FBC Holdings Limited

strength • diversity • service

Audited Financial Results

For The Year Ended 31 December 2017

GROUP CHAIRMAN'S STATEMENT

Financial Highlights

- Group profit before income tax increased by 14% to US$29.3 million.
- Group profit after tax increased by 6% to US$23.2 million.
- Cost to income ratio 72%.
- Basic earnings per share registered a 6% growth to 3.62 US cents per share.
- Net asset value 21.53 US cents per share.

Financial Performance Review

It gives me great pleasure to present to you, our valued stakeholders, the 2017 full year financial performance for FBC Holdings Limited. While 2017 was yet another challenging year, the Group managed to leverage on its diversified business model and strong risk management capabilities to deliver a commendable financial performance.

The 2017 Group profit before tax of US$29.3 million was 14% ahead of the prior year's comparative of US$25.7 million. Group profit after tax however, increased by 6% to US$23.2 million from US$21.9 million last year, mainly as a result of an increase in the effective tax rate from 14.6% to 20.7%, due to an increased contribution to taxable income by subsidiaries that are subject to tax. Total income for the Group was up 13% to US$105.3 million, driven by a 22% growth in the Group's net fees and commissions, stemming from its shift towards digital platforms. Net interest income was also up 3% to US$46.1 million while interest expense significantly improved by 12% from US$22.2 million to US$19.6 million. It is the Group's desire to continue pursuing initiatives that will result in the further reduction of our cost of funds, while assisting the Group in attracting longer term sources of funding that are correctly priced.

Net income from property sales was up 22% to US$1.2 million in 2017, despite a temporary decision that was made in mid-2017, to deliberately slow down property sales in response to the deterioration in the operating environment. A total of 60 housing units were however, sold in 2017 compared to 64 units that were sold in 2016 while construction activities progressed throughout the year. The Building Society had earlier in the year, purchased and warehoused key construction materials prior to various price distortions that ensued, in an effort to mitigate material price escalation.

The demand for the Group's traditional insurance products remained flat as evidenced by the reported net earned insurance premiums which were at US$18.7 million. This is similar to what was reported in the prior year. In line with the Group's strategy, the insurance units have introduced more micro insurance products to try and counteract the depressed market position. Innovation in terms of new micro-insurance products and enhanced investment income is expected to help our insurance businesses achieve their set targets in line with the strategic intent of the Group.

In recognition of the ever increasing credit risk inherent in the economic environment, the Group has been prudent in its impairment provisioning to ensure that adequate resources are set aside. Pursuant to this, an impairment allowance of US$6.9 million was provided for in 2017. The adoption of IFRS 9 and expected credit loss provisioning is projected to increase the overall impairment charge for the Group in 2018.

The Group's statement of financial position as at 31 December 2017 stood at US$712.4 million representing a 17% increase from the prior year position of US$610.1 million. The Group's capital position in the same period under review closed at US$144.2 million, representing a 17% increase from the prior year position of US$123.4 million. The Group's market capitalisation on the Zimbabwe Stock Exchange closed the year at US$134.3 million, representing a 7% trading discount to the net asset value of US$144.2 million.

Operating Environment

During the fourth quarter of 2017, the country went through a political renewal process with the new administration calling for broader economic reforms anchored on economic policy changes and incentives for key economic enablers. The economy is however, projected to grow at 4.7% in 2018 on the back of anticipated improved performance in agriculture and mining. The government's fiscal priorities suggest commendable efforts to streamline central government expenditure to avoid further inflationary shocks in the economy. In previous years, the country had been running a budget deficit whose primary financing mechanism was domestic borrowing.

Going forward, economic growth prospects will be driven by the ability of the country to attract new capital inflows, improve the ease of doing business and improve investor confidence through consistent policy formulation and implementation.

Meanwhile, the pace of innovation in the domestic market continues to heighten with supportive measures being put in place by the government and regulatory authorities to stimulate the new economic transformation agenda.

Financial Services Sector

The banking sector remained stable on the back of adequate capitalisation, improved earnings and satisfactory asset quality. The major concern for the banking sector however, has been the sustained shortages of cash and inadequate foreign currency reserves. The introduction of alternative payment solutions has greatly assisted the country in facilitating the settlement of local payments. The stimulation of exports remains paramount in addressing shortages in foreign currency reserves.

The Insurance Sector

The insurance penetration rate has remained subdued at around 3.6% due to the general slowdown of the Zimbabwean economy throughout 2017. The low uptake of insurance products has continued to negatively impact the profitability of the insurance industry as a whole, with FBC Holding's (FBCH) insurance cluster companies being no exception. Foreign currency shortages coupled with the reappearance of parallel markets during 2017, negatively impacted the industry's claim ratios for the period under review. We are however encouraged by the raft of measures that have been put in place by the Insurance Pension Commission (IPEC) to try and sanitise the misdemeanours affecting the insurance industry.

Stock Market Performance

The industrial index gained 130.4% during the year to close at 333.02 points. The bullish performance was unfortunately accelerated by hedging practices implemented by the investing public in response to the deterioration of the economic environment. Evidently, the political changes towards the end of 2017 resulted in the Zimbabwe Stock Exchange market capitalization retreating from a peak of US$15 billion to close the year at US$9.5 billion. Going forward, we strongly believe that we will witness performance driven growth on the Zimbabwe Stock Exchange.

2017 Share Price Performance

The company's listing on the Zimbabwe Stock Exchange (ZSE) was maintained and was in compliance with the listing requirements. The company did not undertake any share buy-back during the course of the year.

Developments in the monetary space saw stock market activity increasing, particularly in the second half of the year, with the FBCH share attracting relatively strong demand but with minimum trading volumes. Resultantly, 7.6 million shares were traded during the year, down from 40.9 million in 2016 at a volume weighted average share price of 15.5 US cents per share. The FBCH share closed the year at a price of 20 US cents per share and achieved a peak price of 25 US cents per share, after having opened the year at a price of 8 US cents per share.

FBC Trend-setting

FBC Holdings Limited continues its innovation dominance in the financial services sector. The Group continues to be highly visible within the financial services market place owing to various strategic marketing and public relations initiatives.

The year 2017 was a rewarding year for the Group as FBC Holdings and its various subsidiaries received industry-wide recognition. The following accolades were attained in 2017:

1. FBC Holdings Limited - The Best Banking Company of the Year listed on the Zimbabwe Stock Exchange in the Quoted Companies Survey;
2. FBC Bank - First Runner-up-Service Excellence Award in the Banking Sector Category in the Contact Centre Association of Zimbabwe (CCAZ) awards;
3. FBC Building Society - The Best in Property Development in the Residential Projects Category for the Chartered Institute of Project Managers Zimbabwe (CIPMZ).

FBC Holdings was also honored with five Corporate Governance Awards by the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) as listed below:

1. FBC Bank: Merit Award for Best Banking Risk Management Disclosures,
2. FBC Bank: Second Prize for Best Banking Internal Audit Disclosures,
3. FBC Bank: Second Prize for Overall Best Banking Corporate Governance Disclosures,
4. FBC Bank: Third Prize for Best Banking Board Governance Disclosures,
5. FBC Holdings: Third Prize for Best Stakeholder Practices and Sustainability Reporting.

FBC in the Community

FBC believes in building communities, having established a strong tradition of giving back. Through our various subsidiaries, the Group has seen an increase in corporate social responsibility activities from a financial perspective as well as in volunteer hours contributed by its stakeholders.

While the primary focus has been on improving the educational system and infrastructure within various communities, secondary initiatives have also been undertaken in the areas of health, share community trusts, as well as arts and culture. As a Group, we are well-placed to foster creative and innovative ways of making a positive impact on the well-being of the local communities in which we serve.

Digital Transformation and Innovation

Digital technology has become the bona-fide delivery platform for financial and related services the world over. In 2017, FBC Holdings' banking subsidiaries consolidated FBC's position as the bank of choice by offering reliable online banking services within the various channels which included card issuing and acquiring on the three major transaction interchange platforms, namely Zimswitch, MasterCard and VISA. The FBC Instant Card, supported by the Mobile Banking platform, Mobile Moola, and the Agency Banking network has enabled FBC Bank and Building Society to extend their distribution network beyond traditional brick and mortar, thereby extending banking services to the un-banked in support of the central bank's financial inclusion drive. This is particularly evident in the shifts in the composition of our revenue mix over the last five years.

MicroPlan has seen their turnaround time for client on-boarding, reduced to 24 hours as they begin to fully extract value from the recently commissioned micro lending system. Integration of the micro lending system with other payment platforms such as banking systems and mobile wallets has enabled them to improve efficiency in disbursements and collections. FBC Insurance has introduced a new short term insurance system that has allowed them to not only improve their customer experience through digital delivery of existing and new products, but to also improve operational efficiency through end-to-end automation of their business process.

FBC Holdings has taken a holistic approach in the entire digital transformation and innovation programme, with complementary advancements expected in the Group's culture, business model, organizational structure, operational processes, skills set and technology architecture. The Group is also cognisant of the far-reaching impact of regulatory directives which are favourable to open banking and removal of industry monopolies and boundaries in financial services.

Enhancing accessibility through innovation

Encompassing the financial needs of the consumers in marginalised communities and vulnerable segments of the societal structure remains a priority for FBC Holdings.

In 2017, the Group registered progress in terms of the un-banked and under-banked, through the launch of the low cost FBC Instant Card supported by the FBC Mobile Banking platform, Mobile Moola. To-date over 100 000 FBC Instant Cards have been issued. Mobile channels have provided an opportunity to avail services across different financial services be it transactional, credit or micro-insurance. A total of 6 300 point of sale machines have been distributed across the country by FBCH's banking subsidiary. New low cost innovative technologies are currently being developed for the benefit of our customers who will see the bank deliver unparalleled digital banking capabilities. We believe these innovations in support of financial inclusion will sustain and grow the Group's market presence.

Compliance

The Group, in line with its compliance philosophy which recognises that "Everybody is a Compliance Manager", continued to place great importance on compliance risk throughout 2017. As such, no material compliance deficiencies were noted for the financial year under review. Meanwhile, the Group has continued to invest significant resources in the compliance function, primarily directed at automating key compliance processes including risk assessment, transaction surveillance and screening. The Group remains conscious to the ever evolving regulatory environment and international best practice in order to maintain this high standard.

Environment, Social and Governance (ESG) Priorities

In line with the guidelines of sustainability reporting, the FBC Holdings has adopted an integrated Environmental, Social and Governance (ESG) reporting framework based on the International Finance Corporation (IFC) and Global Reporting Initiatives (GRI) sustainability standards. The Group has taken a deliberate initiative to be a responsible lending corporate persona, aligning its lending policies to the IFC Social and Environmental Management System (SEMS) to enhance the Group's lending activities. Its strategic lending personnel have undergone extensive training in responsible lending, which is in line with international best practice.

The Group continues to raise awareness, both internally and externally, in the reduction of waste, water and energy usage and is committed to operating sustainably and making a positive contribution for future generations.

Directorate

Mr James Tirivavi Chiuta was appointed to the Board with effect from 12 December 2017. James brings on board a wealth of experience having worked for a number of organisations in the financial services sector. I welcome James to the Group and look forward to his wise counsel.

Dividend

On behalf of the Board of Directors, I am pleased to advise shareholders that a final dividend of 0.8417 US cents per share was proposed. This makes a total dividend of 1.0652 US cents per share, together with the interim dividend of 0.2235 US cents per share which was paid in September 2017. The total dividend declared for the year 2017 amounted to US$7.1 million.

Outlook

We remain optimistic that the Zimbabwean economy is well positioned for economic prosperity in the near future with all our business units strategically positioned to capitalise on better business development opportunities. Digital transformation, investment in ICT capabilities and strengthening our compliance and risk management frameworks remain the key enablers for our business going forward.

We look forward to making significant strides as we consolidate on our exciting digital transformation journey.

Appreciation

My sincere gratitude goes out to our various stakeholders, strategic partners, clients and regulatory authorities for their steadfast support and commitment to the FBC Holdings brand.

I am also grateful to my fellow Non-Executive Directors of FBCH, Group Chief Executive John Mushayavanhu and the entire FBC Team for placing the Group on a path of sustainable growth. I look forward to your unwavering support throughout the year ahead.

Herbert Nkala
Group Chairman
28 March 2018

FBC Holdings Limited

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Audited Financial Results

For The Year Ended 31 December 2017

GROUP CHIEF EXECUTIVE'S REPORT

I am pleased to present to you FBC Holdings' audited financial results for the 12 months ended 31 December 2017. While the operating environment remained difficult throughout 2017, the Group managed to withstand the difficulties, posting a commendable US$29.3 million in profit before tax for the 12 months ended 31 December 2017.

Market Dynamics

The Group operated in a very challenging and depressed environment, characterized by unprecedented and accelerated changes on many fronts, including political, economic, social and technological changes. The operating environment resulted in uncertainty and volatility in macro-economic fundamentals and the Group's business units responded accordingly. Effective risk management, digital transformation and innovation have become the hallmark for the Group's operations and broader strategy overall.

Superior service and strategy execution have become paramount in harnessing the power of the accelerated changes in technology in order to manage competitive pressures, while keeping pace with our stakeholders' expectations.

Macroeconomic Developments

The Zimbabwean economy witnessed significant economic and political changes in 2017, coupled with the persistent local cash shortages and the unavailability of foreign currency that peaked in the third quarter of 2017. The change in the political landscape in November 2017 brought optimism and hope for economic recovery in Zimbabwe. The economy is projected to grow at 4.7% in 2018 against sub-Saharan regional growth projections of 3.3%. Zimbabwe's economic growth projections are anchored on improved performance in the mining and agricultural sectors of the economy. Foreign investor confidence and international community support remains of paramount importance for sustainable economic growth in Zimbabwe.

Performance of the Group

Despite the challenging operating environment, the Group performed exceptionally well in 2017. The Group's profit before tax rose by 14% to US$29.3 million, from US$25.7 million recorded in 2016. This robust performance was attributable to improvement in revenue contributions from the Group's six subsidiaries. Total income increased by US$12.3 million to US$105.3 million from US$93.0 million recorded in 2016. The increase in the Group's total income by 13% in 2017 is a strong indicator of the revenue generating capacity of FBC Holdings that is strengthened by our preferred diversified business model.

