Group’s cost to income ratio outturn improved to 72% from 74% on the back of improved total income, counteracted by increased costs associated with essential expansionary investments in various areas covering technology, regulatory and correspondent banking compliance, electronic and digital banking infrastructure and delivery channels. The Group will continue to focus on cost containment whilst at the same time maintaining prioritisation for essential expansion for revenue growth and compliance.

In recognition of the ever increasing credit risk in the macro-economic environment, the Group’s impairment allowance was recorded at US$7.9 million against US$3.3 million reported in the prior year. The Group has been writing off non-performing loans and pursuing recovery off balance sheet.

As at 31 December 2016, the Group’s statement of financial position was 24% stronger at US$610.1 million from US$490.6 million as at the end of last year. Growth

Group Chairman's Statement (continued)

was on the back of a 26% increase in total deposits and borrowings due in part to higher cash retention levels currently prevailing within the banking sector and the positive impact of the FBC brand in the market space.

The 2016 Group performance resulted in an 18% increase in total shareholders' funds reported at US$123.4 million as at 31 December 2016 from US$104.6 million as at 31 December 2015. This translated to a year-end tangible net asset value of 19.2 US cents per ordinary share, up 21% from 15.84 US cents last year. The Group's return on equity in 2016 improved to 17.7% from 17.2% in 2015.

Capital Growth Strategy

I am pleased to advise that all the FBC Holdings Limited subsidiaries were in full compliance with their regulatory minimum capital requirements and had the following total equity:

- FBC Bank Limited: US$65.1 million compared to the regulatory minimum of US$25 million.
- FBC Building Society: US$41.3 million compared to the regulatory minimum of US$20 million.
- FBC Reinsurance Limited: US$13.0 million compared to the regulatory minimum of US$1.5 million.
- Eagle Insurance Company Limited: US$6.5 million compared to the regulatory minimum of US$1.5 million.
- FBC Securities (Private) Limited: US$622 937 compared to the regulatory minimum of US$150 000.
- MicroPlan Financial Services (Private) Limited: US$7.0 million compared to the regulatory minimum of US$25 000.

The Bank is well ahead of its capital growth plan that was presented to, and is being monitored by the Reserve Bank of Zimbabwe. The Group is confident that FBC Bank will have a capital level of at least US$100 million by 2020. FBC Building Society has already achieved full compliance with its 2020 regulatory minimum capital requirement of US$25 million.

Operating Environment

The country's economy has continued to show signs of weakness, principally on account of low domestic production across key sectors. Consequently growth projections have been revised downwards to 0.6% in 2016 with a minimal upside of 1.7% expected in 2017. The economy remains vulnerable to endogenous and exogenous shocks and this has translated into demand shifts within the Group's product portfolio mix. The country's trade balances remain skewed in favour of imports, as local industries have struggled to scale up capacity utilisation due to multiple challenges. The prospects of the economy rest on the ability of the country to attract new capital, improving the ease of doing business and in general, improving investor confidence through consistent policy formulation and implementation. The Group is hopeful that the proposed clearance of the country's debt arrears, when concluded, will result in an improvement in the country's risk profile which will translate into reduced costs of borrowing on foreign credit lines availed to the financial sector.

Financial Services Sector

The Banking sector has continued to exhibit resilience despite the multiple challenges facing the industry. Various initiatives by banking institutions, guided by the Reserve Bank, have contributed significantly to the stability of the banking sector. However, nostro funding challenges and cash queues continue to work against the confidence building process by stakeholders. The prevailing cash shortages and nostro funding challenges, have adversely affected the reputation and growth prospects of the industry. The introduction of the Bond Notes, however, has positively changed the dynamics of cash demand and supply in the country. Use of plastic money and the aggressive marketing of the same by the industry has contributed positively to the reduction in cash demand.

Group Chairman's Statement (continued)

The Insurance Sector
The insurance services industry has not been spared as the economic fortunes of the country continue to decline. Consumption of insurance products remains weak as households and businesses re-align expenditure. The industry has been driving the consumption of micro insurance products in an effort to reduce insurance costs and promote demand.

The Stock Market
Notwithstanding a challenging economic environment that would affect securities values negatively, the Zimbabwe Stock Exchange's (ZSE) industrial index witnessed a 25.8% surge during the year 2016, though turnover was low. The rise was mainly as a result of investors seeking to hedge their positions in shares whose re-pricing is believed to match changes in the economic fundamentals.

Share Price Performance
During the year, the FBCH counter traded between a low of 6 US cents and a high of 8.02 US cents, with a total of 40.9 million FBCH shares exchanging hands during the year, at a volume weighted average price of 6.4 US cents. There were no changes in the number of issued shares in the company and the company remained compliant with all the listings rules of the ZSE.

Despite closing the year at a ZSE trading price of 8 US cents, which was 14.3% higher than its opening year price of 7 US cents, the FBCH share remains significantly undervalued on the ZSE. The FBCH share is trading at a 58% discount to its net asset value of 19.2 US cents, which in turn had increased by 21%, from 15.84 US cents recorded in the prior year.

Sustainability Reporting
The Group has set a vision to achieve, in the coming years, international best practices in sustainability reporting, by adopting the Global Reporting Initiatives (GRI) guidelines as a framework. FBC Holdings believes that by identifying, measuring and being accountable to its stakeholders through sustainability reporting (Economic, Environmental and Social Governance), it will enhance business prospects for the future. Whilst the provisions of sustainability reporting had already been embraced by the Group through the Reserve Bank of Zimbabwe reporting guidelines, the Group has resolved to undertake the International Best Reporting Standards framework going forward.

Whilst much groundwork still needs to be done to fulfill the Group's overall intent, the 2017 Financial reporting period will bring into greater focus the agenda and substantive programme that the Group will pursue.

Corporate Social Responsibility
In 2016, the Group continued to broaden its corporate social responsibility strategy, with a social investment footprint which is aligned to good corporate governance practice covering education, community share ownership schemes, health and the arts. The Group believes in alleviating social challenges by giving back to the community.

Marketing and Public Relations
The Group's focused and sustained marketing programmes continue to pay off in positioning the FBC brand in the market. The brand's market appeal is positive. In this regard the FBC brand, through FBC Bank has been recognised by the Institute of Chartered Secretaries and Administration (ICSAZ) Excellence in Corporate Governance Awards through the following awards:

1. Best Banking Internal Audit Disclosure Award (2nd Position)
2. Best Banking Risk Management Practice (2nd Position)

The Bank was also in the top 5 ranking in the Banks and Banking Survey for 2016.

Financial Inclusion
The FBC Group is making a concerted effort to ensure accessibility to financial services across the country, particularly to the unbanked and under-banked

Group Chairman's Statement (continued)

through the use of technology. The mobile channels have provided an opportunity to avail services across different financial services; transactional, credit and micro-insurance. An agent banking unit has been set up to drive growth in the previously marginalised segments, riding on the bank's extensive merchant point-of-sale presence across the country as well as through anchor agents whose combined service outlets were numbering over 400. The Bank has also set up a fully-fledged Small and Medium Enterprises Banking unit which will focus on the growth of micro, small and medium-sized businesses, a key sector to Zimbabwe's economic recovery. Products focusing on women, youths and other special groups will be explored to ensure that specific needs are met.

e-Commerce

e-Commerce is at the centre of the transformation of banking and financial services the world over and FBC is no exception. In 2016, FBC Holdings made significant investments in new IT infrastructure, which has resulted in an improved processing capacity and efficiency for the Group's banking subsidiaries. In addition to the MasterCard offering, FBC Bank recently launched the VISA Acquiring platform. This has enabled the Bank to now accept all major international credit and debit cards for the convenience of transacting customers and visitors to Zimbabwe. The availability of the three major card acquiring platforms was timely as it coincided with the acute cash shortages in the second half of 2016, providing customers with convenient alternatives. Overall, the Group had deployed approximately 3000 point-of-sale devices across the country as at 31 December 2016. This figure is set to increase considerably in the coming year.

In other subsidiaries, the Group commissioned new operating systems that have improved efficiency whilst improving the customer experience. FBC Reinsurance recently acquired a Life module under the current system, automating FBC Reinsurance Life and Health business in the process.

As the Group continues its expansion into the electronic arena, new opportunities bring in new operational and strategic risks. As such, a variety of initiatives based on leading Information Security practices, are underway to manage the various risks that come with the opening of various e- channels. Banking subsidiaries are expected to be compliant with the Plastic Card International Data Security Standards (PCIDSS) in 2017. The banking subsidiaries are looking forward to the market wide implementation of the chip and PIN (EMV) standard on all local cards, having successfully implemented the same on MasterCard and VISA in 2015. The Group continues to advocate and support initiatives aimed towards ensuring seamless integration of the various payment platforms and solutions in Zimbabwe's ecosystem for the benefit of the customer.

Compliance

The Group continued to place great importance on compliance and as such no material compliance deficiencies were recorded in 2016. Significant resources were directed at automating key compliance processes, including the acquisition and implementation of screening and transaction monitoring software. The Group remains alert to the ever evolving regulatory environment and international best practice in order to maintain this high standard.

Dividend

On behalf of the Board of Directors, I am pleased to advise shareholders that a final dividend of 0.2976 US cents per share was proposed. This makes a total dividend of 0.52026 US cents per share, together with the interim dividend of 0.2235 US cents per share which was paid in September 2016. The total dividend paid for the year 2016 amounts to US$3,5 million, an increase of 75% compared to 2015.

Group Chairman's Statement (continued)

Outlook

Current market conditions are inevitably more focused on liquidity and economic sustainability issues. Going forward, the Group is armed with a clear strategy whose implementation plan is already underway across all subsidiaries. Supported by balance sheet strength and a well-diversified business model, FBCH is well positioned to continue generating favourable returns and enhancing shareholder wealth.

A zero tolerance approach towards non- compliance remains of pertinence to the Group supported by the investment initiatives undertaken in 2016. An e-commerce driven culture has been embedded into the Group's value system and continues to be a gateway towards the fulfilment of its Financial Inclusion goals.

Appreciation

I wish to express my appreciation to our various stakeholders, strategic partners, clients and regulatory authorities for their steadfast support and commitment to the cause and calling of the FBCH Brand.

I am also grateful to the Non-Executive Directors of FBCH, Group Chief Executive-John Mushayavanhu and the entire FBC Team for working tirelessly to achieve yet another strong set of results for 2016.

Herbert Nkala
Group Chairman

21 March 2017

Basic earning per share up
25%
to 3.40 US cents

Group Chief Executive's Report

It is with great pleasure that I once again present to you the audited financial results for FBC Holdings for the 12 month period ending 31 December 2016. While the operating environment has had its fair share of constraints, the Group has continued to leverage off its diverse business model by recording yet another successful trading year, producing a positive performance and preserving the interests of our stakeholders.

Group Performance

The Group was able to respond effectively to the dynamics in the operating environment during the year 2016. Despite the challenging operating environment, we were able to balance risks and strategic initiatives. The Group's 2016 profit before tax increased by 20% to US$25.7 million, from the US$21.3 million recorded in the previous year. The strong profitability was primarily driven by improved revenue contributions from the Group's subsidiaries. Total income increased by US$11.1 million to US$93.0 million in 2016 from US$81.9 million recorded in 2015. The surge in the Group's total income by 14% in 2016, reflects a strong revenue generating capacity against an environment characterized by multiple challenges.

Net interest income grew by 22% to US$44.8 million from US$36.6 million, while its contribution to the Group total income increased to 48% from 45% in 2015. While the Group's lending portfolio decreased during the period under review, the asset quality and yields improved significantly as the Group instituted

Group Chief Executive's Report (continued)

measures to improve asset quality. Mindful of the prevailing macroeconomic environment, the Group has however prudently increased the impairment allowance on financial assets. It is also pleasing to note that the Group's initiatives to manage cost of funds yielded positive results with interest expense down by 11% in 2016.

Net fee and commission income increased remarkably by 24% to US$25.9 million from US$20.9 million achieved in the prior year. The contribution to total net income also improved from 25% to 28% on the back of increased transactional volumes on our digital banking platforms, supported by increased investment in our digital infrastructure.

Gross profit on property sales was marginally up by 1%, with turnover on property sales remaining under pressure from intense competition in the housing development sector due to static demand.

Net earned insurance premium however declined by 15% and its contribution to total net income declined to 20% from 27% last year, due to reduced revenue from insurance premiums, as consumption of insurance products continued to decline.

While costs are marginally up due to our prudent impairment allowance on financial assets, the Group's cost to income ratio further improved to 72% from 74% the previous year. Administration expenses at US$47.5 million were 8% above those incurred in the prior year as a result of expansion related expenses. Microplan Financial Services opened an additional 5 new branches during 2016. The Group also invested significantly in electronic channels to support the increased usage of plastic money.

The Group's statement of financial position at US$610.1 million recorded a significant 24% growth in assets compared to the prior period. This growth is underpinned by continued customer support which is a further testimony to the continued consolidation of the FBC brand on the market.

Total equity attributable to shareholders of FBC Holdings Limited increased by 18% to US$123.4 million from US$104.6 million in the previous year.

FBC Bank Limited

FBC Bank's profit before income tax was up 31% from US$9.3 million in 2015 to US$12.2 million in 2016, boosted largely by the shift in transactions towards internet, mobile platforms and plastic money. The Bank's cost to income ratio for the period improved to 75% from 76% in the prior period, as the Group progresses with the deployment of digital solutions to the Bank's operations, in line with the Group's cost containment strategy.

The Bank's statement of financial position increased by 21% from US$387.4 million to US$470.2 million

Group Chief Executive's Report (continued)

supported by strong liquidity management practices in view of the prevailing macroeconomic environment. The Bank received a US$10 million capital injection from FBC Holdings Limited, whilst an additional US$20 million was jointly raised from the local market, through the issuance of tobacco bills for the 2016/17 agricultural season.

The Bank's lending portfolio marginally declined by 3% from US$208.9 million to US$202.3 million as it continues to pursue a cautious lending approach with asset quality being a key priority. Non-Performing Loans are down to 4.34% as at 31 December 2016 in compliance with the RBZ guidelines.

Core capital currently standing at US$65 million is well in excess of the US$25 million minimum capital requirement set by the RBZ, as the Bank progresses with its re-capitalisation plan, in pursuit of US$100 million by the year 2020.

The Bank has bolstered its SME-Banking capabilities by investing and resourcing a dedicated SME Banking portfolio, in response to identified business opportunities in the market segment. The Bank has extended its agency banking portfolio and deployed more Point of Sale terminals in pursuit of its financial inclusion initiatives.

FBC Building Society

The Building Society continues to actively participate in the properties market with 69 additional housing units having been completed and sold during the year. The unavailability of long term financing in the local market continues to hinder further prospects of unlocking the immense potential of our Building Society.

The Society however, achieved a net surplus of US$8.5 million, representing a 35% increase from the 2015 net surplus of US$6.3 million. Total net income for the year amounted to US$15.6 million compared to US$12.9 million recorded in 2015. Operating expenses increased by 8% to US$6.4 million in 2016, from US$5.9 million in 2015.

The Building Society statement of financial position increased by 18% to US$147.7 million from US$124.8 million in 2015. Deposits increased by 14% from US$85.3 million to US$96.9 million, whilst the loan portfolio grew marginally to US$58.4 million from US$57.9 million in 2015. The loan book growth continues to be driven by mortgages lending, arising from our housing development projects.

The Building Society's capital stood at US$41.3 million as at 31 December 2016, which is above the US$25 million prescribed minimum capital requirement for building societies by the year 2020.

The Building Society maintained its BBB- rating from the Global Credit Rating Agency in 2016.

MicroPlan Financial Services (Private) Limited

The Group's micro-finance business contributed US$4.2 million to the overall Group profit before tax, recording a 39% increase from its 2015 profit before tax of US$3 million. It is also pleasing to note that the micro-finance business, despite only being operational for five years, now contributes approximately 16% to the Group's profit before tax. The Group will continue to support MicroPlan with business development techniques and strong risk management methods, giving the unit an edge over its competitors.

The Group is also pleased to share a significant development that occurred during the year at MicroPlan. The unit went through a credit rating process and was rated BBB- by the MicroFinanza Rating Agency, an independent international rating agency that specializes in microfinance entities. We take pride in the progressive strides that MicroPlan continues to make in its efforts to spearhead the Group's financial inclusion initiatives.

MicroPlan's loan book now stands at US$15.8 million making it one of the largest non-deposit taking micro-finance institution in Zimbabwe. Its capital levels have also increased to US$7.0 million which is well above the regulatory minimum requirement of US$25 000.

Group Chief Executive's Report (continued)

In the period under review, five new branches were opened in Guruve, Hauna, Kadoma, Mt Darwin and Rusape and these have been very active in the deployment of new Microplan products, namely micro-leasing, house expansion loans and rural agriculture business finance. Partnerships with targeted development agencies have yielded exciting results which have advanced Microplan's penetration of its target markets.

FBC Securities (Private) Limited

The Zimbabwe Stock Exchange recorded positive performance in the fourth quarter with the benchmark industrial index closing the year 25.8% stronger at 145.60 points, as investors flocked back to the equities market. This impacted positively on the unit's overall performance.

An increased presence in foreign markets and additional income from fixed income securities trading helped the unit finish strongly in 2016. Looking ahead, the unit will continue with the income diversification strategy hinged on equities, fixed income trading and advisory services.

FBC Reinsurance Limited

FBC Reinsurance's gross premium income for 2016 declined to US$14.8 million from US$17.8 million written in 2015, representing a decrease of 17%. Profit before tax amounted to US$2.3 million, which is a 10% decrease from the US$2.5 million recorded in the previous year. Demand for insurance products continues to weaken, resulting in low premiums across the entire insurance sector.

The company's underwriting result decreased to US$1.1 million from US$1.9 million last year in line with decreasing demand.

FBC Reinsurance maintained its A- rating in claims paying ability from the Global Credit Rating Agency of South Africa.

FBC Reinsurance's retrocession programme has been enhanced by the addition of an A- rated global reinsurer on the panel. This ensures that the business accepted by FBC Re is reinsured with some of the strongest global reinsurers. The company also has arrangements with top rated specialist markets, covering businesses against risks associated with political riots and terrorism, as well as cyber risks.

Eagle Insurance Company Limited

Eagle Insurance continues to grow since its acquisition by the Group in 2011. Gross Written Premium declined marginally by 2% to US$18.6 million from US$18.9 million in 2015. The insurance company has continued to post profits consistently since 2012.

I am pleased to report that the outlook remains largely positive, with the business unit poised to benefit from on-going product development in the largely untapped micro insurance space. Eagle Insurance continues to exercise robust risk management, engage in prudent underwriting and also continues to maintain a very liquid balance sheet. The company maintained its Global Credit Rating of A-, showing its strong claims paying ability.

Regulatory Capital Requirements

FBC Holdings' subsidiaries are all well capitalized above the regulatory minimum threshold required by the various regulatory bodies that govern the diverse sectors we operate in. FBC Bank is however required by the Reserve Bank of Zimbabwe to have capital of US$100 million by the year 2020 and management has submitted a comprehensive capital growth plan to the Reserve Bank which has been approved.

Risk Management

The Group's risk management processes are anchored on the Enterprise-Wide Risk Management (ERM) model. This has enabled the Group to balance risk taking and returns appropriately, as we pursue business objectives. The ERM model implementation has fostered a strong risk management culture across FBC Holdings which is critical in the effective management of risks. Key focus areas include people, processes and systems, as these are key pillars in the implementation of the enterprise-wide risk management program. The Group continuously reviews its risk appetite to ensure there is proper alignment with business strategy and the risk governance of the organization. Review of

Group Chief Executive's Report (continued)

policy and procedure manuals is conducted at least once every year to ensure alignment with changes in the operating environment.

The Group continues to enhance its risk management framework through the adoption of Basel II/III and other regulatory standards. This has seen the Group fully embracing standards such as Internal Capital Adequacy Assessment Processes (ICAAP), Stress Testing and Resolution and Recovery Planning. The Group's internal control environment continues to improve through the adoption of these standards. Management and the Board, which are an integral part of the risk governance structure across the Group, continue to provide oversight on overall risks.

Anti-Money Laundering (AML) and Combating of Financial Terrorism (CFT)

The prevention of money laundering and terrorist financing is a key focus area for the FBC Group. The Group has put in place the necessary Know Your Customer (KYC) and Customer Due Diligence (CDD) controls designed to inhibit the movement of funds derived from any criminal activity, curb the availability of money to fund terrorist activities and prevent illicit financial flows. The Group and its subsidiaries is guided by the standards of regulatory and supervisory bodies such as the Financial Action Task Force (FATF), the Wolfsberg Group, the East and Southern African Anti Money Laundering Group (ESAAMLG) and the Reserve Bank of Zimbabwe Financial Intelligence Unit. Some key controls that have been put in place to minimize Money Laundering and Terrorist Financing risk include the following; Board approved AML/CFT Policies and Procedures which are reviewed annually; Risk Based Approach to KYC/CDD; Risk Based Training of all Staff; Independent and Anonymous Reporting Arrangements and Automated Customer Surveillance and Screening Solutions. We will continue to work with our Correspondent Bankers to ensure that we maintain a robust AML/CFT environment.

