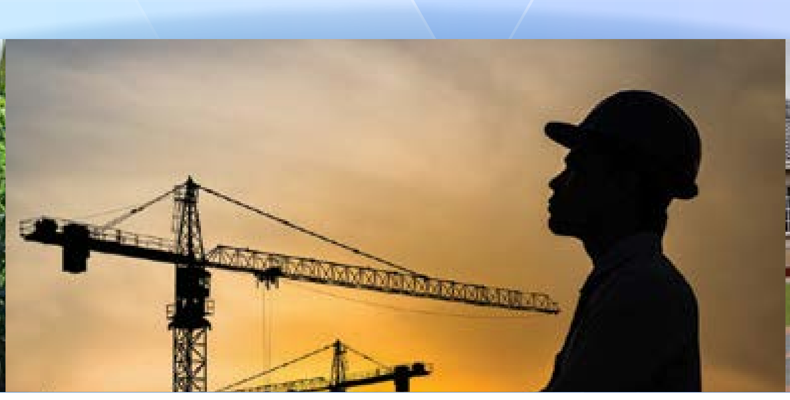
FBC Holdings Limited

strength • diversity • service

Unaudited Interim Results

FOR THE SIX MONTHS ENDED 30 JUNE 2018



FBC Bank Limited
(Registered Commercial Bank)
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FBC Building Society
(Registered Building Society)

FBC Reinsurance Limited

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

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

FBC Insurance Company Limited

FBC Holdings Limited
strength • diversity • service

Unaudited Interim Results
FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHAIRMAN'S STATEMENT

Financial Highlights
- Group total income up 43% to US$64.5 million.
- Group profit before income tax up 58% to US$18.8 million.
- Group profit after tax increased by 54% to US$14.8 million.
- Cost to income ratio 71%.
- Basic earnings per share registered a 54% growth to 2.31 US cents per share.
- Net asset value 23.84 US cents per share.
- Interim dividend proposed up 33% to US$2 million (0.2976 US cents per share).
- Total shareholders' equity US$153 million.
- Group statement of financial position US$1 billion.

Financial Performance Review
The Group achieved a strong performance in the first half of 2018, with a profit before tax of US$18.8 million and a profit after tax of US$14.8 million, on total revenues of US$64.5 million and an annualised return on equity of 19%.

The Group's profit before tax increased by 58% compared to the same period last year, while profit after tax for the period increased by 54%. The Group's total revenues increased by 43% to US$64.5 million compared to the same period last year. This performance was mainly driven by the increase in volume of business in the banking subsidiaries.

Net interest income increased by 19% to US$31.0 million constituting 48% of total income compared to US$21.0 million and 47% respectively for the same period last year. The increase is as a result of the significant progress made towards the containment of the Group's cost of funds and a growth in interest earning assets underpinned by increased deposits.

Net fee and commission income increased by 64% to US$20.1 million constituting 31% of total income compared to US$12.3 million and 27% respectively for the same period last year. The increase was driven predominantly by the significant increase in transactional volumes supported by our efforts to accelerate deployment of Point of Sale machines as well as the success of our Instant Card product.

The gross profit on property sales however, decreased by 39% compared to the same period last year, due to the deliberate decision to slow down on property sales to protect value in response to our assessment of the prevailing economic environment.

The insurance business registered a 7% increase in premium revenues and a 1% increase in net earned insurance premium primarily due to low activity in the economy and the reduction in demand for some traditional insurance products.

The Group's cost to income ratio decreased to 71% from 74% compared to the same period last year, primarily as a result of increased income and cost containment measures. An impairment allowance of US$7.2 million was recorded, reflecting a significant increase from the US$3.6 million recorded in the same period last year. This increase has been necessitated by the need to comply with the (International Financial Reporting Standards) IFRS 9, effective from the beginning of this year.

The Group's statement of financial position at US$1.01 billion registered a 42% growth on the 31 December 2017 position of US$712.4 million, driven by a 54% increase in deposits from customers and borrowings. The Group managed to draw down on a US$90 million structured term loan facility from African Export Import Bank (Afreximbank) in May 2018, with improved terms and conditions, as a successor facility to the US$60 million syndicated facility that was repaid in July 2017. The total equity attributable to shareholders of the parent company increased by 6% to US$152.6 million, compared to the position of US$144.6 million as at 31 December 2017 driven by retained earnings.

Operating Environment
The Group's 2018 interim reporting season comes immediately after the much awaited 2018 harmonised elections which most observer missions have certified as acceptable. We are optimistic that the country will now pursue economic recovery initiatives, with the government of Zimbabwe committing to support the optimism by going back to basics to restore business confidence and to foster discipline within the national economy. We however remain conscious of the near term structural challenges, the economic realities currently prevailing in the economy and the likely impact on our operations in the second half of 2018. We are optimistic that gradual improvements will be witnessed in the economic environment in the medium to long term.

Financial Services Sector
Foreign currency and liquidity shortages have persisted on the back of the growing budgetary deficits whose primary financing mechanism has been domestic borrowing. Meanwhile, the adoption of financial technologies further necessitated by the cash situation in the country, has seen the volume and value of transactions on the national payments system increase, being largely driven by the point of sale and mobile transactions. Subsequently the volume of business at the banking subsidiaries has been and is expected to continue on an upward trajectory, supported by the volume of electronic transactions in response to the subsisting cash shortages. The advent of financial technologies continues to test the Group's innovative capacity and adaptability, calling for a strategic review of processes, supporting systems and policies.

The Insurance Sector
The uptake of traditional insurance products has generally remained subdued due to prevailing structural weaknesses within the economy. The majority of the populace has remained uninsured due to low disposable incomes, with the current rate of insurance penetration estimated at 4.7% ahead of the estimated regional average of 3%. Resultantly, for the insurance industry, emphasis is now being placed on micro insurance in order to drive the gross premium written and to adapt to an environment that is significantly characterised by the informal sector.

Property Market
The activity on the residential property market has slowed down with property owners who had placed their properties on the market, withdrawing the properties in response to the prevailing economic environment. Though uncertainties have persisted, occupancy levels have remained stagnant, with property values continuing to hold firm. High financing costs coupled with the high cost of building materials for new property developments, have seen property prices remaining relatively high compared to other countries in the region. Meanwhile, the strategy to preserve value at both individual and corporate level has continued to influence the demand for properties with the prevailing multiple pricing regime sustaining property valuation disparities.

Stock Market Performance
Zimbabwe's main stock market index went up by 2.9 percent in the first half of this year, as investors avoided low money market interest rates, seeking instead, returns that at the very least keep pace with rising inflation. Despite the tough economic environment, most listed companies, particularly those in the consumer sector, have enjoyed revenue growth underpinned by high in-store inflation.