The Group's net interest income grew by 3% to US$46.1 million from US$44.8 million recorded in 2016. Its contribution to the Group's total income declined to 44% from 48% in 2016, despite an increase of 9% in the lending portfolio from US$276.5 million recorded in 2016 to US$300.7 million during the period under review. The Group continues to be cautious in its lending philosophy and consistently monitors asset quality to preserve shareholder value. Our allowance for impairment loss provision reduced marginally in 2017 to reflect the quality of our loans portfolio. The Group adopted a deliberate strategy to manage cost of funds and attract cheaper sources of funding. This has yielded positive results, with interest expense declining favorably by 12% between 2016 and 2017.

Net fee and commission income continues to drive the business with the transacting public now embracing the high usage of plastic money due to the current cash shortages. Net fee and commission income surged significantly by 22% to US$31.6 million from US$25.9 million achieved in 2016. The contribution to total net income also improved from 28% to 30% due to a corresponding surge in transactional volumes on our digital banking platforms, reinforced by an aggressive investment in our digital infrastructure, Instant Card services as well as the Agency Banking outreach programme.

Gross profit on property sales was up 22%, although the Group deliberately slowed down on property sales in view of the need to hedge against inflationary pressures that were witnessed between the second and third quarters of 2017. Construction activities however, progressed in line with project plans, owing to advance purchase and warehousing of key construction materials at the start of 2017.

Net earned insurance premium was generally flat at US$18.7 million and its contribution to total net income dropped marginally to 18% from 20% in 2016, as a result of a slump in insurance premium revenues and a general decline in the uptake of insurance products.

FBC Holdings continues to benefit from operational efficiencies through cost containment strategies across all its subsidiaries, with the cost to income ratio improving further to 72% in 2017 from 73% in 2016. Operating expenses at US$57 million were however 20% higher than the previous year's figure of US$47.5 million.

The Group recorded a 17% growth in total assets at US$712.4 million, compared to the previous year. The growth in the statement of financial position is a result of continued customer loyalty to the ever growing FBC brand. Total equity attributable to shareholders of the Group grew by 17% to US$144.2 million from US$123.4 million in 2016.

FBC Bank Limited

FBC Bank recorded a profit before tax of US$16.6 million from US$12.2 million in 2016, which is a 36% improvement on 2016. This was largely driven by the shift in transaction volumes towards internet, mobile platforms, plastic money and agency banking. The Bank's cost to income ratio for the period improved significantly to 72% from 75% in 2016 as the Group embraced digital transformation and innovative cost containment strategies that fostered operational efficiencies.

The statement of financial position for the Bank grew by 19% from US$470.2 million in 2016 to US$558.1 million, driven by growth in deposits. The Bank participated in the issuance of agro bills totaling US$20 million in our effort to promote the growth and development of various agriculture value chains.

The Bank's lending portfolio increased marginally to US$222.1 million from US$202.3 million in the previous year. The Bank continues to pursue a cautious lending strategy with priority given to asset quality and aggressive provisioning and write offs, evidenced by the reduction in our non-performing loans to 4.14% for 2017, which is within the Reserve Bank of Zimbabwe (RBZ) compliance guidelines of 5%.

The Bank's core capital which currently stands at US$75.2 million is well in excess of the US$25 million minimum capital requirement set by the RBZ and we are confident that the Bank will trade itself into compliance with the 2020 capital requirement of US$100 million. For this to be achieved, the Bank has to post a minimum profit after tax of US$8 million every year between 2018 and 2020 and based on the current trading history, we expect the Bank to post profits well in excess of that target minimum.

In line with its financial inclusion strategy, FBC Bank continues to bolster its SME-banking business, targeting the ever growing SME sector and the abundant opportunities in that segment. The Bank has to-date deployed more than 6,300 Point of Sale terminals and distributed over 100,000 FBC Instant Cards onto the market.

FBC Bank is rolling out a digital transformation and innovation strategy aimed at transforming the Bank into a digital bank which will bring enhanced banking convenience and market-leading service experience to our customers.

FBC Building Society

The Building Society remains a dominant player in the properties market with 60 additional housing units having been completed and sold during the year. The increased demand in the properties market continues to present further business opportunities for the Society.

Despite the limited access to correctly priced long term financing, the Building Society posted a net surplus of US$9.3 million, which is 9% up from the 2016 net surplus of US$8.5 million. Total net income for the period amounted to US$17.2 million against US$15.6 million recorded in 2016, while operating expenses increased by 14% to US$7.3 million due to price distortions stemming from inflationary pressures experienced during the course of 2017.

The statement of financial position for the Building Society declined by 12% to US$129.9 million from US$147.7 million in 2016 as the unit continues to manage its sources of funding. Deposits decreased by 26% from US$93.8 million to US$69.2 million, whilst the loan portfolio grew marginally to US$59.1 million from US$58.4 million in the prior period. The Building Society's capitalization remains solid and above the US$20 million prescribed minimum capital requirement. The Society's current core capital is US$47.4 million, up 15% from 2016.

The Building Society maintained its credit rating of BBB- from the Global Credit Rating Agency in 2017.

MicroPlan Financial Services (Private) Limited

MicroPlan, the Group's micro finance business, continues to perform exceptionally well, recording a profit before tax of US$4.5 million, which was 15% of the Group's profit before tax. The Group continues to support MicroPlan with business development strategies and strong risk management techniques and this has given the unit a competitive edge over its peers.

MicroPlan underwent a process of credit rating by an independent international rating agency, MicroFinanza, in 2016 and achieved a maiden credit rating of BBB- which is currently the highest in the micro finance sector in Zimbabwe. They were again rated in 2017 and scored a higher rating of BBB.

The unit's loan book now stands at US$19.8 million, making it the second largest non-deposit taking micro finance institution in Zimbabwe. Its capital levels have also increased by 34% from US$7.1 million to US$9.5 million, which is well above the regulatory minimum requirement of US$25 000 for microfinance institutions.

MicroPlan opened 2 new branches in 2017 in Beitbridge and Hwange as the micro finance services provider continued to reinforce its presence in the more remote parts of the country. In response to the call for financial inclusion, to-date, MicroPlan boasts of 19 branches in Zimbabwe which are actively rolling out new microfinance products such as micro-leasing, micro mortgages, micro-insurance and rural agriculture finance. The unit works in close partnership with targeted development agencies to advance its financial inclusion strategy.

FBC Securities (Private) Limited

The Zimbabwe Stock Exchange witnessed a bullish performance in 2017 with the benchmark industrial index rallying a remarkable 129% to close stronger at 333.02 points as investors sought refuge from weaker fundamentals, including foreign currency induced inflation. This had a positive impact on the performance of the stockbroking unit which posted an impressive profit before tax of US$0.6 million.

The unit remains active in international capital markets and has diversified its revenue streams to include fixed income securities trading. In the outlook, the unit will continue to diversify its revenue lines in addition to equities trading, fixed income trading and sponsoring broker services.

FBC Reinsurance Limited

FBC Reinsurance recorded a gross premium income of US$20.6 million which is 30% higher than the US$15.8 million underwritten in 2016, as the investment in Life and Health Reinsurance business lines gradually begins to payoff. Profit before tax amounted to US$1.7 million, which is however, 26% lower than the US$2.3 million recorded in 2016. The insurance business in general, follows the performance of the macroeconomic environment as consumers re-look at their expenditure priorities, which unfortunately do not favour insurance. As the economy opens up, we are optimistic that there will be a better contribution coming from FBC Reinsurance Limited.

The company continues to observe a strong underwriting culture and adherence to robust risk management systems. It enjoys a considerable market share of 19% due to its client retention strategies and new business relationships. FBC Reinsurance maintained its A- rating for claims paying ability from the Global Credit Rating Agency of South Africa.

The company enhanced its retrocession program by the inclusion of an A- rated global reinsurer on the panel. As a result, the business underwritten by FBC Re is reinsured with some of the strongest global reinsurers. In addition, the company has strategic partnerships with top- rated specialist markets which cover risks arising from cyber risks, political unrest and terrorism.

Efforts are currently underway for FBC Reinsurance to establish an operation in the Republic of Mauritius, with a view to diversify the earnings source of our reinsurance portfolio.

FBC Insurance Company Limited

FBC Insurance Company Limited, which was re-branded from Eagle Insurance Company Limited, recorded a spirited performance in spite of the challenging operating environment. The company's Gross Written Premium increased by 2% to US$19.0 million from US$18.6 million in 2016. Profit before tax was 7% lower at US$1.4 million, down from US$1.5 million the previous year.

The company exercises robust risk management, engages in prudent underwriting and continues to maintain a highly liquid balance sheet. FBC Insurance maintained its Global Credit Rating of A-, demonstrating its strong claims paying ability.

The company has started to underwrite life and health business through its partnership with regional life and health insurance giant, Liberty Life of South Africa. In the outlook FBC Insurance continues to benefit from the development of new insurance products in the micro-insurance space.

Regulatory Capitalization Requirements

The capitalization of the Group's subsidiaries remains of strategic importance. All our business units are well capitalized above the regulatory minimum thresholds required by their respective regulatory bodies. In the case of FBC Bank, we are confident that the unit will trade itself into compliance, with only US$8 million annual profits required between 2018 and 2020 to achieve the capital target of US$100 million by 2020. Irrespective of the 2017 operating environment, the Bank achieved an after tax profit of US$12.0 million, and with the current positive outlook, we are optimistic that the Bank will continue to improve its performance.

Risk Management

FBC Holdings uses a robust risk management framework anchored on the Enterprise-Wide Risk Management (ERM) Model. The success of the Group lies in its ability to manage risk effectively, while creating value for its stakeholders. The ERM Model has enabled the Group to classify and price risk appropriately, as we pursue our 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 critical success factors in corporate strategy implementation and execution. The Group continuously reviews its risk appetite to ensure that there is proper alignment of the business strategy and the risk governance of the organization. Review of policy and procedure manuals is conducted at least once every year to ensure alignment with changes in the operating environment.

The Group is in the process of adopting IFRS 9: financial instruments and has adopted Basel II/III, including other regulatory standards to enhance the risk management framework. We have adopted standards such as Internal Capital Adequacy Assessment Processes (ICAAP), Stress Testing and Resolution and Recovery Planning. Our internal control environment continues to improve through the adoption of these standards. The Group's risk governance structure remains anchored on effective oversight by the Board of Directors and senior management.

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

FBC Holdings adheres to international best practice in combating the financing of terrorism and the prevention of money laundering. The Group has put in place the necessary Know Your Customer (KYC) and Customer Due Diligence (CDD) controls that are tailored to prohibit the movement of funds derived from criminal activities and to curb the availability of funds for terrorist activities and the prevention of illicit financial flows. The Group is guided by regulatory and supervisory standards of bodies that govern our diverse strategic business units 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 (FIU). Some of the key controls that have been put in place to minimize Money Laundering and Terrorist Financing risk, include the following: Board and Senior Management Oversight, 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 solutions for Risk Assessment, Transaction Surveillance, Screening and KYC. We will continue to work with our key stakeholders including our Correspondent Bankers and the FIU to ensure that we maintain a robust AML/CFT governance environment.

Responsible Business and Community Investments

The Group has reoriented its Environmental, Social and Governance (ESG) Policy and adopted an integrated ESG reporting framework based on the International Finance Corporation (IFC) and Global Reporting Initiative (GRI) reporting principles and guidelines. The Group has instituted training for responsible lending for our strategic lending units that include Corporate and Institutional Banking, Credit Management and SME Banking divisions. The Group has aligned its credit policy to the IFC social and environmental management system (SEMS) in line with international best practice for impact investments.

Student education support is at the core of FBC Holdings' corporate social responsibility strategy and the Group prides itself in sponsoring e-Learning initiatives in schools across the country's 10 provinces. We have established e-Learning centers and pledged projectors, smart boards and laptops to these schools. In the period under review, the Group pledged 900 laptops which will benefit an estimated 4000 students countrywide. Currently, the Group supports the MSU-FBC Scholarship Fund, sponsoring a number of underprivileged students annually.

The Group continues to champion the cause for the underprivileged in society. We donated an Early Childhood Development (ECD) classroom block for Chikukutu, a rural primary school in Bikita. The Group also donated funds to more than 10 charitable organisations nationwide. The Group values the contribution of sports towards social-economic development. Accordingly, we sponsored the 2017 All Africa Golf Team Championships to the tune of US$35,000. The Group invested more than US$148,000 towards sustainable, value driven and mutually beneficial corporate social responsibility in the areas of education, health and sports in 2017.

Environmental Management

FBC Holdings has adopted the IFC and GRI reporting guidelines on environmental management principles in all the sectors it operates in and continually attempts to limit the impact of environmental risks to all its stakeholders. The Group's housing development projects are subjected to Environmental Management Agency (EMA) inspection prior to any construction works. As we look into the future, we believe that protecting the environment and contributing to the development of sustainable food and energy resources is imperative, without which we would compromise the livelihoods of future generations.

Human Capital Development

The Group enjoys a cordial working relationship with its employees across all its subsidiaries, with a total staff complement of just over 700 employees, of whom 20% are in various internship programs across the Group. Critical skills that are essential in delivering service to our valued customers and stakeholders were preserved during the year. Employee commitment to the Group remains satisfactory as reflected by the level of employee engagement which in 2017 surpassed the average level recorded since 2012.

The Group continuously reviews its human resources policies to ensure that areas which increase the level of employee commitment and consequently productivity are given priority. These include but are not limited to employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, work life balance, employee wellness, safety and health and other employee related matters which influence employee engagement and productivity.

Information Technology, Digital Transformation and Innovation

In order to continuously improve the FBC brand and customer experience, the Group has re-oriented the business towards digital transformation and innovation. To this end, the Group has made significant progress in leveraging technology to enhance efficiency, lower costs and deliver superior customer experience and convenience through the establishment of a dedicated projects management office and an innovations office that monitors ICT projects and product innovation.

The Group's financial inclusion strategy is focused on broadening access to financial services for the un-banked and under-banked, particularly in the remote areas. The FBC Instant Card and Agency Banking have been introduced to complement existing efforts in marginalized market segments. The Group is proactively integrating the various ICT systems to the core banking system to enable seamless transactions in order to promote financial inclusion.

FBC Holdings continues to maintain a global presence in the international payments market, through the acquirer capability for the VISA international card in addition to the MasterCard product. The Group has implemented an information security management system based on the ISO27001 standard. This has ensured data protection in an era where cyber security is a major concern across the globe. Digital transformation and innovation have become fundamental to the FBC value chain. The Group has assembled a digital transformation and innovation team that is currently reviewing our digital technology architecture with the objective of developing and implementing a digital transformation and innovation strategy in view of our ever changing customer needs.