Community and Social Investment

The Group embarked on various corporate social investments in 2016 which impacted positively on various social groups in the communities where we operate and the society at large. In the 2016 reporting period, the Group donated an assortment of goods including blankets and solar panels worth $10,000 to various social institutions which include Enthembeni Old People's home, Rose of Sharon Children's home and a hospital in Zvishavane. FBC Holdings also supports the MSU-FBC Scholarship Fund, supporting 5 students annually. The Group is in the process of evaluating more effectively, its sustainability strategy with particular emphasis on the impact of the Group's operations on the social fabrics of the communities in which we operate and the impact on the environment.

Environmental Management

The Group observes strict adherence to environmental management principles in all the sectors it operates in and endeavours to minimize the adverse effects of environmental risks to all its stakeholders. In particular, FBC Holdings' housing development projects are compliant with the dictates of the Environmental Management Agency (EMA) and resonate well with country's objective to reduce the estimated 1.2 million national housing back-log. As we look into the future, FBC Holdings will strengthen its environmental management policies and align these across the Group.

Human Resources

The Group enjoys harmonious employee relations across all its business units. It was able to retain its key and critical skills that are pivotal in delivering the service it provides to its valued customers and stakeholders. Employee commitment to the Group continues to be high as reflected by the level of employee engagement which in 2016 surpassed the average level recorded for the last 4 years.

The financial performance of the Group bears testimony to the level of productivity that committed and highly engaged employees are capable of delivering. Internal and independent research has confirmed the existence of a positive correlation between high employee engagement and better company performance. The Group will continue to review its policies to ensure that areas which increase the level of employee commitment and consequently productivity are given attention. These include but are not limited to employee relations,

Group Chief Executive's Report (continued)

talent management, performance management, incentives and rewards, learning and development, employee participation, work life balance, employee wellness and other related policies which influence high levels of engagement.

Information Technology and E-Commerce

The FBC brand experience continues to improve as the Group focuses on customer satisfaction as a key driver of business performance. The Group has made significant progress in leveraging technology to enhance efficiency, lower costs and deliver superior customer experience and convenience. Emerging channels such as mobile and internet banking continue to benefit from the shift in consumer product consumption, resulting in a surge in electronic transactional volumes. A 24% increase in fees and commission income was recorded from $20.9 million in 2015 to $25.9 million in 2016. The Group is focused on broadening service access for the banked, whilst enhancing reach for the un-banked and under-banked segments, which previously could not be served optimally via the traditional banking models.

In an effort to increase our global footprint in the payments market, the Bank has completed the project to acquire transactions via VISA international card in addition to the MasterCard. FBC Bank has also embarked on a drive to adopt and implement globally recognised frameworks in ICT governance and management to increase the efficiency and effectiveness of our ICT infrastructure as it becomes more complex and sophisticated.

The Group is implementing Information Security Management Systems based on the ISO27001 standard. This is to ensure preservation of confidentiality, integrity and availability of information. Technology remains fundamental to the FBC value chain, which will also utilize the agency network to enable it to reach multiple ecosystems. The Group is well poised to deliver integrated payment systems to its clients and the economy at large.

Service Delivery

Our commitment as FBC Holdings is to deliver outstanding and superior service that creates customer loyalty. In this regard, the Group has embarked on a mission to refurbish its branches, giving them a more contemporary feel. The Group also opened 5 new branches across the country for its micro-finance unit, MicroPlan in a bid to increase its footprint and nurture financial inclusion. We are fully aware of the shorter life-cycle of ICT infrastructure attributed to the ever-changing needs of our valued customers. To this end, we have invested US$1.7 million for the enhancement of our various ICT infrastructure targeting our Life and Health insurance business, Eagle Insurance and MicroPlan, which will result in improved service delivery, business continuity, agility and real-time monitoring of the ICT infrastructure, thus assuring our stakeholders of a superior customer experience.

Product Development

The Group continues to invest in research and development efforts to ensure our product mix is in line with customer needs and expectations. In line with our e-Commerce thrust, we have developed an integrated mobile App that has significantly improved product access and convenience.

Appreciation

As always, my sincere gratitude is extended to our valued and loyal customers who have demonstrated their well-placed confidence in us over the years. I wish to convey my sincere gratitude to the FBC Holdings Limited Board of Directors, Management and staff members for their unwavering guidance, contribution and support.

John Mushayavanhu
Group Chief Executive

21 March 2017

Sustainability Report

Report Profile

FBC Holdings is pleased to present its sustainability report on non-financial performance for the period ended 31 December 2016.

This is our first report prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines. The report provides information on our performance for the period ended 31 December 2016. We have identified the most material issues to our business and our stakeholders in terms of social, environmental and economic performance. The Group will continue to review and strengthen its sustainability strategy in line with our broader growth objectives and strategy to ensure a sustainable business model that creates long term value for the future.

The Group values the varied opinions of all our stakeholders both internally and externally and believes that stakeholder engagement is fundamental to understanding stakeholder needs and enhances our ability to offer tailored solutions for superior service delivery to them. Our stakeholder engagement was done through various platforms including client networking events, customer surveys and formal meetings. If you would like to provide us with feedback on this report please contact: tichaona.mabeza@fbc.co.zw.

Our Approach

FBC Holdings' sustainability report was prepared against the Global Reporting Initiative (GRI) G4 guidelines. Internally, the Group is guided by its Environmental, Social and Governance (ESG) policy which is reviewed and approved annually by the FBC Holdings Main Board. The Group's profitability and long term sustained business growth is hinged on the Group's five year strategy blueprint which targets growth in total assets to US$2 billion.

The management of our ESG policy and the sustainability strategy is centralised at Head Office and reported to the Main Board through the Group Chief Executive. The Group is cognisant of the business risks inherent in our business growth strategy and has developed risk management processes premised on the Enterprise-Wide Risk Management model that ensures a robust risk management culture across all business units.

The Group's Internal Capital Adequacy Assessment Processes (ICAAP) and Stress Tests are part of management's regular tools to ensure that all our businesses have sufficient capital at all times, consistent with risk profiles. The Group is also guided by the Basel II Framework on capital adequacy and liquidity management.

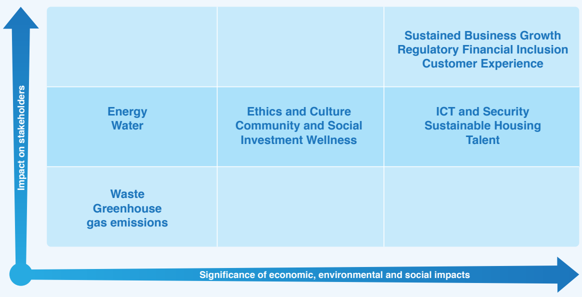
On materials, procurement and supply chain management, the Group has managed to effectively negotiate a revision of procurement costs on key supplies to the business including ICT supplies.

Material and Critical Reporting Issues

This section details our approach in the identification of the issues reported in our sustainability report. In the formulation of the materiality process, we identified the most important issues across our business operations and our stakeholders during the 2016 reporting period. We evaluated and reviewed these issues against their importance to internal and external stakeholders and the significance of their impact to the economy, environment and the communities in which we operate.

FBC Holdings took an inclusive approach to collecting and collating strategic views and data across the spectrum of all our key stakeholders in the formulation of the sustainability reporting process.

FBC Holdings Limited Materiality Matrix for 2016



Sustainability Report (continued)

Scope of the Report

Our sustainability report is set out on parameters focused on the impact and significance of identified material issues. This report examines the impact on the economy, society and the environment, of the material issues which were identified across the Group's strategic business units and subsidiaries. In this report, we have provided key sustainability performance indicators that align with the Group's diverse business portfolios. We will continue to broaden the scope of our sustainability performance reporting to align with the Group's future growth strategy.

FBC Holdings Limited Sustainability Performance

Sustainable Business Growth and Strategy

FBC Holdings is an investment holding company listed on the Zimbabwe Stock Exchange, whose principal activities are domiciled in Zimbabwe. The Group offers diverse financial services through subsidiaries that span commercial banking, mortgage financing, short-term insurance, re-insurance, securities trading and micro financing. Our Group comprises FBC Bank Limited, FBC Building Society, FBC Reinsurance Limited, FBC Securities (Private) Limited, Eagle Insurance Company Limited, and MicroPlan Financial Services (Private) Limited.

The Group has formulated a five year long term sustainability and business growth strategy premised on the Group's strategic vision to be a US$2 billion business. The implementation of this strategy is evident, with FBC Holdings having recorded US$610 million in total assets for 2016, a significant 24% jump from the US$491 million recorded in 2015 as the Group continues to grow organically.

FBC Holdings remains well capitalised, with total equity at US$123 million. However, the Group's banking subsidiary, FBC Bank Limited has a regulatory capital requirement of US$100 million by year 2020. The Bank is set to achieve this target in line with an already approved capitalisation plan. There has not been any capital structure change for the Group over the reporting period and it remains 100% equity financed.

The Group's total income grew by a notable 14% from US$82 million in 2015 to US$93 million for the period under review. FBC Holdings continues to constantly reward its shareholders in the form of a dividend, with an average pay-out ratio of 11% since 2011. The Group's share price performance remained steady at US 8 Cents in 2016 whilst the net asset value closed at US 19 Cents for the reporting period. Total operating expenses of the Group stood at US$48 million whilst staff related costs comprised 47% of total operating expenses reflecting on the Group's expansion strategies and sustainable profitability and growth.

Our compliance to sustainability reporting is further enhanced by the presence of foreign shareholders in our shareholding structure in the form of Shore Cap II Limited and Concillium who require that the Group constantly report certain ESG aspects of our business on an annual basis. Our responsible business behaviour is reinforced by our relationships with international Development Finance Institutions (DFIs) which have provided finance to particular special interest groups such as micro, small and medium enterprises and women. In addition, our DFI partners such as NORSAD, PTA, Afreximbank and FAO in conjunction with CARE, require us to adhere to particular ESG tenets and submit returns annually which help enhance our adherence to social and environmental norms across our business units.

Our Group's banking subsidiaries remain constrained by the economy-wide cash and nostro challenges and we continue to work with the Reserve Bank of Zimbabwe (RBZ) to manage the situation. More importantly, the Group is encouraging the use of alternative digital and e-banking payment platforms to ease pressure on the use of cash for local transactions. As a result, we have witnessed an increase in volumes on electronic transactions, with fees and commission income recording a 24% surge from US$21.0 million in 2015 to US$26.1 million in 2016.

FBC Holdings Financial Inclusion Strategy

Globally, the micro, small and medium enterprises sector has become an engine for economic growth and the Zimbabwean economy is not an exception. FBC Holdings, in partnership with some development finance institutions, has adopted a strategic drive towards the financing of this sector. We strongly believe that as

Sustainability Report (continued)

we nurture these small enterprises, we will also grow the economy and our customer base. The long term economic growth would ultimately impact positively on the growth of our business portfolios and the welfare of our customers and society at large.

The Group's strategic thrust on SME financing is largely targeted at agri-business, supply chain management in mining, health and education sectors. To reinforce our SME banking strategy, FBC Bank Limited has set up an SME Banking Division with 2 dedicated SME branches to serve this critical sector. The Bank is also driving a strategy to serve women SME businesses and youths in particular, in our efforts to embrace financial inclusion across the gender divide. To this end, the Group has established a dedicated Women's Business Desk.

The table below gives a statistical overview of FBC Bank Limited's activities in the SME sector;

Sustainability indicator	2016 Actual	2017 Projected
Total value of loans to SMEs	US$9.5m	US$20.0m
Percentage of SME Loans to Total Loans	4.39%	8.59%
Percentage of Total Loans to women owned SMEs	7.33%	15%
Total Loan Accounts (Business and Personal) Controlled by Women	5,553	8,050
Percentage of Women with Bank Accounts	22.93%	23.11%
Percentage of Loans to Women	15.86%	17.18%

FBC Bank had Total Loans and Advances of US$202.3 million.

FBC Holdings' Rural Financing Initiatives

The majority of the rural population in Zimbabwe is unbanked and therefore excluded from banking and financial services. Our Group, through our microfinance unit, Microplan, is championing a financial inclusion strategy with particular focus on rural communities. The unit offer rural finance, micro business finance, micro insurance and capacity building. As a result, the Group has widespread presence in the rural areas where it finances a variety of smallholder projects in collaboration with development finance institutions. These financing initiatives have had a positive impact on the livelihoods of many people in the rural areas.

Sustainability indicators for Microplan	2015 Actual	Change		2016 Actual
		Move	%	
Total Value of Microplan Loans	US$19m		-5%	US$18m
Total Value of Rural Loans	US$1.7m		29%	US$2.2m
Number of Branches**	12		42%	17
Number of Rural Branches	5		80%	9
Total Number of Active Clients across Microplan	13,030		-2%	12,813
Total Number of Active Loan Clients in Rural Areas	1,830		33%	2,436

**In addition to 24 FBC Holdings branches country wide.

Capacity Building Event in Guruve

Rural Branch in Hauna – Manicaland Province

Sustainability Report (continued)

Field day Mung Bean Crop in Guruve

Combating of Financing of Terrorism (CFT), Anti-Money Laundering (AML) and Sanctions Screening

The prevention of money laundering and terrorist financing has become a global imperative for financial institutions. The Group and its subsidiaries is guided by the standards of global regulatory and supervisory bodies such as the Financial Action Task Force (FATF), the Wolfsberg Group, the East and Southern African Anti Money Laundering Group (ESAAMLG) and the Reserve Bank of Zimbabwe Financial Intelligence Unit. In addition, the FBC Holdings Group has adopted international best practice in refining its process flows relating to Anti-Money Laundering (AML) and the Countering of the Financing of Terrorism (CFT) as guided by regular reviews by its correspondent bankers.

In an effort to minimize the adverse impact of money laundering and terrorist financing risk, the Group has implemented robust policies that include the following; Board approved AML/CFT Policies and Procedures which are reviewed annually; Risk Based Approach to Know Your Customer (KYC) / Customer Due Deligence (CDD); Risk Based Training to all Staff; Independent and Anonymous Reporting Arrangements and Automated Screening Solutions.

FBC Building Society's Sustainable Housing Projects

FBC Holdings through its Building Society has provided mortgage finance for its development projects since the hyperinflationary period. The Society targets the low, medium and high density sectors of the economy and has delivered over 950 housing units at a cost of over US$41 million since dollarization, having completed various construction projects in Harare, Gweru and Kwekwe. The Building Society delivered 69 medium density housing units at a cost of US$6.3 million in 2016 and is budgeting US$10 million in 2017. Our projects have had a positive impact towards the reduction of the estimated 1.2 million national housing backlog, having contributed 60% of the 116 new medium density houses constructed in 2016 national wide. The Society is promoting land use conservation through the construction of high rise flats for some selected projects.

As a way of empowering communities and creating employment where we operate, our building society employs over 500 qualified local small scale contractors who in turn create local employment by sourcing their own local teams and are paid per development stage. Our internal qualified architects, engineers, valuers, and building foremen work with the small scale contractors to ensure product quality at affordable prices. These arrangements have had positive downstream benefits to our contractors and the communities in which we operate.

The Building Society maintains safety and health standards at its building projects. Our construction materials are sourced from suppliers whom we vet against environmental, social and ethical principles. The Society also conducts Environmental Impact Assessments (EIA) on its projects based on Environmental Management Agency (EMA) guidelines and incorporates eco-friendly solutions to its projects such as solar systems in our designs.

Unparalleled Customer Experience

FBC Holdings is a customer oriented Group whose business acumen is guided by customer focus. We believe in the old adage that 'the customer is king' and customer service and experience is at the core of our business operations. The Group offers 'best in class' products that are tailored and sensitive to the diverse segments of our customers. With the apparent cash shortages, the Group's banking units have embraced low cost digital and electronic banking solutions for our customers and consumers of our varied products. The

Sustainability Report (continued)

statistics below provide an overview of the our Group's performance in customer service in 2016;

	Customer base	Branches
Banking Business	+200 000	24
Insurance Business	+200 000	5
Microfinance	+12 800	17 (9 rural)
Hospital Cash Plan	+100 000	-
Agency Banking	+400 Agents	-
Mobile Banking	+270 000	-
Totals	**+500 000**	**46**

The Group launched a Mobile Banking App which has virtually taken our banking products and services to our customers' door step – it is ***Easy-Life*** with the FBC Mobile Banking App!

Our digital banking platforms have contributed significantly to the ease of transacting by our over 500,000 customers and consumers of our products and services with Mobile Banking contributing 57% to over 18 million in transaction volumes in 2016. The Group's total fees and commission income increased by 24% from $21 million in 2015 to $26.1 million.

We remain cognisant of our branch ambience and the Group has embarked on a refurbishment exercise that has seen us providing our customers with a conducive and welcoming environment in our branches. The Group values highly the feedback from our customers and we are always in constant touch with them through customer surveys, customer focussed networking events, formal meetings and social media platforms.

Information Technology and e-Commerce

FBC Holdings has made tremendous inroads in leveraging technology to enhance operational efficiency, lower service costs and deliver superior customer experience and convenience. In view of the competitive banking environment, the use of ICT channels such as mobile and internet banking and other e-banking platforms such as Point of Sale (POS), have become paramount. The Group is focused on broadening service access for the banked, whilst enhancing outreach for the un-banked and under-banked in our efforts to foster financial inclusion.

In order to increase our global footprint in the payments market, FBC Bank has completed the acquisition of the VISA international card in addition to the MasterCard. The Bank has also embarked on a drive to adopt and implement globally recognized frameworks in ICT governance and management to increase the efficiency and effectiveness of our computing platforms as it becomes more complex and sophisticated.

The Group is implementing an Information Security Management System based on the ISO27001 standard. This ensures preservation of confidentiality, integrity and availability of the Information Systems and the valuable information they process, thereby protecting stakeholder value against ever-escalating cyber threats. The Group has budgeted US$3 million for ICT requirements across all the subsidiaries.

Talent Management

The Group prides itself in being an equal opportunity employer which does not discriminate on the basis of gender, color or creed. The Group subscribes to existing local and international labour and manpower legislation on fair labour standards and practices. Our recruitment policy aims at attracting, developing and retaining appropriately qualified and competent personnel across all our business units. The Group's employee retention level for 2016 was 97% whilst staff engagement level remained steady at 67% in 2016, albeit marginally down from 68% in 2015.

We had no significant shifts in the Group's employee structure for the period under review. There was only 1 male new recruit in 2016 for our reinsurance business whilst 3 male and 5 female employees left the Group to pursue personal interests.

Sustainability Report (continued)

Group employee structure

Designate	Number of Employees		
	2016 All	2016 Male	2016 Female
Managing Directors	7	7	0
Executive Directors	13	10	3
Managers	309	168	141
Graduate Trainees	5	4	1
Clerical	186	91	95
Non-clerical	30	26	4
Total (Permanent)	550	306	244
Students on attachment	82	47	35
Contract Workers	108	73	35
Grand Total	740	426	314

Corporate Culture and Ethics

FBC Holdings is a performance driven institution whose core values are premised on Communication, Commitment, Integrity, Teamwork and Life Long Learning & Entrepreneurship. The Group subscribes to the code of conduct in the industries in which our diverse businesses operate and has an internal code of ethics that govern the behaviour of all our employees. The Group uses a hotline and a whistle blowing mechanism through Tip Offs Anonymous administered by Deloitte & Touché to communicate unethical behaviour among staff members.

In pursuance of our culture of excellence, FBC Bank Limited was ranked "One of the top 5 Banks" in the Banks and Banking Survey in 2016 in terms of efficiency, profitability, balance sheet growth, credit quality and market share.

The bank also won 2 Corporate Governance Awards at the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) Excellence in Corporate Governance Awards Dinner held in 2016;

1. Best Banking Internal Audit Disclosure - 2nd Prize
2. Best Banking Risk Management Practices - 2nd Prizes

In addition, our Group Chief Executive, John Mushayavanhu, won the Zimbabwe Institute of Management (ZIM) 2015 Northern Region and National Private Sector Leadership Excellence Awards held in 2016.

Our business units subscribe to membership in the various industries in which we operate such as the Bankers Association of Zimbabwe (BAZ), Project Management Institute of Zimbabwe (PMIZ), Insurance Council of Zimbabwe (ICZ), Zimbabwe Association of Microfinance Institutions (ZAMFI) and the Zimbabwe stock Exchange (ZSE). These organisations help to strengthen and enhance our internal governance structures.

