FBC Holdings Limited

strength • diversity • service

FBC Bank Limited
(Registered Commercial Bank)

FBC Building Society
(Registered Building Society)

FBC Securities (Private) Limited
(Registered Stockbroker) - Zimbabwe Stock Exchange

FBC Reinsurance Limited

Eagle Insurance Company Limited

Turnall Holdings Limited

MicroPlan Financial Services (Pvt) Limited
(A registered microfinance institution)

Unaudited Interim Results

For the six months ended 30 June 2013

FBC Holdings Limited
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Unaudited Interim Results For the six months ended 30 June 2013

Chairman's Statement

Financial Highlights

- Group profit before tax up 10% to US$10 million, from US$9.2 million for the same period last year.
- Group profit after tax increased by 20% to US$8.3 million from US$6.9 million for the corresponding period last year.
- Basic earnings per share increased to 1.31 US Cents from 1.06 US Cents.
- Cost to income ratio improved to 73% from 75%.
- Total shareholders' equity increased by 31% to US$88 million from US$67 million as at 31 December 2012.
- Total assets increased by 15% to US$451 million from US$392 million as at 31 December 2012.
- Net asset value per share 13.10 US Cents (2012 – 12.5 US Cents).

Financial Performance Review

Despite the harsh economic environment, the Group sustained a positive performance, achieving a profit before tax of US$10 million for the six months ended 30 June 2013. This was driven by increased revenues from the financial services businesses as well as cost containment. The commendable performance is 10% better than the US$9.2 million achieved for the same period last year and is 59% of the 2012 full year financial performance of US$16.9 million. The Group's earnings capacity continues to be buttressed by its diversified business model, with all the subsidiaries except the manufacturing business, achieving results significantly higher than those achieved for the corresponding period last year.

The Group's total income recorded an increase of US$0.1 million to US$36.8 million from US$36.7 million. The increase was weighed down by the mandatory reduction of bank charges and interest margins as stipulated in the Memorandum of Understanding ("MoU") signed between the banking industry and the Reserve Bank of Zimbabwe. In addition, the subdued performance of the manufacturing business also weighed down revenues.

The Group's total income is expected to increase in the second half of the year as contributions from increased volumes and the recently introduced concrete tile product become more pronounced.

Net interest income registered a modest growth of 5% to US$9.9 million contributing 27% of the Group's total income in line with the same period last year. The unavailability of adequate credit lines for the country continues to push the cost of funding, as financial institutions compete to attract the limited deposits. This has had a negative impact on margins against a backdrop of a mandatory interest rate capping.

Despite the capping of bank charges to customers, fee and commission income increased by 2% to US$11.5 million as a result of increased volume of transactions.

The contribution of gross profit on sales to total income decreased to 17% from 20% in percentage terms and to US$6.3 million from US$7.4 million in value as the Group's manufacturing business offered discounts to customers to improve stock turnover in order to manage working capital. The manufacturing business gross profit margins are set to improve following the commissioning of the new tile manufacturing plant in July 2013.

The Group's gross insurance premium increased by 12% to US$12.1 million, in line with increased business. The net earned insurance premium, however decreased by 6% to US$7.2 million, as the insurance businesses reviewed their risk transfer model by retaining less premium in order to improve the quality of cover to customers. The contribution of net earned insurance premium to Group total income, at 20%, was comparable to the corresponding period last year.

The total impairment charge at US$10.2 million is considered adequate in view of the security being held by the banking subsidiaries.

The Group's cost to income ratio improved to 73% from 75% compared to the corresponding period last year as a result of improved cost containment. The operating expenses registered an increase of 2.8% to US$21.7 million compared to the same period last year.

The Group's statement of financial position at US$451 million increased by 15% compared to 31 December 2012. The increase in the statement of financial position was mainly buoyed by the 16% increase in deposits to US$295 million compared to 31 December 2012, as the FBC brand continued to gain traction in the market.

Total equity attributable to shareholders of the parent company increased by 31% compared to the position as at 31 December 2012 mainly as a result of the disposal of treasury shares at a profit of US$2.6 million and the acquisition of 40% of FBC Building Society from NSSA.

Operating Environment

The economy, though improving, continues to be dogged by liquidity challenges, infrastructural inadequacies, high external debt, limited revenue growth, as well as a widening trade and current account deficit, due to depressed exports and over-dependence on imports. Industrial capacity utilization decreased from 57% in 2011 to 40% in 2012, and continues to decrease as evidenced by continuous closure and downsizing of firms. This is due to constraints which include limited access to medium to long term funding and prohibitive borrowing costs.

Gross Domestic Product growth forecasts were revised downwards to 3.4%, from initial projections of 5% for the year 2013 indicating yet another year of moderate growth.

Financial Services Sector

The slow growth in the deposit base against a more than proportionate increase in funding requirements continues to incapacitate the sector from adequately meeting the economy's funding needs. Total deposits increased by 5.3% from US$4.2 billion in January 2013 to US$4.4 billion in May 2013, while total banking sector loans and advances increased by 5.56% from US$3.4 billion to US$3.59 billion. Revenues in the sector were subdued as a result of the Memorandum of Understanding signed in February this year which affected the performance of non-funded income. Capitalization was a major highlight over the period in the sector with 12 institutions, including FBC, having been reported to have fully complied with the December 2012 capital threshhold as at 31 March 2013.

New Capital Requirements

The Reserve Bank of Zimbabwe increased the minimum capital requirements for banking institutions in July 2012. Commercial banks and building societies are required to raise their minimum capital from US$12.5 million and US$10 million to US$100 million and US$80 million respectively, by 30 June 2014. Banking institutions must comply with 50% of the prescribed minimum capital by 30 June 2013; 75% by 31 December 2013 and 100% by 30 June 2014.

In order for the banking subsidiaries to comply with the new capital requirements, FBC Holdings Limited ("FBCH") has received approval for its proposal to merge the Bank and the Building Society into a single entity, FBC Bank Limited. The merger would result in the two institutions bringing their capital together and this, coupled with other initiatives, would enable the emergence of a commercial bank that is in compliance with the minimum capital requirements.

In pursuance of the merger transaction, a corporate restructuring was carried out by FBC Holdings Limited which resulted in the National Social Security Authority's ("NSSA") 40% shareholding in FBC Building Society being transferred to FBCH through a share swap, resulting in an increase of NSSA's shareholding in FBCH to 35%. The execution of this restructuring transaction resulted in both the Bank and the Society being owned 100% by FBCH.