The Group invested significantly in technology, digital transformation and innovation as technology continues to shape the future of our diverse businesses in delivering superior customer experience. We have also initiated various digital transformation programs from board level down to the shop flow level across the Group, with a view to align our skills set with the realities of the present and future.

Service Delivery and Customer Experience

FBC Holdings remains committed to delivering excellent and superior service that enhances customer loyalty. The Group has continued on its branch refurbishment drive, creating a more modern ambience for the branches. We are proud to have opened 2 new MicroPlan branches in Hwange and Beitbridge in our relentless efforts to promote financial inclusion countrywide.

Competitive Drive and Product Development

Our product research and development committee, together with the project management office, have become a key component to the overall business strategy as we continue to roll out a diverse range of products in line with our customers' ever- changing needs and expectations, while remaining cognizant of the competitive operating environment. Our integrated Mobile App has given the much needed convenience to customers through improved product access.

Appreciation

I would like to extend my heartfelt appreciation to all our stakeholders and particularly to our valued and loyal customers who have demonstrated unwavering support for the Group in this challenging operating environment. I am also grateful to the FBC Holdings Board of Directors, Management and staff for their guidance, contribution and support in the execution of our business strategy. In this vein, we promise our esteemed stakeholders that the Group will continue to deliver sustainable, innovative and market-leading products to the present and future generations.

John Mushayavanhu
Group Chief Executive
28 March 2018

FBC Holdings Limited

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Audited Financial Results

For The Year Ended 31 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
Interest income	18	65 715 846	67 000 371
Interest expense	18.1	(19 647 155)	(22 202 373)
Net interest income		**46 068 691**	**44 797 998**
Fee and commission income	19	31 928 468	26 092 451
Fee and commission expense	19.1	(322 495)	(174 718)
Net fee and commission income		**31 605 973**	**25 917 733**
Revenue	20	5 387 808	7 001 895
Cost of sales	20.1	(4 212 915)	(6 039 694)
Net income from property sales		**1 174 893**	**962 201**
Insurance premium revenue	21	30 988 208	32 695 860
Premium ceded to reinsurers and retrocessionaires		(12 288 100)	(13 910 791)
Net earned insurance premium		**18 700 108**	**18 785 069**
Net trading income		1 367 267	517 641
Net gain from financial assets at fair value through profit or loss	22	636 005	231 188
Other operating income	23	5 740 990	1 814 251
		7 744 262	**2 563 080**
Total net income		**105 293 927**	**93 026 081**
Impairment allowance on financial assets	5.4	(6 883 565)	(7 874 767)
Net insurance commission expense	24	(3 783 042)	(4 331 491)
Insurance claims and loss adjustment expenses	25	(8 279 135)	(7 672 766)
Administrative expenses	26	(57 044 631)	(47 471 352)
Profit before income tax		**29 303 554**	**25 675 705**
Income tax expense	27	(6 055 324)	(3 737 979)
Profit for the year		**23 248 230**	**21 937 726**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Gains on property revaluation		1 311 411	-
Tax		(313 684)	-
		997 727	**-**
Items that may be subsequently reclassified to profit or loss			
Loss on available for sale financial assets		(27 177)	(63 526)
Tax		272	635
		(26 905)	**(62 891)**
Total other comprehensive income/(loss), net income tax		**970 822**	**(62 891)**
Total comprehensive income for the year		**24 219 052**	**21 874 835**
Profit attributable to:			
Equity holders of the parent		23 197 279	21 885 495
Non - controlling interest		50 951	52 231
Profit for the year		**23 248 230**	**21 937 726**
Total comprehensive income attributable to:			
Equity holders of the parent		24 164 106	21 822 604
Non - controlling interest		54 946	52 231
Total comprehensive income for the year		**24 219 052**	**21 874 835**
Earnings per share (US cents)			
Basic earnings per share	28.1	**3.62**	**3.40**
Diluted earnings per share	28.2	**3.62**	**3.40**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
ASSETS			
Balances with other banks and cash	4	181 002 565	184 244 019
Financial assets held to maturity		112 878 823	75 078 481
Loans and advances to customers	5.1	300 746 805	276 534 813
Trade and other receivables including insurance receivables	5.2	9 639 660	9 120 237
Bonds and debentures	6	27 633 715	9 139 955
Financial assets at fair value through profit or loss	7	2 365 325	1 102 173
Available for sale financial assets	8	835 710	862 886
Inventory	9	6 523 937	5 171 336
Prepayments and other assets	10	23 684 304	10 054 693
Current income tax asset		655 613	-
Deferred income tax assets		7 586 301	8 145 597
Investment property	11	8 184 400	3 710 457
Intangible assets	12	1 851 136	1 890 026
Property and equipment	13	28 849 191	25 090 044
Total assets		**712 437 485**	**610 144 717**
EQUITY AND LIABILITIES			
Liabilities			
Deposits and borrowings from other banks and customers	14	523 984 853	455 501 429
Insurance liabilities	15	7 680 864	9 470 934
Trade and other payables	16	35 311 178	19 809 097
Current income tax liability		70 599	878 275
Deferred income tax liability		834 055	772 386
Total liabilities		**567 881 549**	**486 432 121**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	17.3	14 089 892	14 089 892
Other reserves		38 807 167	37 840 340
Retained profits		91 326 329	71 488 214
		144 223 388	**123 418 446**
Non controlling interest in equity		332 548	294 150
Total equity		**144 555 936**	**123 712 596**
Total equity and liabilities		**712 437 485**	**610 144 717**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Share premium US$	Retained profits US$	Treasury shares US$	Non-distributable reserve US$	Revaluation reserve US$	Available for sale reserve US$	Changes in ownership US$	Total US$	Non-controlling Interest US$	Total equity US$
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**
Transaction 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**
Balance as at 1 January 2017	**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**
Profit for the year	-	-	23 197 279	-	-	-	-	-	23 197 279	50 951	23 248 230
Other comprehensive income											
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	993 732	-	-	993 732	3 995	997 727
Loss on available for sale financial assets	-	-	-	-	-	-	(26 905)	-	(26 905)	-	(26 905)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**993 732**	**(26 905)**	**-**	**966 827**	**3 995**	**970 822**
Total comprehensive income	**-**	**-**	**23 197 279**	**-**	**-**	**993 732**	**(26 905)**	**-**	**24 164 106**	**54 946**	**24 219 052**
Transaction with owners:											
Dividend declared and paid	-	-	(3 359 164)	-	-	-	-	-	(3 359 164)	(16 548)	(3 375 712)
Total transactions with owners recognised directly in equity	**-**	**-**	**(3 359 164)**	**-**	**-**	**-**	**-**	**-**	**(3 359 164)**	**(16 548)**	**(3 375 712)**
Balance as at 31 December 2017	**6 719**	**14 083 173**	**91 326 329**	**(2 501 344)**	**36 624 611**	**3 163 733**	**(150 504)**	**1 670 671**	**144 223 388**	**332 548**	**144 555 936**

Audited Financial Results
For The Year Ended 31 December 2017

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2017

	Note	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
Cash flow from operating activities			
Profit before income tax		29 303 554	25 675 705
Adjustments for non cash items:			
Depreciation	13	2 339 547	2 079 725
Amortisation charge	12	626 899	516 869
Impairment loss on loans and advances including on insurance receivables	5.4	6 883 565	7 874 767
Fair value adjustment on investment property	11	(2 129 962)	5 320
Impairment reversal on property and equipment	13	(1 629)	-
Impairment loss on intangible assets	12	27 890	1 337
Fair value adjustment on financial assets at fair value through profit or loss		(636 005)	(231 188)
Profit on disposal of property and equipment	23	(14 326)	(34 562)
Net cash generated before changes in operating assets and liabilities		**36 399 533**	**35 887 973**
Increase in financial instrument held to maturity		(37 800 342)	(25 454 448)
Increase in loans and advances		(31 095 557)	(1 437 887)
Increase in trade and other receivables		(519 423)	(1 020 708)
Increase in bonds and debentures		(18 493 760)	(437 635)
(Increase)/decrease in financial assets at fair value through profit or loss		(627 147)	179 052
Increase in available for sale financial assets		-	(145 859)
(Increase)/decrease in inventory		(1 352 601)	941 318
Increase in prepayments and other assets		(13 629 611)	(4 388 125)
Increase in investment property		(2 343 981)	(1 243 637)
Increase in deposits from customers		165 407 265	45 836 574
(Decrease)/increase in deposits from other banks		(26 120 915)	36 864 692
(Decrease)/increase in insurance liabilities		(1 790 070)	66 506
Increase in trade and other payables		15 502 081	5 875 248
		83 535 472	**91 523 064**
Income tax paid		(7 211 061)	(5 669 049)
Net cash generated from operating activities		**76 324 411**	**85 854 015**
Cash flows from investing activities			
Purchase of intangible assets	12	(615 899)	(1 510 286)
Purchase of property and equipment	13	(4 851 082)	(2 631 552)
Proceeds from sale of property and equipment		79 754	143 203
Net cash used in investing activities		**(5 387 227)**	**(3 998 635)**
Cash flows from financing activities			
Proceeds from borrowings		2 800 000	12 989 191
Repayment of borrowings		(73 602 926)	(908 996)
Dividend paid to the company's shareholders		(3 359 164)	(2 497 332)
Dividend paid to non-controlling interests		(16 548)	(17 264)
Purchase of treasury shares		-	(939 023)
Net cash (used)/generated from financing activities		**(74 178 638)**	**8 626 576**
Net (decrease)/increase in cash and cash equivalents		**(3 241 454)**	**90 481 956**
Cash and cash equivalents at beginning of the year		184 244 019	93 762 063
Cash and cash equivalents at the end of year	4.2	**181 002 565**	**184 244 019**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 28 March 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

A full set of the Group's accounting policies is available in the Group's annual report, which is ready for inspection at the Company's registered office. The following paragraphs describe the main accounting policies applied by the Group. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

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

The 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 losses 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 RESULTS (cnt'd)
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

(c) Disposal of subsidiaries

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

2.3 Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it earns revenues and 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.

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.

The areas involving critical accounting estimates and judgements include impairment allowances, income taxes, claims and inventory valuation.

		Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
4	**BALANCES WITH BANKS AND CASH**		
4.1	**Balances with Reserve Bank of Zimbabwe ("RBZ")**		
	Current account balances	**135 219 548**	**95 549 439**
	Balances with banks and cash		
	Notes and coins	5 228 887	6 914 832
	Other bank balances	40 554 130	81 779 748
		45 783 017	**88 694 580**
	Balances with banks and cash (excluding bank overdrafts)	**181 002 565**	**184 244 019**
	Current	181 002 565	184 244 019
	Non-current	-	-
	Total	**181 002 565**	**184 244 019**
4.2	**Cash and cash equivalents**		
	Cash and bank balances comprise of balances with less than three months maturity from date of acquisition, including cash on hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.		
	Cash and cash equivalents include the following for the purposes of the statement of cash flows;		
	Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	135 219 548	95 549 439
	Balances with banks and cash (note 4.1)	45 783 017	88 694 580
		181 002 565	**184 244 019**
5	**LOANS AND RECEIVABLES**		
5.1	**Loans and advances to customers**		
	Loans and advance maturities		
	Maturing within 1 year	96 850 768	110 171 383
	Maturing after 1 year	219 133 866	185 463 630
	Gross carrying amount	**315 984 634**	**295 635 013**
	Impairment allowance	(15 237 829)	(19 100 200)
		300 746 805	**276 534 813**
5.2	**Trade and other receivables including insurance receivables**		
	Insurance receivables;		
	- Due by insurance clients and insurance brokers	8 625 540	6 292 404
	- Due by reinsurers	415 586	436 287
	- Due by retrocessionaires	1 011 934	2 539 016
	Gross carrying amount	**10 053 060**	**9 267 707**
	Impairment allowance	(413 400)	(147 470)
		9 639 660	**9 120 237**
	Current	9 639 660	9 120 237
	Non-current	-	-
	Total	**9 639 660**	**9 120 237**

5.3 Irrevocable commitments

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

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (cnt'd)
FOR THE YEAR ENDED 31 DECEMBER 2017

5.4 Allowance for impairment	Loans and advances US$	Trade and other receivables US$	Total US$
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
Impairment reversal	(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**

	Loans and advances US$	Trade and other receivables US$	Total US$
Balance as at 1 January 2017	**19 100 200**	**147 470**	**19 247 670**
Impairment allowance through statement of comprehensive income	6 617 635	265 930	6 883 565
Amounts written off during the year as uncollectible	(8 327 467)	-	(8 327 467)
Interest in suspense/ (recoveries)	(2 152 539)	-	(2 152 539)
Balance as at 31 December 2017	**15 237 829**	**413 400**	**15 651 229**

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
6 BONDS AND DEBENTURES		
Maturing after 6 months but within 3 years	**27 633 715**	**9 139 955**

Bonds have fixed interest rates of 7%, 10% and 5%. They mature on 30 June 2018, 30 September 2018, 30 June 2019 and 30 September 2020.

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed securities at market value	**2 365 325**	**1 102 173**
Current	2 365 325	1 102 173
Non-current	-	-
Total	**2 365 325**	**1 102 173**

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other operating income' in the statement of comprehensive income. The fair value of all equity securities is based on their bid prices on an active market, the Zimbabwe Stock Exchange at year end.