FBC Holdings Group Chief Executive John Mushayavanhu (centre) receives the Leadership Excellence Award.

FBC Holdings Group Chief Executive John Mushayavanhu (left) receives the Corporate Governance Award.

Sustainability Report (continued)

Social Cohesion and Community Investments

The FBC-MSU Scholarship Fund

The Group paid $5,658.00 tuition fees for five Midlands State University (MSU) students under the FBC Scholarship Fund in 2016. The Fund is part of the Group's Corporate Social Responsibility (CSR) initiatives aimed at supporting the education of underprivileged students.

Donations

Eagle Insurance Company Limited donated solar equipment, gas stoves, gas cylinders and groceries valued at $5,291.00 to Rose of Sharon Welfare Organisation in May 2016. The organisation provides shelter, nutrition, health care, education and skills training to orphaned, abandoned and neglected children under a co-educational programme.

Rose of Sharon founder, Dr Fatima Maruta receiving solar equipment and groceries from Eagle staff.

A consignment of goods donated to Rose of Sharon.

Children from Rose of Sharon enjoying a meal during Eagle Insurance Company's 50th anniversary celebrations.

In addition, FBC Bank donated $3,000.00 to Enthembeni Old People's Home in Bulawayo. Over the years, the Bank has been consistently availing useful donations to support this welfare organization. The Bank also financed the installation of a solar water heating system as a green energy initiative and funded the purchase of farming implements for the organisation's nutrition garden.

Felix Gwandekwande (FBC Building Society Managing Director-Left) presents the cheque to a representative of Enthembeni Old People's Home in Bulawayo.

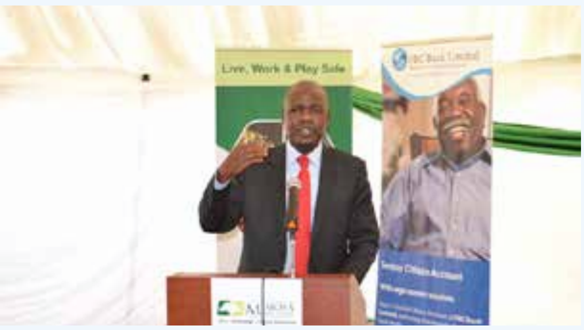
FBC Bank Community Development Projects

FBC Bank and Mimosa Mining Company entered into a partnership towards the provision of mortgage finance to Mimosa Mining Company employees. The partnership will deliver over 600 housing units at a mortgage value of $15 million. This initiative will benefit an estimated 3000 people in the Zvishavane community.

Sustainability Report (continued)

FBC Holdings and Mimosa Mining Company representatives during Mimosa Mining Company Employer Assisted Mortgage Facility Sign-Off Ceremony.

Honourable Minister of Finance and Economic Development Patrick Chinamasa officially launches the mortgage facility at Platnum Park in Zvishavane whilst the FBC Bank Managing Director Webster Rusere (far right) and Mimosa Mining Company Executive Chairman Winston Chitando (blue jacket) assist.



Webster Rusere, Managing Director - FBC Bank, addresses delegates at the FBC Bank - Mimosa Mining Company Employer Assisted Mortgage Facility Handover Ceremony held on 02 December 2016 at Platinum Park in Zvishavane.

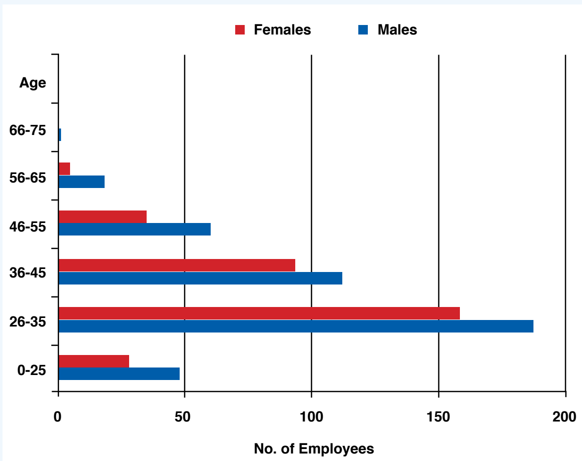
Health, Safety and Wellness

The Group takes keen interest in the health and safety issues and wellness of its employees at work. Social and psychological support structures have been put in place in the various strategic business units to enable quick access to health and safety and wellness requirements for our employees. The Group has a pool of trained First Aid staff within the various business units who are qualified to provide the necessary first aid support in cases of emergency.

The Group focuses on sport as part of our wellness initiative availed through social and wellness activities within the Group's social club, FBC-Old Hararians (FBC-OH). Our employees and their families are free to participate in any sporting activities of their choice at the Club. FBC Holdings has a health and safety policy that deals with employee awareness on health and safety issues at the work place including chronic illnesses.

We are conscious of pension planning issues for all our employees particularly those nearing retirement. Internal and external training on pension planning has been done in conjunction with Minerva Risk Solutions. The training is designed to equip employees with the necessary information to enable them to plan adequately for their retirement. Continuous training on other matters of health and safety is done through regular circulars to employees.

FBC Holdings Employee Demographics 2016



The Group employs over 550 permanent staff with a diversified skills base and values the contribution of every team member to the sustainable growth of our

Sustainability Report (continued)

business. The Group boasts of a young staff complement with 80% of employees being below the age of 45 years which guarantees business continuity and succession planning. Our recruitment policy is gender sensitive and non-discriminatory with 43% of employees being women. As part of our talent management and skills development strategy, over 190 staff members are employed on an attachment and internship basis.

Our non-managerial staff are members of the various unions that govern the industries in which our businesses have a footprint such as the Zimbabwe Bankers and Allied Workers Union, Zimbabwe Insurance Workers Union and the Commercial Workers Union of Zimbabwe which help to advance the welfare of the employees in addition to our internal remuneration policy.

Environmental Management

FBC Holdings is cognisant of the importance of environmental conservation matters including greenhouse gas emissions, water and waste management at the workplace and in the various communities where we operate. FBC Holdings' Group Environmental, Social and Governance Policy is the hallmark for the guiding principles on the environmental, social and governance issues which is reviewed and approved annually by the FBC Holdings Main Board.

The Group's housing construction projects are subjected to environmental impact assessment and are compliant with the Environmental Management Authority (EMA) requirements. Our ESG policy precludes us from investing or financing production of or trade in any product or activity deemed illegal under applicable local or national laws or regulations, or banned by global conventions and agreements such as hazardous chemicals, pesticides, waste, ozone depleting substances and endangered wildlife and wildlife products.

John Mushayavanhu
(Group Chief Executive)

Tichaona K Mabeza
(Company Secretary)

Directors' Report

The directors have pleasure in submitting the annual report and financial statements, for the financial year ended 31 December 2016, for FBC Holdings Limited.

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 one subsidiary controlled 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.

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 2016. The issued and fully paid ordinary shares remained at 671 949 927 ordinary shares of US$0.00001 with no movements during the year. The details of the authorized and issued share capital are set out in note 19.3 of the consolidated financial statements.

RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2016 was US$123 418 446 (2015: US$104 629 847).

FINANCIAL STATEMENTS	2016 US$	2015 US$
The results reflected a profit before income tax for the year of	25 675 705	21 348 021
Income tax expense	(3 737 979)	(3 249 778)
Profit for the year	**21 937 726**	**18 098 243**
Equity holders of the parent	21 885 495	18 040 863
Non-controlling interest	52 231	57 380
	21 937 726	**18 098 243**

DIRECTORS' INTERESTS

As at 31 December 2016, 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	31 760 865	31 903 106
T. Kufazvinei (Executive Director)	35 114	11 408 184	11 443 298
W. Rusere (Executive Director)	5 000	10 165 352	10 170 352
F. Gwandekwande (Executive Director)	7 344	-	7 344
C. Mtasa (Non-Executive Director)	10 000	-	10 000
	199 699	**53 744 740**	**53 944 439**

The other directors have no shareholding in the Company.

Directors' Report (continued)

CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the relevant 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 As at 31 December 2016	Regulatory Authority	Minimum Capital Required US$	Discounted Capital US$	Total Equity US$
FBC Bank Limited	RBZ	25 000 000	63 506 925	65 066 009
FBC Building Society	RBZ	20 000 000	41 153 844	41 271 010
FBC Reinsurance Limited	IPEC	1 500 000	12 952 212	12 952 212
FBC Securities (Private) Limited	SECZ	150 000	622 937	622 937
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	6 532 692	6 532 692
Microplan Financial Services (Private) Limited	RBZ	25 000	7 055 800	7 055 800
As at 31 December 2015				
FBC Bank Limited	RBZ	25 000 000	41 387 308	43 067 712
FBC Building Society	RBZ	20 000 000	35 029 984	35 029 984
FBC Reinsurance Limited	IPEC	1 500 000	11 830 862	11 830 862
FBC Securities (Private) Limited	SECZ	150 000	264 865	264 865
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	5 772 560	5 772 560
Microplan Financial Services (Private) Limited	RBZ	25 000	5 491 778	5 491 778

Directors' Report (continued)

At 31 December 2016, the commercial banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 22% and that of the building society was 47%, 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-16 US$	31-Dec-15 US$
Ordinary share capital	18 502 313	18 500 925
Share premium	13 197 687	2 199 075
Retained profits	31 337 984	20 742 037
General reserve	-	-
Capital allocated for market and operational risk	(9 223 835)	(6 890 321)
Advances to insiders	(1 559 084)	(1 680 404)
Tier 1 capital	**52 255 065**	**32 871 312**
Other reserves	2 028 025	1 625 675
General provisions	-	-
Tier 1 and 2 capital	**54 283 090**	**34 496 987**
Tier 3 capital allocated for market and operational risk	9 223 835	6 890 321
	63 506 925	**41 387 308**
Risk weighted assets	**293 929 876**	**282 449 567**
Tier 1 ratio (%)	18%	12%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	3%	2%
Capital adequacy ratio (%)	**22%**	**15%**
Minimum Statutory Capital adequacy ratio	**12%**	**12%**

Directors' Report (continued)

FBC Building Society capital adequacy ratio	31-Dec-16 US$	31-Dec-15 US$
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	29 910 495	23 669 470
Capital allocated for market and operational risk	(1 765 937)	(1 685 134)
Advances to insiders	(117 165)	-
Tier 1 capital	**39 293 992**	**33 250 935**
Non distributable reserves	-	-
Revaluation reserves	93 915	93 915
Tier 1 and 2 capital	**39 387 907**	**33 344 850**
Tier 3 capital allocated for market and operational risk	1 765 937	1 685 134
	41 153 844	**35 029 984**
Risk weighted assets	**87 333 634**	**86 155 979**
Tier 1 ratio (%)	45%	39%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	2%	2%
Capital adequacy ratio (%)	**47%**	**41%**
Minimum Statutory Capital adequacy ratio	**12%**	**12%**

DIVIDEND

A final dividend of 0.2976 US cents per share was declared by The Board on 21 March 2017 payable on 671 949 927 ordinary shares in issue in respect of the year ended 31 December 2016. The dividend is payable to Shareholders registered in the books of the Company at the close of business on Friday, 7 April 2017. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 31 March 2017 and ex-dividend as from 3 April 2017. Dividend payment will be made to Shareholders on or about 21 April 2017.

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.

INDEPENDENT AUDITOR

Messrs. Deloitte & Touche 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
COMPANY SECRETARY
21 March 2017

Preparer of Financial Statements

These annual financial statements have been prepared under the supervision of Trynos Kufazvinei and have been audited in terms of the Companies Act (Chapter 24:03) of Zimbabwe.

Trynos Kufazvinei CA(Z)

Company Secretary's Certification

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies Act (Chapter 24:03) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.

Tichaona K. Mabeza
COMPANY SECRETARY

21 March 2017

Board of Directors

HERBERT NKALA
B.Sc. Hons, MBA
(CHAIRMAN)
Appointed to the FBC Holdings Limited Board in November 2002. 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 36 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 the 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 Chief Executive of FBC Holdings on the 1st of June 2011.

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.

KLETO CHIKETSANI
Bachelor of Business Studies (Honours) (UZ), AIISA
(EXECUTIVE DIRECTOR)
Kleto has over 23 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is one of the founder members 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.

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 a Masters in Business Administration from Nottingham Trent University, Felix has over 28 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.

FRANKLIN HUGH KENNEDY
Business Administration (Honours)
(NON EXECUTIVE DIRECTOR)
Franklin is currently the President of Equator Capital Partners LLC and is director of several other companies. He is a holder of a Bachelor of Business Administration (Honours) degree from the University of Western Ontario, Canada. He was appointed to the Board of FBC Holdings Limited on 18 December 2013.

Board of Directors (continued)

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 the University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 25 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 of the FBC Group 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 Managing Director of Masimba Holdings Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

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.

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.

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.

ROBIN VELA
BSC Economics and Accounting (Honours), FCA, FCSI
(NON EXECUTIVE DIRECTOR)
Appointed to the Board of FBC Holdings Limited on 7 October 2015. Robin is a Chartered Accountant and has worked for various international organisations in the United States of America, United Kingdom, South Africa and Swaziland. He sits on a number of Boards and is the Chairman of National Social Security Authority.

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 eight 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
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
John Mushayavanhu	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kleto Chiketsani	✓	✓	✓	✓	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	N/A	N/A	N/A	N/A
Philip M Chiradza	✓	×	✓	✓	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	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Felix Gwandekwande	✓	✓	✓	✓	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	N/A	N/A	N/A	N/A
Franklin H Kennedy	✓	✓	✓	✓	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	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	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	✓	✓	✓	✓
Chipo Mtasa	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	×	✓	N/A	N/A	N/A	N/A	×	✓	✓	✓
Godfrey G Nhemachena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Webster Rusere	✓	✓	✓	✓	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	N/A	N/A	N/A	N/A
Robin Vela	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	×	✓	✓	N/A	N/A	N/A	N/A

Legend

Not a member N/A	Attended ✓	Apologies ×	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

C. Malunga (Chairman)
G. Chikwava
P. M. Chiradza
C. Mtasa
J. Mushayavanhu
R. Vela

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.

Corporate Governance (continued)

Board Human Resources and Remuneration Committee
Members
G. G. Nhemachena (Chairman)
P.M. Chiradza
J. Mushayavanhu
H. Nkala

The Committee is chaired by a non-executive director and comprises of non-executive directors only. 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 and other senior executives.

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 as well as 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
C. Mtasa (Chairperson)
C. Malunga
G. G. Nhemachena

The Committee is chaired by a non-executive director and comprises of independent non-executive directors only. All the members of the Audit Committee were subjected to an assessment of their independence at the end of 2016 in lne with the provisions of the King IV Report on corporate gorvenance. All the members passed the independence test. 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 and instituting special investigations where necessary.

Board Risk and Compliance Committee
Members
G.G. Nhemachena (Chairman)
G. Chikwava
J. Mushayavanhu
R. Vela

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 breaches.

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 Head of Credit attends the committee meetings by invitation.

Corporate Governance (continued)

Board Loans Review Committee

Members

M. Ndoro (Chairperson)
T. Mutunhu
M. Nzwere

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 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

M.Nzwere (Chairman)
T. Mazoyo
J. Mushayavanhu
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 incorporate 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
Deputy Group Chief Executive and Group Finance Director
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)
Managing Director (Microplan Financial Services (Private) Limited)
Group Company Secretary
Divisional Director Human Resources
It meets monthly 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.

Corporate Governance (continued)

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.

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 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 Chairman of the Group Risk and 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

Corporate Governance (continued)

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 34 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 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

Corporate Governance (continued)

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
All banking and insurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating, except for the micro lending unit which only got to be rated in 2016 by Microfinanza rating agency. The ratings are as illustrated below;

Subsidiary	2016	2015	2014	2013	2012
FBC Bank Limited	BBB+	A-	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-
Eagle Insurance Company Limited	A-	A-	BBB	BBB-	BB+
Microplan Financial Services Limited	BBB-	N/A	N/A	N/A	N/A

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

INDEX TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of FBC HOLDINGS LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FBC Holdings Limited ("the Group") set out on pages 49 to 135, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition and the automated nature of interest calculations

Audit Matter:

International Standards on Auditing "ISA" 240 requires that it be presumed that there are risks of material misstatement due to fraud related to revenue recognition. The standard further requires that these risks be treated as significant.

Income from interest enhancing mechanisms should be included in the determination of the effective interest rate and should therefore be amortised over the tenure of the loan facilities the accounting for these revenue streams has also been identified as a key audit matter.

The revenue recognition policy is disclosed in note 2.21 of the annual report and the revenue balance is disclosed in notes 21 to 26.

How it was addressed:

Our audit procedures incorporated a combination of tests of the Bank's internal control around revenue recognition and the use of information technology specialists in the re-computation of interest and non-interest income. Our procedures included the following:

- We enquired of those charged with governance regarding the policies in place in recognising revenues.
- We obtained an understanding of the internal control environment that governs the recognition of revenues. This involved obtaining evidence that the controls were appropriately designed and confirming that the identified control was implemented to support accurate revenue recognition.

INDEPENDENT AUDITOR'S REPORT (continued)

- We performed detailed substantive testing of journal entries processed around revenue to ensure these were appropriately authorised, complete and accurate.
- Our Information technology specialists evaluated the controls around the banking system.
- Our Data Analytic specialists re-computed interest and non-interest income and compared and reconciled this information to the ledgers.

We confirmed that the related to interest enhancing mechanisms such as loan arrangement fees and establishment fees were appropriately recognised over the tenure of the facility from which they arose.

2 Accounting treatment and disclosure of treasury bills

Audit Matter:
As at the reporting date, the Group held treasury bills valued at US$75 million.

The valuation of treasury bills on initial recognition and the subsequent measurement has been identified as a complex area that requires significant audit attention. The absence of an active open market with sufficient trades heightens the risk that the determination of fair value for treasury bills may not be accurate as it is subject to significant judgements.

How it was addressed:
In assessing the valuation of treasury bills, we performed the following procedures;

- We engaged a specialist in the process determining the appropriate accounting treatment of the treasury bills. We considered alternative valuation techniques for the treasury bills.
- Reviewed with management, circumstances specific to the Group and concluded on the appropriateness of the chosen accounting treatment.
- Reviewed the payment history for treasury bills rolled over in the current period.
- Reviewed financial statements for adequate disclosure based on the accounting treatment agreed to.

We obtained reasonable assurance that treasury bills were fairly valued and appropriately disclosed in the financial statements.

3 Impairment of loans and advances and recoverability of outstanding premiums

Audit Matter:
The allowance for impairment on loans and advances amounted to US$19 100 200 for the year, whilst the gross loans and advances were US$295 635 013. The impairment allowance comprises of specific impairment allowance of US$ 11 313 164 and a portfolio impairment provision of US$7 787 036.

As described in policy note 5.4, specific impairment allowances are based on periodic evaluations of individual loan exposures and portfolio provisions are in relation to losses which, although not separately and individually identified, are known from experience to exist in any loan portfolio.

Significant judgements are required by management and the Directors in assessing the allowance for impairment on loans and advances. This judgement is further complicated by continued deterioration of the Zimbabwe economy which puts financial pressure on the Bank's customers' ability to honor loan repayment obligations.

The assumptions with the most significant impact on the audit were:

Portfolio impairment allowance

- The portfolio provision is determined by assessing historical loan loss data.
- Management expand on the assessment of historical loan loss data by considering current economic data and how it impacts the various business sectors. This is particularly important given the continued deterioration of local and global economic conditions that have put pressure on businesses in various sectors of the economy.

INDEPENDENT AUDITOR'S REPORT (continued)

Specific impairment allowance

- Specific impairment allowances are determined for non-performing loans (NPLs) and are determined using the expected cash flows. Management makes judgements of a borrower's ability to meet expected cash flows by considering alternative payment sources provided by a borrower.
- Specific impairment losses are determined on the unsecured portion of the loan. The valuation of security therefore has a significant impact on the quantum of impairment allowances.
- Security is valued using an internal valuer.

The impairment of loans and advances is also subject to the need to comply with the IAS 39 (Financial Instruments-Recognition and Measurement) and Reserve Bank of Zimbabwe (RBZ) guidelines (Basel II).

Outstanding premiums

Due to continued liquidity constraints affecting the economy, recoverability of outstanding instalments of premiums from policyholders continues to be an area of concern. In addition, the ageing of outstanding premiums is performed manually presenting an increased risk of incorrect ageing, further compromising the assessment of recoverability of long outstanding premiums.

Because of the significance of the impairment balance and outstanding premiums, and the fact that it is subject to significant estimation and subjective judgements, we have considered impairment of loans advances to be a key audit matter.