Whilst all the hurdles have been cleared, the Bank and the Society are still operating as separate legal entities as we await a formal announcement from the Central Bank with regard to the capitalization timeline. In the event that the capitalization deadline remains the same, the Bank and the Building Society will be merged into one entity to comply with the capital requirements. If the banking subsidiaries' current capital levels are in compliance with the new dispensation, the units will continue to operate separately. The total capital of the Bank and the Society as at 30 June 2013 was US$60 million, which is in excess of the US$50 million threshold as at that date.

As at 30 June 2013, all the other FBC Holdings Limited subsidiaries were in full compliance with regulatory capital requirements.

Share Price Performance

The demand by foreign investors on the Zimbabwe Stock Exchange ("ZSE"), buoyed the main industrial index to a 39% growth at 211.19 points as at the end of June 2013 and the resource counters put up a moderate performance at 73.29 points, up 12.5% on a year to date basis. The FBC Holdings Limited's share price also attracted foreign demand, with three foreign shareholders purchasing a total of over 10% of its listed shares. The FBCH share price gained 25.2%, closing the half year at US$0.10. The FBCH share price continued to trade below the net asset value per share which at half year was at US$0.13. We believe the FBCH stock significantly remains undervalued especially given the strong earning capacity of the Group.

Corporate Social Investment

The Group has disbursed over US$140 000 towards various corporate social responsibility initiatives in the fields of education, health, sports and the arts during the first half of the year and remains committed to giving back to the communities it operates in.

Dividend

On behalf of the Board, I am pleased to advise shareholders that an interim dividend of 0.149 US Cents per share is proposed after taking into account the good performance of the Group and the solid recapitalization plan. The dividend being proposed translates to seven times dividend cover.

Marketing and Public Relations

The Group has remained highly visible within the market place during the first half of the year owing to various sustained marketing and public relations initiatives that have been implemented. FBC Holdings Limited was publicly recognized once again when it scooped the Independent Quoted Companies Survey 2012 Banking Sector Award for the second year running, having received the same accolade in 2011. The Group has also previously won the Independent Quoted Companies Overall Award for the best performing company.

e-Commerce

The Group will continue to champion the financial inclusion agenda through products and services that cater for more segments of the market. We have initiated the rolling out of solutions targeting sectors that were previously not served and implementing innovative services which continue to make banking more convenient and efficient. Leveraging on technology to streamline internal processes and developing more products, will allow us to be pro-active in an increasingly competitive market. Electronic platforms have also enabled us to capture the diaspora markets through innovative products and services which provide around the clock access to our services from anywhere across the globe.

The increased number of transactions generated through e-channels has allowed the Bank to counter the significantly adverse impact of the Memorandum of Understanding on risk-free income in the first half of the year. The Group will continue to expand into new markets in the second half through integration of the secondary distribution network, which should give even greater service reach.

Outlook

Following the just-ended peaceful elections, it is our hope that this will now pave the way for macro-economic stability and increased foreign direct investment, leading to improved liquidity. The Group remains well poised to exploit the new environment to grow shareholder value.

Appreciation

As always, I am humbled by the unwavering support and confidence shown in the FBC brand by our valued customers. I am truly appreciative of the non-executive directors' guidance and counsel during this period. The professionalism, dedication and commitment demonstrated at all times, by the Group Chief Executive, his management team and staff, is highly commendable.

Herbert Nkala
Group Chairman
21 August 2013

FBC Holdings Limited

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Unaudited Interim Results For the six months ended 30 June 2013

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2013

	Note	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Interest income	15	20 319 390	18 594 134
Interest expense	16	(10 464 365)	(9 194 778)
Net interest income		**9 855 025**	**9 399 356**
Fee and commission income	17	11 474 111	11 288 650
Fee and commission expense		(5 867)	-
Net fee and commission income		**11 468 244**	**11 288 650**
Revenue	18.1	24 833 494	22 802 615
Cost of sales	18.2	(18 503 085)	(15 358 030)
Gross profit		**6 330 409**	**7 444 585**
Insurance premium revenue	19.1	12 088 498	10 769 722
Premium ceded to reinsurers and retrocessionaires		(4 872 989)	(3 122 397)
Net earned insurance premium		**7 215 509**	**7 647 325**
Net trading income		409 646	762 279
Net gains from financial instruments carried at fair value		236 263	(183 795)
Other operating income	20	1 286 678	386 391
		1 932 587	964 875
Total income		**36 801 774**	**36 744 791**
Impairment allowance on financial assets	5.3	(623 964)	(1 368 383)
Net insurance commission expense	19.2	(1 841 936)	(1 867 270)
Insurance claims and loss adjustment expenses	19.3	(2 620 530)	(3 244 937)
Administrative expenses	21	(21 687 159)	(21 105 466)
Profit before income tax		**10 028 185**	**9 158 735**
Income tax expense	22	(1 729 194)	(2 218 950)
Profit for the period		**8 298 991**	**6 939 785**
Other comprehensive income		-	-
Gains on revaluation of land and buildings		-	-
Tax relating to other comprehensive income		-	-
Other comprehensive income, net income tax		-	-
Total comprehensive income for the period		**8 298 991**	**6 939 785**
Profit attributable to:			
Equity holders of the parent		7 025 059	5 636 385
Non-controlling interests		1 273 932	1 303 400
Profit for the period		**8 298 991**	**6 939 785**
Total comprehensive income attributable to:			
Equity holders of the parent		7 025 059	5 636 385
Non controlling interests		1 273 932	1 303 400
Total comprehensive income for the period		**8 298 991**	**6 939 785**
Earnings per share (US cents)			
Basic earnings per share	26.1	1.31	1.06
Diluted earnings per share	26.2	1.31	1.06