Interim Share Price Performance
Increased activity on the trading of FBCH shares was witnessed with 21.1 million FBCH shares exchanging hands during the half year period ended 30 June, 2018. This is an increase from the 7.6 million shares that were traded during the year 2017. The volume weighted average price (VWAP) for the first half of the year was 21.46 cents, representing a 39% increase from the VWAP price of 15.46 cents registered in the year 2017. Demand for the company's shares was strong in the half period, supported by a good financial performance reported for the full year 2017 and an increase in the dividend paid. The share price opened the year 2018 at 20.00 cents before closing the half year period at 22.00 cents, signifying a modest 10% rise, ahead of the main stream industrial index's 3% gain, in the half year period.

Dividend
On behalf of the Board of FBC Holdings Limited, I am pleased to advise shareholders that an interim dividend of 0.2976 US cents per share was proposed for the half year ended 30 June 2018 after taking into account the performance of the Group and the need to continue strengthening the Group's capital position. The interim dividend proposed, amounting to US$2 million, is 33% above the comparable period last year and translates to approximately seven times cover.

FBC Trend Setting
At the core of the FBC Brand is novelty in its products, services and processes. This has increased the competitiveness of the brand and the individual businesses. In light of this, we take great pride in having been awarded the following accolades in the year 2017:
1. FBC Holdings- Institute of People Management of Zimbabwe (IPMZ) First Runner up Human Resources Technology Award;
2. FBC Holdings –Zimbabwe Institute of Management (ZIM) 2nd Runner up Northern Region Customer Service Excellence Award;
3. FBC Holdings- Zimbabwe Institute of Management (ZIM) First Runner up National Contribution Award;
4. FBC Bank Bulawayo Branch- Contact Centre Association of Zimbabwe (CCAZ) 1st Runner up Southern Region Service Excellence Award;
5. FBC Insurance- Top Companies Survey Short Term Insurance Runner Up Award;
6. Microplan- Zimbabwe National Chamber of Commerce (ZNCC) Matebeleland Region 1st Runner- Up Enterprise Development Award.

The Group is also proud of the outstanding performance of our FBC Management and staff members in scooping prestigious individual awards in a wide spectrum of business leadership categories.

FBC in the Community
FBC continues to enhance its social responsibility programmes through a vibrant corporate social impact strategy. As such, the FBC Group has made education the cornerstone of its corporate social responsibility programme. To affirm this commitment towards supporting universal access to education and high quality information and communication technology (ICT) based knowledge systems, FBC partnered the Ministry of Primary and Secondary Education by providing e-learning equipment to twenty (20) winning schools in different provinces across Zimbabwe, under the Ministry's Secretary Merit Awards for the next five (5) years.

Digital Transformation and Innovation
The Group embarked on a transformational strategy to re-orient and simplify its operations with a view to becoming a digitalised, simple, low risk and customer focused financial services provider. The Group has begun implementing the strategic initiative through a partnership with a third party consultant - a partnership we believe will enhance customer service, maximise our capabilities as an integrated financial services provider and transform the way we work. The digital transformation exercise is aimed at revolutionizing our processes and procedures including customer on-boarding processes, reducing costs of doing business, enhancing customer experience, customer transactional activities and convenience.

Compliance
Compliance issues continue to be topical in the stability and efficiency of the local, regional and international financial ecosystems. The Group continues to place great emphasis on compliance and has invested significantly in a robust compliance management infrastructure in collaboration with local and international correspondent banks. Key processes which include screening, surveillance and risk assessment, have been automated using some of the best software available on the globe. The Group remains alert to the ever evolving regulatory environment and will continuously strive to maintain high standards in this area.

Environment, Social and Governance (ESG) Priorities
The Group adopted a deliberate strategy to be a responsible lending corporate with all lending policies to- date having been aligned to the International Finance Corporation (IFC) Social and Environmental Management System (SEMS). The Group remains conscious and active in the reduction of waste, water and energy usage.

Outlook
Fiscal policy reforms, robust monetary policy interventions, and the restoration of investor and creditor confidence in the Zimbabwean economy in this post-election period will be fundamental to the future performance of FBC Holdings, the industry and the economy in general. FBCH is well positioned to continue generating sustainable returns and enhancing shareholder value supported by its diversified business model.

Appreciation
I wish to express my sincere gratitude to our various stakeholders, strategic partners, clients and regulatory authorities for their unwavering support thus far. We look forward to the Group's attainment of its annual objectives as we consolidate the benefits of our digitalisation initiatives.

Herbert Nkala
Group Chairman
22 August 2018

FBC Holdings Limited

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Unaudited Interim Results

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Consolidated Statement of Profit or loss and Other Comprehensive Income
For the six months ended 30 June 2018

	Note	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Interest income	16	38 703 960	32 598 763
Interest expense	17	(7 735 400)	(11 627 347)
Net interest income		**30 968 560**	**20 971 416**
Fee and commission income	18	20 256 814	12 362 037
Fee and commission expense		(120 063)	(67 482)
Net fee and commission income		**20 136 751**	**12 294 555**
Revenue	19.1	1 764 261	1 260 157
Cost of sales	19.2	(1 443 299)	(736 251)
Gross profit		**320 962**	**523 906**
Insurance premium revenue	20	17 327 028	16 141 456
Premium ceded to reinsurers and retrocessionaires		(7 761 521)	(6 703 383)
Net earned insurance premium		**9 565 507**	**9 438 073**
Net trading income		697 893	754 576
Net gains from financial instruments carried at fair value		24 278	367 086
Other operating income	21	2 755 011	661 730
		3 477 182	**1 783 392**
Total income		**64 468 962**	**45 011 342**
Credit impairment losses	5.4	(7 233 655)	(3 551 450)
Net insurance commission expense	22	(1 628 657)	(1 648 871)
Insurance claims and loss adjustment expenses	23	(5 017 561)	(4 395 359)
Administrative expenses	24	(31 763 513)	(23 511 351)
Profit before income tax		**18 825 576**	**11 904 311**
Income tax expense	25	(4 013 471)	(2 293 659)
Profit for the period		**14 812 105**	**9 610 652**
Other comprehensive income			
Net gain/(loss) on equity instruments at fair value through other comprehensive income		45 295	(12 079)
Tax relating to other comprehensive income		(453)	121
Other comprehensive income, net income tax		**44 842**	**(11 958)**
Total comprehensive income for the period		**14 856 947**	**9 598 694**
Profit attributable to :			
Equity holders of the parent		14 808 744	9 598 435
Non-controlling interests		3 361	12 217
Total		**14 812 105**	**9 610 652**
Total comprehensive income attributable to :			
Equity holders of the parent		14 853 586	9 586 477
Non-controlling interests		3 361	12 217
Total		**14 856 947**	**9 598 694**
Earnings per share (US cents)			
Basic earnings per share	28.1	2.31	1.50
Diluted earnings per share	28.2	2.31	1.50