How it was addressed:

In evaluating the impairment of loans and advances, we performed various procedures, including the following:

- We reviewed the Bank's provision policy for compliance to IFRS and local legislation.
- We obtained an understanding of the Bank's processes in identifying non- performing loans (NPLs) and determining appropriate provisions.
- Using the understanding obtained above, we identified controls with a significant impact on the identification of NPLs and determination of appropriate impairment allowances. We verified that these significant controls were operating effectively for the financial period.
- Recalculated the impairment provision raised and comparison with amounts recorded in the ledger.
- We performed a retrospective analysis of impairment estimates from previous years against realised impairments.
- Obtained audit evidence of management judgements with particular focus on the consistency of the methodology including challenging these assumptions and processes based on our industry knowledge and experience.
- Assessed key changes in the assumptions against industry standards and historical data.
- We tested the valuation of security pledged by customers for loan balances by comparing security values to recent market transactions or recent valuations of similar properties in similar locations.

Portfolio impairment

- We reviewed the Bank's analysis of historical loan loss data. Information contained in this analysis was agreed to audited financial statements and the general ledger for the Group.
- Using our understanding of the current economic conditions obtained through review of local and economic data and its impact on business, we analysed management's modification of the portfolio allowances.
- Our analysis of the portfolio impairment allowances was augmented by our review of borrowers' financial performance in the period under review.

Specific impairment

In order for us to obtain evidence of the accuracy of the grading of loans as performing or non-performing, we reviewed the loan performance of a sample of borrowers paying particular attention to the following:

- Ageing of amount due and payment history.
- Financial performance of the borrower. We reviewed financial information to identify evidence of financial stress that may impact recoverability of amounts due.
- Adherence to loan covenants such as deposit turnover ratios.
- Pertinent non-financial information of the borrower. Information was obtained from the Bank's management and publicly available information in the media.

INDEPENDENT AUDITOR'S REPORT (continued)

For identified NPLs, we inspected documentation to support the recovery of amounts from alternative sources and reviewed the discounting of these cash flows using management's average interest rate and expected payback periods.

- We assessed this average interest rate used by re-performing the computations using the original effective interest rates of the loans and noted that the management estimate was within close proximity of our point estimate.
- We assessed the reasonableness of the payback periods used by comparing with information received from the client's legal counsel and based on prior year history on recoveries through disposal of security.

Regulatory provisions

- In evaluating the minimum regulatory impairment provisions, we sampled loans and advances and tested the accuracy of the classification of loans into various credit quality grades as prescribed by the Reserve Bank of Zimbabwe regulatory provisioning guidelines.
- We performed independent recalculations of the impairment provisions for these respective credit quality grades and compared them with management estimates.
- We reviewed the consistency of rates used to determine the regulatory impairment provision to the RBZ Supervisory Rating System (SRS).

The individual loans and advances for portfolio impairment were classified in line with the RBZ Supervisory Rating System (SRS) framework.

Our overall conclusion was that the levels of impairment determined by management were adequate. We found the Groups impairment provision estimate to be conservative.

Outstanding premiums

We performed various procedures including the following:

- Circularised to confirm outstanding balances.
- Analysed the receivables ageing analysis for significant outstanding premiums at period end.
- Tested the ageing analysis for validity, completeness and accuracy.
- Evaluated and tested key controls over the processes used to determine the allowance for doubtful premiums receivable.
- Evaluated the directors' assessment of recoverability of outstanding premiums.

We concluded that the recognised outstanding premiums are expected to be recoverable, that the provision for doubtful policyholder receivables was reasonable.

4. Valuation of Incurred But Not Reported (IBNR) claims provision

Audit Matter:

The determination of the IBNR claims provision is an area of key judgement due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date.

Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for.

How it was addressed:

We obtained an understanding of the methods and assumptions applied in the provision determination, as well as the source of the information used in the provision determination.

In order to assess the quality of historical reserving exercises, we performed a retrospective review of the adequacy of the prior period estimate by comparing it with the claims experience related to the provision that was recorded in the 2015 financial year.

INDEPENDENT AUDITOR'S REPORT (continued)

We performed procedures to assess the adequacy of the current year IBNR provision, that included the following:

- Analysis of the 2016 claims incurred that were reported up to the date of our audit report against the current year (2016) IBNR provision;
- Verification of the mathematical accuracy of the provision determination prepared by the Group.
- We also engaged our own internal actuarial specialists to interrogate the methodology and assumptions of the Group's actuary used in the assessment of the IBNR. This was done to support the conclusion over whether the amount calculated by the Group lies within an acceptable range.

We concluded that the IBNR provision was appropriately valued.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, other explanatory information (excluding audited amounts and schedules) contained in the risk management report; which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misrepresented.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02) and the Insurance Act (Chapter 24:07).

The engagement partner on the audit resulting in this independent auditor's report is Tumai Mafunga.

Deloitte & Touche

Per: Tumai Mafunga
(PAAB Practice Certificate Number 0442)

Deloitte & Touche Chartered Accountants (Zimbabwe)
Harare

21 March 2017

Consolidated Statement of Financial Position
As at 31 December 2016

	Note	31-Dec-16 US$	31-Dec-15 US$
ASSETS			
Balances with banks and cash	4	184 244 019	93 762 063
Financial assets held to maturity		75 078 481	49 624 033
Loans and advances to customers	5.1	276 534 813	282 971 693
Trade and other receivables including insurance receivables	5.2	9 120 237	8 099 529
Bonds and debentures	6	9 139 955	8 702 320
Financial assets at fair value through profit or loss	7	1 102 173	1 050 037
Available for sale financial assets	8	862 886	377 568
Inventory	9	5 171 336	6 112 654
Prepayments and other assets	10	10 054 693	5 666 568
Deferred income tax assets	18.3	8 145 597	6 181 913
Investment property	11	3 710 457	2 472 140
Intangible asset	12	1 890 026	897 946
Property and equipment	13	25 090 044	24 646 858
Total assets		**610 144 717**	**490 565 322**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	14.1	255 266 672	209 430 098
Deposits from other banks	14.2	114 850 822	77 986 130
Borrowings	15	85 383 935	73 303 740
Insurance liabilities	16	9 470 934	9 404 428
Trade and other payables	17	19 809 097	13 933 849
Current income tax liability		878 275	907 522
Deferred income tax liability	18.3	772 386	710 525
Total liabilities		**486 432 121**	**385 676 292**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	19.3	14 089 892	14 089 892
Other reserves	20	37 840 340	38 439 904
Retained profits		71 488 214	52 100 051
		123 418 446	**104 629 847**
Non controlling interest in equity		294 150	259 183
Total equity		**123 712 596**	**104 889 030**
Total equity and liabilities		**610 144 717**	**490 565 322**

The consolidated financial statements on pages 49 to 126 were authorised for issue by the board of directors on 21 March 2017 and were signed on its behalf.

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	31-Dec-16 US$	31-Dec-15 US$
Interest income	21	67 000 371	61 476 965
Interest expense	21.1	(22 202 373)	(24 848 487)
Net interest income		**44 797 998**	**36 628 478**
Fee and commission income	22	26 092 451	20 977 274
Fee and commission expense	22.1	(174 718)	(81 617)
Net fee and commission income		**25 917 733**	**20 895 657**
Revenue	23	7 001 895	6 709 923
Cost of sales	23.1	(6 039 694)	(5 758 871)
Gross profit		**962 201**	**951 052**
Insurance premium revenue	24	32 695 860	35 425 142
Premium ceded to reinsurers and retrocessionaires		(13 910 791)	(13 227 253)
Net earned insurance premium		**18 785 069**	**22 197 889**
Net trading income		517 641	792 957
Net gain/(loss) from financial assets at fair value through profit or loss	25	231 188	(361 233)
Other operating income	26	1 814 251	850 102
		2 563 080	**1 281 826**
Total net income		**93 026 081**	**81 954 902**
Impairment allowance on financial assets	5.4	(7 874 767)	(3 325 576)
Net insurance commission expense	27	(4 331 491)	(4 798 058)
Insurance claims and loss adjustment expenses	28	(7 672 766)	(8 551 720)
Administrative expenses	29	(47 471 352)	(43 931 527)
Profit before income tax		**25 675 705**	**21 348 021**
Income tax expense	30	(3 737 979)	(3 249 778)
Profit for the year		**21 937 726**	**18 098 243**

Consolidated Statement of Comprehensive Income (Continued)
For the year ended 31 December 2016

	Note	31-Dec-16 US$	31-Dec-15 US$
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Transfer from regulatory reserves		-	627 590
		-	**627 590**
Items that may be subsequently reclassified to profit or loss			
Available for sale reserve		(63 526)	(30 196)
Tax		635	302
		(62 891)	**(29 894)**
Other comprehensive income, net income tax		**(62 891)**	**597 696**
Total comprehensive income for the year		**21 874 835**	**18 695 939**
Profit attributable to:			
Equity holders of the parent		21 885 495	18 040 863
Non - controlling interest		52 231	57 380
Profit for the year		**21 937 726**	**18 098 243**
Total comprehensive income attributable to:			
Equity holders of the parent		21 822 604	18 638 559
Non - controlling interest		52 231	57 380
Total comprehensive income for the year		**21 874 835**	**18 695 939**
Earnings per share (US cents)			
Basic earnings per share	33.1	3.40	2.72
Diluted earnings per share	33.2	3.40	2.72

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital US$	Share premium US$	Retained profits US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Available for sale reserve US$	Regulatory reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2015	**6 719**	**14 083 173**	**34 432 803**	**(1 173 701)**	**36 222 261**	**2 170 001**	**(30 814)**	**627 590**	**1 670 671**	**88 008 703**	**208 193**	**88 216 896**
Profit for the year	-	-	18 040 863	-	-	-	-	-	-	18 040 863	57 380	18 098 243
Other comprehensive income:												
Transfer from regulatory reserves	-	-	627 590	-	-	-	-	(627 590)	-	-	-	-
Loss on available for sale financial assets	-	-	-	-	-	-	(29 894)	-	-	(29 894)	-	(29 894)
Total other comprehensive income	**-**	**-**	**627 590**	**-**	**-**	**-**	**(29 894)**	**(627 590)**	**-**	**(29 894)**	**-**	**(29 894)**
Total comprehensive income	**-**	**-**	**18 668 453**	**-**	**-**	**-**	**(29 894)**	**(627 590)**	**-**	**18 010 969**	**57 380**	**18 068 349**
Transactions with owners:												
Dividend declared and paid	-	-	(1 001 205)	-	-	-	-	-	-	(1 001 205)	(6 390)	(1 007 595)
Treasury share purchase	-	-	-	(388 620)	-	-	-	-	-	(388 620)	-	(388 620)
Total transactions with owners recognised directly in equity	**-**	**-**	**(1 001 205)**	**(388 620)**	**-**	**-**	**-**	**-**	**-**	**(1 389 825)**	**(6 390)**	**(1 396 215)**
Balance as at 31 December 2015	**6 719**	**14 083 173**	**52 100 051**	**(1 562 321)**	**36 222 261**	**2 170 001**	**(60 708)**	**-**	**1 670 671**	**104 629 847**	**259 183**	**104 889 030**
Balance as at 1 January 2016	**6 719**	**14 083 173**	**52 100 051**	**(1 562 321)**	**36 222 261**	**2 170 001**	**(60 708)**	**-**	**1 670 671**	**104 629 847**	**259 183**	**104 889 030**
Profit for the year	-	-	21 885 495	-	-	-	-	-	-	21 885 495	52 231	21 937 726
Other comprehensive income:												
Loss on available for sale financial assets	-	-	-	-	-	-	(62 891)	-	-	(62 891)	-	(62 891)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(62 891)**	**-**	**-**	**(62 891)**	**-**	**(62 891)**
Total comprehensive income	**-**	**-**	**21 885 495**	**-**	**-**	**-**	**(62 891)**	**-**	**-**	**21 822 604**	**52 231**	**21 874 835**
Transactions with owners:												
Dividend declared and paid	-	-	(2 497 332)	-	-	-	-	-	-	(2 497 332)	(17 264)	(2 514 596)
Increase in ownership interest	-	-	-	-	402 350	-	-	-	-	402 350	-	402 350
Treasury share purchase	-	-	-	(939 023)	-	-	-	-	-	(939 023)	-	(939 023)
Total transactions with owners recognised directly in equity	**-**	**-**	**(2 497 332)**	**(939 023)**	**402 350**	**-**	**-**	**-**	**-**	**(3 034 005)**	**(17 264)**	**(3 051 269)**
Balance as at 31 December 2016	**6 719**	**14 083 173**	**71 488 214**	**(2 501 344)**	**36 624 611**	**2 170 001**	**(123 599)**	**-**	**1 670 671**	**123 418 446**	**294 150**	**123 712 596**

Consolidated Statement of Cash Flows
Year ended 31 December 2016

	Note	31-Dec-16 US$	31-Dec-15 US$
Cash flow from operating activities			
Profit before income tax		25 675 705	21 348 021
Adjustments for:			
Depreciation	13	2 079 725	1 747 315
Amortisation charge	12	516 869	493 636
Impairment loss on loans and advances	5.4	7 874 767	3 325 576
Impairment loss on intangible assets	12	1 337	-
Fair value adjustment on investment property	11	5 320	(162 576)
Fair value adjustment on financial assets at fair value through profit or loss	25	(231 188)	361 233
Profit on disposal of property and equipment	26	(34 562)	(32 503)
Net cash generated before changes in operating assets and liabilities		**35 887 973**	**27 080 702**
Increase in financial instrument held to maturity		(25 454 448)	(38 874 724)
(Increase)/decrease in loans and advances		(1 437 887)	17 375 275
Increase in trade and other receivables		(1 020 708)	(1 717 122)
Increase in bonds and debentures		(437 635)	(5 933 802)
Decrease/(increase) in financial assets at fair value through profit or loss		179 052	(62 231)
(Increase)/decrease in available for sale financial assets		(145 859)	30 196
Decrease/(increase) in inventory		941 318	(1 648 304)
(Increase)/decrease in prepayments and other assets		(4 388 125)	428 718
Increase in investment property		(1 243 637)	(616 564)
Increase/(decrease) in deposits from customers		45 836 574	(7 687 854)
Increase in deposits from other banks		36 864 692	12 652 873
Increase in insurance liabilities		66 506	2 126 380
Increase/(decrease) in trade and other payables		5 875 248	(1 410 066)
		91 523 064	**1 743 477**
Income tax paid		(5 669 049)	(4 987 872)
Net cash generated from/(used in) operating activities		**85 854 015**	**(3 244 395)**
Cash flows from investing activities			
Purchases of intangible assets	12	(1 510 286)	(178 989)
Purchase of property and equipment	13	(2 631 552)	(3 321 442)
Proceeds from sale of property and equipment		143 203	50 512
Net cash used in investing activities		**(3 998 635)**	**(3 449 919)**
Cash flows from financing activities			
Proceeds from loans and borrowings		12 989 191	3 735 163
Repayment of loans and borrowings		(908 996)	(12 848 077)
Dividend paid to company's shareholders		(2 497 332)	(1 001 205)
Dividends paid to non-controlling interests		(17 264)	(6 390)
Purchase of treasury shares		(939 023)	(388 620)
Net cash generated from/(used in) financing activities		**8 626 576**	**(10 509 129)**
Net increase/(decrease) in cash and cash equivalents		**90 481 956**	**(17 203 443)**
Cash and cash equivalents at beginning of the year		93 762 063	110 965 506
Cash and cash equivalents at the end of year	4.2	**184 244 019**	**93 762 063**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage financing, microlending, reinsurance, short-term insurance, and stockbrocking services.

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 21 March 2017.

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 International Financial Reporting Standards Interpretations Committee, ("IFRIC") interpretations, Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07) 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, available for sale financial assets, investment property and property and equipment.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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.

2.1.1 Changes in accounting policy and disclosures

Accounting standards and interpretations adopted impacting the annual financial statements
In the current year, the Company did not adopt any new or revised accounting standards or interpretations as these had no impact on the amounts or disclosures reported.

New and revised IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period.

IFRS 14 - Regulatory Deferral Accounts
IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
Effective annual periods beginning on or after 1 January 2016.

Impact of standards and interpretations in issue but not yet effective
IFRS 9 – Financial Instruments: Classification and Measurement (as revised in 2014)
The standard contains requirements in the following areas:
Classification and measurement. - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.1.1 Changes in accounting policy and disclosures (continued)

'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
Hedge accounting. - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
Derecognition. - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.The standard is set to replace the current IAS 39.
Effective annual periods beginning on or after 1 January 2018, early application permitted.

Impact of standards and interpretations in issue but not yet effective
IFRS 16 - Leases
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Effective annual periods beginning on or after 1 January 2019, early application permitted.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.
The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is set to replace IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. Effective annual periods beginning on or after 1 January 2018, early application permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Effective annual periods beginning on or after 1 January 2018, early application permitted

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.1.1 Changes in accounting policy and disclosures (continued)

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure Initiative (Amendments to IAS 7)
Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Amendments to IFRSs that are mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangiblke Assets

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Amends IAS 16 Property, Plant and Equipment and IAS 41

Equity Method in Separate Financial Statements (Amendments to IAS 27)
Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.1.1 Changes in accounting policy and disclosures (continued)

Disclosure Initiative (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities.

2.1.2 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.

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 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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.

(d) Separate financial statements of the Company

The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances in the separate financial statements of the Company.

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 incurs 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 and stockbroking.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

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 housing development, mortgage lending, savings deposit accounts and other money market investment products.

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.

2.4 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 2016

2.5 Financial Assets and liabilities

2.5.1 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="12">Financial assets</td><td rowspan="2">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="2">Financial assets held to maturity</td><td colspan="2">Treasury bills</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>Call deposits</td></tr>
<tr><td>SMEs</td><td>Time deposits</td></tr>
<tr><td>Individuals</td><td>Current accounts</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>

2.5.2 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.

2.5.3 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale, held to maturity 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.5.3 Financial assets (continued)

(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) Financial assets held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

(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.

(d) 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.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, that is, 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 through profit or loss 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.

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.

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 (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.

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.

The Group classifies the financial instruments into classes that reflect the nature of information and takes into account characteristics of those financial instruments. The classification made can be seen in section 2.5.1

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.5.3 Financial assets (continued)

(e) 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.

2.5.4 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 a 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 a group; or
- national or local economic conditions that correlate with defaults on the assets in a 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.5.4 Impairment of financial assets (continued)

Impairment losses on loans and advances (continued)

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.

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.

2.5.5 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.5.6 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.

2.5.7 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.

2.5.8 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.

2.5.9 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).

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

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 charged 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 subsequent financial year, 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.8 Insurance contracts (continued)

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.

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 the obligation arises.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

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.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.11.2 Software licences

Separately acquired software licences are at historical cost less accumulated amortisation. 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 and equipment

(a) Recognition and measurement

The cost of an item of property 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.

Land and buildings comprise mainly 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 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 the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, 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 and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.12 Property and equipment (continued)

(b) Subsequent costs (continued)

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
Computer equipment	3-5 years
Motor vehicles	5 years
Office equipment	5-10 years
Furniture and fittings	10 years

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 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 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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.

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 tax 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

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 properties (goods). 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 from the sale of properties (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 interest expense

Interest income and interest 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. 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 2016

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 fair values of 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 - 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 sale agreement, that the significant risk and rewards of ownership have been transferred to the buyer.

2.21.6 Insurance premiums (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.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

2.22 Employee benefits

(a) 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 'Provisions, contingent liabilities and contingent assets' 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.

(b) 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.

(c) 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,
- National Social Security Authority ("NSSA") - a Statutory Defined Contribution 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.

(d) 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 independent audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

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. These 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.

2.25 Dividend in specie

The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. Where the distribution constitutes a business, and the shares relating to the business are quoted on an active market, the liability is measured at the fair value of the shares to be distributed using the quoted price.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

3.1 Impairment allowances on loans and advances (continued)

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 2016 Months	Expected recoveries as a percentage of impaired loans 2016 %	Impairment loss Sensitivity 2016 US$	Expected time to recovery 2015 Months	Expected recoveries as a percentage of impaired loans 2015 %	Impairment loss Sensitivity 2015 US$
Personal loans	6	10%	7 393	6	10%	7 690
Corporate loans	12	75%	16 643	12	75%	50 894

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.

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 18 and 30.

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 16.