Consolidated Statement of Financial Position
As at 30 June 2013

	Note	Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
ASSETS			
Balances with banks and cash	4	119 136 714	82 415 090
Loans and advances to customers	5.1	210 606 591	190 592 547
Trade and other receivables including insurance receivables	5.2	28 229 337	26 582 806
Financial assets at fair value through profit or loss	6	2 546 372	2 932 818
Inventory	7	20 731 029	22 152 528
Prepayments and other assets	8	8 298 764	6 921 582
Deferred income tax assets		1 441 001	1 664 338
Investment property		25 000	25 000
Intangible assets		1 153 580	1 457 875
Property, plant and equipment	9	58 427 920	57 310 267
Total assets		**450 596 308**	**392 054 851**
EQUITY AND LIABILITIES			
Liabilities			
Deposits and borrowings from other banks and customers	10	295 388 184	254 058 266
Insurance liabilities	11	11 580 535	10 976 731
Trade and other payables	12	33 503 889	29 885 061
Current income tax liabilities		1 560 118	1 712 581
Deferred income tax liabilities		7 112 386	7 269 579
Total liabilities		**349 145 112**	**303 902 218**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	13	16 728 703	7 681 908
Other reserves	14	39 563 235	34 616 972
Retained profits		31 763 308	24 738 249
		88 055 246	67 037 129
Non controlling interest in equity		13 395 950	21 115 504
Total equity		**101 451 196**	**88 152 633**
Total equity and liabilities		**450 596 308**	**392 054 851**

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2013

	Share capital US$	Share premium US$	Retained profits US$	Share option reserve US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Regulatory reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Half year ended 30 June 2013												
Balance as at 1 January 2013	5 918	7 675 990	24 738 249	110 716	(2 757 535)	33 659 224	3 191 743	627 590	(214 766)	67 037 129	21 115 504	88 152 633
Profit for the period	-	-	7 025 059	-	-	-	-	-	-	7 025 059	1 273 932	8 298 991
Other comprehensive income												
Gain on revaluation of property, plant	-	-	-	-	-	-	-	-	-	-	-	-
and equipment, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory impairment allowance	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	7 025 059	-	-	-	-	-	-	7 025 059	1 273 932	8 298 991
Transaction with owners												
Net sale of treasury shares	-	2 638 811	-	-	2 442 625	-	-	-	-	5 081 436	-	5 081 436
Dividend	-	-	-	-	-	-	-	-	-	-	-	-
Increase in ownership interest	801	6 407 183	-	-	-	-	-	-	2 585 502	8 993 486	(8 993 486)	-
Treasury share purchase	-	-	-		-		-	-	-	-	-	-
Share buyback	-	-	-	-	(81 864)	-	-	-	-	(81 864)	-	(81 864)
Balance as at 30 June 2013	**6 719**	**16 721 984**	**31 763 308**	**110 716**	**(396 774)**	**33 659 224**	**3 191 743**	**627 590**	**2 370 736**	**88 055 246**	**13 395 950**	**101 451 196**
Half year ended 30 June 2012												
Balance as at 1 January 2012	5 918	7 675 990	13 106 111	110 716	(2 686 644)	33 659 224	3 191 743	690 650	(214 766)	55 538 942	18 679 890	74 218 832
Profit for the period	-	-	5 636 385	-	-	-	-	-	-	5 636 385	1 303 400	6 939 785
Other comprehensive income												
Gain on revaluation of property, plant	-	-	-	-	-	-	-	-	-	-	-	-
and equipment, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory impairment allowance	-	-	33 060	-	-	-	-	(33 060)	-	-	-	-
Total other comprehensive income	**-**	**-**	**33 060**	**-**	**-**	**-**	**-**	**(33 060)**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**5 669 445**	**-**	**-**	**-**	**-**	**(33 060)**	**-**	**5 636 385**	**1 303 400**	**6 939 785**
Transaction with owners												
Dividend	-	-	(1 352 280)	-	-	-	-	-	-	(1 352 280)	(213 870)	(1 566 150)
Balance as at 30 June 2012	**5 918**	**7 675 990**	**17 423 276**	**110 716**	**(2 686 644)**	**33 659 224**	**3 191 743**	**657 590**	**(214 766)**	**59 823 047**	**19 769 420**	**79 592 467**

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Unaudited Interim Results For the six months ended 30 June 2013

Consolidated Statement of Cash Flows
For the six months ended 30 June 2013

	Note	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Cash flow from operating activities			
Profit for the period		10 028 185	9 158 735
Adjustments for:			
Depreciation	9	1 995 150	1 895 356
Ammortisation		335 905	268 424
Impairment loss on loans and advances	5.3	623 964	1 368 383
Loss from disposal of property and equipment	20	(2 922)	803
Fair value adjustment on financial assets at fair value through profit or loss		(236 263)	183 795
Net Cash generated before changes in operating assets and liabilities		**12 744 019**	**12 875 496**
Increase in loans and advances		(20 014 044)	(51 317 023)
Increase in trade and other receivables		(1 646 531)	(3 034 518)
Increase in financial assets at fair value through profit or loss		386 446	(396 996)
Increase in inventory		1 421 499	(4 386 871)
Increase in prepayments and other assets		(1 377 182)	(1 230 657)
Increase in deposits from other banks and customers		32 881 308	61 820 229
Increase/ (decrease) in insurance liabilities		603 804	3 511 868
Increase/ (decrease) in trade and other payables		3 618 828	(1 201 289)
		28 618 147	16 640 239
Income tax expense paid		(1 815 907)	(3 950 515)
Net cash generated from operating activities		**26 802 240**	**12 689 724**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(3 173 668)	(1 843 910)
Proceeds from sale of property, plant and equipment		139 775	11 233
Net cash used in investing activities		**(3 033 893)**	**(1 832 677)**
Net cash flows before financing activities		23 768 347	10 857 047
Cash flows from financing activities			
Repayments of borrowings		-	(727 251)
Proceeds from borrowings		8 448 610	-
Dividend paid to non-controlling interest		-	(213 870)
Dividend paid to company's shareholders		-	(1 352 280)
Purchase of treasury shares		(81 864)	-
Proceeds from resale of treasury shares		5 081 436	-
Net cash generated from financing activities		**13 448 182**	**(2 293 401)**
Net increase in cash and cash equivalents		37 216 529	8 563 646
Cash and cash equivalents at beginning of the period		81 920 185	41 091 857
Cash and cash equivalents at the end of period	4.1	**119 136 714**	**49 655 503**

Notes to the Financial Results
For the six months ended 30 June 2013

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking , mortgage finance, stockbrocking, reinsurance, insurance and other related financial services. The Group also manufactures pipes and roofing sheets.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange and is incorporated and domiciled in Zimbabwe together with its subsidiaries.These condensed interim consolidated financial statements were approved for issue by the Board of Directors on 21 August 2013.