Consolidated Statement of Financial Position
As at 30 June 2018

	Note	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
ASSETS			
Balances with banks and cash	4	174 130 553	181 002 565
Financial assets at amortised cost	5.3	165 560 452	112 878 823
Loans and advances to customers	5.1	393 297 241	300 746 805
Trade and other receivables including insurance receivables	5.2	9 807 783	9 639 660
Bonds and debentures	6	192 230 791	27 633 715
Financial assets at fair value through profit or loss	7	3 330 465	2 365 325
Financial assets at fair value through other comprehensive income		881 004	835 710
Inventory	8	7 484 801	6 523 937
Prepayments and other assets	9	15 768 292	23 684 304
Current tax asset		-	655 613
Deferred income tax asset		9 025 068	7 586 301
Investment property		8 518 400	8 184 400
Intangible assets	10	1 608 124	1 851 136
Property and equipment	11	29 299 630	28 849 191
Total assets		**1 010 942 604**	**712 437 485**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from other banks and customers	12	808 394 552	523 984 853
Insurance liabilities	13	9 865 111	7 680 864
Trade and other payables	14	37 066 469	35 311 178
Current income tax liabilities		1 857 296	70 599
Deferred income tax liabilities		834 056	834 055
Total liabilities		**858 017 484**	**567 881 549**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	15	14 089 892	14 089 892
Other reserves		38 852 009	38 807 167
Retained profits		99 660 460	91 326 329
		152 602 361	**144 223 388**
Non controlling interest in equity		322 759	332 548
Total equity		**152 925 120**	**144 555 936**
Total equity and liabilities		**1 010 942 604**	**712 437 485**

Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Note	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Cash flow from operating activities			
Profit for the period		18 825 576	11 904 311
Adjustments for:			
Depreciation	11	1 364 311	1 128 362
Amortisation		273 143	318 083
Credit impairment losses	5.4	7 233 655	3 551 450
Profit from disposal of property and equipment	21	(2 046)	(10 073)
Fair value adjustment on financial assets at fair value through profit or loss		(24 278)	(367 086)
Net Cash generated before changes in operating assets and liabilities		**27 670 361**	**16 525 047**
Increase in financial assets at amortised cost		(54 826 599)	(30 387 769)
(Increase)/decrease in loans and advances		(98 637 746)	14 719 641
Increase in trade and other receivables		(168 123)	(737 843)
Increase in bonds and debentures		(164 597 076)	(1 062 808)
(Increase)/Decrease in financial assets at fair value through profit or loss		(940 862)	4 079
Increase in inventory		(960 864)	(156 601)
Decrease in prepayments and other assets		7 916 012	1 521 993
Increase in investment property		(334 000)	(2 177 314)
Increase in deposits from other banks and customers		181 205 315	74 661 179
Increase in insurance liabilities		2 184 247	1 510 022
Increase/(decrease) in trade and other payables		1 755 291	(4 961 095)
		(99 734 044)	**69 458 531**
Income tax expense paid		(3 010 379)	(3 018 437)
Net cash (used)/generated from operating activities		**(102 744 423)**	**66 440 094**
Cash flows from investing activities			
Purchase of property and equipment	11	(1 815 173)	(2 005 221)
Purchase of intangible assets	10	(30 131)	(138 455)
Proceeds from sale of property and equipment		2 469	12 854
Net cash used in investing activities		**(1 842 835)**	**(2 130 822)**
Net cash flows before financing activities		**(104 587 258)**	**64 309 272**
Cash flows from financing activities			
Proceeds from borrowings		105 500 000	-
Repayment of borrowings		(2 295 616)	(12 020 102)
Dividend paid to non-controlling interest		(12 782)	(7 797)
Dividend paid to company's shareholders		(5 476 356)	(1 905 005)
Purchase of treasury shares		-	-
Net cash generated/(used) from financing activities		**97 715 246**	**(13 932 904)**
Net (decrease)/increase in cash and cash equivalents		(6 872 012)	50 376 368
Cash and cash equivalents at beginning of the period		181 002 565	184 244 019
Cash and cash equivalents at the end of period	4.1	**174 130 553**	**234 620 387**

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

	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$
Half year ended 30 June 2018											
Balance at 1 January 2018	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
Changes on initial application of IFRS 9	-	-	(998 257)	-	-	-	-	-	(998 257)	(368)	(998 625)
Restated balance at 1 January 2018	6 719	14 083 173	90 328 072	(2 501 344)	36 624 611	3 163 733	(150 504)	1 670 671	143 225 131	332 180	143 557 311
Profit for the period	-	-	14 808 744	-	-	-	-	-	14 808 744	3 361	14 812 105
Other comprehensive income											
Available for sale reserve	-	-	-	-	-	-	44 842	-	44 842	-	44 842
Total other comprehensive income	-	-	-	-	-	-	44 842	-	44 842	-	44 842
Total comprehensive income	-	-	14 808 744	-	-	-	44 842	-	14 853 586	3 361	14 856 947
Transaction with owners											
Dividend paid	-	-	(5 476 356)	-	-	-	-	-	(5 476 356)	(12 782)	(5 489 138)
Shareholders' equity at 30 June 2018	6 719	14 083 173	99 660 460	(2 501 344)	36 624 611	3 163 733	(105 662)	1 670 671	152 602 361	322 759	152 925 120
Half year ended 30 June 2017											
Balance 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 period	-	-	9 598 435	-	-	-	-	-	9 598 435	12 217	9 610 652
Other comprehensive income											
Available for sale reserve	-	-	-	-	-	-	(11 958)	-	(11 958)	-	(11 958)
Total other comprehensive income	-	-	-	-	-	-	(11 958)	-	(11 958)	-	(11 958)
Total comprehensive income	-	-	9 598 435	-	-	-	(11 958)	-	9 586 477	12 217	9 598 694
Transaction with owners											
Dividend paid	-	-	(1 905 005)	-	-	-	-	-	(1 905 005)	(7 797)	(1 912 802)
Shareholders' equity at 30 June 2017	6 719	14 083 173	79 181 644	(2 501 344)	36 624 611	2 170 001	(135 557)	1 670 671	131 099 918	298 570	131 398 488

Notes to the Financial Results
For the six months ended 30 June 2018

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage finance, micro lending, short - term reinsurance, short - term insurance and stockbroking 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 condensed consolidated interim financial statements were approved for issue by the Board of Directors on 22 August 2018.

2 BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the half year ended 30 June 2018 have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20). They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018.

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.