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 2016

		31-Dec-16 US$	31-Dec-15 US$
4	**BALANCES WITH BANKS AND CASH**		
4.1	**Balances with Reserve Bank of Zimbabwe ("RBZ")**		
	Current account balances	95 549 439	57 131 391
	Balances with banks and cash		
	Notes and coins	6 914 832	13 326 759
	Other bank balances	81 779 748	23 303 913
		88 694 580	36 630 672
	Balances with banks and cash (excluding bank overdrafts)	**184 244 019**	**93 762 063**
	Current	184 244 019	93 762 063
	Non-current	-	-
	Total	**184 244 019**	**93 762 063**
4.2	**Cash and cash equivalents**		
	Cash and cash equivalents include the following for the purposes of the statement of cash flows;		
	Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	95 549 439	57 131 391
	Balances with banks and cash (note 4.1)	88 694 580	36 630 672
	Bank overdrafts		
		184 244 019	**93 762 063**
	Per cash flow statement	**184 244 019**	**93 762 063**
5	**LOANS AND RECEIVABLES**		
5.1	**Loans and advances to customers**		
	Loans and advances maturities		
	Maturing within 1 year	110 171 383	166 959 721
	Maturing after 1 year	185 463 630	136 396 594
	Gross carrying amount	**295 635 013**	**303 356 315**
	Impairment allowance	(19 100 200)	(20 384 622)
		276 534 813	**282 971 693**

The maturity analysis of loans and receivables is based on contractual maturity at year end.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

5.1 Loans and advances to customers (continued)

Reconciliation of impairment allowance by nature of advance	Mortgages US$	Personal loans US$	Corporate loans US$	Total US$
As at 1 January 2015	1 487 742	3 687 230	17 522 683	22 697 655
Charge for the year	636 560	517 393	2 054 623	3 208 576
Increase in impairment allowances	636 560	517 393	2 054 623	3 208 576
Reversal of impairment	-	-	-	-
Interest in suspense/(recoveries)	153 191	447 924	1 534 987	2 136 102
Amount written off during the year end uncollectible	(162 251)	-	(7 495 460)	(7 657 711)
As at 31 December 2015	**2 115 242**	**4 652 547**	**13 616 833**	**20 384 622**
As at 1 January 2016	2 115 242	4 652 547	13 616 833	20 384 622
Charge for the year	649 634	(272 343)	6 453 789	6 831 080
Increase in impairment allowances	649 634	771 344	6 453 789	7 874 767
Reversal of impairment	-	(1 043 687)	-	(1 043 687)
Interest in suspense/(recoveries)	77 979	(465 952)	(1 436 060)	(1 824 033)
Amount written off during the year end uncollectible	(302 416)	-	(5 989 053)	(6 291 469)
As at 31 December 2016	**2 540 439**	**3 914 252**	**12 645 509**	**19 100 200**

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

	31-Dec-16 US$	31-Dec-15 US$
Insurance receivables;		
- Due by insurance clients and insurance brokers	6 292 404	6 012 301
- Due by reinsurers	436 287	566 701
- Due by retrocessionaires	2 539 016	2 034 269
Gross carrying amount	**9 267 707**	**8 613 271**
Impairment allowance	(147 470)	(513 742)
	9 120 237	**8 099 529**
Current	9 120 237	8 099 529
Non-current	-	-
Total	**9 120 237**	**8 099 529**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

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 2015	22 697 655	396 742	23 094 397
Impairment allowance through statement of comprehensive income	3 208 576	117 000	3 325 576
Amounts written off during the year as uncollectible	(7 657 711)	-	(7 657 711)
Interest in suspense/(recoveries)	2 136 102	-	2 136 102
Balance as at 31 December 2015	**20 384 622**	**513 742**	**20 898 364**
Balance as at 1 January 2016	20 384 622	513 742	20 898 364
Impairment allowance through statement of comprehensive income	7 874 767	-	7 874 767
Reversal of impairment	(1 043 687)	-	(1 043 687)
Amounts written off during the year as uncollectible	(6 291 469)	(366 272)	(6 657 741)
Interest in suspense/(recoveries)	(1 824 033)	-	(1 824 033)
Balance as at 31 December 2016	**19 100 200**	**147 470**	**19 247 670**

	31-Dec-16 US$	31-Dec-15 US$
6 BONDS AND DEBENTURES		
Maturing after 1 year but within 7 years	**9 139 955**	**8 702 320**
Current	-	-
Non-current	9 139 955	8 702 320
Total	**9 139 955**	**8 702 320**

Bonds have a fixed interest rate of 10% and 5%. They all mature between 30 June 2018 and 30 September 2020.

	31-Dec-16 US$	31-Dec-15 US$
7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed securities at market value	**1 102 173**	**1 050 037**
Current	1 102 173	1 050 037
Non-current	-	-
Total	**1 102 173**	**1 050 037**
8 AVAILABLE FOR SALE FINANCIAL ASSETS		
Listed securities at market value	**862 886**	**377 568**
Current	862 886	377 568
Non-current	-	-
Total	**862 886**	**377 568**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
9	**INVENTORY**		
	Raw materials	67 719	274 442
	Work in progress	1 835 080	4 039 788
	Finished goods	3 268 537	1 798 424
		5 171 336	**6 112 654**
	Current	5 171 336	6 112 654
	Non-current	-	-
	Total	**5 171 336**	**6 112 654**

Included in work in progress is US$1 835 080 (2015: US$4 039 788) 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$6 039 694 (2015: US$ 5 758 871).

		31-Dec-16 US$	31-Dec-15 US$
10	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	1 404 660	1 774 253
	Deferred acquisition costs	741 296	902 108
	Commission receivable	1 711 043	1 711 043
	Refundable deposits for Mastercard and Visa transactions	2 574 983	706 781
	Stationery stock and other consumables	20 869	45 359
	Time - share asset	45 000	56 250
	Other	3 556 842	470 774
		10 054 693	**5 666 568**
	Current	8 298 650	3 899 277
	Non-current	1 756 043	1 767 291
	Total	**10 054 693**	**5 666 568**
11	**INVESTMENT PROPERTY**		
	Balance as at 1 January	2 472 140	1 693 000
	Additions	1 615 028	1 096 564
	Fair value adjustments	(5 320)	162 576
	Disposal	(371 391)	(480 000)
	Balance as at 31 December	**3 710 457**	**2 472 140**
	Current	-	-
	Non-current	3 710 457	2 472 140
	Total	**3 710 457**	**2 472 140**
	Investment property comprises the following:		
	Residential house, Victoria Falls	25 000	25 000
	Residential houses, Harare	1 480 000	1 680 000
	Residential stands, Harare	2 165 457	727 140
	Residential stand, Seke	40 000	40 000
		3 710 457	**2 472 140**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

11 INVESTMENT PROPERTY (continued)

The fair value of the investment property as at 31 December 2016 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. Refer to note 35 for fair value disclosures on investment property.

Included in other operating income is rental income of US$151 537 (2015: US$186 183) relating to investment property.

12 INTANGIBLE ASSETS

	Software US$
Year ended 31 December 2015	
Opening net book amount	1 212 593
Additions	178 989
Amortisation charge	(493 636)
Closing net book amount	**897 946**
As at 31 December 2015	
Cost	4 412 562
Accumulated amortisation	(3 514 616)
Net book amount	**897 946**
Year ended 31 December 2016	
Opening net book amount	897 946
Additions	1 510 286
Impairment loss	(1 337)
Amortisation charge	(516 869)
Closing net book amount	**1 890 026**
As at 31 December 2016	
Cost	5 922 848
Accumulated amortisation	(4 031 485)
Accumulated impairment	(1 337)
Net book amount	**1 890 026**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

13 PROPERTY 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 2015						
Opening net book amount	17 378 612	12 572	499 184	4 320 078	905 399	23 115 845
Additions	3 570	-	1 737 207	1 244 062	336 603	3 321 442
Adjustment to cost	48 851	(12 572)	12 572	-	-	48 851
Adjustment to accumulated depreciation	-	-	(62 824)	-	(11 132)	(73 956)
Disposals	-	-	(1 387)	(714)	(15 908)	(18 009)
Depreciation	(407 149)	-	(444 797)	(666 161)	(229 208)	(1 747 315)
Closing net book amount	**17 023 884**	**-**	**1 739 955**	**4 897 265**	**985 754**	**24 646 858**
As at 31 December 2015						
Cost or valuation	17 431 033	184 423	4 338 521	7 845 495	2 700 449	32 499 921
Accumulated depreciation	(407 149)	(184 423)	(2 598 566)	(2 940 348)	(1 463 144)	(7 593 630)
Accumulated impairment	-	-	-	(7 882)	(251 551)	(259 433)
Net book amount	**17 023 884**	**-**	**1 739 955**	**4 897 265**	**985 754**	**24 646 858**
Year ended 31 December 2016						
Opening net book amount	17 023 884	-	1 739 955	4 897 265	985 754	24 646 858
Additions	64 935	-	189 562	1 808 361	568 694	2 631 552
Disposals	-	-	(2 105)	-	(106 536)	(108 641)
Depreciation	(411 063)	-	(550 555)	(795 810)	(322 297)	(2 079 725)
Closing net book amount	**16 677 756**	**-**	**1 376 857**	**5 909 816**	**1 125 615**	**25 090 044**
As at 31 December 2016						
Cost or valuation	17 495 968	184 423	4 523 020	9 650 115	2 912 162	34 765 688
Accumulated depreciation	(818 212)	(184 423)	(3 146 163)	(3 732 417)	(1 534 996)	(9 416 211)
Accumulated impairment	-	-	-	(7 882)	(251 551)	(259 433)
Net book amount	**16 677 756**	**-**	**1 376 857**	**5 909 816**	**1 125 615**	**25 090 044**

If land and buildings were stated on historical cost basis, the amount would be as follows;	31-Dec-16 US$	31-Dec-15 US$
Cost	17 417 483	17 352 548
Accumulated depreciation	(3 250 067)	(2 839 004)
Net book amount	**14 167 416**	**14 513 544**

14 DEPOSITS

14.1 Deposits from customers

	31-Dec-16 US$	31-Dec-15 US$
Demand deposits	123 120 420	75 313 161
Promissory notes	29 644 300	37 765 456
Other time deposits	102 501 952	96 351 481
	255 266 672	**209 430 098**
Current	250 293 348	204 365 822
Non-current	4 973 324	5 064 276
Total	**255 266 672**	**209 430 098**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
14.2	**Deposits from other banks**		
	Money market deposits	**114 850 822**	**77 986 130**
	Current	114 850 822	77 986 130
	Non-current	-	-
	Total	**114 850 822**	**77 986 130**

		2016 US$	%	2015 US$	%
14.3	**Deposit concentration**				
	Agriculture	13 041 693	4%	8 994 139	3%
	Construction	6 598 389	2%	3 419 684	1%
	Wholesale and retail trade	71 826 042	19%	71 377 383	25%
	Public sector	27 464 401	7%	24 801 577	9%
	Manufacturing	27 687 781	7%	23 555 554	8%
	Telecommunication	10 380 673	3%	8 159 431	3%
	Transport	6 521 667	2%	3 547 590	1%
	Individuals	42 973 492	12%	40 373 383	14%
	Financial services	90 627 629	24%	68 785 270	24%
	Mining	26 083 386	7%	21 402 035	7%
	Other	46 912 341	13%	13 000 182	5%
		370 117 494	**100%**	**287 416 228**	**100%**

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

		31-Dec-16 US$	31-Dec-15 US$
15	**BORROWINGS**		
	Bank borrowings	-	3 735 164
	Foreign lines of credit	85 194 115	65 902 989
	Other borrowings	189 820	3 665 587
		85 383 935	**73 303 740**
	Current	72 850 007	10 318 845
	Non-current	12 533 928	62 984 895
	Total	**85 383 935**	**73 303 740**

These loans are analysed as follows:

African Export-Import Bank ("Afreximbank") - US$60 million three year long term loan facility to be repaid in full on 18 July 2017. The loan is secured by Corporate Guarantee by the Company and bears interest at LIBOR plus 4.5% per annum."

African Export-Import Bank ("Afreximbank") - US$15 million facility. The facility was available from 31 December 2014 and is for three years subject to annual review. It is unsecured and bears interest at LIBOR plus 4.5% per annum.

Shelter Afrique - US$5 million 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

15 BORROWINGS (continued)

The Reserve Bank of Zimbabwe (''RBZ'') Chrome processing facility of US$500 000 matures on 31 December 2017. The credit facility bears interest at a rate of 9% per annum.

The Zimbabwe Agricultural Development Trust ("ZADT") - US$ 1 002 396.00 is a revolving fund with interest of 6.5% per annum.

Eastern and Southern African Trade and Development Bank ('PTA")- US$ 10 million secured grain and seed facility with a tenure of one year, matures on 28 February 2017. interest is 9.5% per annum plus

LIBOR Norsad Finance Limited- US$ 10 million facility. The facility was availed from December 2016 and has an effective interest rate of 9.54% per annum with a tenure of 5 years.

16 INSURANCE LIABILITIES	**31-Dec-16 US$**	**31-Dec-15 US$**
Gross outstanding claims	6 321 008	5 799 070
Liability for unearned premium	3 149 926	3 605 358
	9 470 934	**9 404 428**
Current	9 470 934	9 404 428
Non-current	-	-
Total	**9 470 934**	**9 404 428**
16.1 Gross outstanding claims		
Gross outstanding claims at the beginning of the year	5 799 068	3 261 054
Reinsurer's share of technical liabilities	(2 034 269)	(110 716)
Net outstanding claims at the beginning of the year	**3 764 799**	**3 150 338**
Change in liability for claims	55 189	595 727
Reinsurer's share of technical liabilities at the end of the year	2 501 020	2 053 005
Gross outstanding claims at the end of the year	**6 321 008**	**5 799 070**
16.2 Liability for unearned premium		
Gross liability for unearned premium	3 605 358	4 223 855
Reinsurer's share of the provision for unearned premium	(455 432)	(618 497)
Balance at end of the year	**3 149 926**	**3 605 358**

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

16.2 Liability for unearned premium (continued)

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% (2015 : 7%) of net written premium for the reinsurance subsidiary and 5% (2015: 5%) of net written premium for the insurance subsidiary. The 7% and 5% were arrived at after consideration of past experience. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of 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.

	31-Dec-16 US$	31-Dec-15 US$
Impact of 10% increase in the percentage used to estimate IBNR		
Incurred but not yet reported ("IBNR") losses	122 489	144 114

17 TRADE AND OTHER PAYABLES

	31-Dec-16 US$	31-Dec-15 US$
Trade and other payables	8 580 473	6 995 899
Deferred income	4 487 315	4 413 902
Other liabilities	6 741 309	2 524 048
	19 809 097	**13 933 849**
Current	19 809 097	13 933 849
Non-current	-	-
Total	**19 809 097**	**13 933 849**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

18 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% (2015: 25.75%).

The movement on the deferred income tax account is as follows:	31-Dec-16 US$	31-Dec-15 US$
As at 1 January	(5 471 388)	(3 729 103)
Statement of comprehensive income charge (note 30)	(1 901 189)	(1 672 500)
Tax charge relating to components of other comprehensive income	(634)	(302)
Rate change	-	(69 483)
As at 31 December	**(7 373 211)**	**(5 471 388)**

18.1 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:

	31-Dec-16 US$	31-Dec-15 US$
Allowance for loan impairment	(921 971)	(2 007 080)
Property and equipment allowances	(335 314)	597 466
Unrealised gains on foreign exchange and equities	20 398	3 448
Available for sale financial assets	(635)	-
Accrual for leave pay	535 146	(5 687)
Deferred acquisition costs	1 445	(22 655)
Unearned premium reserve and deferred income	(64 067)	(162 878)
Prepayments and other assets	(972 742)	324 574
Assessable tax loss	(163 449)	(399 688)
Total	**(1 901 189)**	**(1 672 500)**

18.2 Deferred income tax assets and liabilities

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

	31-Dec-16 US$	31-Dec-15 US$
Allowance for loan impairment	(9 646 510)	(8 724 539)
Available for sale financial assets	(49 770)	(49 135)
Property and equipment allowances	4 506 795	4 842 109
Unrealised gains on foreign exchange and equities	373 245	353 481
Accrual for leave pay	519 350	(15 796)
Deferred acquisition costs	306 029	304 584
Unearned premium reserve and deferred income	(709 776)	(645 709)
Prepayments and other assets	(31 602)	941 140
Assessable tax loss	(1 988 610)	(1 825 161)
Net outstanding claims	(652 362)	(652 362)
	(7 373 211)	**(5 471 388)**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
18.3	**Timing of reversal temporary differences**		
	Deferred income tax assets		
	- Deferred income tax asset to be recovered after more than 12 months	8 145 597	6 181 913
	Total	**8 145 597**	**6 181 913**
	Deferred income tax liabilities		
	- Deferred income tax liability to be recovered after more than 12 months	772 386	710 525
	Net deferred income tax asset	**(7 373 211)**	**(5 471 388)**

The deferred income tax arising from property 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”).

Deferred income tax assets arise from allowances for loan impairments which are disclosed for tax purposes. Deduction for loans written off are allowable for tax purposes.

		31-Dec-16	31-Dec-15
19	**SHARE CAPITAL AND SHARE PREMIUM**		
19.1	**Authorised**		
	Number of ordinary shares, with a nominal value of US$0,00001	800 000 000	800 000 000
19.2	**Issued and fully paid**		
	Number of ordinary shares, with a nominal value of US$0,00001	671 949 927	671 949 927

		Number of Shares	Share Capital US$	Share Premium US$	Total US$
19.3	**Share capital movement**				
	As at 31 December 2015	671 949 927	6 719	14 083 173	14 089 892
	As at 31 December 2016	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 2016

		31-Dec-16 US$	31-Dec-15 US$
20	**OTHER RESERVES**		
	Revaluation reserves	2 170 001	2 170 001
	Non distributable reserves	36 624 611	36 222 261
	Regulatory reserves	-	-
	Available for sale reserves	(123 599)	(60 708)
	Treasury shares reserves	(2 501 344)	(1 562 321)
	Changes in ownership reserve	1 670 671	1 670 671
		37 840 340	**38 439 904**

The definitions of the reserves are as follows;

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.

Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.

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.

		31-Dec-16 US$	31-Dec-15 US$
21	**INTEREST INCOME**		
	Cash and cash equivalents	2 970 277	3 217 220
	Loans and advances to other banks	2 911 802	2 530 340
	Loans and advances to customers	48 994 578	50 994 933
	Banker's acceptances and tradable bills	11 464 532	4 681 300
	Other interest income	659 182	53 172
		67 000 371	**61 476 965**
21.1	**INTEREST EXPENSE**		
	Deposit from other banks	6 428 835	7 305 957
	Demand deposits	779 248	472 907
	Afreximbank and PTA Bank	9 515 740	9 233 670
	Time deposits	5 478 550	7 835 953
		22 202 373	**24 848 487**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
22	**FEE AND COMMISSION INCOME**		
	Retail service fees	23 388 750	16 019 619
	Credit related fees	2 266 666	4 789 325
	Investment banking fees	289 657	26 964
	Brokerage commission	147 326	140 549
	Financial guarantee contract commission	52	817
		26 092 451	**20 977 274**
22.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	**174 718**	**81 617**
23	**REVENUE**		
	Property sales	**7 001 895**	**6 709 923**
23.1	**COST OF SALES**		
	Raw materials	**6 039 694**	**5 758 871**
24	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	32 240 428	34 806 647
	Change in unearned premium reserve (“UPR”)	455 432	618 495
		32 695 860	**35 425 142**
25	**NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7), fair value loss	**231 188**	**(361 233)**
26	**OTHER OPERATING INCOME**		
	Rental income	293 653	404 843
	Profit on disposal of property and equipment	34 562	32 503
	Sundry income	1 486 036	412 756
	Rental income is earned from owner occupied properties. Included in rental income is US$151 537 (2015-US$ 186 183) earned from investment property.	**1 814 251**	**850 102**
27	**NET INSURANCE COMMISSION EXPENSE**		
	Commissions paid	5 764 835	6 247 579
	Commission received	(1 594 156)	(1 500 177)
	Change in technical provisions	160 812	50 656
		4 331 491	**4 798 058**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

28 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross US$	Reinsurance US$	Net US$
Year ended 31 December 2016			
Claims and loss adjustment expenses	7 522 464	-	7 522 464
Change in technical provisions	150 302	-	150 302
Total claims	**7 672 766**	**-**	**7 672 766**
Year ended 31 December 2015			
Claims and loss adjustment expenses	7 964 157	-	7 964 157
Change in technical provisions	587 563	-	587 563
Total claims	**8 551 720**	**-**	**8 551 720**

29 ADMINISTRATIVE EXPENSES

	31-Dec-16 US$	31-Dec-15 US$
Marketing	1 233 746	1 063 863
Premises	1 358 483	1 116 877
Computer	2 683 626	2 016 894
Insurance	515 745	1 123 786
Travel	1 238 124	1 981 005
Security	1 795 893	1 771 400
Communication	1 067 195	1 097 489
Donations	37 901	156 786
Subscriptions	479 125	471 959
Operational losses	103 394	850 176
Mastercard and Visa expenses	1 266 207	1 213 445
Other administration expenses	3 874 311	3 530 021
Staff costs (note 29.1)	22 174 999	20 427 899
Directors' remuneration (note 29.2)	5 549 760	3 503 840
Audit fees:		
- Current year fees	340 008	173 256
- Prior year fees	178 300	187 491
- Other services	-	-
Depreciation	2 079 725	1 747 315
Amortisation and impairment loss (note 12)	518 206	493 636
Operating lease payment	976 604	1 004 389
	47 471 352	**43 931 527**

29.1 Staff costs

	31-Dec-16 US$	31-Dec-15 US$
Salaries and allowances	20 564 427	18 833 958
Share based payments	-	13 475
Social security	339 566	355 515
Pension contribution	1 245 034	1 224 951
Retrenchment cost	25 972	-
	22 174 999	**20 427 899**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
29.2	**Directors' remuneration**		
	Board fees	672 176	520 342
	Other emoluments	73 967	183 440
	For services as management	4 803 617	2 800 058
		5 549 760	**3 503 840**
29.3	**Operating leases**		
	Non - cancellable operating lease rentals are payable as follows:		
	Up to one year	810 271	833 660
	One to two years	213 711	221 454
		1 023 982	**1 055 114**

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 2016, US$976 604 (2015: US$1 004 389) was recognised as an expense in the statement of comprehensive Income.