2 BASIS OF PREPARATION

The Group's condensed interim consolidated financial statements for the half year ended 30 June 2013 have been prepared in accordance with the International Accounting Standard ("IAS") 34, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20) and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim consolidated financial statements are consisent with those of the annual consolidated financial statements for the year ended 31 December 2012.

The condensed interim consolidated financial statements have been prepared under the historical cost convention and are presented in the United States dollars ("US$") and are rounded to the nearest dollar.

4 BALANCES WITH BANKS AND CASH

	Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
Balances with Reserve Bank of Zimbabwe		
Statutory reserves	-	-
Current account balances	72 443 973	50 701 657
	72 443 973	50 701 657
Balances with other banks and cash		
Notes and coins	14 065 269	23 907 633
Other bank balances	32 627 472	7 805 800
Balances with banks and cash	**119 136 714**	**82 415 090**
Current	119 136 714	82 415 090
Non-current	-	-
Total	**119 136 714**	**82 415 090**

		Unaudited 30 June 2013 US$	Audited 31 December 2012 US$	Unaudited 30 June 2012 US$
4.1	For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances :			
	Balances with other banks, cash and current account balances at RBZ (including bank overdrafts)	119 136 714	81 920 185	49 655 503
	Total cash and cash equivalents - statement of cash flows	**119 136 714**	**81 920 185**	**49 655 503**

		Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
5	LOANS AND RECEIVABLES		
5.1	Loans and advances to customers		
	Loans and advances maturities		
	Maturing within 1 year	137 619 966	144 452 501
	Maturing after 1 year	83 123 481	55 928 410
	Gross carrying amount	220 743 447	200 380 911
	Impairment allowance	(10 136 856)	(9 788 364)
		210 606 591	**190 592 547**
	Current	131 559 911	135 315 806
	Non-current	79 046 680	55 276 741
	Total	**210 606 591**	**190 592 547**
5.2	Trade and other receivables		
	Retail trade receivables	18 409 409	16 813 011
	Insurance receivables		
	- Due by insurance companies	4 054 635	4 807 101
	-Due by reinsurers	5 793 058	4 990 459
	Gross carrying amount	28 257 102	26 610 571
	Impairment allowance	(27 765)	(27 765)
		28 229 337	**26 582 806**
	Current	28 229 337	26 582 806
	Non-current	-	-
	Total	**28 229 337**	**26 582 806**

		Unaudited 30 June 2013 US$	Audited 31 December 2012 US$	Unaudited 30 June 2012 US$
5.3	Allowance for impairment			
	Balance as at 1 January	9 816 129	4 354 922	4 354 922
	Impairment allowance through statement of comprehensive income	623 964	3 603 842	1 368 383
	Reversal of impairment	-	(41 419)	-
	Amounts written off during the year as uncollectible	(354 013)	(751 739)	-
	Interest in suspense	78 541	2 650 523	-
	Balance as at the end of period	**10 164 621**	**9 816 129**	**5 723 305**

		Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
5.4	Exposure to credit risk		
5.4.1	Loans and advances		
	Past due and impaired		
	Grade 8: Impaired	4 317 410	12 741 919
	Grade 9: Impaired	5 411 468	3 059 909
	Grade 10: Impaired	7 689 059	2 470 241
	Gross amount	17 417 937	18 272 069
	Allowance for impairment	(6 637 830)	(7 633 643)
	Carrying amount	10 780 107	10 638 426
	Past due but not impaired		
	Grades 4 - 7:	34 845 596	13 003 340
	Niether past due nor impaired		
	Grades 1 - 3:	168 479 914	169 105 502
	Gross amount	203 325 510	182 108 842
	Allowance for impairment	(3 499 026)	(2 154 721)
	Carrying amount	199 826 484	179 954 121
	Total carrying amount	**210 606 591**	**190 592 547**
5.4.2	Trade and other receivables		
	Past due and impaired	9 862 240	6 430 768
	Allowance for impairment	(27 765)	(27 765)
	Carrying amount	9 834 475	6 403 003
	Past due but not impaired	3 308 311	2 870 522
	Niether past due nor impaired	15 086 551	17 309 281
	Gross amount	18 394 862	20 179 803
	Allowance for impairment	-	-
	Carrying amount	18 394 862	20 179 803
	Total carrying amount	**28 229 337**	**26 582 806**

FBC Holdings Limited

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Unaudited Interim Results For the six months ended 30 June 2013

Notes To The Financial Results (continued)
For the six months ended 30 June 2013

5.5 Sectoral analysis of utilisations - loans and advances

	Unaudited 30 June 2013 US$	Unaudited 30 June 2013 %	Audited 31 December 2012 US$	Audited 31 December 2012 %
Mining	17 814 519	8%	12 395 909	6%
Manufacturing	41 517 777	19%	35 382 390	18%
Mortgage	22 174 345	10%	16 968 935	8%
Wholesale	12 923 082	6%	12 210 166	6%
Distribution	23 613 222	11%	19 621 528	10%
Individuals	41 926 733	19%	46 758 523	23%
Agriculture	9 058 217	4%	9 886 442	5%
Communication	2 620 252	1%	1 938 286	1%
Construction	2 042 453	1%	1 971 742	1%
Local Authorities	3 286 969	1%	2 133 306	1%
Other services	43 765 878	20%	41 113 684	21%
Gross loans and advances	220 743 447	100%	200 380 911	100%
Less impairment allowance	(10 136 856)		(9 788 364)	
Carrying amount	**210 606 591**		**190 592 547**	

	Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed securities at market value	2 546 372	2 932 818
Current	2 546 372	2 932 818
Non-current	-	-
Total	**2 546 372**	**2 932 818**
7 INVENTORY		
Consumables	1 304 469	1 508 735
Raw materials	2 177 761	4 334 764
Work in progress	3 195 700	3 854 289
Finished goods	14 053 099	12 454 740
	20 731 029	**22 152 528**
8 PREPAYMENTS AND OTHER ASSETS		
Prepayments	3 817 043	2 385 095
Other	4 481 721	4 536 487
	8 298 764	**6 921 582**
Current	8 298 764	6 921 582
Non-current	-	-
Total	**8 298 764**	**6 921 582**