3.2 Changes in accounting policies

Financial instruments

The Group has adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 'Financial Instruments: Disclosures' have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. The adoption of IFRS 9 has resulted in changes in the Group accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail under the Group accounting policy note.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount (US$)	Measurement category	Carrying amount (US$)
Financial assets				
Balances with banks and cash	Armotised cost	181 002 565	Armotised cost	181 002 565
Financial assets at amortised cost	Armotised cost	112 878 823	Armotised cost	112 346 867
Loans and advances to customers	Armotised cost	300 746 805	Armotised cost	299 793 371
Financial assets at fair value through profit or loss	FVPL	3 330 465	FVPL	3 330 465
Financial assets at fair value through other comprehensive income	FVOCI	881 004	FVOCI	881 004
Trade and other receivables including insurance receivables	Armotised cost	9 807 783	Armotised cost	9 807 783
Financial liabilities				
Deposits from banks and customers	Armotised cost	808 394 552	Armotised cost	808 394 552
Insurance liabilities	Armotised cost	9 865 111	Armotised cost	9 865 111

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount 31 Dec 2017	Reclassification	Remeasurement	IFRS 9 carrying amount as at 1 January 2018
Armotised cost				
Balances with banks and cash	181 002 565	-	-	181 002 565
Financial assets at amortised cost	112 878 823	-	(531 956)	112 346 867
Loans and advances to customers	300 746 805	-	(953 434)	299 793 371
Financial assets at fair value through profit or loss	3 330 465	-	-	3 330 465
Financial assets at fair value through				
other comprehensive income	881 004	-	-	881 004
Trade and other receivables including insurance receivables	9 807 783	-	-	9 807 783

Reconciliation of impairment allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowances measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Impairment allowance under IAS 39	Reclassification	Remeasurement	Impairment allowance under IFRS 9
Armotised cost				
Cash and cash equivalents	-	-	-	-
Financial assets at amortised cost	-	-	531 956	531 956
Loans and advances to customers	15 237 829	-	915 740	16 153 569
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Trade and other receivables including insurance receivables	413 400	-	-	413 400
Loan commitments	-	-	37 694	37 694
Total	**15 651 229**	**-**	**1 485 390**	**17 136 619**

The total remeasurement loss of US$ 998 625 net of tax (gross-US$1 485 390) was recognised in opening reserves at 1 January 2018.

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
4	**BALANCES WITH BANKS AND CASH**		
	Balances with Reserve Bank of Zimbabwe ("RBZ")		
	Current account balances	107 723 198	135 219 548
		107 723 198	**135 219 548**
	Balances with other banks and cash		
	Notes and coins	9 421 478	5 228 887
	Other bank balances	56 985 877	40 554 130
	Balances with banks and cash (excluding bank overdrafts)	**174 130 553**	**181 002 565**
	Current	174 130 553	181 002 565
	Non-current	-	-
	Total	**174 130 553**	**181 002 565**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$	Unaudited 30 June 2017 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 (excluding bank overdrafts)	174 130 553	181 002 565	234 620 387
	Total cash and cash equivalents - statement of cash flows	**174 130 553**	**181 002 565**	**234 620 387**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
5	**FINANCIAL ASSETS**		
5.1	**Loans and advances to customers**		
	Loans and advances maturities		
	Maturing within 1 year	133 672 468	96 850 768
	Maturing after 1 year	278 611 481	219 133 866
	Gross carrying amount	**412 283 949**	**315 984 634**
	Impairment allowance	(18 986 708)	(15 237 829)
		393 297 241	**300 746 805**
5.2	**Trade and other receivables including insurance receivables**		
	Trade receivables	172 334	-
	Insurance receivables		
	- Due by insurance clients and insurance brokers	8 291 248	8 625 540
	- Due by reinsurers and retrocessionaires	1 722 069	1 427 520
	Gross carrying amount	**10 185 651**	**10 053 060**
	Impairment allowance	(377 868)	(413 400)
	Total	**9 807 783**	**9 639 660**
	Current	9 807 783	9 639 660
	Non-current	-	-
	Total	**9 807 783**	**9 639 660**
5.3	**Financial assets at amortised cost**		
	Maturing within 1 year	66 804 799	53 421 053
	Maturing after 1 year	100 984 755	59 457 770
	Gross carrying amount	**167 789 554**	**112 878 823**
	Impairment allowance	(2 229 102)	-
		165 560 452	**112 878 823**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$	Unaudited 30 June 2017 US$
5.4	**Movement in credit impairment losses**			
	Balance at beginning of period	15 651 229	19 247 670	19 247 670
	Change on initial application of IFRS 9	1 485 390	-	-
	Impairment allowance through statement of profit or loss and other comprehensive income	7 233 655	6 883 565	3 551 450
	Reversal of impairment	-	-	-
	Amounts written off during the year as uncollectible	(900 183)	(8 327 467)	(4 920 394)
	Interest in suspense	(1 876 413)	(2 152 539)	155 379
	Balance at end of period	**21 593 678**	**15 651 229**	**18 034 105**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
6	**BONDS AND DEBENTURES**		
	Maturing after 1 year but within 7 years	**192 230 791**	**27 633 715**
	Current	-	-
	Non-current	192 230 791	27 633 715
	Total	**192 230 791**	**27 633 715**
7	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Listed securities at market value	**3 330 465**	**2 365 325**
	Current	3 330 465	2 365 325
	Non-current	-	-
	Total	**3 330 465**	**2 365 325**
8	**INVENTORY**		
	Raw materials	183 043	125 368
	Work in progress	2 388 013	4 089 434
	Finished goods	4 913 745	2 309 135
		7 484 801	**6 523 937**
	Current	7 484 801	6 523 937
	Non-current	-	-
	Total	**7 484 801**	**6 523 937**
9	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	8 124 979	6 472 439
	Deferred acquisition costs	1 132 675	742 791
	Commission receivable	-	-
	Refundable deposits for Mastercard and Visa transactions	4 664 279	4 664 519
	Stationery stock and other consumables	-	19 024
	Time- share asset	28 125	33 750
	Other	1 818 234	11 751 781
		15 768 292	**23 684 304**
	Current	15 606 269	23 650 554
	Non-current	162 023	33 750
	Total	**15 768 292**	**23 684 304**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
10	**INTANGIBLE ASSETS**		
	As at end of period		
	Opening net book amount	1 851 136	1 890 026
	Additions	30 131	615 899
	Amortisation charge	(273 143)	(626 899)
	Impairment loss	-	(27 890)
	Closing net book amount	**1 608 124**	**1 851 136**
	As at end of period		
	Cost	6 173 927	6 538 746
	Accumulated amortisation	(4 564 466)	(4 658 383)
	Accumulated impairment	(1 337)	(29 227)
	Net book amount	**1 608 124**	**1 851 136**