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
8 AVAILABLE FOR SALE FINANCIAL ASSETS		
Listed securities at market value	**835 710**	**862 886**
Current	835 710	862 886
Non-current	-	-
Total	**835 710**	**862 886**
9 INVENTORY		
Raw materials	125 368	67 719
Work in progress	4 089 434	1 835 080
Finished goods	2 309 135	3 268 537
	6 523 937	**5 171 336**
Current	6 523 937	5 171 336
Non-current	-	-
Total	**6 523 937**	**5 171 336**

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
10 PREPAYMENTS AND OTHER ASSETS		
Prepayments	6 472 439	1 404 660
Deferred acquisition costs	742 791	741 296
Commission receivable	-	1 711 043
Refundable deposits for Mastercard and Visa transactions	4 664 519	2 574 983
Stationery stock and other consumables	19 024	20 869
Time - share asset	33 750	45 000
Zimswitch acquiring receivables	8 075 828	2 966 790
Other assets	3 675 953	590 052
	23 684 304	**10 054 693**
Current	23 650 554	8 298 650
Non-current	33 750	1 756 043
Total	**23 684 304**	**10 054 693**
11 INVESTMENT PROPERTY		
Balance as at 1 January	3 710 457	2 472 140
Additions	2 483 981	1 615 028
Fair value adjustment	2 129 962	(5 320)
Disposals	(140 000)	(371 391)
Balance as at 31 December	**8 184 400**	**3 710 457**
Non-current	8 184 400	3 710 457
Total	**8 184 400**	**3 710 457**

12 INTANGIBLE ASSETS	Software US$
Year ended 31 December 2017	
Opening net book amount	1 890 026
Additions	615 899
Impairment loss	(27 890)
Amortisation charge	(626 899)
Closing net book amount	**1 851 136**
As at 31 December 2017	
Cost	6 538 746
Accumulated amortisation	(4 658 383)
Accumulated impairment	(29 227)
Net book amount	**1 851 136**
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 RESULTS (cnt'd)
FOR THE YEAR ENDED 31 DECEMBER 2017

13 PROPERTY AND EQUIPMENT

	Land and buildings US$	Machinery US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
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**
Year ended 31 December 2017						
Opening net book amount	16 677 756	-	1 376 857	5 909 816	1 125 615	25 090 044
Additions	294 168	-	524 705	3 234 580	797 629	4 851 082
Revaluation of property	1 311 411	-	-	-	-	1 311 411
Impairment reversal	1 629	-	-	-	-	1 629
Disposals	-	-	(572)	(62 752)	(2 104)	(65 428)
Depreciation	(414 680)	-	(517 987)	(1 027 066)	(379 814)	(2 339 547)
Closing net book amount	**17 870 284**	**-**	**1 383 003**	**8 054 578**	**1 541 326**	**28 849 191**
As at 31 December 2017						
Cost or valuation	19 101 547	184 423	5 035 366	12 467 614	3 511 902	40 300 852
Accumulated depreciation	(1 232 892)	(184 423)	(3 652 363)	(4 405 154)	(1 719 025)	(11 193 857)
Accumulated impairment	1 629	-	-	(7 882)	(251 551)	(257 804)
Net book amount	**17 870 284**	**-**	**1 383 003**	**8 054 578**	**1 541 326**	**28 849 191**

14 DEPOSITS AND BORROWINGS FROM OTHER BANKS AND CUSTOMERS

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
14.1 Deposits from customers		
Demand deposits	266 871 536	123 120 420
Promissory notes	52 691 470	29 644 300
Other time deposits	101 110 931	102 501 952
	420 673 937	**255 266 672**
Current	415 565 186	250 293 348
Non-current	5 108 751	4 973 324
Total	**420 673 937**	**255 266 672**
14.2 Deposits from other banks		
Money market deposits	88 729 907	114 850 822
Current	**88 729 907**	**114 850 822**
14.3 Borrowings		
Foreign lines of credit	13 499 380	85 194 115
Other borrowings	1 081 629	189 820
	14 581 009	**85 383 935**
Current	2 638 004	72 850 007
Non-current	11 943 005	12 533 928
Total	**14 581 009**	**85 383 935**
Total deposits and borrowings	**523 984 853**	**455 501 429**

14.4 Deposit concentration

	2017 US$	2017 %	2016 US$	2016 %
Agriculture	18 406 872	4%	13 041 693	3%
Construction	9 410 422	2%	6 598 389	1%
Wholesale and retail trade	101 394 353	19%	71 826 042	16%
Public sector	34 343 637	7%	27 464 401	6%
Manufacturing	47 777 712	9%	27 687 781	6%
Telecommunication	29 651 248	6%	10 380 673	2%
Transport	20 203 403	4%	6 521 667	1%
Individuals	61 003 339	10%	42 973 492	9%
Financial services	89 522 891	17%	176 011 564	39%
Mining	61 813 610	12%	26 083 386	6%
Other	50 457 366	10%	46 912 341	11%
	523 984 853	**100%**	**455 501 429**	**100%**

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
15 INSURANCE LIABILITIES		
Gross outstanding claims	4 441 660	6 321 008
Liability for unearned premium	3 239 204	3 149 926
	7 680 864	**9 470 934**
Current	7 680 864	9 470 934
Total	**7 680 864**	**9 470 934**
16 TRADE AND OTHER PAYABLES		
Trade and other payables	12 575 694	8 580 473
Deferred income	5 908 279	4 487 315
VISA and MasterCard settlement payables	9 484 047	886 415
Other liabilities	7 343 158	5 854 894
	35 311 178	**19 809 097**
Current	35 311 178	19 809 097
Non-current	-	-
Total	**35 311 178**	**19 809 097**
17 SHARE CAPITAL AND SHARE PREMIUM		
17.1 Authorised		
Number of ordinary shares, with a nominal value of US$0,00001	800 000 000	800 000 000
17.2 Issued and fully paid		
Number of ordinary shares, with a nominal value of US$0,00001	671 949 927	671 949 927

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17.3 Share capital movement

	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 1 January 2016	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**
Share issue	-	-	-	-
As at 31 December 2016	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**
Share issue	-	-	-	-
As at 31 December 2017	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**

		Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
18	**INTEREST INCOME**		
	Cash and cash equivalents	2 322 219	2 970 277
	Loans and advances to other banks	2 503 909	2 911 802
	Loans and advances to customers	44 744 734	48 994 578
	Banker's acceptances and tradable bills	15 745 817	11 464 532
	Other interest income	399 167	659 182
		65 715 846	**67 000 371**
	Credit related fees that are an intergral part of the effective interest on loans and advances have been classified under interest income.		
18.1	**INTEREST EXPENSE**		
	Deposit from other banks	6 879 265	6 428 835
	Demand deposits	884 481	779 248
	Afreximbank and PTA Bank	4 785 062	9 515 740
	Time deposits	7 098 347	5 478 550
		19 647 155	**22 202 373**
19	**FEE AND COMMISSION INCOME**		
	Retail service fees	28 163 280	23 388 750
	Credit related fees	2 840 406	2 266 666
	Investment banking fees	407 194	289 657
	Brokerage commission	517 468	147 326
	Financial guarantee contract commission	120	52
		31 928 468	**26 092 451**
19.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	**322 495**	**174 718**
20	**REVENUE**		
	Property sales	**5 387 808**	**7 001 895**
20.1	**COST OF SALES**		
	Raw materials	**4 212 915**	**6 039 694**
21	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	31 077 487	32 240 428
	Change in unearned premium reserve ("UPR")	(89 279)	455 432
		30 988 208	**32 695 860**
22	**NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7), fair value gains	**636 005**	**231 188**
23	**OTHER OPERATING INCOME**		
	Rental income	113 834	293 653
	Profit on disposal of property and equipment	14 326	34 562
	Fair value adjustment on investment property	2 059 627	(5 320)
	Bad debts recoveries	2 622 952	1 090 554
	Sundry income	930 251	400 802
	Rental income is earned from owner occupied properties. Included in rental income is US$ 59 521 (2016 - US$ 151 536) earned from investment property.	**5 740 990**	**1 814 251**
24	**NET INSURANCE COMMISSION EXPENSE**		
	Commissions paid	4 897 686	5 764 835
	Commission received	(1 113 150)	(1 594 156)
	Change in technical provisions	(1 494)	160 812
		3 783 042	**4 331 491**

25 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross US$	Reinsurance US$	Net US$
Year ended 31 December 2017			
Claims and loss adjustment expenses	(15 209 511)	6 597 098	(8 612 413)
Change in technical provisions	352 267	(18 989)	333 278
Total claims	**(14 857 244)**	**6 578 109**	**(8 279 135)**
Year ended 31 December 2016			
Claims and loss adjustment expenses	(15 395 009)	7 872 542	(7 522 467)
Change in technical provisions	(17 193)	(133 106)	(150 299)
Total claims	**(15 412 202)**	**7 739 436**	**(7 672 766)**

		Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
26	**ADMINISTRATIVE EXPENSES**		
	Administrative expenses	19 656 439	15 653 750
	Staff costs (note 26.1)	26 774 254	22 174 999
	Directors' remuneration (note 26.2)	6 281 630	5 549 760
	Audit fees:		
	- Current year fees	313 600	340 008
	- Prior year fees	67 161	178 300
	- Other services	-	-
	Depreciation	2 339 547	2 079 725
	Impairment of intangible assets	27 890	1 337
	Amortisation	626 899	516 869
	Operating lease payment	957 211	976 604
		57 044 631	**47 471 352**
26.1	**Staff costs**		
	Salaries and allowances	25 127 044	20 564 427
	Social security	363 974	339 566
	Pension contribution	1 283 236	1 245 034
	Retrenchment cost	-	25 972
		26 774 254	**22 174 999**
26.2	**Director's remuneration**		
	Board fees	778 162	672 176
	Other emoluments	49 914	73 967
	For services as management	5 453 554	4 803 617
		6 281 630	**5 549 760**

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		Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
27	**INCOME TAX EXPENSE:**		
	Charge for the year		
	Current income tax on income for the reporting year	5 370 913	5 267 514
	Adjustments in respect of prior years	376 860	371 654
	Deferred income tax	307 551	(1 901 189)
	Income tax expense	**6 055 324**	**3 737 979**
28	**EARNINGS PER SHARE**		
28.1	**Basic earnings per share**		
	Profit attributable to equity holders of the parent	23 197 279	21 885 495
	Total	**23 197 279**	**21 885 495**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2017				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2017	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 31 December 2017	**671 949 927**	**31 827 282**	**640 122 645**	**640 122 645**
Basic earnings per share (US cents)				3.62
				3.62
Year ended 31 December 2016				
Weighted average number of ordinary shares				
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 2016	**671 949 927**	**31 827 282**	**640 122 645**	**643 862 778**
Basic earnings per share (US cents)				3.40
				3.40

28.2 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.

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
Earnings		
Profit attributable to equity holders of the parent	23 197 279	21 885 495
Total	**23 197 279**	**21 885 495**
Weighted average number of ordinary shares at 31 December	**640 122 645**	**643 862 778**
Diluted earnings per share (US cents)	3.62	3.40
	3.62	**3.40**

		Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
28.3	**Headline earnings per share**		
	Profit attributable to equity holders	23 197 279	21 885 495
	Adjusted for excluded remeasurements		
	Profit on the disposal of property and equipment (note 23)	(14 326)	(34 562)
	Impairment on asset (note 12 & 13)	26 261	1 337
	Headline earnings	**23 209 214**	**21 852 270**
	Weighted average number of ordinary shares at 31 December	**640 122 645**	**643 862 778**
	Headline earnings per share (US cents)	**3.63**	**3.39**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (cnt'd)
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29 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 of 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 2017	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Consolidated US$
Total segment revenue							
Interest income	42 748 671	7 718 676	15 149 669	756 938	293 635	519 336	67 186 925
Interest expense	(15 479 196)	(1 053 238)	(4 350 444)	-	-	-	(20 882 878)
Net interest income	27 269 475	6 665 438	10 799 225	756 938	293 635	519 336	46 304 047
Sales	-	-	5 387 808	-	-	-	5 387 808
Cost of sales	-	-	(4 212 915)	-	-	-	(4 212 915)
Gross profit	-	-	1 174 893	-	-	-	1 174 893
Net earned insurance premium	-	-	-	11 307 706	8 410 055	-	19 717 761
Net fee and commission income	25 862 468	732 856	5 076 569	-	-	459 868	32 131 761
Net trading income and other income	6 387 528	180 824	176 800	622 476	459 449	10 068	7 837 145
Total net income for reported segments	59 519 471	7 579 118	17 227 487	12 687 120	9 163 139	989 272	107 165 607
Intersegment revenue	(243 002)	-	(827 168)	(8 115 789)	6 443 045	(16 432)	(2 759 346)
Intersegment interest expense and commission	1 455 562	1 070 892	415 837	6 028 939	1 038 790	3 154	10 013 174
Net income from external customers	**60 732 031**	**8 650 010**	**16 816 156**	**10 600 270**	**16 644 974**	**975 994**	**114 419 435**
Segment profit before income tax	**16 559 652**	**4 451 832**	**9 306 997**	**1 715 205**	**1 359 467**	**584 242**	**33 977 395**
Impairment allowances on financial assets	6 342 964	(326 026)	600 697	191 916	74 014	-	6 883 565
Depreciation	1 901 950	66 549	208 873	38 343	120 492	3 340	2 339 547
Amortisation	397 254	61 032	44 844	21 642	102 127	-	626 899
Segment assets	**558 063 849**	**22 626 490**	**129 919 786**	**21 500 808**	**14 968 980**	**2 695 824**	**749 775 737**
Total assets includes : Additions to non-current assets	3 890 815	203 222	616 515	15 862	97 375	27 293	4 851 082
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**480 127 286**	**13 083 822**	**82 416 452**	**7 873 921**	**7 601 555**	**1 641 695**	**592 744 731**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

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 revenue							
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	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	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	

30 SEGMENT REPORTING

Operating segments reconciliations

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
Net income		
Total net income for reportable segments	114 419 435	93 815 201
Total net income for non reportable segments	4 731 160	5 396 269
Elimination of intersegment revenue received from the holding company	(1 140 730)	(158 540)
Intersegment eliminations	(12 715 938)	(6 026 849)
Group total net income	**105 293 927**	**93 026 081**
Group profit before tax		
Total profit before income tax for reportable segments	33 977 395	29 068 952
Intersegment eliminations	(4 673 841)	(3 393 247)
Profit before income tax	**29 303 554**	**25 675 705**
Group assets		
Total assets for reportable segments	749 775 737	671 345 247
Other group assets	33 750	45 000
Deferred tax asset allocated to the holding company	2 222 315	1 815 925
Intersegment eliminations	(39 594 317)	(63 061 455)
Group total assets	**712 437 485**	**610 144 717**
Group liabilities		
Total liabilities for reportable segments	592 744 731	537 844 588
Elimination of intersegment payables	(24 863 182)	(51 412 467)
Group total liabilities	**567 881 549**	**486 432 121**

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30 SEGMENT REPORTING (continued)

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, expenses, assets and liabilities that are eliminated on consolidation.

31 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 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 and 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) Legal and 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.

31.1 Credit risk

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

The Group manages, limits and controls 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 is taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (cnt'd)
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31 FINANCIAL RISK MANAGEMENT (CONTINUED)
31.1 Credit risk (continued)

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%			
2	Strong	Modest	1%	Pass	A (1%)	
3	Satisfactory	Average	2%			
4	Moderate	Acceptable	3%			
5	Fair	Acceptable with care	4%			General
6	Speculative	Management attention	5%	Special Mention	B (3%)	
7	Highly Speculative	Special mention	10%			
8	Substandard	Vulnerable	20%	Substandard	C (20%)	
9	Doubtful	High default	50%	Doubtful	D (50%)	Specific
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.

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.