9 PROPERTY, PLANT AND EQUIPMENT

Half year ended 30 June 2013	Freehold premises US$	Plant and machinery US$	Computer equipment US$	Furniture and Office equipment US$	Motor vehicles US$	Total US$
Opening net book amount	28 083 296	23 394 626	1 213 594	3 362 664	1 256 087	57 310 267
Additions	305 224	1 642 494	574 704	463 670	187 576	3 173 668
Capital work in progress	-	-	-	-	-	-
Disposals	(8 000)	-	-	-	(52 865)	(60 865)
Depreciation	(307 336)	(990 148)	(273 808)	(234 152)	(189 706)	(1 995 150)
Closing net book amount	**28 073 184**	**24 046 972**	**1 514 490**	**3 592 182**	**1 201 092**	**58 427 920**

10 DEPOSITS FROM OTHER BANKS AND CUSTOMERS

	Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
10.1 DEPOSITS FROM CUSTOMERS		
Demand deposits	87 498 617	91 944 231
Promissory notes	49 122 457	30 007 720
Other time deposits	19 346 718	6 149 930
	155 967 792	128 101 881
10.2 DEPOSITS FROM OTHER BANKS		
Money market deposits	89 405 190	84 389 793
Bank borrowings and lines of credit	50 015 202	41 566 592
	139 420 392	125 956 385
TOTAL DEPOSITS	**295 388 184**	**254 058 266**
Current	295 388 184	254 058 266
Non-current	-	-
Total	**295 388 184**	**254 058 266**

10.3 DEPOSITS CONCENTRATION

	30 June 2013 US$	30 June 2013 %	31 December 2012 US$	31 December 2012 %
Agriculture	6 576 232	2%	4 982 313	2%
Construction	2 445 279	1%	2 225 233	1%
Wholesale and retail trade	52 126 588	18%	31 663 276	12%
Public sector	16 213 616	5%	16 766 961	7%
Manufacturing	16 893 249	6%	10 930 868	4%
Telecommunication	5 964 828	2%	2 351 318	1%
Transport	2 593 708	1%	4 558 834	2%
Individuals	31 834 521	11%	38 390 033	15%
Financial services	139 420 392	47%	125 956 385	50%
Mining	15 647 643	5%	12 699 878	5%
Other	5 672 128	2%	3 533 167	1%
	295 388 184	**100%**	**254 058 266**	**100%**

	Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
11 INSURANCE LIABILITIES		
Gross outstanding claims	6 397 540	7 336 142
Provisions for unearned premium	5 182 995	3 640 589
	11 580 535	**10 976 731**
Current	11 580 535	10 976 731
Non-current	-	-
Total	**11 580 535**	**10 976 731**
12 TRADE AND OTHER PAYABLES		
Trade and other payables	13 747 619	21 249 775
Deferred income	516 316	1 122 067
Other liabilities	19 239 954	7 513 219
	33 503 889	**29 885 061**
Current	33 503 889	29 885 061
Non-current	-	-
Total	**33 503 889**	**29 885 061**
13 SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Number of ordinary shares	800 000 000	800 000 000
Par value of shares US$	0.00001	0.00001
Issued and fully paid		
Number of ordinary shares	671 949 927	591 850 127

	Number of shares	Share capital US$	Share premium US$	Total US$
As at 1 January 2012	591 850 127	5 918	7 675 990	7 681 908
Net gain on disposal of treasury shares	-	-	2 638 811	2 638 811
Share issue	80 099 800	801	6 407 183	6 407 984
As at 30 June 2013	**671 949 927**	**6 719**	**16 721 984**	**16 728 703**

	Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
14 OTHER RESERVES		
Share option reserves	110 716	110 716
Revaluation reserve	3 191 743	3 191 743
Non distributable reserve	33 659 224	33 659 224
Regulatory provisions	627 590	627 590
Treasury reserves	(396 774)	(2 757 535)
Changes in ownership	2 370 736	(214 766)
	39 563 235	**34 616 972**

	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
15 INTEREST INCOME		
Cash and cash equivalents	212 251	653 822
Loans and advances to other banks	496 967	349 180
Loans and advances to customers	16 945 422	13 953 143
Investment securities	2 664 750	3 322 319
Other interest income	-	315 670
	20 319 390	**18 594 134**
16 INTEREST EXPENSE		
Deposit from other banks	8 676 578	3 231 516
Demand deposits	175 585	3 098 476
Afreximbank and PTA Bank	1 148 959	2 159 222
Time deposits	463 243	705 564
	10 464 365	**9 194 778**
17 FEE AND COMMISSION INCOME		
Retail service fees	7 777 515	7 907 250
Credit related fees	3 289 117	3 147 257
Investment banking fees	58 462	55 735
Brokerage	201 062	92 228
Other	147 955	86 180
	11 474 111	**11 288 650**
18.1 REVENUE		
Local manufacturing sales	18 121 858	17 239 382
Export manufacturing sales	846 334	1 285 233
Property Sales	5 865 302	4 278 000
	24 833 494	**22 802 615**
18.2 COST OF SALES		
Depreciation of property, plant and equipment	960 576	941 331
Raw materials	8 053 603	10 186 470
Staff Costs	2 771 996	2 843 509
Property development	3 707 166	2 781 099
Other	3 009 744	(1 394 379)
	18 503 085	**15 358 030**
19.1 INSURANCE PREMIUM REVENUE		
Gross Premium Written	13 630 904	12 676 142
Change in Unearned Premium Reserve	(1 542 406)	(1 906 420)
	12 088 498	**10 769 722**
19.2 NET INSURANCE COMMISSION EXPENSE		
Commissions Paid	2 124 186	2 348 248
Change in technical provisions	(282 250)	(480 978)
	1 841 936	**1 867 270**
19.3 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES		
Claims Paid	2 933 996	2 536 917
Change in Technical Provisions	(313 466)	708 020
	2 620 530	**3 244 937**

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Notes to the Financial Results (continued)
For the six months ended 30 June 2013