		Freehold premises US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
11	**PROPERTY AND EQUIPMENT**					
	Half year ended 30 June 2018					
	Opening net book amount	17 870 284	1 383 003	8 054 578	1 541 326	28 849 191
	Additions	189 248	302 441	1 060 210	263 274	1 815 173
	Disposals	-	(423)	-	-	(423)
	Depreciation	(221 107)	(300 723)	(609 609)	(232 872)	(1 364 311)
	Closing net book amount	**17 838 425**	**1 384 298**	**8 505 179**	**1 571 728**	**29 299 630**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
12	**DEPOSITS FROM OTHER BANKS AND CUSTOMERS**		
12.1	**DEPOSITS FROM CUSTOMERS**		
	Demand deposits	461 383 405	266 871 536
	Promissory notes	44 976 091	52 691 470
	Other time deposits	72 970 262	101 110 931
		579 329 758	**420 673 937**
12.2	**DEPOSITS FROM OTHER BANKS**		
	Money market deposits	111 279 401	88 729 907
	Bank borrowings and lines of credit	117 785 393	14 581 009
		229 064 794	**103 310 916**
	TOTAL DEPOSITS	**808 394 552**	**523 984 853**
	Current	695 489 352	506 933 097
	Non-current	112 905 200	17 051 756
	Total	**808 394 552**	**523 984 853**

		Unaudited 30 June 2018 US$	Unaudited 30 June 2018 %	Audited 31 Dec 2017 US$	Audited 31 Dec 2017 %
12.3	**Deposits concentration**				
	Agriculture	24 452 930	3%	18 406 872	4%
	Construction	12 756 316	2%	9 410 422	2%
	Wholesale and retail trade	146 574 635	18%	101 394 353	19%
	Public sector	48 846 405	6%	34 343 637	7%
	Manufacturing	72 345 784	9%	47 777 712	9%
	Telecommunication	33 349 663	4%	29 651 248	6%
	Transport	26 839 660	3%	20 203 403	4%
	Individuals	95 340 583	12%	61 003 339	12%
	Financial services	216 493 198	27%	89 522 891	15%
	Mining	84 369 007	10%	61 813 610	12%
	Other	47 026 371	6%	50 457 366	10%
		808 394 552	**100%**	**523 984 853**	**100%**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
13	**INSURANCE LIABILITIES**		
	Gross outstanding claims	4 820 995	4 441 660
	Liability for unearned premium	5 044 116	3 239 204
		9 865 111	**7 680 864**
	Current	9 865 111	7 680 864
	Non-current	-	-
	Total	**9 865 111**	**7 680 864**
14	**TRADE AND OTHER PAYABLES**		
	Trade and other payables	14 584 137	12 575 694
	Deferred income	5 759 551	5 908 279
	Other liabilities	16 722 781	16 827 205
		37 066 469	**35 311 178**
	Current	35 728 900	35 311 178
	Non-current	1 337 569	-
	Total	**37 066 469**	**35 311 178**
15	**SHARE CAPITAL AND SHARE PREMIUM**		
	Authorised		
	Number of ordinary shares, with a nominal value of US$0.00001	**800 000 000**	**800 000 000**
	Issued and fully paid		
	Number of ordinary shares, with a nominal value of US$0.00001	**671 949 927**	**671 949 927**

Share capital movement	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 1 January 2018	671 949 927	6 719	14 083 173	14 089 892
Share issue	-	-	-	-
As at 30 June 2018	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**

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

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
16	**INTEREST INCOME**		
	Cash and cash equivalents	162 594	1 332 637
	Loans and advances to other banks	1 585 581	1 239 992
	Loans and advances to customers	28 218 774	21 560 154
	Bankers acceptances and tradable bills	8 737 011	8 465 980
		38 703 960	**32 598 763**
17	**INTEREST EXPENSE**		
	Deposit from other banks	2 052 071	3 739 371
	Demand deposits	615 875	351 606
	Afreximbank and PTA Bank	1 386 068	4 109 009
	Time deposits	3 681 386	3 427 361
		7 735 400	**11 627 347**

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
18	**FEE AND COMMISSION INCOME**		
	Retail service fees	18 159 699	11 029 127
	Credit related fees	1 831 336	1 108 161
	Investment banking fees	53 414	45 412
	Brokerage	212 365	133 414
	Other	-	45 923
		20 256 814	**12 362 037**
19.1	**REVENUE**		
	Property Sales	1 764 261	1 260 157
		1 764 261	**1 260 157**
19.2	**COST OF SALES**		
	Property development	1 443 299	736 251
		1 443 299	**736 251**
20	**INSURANCE PREMIUM REVENUE**		
	Gross Premium Written	19 131 941	17 554 862
	Change in Unearned Premium Reserve (“UPR”)	(1 804 913)	(1 413 406)
		17 327 028	**16 141 456**
21	**OTHER OPERATING INCOME**		
	Rental income	94 874	111 909
	Profit on disposal of property and equipment	2 046	10 073
	Sundry income	47 459	41 123
	Bad debts recoveries	2 610 632	498 625
		2 755 011	**661 730**
22	**NET INSURANCE COMMISSIONS EXPENSE**		
	Commissions Paid	2 018 541	1 895 463
	Change in technical provisions	(389 884)	(246 592)
		1 628 657	**1 648 871**
23	**INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES**		
	Claims Paid	4 854 701	4 291 583
	Change in Technical Provisions	162 860	103 776
		5 017 561	**4 395 359**
24	**ADMINISTRATIVE EXPENDITURE**		
	Administration expenses	10 945 497	7 257 805
	Staff costs	18 276 317	13 977 399
	Directors' remuneration	314 071	264 976
	Audit fees:		
	- current year fees	44 717	21 551
	- prior year fees	62 567	66 020
	Depreciation	1 364 311	1 128 362
	Amortisation	273 143	318 083
	Operating lease payment	482 890	477 155
		31 763 513	**23 511 351**
25	**INCOME TAX EXPENSE**		
	Current income tax on income for the half year	4 632 339	2 668 115
	Deferred tax	(618 868)	(374 456)
		4 013 471	**2 293 659**

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
26	**CAPITAL COMMITMENTS**		
	Capital expenditure authorized but not yet contracted for	**15 461 453**	**46 698 106**
27	**CONTINGENT LIABILITIES**		
	Guarantees and letters of credit	**36 015 542**	**8 002 919**

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
28	**EARNINGS PER SHARE**		
28.1	**Basic earnings per share**		
	Profit attributable to equity holders of the parent	14 808 744	9 598 435
	Total	**14 808 744**	**9 598 435**
	Basic earnings per share		
	Basic earnings per share (US cents)	2.31	1.50
		2.31	**1.50**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Half Year ended 30 June 2018				
Issued ordinary shares as at 1 January 2018	671 949 927	(31 827 282)	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 30 June	**671 949 927**	**(31 827 282)**	**640 122 645**	**640 122 645**
Weighted average number of ordinary shares				
Half Year ended 30 June 2017				
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 30 June	**671 949 927**	**(31 827 282)**	**640 122 645**	**640 122 645**

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.