31.1.1 Exposure to credit risk

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
Loans and advances		
Past due and impaired		
Grade 8: Impaired	2 760 715	2 963 709
Grade 9: Impaired	1 558 327	3 660 486
Grade 10: Impaired	10 189 116	8 563 809
Gross amount, past due and impaired	**14 508 158**	**15 188 004**
Allowance for impairment	(4 668 896)	(9 611 586)
Carrying amount, past due and impaired	**9 839 262**	**5 576 418**
Past due but not impaired		
Grade 4 - 7:	67 977 013	83 193 322
Neither past due nor impaired		
Grade 1 - 3:	233 499 462	197 253 687
Gross amount, not impaired	**301 476 475**	**280 447 009**
Allowance for impairment	(10 568 932)	(9 488 614)
Carrying amount, not impaired	**290 907 543**	**270 958 395**
Total carrying amount	**300 746 805**	**276 534 813**

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.

31.1.2 Sectorial analysis of utilizations of loans and advances to customers

	31-Dec-17 US$	%	31-Dec-16 US$	%
Mining	16 254 223	5%	15 242 921	5%
Manufacturing	28 795 445	9%	54 380 168	18%
Mortgage	65 690 096	21%	48 267 804	16%
Wholesale	24 593 787	8%	13 034 556	4%
Distribution	13 504 839	4%	26 452 316	9%
Individuals	103 827 037	33%	82 283 624	29%
Agriculture	9 365 776	3%	23 929 185	8%
Communication	3 228 819	1%	8 689 704	3%
Construction	10 057 183	3%	4 344 851	1%
Local authorities	11 938 629	4%	10 862 130	4%
Other services	28 728 800	9%	8 147 754	3%
	315 984 634	**100%**	**295 635 013**	**100%**

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31.1.2 Sectorial analysis of utilizations of loans and advances to customers (continued)
Reconciliation of allowance for impairment for loans and advances

	31-Dec-17			31-Dec-16		
Allowances for impairment	Specific allowance US$	Collective allowance US$	Total US$	Specific allowance US$	Collective allowance US$	Total US$
Balance at 1 January	11 313 164	7 787 036	19 100 200	14 476 111	5 908 511	20 384 622
Increase in impairment allowance	4 669 908	1 947 727	6 617 635	5 900 908	1 973 859	7 874 767
Impairment reversal	-	-	-	(948 353)	(95 334)	(1 043 687)
Write off	(8 327 467)	-	(8 327 467)	(6 291 469)	-	(6 291 469)
Interest in suspense	(2 152 539)	-	(2 152 539)	(1 824 033)	-	(1 824 033)
	5 503 066	**9 734 763**	**15 237 829**	**11 313 164**	**7 787 036**	**19 100 200**

31.1.3 Trade and other receivables including insurance receivables

	Audited 31-Dec-17 US$	Audited 31-Dec-16 US$
Past due and impaired	**438 223**	**147 470**
Allowance for impairment	(413 400)	(147 470)
Carrying amount	**24 823**	**-**
Past due but not impaired	-	-
Neither past due nor impaired	9 614 837	9 120 237
Gross amount, not impaired	**9 614 837**	**9 120 237**
Allowance for impairment	-	-
Carrying amount, not impaired	**9 614 837**	**9 120 237**
Total carrying amount	**9 639 660**	**9 120 237**

31.2 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 manage 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 Company, through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and Board Risk and Compliance Committees, is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for the banking entities and the Finance Directors 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 Division. The Group uses concentration risk limits to ensure that funding diversification is maintained across 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 the banking units' abilities 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 management policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

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

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

Contractual maturity analysis on balance sheet items as at 31 December 2017	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	389 343 256	24 071 930	7 258 751	420 673 937
Deposits from other banks	70 756 358	15 973 549	2 000 000	88 729 907
Borrowings	3 151 514	6 484 712	4 944 783	14 581 009
Insurance liabilities	2 108 017	-	5 572 847	7 680 864
Current income tax liabilities	70 599	-	-	70 599
Trade and other liabilities	15 639 254	10 027 072	3 736 572	29 402 898
Total liabilities - (contractual maturity)	**481 068 998**	**56 557 263**	**23 512 953**	**561 139 214**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	181 002 565	-	-	181 002 565
Financial assets held to maturity	13 535 474	39 885 579	59 457 770	112 878 823
Loans and advances to customers	56 739 598	35 528 169	208 479 038	300 746 805
Bonds and debentures	-	18 500 000	9 133 715	27 633 715
Trade and other receivables including insurance receivables	1 349 461	8 290 199	-	9 639 660
Financial assets at fair value through profit or loss	472 060	1 807 269	85 996	2 365 325
Available for sale financial assets	835 710	-	-	835 710
Other assets	12 165 557	1 217 535	3 033 209	16 416 301
	266 100 425	**105 228 751**	**280 189 728**	**651 518 904**
Liquidity gap	**(214 968 573)**	**48 671 488**	**256 676 775**	**90 379 690**
Cumulative liquidity gap - on balance sheet	**(214 968 573)**	**(166 297 085)**	**90 379 690**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	8 002 919	-	8 002 919
Commitments to lend	14 299 312	-	-	14 299 312
Total liabilities	**14 299 312**	**8 002 919**	**-**	**22 302 231**
Liquidity gap	**(14 299 312)**	**(8 002 919)**	**-**	**68 077 459**
Cumulative liquidity gap - on and off balance sheet	**(229 267 885)**	**(188 599 316)**	**68 077 459**	**-**

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31.2 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	14 282 988	5 082 749	255 266 672
Deposits from other banks	111 789 264	3 061 558	-	114 850 822
Borrowings	10 903 911	62 056 275	12 423 749	85 383 935
Insurance liabilities	2 075 892	-	7 395 042	9 470 934
Current income tax liabilities	878 275	-	-	878 275
Trade and other liabilities	1 511 070	12 640 072	1 170 640	15 321 782
Total liabilities - (contractual maturity)	**363 059 347**	**92 040 893**	**26 072 180**	**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	875 896	85 996	1 102 173
Available for sale financial assets	862 886	-	-	862 886
Other assets	926 055	4 526 820	2 389 993	7 842 868
	233 560 146	**153 291 315**	**177 073 971**	**563 925 432**
Liquidity gap	**(129 499 201)**	**61 250 422**	**151 001 791**	**82 753 012**
Cumulative liquidity gap - on balance sheet	**(129 499 201)**	**(68 248 779)**	**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	**(142 877 600)**	**(87 593 666)**	**63 408 125**	**-**

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.

31.3 Market risk

Market risk is the risk of financial loss from on and off balance sheet positions arising from adverse movements in market prices 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.

31.3.1 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 tools such as Value at Risk ("VAR"), Scenario Analysis and Gap Analysis.

Scenario analysis of net interest income

The Group's trading book is affected by interest rate movements. 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.

31.3.2 Currency risk

The Group is a diversified local Company and its major trading and reporting currency is the US$. Due to the existing multi-regime currencies, the Group is exposed to various currency exposures primarily with respect to the South African rand, Botswana pula, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

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

31.3.3 Equity 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 at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

31.4 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 their obligation 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 trades are settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process.

31.5 Operating risk

Operational risk is the risk of loss arising from the potential inadequate information systems, technological failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems that 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, authorisation, 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.

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31.5 Operating risk (continued)

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 the 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 Business Continuity Committee is responsible for ensuring that all subsidiary companies conduct tests each year in line with the Group policy. The Group successfully conducted its business continuity tests and all processes were well documented. All structures, processes and systems of the banking subsidiaries have been aligned to Basel II requirements. The Group also adopted in full all the Risk Management Guidelines which were issued by the Reserve Bank of Zimbabwe as part of the Basel II implementation for the banking subsidiaries.

31.6 Capital risk

31.6.1 Regulatory Capital and Financial Risk Management

Capital risk refers to the risk of the Group's own capital resources being adversely affected by unfavourable external developments.

The Group's objective 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.

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 2017				
FBC Bank Limited	RBZ	25 000 000	75 188 472	77 936 562
FBC Building Society	RBZ	20 000 000	47 392 883	47 503 334
FBC Reinsurance Limited	IPEC	7 500 000	13 626 886	13 626 887
FBC Securities (Private) Limited	SECZ	150 000	1 054 128	1 054 129
FBC Insurance Company (Private) Limited	IPEC	5 000 000	7 367 424	7 367 425
Microplan Financial Services (Private) Limited	RBZ	25 000	9 542 669	9 542 669
As at 31 December 2016				
FBC Bank Limited	RBZ	25 000 000	63 509 604	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

31.7 Reputational risk

Reputational risk refers to the risk of damage to the Group's image, which may affect its ability to retain and generate business. The Group manages reputational risk by ensuring that business is conducted in accordance with the legal and regulatory requirements. In addition, the Group's corporate governance structure conforms to international standards. The Group also has systems in place to monitor customer service satisfaction levels as well as processes to resolve customer queries and complaints.

31.8 Legal and compliance risk

Legal and compliance risk is the risk that arises due to the Group's failure to adhere to legal and regulatory obligations. The Group manages this risk through dedicated Legal and Compliance units, and deliberations by its Board Risk and Compliance Committee.

31.9 Strategic risk

Strategic risk refers to the potential for opportunity loss arising from failure to optimise the earnings potential of the Group. The Board approves the Group's strategy as formulated by top management, while the Chief Executive Officer has the overall responsibility of strategy implementation. The Board conducts a quarterly review of the strategy's performance and its continued applicability.

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32 Statement of Compliance

The Group complies 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); Insurance Act (Chapter 24:07) and the Companies Act (Chapter - 24:03). In addition, the Group also complies with the Reserve Bank of Zimbabwe and Insurance and Pensions Commission's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

33 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 has its rating reviewed by MicroFinanza rating agency. The ratings are as illustrated below;

Subsidiary	2017	2016	2015	2014	2013	2012
FBC Bank Limited	BBB+	BBB+	A-	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	BBB-	BBB-	BB+
Microplan Financial Services Limited	BBB	BBB-	N/A	N/A	N/A	N/A

34 SUBSEQUENT EVENTS

Dividend Declared

Notice is hereby given that a final dividend of 0.8417 US cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 28 March 2018 in respect of the year ended 31 December 2017. The dividend is payable to Shareholders registered in the books of the company at the close of business on Friday, 13 April 2018. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 6 April 2018 and ex-dividend as from 9 April 2018. Dividend payment will be made to Shareholders on or about 24 April 2018.

35 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.

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.

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: (i) Board Audit Committee, (ii) Board Human Resources and Remuneration Committee, (iii) Board Finance and Strategy Committee (iv) Board Risk and Compliance Committee (v) Board Marketing and Public Relations Committee.

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35 CORPORATE GOVERNANCE

Board member	Main Board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing and 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
Chipo Mtasa	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	x	√	√	√	n/a	n/a	n/a	n/a	√	x	√	√
John Mushayavanhu	√	√	√	√	n/a	n/a	n/a	n/a	√	√	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
Gertrude Chikwava	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	√	√	√	√
Phillip Chiradza	√	x	√	√	n/a	n/a	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
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 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
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	n/a
Godfrey 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	√	√	√	x	√	√	√	√	n/a	n/a	n/a	n/a

Key
√ - Attended x - Apologies Q1 - Quarter 1 Q2 - Quarter 2
n/a- not applicable Q3 - Quarter 3 Q4 - Quarter 4

By order of the Board

Tichaona K. Mabeza
GROUP COMPANY SECRETARY

28 March 2018

Audit opinion

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2017, which have been audited by Deloitte & Touche who have issued an unmodified audit opinion thereon. The auditor's report also carries key audit matters ("KAM") outlining areas of the audit process that required the significant attention of the auditor. These included, revenue recognition and the automated nature of interest calculations, impairment of loans and advances, recoverability of outstanding premiums and the valuation of Incurred But Not Reported (IBNR) claims provision. The auditor's report on these financial results is available for inspection at the Company's registered office.

Directors: Herbert Nkala (Chairman), Chipo Mtasa (Vice Chairperson), John Mushayavanhu* (Group Chief Executive), Canada Malunga, James Chiuta, Felix Gwandekwande*, Franklin H Kennedy, Gertrude S Chikwava, Godfrey G Nhemachena, Kleto Chiketsani*, Philip M Chiradza, Robin Vela, Trynos Kufazvinei* (Deputy Group Chief Executive and Group Finance Director), Webster Rusere* (*Executive)

FBC Bank Limited
(Registered Commercial Bank)
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Audited Financial Results
For The Year Ended 31 December 2017