		Unaudited 30 June 2013 US$	Audited 31 June 2012 US$
20	**OTHER OPERATING INCOME**		
	Fair value adjustment to investment properties	-	-
	Excess fair value over cost of acquisition	86 834	1 140
	Rental income	171 142	149 898
	Profit disposal of property, plant and equipment	2 922	(803)
	Sundry income	1 025 780	236 156
		1 286 678	**386 391**
21	**ADMINISTRATIVE EXPENSES**		
	Administration expenses	8 644 641	8 282 737
	Staff costs	10 968 552	10 754 530
	Directors' remuneration	256 742	290 149
	Audit fees:		
	- current year fees	155 971	284 532
	- prior year fees	26 257	17 754
	- other services	-	-
	Depreciation	1 259 523	1 096 817
	Operating lease payment	375 473	378 947
		21 687 159	**21 105 466**
22	**INCOME TAX EXPENSE**		
	Current income tax	1 627 224	1 833 090
	Deferred tax	101 970	30 146
	Other	-	355 714
		1 729 194	**2 218 950**

		Unaudited 30 June 2013 US$	Audited 31 December 2012 US$
23	**CAPITAL COMMITTEMENTS**		
	Capital expenditure authorized but not yet contracted for	8 402 652	5 116 449
24	**CONTINGENT LIABILITIES**		
	Guarantees and letters of credit	11 628 343	2 190 659

25 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary

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

	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Carrying amount of non-controlling interests aquired	8 993 486	-
Consideration paid to non-controlling interests	(6 407 984)	-
Gain on purchase recognised in parent's equity	2 585 502	-

		Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
26	**EARNINGS PER SHARE**		
26.1	**Basic earnings per share**		
	Profit attributable to equity holders	7 025 059	5 636 385

	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Half Year ended 30 June 2013				
Issued ordinary shares as at 1 January 2013	591 850 127	56 291 799	535 558 328	535 558 328
Treasury shares sold	-	(51 577 785)	51 577 785	-
Share issue	80 099 800	-	80 099 800	-
Treasury shares purchased	-	1 025 595	(1 025 595)	(256 399)
Weighted average number of ordinary shares as at 30 June	**671 949 927**	**5 739 609**	**666 210 318**	**535 301 929**
Basic earnings per share for the half year ended 30 June 2013 (US cents)				**1.31**
Weighted average number of ordinary shares				
Half Year ended 30 June 2012				
Issued ordinary shares as at 1 January 2012	591 850 127	53 379 734	538 470 393	538 470 393
Treasury shares purchased	-	2 912 065	(2 912 065)	(1 456 033)
Weighted average number of ordinary shares as at 30 June	**591 850 127**	**56 291 799**	**535 558 328**	**537 014 360**
Basic earnings per share for the half year ended 30 June 2012 (US cents)				**1.06**

26.2 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.

	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Profit attributable to equity holders	7 025 059	5 636 385
Weighted average number of ordinary shares at 30 June	535 301 929	537 014 361
Diluted earnings per share (US cents)	1.31	1.06

26.3 Headline earnings per share

	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Profit attributable to equity holders	**7 025 059**	**5 636 385**
Adjusted for excluded remeasurements		
(Profit)/Loss on the disposal of property, plant and equipment	(2 922)	803
Other	-	-
Headline earnings	**7 022 137**	**5 637 188**
Weighted average number of ordinary shares at 30 June	**535 301 929**	**537 014 361**
Headline earnings per share (US cents)	**1.31**	**1.06**

26.4 Diluted headline earnings per share

Diluted headline 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.

	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Headline earnings	7 022 137	5 637 188
Weighted average number of ordinary shares at 30 June	535 301 929	537 014 361
Diluted earnings per share (US cents)	1.31	1.06

27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

27.1 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The fair values of all financial assets and liabilites presented on the Group's consolidated statement of finacial position approximate the financial instruments' carrying amounts due to the short-term tenor of the financial instruments.

27.2 CLASSIFICATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

	Held for trading US$	Loans and receivables US$	Financial liabilities at amortised cost US$
As at 30 June 2013			
Trading assets			
Balances with other banks and cash	-	119 136 714	-
Loans and advances to customers	-	210 606 591	-
Trade and other receivables including insurance receivables	-	28 229 337	-
Financial assets at fair value through profit or loss	2 546 372	-	-
	2 546 372	357 972 642	-
Trading liabilities			
Deposits and borrowings from other banks and customers	-	-	295 388 184
Insurance liabilities	-	-	11 580 535
Trade and other payables	-	-	33 503 889
	-	-	340 472 608

27.3 FAIR VALUE HIERARCHY

Fair value measurements using;

	Quoted prices in active markets for identical assets (Level 1) US$	Significant other observable inputs (Level 2) US$	Significant unobservable inputs (Level 3) US$
Recurring fair value measurements			
As at 30 June 2013			
Investment property – Residential house, Victoria Falls	-	25 000	-
Financial assets at fair value through profit or loss	2 546 372	-	-
As at 31 December 2012			
Investment property – Residential house, Victoria Falls	-	25 000	-
Financial assets at fair value through profit or loss	2 932 818	-	-

There were no transfers between levels 1 and 2 during the period

Valuation techniques used to derive fair values

Level 1 fair values for equity securities is based on their bid prices on the Zimbabwe Stock Exchange as at 30 June 2013

Level 2 fair values of investment property have been arrived at on the basis of a valuation carried out by an independent professionally qualified valuer as at 31 December 2011.

28 RELATED PARTY TRANSACTIONS

The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The full list of related parties and details of transactions are provided in the Group's annual report for the year ended 31 December 2012. There have not been any material movements since.

Unaudited Interim Results For the six months ended 30 June 2013

Notes to the Financial Results (continued)
For the six months ended 30 June 2013

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. All transactions between segments are conducted at arms length.