	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Profit attributable to equity holders of the parent	14 808 744	9 598 435
Total	**14 808 744**	**9 598 435**
Weighted average number of ordinary shares at 30 June	**640 122 645**	**640 122 645**
Diluted earnings per share (US cents)		
Diluted earnings per share (US cents)	2.31	1.50
	2.31	**1.50**

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
28.3	**Headline earnings per share**		
	Profit attributable to equity holders	**14 808 744**	**9 598 435**
	Adjusted for excluded remeasurements		
	Profit on the disposal of property and equipment	(2 046)	(10 073)
	Headline earnings	**14 806 698**	**9 588 362**
	Weighted average number of ordinary shares at 30 June	**640 122 645**	**640 122 645**
	Headline earnings per share (US cents)	**2.31**	**1.50**

28.4 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 2018 US$	Unaudited 30 June 2017 US$
Headline earnings	**14 806 698**	**9 588 362**
Weighted average number of ordinary shares at 30 June	**640 122 645**	**640 122 645**
Diluted earnings per share (US cents)	**2.31**	**1.50**

29 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE HIERARCHY

IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the the fair value hierarchy are defined below.

Quoted market prices - Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets in active markets where the quoted price is readily available.

Valuation technique using observable inputs - Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant observable inputs - Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by valuation technique:

Valuation technique 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 2018			
Investment property	-	-	8 518 400
Financial assets at amortised cost	-	-	165 560 452
Financial assets at fair value through profit or loss	3 330 465	-	-
Financial assets at fair value through other comprehensive income	881 004	-	-
Land and buildings	-	-	17 838 425
As at 31 December 2017			
Investment property	-	-	8 184 400
Financial assets at amortised cost	-	-	112 878 823
Financial assets at fair value through profit or loss	2 365 325	-	-
Financial assets at fair value through other comprehensive income	835 710	-	-
Land and buildings	-	1 070 284	16 800 000

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

30 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

As at 30 June 2018	Held to maturity US$	Held for trading US$	Available for sale US$	Loans and receivables US$	Financial liabilities at amortised cost US$
Trading assets					
Balances with other banks and cash	-	-	-	174 130 553	-
Financial assets at amortised cost	165 560 452				
Loans and advances to customers	-	-	-	393 297 241	-
Trade and other receivables including insurance receivables	-	-	-	9 807 783	-
Bonds and debentures	192 230 791	-	-	-	
Financial assets at fair value through profit or loss	-	3 330 465	-	-	-
Financial assets at fair value through other comprehensive income	-	-	881 004	-	-
	357 791 243	**3 330 465**	**881 004**	**577 235 577**	**-**
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	808 394 552
Insurance liabilities	-	-	-	-	9 865 111
Trade and other payables	-	-	-	-	37 066 469
	-	**-**	**-**	**-**	**855 326 132**
As at 31 December 2017					
Trading assets					
Balances with other banks and cash	-	-	-	181 002 565	-
Financial assets at amortised cost	112 878 823	-	-		-
Loans and advances to customers	-	-	-	300 746 805	-
Trade and other receivables including insurance receivables	-	-	-	9 639 660	-
Bonds and debentures	27 633 715	-	-	-	-
Financial assets at fair value through profit or loss	-	2 365 325	-	-	-
Financial assets at fair value through other comprehensive income	-	-	835 710	-	-
	140 512 538	**2 365 325**	**835 710**	**491 389 030**	**-**
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	523 984 853
Insurance liabilities	-	-	-	-	7 680 864
Trade and other payables	-	-	-	-	35 311 178
	-	**-**	**-**	**-**	**566 976 895**

31 RELATED PARTIES

The Group carried out banking and investment 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 party transactions are provided in the Group's annual report for the year ended 31 December 2017. There have not been any material movements since.

32 SEGMENT REPORTING

Segment information is presented in respect of business segments.

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

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

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

30 June 2018	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Intersegment eliminations US$	Consolidated US$
Total segment revenue								
Interest income	26 558 753	4 535 618	7 384 335	283 181	123 902	251 156	(432 985)	38 703 960
Interest expense	(5 850 855)	(703 910)	(1 510 172)	-	-	-	329 537	(7 735 400)
Net interest income	**20 707 898**	**3 831 708**	**5 874 163**	**283 181**	**123 902**	**251 156**	**(103 448)**	**30 968 560**
Turnover	-	-	1 764 261	-	-	-	-	1 764 261
Cost of sales	-	-	(1 443 299)	-	-	-	-	(1 443 299)
Gross profit	**-**	**-**	**320 962**	**-**	**-**	**-**	**-**	**320 962**
Net earned insurance premium	-	-	-	5 722 584	4 774 176	-	(931 253)	9 565 507
Net fee and commission income	16 543 934	450 240	2 958 354	-	-	184 222	1	20 136 751
Net trading income and other income	3 334 727	134 473	79 682	169 734	147 123	2 397	(390 954)	3 477 182
Total income	**40 586 559**	**4 416 421**	**9 233 161**	**6 175 499**	**5 045 201**	**437 775**	**(1 425 654)**	**64 468 962**
Intersegment revenue	(502 547)	(32 879)	(104 131)	(197 067)	(941 964)	(3 428)	1 782 016	-
Intersegment interest expense and commission	100 407	455 872	247 053	27 483	4 599	3 909	(839 323)	-
Revenue from external customers	**40 184 419**	**4 839 414**	**9 376 083**	**6 005 915**	**4 107 836**	**438 256**	**(482 961)**	**64 468 962**
Segment profit before income tax	**11 892 820**	**1 054 148**	**5 410 120**	**1 007 220**	**98 399**	**190 844**	**(827 975)**	**18 825 576**
Impairment losses on financial assets	5 439 911	1 548 909	92 043	156 384	(2 920)	(672)	-	7 233 655
Depreciation	1 085 252	41 224	156 603	18 736	59 650	2 846	-	1 364 311
Amortisation	185 042	30 516	8 435	12 237	36 913	-	-	273 143
Segment assets	**821 516 702**	**24 490 406**	**177 495 147**	**24 325 391**	**13 769 500**	**2 346 804**	**(53 001 346)**	**1 010 942 604**
Total assets includes:								
Additions to non-current assets	1 055 805	65 662	663 169	6 942	22 270	1 325	-	1 815 173
Investment in associates	-	-	-	491 139	-	-	-	-
	-	-	-	-	-	-	-	-
Segment liabilities	**736 780 580**	**16 169 019**	**126 787 290**	**10 025 691**	**6 614 893**	**1 156 417**	**(39 516 406)**	**858 017 484**
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		