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
ASSETS			
Balances with banks and cash	1	169 588 201	154 083 491
Financial assets at fair value through profit or loss		548 844	548 844
Financial assets held to maturity	2	68 642 560	55 028 821
Loans and advances to customers	3	222 128 898	202 304 569
Bonds and debentures		27 633 714	9 139 955
Prepayments and other assets	4	18 902 002	8 858 140
Amounts due from group companies		16 778 958	12 495 374
Deferred tax asset		4 394 070	5 171 167
Investment property		7 666 400	3 685 457
Intangible assets		1 123 976	1 388 385
Property and equipment	5	20 656 227	17 529 675
Total assets		**558 063 850**	**470 233 878**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	6	370 225 135	225 600 487
Deposits from other financial institutions	6.1	89 944 995	99 375 667
Lines of credit	6.2	950 313	72 054 126
Current income tax liability		68 163	407 059
Trade and other payables	7	18 938 680	7 730 530
Total liabilities		**480 127 286**	**405 167 869**
Equity			
Share capital		18 502 313	18 502 313
Share premium		13 197 687	13 197 687
Retained earnings		43 317 214	31 337 984
Other reserves		2 919 350	2 028 025
Total equity		**77 936 564**	**65 066 009**
Total equity and liabilities		**558 063 850**	**470 233 878**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
Interest and similar income	9	42 748 672	44 419 716
Interest and similar expense	10	(15 479 196)	(19 211 684)
Net interest income		**27 269 476**	**25 208 032**
Dealing and trading income		1 367 267	517 641
Fee and commission income	11	25 862 468	20 716 666
Other operating income	12	5 020 261	1 285 742
Total net income		**59 519 472**	**47 728 081**
Impairment allowance on loans and advances	3.2	(6 342 964)	(6 453 789)
Administrative expenses	13	(36 616 854)	(29 121 866)
Profit before income tax		**16 559 654**	**12 152 426**
Income tax expense		(4 580 424)	(1 556 479)
Profit for the period		**11 979 230**	**10 595 947**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Gains on property revaluation		1 200 438	
Tax relating to other comprehensive income		(309 113)	-
Other comprehensive income (net of income tax)		**891 325**	**-**
Total comprehensive income for the period		**12 870 555**	**10 595 947**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Share premium US$	Retained earnings US$	Revaluation reserve US$	Total equity US$
Balance as at 1 January 2016	18 500 925	2 199 075	20 742 037	1 625 675	43 067 712
Profit for the year	-	-	10 595 947	-	10 595 947
Other comprehensive income:					
Fairvalue gain on financial assets	-	-	-	402 350	402 350
Total comprehensive income	**-**	**-**	**10 595 947**	**402 350**	**10 998 297**
Transaction with owners:					
Share issue	1 388	10 998 612	-	-	11 000 000
Balance as at 31 December 2016	**18 502 313**	**13 197 687**	**31 337 984**	**2 028 025**	**65 066 009**
Profit for the year	-	-	11 979 230	-	11 979 230
Other comprehensive income:					
Revaluation of property and equipment	-	-	-	891 325	891 325
Transaction with owners:					
Share issue	-	-	-	-	-
Balance as at 31 December 2017	**18 502 313**	**13 197 687**	**43 317 214**	**2 919 350**	**77 936 564**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
Cash flow from operating activities			
Profit before income tax		16 559 654	12 152 426
Adjustments for non cash items:			
Impairment allowance on loans and advances	3.2	6 342 964	6 453 789
Non cash recoveries		(1 957 037)	(1 243 636)
Fair value changes on investment property	12	(2 023 907)	5 320
Amortisation		397 254	330 329
Depreciation	5	1 901 950	1 646 612
Loss /(profit) on disposal of property and equipment		35 442	(35 400)
Net cash generated before changes in operating assets and liabilities		**21 256 320**	**19 309 440**
Increase in financial assets held to maturity		(13 613 739)	(5 404 788)
(Increase)/decrease in loans and advances to customers		(26 167 293)	105 802
Increase in prepayments and other assets		(10 043 861)	(5 312 637)
Increase in amounts due from group companies		(4 283 583)	(5 924 605)
Increase in bonds and debentures		(18 493 760)	(437 635)
Increase in deposits from customers		144 624 648	50 244 929
(Decrease)/ increase in deposits from other financial institutions		(9 430 672)	2 010 436
Increase in other liabilities		11 208 150	2 810 178
		95 056 210	57 401 120
Income tax paid		(4 451 337)	(3 641 762)
Net cash generated from /(used in) operating activities		**90 604 873**	**53 759 358**
Cash flows from investing activities			
Purchase of marketable securities		-	(146 494)
Proceeds from sale of property and equipment		27 311	35 400
Purchase of intangible assets		(132 846)	(1 205 014)
Purchase of property and equipment		(3 890 815)	(2 173 828)
Net cash used in investing activities		**(3 996 350)**	**(3 489 936)**
Cash flows from financing activities			
Proceeds from issue of equity instruments		-	11 000 000
Proceeds received from lines of credit		-	7 773 137
Repayments of lines of credit		(71 103 813)	(1 622 000)
Net cash generated from/(used in) financing activities		**(71 103 813)**	**17 151 137**
Net increase /(decrease) in cash and cash equivalents		**15 504 710**	**67 420 559**
Cash and cash equivalents at beginning of year		154 083 491	86 662 932
Cash and cash equivalents at the end of year	1	**169 588 201**	**154 083 491**

NOTES TO THE FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
1	**BALANCES WITH BANKS AND CASH**		
	Balances with Reserve Bank of Zimbabwe		
	Current account balances	134 513 858	95 053 187
	Balances with other banks and cash		
	Nostro accounts	21 077 848	24 619 103
	Notes and coins	4 993 005	5 659 445
	Other bank balances	9 003 490	28 751 756
		35 074 343	59 030 304
	Cash and cash equivalents	**169 588 201**	**154 083 491**
2	**FINANCIAL ASSETS HELD TO MATURITY**		
	Open market treasury bills	67 223 247	54 266 045
	Accrued interest	1 419 313	762 776
		68 642 560	**55 028 821**
2.1	**Maturity analysis of financial assets held to maturity**		
	Maturing between 0 to 90 days	9 390 057	4 762 776
	Maturing between 90 to 180 days	7 169 384	11 419 375
	Maturing between 180 to 365 days	7 819 575	19 574 991
	Maturing in more than 365 days	44 263 544	19 271 679
		68 642 560	**55 028 821**
3	**LOANS AND ADVANCES TO CUSTOMERS**		
	Maturing within 1 year	75 316 750	81 789 413
	Maturing after 1 year but within 5 years	158 237 761	134 690 416
	Gross carrying amount	233 554 511	216 479 829
	Impairment allowance (note 3.2)	(11 425 613)	(14 175 260)
	Net loans and advances	**222 128 898**	**202 304 569**

		2017 gross total	percentage	2016 gross total	percentage
3.1	**Loans concentration by sector**				
	Sector of the economy				
	Agriculture	7 237 145	3%	21 724 261	10%
	Communication	3 228 819	1%	8 689 704	4%
	Construction	10 057 184	4%	4 344 852	2%
	Distribution	13 204 414	6%	26 069 113	12%
	Individuals	77 087 292	33%	52 138 225	24%
	Local authorities	11 938 629	5%	10 862 130	5%
	Manufacturing	28 677 398	12%	54 310 652	25%
	Mining	16 214 510	7%	15 206 982	7%
	Other services	41 315 333	18%	10 099 354	5%
	Wholesale	24 593 787	11%	13 034 556	6%
	Gross value of loans and advances	**233 554 511**	**100%**	**216 479 829**	**100%**
	less allowance for impairment	(11 425 613)		(14 175 260)	
	Net loans and advances	**222 128 898**		**202 304 569**	

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
3.2	**Movement in impairment allowance**		
	Balance at the beginning of the period	14 175 260	15 146 584
	Increase in impairment allowances	6 342 964	6 453 789
	Changes in interest in suspence	(1 735 247)	(1 436 060)
	Amounts written off	(7 357 364)	(5 989 053)
	Balance at end period	**11 425 613**	**14 175 260**
4	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	5 600 129	925 042
	Commission receivable	-	1 711 042
	Mastercard, Visa and ZimSwitch collateral	4 664 519	2 574 983
	Insurance receivables	206 293	206 293
	Other receivables	8 431 061	3 440 780
		18 902 002	**8 858 140**

FBC Bank Limited
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Audited Financial Results
For The Year Ended 31 December 2017

NOTES TO THE FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
4.1	**Maturity analysis of other assets**		
	Maturing within 1 year	14 031 190	6 076 864
	Maturing after 1 year but within 5 years	4 870 812	2 781 276
		18 902 002	**8 858 140**
5	**PROPERTY AND EQUIPMENT**		
	Carrying amount at the beginning of the year	17 529 675	17 002 459
	Additions	3 890 815	2 173 828
	Disposals	(511 574)	(85 698)
	Reversal of depreciation on disposal/revaluation	448 823	85 698
	Revaluation	1 200 438	-
	Depreciation charge for the period	(1 901 950)	(1 646 612)
	Carrying amount at the end of the year	20 656 227	17 529 675
6	**DEPOSITS FROM CUSTOMERS**		
	Amounts due to customers by type:		
	Demand deposits	264 126 159	141 257 174
	Promissory notes	52 691 470	29 644 300
	Time deposits	53 407 506	54 699 013
		370 225 135	225 600 487
6.1	**Deposits from other financial institutions**		
	Money market deposits	89 944 995	99 375 667
6.2	**LINES OF CREDIT**		
	Eastern and Southern African Trade and Development Bank (“PTA Bank”)	-	10 000 000
	African Export-Import Bank	-	61 051 730
	The Zimbabwe Agriculture Development Trust (“ZADT”)	880 313	1 002 396
	The Reserve Bank of Zimbabwe- Women’s Empowerment Fund	70 000	-
		950 313	72 054 126
	Total Deposits	**461 120 443**	**397 030 280**

6.3 **Deposits concentration (excluding lines of credit)**

	31 Dec 2017	Percentage	31 Dec 2016	Percentage
Agriculture	18 406 805	4%	13 041 693	4%
Construction	8 863 145	2%	6 180 589	2%
Wholesale and retail trade	101 237 429	22%	71 729 312	22%
Public sector	27 610 208	6%	19 562 540	6%
Manufacturing	56 013 610	12%	36 283 386	11%
Telecommunication	23 805 104	5%	9 781 270	3%
Transport	20 543 660	4%	6 861 105	2%
Individuals	55 220 416	12%	39 125 079	12%
Financial services	89 944 995	20%	99 375 667	31%
Mining	51 613 610	11%	15 883 386	5%
Other	6 911 148	2%	7 152 127	2%
	460 170 130	100%	324 976 154	100%

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
6.4	**Maturity analysis (excluding lines of credit)**		
	Maturing within 1 year	458 020 130	324 976 154
	Maturing after 1 year but within 5 years	2 150 000	-
		460 170 130	324 976 154
7	**Trade and other payables**		
	Provisions	4 244 078	4 039 306
	Accrued expenses	11 757 846	528 424
	Deferred income	2 936 756	3 162 800
		18 938 680	7 730 530
8	**CAPITAL ADEQUACY**		
	Ordinary Share Capital	18 502 313	18 502 313
	Share premium	13 197 687	13 197 687
	Retained earnings	43 317 214	31 337 984
	Capital allocated for market and operational risk	(9 852 623)	(9 223 835)
	Advances to insiders	(2 748 090)	(1 559 084)
	Tier 1 capital	**62 416 501**	**52 255 065**
	Revaluation reserve	2 919 350	2 028 025
	Tier 2 capital	2 919 350	2 028 025
	Tier 1 & 2 capital	65 335 851	54 283 090
	Tier 3 capital allocated for market and operational risk	9 852 623	9 223 835
		75 188 474	63 506 925
	Risk weighted assets	412 280 311	293 929 876
	Tier 1 Ratio (%)	15.14%	17.78%
	Tier 2 Ratio (%)	0.71%	0.69%
	Tier 3 Ratio (%)	2.39%	3.14%
	Capital adequacy (%)	18.24%	21.61%
9	**INTEREST INCOME**		
	Loans and advances to banks and other financial institutions	2 533 744	2 940 803
	Loans and advances to customers	28 067 271	30 516 659
	Banker’s acceptances and tradable bills	11 074 771	9 837 939
	Bonds and debentures	1 072 886	1 124 315
		42 748 672	44 419 716
10	**INTEREST EXPENSE**		
	Deposits from other financial institutions	5 664 589	4 879 436
	Demand deposits	767 208	695 502
	Lines of credit	4 414 371	9 084 905
	Time deposits	4 633 028	4 551 841
		15 479 196	19 211 684
11	**FEES AND COMMISSION INCOME**		
	Retail services fees	25 083 523	20 147 646
	Corporate banking service fees	371 750	292 935
	Financial guarantee contracts issued	104 037	166 421
	Investment banking fees	303 158	109 664
		25 862 468	20 716 666
12	**OTHER OPERATING INCOME**		
	Rental income	59 521	151 537
	Profit on disposal of property and equipment	-	35 400
	Fairvalue changes on investment property	2 023 907	(5 320)
	Sundry management fees	313 881	13 571
	Bad debts recoveries	2 622 952	1 090 554
		5 020 261	1 285 742
13	**ADMINISTRATION EXPENSES**		
	Operating expenses	14 433 347	12 178 313
	Staff costs (note 14)	17 059 834	12 080 696
	Directors’ remuneration (note 14.1)	1 708 415	1 644 054
	Depreciation	1 901 950	1 646 612
	Amortisation	397 254	330 329
	Operating lease payment	913 605	935 496
	Audit fees	202 449	306 366
		36 616 854	29 121 866

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
14	**Staff costs**		
	Salaries and allowances	15 842 461	10 903 645
	Social security	255 341	244 666
	Pension contribution	962 032	932 385
		17 059 834	12 080 696
14.1	**Directors’ remuneration**		
	Board fees	144 597	129 070
	For services as management	1 546 959	1 501 902
	Other emoluments	16 859	13 082
		1 708 415	1 644 054
15	**CAPITAL COMMITMENTS**		
	Capital expenditure authorized but not yet contracted for	38 403 074	14 463 799
16	**CONTINGENT LIABILITIES**		
	Guarantees and letters of credit	8 002 919	4 328 256
	The amount of these letters of credit and guarantees represents the Bank’s maximum exposure and no material losses are anticipated from these transactions.		
17	**EXPOSURE TO CREDIT RISK**		
	Gross carrying amount of loans and advances to customers		
	Past due and impaired		
	Grade 8: impaired	1 906 240	2 192 095
	Grade 9: impaired	80 023	2 820 766
	Grade 10: impaired	7 691 589	4 419 566
	Gross amount, past due and impaired	**9 677 852**	**9 432 427**
	Allowance for impairment	(2 765 010)	(7 462 057)
	Carrying amount, past due and impaired	**6 912 842**	**1 970 370**
	Past due but not impaired		
	Grade 4-7:	59 473 380	71 418 633
	Neither past due nor impaired		
	Grade 1-3:	164 403 279	135 628 769
	Gross amount, not impaired	**223 876 659**	**207 047 402**
	Allowance for impairment	(8 660 603)	(6 713 203)
	Carrying amount, not impaired	**215 216 056**	**200 334 199**
	Total carrying amount (loans and advances)	**222 128 898**	**202 304 569**

18 **LIQUIDITY PROFILING**

Liquidity profiling as at 31 December 2017

On balance sheet items	Upto 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	346 614 429	21 460 706	2 150 000	370 225 135
Deposits from other financial institutions	71 971 447	15 973 548	2 000 000	89 944 995
Lines of credit	-	900 313	50 000	950 313
Current income tax liabilities	68 163	-	-	68 163
Other liabilities	7 664 192	11 274 488	-	18 938 680
Total liabilities - (contractual maturity)	**426 318 231**	**49 609 055**	**4 200 000**	**480 127 286**
Assets held for managing liquidity risk				
Balances with other banks and cash	165 588 201	4 000 000	-	169 588 201
Financial assets held to maturity	9 390 057	14 988 959	44 263 544	68 642 560
Financial assets at fair value through profit or loss	-	-	548 844	548 844
Loans and advances to customers	50 087 598	21 468 418	150 572 882	222 128 898
Bonds and debentures	-	18 500 000	9 133 714	27 633 714
Other assets (excluding prepayments)	8 431 061	-	4 870 812	13 301 873
Total assets - (contractual maturity)	**233 496 917**	**58 957 377**	**209 389 796**	**501 844 090**
Liquidity gap	**(192 821 314)**	**9 348 322**	**205 189 796**	**21 716 804**
Cumulative liquidity gap - on balance sheet	**(192 821 314)**	**(183 472 992)**	**21 716 804**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	8 002 919	-	8 002 919
Commitments to lend	12 731 209	-	-	12 731 209
Total liabilities	**12 731 209**	**8 002 919**	**-**	**20 734 128**
Liquidity gap	**(205 552 523)**	**1 345 403**	**205 189 796**	**982 676**
Cumulative liquidity gap - on and off balance sheet	**(205 552 523)**	**(204 207 120)**	**982 676**	**-**