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

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

30 June 2013	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment revenue								
Interest income	16 705 469	1 532 204	4 261 452	465 863	62 140	50 181	3 610	20 319 390
Interest expense	(9 280 626)	(642 450)	(1 951 134)	-	-	-	(1 351 685)	(10 464 365)
Net interest income	7 424 843	889 754	2 310 318	465 863	62 140	50 181	(1 348 075)	9 855 025
Turnover	-	-	5 865 302	-	-	-	18 968 191	24 833 494
Cost of sales	-	-	(3 707 166)	-	-	-	(14 795 919)	(18 503 085)
Gross profit	-	-	2 158 136	-	-	-	4 172 272	6 330 409
Net earned insurance premium	-	-	-	1 728 225	1 503 156	-	-	2 753 043
Net fee and commission income	9 767 720	143 199	1 887 789	-	-	273 315	-	11 468 244
Net trading income and other income	619 091	161 865	54 450	413 580	42 095	-	514 794	1 932 587
Total income	**17 811 654**	**1 194 818**	**6 410 693**	**2 607 668**	**1 607 391**	**323 496**	**3 338 991**	**32 339 308**
Intersegment revenue	(1 347 467)	-	(1 214 610)	(131 013)	(54 139)	(14 300)	-	(2 761 528)
Intersegment interest expense and commission	1 227 588	642 450	467 416	-	-	-	424 075	2 761 528
Revenue from external customers	**17 691 775**	**1 837 268**	**5 663 499**	**2 476 655**	**1 553 252**	**309 196**	**3 763 066**	**32 339 308**
Segment profit before income tax	**4 150 444**	**563 977**	**3 123 605**	**1 635 871**	**464 378**	**102 896**	**29 320**	**10 028 185**
Impairment losses on financial assets	333 958	177 551	112 455	-	-	-	-	623 964
Depeciation and amortisation	862 801	2 805	116 656	40 181	61 428	13 842	1 233 376	2 331 055
Segment assets	**326 572 076**	**11 051 084**	**70 678 528**	**20 274 203**	**6 858 755**	**7 089 262**	**70 119 677**	**450 596 308**
Total assets includes :								
Additions to non-current assets	819 402	33 770	42 162	32 797	468 251	-	1 777 287	3 173 668
Investment in associates	-	-	-	491 139	-	-	-	491 139
Segment liabilities	**289 057 279**	**9 418 863**	**48 194 813**	**12 087 771**	**4 331 001**	**6 769 707**	**40 696 152**	**349 145 112**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting short term classes of insurance	Underwriting general classes of short term insurance	Equity market dealing	Production and sales of building materials	

30 June 2012	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Interest income	16 234 265	813 601	2 235 665	308 936	6 734	15 174	1 328	18 594 134
Interest expense	(8 169 978)	(127 528)	(664 574)	-	(51 441)	-	(1 202 827)	(9 194 778)
Net interest income	8 064 287	686 073	1 571 091	308 936	(44 707)	15 174	(1 201 499)	9 399 356
Turnover	-	-	4 278 000	-	-	-	18 524 615	22 802 615
Cost of sales	-	-	(2 781 099)	-	-	-	(12 576 931)	(15 358 030)
Gross profit	-	-	1 496 901	-	-	-	5 947 684	7 444 585
Net earned insurance premium	-	-	-	1 283 474	1 251 644	-	-	2 535 118
Net fee and commission income	9 060 424	130 481	2 020 627	-	-	92 228	-	11 288 650
Net trading income and other income	697 149	40 846	48 632	49 769	40 945	-	45 821	964 875
Total income	17 821 860	857 400	5 137 251	1 642 179	1 247 882	107 402	4 792 006	31 632 584
Intersegment revenue	(742 858)	-	(16 823)	(308 936)	-	-	-	(1 068 618)
Intersegment interest expense and commission	220 202	-	137 494	13 646	51 441	1 464	644 370	1 068 618
Revenue from external customers	**17 299 204**	**857 400**	**5 257 922**	**1 346 889**	**1 299 323**	**108 866**	**5 436 376**	**31 632 584**
Segment profit before income tax	**3 838 341**	**412 544**	**2 321 848**	**618 854**	**302 146**	**(97 274)**	**1 276 001**	**9 158 735**
Impairment losses on financial assets	826 014	323 314	154 916	53 099	-	-	-	1 368 383
Depeciation and amortisation	776 165	281	81 024	39 901	54 876	11 018	1 200 516	2 163 780
Segment assets	**240 013 753**	**7 233 205**	**41 182 583**	**17 973 442**	**5 263 879**	**1 957 622**	**66 363 385**	**346 278 446**
Total assets includes :								
Additions to non-current assets	724 894	1 020	84 902	40 882	71 007	43 449	877 754	1 843 910
Investment in associates	-	-	-	491 139	-	-	-	491 139
Segment liabilities	**209 798 989**	**6 508 419**	**24 979 354**	**11 991 388**	**3 355 819**	**1 825 241**	**37 013 782**	**266 685 979**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting short term classes of insurance	Underwriting general classes of short term insurance	Equity market dealing	Production and sales of building materials	

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30 RISK MANAGEMENT

Overview
The Group continues to maintain a strong risk management culture in response to the changing operating environment in order to achieve an appropriate balance between risk and reward. This approach has enabled the Group to trade within the limits as defined in the risk appetite matrix of the Group. The Group regularly scans the environment and realigns its policies, procedures and strategic thrust in pursuit of organisational objectives. The risk management framework covers the following key risk types:

Risk categories

30.1 Strategic risk
Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The Board of Directors retains the overall responsibility for strategic risk management through the Board Finance and Strategy Committee.

30.2 Reputational risk
Reputational risk is the potential that negative publicity regarding the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from the Group's failure to effectively manage any or all of the other risk types. Management translates the reputational risk management strategy established by the Board of Directors into policies, processes and procedures that are implemented throughout the Group.

30.3 Credit risk
Credit risk is the current or prospective risk to earnings and capital arising from a debtor's failure to meet the terms of any contract with the Group or if a debtor otherwise fails to perform as agreed.

Credit risk framework and governance
The Group's largest source of credit risk is loans, albeit that credit risk exists throughout the other activities of the Group, on and off the balance sheet. These other activities include inter-bank transactions, mortgage loans, foreign exchange transactions, and guarantees. Given the significant size of the loan portfolio on the balance sheet of the Group, credit risk remains one of the major risks.

To effectively manage credit risk, the Board and Management established an effective and sound credit risk management framework which is supported by a strong risk culture and environment. Credit risk management is governed by each entity's credit policy guidelines and ultimately approved by the Board of Directors.

The Board of Directors is ultimately responsible for credit risk. Group Credit Management Division, is responsible for the implementation of the credit policies, which cover compliance with prescribed sanctioning authority levels, avoidance of a high concentration of credit risk and regular review of credit limits. The Group Risk Management Division, Group Compliance and Group Audit also monitor independently the management of Credit risk.

Credit policies, procedures and limits
The Group has sound and well-defined policies, procedures and limits which are reviewed annually and approved by the Board of Directors and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management and board credit committees, 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 and the entities recognise the possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. To mitigate this risk, the Group has put mechanisms in place to enhance its stress testing methodologies.