30 June 2017	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Intersegment eliminations US$	Consolidated US$
Total segment revenue								
Interest income	21 279 053	3 707 039	7 610 293	354 853	132 029	294 890	(779 394)	32 598 763
Interest expense	(9 444 080)	(485 351)	(2 342 314)	-	-	-	644 398	(11 627 347)
Net interest income	**11 834 973**	**3 221 688**	**5 267 979**	**354 853**	**132 029**	**294 890**	**(134 996)**	**20 971 416**
Turnover	-	-	1 260 157	-	-	-	-	1 260 157
Cost of sales	-	-	(736 251)	-	-	-	-	(736 251)
Gross profit	-	-	523 906	-	-	-	-	523 906
Net earned insurance premium	-	-	-	6 075 207	3 890 878	-	(528 012)	9 438 073
Net fee and commission income	9 708 512	308 715	2 160 053	-	-	117 275	-	12 294 555
Net trading income and other income	1 294 022	93 800	192 173	383 357	106 069	1 051	(287 080)	1 783 392
Total income	**22 837 507**	**3 624 203**	**8 144 111**	**6 813 417**	**4 128 976**	**413 216**	**(950 088)**	**45 011 342**
Intersegment revenue	(271 470)	(13 915)	(495 114)	(279 096)	(575 236)	(8 207)	1 643 038	-
Intersegment interest expense and commission	465 885	464 781	250 718	15 438	8 948	1 688	(1 207 458)	-
Revenue from external customers	**23 031 922**	**4 075 069**	**7 899 715**	**6 549 759**	**3 562 688**	**406 697**	**(514 508)**	**45 011 342**
Segment profit before income tax	**5 211 221**	**2 019 230**	**4 569 920**	**1 427 673**	**357 707**	**223 244**	**(1 904 684)**	**11 904 311**
Impairment losses on financial assets	3 245 684	98 608	207 158	-	-	-	-	3 551 450
Depreciation	917 595	27 465	99 042	23 167	59 615	1 478	-	1 128 362
Amortisation	204 901	30 516	36 408	4 423	41 835	-	-	318 083
Segment assets	**525 437 685**	**20 651 587**	**156 984 443**	**21 874 115**	**13 810 673**	**2 170 551**	**(64 301 263)**	**676 627 791**
Total assets includes:								
Additions to non-current assets	1 618 259	169 929	198 109	13 799	4 126	999	-	2 005 221
Investment in associates	-	-	-	491 139	-	-	-	-
Segment liabilities	**457 067 655**	**12 326 896**	**112 729 657**	**8 104 390**	**7 181 890**	**1 380 181**	**(53 561 366)**	**545 229 303**
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		

33 FINANCIAL RISK MANAGEMENT

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

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

Group Risk and Compliance, Group Internal audit review from time to time the integrity 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.

33.1 Credit risk

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

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

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

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

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

Credit policies, procedures and limits

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

Credit risk mitigation and hedging

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

Credit risk stress testing

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

Impairments

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

Credit terms:

Default

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

Past due loans

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

Impaired loans

The Group's policy regarding impaired/ doubtful loans is all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest. All such loans are classified in the 8, 9 and 10 under the Basel II ten tier grading system.

Provisioning policy and write offs

The Group has adopted IFRS 9 to determine expected credit losses (ECL)

The table below shows the mapping of the RBZ Supervisory Rating Scale to the IFRS 9 staging matrix

Rating	Descriptive classification	Risk level	Level of allowance	IFRS 9 grading/ tier system	Type of allowance
1	Prime grade	Insignificant	1%	Stage 1	12 Months ECL
2	Strong	Modest	1%		
3	Satisfactory	Average	2%		
4	Moderate	Acceptable	3%	Stage 2	Lifetime ECL
5	Fair	Acceptable with care	4%		
6	Speculative	Management attention	5%		
7	Highly Speculative	Special mention	10%		
8	Substandard	Vulnerable	20%	Stage 3	Lifetime ECL
9	Doubtful	High default	50%		
10	Loss	Bankrupt	100%		

Expected Credit Losses (ECL)

In the context of IFRS 9 ECL is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract (scheduled or contractual cashflows) and the cash flows that the entity expects to receive (actual expected cashflows)

Expected Credit Losses are the product of Probability of Default(PD)*Exposure at Default (EAD)* Loss Given Default(LGD)

Probability of Default (PD)

It is the chance that borrowers will fail to meet their contractual obligations in the future. The PD is derived using historical internal credit rating data.

Exposure at Default (EAD)

It is the total value that a bank is exposed to at the time of a loan's default. In most cases and for most loan products, EAD is taken as the gross outstanding balance at time of default. It also includes off -balance sheet exposures such as guarantees and lending commitments which are then modelled based on historical experience to determine the appropriate exposure estimates.

Loss Given Default (LGD)

It is an estimate of the loss from a transaction given that a default has occurred. The LGD estimate is calculated as the quotient of the set of estimated cash flows resulting from the workout and/or collections process (the loss of principal, the carrying costs of non-performing loans e.g. interest income foregone and workout expenses. The estimates take into account the time value of money by discounting the recoveries to the date of default.

33.1.1 Exposure to credit risk

	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
Loans and advances		
Past due and impaired		
Stage 3/Grade 8: Impaired	2 412 661	2 760 715
Stage 3/Grade 9: Impaired	1 255 533	1 558 327
Stage 3/Grade 10: Impaired	6 129 021	10 189 116
Gross amount	**9 797 215**	**14 508 158**
Credit impairment loss allowance	(5 496 140)	(4 668 896)
Carrying amount	**4 301 075**	**9 839 262**
Past due but not impaired		
Stage 2/Grades 4 - 7:	78 963 377	67 977 013
Niether past due nor impaired		
Stage 1/Grades 1 - 3:	323 523 357	233 499 462
Gross amount	**402 486 734**	**301 476 475**
Credit impairment loss allowance	(13 490 568)	(10 568 932)
Carrying amount	**388 996 166**	**290 907 543**
Total carrying amount	**393 297 241**	**300 746 805**

33.1.2 Sectoral analysis of utilisations - loans and advances

	Unaudited 30 June 2018 US$	Unaudited 30 June 2018 %	Audited 31 Dec 2017 US$	Audited 31 Dec 2017 %
Mining	14 878 934	4%	16 254 223	5%
Manufacturing	23 004 559	6%	28 795 445	9%
Mortgage	51 124 768	12%	65 690 096	21%
Wholesale	21 115 114	5%	24 593 787	8%
Distribution	15 225 804	4%	13 504 839	4%
Individuals	108 209 475	26%	103 827 037	33%
Agriculture	18 104 391	4%	9 365 776	3%
Communication	4 194 680	1%	3 228 819	1%
Construction	9 904 681	2%	10 057 183	3%
Local Authorities	14 985 511	4%	11 938 629	4%
Other services	131 536 032	32%	28 728 800	9%
Gross loans and advances	**412 283 949**	**100%**	**315 984 634**	**100%**
Less credit impairment loss allowance	(18 986 708)		(15 237 829)	
Carrying amount	**393 297 241**		**300 746 805**	