Liquidity profiling as at 31 December 2016

On balance sheet items	1 month to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	211 218 578	14 272 484	109 425	225 600 487
Deposits from other financial institutions	96 314 108	3 061 559	-	99 375 667
Lines of credit	10 652 396	61 401 730	-	72 054 126
Current income tax liabilities	407 059	-	-	407 059
Other liabilities	2 625 870	5 104 660	-	7 730 530
Total liabilities - (contractual maturity)	**321 218 011**	**83 840 433**	**109 425**	**405 167 869**
Assets held for managing liquidity risk				
Balances with other banks and cash	154 083 491	-	-	154 083 491
Financial assets held to maturity	4 762 776	30 994 366	19 271 679	55 028 821
Financial assets at fair value through profit or loss	-	-	548 844	548 844
Loans and advances to customers	28 658 912	86 625 942	87 019 715	202 304 569
Bonds and debentures	-	-	9 139 955	9 139 955
Other assets (excluding prepayments)	-	1 917 335	2 574 983	4 492 318
Total assets - (contractual maturity)	**187 505 179**	**119 537 643**	**118 555 176**	**425 597 998**
Liquidity gap	**(133 712 832)**	**35 697 210**	**118 445 751**	**20 430 129**
Cumulative liquidity gap - on balance sheet	**(133 712 832)**	**(98 015 622)**	**20 430 129**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	5 966 488	-	5 966 488
Commitments to lend	12 423 399	-	-	12 423 399
Total liabilities	**12 423 399**	**5 966 488**	**-**	**18 389 887**
Liquidity gap	**(146 136 231)**	**29 730 722**	**118 445 751**	**2 040 242**
Cumulative liquidity gap - on and off balance sheet	**(146 136 231)**	**(116 405 509)**	**2 040 242**	**-**

NOTES TO THE FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19 INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2017

	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$
Cash and cash equivalents	5 000 000	4 000 000	-	-	-	160 588 201	169 588 201
Financial assets held to maturity	5 154 833	4 235 224	7 169 384	7 819 575	44 263 544	-	68 642 560
Financial assets at fair value through profit or loss	-	-	-	-	-	548 844	548 844
Loans and advances to customers	5 101 838	1 151 897	6 103 848	59 200 432	150 570 883	-	222 128 898
Bonds and debentures	-	-	-	18 500 000	9 133 714	-	27 633 714
Prepayments and other assets	-	-	-	-	-	18 902 002	18 902 002
Amounts due from group companies	-	-	-	-	-	16 778 958	16 778 958
Investment property	-	-	-	-	-	7 666 400	7 666 400
Deferred tax asset	-	-	-	-	-	4 394 070	4 394 070
Intangible assets	-	-	-	-	-	1 123 976	1 123 976
Property and equipment	-	-	-	-	-	20 656 227	20 656 227
Total assets	15 256 671	9 387 121	13 273 232	85 520 007	203 968 141	230 658 678	558 063 850
Deposits from customers	35 210 485	47 189 877	14 693 396	6 767 310	2 150 000	264 214 067	370 225 135
Deposits from other financial institutions	46 836 338	15 451 639	9 683 469	15 973 549	2 000 000	-	89 944 995
Lines of credit	-	-	-	900 313	50 000	-	950 313
Other liabilities	-	-	-	-	-	18 938 680	18 938 680
Current income tax liabilities	-	-	-	-	-	68 163	68 163
Capital and reserves	-	-	-	-	-	77 936 564	77 936 564
Total liabilities	82 046 823	62 641 516	24 376 865	23 641 172	4 200 000	361 157 474	558 063 850
Interest rate repricing gap	(66 790 152)	(53 254 395)	(11 103 633)	61 878 835	199 768 141	(130 498 796)	-
Cumulative interest rate repricing gap	(66 790 152)	(120 044 547)	(131 148 180)	(69 269 345)	130 498 796	-	-

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$
Cash and cash equivalents	28 750 000	-	-	-	-	125 333 491	154 083 491
Financial assets held to maturity	-	4 762 776	11 419 375	19 574 991	19 271 679	-	55 028 821
Financial assets at fair value through profit or loss	-	-	-	-	-	548 844	548 844
Loans and advances to customers	14 535 698	20 777 878	14 406 240	65 565 038	87 019 715	-	202 304 569
Bonds and debentures	-	-	-	-	9 139 955	-	9 139 955
Prepayments and other assets	-	-	-	-	-	8 858 140	8 858 140
Amounts due from group companies	-	-	-	-	-	12 495 374	12 495 374
Deferred tax asset	-	-	-	-	-	3 685 457	3 685 457
Investment property	-	-	-	-	-	5 171 167	5 171 167
Intangible assets	-	-	-	-	-	1 388 385	1 388 385
Property and equipment	-	-	-	-	-	17 529 675	17 529 675
Total assets	43 285 698	25 540 654	25 825 615	85 140 029	115 431 349	175 010 533	470 233 878
Deposits from customers	55 788 442	11 167 549	8 184 726	13 619 979	109 425	136 730 366	225 600 487
Deposits from other financial institutions	72 460 306	19 915 914	3 937 889	3 061 558	-	-	99 375 667
Lines of credit	652 396	10 000 000	-	61 401 730	-	-	72 054 126
Other liabilities	-	-	-	-	-	7 730 530	7 730 530
Current income tax liabilities	-	-	-	-	-	407 059	407 059
Capital and reserves	-	-	-	-	-	65 066 009	65 066 009
Total liabilities	128 901 144	41 083 463	12 122 615	78 083 267	109 425	209 933 964	470 233 878
Interest rate repricing gap	(85 615 446)	(15 542 809)	13 703 000	7 056 762	115 321 924	(34 923 431)	-
Cumulative interest rate repricing gap	(85 615 446)	(101 158 255)	(87 455 255)	(80 398 493)	34 923 431	-	-

20 FBC BANK FOREIGN EXCHANGE GAP AS AT 31 DECEMBER 2017

Foreign exchange gap analysis as at 31 December 2017

Base currency	EUR	BWP	GBP	TOTAL
US$ equivalent	US$	US$	US$	US$
Assets				
Cash	89 705	23 063	10 352	123 120
Balances with Reserve Bank	35 690	-	2 067	37 757
Correspondent nostro balances	71 808	136 068	36 598	244 474
Loans and overdrafts	157	173	11	341
Other assets	20	16	-	36
Total assets	**197 380**	**159 320**	**49 028**	**405 728**
Liabilities				
Deposits from customers	146 742	10 550	39 170	196 462
Other liabilities	8 272	49	94	8 415
Total liabilities	**155 014**	**10 599**	**39 264**	**204 877**
Net currency position	**42 366**	**148 721**	**9 764**	**200 851**

Foreign exchange gap analysis as at 31 December 2016

	EUR US$	BWP US$	GBP US$	TOTAL US$
Assets				
Cash	41 434	23 857	6 024	71 315
Balances with Reserve Bank	132 806	-	-	132 806
Correspondent nostro balances	280 483	286 176	83 315	649 974
Loans and overdrafts	37	199	62	298
Other assets	2	14	19	35
Total assets	**454 762**	**310 246**	**89 420**	**854 428**
Liabilities				
Deposits from customers	62 083	51 469	59 010	172 562
Other liabilities	249 275	43	85	249 403
Total liabilities	**311 358**	**51 512**	**59 095**	**421 965**
Net currency position	**143 404**	**258 734**	**30 325**	**432 463**

21 VALUE AT RISK

Value at risk ("VaR")is a statistical estimate of the maximum loss expected from the Bank's trading book with a given degree of confidence over a given holding period. The Bank's system uses the Exponentially Weighted Moving Average (''EWMA") method to compile VaR. This method attaches more weight to the most recent data on market risk factors the weights decaying exponentially as we go further into the past. The VaR parameters used are at 95% confidence level, one day holding period and ten day holding period.

31 December 2017			Value at risk (95%) confidence level	
Asset class	Type of risk	Present value	1-day holding period	5-day holding period
Currency	Exchange rate	551 328	7 592	11 357
	Total portfolio VaR	551 328	7 592	11 357
31 December 2016				
Asset class				
Currency	Exchange rate	498 625	4 251	9 206
	Total portfolio VaR	498 625	4 251	9 206

22 RESERVE BANK OF ZIMBABWE ("RBZ") ONSITE EXAMINATION

The Bank has its corporate governance and risk management processes independently audited by the Reserve Bank of Zimbabwe.

The most recent inspection was carried out for the 12 months to 30 June 2014 and the results indicate that the Bank's risk management and corporate governance practices are sound as illustrated below:

Summary risk assessment system ("RAS") ratings

RAS component	Latest RAS rating 30-06-2014
Overall inherent risk	Moderate
Overall risk management systems	Acceptable
Overall composite risk	Moderate

FBC Bank Limited's CAMELS* ratings by The Reserve Bank Of Zimbabwe

Camels component	Latest RBS ratings 30 June 2014	Previous RBS ratings 30 September 2008
Capital adequacy	2	2
Asset quality	3	3
Management	2	2
Earnings	2	2
Liquidity	1	2
Sensitivity to market risk	2	2
Composite rating	2	2

*CAMELS- is an acronym for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. CAMELS rating system uses a rating scale of 1-5, where '1' is strong, '2' is satisfactory , '3' is fair, '4' is weak, and '5' is critical.
*RBS- stands for risk-based supervision.

23 INTERNATIONAL CREDIT RATING

The Bank has its credit ratings reviewed annually by an international credit rating agency , Global Credit Rating Company.

The Bank has a BBB+ Credit rating.

24 BOARD ATTENDANCE

NAME	Executive ("E") / Non Executive Director ("NE")	2017 MAIN BOARD QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Takabvakure Euwitt Mutunhu	N/E	√	√	√	√
John Mushayavanhu	N/E	√	√	√	√
Garikai Bera	N/E	√	√	R	R
Trynos Kufazvinei	N/E	√	√	√	√
Martin Makonese	E	√	√	√	√
Morgan Nzwere	N/E	√	√	√	√
Webster Rusere	E	√	√	√	√
Mercy Rufaro Ndoro	N/E	√	√	√	√
Theresa Mazoyo	N/E	√	√	√	√
Patrick Takawira	E	√	√	√	√
Agrippa Mugwagwa	E	√	√	√	√
Abel Magwaza	E	√	√	√	√
David William Birch	N/E	√	√	R	R

Key
√ - Present X - Absent N/E - Non-executive director E - Executive director R - Resigned

By Order of the Board

Tichaona Kudakwashe Mabeza
Company Secretary
28 March 2018

FBC Building Society
(Registered Building Society)

Audited Financial Results
For The Year Ended 31 December 2017

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
Assets			
Cash and cash equivalents	1	16 630 727	62 171 276
Financial assets held to maturity	2	40 949 343	17 241 384
Loans and advances to customers	3	59 125 283	58 413 922
Inventory	4	6 523 937	5 171 336
Other assets	5	1 396 809	239 398
Investment properties	6	490 000	25 000
Property and equipment	7	4 767 134	4 338 318
Intangible assets	8	36 553	81 396
Total assets		**129 919 786**	**147 682 030**
Liabilities			
Deposits from banks	9.1	5 017 972	39 882 130
Deposits from customers	9.2	64 236 828	53 889 378
Borrowings	9.3	2 549 066	3 139 988
Other liabilities	10	10 612 586	9 499 524
Total liabilities		**82 416 452**	**106 411 020**
Equity			
Share capital		156 175	156 175
Share premium		11 110 424	11 110 424
Revaluation reserve		113 460	93 915
Retained earnings		36 123 275	29 910 496
Total equity		**47 503 334**	**41 271 010**
Total equity and liabilities		**129 919 786**	**147 682 030**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
Interest income	11	15 149 669	14 225 764
Interest expense	12	(4 350 444)	(4 887 783)
Net interest income		**10 799 225**	**9 337 981**
Revenue from property sales		5 387 808	7 001 895
Cost of sales		(4 212 915)	(6 039 694)
Net income from property sales		**1 174 893**	**962 201**
Fees and commission income		5 341 344	5 283 243
Fees and commission expense		(264 775)	(159 266)
Net fees and commission income		**5 076 569**	**5 123 977**
Other income	13	176 800	166 284
Total net income		**17 227 487**	**15 590 443**
Impairment allowance on loans and advances	3.2	(600 697)	(649 634)
Operating expenses	14	(7 319 793)	(6 423 959)
Total operating expenses		**(7 920 490)**	**(7 073 593)**
Surplus for the year		**9 306 997**	**8 516 850**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on property revaluation	7	19 545	-
Total comprehensive income for the year		**9 326 542**	**8 516 850**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Share premium US$	Revaluation reserve US$	Retained earnings US$	Total US$
Opening balance at 1 January 2016	**156 175**	**11 110 424**	**93 915**	**23 669 470**	**35 029 984**
Surplus for the year	-	-	-	8 516 850	8 516 850
Total comprehensive income	**-**	**-**	**-**	**8 516 850**	**8 516 850**
Transactions with owners recorded directly in equity					
Dividend paid	-	-	-	(2 275 824)	(2 275 824)
Shareholders equity as at 31 December 2016	**156 175**	**11 110 424**	**93 915**	**29 910 496**	**41 271 010**
Opening balance at 1 January 2017	**156 175**	**11 110 424**	**93 915**	**29 910 496**	**41 271 010**
Surplus for the year	-	-	-	9 306 997	9 306 997
Other comprehensive income					
Revaluation adjustment	**-**	**-**	**19 545**	**-**	**19 545**
Total comprehensive income	**-**	**-**	**19 545**	**9 306 997**	**9 326 542**
Transactions with owners recorded directly in equity					
Dividend paid	-	-	-	(3 094 218)	(3 094 218)
Shareholders equity as at 31 December 2017	**156 175**	**11 110 424**	**113 460**	**36 123 275**	**47 503 334**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		9 306 997	8 516 850
Adjustments for:			
Depreciation of property and equipment	7	208 873	221 084
Amortisation and impairment of intangible assets	8	44 843	76 443
Impairment reversal on property	7	(1 629)	-
Inventory write down		262 240	-
Loss on disposal of property and equipment		-	7 133
Impairment allowance on loans and advances	3.2	600 697	649 634
Fair value gain on investment properties		(16 220)	-
Net cash generated before changes in working capital		**10 405 801**	**9 471 144**
Increase in financial assets held to maturity		(23 707 959)	(17 241 384)
Increase in loans and advances to customers		(1 312 058)	(1 067 446)
(Increase)/decrease in inventory		(1 614 841)	941 318
(Increase)/decrease in other assets		(1 606 191)	259 665
(Decrease)/increase in deposits from banks		(34 864 158)	8 454 680
Increase in deposits from customers		10 347 450	3 731 756
Increase in other liabilities		1 128 201	5 106 368
Net cash (used in)/generated from operating activities		**(41 223 755)**	**9 656 101**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	7	(616 515)	(135 663)
Proceeds from disposal of property and equipment		-	8 755
Net cash used in investing activities		**(616 515)**	**(126 908)**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings repayment		(606 061)	(606 060)
Dividend paid		(3 094 218)	(2 275 824)
Net cash used in financing activities		**(3 700 279)**	**(2 881 884)**
Net (decrease)/increase in cash and cash equivalents		**(45 540 549)**	**6 647 309**
Cash and cash equivalents at the beginning of the year		62 171 276	55 523 967
Cash and cash equivalents at the end of the year	1	**16 630 727**	**62 171 276**