		31-Dec-16 US$	31-Dec-15 US$
30	**INCOME TAX EXPENSE:**		
30.1	**Charge for the year**		
	Current income tax on income for the reporting year	5 267 514	4 594 914
	Prior year under provision	371 654	327 364
	Deferred income tax	(1 901 189)	(1 672 500)
	Income tax expense	**3 737 979**	**3 249 778**

The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2016 is 25.75% (2015: 25.75%).

30.2 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% (2015: 25.75%) as follows;

	31-Dec-16 US$	31-Dec-15 US$
Profit before income tax	**25 675 705**	**21 348 021**
Income tax charged based on profit for the year at 25.75% (2015:25.75%)	6 611 494	5 497 115
Tax effect of:		
Exempt income	(3 275 400)	(2 395 827)
Expenses not deductible for tax purposes	213 914	(33 745)
Prior year under provision	371 654	327 365
Other	(183 683)	(145 130)
Income tax expense	**3 737 979**	**3 249 778**
Effective rate	15%	15%

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

31 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	Deputy Group Chief Executive and 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
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
Musa Bako	Managing Director (Eagle Insurance Company (Private) Limited)
Patrick Mangwendeza	Managing Director (Microplan Financial Services (Private) Limited)
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit

The following are companies related to directors, key management and the Group:
Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
Dinkrain Investments (Private) Limited (owned by FBC Holdings Limited board member)
Tirent Investments (Private) Limited (owned by FBC Holdings 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)
J Med Supplies (Private) Limited (owned by FBC Building Society board member)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

31 RELATED PARTY TRANSACTIONS (continued)	31-Dec-16 US$	31-Dec-15 US$
Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2016.		
Arena Investments (Private) Limited	209 762	170 234
Defined Wear (PBC) (Private) Limited	54 865	57 660
	264 627	**227 894**
Loans and advances to non executive directors		
Balance as at 1 January	240 172	317 073
Advances during the year	-	-
Transfer to odinary loans after director resignation	-	(39 102)
Interest charged	34 449	50 544
Repayments made during the year	(63 247)	(88 343)
Balance as at 31 December	**211 374**	**240 172**
Loans and advances to executive directors		
Balance as at 1 January	625 095	1 364 273
Advances during the year	179 600	536 026
Interest charged	67 099	64 494
Repayments made during the year	(351 497)	(1 339 698)
Balance as at 31 December	**520 297**	**625 095**
Loans and advances to directors and officers of the Group have, along with other loans and advances, been subjected to impairment procedures.		
Compensation for executive directors and key management		
Short term employee benefits	6 067 267	3 867 240
Post- employment benefits	227 990	246 234
	6 295 257	**4 113 474**
Income from loans to executive directors		
Income from loans to executive directors	67 099	64 494
Income from loans to non-executive directors		
Income from loans to non-executive directors	34 449	50 544

Group entities	Equity interest 2016	Equity interest 2015
FBC Bank Limited	100%	100%
FBC Building Society	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Microplan Financial Services (Private) Limited	100%	100%
Eagle Insurance Company (Private) Limited	95.4%	95.4%
Turnall Holdings Limited, derecognised as a subsidiary on 17 October 2014	5.2%	5.2%

Other related party transactions

Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund. Details of these transactions are disclosed in note 40.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

32 PRINCIPAL SUBSIDIARIES
The Group had the following subsidiaries at 31 December 2016

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	-
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 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$ 294 150 and it 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.

33 EARNINGS PER SHARE

33.1 Basic earnings
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue excluding ordinary shares purchased by the Company and held as treasury shares.

	31-Dec-16 US$	31-Dec-15 US$
Profit attributable to equity holders of the parent	21 885 495	18 040 863
Total	**21 885 495**	**18 040 863**
Basic earnings per share		
Basic earnings per share for continuing operations (US cents)	3.40	2.72
	3.40	**2.72**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

33.1 Basic earnings (continued)

Year ended 31 December 2016 Weighted average number of ordinary shares	Shares issued	Treasury shares	Shares outstanding	Weighted
Issued ordinary shares as at 1 January 2016	671 949 927	(11 304 203)	660 645 724	660 645 724
Treasury shares purchased	-	(20 523 079)	(20 523 079)	(16 782 946)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**(31 827 282)**	**640 122 645**	**643 862 778**
Year ended 31 December 2015				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2015	671 949 927	(6 516 226)	665 433 701	665 433 701
Treasury shares purchased	-	(4 787 977)	(4 787 977)	(1 994 990)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**(11 304 203)**	**660 645 724**	**663 438 711**

33.2 Diluted earnings
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.

	31-Dec-16 US$	31-Dec-15 US$
Earnings		
Profit attributable to equity holders of the parent	21 885 495	18 040 863
Total	**21 885 495**	**18 040 863**
Weighted average number of ordinary shares at 31 December	**643 862 778**	**663 438 711**
Diluted earnings per share		
Diluted earnings per share for continuing operations (US cents)	3.40	2.72
	3.40	**2.72**

33.3 Headline earnings per share
Headline earnings is calculated by starting with the basic earnings number and then excluding the following re-measurements;
- Gains/losses on the loss of control of a subsidiary
- Impairment/subsequent reversal of impairment of all assets
- Disposal gains/losses of all assets
- Compensation from third parties for assets that were impaired or lost
- The reclassification of all other remeasurements from other comprehensive income to profit or loss
- The reclassification of gains and losses on available-for-sale financial assets upon impairment or disposal and subsequent impairment losses
- The post-tax gain or loss on the disposal of assets or a disposal group constituting discontinued operations

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

	31-Dec-16 US$	31-Dec-15 US$
33.3 Headline earnings per share (continued)		
Profit attributable to equity holders	**21 885 495**	**18 040 863**
Adjusted for excluded remeasurements		
Profit from the disposal of property equipment (note 26)	(34 562)	(32 503)
Impairment of property, plant and equipment	1 337	-
Headline earnings	**21 852 270**	**18 008 360**
Weighted average number of ordinary shares at 31 December	**643 862 778**	**663 438 711**
Headline earnings per share (US cents)	**3.39**	**2.71**

34 FINANCIAL RISK MANAGEMENT

The Group has a defined risk appetite that is set by the Board and it outlines the amount of risk that business is prepared to take in pursuit of its objectives and it plays a pivotal role in the development of risk management plans and policies. The Group regularly reviews its policies and systems to reflect changes in markets, products, regulations and best market practice.

The policies specifically cover foreign exchange risk, liquidity risk, interest rate risk , credit risk and the general use of financial instruments.

Group Risk and Compliance, Group Internal audit review from time to time the intergrity of the risk control systems in place and ensure that risk policies and strategies are effectively implemented within the Group.

The Group's risk management strategies and plans are aimed at achieving an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's activities and operations results in exposure to the following risks:
(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) Operational risk
(f) Capital risk

Other risks:
(g) Reputational risk
(h) Compliance risk
(i) Strategic risk

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

34.1 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1 Credit risk (continued)

Credit risk and exposure to losses are inherent parts of the Group's business.

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups. The Group structures the levels 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 the Group's policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's lending and investment activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary's Management Credit Committee must then be approved by the subsidiary Board Credit Committee.

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

The Group Credit Division periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assess 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 at least once every year 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 Credit 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 are 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 counterparty. Generally, guarantor counterparties include parent companies and shareholders. Credit worthiness for the guarantor is established in line with the credit policy.

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's banking subsidiaries 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1 Credit risk (continued)

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 in which 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 that 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 categories 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:

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

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1 Credit risk (continued)

The basis for writing off assets

When an advance which has been identified as impaired and subjected to a specific allowance for impairment, continues to deteriorate, a point will come when it may be concluded that there is no realistic prospect of recovery. Board approval will be sought by Group Credit Management Division for the exposure to be immediately written off from the Group's books while long term recovery strategies are then pursued.

Credit risk and Basel II

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

34.1.1 Exposure to credit risk

	31-Dec-16 US$	31-Dec-15 US$
Loans and advances		
Past due and impaired		
Grade 8: Impaired	2 963 709	9 564 595
Grade 9: Impaired	3 660 486	2 010 262
Grade 10: Impaired	8 563 809	12 764 706
Gross amount, past due and impaired	**15 188 004**	**24 339 563**
Allowance for impairment	(9 611 586)	(14 476 110)
Carrying amount, past due and impaired	**5 576 418**	**9 863 453**
Past due but not impaired		
Grade 4 - 7:	83 193 322	84 016 094
Neither past due nor impaired		
Grade 1 - 3:	197 253 687	195 000 658
Gross amount, not impaired	**280 447 009**	**279 016 752**
Allowance for impairment	(9 488 614)	(5 908 512)
Carrying amount, not impaired	**270 958 395**	**273 108 240**
Total carrying amount	**276 534 813**	**282 971 693**

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 whose repayments (capital and interests) are outstanding for more than 30 days.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1.1 Exposure to credit risk (continued)

	Personal loans US$	Corporate loans US$	Mortgages US$	Total US$
As at 31 December 2016				
Past due up to 1 month	3 526 103	36 188 625	493 961	40 208 689
Past due 1-3 months	3 518 007	21 252 143	8 995 960	33 766 110
Past due 3-6 months	697 122	8 420 824	445	9 118 391
Past due 6 - 12 months	27 394	-	462	27 856
Over 12 months	71 196	-	1 080	72 276
Total	**7 839 822**	**65 861 592**	**9 491 908**	**83 193 322**
Value of collateral	**561 035**	**67 387 709**	**9 982 361**	**77 931 105**
Amount of (under)/over collateralisation	**(7 278 787)**	**1 526 117**	**490 453**	**(5 262 217)**
As at 31 December 2015				
Past due up to 1 month	1 039 128	3 569 710	-	4 608 838
Past due 1-3 months	1 676 208	66 695 488	8 136 523	76 508 219
Past due 3-6 months	1 912 556	443 865	-	2 356 421
Past due 6-12 months	373 957	168 659	-	542 616
Over 12 months	-	-	-	-
Total	**5 001 849**	**70 877 722**	**8 136 523**	**84 016 094**
Value of collateral	**3 353 438**	**49 629 523**	**8 647 064**	**61 630 025**
Amount of (under)/over collateralisation	**(1 648 411)**	**(21 248 199)**	**510 541**	**(22 386 069)**

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$15 188 004 (2015: US$24 339 563) 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 2016			
Gross carrying amount	8 560 583	6 627 421	15 188 004
Less allowance for impairment	(7 392 526)	(2 219 060)	(9 611 586)
Net carrying amount	**1 168 057**	**4 408 361**	**5 576 418**
Value of collateral	**2 228 242**	**4 088 000**	**6 316 242**
As at 31 December 2015			
Gross carrying amount	17 808 369	6 531 194	24 339 563
Less allowance for impairment	(7 690 215)	(6 785 895)	(14 476 110)
Net carrying amount	**10 118 154**	**(254 701)**	**9 863 453**
Value of collateral	**4 576 189**	**12 553 841**	**17 130 030**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1.1 Exposure to credit risk (continued)

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.

	31-Dec-16 US$	31-Dec-15 US$
Renegotiated loans and advances to customers -		
- Continuing to be impaired after restructuring	-	-
- Non-impaired after restructuring – would otherwise have been impaired	12 708 304	7 944 969
- Non-impaired after restructuring – would otherwise not have been impaired	-	-
Total	**12 708 304**	**7 944 969**

Repossessed collateral

During the year ended 31 December 2016 the Group repossessed collateral valued at US$ 3 492 814 (2015 - US$1 770 394).

Sectorial analysis of utilizations of loans and advances to customers

	2016 US$	2016 %	2015 US$	2015 %
Mining	15 242 921	5%	13 511 235	4%
Manufacturing	54 380 168	18%	53 833 631	18%
Mortgages	48 267 804	16%	40 603 547	13%
Wholesale	13 034 556	4%	15 680 752	5%
Distribution	26 452 316	9%	29 904 593	10%
Individuals	82 283 624	29%	88 306 979	29%
Agriculture	23 929 185	8%	17 750 980	6%
Communication	8 689 704	3%	6 720 323	2%
Construction	4 344 851	1%	2 240 106	1%
Local authorities	10 862 130	4%	20 160 967	7%
Other services	8 147 754	3%	14 643 202	5%
	295 635 013	**100%**	**303 356 315**	**100%**

Risk concentrations

There are material concentrations of loans and advances to the following sectors; individuals 29% (2015: 29%), manufacturing 18% (2015: 18%) and distribution 9% (2015: 10%).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1.1 Exposure to credit risk (continued)
Analysis of credit quality by sector - loans and advances to customers

As at 31 December 2016	Grades 1 to 3 US$	Grades 4 to 7 US$	Grade 8 US$	Grade 9 US$	Grade 10 US$	Total US$
Sector						
Manufacturing	23 286 219	30 989 155	54 845	-	49 949	54 380 168
Wholesale	6 543 127	6 491 429	-	-	-	13 034 556
Individuals	66 086 723	7 458 517	1 505 014	1 504 140	5 729 230	82 283 624
Mortgages	36 105 666	9 491 911	366 526	513 136	1 790 565	48 267 804
Agriculture	18 343 220	5 106 211	186 491	220 651	72 612	23 929 185
Distribution	16 341 811	9 082 877	549 460	4 035	474 133	26 452 316
Construction	2 934 776	1 394 002	-	16 073	-	4 344 851
Communication	7 014 704	1 675 000	-	-	-	8 689 704
Local Authorities	10 500 130	362 000	-	-	-	10 862 130
Mining	5 767 152	8 074 188	-	1 389 501	12 080	15 242 921
Other services	4 330 159	3 068 032	301 373	12 950	435 240	8 147 754
	197 253 687	**83 193 322**	**2 963 709**	**3 660 486**	**8 563 809**	**295 635 013**
Percentage of total loans	67%	28%	1%	1%	3%	100%
As at 31 December 2015						
Sector						
Manufacturing	37 962 227	10 560 844	3 978 544	-	1 332 016	53 833 631
Wholesale	5 747 879	9 932 873	-	-	-	15 680 752
Individuals	105 426 337	11 797 410	2 457 421	1 699 038	7 530 320	128 910 526
Agriculture	13 486 353	3 875 737	266 906	96 488	25 496	17 750 980
Distribution and other services	13 422 046	26 344 314	2 267 059	196 163	2 318 213	44 547 795
Construction	207 902	1 486 982	396 183	18 572	130 467	2 240 106
Communication	5 407 648	1 312 675	-	-	-	6 720 323
Local Authorities	6 407 703	12 167 622	198 482	-	1 387 160	20 160 967
Mining	6 855 961	6 614 241	-	-	41 033	13 511 235
	194 924 056	**84 092 698**	**9 564 595**	**2 010 261**	**12 764 705**	**303 356 315**
Percentage of total loans	64%	28%	3%	1%	4%	100%

Reconciliation of allowance for impairment for loans and advances

Allowances for impairment	31 December 2016			31 December 2015		
	Specific allowance US$	Collective allowance US$	Total US$	Specific allowance US$	Collective allowance US$	Total US$
Balance at 1 January	14 476 111	5 908 511	20 384 622	18 169 753	4 527 902	22 697 655
Increase in impairment allowance	5 900 908	1 973 859	7 874 767	1 827 967	1 380 609	3 208 576
Impairment reversal	(948 353)	(95 334)	(1 043 687)	-	-	-
Write off	(6 291 469)	-	(6 291 469)	(7 657 711)	-	(7 657 711)
Interest in suspense	(1 824 033)	-	(1 824 033)	2 136 102	-	2 136 102
	11 313 164	**7 787 036**	**19 100 200**	**14 476 111**	**5 908 511**	**20 384 622**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1.2 Trade and other receivables including insurance receivables

	31-Dec-16 US$	31-Dec-15 US$
Past due and impaired	147 470	513 742
Allowance for impairment	(147 470)	(513 742)
Carrying amount	-	-
Past due but not impaired	-	-
Neither past due nor impaired	9 120 237	8 099 529
Gross amount, not impaired	**9 120 237**	**8 099 529**
Allowance for impairment	-	-
Carrying amount, not impaired	**9 120 237**	**8 099 529**
Total carrying amount	**9 120 237**	**8 099 529**

As at 31 December 2016, trade receivables amounting to US$nil (2015: US$nil) 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 to 6 months	-	-

As at 31 December 2016 trade receivables amounting to US$147 470 (2015: US$513 742 were impaired. The amount of the allowance was US$147 470 as at 31 December 2016 (2015: US$513 742) The individually impaired receivables mainly relate to lapsed insurance policies. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	31-Dec-16 US$	31-Dec-15 US$
Over 6 months	**147 470**	**513 742**
Reconciliation of the allowance for impairment of trade receivables including insurance receivables		
Allowances for impairment		
Balance as at 1 January	513 742	396 742
Allowance for trade receivables including insurance receivables' impairment	-	117 000
Receivables written off during the year as uncollectible	(366 272)	-
Balance as at 31 December	**147 470**	**513 742**

The allowance amount of US$147 470 relates to insurance receivables in the Group's insurance subsidiaries.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1.2 Trade and other receivables including insurance receivables (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement

Credit risk exposures relating to on-balance sheet assets are as follows;

	31-Dec-16 US$	31-Dec-15 US$
Loans and advances to customers;		
- Individuals	82 283 624	128 910 526
- Corporates	213 351 389	174 445 789
	295 635 013	**303 356 315**
Financial assets held to maturity	75 078 481	49 624 033
Balances with banks	177 329 187	80 435 304
Bonds and debentures	9 139 955	8 702 320
Commission receivable	1 711 043	1 711 043
Trade and other receivables including insurance receivables	9 267 707	8 613 271
Total on balance sheet	**568 161 386**	**452 442 286**
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	5 966 488	4 328 256
- Loan commitments	13 378 399	7 044 988
Total off balance sheet credit exposure	**19 344 887**	**11 373 244**
Total credit exposure	**587 506 273**	**463 815 530**

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2016, 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

Counterparties with external credit rating

Rating	**Agency**	31-Dec-16 US$	31-Dec-15 US$
A	Fitch	-	2 491 776
A	S&P	-	271 181
AA	Moody's	607 570	244 741
AA	Fitch	6 915	3 996
AA-	Fitch	23 453 231	4 670 081
AAA	Fitch	(135 328)	-
AAA	Moody's	441 756	338 500
AAA	Fitch	-	4 575
B-	S&P	188 310	195 615
Baa1	Moody's	56 649	11 314
BBB-	GCR	-	15 072 134
BBB+	GCR	44 660 645	-
A-	GCR	12 500 000	-
		81 779 748	**23 303 913**

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.1.2 Trade and other receivables including insurance receivables (continued)

Write-off policy

The Group writes off an irrecoverable debt when the Board Credit Committee of the subsidiary 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 balances 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.