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

Credit terms:

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

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

Impaired loans
The Group's policy regards impaired/ doubtful loans as all those 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 loan grades 8, 9 and 10.

Provisioning policy and write offs

Determination of general and specific impairement allowances;

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

General allowance for impairment

Prime to satisfactory Grades "1 to 3"- No evident weakness, performing to contractual terms
General allowance for impairment for facilities in this category are maintained at 1% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Moderate to fair Grades "4 to 5" - Acceptable risk level to acceptable with care
General allowance for impairment for facilities in this category are maintained at 5% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Speculative to highly speculative Grades "6 to 7" - Exhibits potential weaknesses, which require management attention to special attention
General allowance for impairment for these facilities are maintained at 10% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Specific allowance for impairment

Sub-Standard Grade "8" - Timely repayment and/or settlement may be at risk.
Specific allowance for impairment for facilities in this category are currently maintained at 30% of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

Doubtful Grade "9" - Full repayment and/or settlement highly improbable
Specific allowance for impairment for exposures in this grade are currently maintained at 50% of total customer outstanding balances and off balance sheet (i.e. contingent) risks after deducting the value of any tangible security held.

Loss Grade "10" - Collection not possible
Specific allowance for impairment for debts in this category are currently maintained at 100% of total customer outstanding balances and off balance sheet (i.e. contingent) risks again after deducting the value of any 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. Authority will be sought from the subsidiary Board Credit Committee for the exposure to be immediately written off from the bank's books while long term recovery strategies are being pursued.

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

30.4 Liquidity risk
Liquidity Risk is the current or prospective risk to earnings and capital arising from the Group's inability to meet its liabilities when they fall due without incurring unacceptable losses.

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

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

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

Liquidity contingency plans
In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear anddecisive 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.

30.5 Market risk
Market risk is the risk of financial loss in on and off-balance sheet trading positions arising from movements in market prices. Market risk exists whenever the Group has taken trading, banking or investment positions.

Market risk from trading positions.
The Group uses a collection of risk measurement methodologies to assess market risk, including value-at-risk (VaR), stress testing, loss triggers and traditional risk management measures.

Market risk from banking positions
Banking related market risk is contained within the Group's two major treasury operations at the Bank and the Building Society. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis.

Market risk from investments
This is managed in accordance with their purpose and strategic benefit rather than on market considerations and periodic reviews and reassessments are undertaken.

Foreign exchange risk
Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. This involves settlement risk which arises when the Group or one of its entities incurs a financial loss due to foreign exchange positions taken in both the trading and banking books. The potential for loss arises from translation exposure, transaction exposure and economic exposure. This risk is largely concentrated at the Bank, Society and Reinsurance Company.

Framework and governance
The Board of Directors is ultimately accountable and approves the market risk appetite for all types of market risk. The Board delegated the effective management of market risk to the entities' Asset Liability Committees (ALCO) for the banking entities and Risk and Compliance Committees for non-banking entities. On a day-to-day basis, market risk exposures are independently reviewed and measured by the Group Risk Management function, and appropriate management reports are generated. A comprehensive framework of limits to control market risk including foreign exchange risk exposures is in place for the different levels of reporting.

Market risk measurement
The tools for measuring market risk that are applied within the Group range from the very fundamental and basic marking-to-market, to the more sophisticated Value at Risk Models. Generally, measurement tools in use at any point in time are commensurate with the scale, complexity, and nature of trading activities and positions held by entity. The tools and techniques used to measure and control market risk include the repricing gap, scenario analysis on net interest income and economic value of equity, stop loss limits, duration analysis, stress testing and Value at Risk. In addition, the Group also performs ratio analysis on the key ratios of each entity. Risk limits for all the measures are documented in each entity's ALCO policy. Group Risk Management performs regular reviews of the existing models to ensure that they are still relevant and behaving within expectations.

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

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

Operational risk framework and governance
The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all other 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. Each entity has a Management and Board Risk and Compliance Committee to ensure a robust operational risk management framework. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

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

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators (KRIs) which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk Limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management
To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy. The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

30.7 Compliance risk
Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards. The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in financial services activities. These rules are those which arise from the institution's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

FBC Holdings Limited

strength • diversity • service

Unaudited Interim Results For the six months ended 30 June 2013

Notes to the Financial Results (continued)
For the six months ended 30 June 2013

30.8 Statement of Compliance

The Group complied with the following statutes inter alia:-
The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23) and the Companies Act (Chapter - 24:03).

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

31 INTERNATIONAL CREDIT RATINGS

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

Subsidiary	2013	2012	2011	2010	2009
FBC Bank Limited	A-	A-	A-	A-	A-
Reinsurance	A-	A-	A-	A-	A-
Building Society	BBB-	BBB-	BBB-	BBB-	BBB-

32 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 (iv) Board Risk Committee.

Board Attendance

Board member	Main board		Board Audit		Board Human Resources		Board Finance and Strategy		Board Risk and Compliance		Board Marketing and Public Relations	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Herbert Nkala	✓	✓	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
John Mushayavanhu	✓	✓	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓
Kenzias Chibota	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A
Kleto Chiketsani	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓
Gertrude S Chikwava	✓	✓	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	✓	✓
Philip M Chiradza	✓	✓	✓	✕	✓	✕	N/A	N/A	✓	✕	N/A	N/A
Felix Gwandekwande	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✕
Trynos Kufazvei	✓	✓	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
James M Matiza	✓	✓	N/A	N/A	N/A	N/A	✕	✓	N/A	N/A	✓	✓
Johnson R Mawere	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Chipo Mtasa	✕	✓	✕	✓	N/A	N/A	N/A	N/A	✕	✓	N/A	N/A
Godfrey G Nhemachena	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A
Webster Rusere	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓

Legend
Not a member - N/A Attended - ✓ Apologies - ✕ Quarter - Q

33 INTERIM DIVIDEND ANNOUNCEMENT

Notice is hereby given that an interim dividend of 0.149 US Cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 21 August 2013 in respect of the half year ended 30 June 2013. The dividend is payable to shareholders registered in the books of the Company at the close of business on Friday, 6 September 2013. The transfer books and register of members will be closed from 6 September 2013 to 9 September 2013. Dividend payment will be made to shareholders on or about 24 September 2013.

By order of the Board

Tichaona K. Mabeza
GROUP COMPANY SECRETARY
21 August 2013