NOTES TO THE FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
1.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	235 882	362 615
	Cash at bank	7 364 003	5 143 816
	Interbank short term investments	9 030 842	56 664 845
		16 630 727	**62 171 276**
2.	**FINANCIAL ASSETS HELD TO MATURITY**		
	Treasury bills	30 859 899	17 241 384
	Savings bonds	10 089 444	-
		40 949 343	**17 241 384**
2.1	**Maturity analysis of financial assets held to maturity**		
	Up to 1 month	2 093 084	-
	1 month to 3 months	216 762	6 393 267
	3 months to 1 year	24 896 620	2 670 837
	1 year to 5 years	13 742 877	8 177 280
		40 949 343	**17 241 384**
3.	**LOANS AND ADVANCES TO CUSTOMERS**		
	Short term loan advances	20 240 212	23 829 196
	Mortgage loan advances	41 362 269	37 385 683
	Gross loans and advances to customers	**61 602 481**	**61 214 879**
	Allowance for impairment	(2 477 198)	(2 800 957)
	Net loans and advances to customers	**59 125 283**	**58 413 922**
3.1	**Maturity analysis of loans and advances**		
	Up to 1 month	1 390 070	1 661 860
	1 month to 3 months	2 780 139	3 323 721
	3 months to 1 year	10 170 783	12 227 531
	1 year to 5 years	17 662 096	21 938 750
	Over 5 years	27 122 195	19 262 060
		59 125 283	**58 413 922**
3.2	**Impairment allowance on loans and advances**		
	Balance at beginning of the year	2 800 957	2 375 760
	Impairment charge for the year	600 697	649 634
	Suspended interest	45 647	165 479
	Amounts written off during the year	(970 103)	(389 916)
		2 477 198	**2 800 957**
3.3	**Exposure to credit risk**		
	Carrying amount	**59 125 283**	**58 413 922**
	Past due and impaired		
	Grade 8: Impaired	649 444	490 668
	Grade 9: Impaired	1 362 675	623 042
	Grade 10: Impaired	2 049 730	2 512 742
	Gross carrying amount	4 061 849	3 626 452
	Allowance for impairment	(1 614 242)	(1 938 327)
	Carrying amount	**2 447 607**	**1 688 125**
	Neither past due nor impaired		
	Grade 4-7: watch list	6 462 245	10 367 822
	Grade 1-3: low fair risk	51 078 387	47 220 605
	Gross carrying amount	57 540 632	57 588 427
	Allowance for impairment	(862 956)	(862 630)
	Carrying amount	**56 677 676**	**56 725 797**
	Total carrying amount	**59 125 283**	**58 413 922**
4.	**INVENTORY**		
	Raw materials	125 368	67 719
	Work in progress	4 089 434	1 835 080
	Completed units	2 309 135	3 268 537
		6 523 937	**5 171 336**
5.	**OTHER ASSETS**		
	Prepayments	706 654	85 794
	Other	690 155	153 604
		1 396 809	**239 398**

FBC Building Society
(Registered Building Society)

Audited Financial Results
For The Year Ended 31 December 2017

NOTES TO THE FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
6.	**INVESTMENT PROPERTIES**		
	Opening balance	25 000	25 000
	Fair value adjustment	20 275	-
	Additions	7 560	-
	Transfer from inventory	437 165	-
	Closing balance	**490 000**	**25 000**
7.	**PROPERTY AND EQUIPMENT**		
	Cost		
	Carrying amount at beginning of the year	4 338 318	4 439 627
	Gross carrying amount	5 303 975	5 216 436
	Accumulated depreciation and impairment loss	(965 657)	(776 809)
	Additions	616 515	135 663
	Revaluation gain on properties	19 545	-
	Disposals	-	(15 888)
	Current period depreciation charge	(208 873)	(221 084)
	Impairment reversal	1 629	-
	Carrying amount at end of the year	**4 767 134**	**4 338 318**
8.	**Intangible assets**		
	Opening net carrying amount	81 396	157 839
	Amortisation charge	(44 843)	(75 107)
	Impairment charge	-	(1 336)
	Closing net carrying amount	**36 553**	**81 396**
9.	**DEPOSITS AND BORROWINGS**		
9.1	**Deposits from banks**		
	Money market deposits	5 017 972	39 882 130
		5 017 972	**39 882 130**
9.2	**Deposits from customers**		
	Retail savings deposits	16 533 403	6 086 439
	Money market deposits	42 594 674	42 829 615
	Fixed deposits	5 108 751	4 973 324
		64 236 828	**53 889 378**
9.3	**Borrowings**		
	Offshore borrowings	2 549 066	3 139 988
		2 549 066	**3 139 988**
	Total deposits and borrowings	**71 803 866**	**96 911 496**
9.4	**Maturity analysis of deposits and borrowings**		
	Up to 1 month	41 491 357	68 181 774
	1 month to 3 months	20 194 983	20 757 421
	3 months to 1 year	3 065 769	465 049
	Over 1 year	7 051 757	7 507 252
		71 803 866	**96 911 496**
10.	**OTHER LIABILITIES**		
	Trade and other payables	5 596 484	5 719 560
	Deferred income	2 405 062	935 915
	Provisions	2 611 040	2 844 049
		10 612 586	**9 499 524**
11.	**INTEREST INCOME**		
	Loans and advances to customers	8 628 875	9 900 733
	Interbank money market investments	2 138 625	2 698 438
	Financial assets held to maturity	4 382 169	1 626 593
		15 149 669	**14 225 764**
12.	**INTEREST EXPENSE**		
	Deposits from banks	1 214 676	1 549 399
	Deposits from customers - retail savings	117 273	83 746
	Offshore borrowings	370 691	430 835
	Deposits from customers - time deposits	2 647 804	2 823 803
		4 350 444	**4 887 783**
13.	**OTHER INCOME**		
	Rent received	147 197	154 928
	Fair value adjustment on investment properties (net of tax)	16 220	-
	Loss on disposal of property and equipment	-	(7 133)
	Other	13 383	18 489
		176 800	**166 284**
14.	**OPERATING EXPENSES**		
	Administration expenses	1 758 393	1 470 530
	Personnel expenses	3 796 710	3 378 047
	Audit fees	93 925	76 148
	Directors fees and key management remuneration	1 418 677	1 201 707
	Depreciation and amortisation	252 088	297 527
		7 319 793	**6 423 959**

15. LIQUIDITY RISK
Contractual maturity profile of assets and liabilities
31 December 2017

	Up to 30 days US$	31-90 days US$	91-365 days US$	Over 1 year US$	Total US$
Liabilities					
Deposits from banks	3 000 750	2 017 222	-	-	5 017 972
Deposits from customers	38 490 607	18 026 246	2 611 224	5 108 751	64 236 828
Borrowings	-	151 515	454 545	1 943 006	2 549 066
Other liabilities	4 364 327	3 500 229	904 208	1 843 822	10 612 586
Total liabilities	**45 855 684**	**23 695 212**	**3 969 977**	**8 895 579**	**82 416 452**
Assets					
Cash and cash equivalents	9 820 756	6 809 971	-	-	16 630 727
Financial assets held to maturity	2 093 084	216 762	24 896 620	13 742 877	40 949 343
Loans and advances to customers	1 390 070	2 780 139	10 170 783	44 784 291	59 125 283
Total assets	**13 303 910**	**9 806 872**	**35 067 403**	**58 527 168**	**116 705 353**
Liquidity gap	**(32 551 774)**	**(13 888 340)**	**31 097 426**	**49 631 589**	**34 288 901**
Cumulative liquidity gap	**(32 551 774)**	**(46 440 114)**	**(15 342 688)**	**34 288 901**	**-**

16. INTEREST RATE RISK
Interest rate repricing gap
31 December 2017

	Up to 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							
Cash and cash equivalents	2 220 871	6 809 971	-	-	-	7 599 885	16 630 727
Financial assets held to maturity	2 093 084	216 762	3 945 903	20 950 717	13 742 877	-	40 949 343
Loans and advances to customers	40 796 505	2 339 844	2 924 805	5 264 649	7 799 480	-	59 125 283
Inventory	-	-	-	-	-	6 523 937	6 523 937
Other assets	-	-	-	-	-	1 396 809	1 396 809
Investment properties	-	-	-	-	-	490 000	490 000
Property and equipment	-	-	-	-	-	4 767 134	4 767 134
Intangible assets						36 553	36 553
Total assets	**45 110 460**	**9 366 577**	**6 870 708**	**26 215 366**	**21 542 357**	**20 814 318**	**129 919 786**
Liabilities							
Deposits from banks	3 000 750	2 017 222	-	-	-	-	5 017 972
Deposits from customers	43 599 358	18 026 246	2 533 810	77 414	-	-	64 236 828
Borrowings	2 549 066	-	-	-	-	-	2 549 066
Other liabilities	-	-	-	-	-	10 612 586	10 612 586
Equity	-	-	-	-	-	47 503 334	47 503 334
Total liabilities	**49 149 174**	**20 043 468**	**2 533 810**	**77 414**	**-**	**58 115 920**	**129 919 786**
Interest rate repricing gap	**(4 038 714)**	**(10 676 891)**	**4 336 898**	**26 137 952**	**21 542 357**	**(37 301 602)**	**-**
Cumulative interest rate repricing gap	**(4 038 714)**	**(14 715 605)**	**(10 378 707)**	**15 759 245**	**37 301 602**	**-**	**-**

		Audited 31 Dec 2017 US$	Audited 31 Dec 2016 US$
17.	**CAPITAL ADEQUACY RATIO**		
	Core Capital Tier 1		
	Issued and fully paid up ordinary share capital	11 266 599	11 266 599
	Retained earnings	36 123 275	29 910 495
	Capital allocated for market and operational risk	(1 953 645)	(1 765 937)
	Advances to insiders	(110 451)	(117 165)
	Total core capital	45 325 778	39 293 992
	Supplementary Capital Tier 2		
	Revaluation reserves	113 460	93 915
	Total supplementary capital	113 460	93 915
	Tier 3		
	Capital allocated for market and operational risk	1 953 645	1 765 937
	Core capital plus supplementary capital	**47 392 883**	**41 153 844**
	Total risk weighted assets	**82 513 703**	**87 333 634**
	Tier 1 capital ratio	55%	45%
	Tier 2 capital ratio	0%	0%
	Tier 3 capital ratio	2%	2%
	Capital adequacy ratio	57%	47%
18.	**CAPITAL COMMITMENTS**		
	Capital expenditure authorised not yet undertaken	**827 088**	**1 283 885**

19. RESERVE BANK OF ZIMBABWE ONSITE EXAMINATION

The Building Society has its corporate governance and risk management processes independently audited by the Reserve Bank of Zimbabwe.

FBC Building Society CAMELS* ratings

CAMELS* component	Latest RBS** ratings 30 June 2014	Previous RBS** ratings 30 Sept 2007
Capital adequacy	2	2
Asset quality	3	2
Management	2	2
Earnings	2	2
Liquidity	1	2
Sensitivity to market risk	2	2
Overall composite rating	**2**	**2**

*CAMELS is an acronym for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. CAMELS rating system uses a rating scale of 1-5, where '1' is strong, '2' is satisfactory, '3' is fair, '4' is weak and '5' is critical.
**RBS stands for Risk-Based Supervision.

Summary Risk Assessment System (RAS) ratings

RAS component	Latest RAS rating 30 June 2014
Overall inherent risk	Moderate
Overall risk management systems	Acceptable
Overall composite risk	Moderate
Direction of overall composite risk	Stable

Summary risk matrix

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Moderate	Acceptable	Moderate	Increasing
Liquidity	Moderate	Acceptable	Moderate	Stable
Interest rate	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Strong	Low	Stable
Operational	Moderate	Acceptable	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Moderate	Stable
Strategic	Moderate	Acceptable	Moderate	Stable
Overall	**Moderate**	**Acceptable**	**Moderate**	**Stable**

20 BOARD ATTENDANCE

	Main Board			
Board member	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**
Benjamin N. Kumalo	√	√	x	√
Felix Gwandekwande	√	√	√	√
Oliver Gwaze	√	√	√	√
Marah Hativagone	√	√	√	√
Agnes Kanhukamwe	√	x	√	√
**Guardiner Manikai	n/a	n/a	n/a	√
*Kennard C. Muranda	√	√	n/a	n/a
John Mushayavanhu	√	√	√	√
Christopher Y Muyeye	√	√	x	√
Pius Rateiwa	√	√	√	√
Webster Rusere	√	√	√	√

Key: √ - Attended x - Apologies n/a - not applicable
* Resigned from the Board on 8 June 2017 **Appointed to the Board on 16 October 2017

By order of the Board

T. Mabeza
Group Company Secretary
28 March 2018

Directors: Benjamin Kumalo (Chairman), Felix Gwandekwande (Managing Director), Oliver Gwaze, Marah Hativagone, Agnes Kanhukamwe*, Guardiner Manikai, John Mushayavanhu, Christopher Y Muyeye, Pius Rateiwa*, Webster Rusere (Executive*)