34.2 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 their 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.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.2 Liquidity risk (continued)

Contractual maturity analysis On balance sheet items as at 31 December 2016	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	235 900 935	14 392 413	4 973 324	255 266 672
Deposits from other banks	111 789 264	3 061 558	-	114 850 822
Borrowings	10 903 911	61 946 096	12 533 928	85 383 935
Insurance liabilities	9 470 934	-	-	9 470 934
Current income tax liabilities	878 275	-	-	878 275
Trade and other liabilities	1 511 070	13 810 712	-	15 321 782
Total liabilities - (contractual maturity)	**370 454 389**	**93 210 779**	**17 507 252**	**481 172 420**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	184 244 019	-	-	184 244 019
Financial assets held to maturity	13 039 237	33 665 203	28 374 041	75 078 481
Loans and advances to customers	33 067 350	106 383 477	137 083 986	276 534 813
Bonds and debentures	-	-	9 139 955	9 139 955
Trade and other receivables including insurance receivables	1 280 318	7 839 919	-	9 120 237
Financial assets at fair value through profit or loss	140 281	961 892	-	1 102 173
Available for sale financial assets	862 886	-	-	862 886
Other assets	926 055	5 160 770	1 756 043	7 842 868
	233 560 146	**154 011 261**	**176 354 025**	**563 925 432**
Liquidity gap	**(136 894 243)**	**60 800 482**	**158 846 773**	**82 753 012**
Cumulative liquidity gap - on balance sheet	**(136 894 243)**	**(76 093 761)**	**82 753 012**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	5 966 488	-	5 966 488
Commitments to lend	13 378 399	-	-	13 378 399
Total liabilities	**13 378 399**	**5 966 488**	**-**	**19 344 887**
Liquidity gap	**(13 378 399)**	**(5 966 488)**	**-**	**63 408 125**
Cumulative liquidity gap - on and off balance sheet	**(150 272 642)**	**(95 438 648)**	**63 408 125**	**-**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.2 Liquidity risk (continued)

Contractual maturity analysis On balance sheet items as at 31 December 2015	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	193 945 072	10 420 750	5 064 276	209 430 098
Deposits from other banks	74 876 026	3 110 104	-	77 986 130
Borrowings	3 518 454	6 800 391	62 984 895	73 303 740
Insurance liabilities	2 523 461	-	6 880 967	9 404 428
Current income tax liabilities	907 522	-	-	907 522
Trade and other liabilities	2 118 504	10 966 918	848 427	13 933 849
Total liabilities - (contractual maturity)	**277 889 039**	**31 298 163**	**75 778 565**	**384 965 767**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	93 762 063	-	-	93 762 063
Financial assets held to maturity	-	27 988 587	21 635 446	49 624 033
Loans and advances to customers	30 542 463	109 781 455	142 647 775	282 971 693
Bonds and debentures	-	-	8 702 320	8 702 320
Trade and other receivables including insurance receivables	1 835 744	6 263 785	-	8 099 529
Financial assets at fair value through profit or loss	136 472	913 565	-	1 050 037
Available for sale financial assets	377 568	-	-	377 568
Other assets	964 343	333 814	2 676 339	3 974 496
	127 618 653	**145 281 206**	**175 661 880**	**448 561 739**
Liquidity gap	**(150 270 386)**	**113 983 043**	**99 883 315**	**63 595 972**
Cumulative liquidity gap - on balance sheet	**(150 270 386)**	**(36 287 343)**	**63 595 972**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	4 328 256	-	4 328 256
Commitments to lend	7 044 988	-	-	7 044 988
Total liabilities	**7 044 988**	**4 328 256**	**-**	**11 373 244**
Liquidity gap	**(7 044 988)**	**(4 328 256)**	**-**	**52 222 728**
Cumulative liquidity gap - on and off balance sheet	**(157 315 374)**	**(47 660 587)**	**52 222 728**	**-**

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 behavioral 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 2016

34.3 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 34.3.1 to 34.3.3.

34.3.1 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			
	2016	2016	2015	2015
5% increase in interest rates	US$	US$	US$	US$
Assets	411 807 126	3 508 858	397 008 210	3 393 719
Liabilities	318 771 063	(776 888)	267 204 291	(920 329)
Net effect		**2 731 970**		**2 473 390**

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static 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 2016

34.3.1 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2016	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	31 817 533	19 236 344	-	-	-	133 190 142	184 244 019
Financial assets held to maturity	-	11 156 043	12 585 512	21 079 691	30 257 235	-	75 078 481
Loans and advances to customers	54 314 225	23 507 091	22 024 039	71 705 767	104 983 691	-	276 534 813
Trade and other receivables including insurance receivables	-	-	-	-	-	9 120 237	9 120 237
Bonds and debentures	-	-	-	-	9 139 955	-	9 139 955
Financial assets at fair value	-	-	-	-	-	1 102 173	1 102 173
Available for sale financial assets	-	-	-	-	-	862 886	862 886
Inventory	-	-	-	-	-	5 171 336	5 171 336
Prepayments and other assets	-	-	-	-	-	10 054 693	10 054 693
Deferred income tax assets	-	-	-	-	-	8 145 597	8 145 597
Investment property	-	-	-	-	-	3 710 457	3 710 457
Intangible asset	-	-	-	-	-	1 890 026	1 890 026
Property and equipment	-	-	-	-	-	25 090 044	25 090 044
Total assets	**86 131 758**	**53 899 478**	**34 609 551**	**92 785 458**	**144 380 881**	**198 337 591**	**610 144 717**
Liabilities							
Deposits from customers	71 391 480	25 220 192	8 195 230	13 619 979	109 425	136 730 366	255 266 672
Deposits from other banks	81 382 198	26 469 177	3 937 889	3 061 558	-	-	114 850 822
Borrowings	3 792 384	10 100 000	100 000	61 501 730	9 889 821	-	85 383 935
Insurance liabilities	-	-	-	-	-	9 470 934	9 470 934
Trade and other payables	-	-	-	-	-	19 809 097	19 809 097
Current income tax liabilities	-	-	-	-	-	878 275	878 275
Deferred income tax liabilities	-	-	-	-	-	772 386	772 386
Shareholder equity	-	-	-	-	-	123 712 596	123 712 596
Total liabilities	**156 566 062**	**61 789 369**	**12 233 119**	**78 183 267**	**9 999 246**	**291 373 654**	**610 144 717**
Interest rate repricing gap	**(70 434 304)**	**(7 889 891)**	**22 376 432**	**14 602 191**	**134 381 635**	**(93 036 063)**	**-**
Cumulative gap interest rate repricing gap	**(70 434 304)**	**(78 324 195)**	**(55 947 763)**	**(41 345 572)**	**93 036 063**	**-**	

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2015	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	21 510 540	13 815 002	-	-	-	58 436 521	93 762 063
Financial assets held to maturity	-	-	-	27 988 587	21 635 446	-	49 624 033
Loans and advances to customers	101 098 906	23 934 982	52 377 549	30 221 100	95 723 778	(20 384 622)	282 971 693
Trade and other receivables including insurance receivables	-	-	-	-	-	8 099 529	8 099 529
Bonds and debentures	-	-	-	-	8 702 320	-	8 702 320
Financial assets at fair value	-	-	-	-	-	1 050 037	1 050 037
Available for sale financial assets	-	-	-	-	-	377 568	377 568
Inventory	-	-	-	-	-	6 112 654	6 112 654
Prepayments and other assets	-	-	-	-	-	5 666 568	5 666 568
Deferred income tax assets	-	-	-	-	-	6 181 913	6 181 913
Investment property	-	-	-	-	-	2 472 140	2 472 140
Intangible asset	-	-	-	-	-	897 946	897 946
Property and equipment	-	-	-	-	-	24 646 858	24 646 858
Total assets	**122 609 446**	**37 749 984**	**52 377 549**	**58 209 687**	**126 061 544**	**93 557 112**	**490 565 322**
Liabilities							
Deposits from customers	61 821 293	36 265 521	7 406 858	2 100 749	8 320 000	93 515 677	209 430 098
Deposits from other banks	51 163 976	19 588 255	4 123 795	3 110 104		-	77 986 130
Borrowings	3 735 164	-	2 402 989	3 500 000	63 665 587	-	73 303 740
Insurance liabilities	-	-	-	-	-	9 404 428	9 404 428
Trade and other payables	-	-	-	-	-	13 933 849	13 933 849
Current income tax liabilities	-	-	-	-	-	907 522	907 522
Deferred income tax liabilities	-	-	-	-	-	710 525	710 525
Shareholder equity	-	-	-	-	-	104 889 030	104 889 030
Total liabilities	**116 720 433**	**55 853 776**	**13 933 642**	**8 710 853**	**71 985 587**	**223 361 031**	**490 565 322**
Interest rate repricing gap	**5 889 013**	**(18 103 792)**	**38 443 907**	**49 498 834**	**54 075 957**	**(129 803 919)**	**-**
Cumulative gap interest rate repricing gap	**5 889 013**	**(12 214 779)**	**26 229 128**	**75 727 962**	**129 803 919**	**-**	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.3.2 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 risk arises 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 2016

Base currency	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	1 437 410	454 723	310 033	190 736	2 392 902
Trade and other receivables	4 176	2	14	19	4 211
Loans and advances to customers	58 099	37	199	62	58 397
Total assets	**1 499 685**	**454 762**	**310 246**	**190 817**	**2 455 510**
Liabilities					
Deposits from customers	1 144 782	62 083	51 469	59 010	1 317 344
Trade and other payables	4 839	249 275	43	85	254 242
Total liabilities	**1 149 621**	**311 358**	**51 512**	**59 095**	**1 571 586**
Net currency position	**350 064**	**143 404**	**258 734**	**131 722**	**883 924**

Foreign exchange gap analysis as at 31 December 2015

Base currency	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	874 423	208 285	282 845	398 892	1 764 445
Trade and other receivables	3 697	2	14	45	3 758
Loans and advances to customers	50 476	1 535	69	31	52 111
Total assets	**928 596**	**209 822**	**282 928**	**398 968**	**1 820 314**
Liabilities					
Deposits from customers	754 515	65 828	86 964	121 021	1 028 328
Trade and other payables	3 341	19	36	100	3 496
Total liabilities	**757 856**	**65 847**	**87 000**	**121 121**	**1 031 824**
Net currency position	**170 740**	**143 975**	**195 928**	**277 847**	**788 490**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.3.2 Currency risk (continued)

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

Currency	31-Dec-16 Cross rate	31-Dec-15 Cross rate
British pound ("GBP")	0.814	0.674
SA rand ("ZAR")	13.605	15.543
Euro ("EUR")	0.948	0.915
Pula ("BWP")	10.684	11.099

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 2016					
Assets	149 969	45 476	31 025	19 082	245 552
Liabilities	(114 962)	(31 136)	(5 151)	(5 910)	(157 159)
Net position	**35 007**	**14 340**	**25 874**	**13 172**	**88 393**
For the year ended 31 December 2015					
Assets	92 860	20 982	28 293	39 897	182 032
Liabilities	(75 786)	(6 585)	(8 700)	(12 112)	(103 183)
Net position	**17 074**	**14 397**	**19 593**	**27 785**	**78 849**

34.3.3 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 and available for sale financial assets. 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 total comprehensive income 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:	31-Dec-16 US$	31-Dec-15 US$
Financial assets at fair value through profit or loss	275 543	262 509
Available for sale financial assets	215 722	94 392

34.4 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.5 Capital risk

34.5.1 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.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.5.1 Regulatory Capital and Financial Risk Management (continued)

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 2016				
FBC Bank Limited	RBZ	25 000 000	63 506 925	65 066 009
FBC Building Society	RBZ	20 000 000	41 153 844	41 271 010
FBC Reinsurance Limited	IPEC	1 500 000	12 952 212	12 952 212
FBC Securities (Private) Limited	SECZ	150 000	622 937	622 937
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	6 532 692	6 532 692
Microplan Financial Services (Private) Limited	RBZ	25 000	7 055 800	7 055 800
As at 31 December 2015				
FBC Bank Limited	RBZ	25 000 000	41 387 308	43 067 712
FBC Building Society	RBZ	20 000 000	35 029 984	35 029 984
FBC Reinsurance Limited	IPEC	1 500 000	11 830 862	11 830 862
FBC Securities (Private) Limited	SECZ	150 000	264 865	264 865
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	5 772 560	5 772 560
Microplan Financial Services (Private) Limited	RBZ	25 000	5 491 778	5 491 778

Capital adequacy ratios for banking subsidiaries	Regulatory Requirement	31-Dec-16	31-Dec-15
FBC Bank Limited	12%	22%	15%
FBC Building Society	12%	47%	41%

34.5.2 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

34.5.2 Capital allocation (continued)

Capital adequacy ratios

FBC Bank Limited capital adequacy ratio	31-Dec-16 US$	31-Dec-15 US$
Ordinary share capital	18 502 313	18 500 925
Share premium	13 197 687	2 199 075
Retained profits	31 337 984	20 742 037
General reserve	-	-
Capital allocated for market and operational risk	(9 223 835)	(6 890 321)
Advances to insiders	(1 559 084)	(1 680 404)
Tier 1 capital	**52 255 065**	**32 871 312**
Other reserves	2 028 025	1 625 675
Tier 1 and 2 capital	**54 283 090**	**34 496 987**
Tier 3 capital allocated for market and operational risk	9 223 835	6 890 321
	63 506 925	**41 387 308**
Risk weighted assets	**293 929 876**	**282 449 567**
Tier 1 ratio (%)	18%	12%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	3%	2%
Capital adequacy ratio (%)	**22%**	**15%**
Minimum statutory capital adequacy ratio	**12%**	**12%**

FBC Building Society capital adequacy ratio	31-Dec-16 US$	31-Dec-15 US$
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	29 910 495	23 669 470
Capital allocated for market and operational risk	(1 765 937)	(1 685 134)
Advances to insiders	(117 165)	-
Tier 1 capital	**39 293 992**	**33 250 935**
Non distributable reserves	-	-
Revaluation reserves	93 915	93 915
Tier 1 and 2 capital	**39 387 907**	**33 344 850**
Tier 3 capital allocated for market and operational risk	1 765 937	1 685 134
	41 153 844	**35 029 984**
Risk weighted assets	**87 333 634**	**86 155 979**
Tier 1 ratio (%)	45%	39%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	2%	2%
Capital adequacy ratio (%)	**47%**	**41%**
Minimum statutory capital adequacy ratio	**12%**	**12%**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

35 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. 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. 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);

As at 31 December 2016	Quoted market prices Level 1 US$	Observable inputs Level 2 US$	Significant unobservable inputs Level 3 US$	Total US$
Assets				
Financial assets held to maturity	-	-	75 078 481	75 078 481
Financial assets at fair value through profit or loss	1 102 173	-	-	1 102 173
Available for sale financial assets	862 886	-	-	862 886
Investment property	-	-	3 710 457	3 710 457
Land and buildings	-	-	16 677 756	16 677 756
Liabilities	-	-	-	-
As at 31 December 2015				
Assets				
Financial assets held to maturity	-	-	49 624 033	49 624 033
Financial assets at fair value through profit or loss	1 050 037	-	-	1 050 037
Available for sale financial assets	377 568	-	-	377 568
Investment property	-	-	2 472 140	2 472 140
Land and buildings	-	-	17 023 884	17 023 884
Liabilities	-	-	-	-

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

35 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Land and buildings under level 3 comprises commercial properties. Refer to property and equipment note 13.

Investment property

The valuation approach taken for invesment property was a sales comparison approach being the market value of similar properties. In this approach, similar properties that had been recently sold or which are currently on sale and situated in comparable areas were utilised to derive the fair value. Market evidence from other estate agents and local press was also taken into consideration. The significant unobservable inputs were comparable rates per square meter.

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

The carrying amounts of financial assets and liabilities held at amortised cost approximate fair values. The following methods and assumptions were used to estimate the fair values;

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 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 2. 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 which is an observable input. Therefore borrowings 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.

36 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 2016

36.1 Position as at 31 December 2016

	Held to maturity US$	Held for trading US$	Available for sale US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets						
Balances with other banks and cash	-	-	-	184 244 019	-	184 244 019
Financial assets held to maturity	75 078 481	-	-	-	-	75 078 481
Loans and advances to customers	-	-	-	276 534 813	-	276 534 813
Bonds and debentures	9 139 955	-	-	-	-	9 139 955
Trade and other receivables including insurance receivables	-	-	-	9 120 237	-	9 120 237
Financial assets at fair value through profit or loss	-	1 102 173	-	-	-	1 102 173
Available for sale financial assets	-	-	862 886	-	-	862 886
Total	**84 218 436**	**1 102 173**	**862 886**	**469 899 069**	**-**	**556 082 564**
Liabilities						
Deposits from customers	-	-	-	-	255 266 672	255 266 672
Deposits from other banks	-	-	-	-	114 850 822	114 850 822
Borrowings	-	-	-	-	85 383 935	85 383 935
Insurance liabilities	-	-	-	-	9 470 934	9 470 934
Trade and other liabilities	-	-	-	-	19 809 097	19 809 097
Total	**-**	**-**	**-**	**-**	**484 781 460**	**484 781 460**

36.2 Position as at 31 December 2015

	Held to maturity US$	Held for trading US$	Available for sale US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets						
Balances with other banks and cash	-	-	-	93 762 063	-	93 762 063
Financial assets held to maturity	49 624 033	-	-	-	-	49 624 033
Loans and advances to customers	-	-	-	282 971 693	-	282 971 693
Bonds and debentures	8 702 320	-	-	-	-	8 702 320
Trade and other receivables including insurance receivables	-	-	-	8 099 529	-	8 099 529
Financial assets at fair value through profit or loss	-	1 050 037	-	-	-	1 050 037
Available for sale financial assets	-	-	377 568	-	-	377 568
Total	**58 326 353**	**1 050 037**	**377 568**	**384 833 285**	**-**	**444 587 243**
Liabilities						
Deposits from other banks	-	-	-	-	209 430 098	209 430 098
Deposits from customers	-	-	-	-	77 986 130	77 986 130
Borrowings	-	-	-	-	73 303 740	73 303 740
Insurance liabilities	-	-	-	-	9 404 428	9 404 428
Trade and other liabilities	-	-	-	-	13 933 849	13 933 849
Total	**-**	**-**	**-**	**-**	**384 058 245**	**384 058 245**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

37 INSURANCE RISK MANAGEMENT

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

37.1 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

Ratings	Number of reinsurers and retrocessionaires	
	2016	2015
AA	1	0
AA-	1	0
A	2	1
A-	0	2
B	1	0
B++	1	0
B+	1	3
BB+	1	4
BB	0	1
BB-	0	1
BBB	1	
Total	9	12

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

37.2 Underwriting strategy

The Group's 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.

37.3 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.

37.4 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.

37.5 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 2016

37.5 Terms and conditions of short- term insurance contracts (continued)

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

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

37.5 Terms and conditions of short- term insurance contracts (continued)

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.

37.6 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 Departments;

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 of 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.

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

37.6 Terms and conditions of short- term reinsurance contracts (continued)

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.

37.7 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.

37.8 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% (2015 - 7%) of net premium written for the reinsurance subsidiary and 5% (2015 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

37.9 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 2016

38 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 six business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short term insurance and stockbroking. 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 2016	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term Insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	44 419 716	8 667 331	14 225 764	852 931	322 100	647 840	69 135 682
Interest expense	(19 211 684)	(1 249 119)	(4 887 783)	-	-	-	(25 348 586)
Net interest income/loss	**25 208 032**	**7 418 212**	**9 337 981**	**852 931**	**322 100**	**647 840**	**43 787 096**
Sales	-	-	7 001 895	-	-	-	7 001 895
Cost of sales	-	-	(6 039 694)	-	-	-	(6 039 694)
Gross profit	**-**	**-**	**962 201**	**-**	**-**	**-**	**962 201**
Net earned insurance premium	-	-	-	11 537 208	8 345 751	-	19 882 959
Net fee and commission income	20 730 238	476 716	5 123 977	-	-	131 926	26 462 857
Net trading income and other income	1 789 812	112 194	166 284	291 117	240 415	2 834	2 602 656
Total net income for reported segments	**47 728 082**	**8 007 122**	**15 590 443**	**12 681 256**	**8 908 266**	**782 600**	**93 697 769**
Intersegment revenue	(276 368)	(54 693)	(1 097 187)	(797 589)	(1 366 803)	(42 043)	(3 634 683)
Intersegment interest expense and commission	1 214 902	1 217 463	878 620	33 656	403 367	4 107	3 752 115
Net income from external customers	**48 666 616**	**9 169 892**	**15 371 876**	**11 917 323**	**7 944 830**	**744 664**	**93 815 201**
Segment profit before income tax	**12 152 426**	**4 197 275**	**8 516 850**	**2 266 736**	**1 454 104**	**481 561**	**29 068 952**
Impairment allowances on financial assets	6 453 789	771 344	649 634	-	-	-	7 874 767
Depreciation	1 646 612	43 056	221 084	28 851	135 525	4 597	2 079 725
Amortisation	330 329	5 086	75 106	22 570	83 778	-	516 869
Segment assets	**470 233 877**	**17 544 690**	**147 682 029**	**21 589 978**	**12 129 381**	**2 165 292**	**671 345 247**
Total assets includes :							
Additions to non-current assets	2 173 931	76 169	135 663	48 154	186 461	11 174	2 631 552
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**405 167 868**	**10 488 890**	**106 411 020**	**8 637 766**	**5 596 690**	**1 542 354**	**537 844 588**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing Sale of houses Construction	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

38 SEGMENT REPORTING (CONTINUED)

31 December 2015	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	40 688 990	7 459 327	11 861 778	904 208	404 754	136 543	61 455 600
Interest expense	(23 325 950)	(1 722 591)	(4 978 685)	-	-	-	(30 027 226)
Net interest income	**17 363 040**	**5 736 736**	**6 883 093**	**904 208**	**404 754**	**136 543**	**31 428 374**
Sales	-	-	6 709 923	-	-	-	6 709 923
Cost of sales	-	-	(5 758 871)	-	-	-	(5 758 871)
Gross profit	**-**	**-**	**951 052**	**-**	**-**	**-**	**951 052**
Net earned insurance premium	-	-	-	13 752 838	9 568 880	-	23 321 718
Net fee and commission income	19 913 382	482 183	4 868 831	-	-	122 764	25 387 160
Net trading income and other income	1 272 343	52 197	175 108	(298 995)	30 865	(6 886)	1 224 632
Total net income for reported segments	**38 548 765**	**6 271 116**	**12 878 084**	**14 358 051**	**10 004 499**	**252 421**	**82 312 936**
Intersegment revenue	(1 516 767)	-	(2 168 152)	(1 199 948)	(1 534 095)	(82 952)	(6 501 914)
Intersegment interest expense and commission	3 002 797	1 636 767	1 738 372	38 913	1 255 383	3 272	7 675 504
Net income from external customers	**40 034 795**	**7 907 883**	**12 448 304**	**13 197 016**	**9 725 787**	**172 741**	**83 486 526**
Segment profit before income tax	**9 289 390**	**3 027 775**	**6 307 115**	**2 521 059**	**1 663 178**	**(151 207)**	**22 657 310**
Impairment allowances on financial assets	2 054 623	517 393	636 560	-	117 000	-	3 325 576
Depreciation	1 372 473	27 037	167 101	22 518	142 887	15 299	1 747 315
Amortisation	310 648	-	72 295	27 023	83 670	-	493 636
Segment assets	**387 388 351**	**18 876 686**	**124 754 260**	**19 477 235**	**12 963 393**	**1 550 225**	**565 010 150**
Total assets includes :							
Additions to non-current assets	2 925 619	118 817	156 713	81 665	38 450	178	3 321 442
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**344 320 639**	**13 384 908**	**89 724 276**	**7 646 373**	**7 190 834**	**1 285 359**	**463 552 389**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing Sale of houses Construction	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

38 SEGMENT REPORTING (CONTINUED)

Operating segments reconciliations

	31-Dec-16 US$	31-Dec-15 US$
Net income		
Total net income income for reportable segments	93 815 201	83 486 526
Total net income for non reportable segments	5 396 269	2 956 020
Elimination of intersegment revenue received from the holding company	(158 540)	(95 802)
Add fair value loss/(gain) on treasury shares	-	57 195
Intersegment eliminations	(6 026 849)	(4 449 037)
Group total net income	**93 026 081**	**81 954 902**
Group profit before tax		
Total profit before income tax for reportable segments	29 068 952	22 657 310
Intersegment eliminations	(3 393 247)	(1 309 289)
Profit before income tax	**25 675 705**	**21 348 021**
Group assets		
Total assets for reportable segments	671 345 247	565 010 150
Other group assets	45 000	56 250
Deferred tax asset allocated to the holding company	1 815 925	1 527 861
Intersegment eliminations	(63 061 455)	(76 028 939)
Group total assets	**610 144 717**	**490 565 322**
Group liabilities		
Total liabilities for reportable segments	537 844 588	463 552 389
Elimination of intersegment payables	(51 412 467)	(77 876 097)
Group total liabilities	**486 432 121**	**385 676 292**

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 subsidiary'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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
38	**SEGMENT REPORTING (CONTINUED)**		
	Entity wide information		
	Breakdown of total net income from all services is as follows;		
	Analysis of net income by category:		
	- Gross profit from residential properties	962 201	951 052
	Revenue	7 001 895	6 709 923
	Cost of Sales	(6 039 694)	(5 758 871)
	- Gross profit from sales of construction products	-	-
	Revenue	-	-
	Cost of Sales	-	-
	- Net income from services	92 063 880	81 003 850
	Total	**93 026 081**	**81 954 902**

The Group is domiciled in Zimbabwe. All 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 significant concentration on one customer.

39 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, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

40 POST EMPLOYMENT BENEFITS

	31-Dec-16 US$	31-Dec-15 US$
Contributions made during the year are as follows:		
Self administered pension fund	1 245 034	1 224 951
National Social Security Authority ("NSSA") Scheme	339 566	355 515
	1 584 600	**1 580 466**

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% (2015 : 3.5%) of pensionable salary to a maximum as set from time to time.

41 CAPITAL COMMITMENTS

	31-Dec-16 US$	31-Dec-15 US$
Capital expenditure authorised but not yet contracted	**17 061 528**	**10 441 526**

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

	31-Dec-16 US$	31-Dec-15 US$
42 CONTINGENT LIABILITIES		
(a) Letters of credit		
The contingent liabilities relate to letters of credit undertaken on behalf of various customers.	**5 966 488**	**4 328 256**

(b) Legal proceedings

The Group had no other contingent liabilities as at 31 December 2016 (2015 - US$nil).

43 SUBSEQUENT EVENTS

The Directors are not aware of any events subsequent to the reporting date that may have a significant impact on the financial statements.

INDEX TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Company Statement of Financial Position
As at 31 December 2016

	Note	31-Dec-16 US$	31-Dec-15 US$
ASSETS			
Balances with banks and cash		213 475	-
Amounts due from related parties	2	5 833 331	5 833 331
Available for sale financial assets	3	314 042	377 568
Investments in subsidiaries	4	60 030 628	48 628 278
Time - share asset	5	45 000	56 250
Other assets		475 697	475 697
Deferred income tax asset		1 842 986	1 554 589
Total assets		**68 755 159**	**56 925 713**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	6	5 434 061	2 865 995
Borrowings		10 000 000	162 844
Other liabilities		2 278 489	1 010 124
Current income tax liabiability		-	27 150
Total liabilities		**17 712 550**	**4 066 113**
Equity			
Share capital and premium		14 089 892	14 089 892
Other reserves		34 097 811	34 697 375
Retained profits		2 854 906	4 072 333
Total equity		**51 042 609**	**52 859 600**
Total equity and liabilities		**68 755 159**	**56 925 713**

The Company financial statements on pages 128 to 135 were authorised for issue by the board of directors on 21 March 2017 and were signed on its behalf.

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Company Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	31-Dec-16 US$	31-Dec-15 US$
Revenue	7	5 396 269	2 956 020
Operating expenditure	8	(4 404 126)	(2 528 143)
Operating profit		**992 143**	**427 877**
Taxation	9	287 762	35 517
Profit for the year after taxation		**1 279 905**	**463 394**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Available for sale reserve		(63 526)	(30 196)
Tax		635	302
Other comprehensive income net income tax		**(62 891)**	**(29 894)**
Total comprehensive income for the year		**1 217 014**	**433 500**
Profit for the year attributable to:			
Equity holders of parent		1 279 905	463 394
Total profit for the year		**1 279 905**	**463 394**
Total comprehensive income attributable to:			
Equity holders of parent		1 217 014	433 500
Total comprehensive income for the year		**1 217 014**	**433 500**
Earnings per share (US cents)			
Basic	10.1	0.20	0.07
Diluted	10.2	0.20	0.07

Company Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital US$	Share premium 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 2015	**6 719**	**14 083 173**	**112 500**	**35 868 754**	**(834 551)**	**(30 814)**	**4 610 144**	**53 815 925**
AFS revaluation loss	-	-	-	-	-	(30 196)	-	(30 196)
Deferred tax on AFS	-	-	-	-	-	302	-	302
Profit for the year	-	-	-	-	-	-	463 394	463 394
Purchase of treasury shares	-	-	-	-	(388 620)	-	-	(388 620)
Dividend declared and paid	-	-	-	-	-	-	(1 001 205)	(1 001 205)
Balance at 31 December 2015	**6 719**	**14 083 173**	**112 500**	**35 868 754**	**(1 223 171)**	**(60 708)**	**4 072 333**	**52 859 600**
AFS revaluation loss	-	-	-	-	-	(63 526)	-	(63 526)
Deferred tax on AFS	-	-	-	-	-	635	-	635
Profit for the year	-	-	-	-	-	-	1 279 905	1 279 905
Increase in ownership interest	-	-	-	402 350	-	-	-	402 350
Purchase of treasury shares	-	-	-	-	(939 023)	-	-	(939 023)
Dividend declared and paid	-	-	-	-	-	-	(2 497 332)	(2 497 332)
Balance at 31December 2016	**6 719**	**14 083 173**	**112 500**	**36 271 104**	**(2 162 194)**	**(123 599)**	**2 854 906**	**51 042 609**

Company's Statement of Cash Flows
For the year ended 31 December 2016

	31-Dec-16 US$	31-Dec-15 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	992 143	427 877
Non cash items:		
Depreciation	11 250	11 250
Provisions	2 252 569	1 010 125
Net cash generated before changes in operating assets and liabilities	**3 255 962**	**1 449 252**
Changes in operating assets and liabilities		
Decrease in amounts due from related paties	-	1 777 059
Increase in other assets	-	(475 697)
Increase in amounts due to related paties	1 605 152	739 990
Decrease in other liabilities	(984 204)	(442 515)
	620 948	**1 598 837**
Income tax paid	-	-
Net cash generated in operating activities	**3 876 910**	**3 048 089**
Cash flows from investing activities		
Net change in subsidiary investments	(11 000 000)	(2 200 000)
Cash used in investing activities	**(11 000 000)**	**(2 200 000)**
Cash flows from financing activities		
Purchase of treasury shares	(3 259)	-
Dividend paid	(2 497 332)	(1 001 205)
Proceeds from borrowings	10 000 000	-
Net cash generated from/(used in) financing activities	**7 499 409**	**(1 001 205)**
Net increase/(decrease) in cash and cash equivalents	**376 319**	**(153 116)**
Cash and cash equivalents at beginning of the year	**(162 844)**	**(9 728)**
Cash and cash equivalents at the end of year	**213 475**	**(162 844)**

Notes to the Company Financial Statements
For the year ended 31 December 2016

1 COMPANY ACCOUNTING POLICIES

The financial statements of the Company for the year ended 31 December 2016 are prepared in accordance with the same principles used in preparing cosolidated financial statements of the Group. For detailed accounting policies refer to the Group's financial statements.

2 AMOUNTS DUE FROM RELATED PARTIES

	31-Dec-16 US$	31-Dec-15 US$
Share option balances due from subsidiaries	82 926	82 926
Other intercompany receivables	5 750 405	5 750 405
	5 833 331	**5 833 331**
Current	5 833 331	5 833 331
Non-current	-	-
Total	**5 833 331**	**5 833 331**

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

3 AVAILABLE FOR SALE FINANCIAL ASSETS

	31-Dec-16 US$	31-Dec-15 US$
As at 1 January	377 568	407 764
Acquisition	-	-
Net fair value loss transfer to equity	(63 526)	(30 196)
Impairment	-	-
As at 31 December	**314 042**	**377 568**

The available-for-sale financial assets include Zimbabwe Stock Exchange listed shares denominated in the United States of America dollar. During the year 31 December 2014, a dividend in specie was declared by one of the Company's subsidiary's consisting of their entire holding in Turnall Holdings Limited. In turn, the Company disposed of a portion of the shares through a dividend in specie. The intercompany transaction was fully eliminated in the consolidated financial statements. An impairment loss was recognised on the remaining shares as the persistent decline in share price was an indicator of impairement.

The remaining interest represents 5% of Turnall Holdings Limited. The fair value loss was US$ 63 526 for these shares for the year.

4 INVESTMENT IN SUBSIDIARIES

4.1 Investment in subsidiaries	Equity interest 2016	Equity interest 2015	31-Dec-16 US$	31-Dec-15 US$
FBC Bank Limited	100%	100%	39 527 261	28 124 911
FBC Building Society	100%	100%	12 996 785	12 996 785
FBC Reinsurance Limited	100%	100%	5 995 330	5 995 330
FBC Securities (Private) Limited	100%	100%	379 265	379 265
Eagle Insurance Company (Private) Limited	95.4%	95.4%	1 126 987	1 126 987
Microplan Financial Services (Private) Limited	100%	100%	5 000	5 000
			60 030 628	**48 628 278**

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2016

		US$
4.2	**Movement analysis - investment in subsidiaries**	**US$**
	Year ended 31 December 2015	
	Balance as at 1 January 2015	46 286 321
	Recapitalisation of FBC Bank	2 200 000
	Recapitalisation of FBC Securities	141 957
	Balance as at 31 December 2015	**48 628 278**
	Year ended 31 December 2016	
	Balance as at 1 January 2016	48 628 278
	Recapitalisation of FBC Bank	11 402 350
	Balance as at 31 December 2016	**60 030 628**

		31-Dec-16 US$	31-Dec-15 US$
5	**TIME - SHARE ASSET**		
	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	56 250	67 500
	Depreciation	(11 250)	(11 250)
	Balance as at 31 December	**45 000**	**56 250**
	The time - share asset is included in prepayments and other assets on the consolidated statement of financial position.		
6	**AMOUNTS DUE TO RELATED PARTIES**		
	Other intercompany payables	**5 434 061**	**2 865 995**
	The liability relates to amounts payable to FBC Reinsurance Limited following purchase of Eagle Insurance Company Limited in 2011, brokerage fees to FBC Securities (Private) Limited and other balances due to Group companies.		
7	**REVENUE**		
	Net interest income	1 010 901	1 161 661
	Dividend income	4 385 368	1 794 359
	Other	-	-
		5 396 269	**2 956 020**
8	**OPERATING EXPENDITURE**		
	Staff costs	3 636 943	2 043 586
	Administration expenses	746 973	479 382
	Audit fees	20 210	5 175
		4 404 126	**2 528 143**

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
9	**TAXATION**		
	The following constitute the major components of income tax expense recognised in the statement of comprehensive income		
	Analysis of tax charge in respect of the profit for the year		
	Current income tax charge	-	-
	Deferred income tax	287 762	362 881
	Prior year under provision	-	(327 364)
	Income tax expense	**287 762**	**35 517**
10	**EARNINGS PER SHARE**		
10.1	**Basic earnings per share**		
	Profit attributable to equity holders of the parent	1 279 905	463 394
	Total	**1 279 905**	**463 394**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2016				
Issued ordinary shares as at 1 January	671 949 927	11 304 203	660 645 724	660 645 724
Treasury shares purchased	-	20 523 079	(20 523 079)	(16 782 946)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**31 827 282**	**640 122 645**	**643 862 778**
Basic earnings per share (US cents)				**0.20**
Year ended 31 December 2015				
Issued ordinary shares as at 1 January	671 949 927	6 516 226	665 433 701	665 433 701
Treasury shares purchased	-	4 787 977	(4 787 977)	(1 994 990)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**11 304 203**	**660 645 724**	**663 438 711**
Basic earnings per share for continuing operations (US cents)				**0.07**

10.2 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.

	31-Dec-16 US$	31-Dec-15 US$
Earnings		
Profit attributable to equity holders of the parent	1 279 905	463 394
Total	**1 279 905**	**463 394**
Weighted average number of ordinary shares at 31 December	643 862 778	663 438 711
Basic earnings per share for continuing operations (US cents)	0.20	0.07

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2016

		31-Dec-16 US$	31-Dec-15 US$
10.3	**Headline earnings per share**		
	Profit attributable to equity holders of the parent	**1 279 905**	**463 394**
	Adjusted for excluded remeasurements	-	-
	Headline earnings	1 279 905	463 394
	Weighted average number of ordinary shares at 31 December	**643 862 778**	**663 438 711**
	Headline earnings per share (US cents)	**0.20**	**0.07**

Shareholding Information
For the year ended 31 December 2016

Spread of shareholding

Range	Shareholders Number	%	Shares held Number('000)	%
0 - 100	1 234	14.86	106	0.02
101 - 200	1 561	18.79	290	0.04
201 - 500	2 512	30.24	796	0.12
501 - 1 000	954	11.49	669	0.10
1 001 - 5 000	1 281	15.42	2 926	0.44
5 001 - 10 000	247	2.97	1 765	0.26
10 001 - 50 000	294	3.54	6 145	0.91
50 001 - 100 000	63	0.76	4 644	0.69
100 001 - 500 000	84	1.01	20 959	3.12
500 001 - 1 000 000	19	0.23	13 108	1.95
1 000 001 - 10 000 000	47	0.57	189 468	28.20
10 000 001 -	10	0.12	431 074	64.15
Total	**8 306**	**100.00**	**671 950**	**100.00**

Analysis of shareholding

Industry	Shares held Number('000)	%
Banks	55	0.01
Companies	220 246	32.78
Employee	1 235	0.18
Deacesed Estate	16	0.00
External Companies	49 150	7.31
Fund Managers	45	0.01
Government	59	0.01
Insurance Companies	20 535	3.06
Investment Trusts And Property	3 803	0.57
Local Resident	12 730	1.89
Nominees Local	10 462	1.56
Non Residents	35 166	5.23
Non Resident Individual	5 612	0.84
Other Corporate Holdings	38	0.01
Pension Fund	312 798	46.55
Total	**671 950**	**100.00**

Top ten shareholders

Institution	Shares held Number('000)	%
National Pension Scheme	236 037	35.13
Shorecap II Limited Nnr	49 150	7.31
Stanbic Nominees (Private) Limited (Nnr)	35 016	5.21
Tirent Investments (Private) Limited	31 761	4.73
Cashgrant Investments (Pvt) Ltd	27 620	4.11
Local Authorities Pension Fund	22 333	3.32
Stanbic Nominees (Private) Limited	21 794	3.24
FBC Holdings Limited	21 320	3.17
SCB Nominees	11 743	1.75
Vidryl International (Pvt)Ltd	11 408	1.70
Total	**468 182**	**69.67**

Performance on the Zimbabwe Stock Exchange	2016	2015
Number of shares in issue	671 949 927	671 949 927
Market prices (US cents per share)		
Closing	8.00	7.00
High	8.02	9.00
Low	6.00	7.00
Market Capitalisation (US$)	53 755 994	47 036 495

Notice of Annual General Meeting

Notice is hereby given that the Thirteenth 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, 29 June 2017 at 1500 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 2016.

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, Mrs Gertrude Chikwava, Mr Herbert Nkala and Mr Robin Vela retire by rotation. Being eligible, Mrs Chikwava and Messrs Nkala and Vela offer themselves for re-election.

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 Deloitte & Touche Chartered Accountants (Zimbabwe) of Harare as auditor of the Company.

6. Amendment to Articles of Association

   To consider, and if deemed fit, pass with or without modification, the following resolutions as special resolutions:-

6.1 That the directors of the Company be and are hereby authorized to amend the Articles of Association of the Company by the insertion of additional clauses 54.1, 54.2 and 54.3 after Article 54 on Notice of General Meetings as detailed hereunder:-

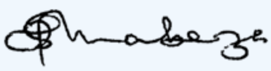
   54.1 Any notice required to be sent to members in terms of this article may, notwithstanding anything to the contrary in the aforementioned be sent by electronic means to the electronic address last furnished by such members.

   54.2 Electronic copies of the Report of Directors, Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows and all other documents required to be annexed thereto publicized on the Company's website and delivered by electronic means to every member shall be deemed to be sufficient delivery to members. Provided that should a member request a hard copy of the Report of Directors, Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows and all other documents required to be annexed thereto from the Company, the documents shall be provided to the member in hard copy format.

   54.3 Any other documents that may be required to be sent to members in terms of these articles or of the Companies Act [Chapter 24:03] may be sent to the electronic address of the members and shall be posted on the Company's official website.

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
7 June 2017

Notes

Proxy Form
For the year ended 31 December 2016

I/We ____
(names) 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, 29 June 2017 at 1500 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 dividend			
3	Resolution to re-elect the retiring directors			
4	Resolution to approve the remuneration of the directors			
5	Resolution to approve the remuneration of auditors, Deloitte & Touche Chartered Accountants and to re-appoint them			
6.	Resolution to amend the Articles of Association of the Company by insertion of additional clauses 54.1, 54.2 and 54.3			

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____2017

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, 27 June 2017.
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

FBC Holdings Limited

strength • diversity • service

2016
ANNUAL REPORT