33.1.3 Loans and advances

	Unaudited 30 June 2018				Audited 31 Dec 2017
	ECL staging Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	285 303 493	-	-	285 303 493	193 959 203
Standard monitoring	38 219 864	57 734 841	263 283	96 217 988	84 771 417
Special monitoring	-	21 228 536	1 023 059	22 251 595	23 514 312
Default	-	-	8 510 873	8 510 873	13 739 702
Gross financial assets at amortised cost	**323 523 357**	**78 963 377**	**9 797 215**	**412 283 949**	**315 984 634**
Credit impairment loss allowance	(10 169 179)	(3 321 389)	(5 496 140)	(18 986 708)	(15 237 829)
Net financial asset at amortised cost	**313 354 178**	**75 641 988**	**4 301 075**	**393 297 241**	**300 746 805**

33.1.4 Reconciliation of credit impairment allowance for loans and advances

	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
Balance at 1 January	15 237 829	19 100 200
Change on initial application of IFRS 9	953 434	
Increase in credit impairment loss allowance	5 380 126	6 617 635
Impairment reversal	-	-
Write off	(708 268)	(8 327 467)
Interest in suspense	(1 876 413)	(2 152 539)
	18 986 708	**15 237 829**

33.1.5 Trade and other receivables

	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
Past due and impaired	221 484	438 223
Allowance for impairment	(377 868)	(413 400)
Carrying amount	**(156 384)**	**24 823**
Past due but not impaired	-	-
Niether past due nor impaired	9 964 167	9 614 837
Gross amount	**9 964 167**	**9 614 837**
Allowance for impairment	-	-
Carrying amount	**9 964 167**	**9 614 837**
Total carrying amount	**9 807 783**	**9 639 660**

33.1.6 Financial assets at amortised cost

	Unaudited 30 June 2018				Audited 31 Dec 2017
	ECL staging Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	167 789 554	-	-	167 789 554	112 878 823
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross financial assets at amortised cost	**167 789 554**	**-**	**-**	**167 789 554**	**112 878 823**
Credit impairment loss allowance	(2 229 102)	-	-	(2 229 102)	-
Net financial asset at amortised cost	**165 560 452**	**-**	**-**	**165 560 452**	**112 878 823**

33.2 Liquidity risk

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

Management of liquidity risk

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the subsidiary companies through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance 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 Department. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for banking subsidiaries.

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

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

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

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

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non–trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 33.3.1 to 33.3.3.

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

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:
i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.
ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired.

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

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

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

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

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

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

33.5 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.

33.6 Capital risk

33.6.1 Regulatory Capital and Financial Risk Management
Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments. The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
• To comply with the capital requirements set by the regulators of the Group's subsidiaries;
• To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
•To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;
• Tier 1 capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
• Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
• Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items.

The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period.

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 As at 30 June 2018	Regulatory authority	Minimum capital required US$	Net regulatory capital US$	Total equity US$
FBC Bank Limited	RBZ	25 000 000	77 567 975	84 736 121
FBC Building Society	RBZ	20 000 000	46 360 278	50 707 857
FBC Reinsurance Limited	IPEC	7 500 000	5 805 708	14 299 700
FBC Securities (Private) Limited	SECZ	150 000	1 190 387	1 190 387
FBC Insurance Company (Private) Limited	IPEC	7 500 000	5 794 139	5 794 139
Microplan Financial Services (Private) Limited	RBZ	25 000	8 321 387	8 321 387

33.7 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.

34 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.

35 International credit ratings
The banking, reinsurance, insurance and microfinance subsidiaries have their credit ratings reviewed annually by international credit rating agencies, Global Credit Rating and Microfinanza. All subsidiaries have maintained their investor grade ratings as illustrated below.

Subsidiary	2018	2017	2016	2015
FBC Bank Limited	BBB+	BBB+	BBB+	A-
FBC Reinsurance Limited	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	A-
Microplan Financial Services	BBB	BBB-	BBB-	N/A

36 Interim dividend announcement
Notice is hereby given that an interim dividend of 0.2976 US cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 22 August 2018 in respect of the half year ended 30 June 2018. The dividend is payable to shareholders registered in the books of the Company at the close of business on Friday, 7 September 2018. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 4 September 2018 and ex-dividend as from 5 September 2018. Dividend payment will be made to shareholders on or about 25 September 2018.

37 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	a	a	N/A	N/A	a	a	N/A	N/A	N/A	N/A	N/A	N/A
John Mushayavanhu	a	a	N/A	N/A	N/A	N/A	a	a	N/A	N/A	a	a
Kleto Chiketsani	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gertrude S Chikwava	r	a	N/A	N/A	N/A	N/A	a	a	a	a	a	a
Philip M Chiradza	a	a	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A
Felix Gwandekwande	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trynos Kufazvinei	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	a	a	a	a	N/A	N/A	a	a	a	a	N/A	N/A
Chipo Mtasa	a	a	a	a	N/A	N/A	a	a	N/A	N/A	a	a
Godfrey G Nhemachena	a	a	a	a	a	a	N/A	N/A	N/A	N/A	a	a
Webster Rusere	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin H Kennedy	a	a	N/A	N/A	N/A	N/A	a	a	a	a	N/A	N/A
James Chiuta	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

By order of the Board

Tichaona K. Mabeza
GROUP COMPANY SECRETARY
22 August 2018

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

Unaudited Interim Results
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Statement of Financial Position
As at 30 June 2018

	Note	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
ASSETS			
Balances with banks and cash	2	166 662 394	169 588 201
Financial assets at fair value through profit or loss		548 844	548 844
Financial assets at amortised cost	3	88 875 818	68 642 560
Loans and advances to customers	4	307 582 646	222 128 898
Bonds and debentures		192 230 791	27 633 714
Prepayments and other assets	6	16 734 887	18 902 002
Amounts due from group companies		14 590 193	16 778 958
Deferred tax asset		4 697 225	4 394 070
Investment property		8 000 400	7 666 400
Intangible assets		966 725	1 123 976
Property and equipment	7	20 626 779	20 656 227
Total assets		**821 516 702**	**558 063 850**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	8	529 759 893	370 225 135
Deposits from other financial institutions	8.1	81 563 351	89 944 995
Lines of credit	8.2	100 940 229	950 313
Current income tax liability		1 702 607	68 163
Trade and other payables	9	22 814 500	18 938 680
Total liabilities		**736 780 580**	**480 127 286**
Equity			
Share capital		18 502 313	18 502 313
Share premium		13 197 687	13 197 687
Retained earnings		50 116 772	43 317 214
Other reserves		2 919 350	2 919 350
Total equity		**84 736 122**	**77 936 564**
Total equity and liabilities		**821 516 702**	**558 063 850**

Statement of Comprehensive Income
For the six months ended 30 June 2018

	Notes	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Interest and similar income	11	26 558 753	21 279 053
Interest and similar expense	12	(5 850 855)	(9 444 080)
Net interest income		**20 707 898**	**11 834 973**
Dealing and trading income		697 893	754 576
Fee and commission income	13	16 543 934	9 708 512
Other operating income		2 636 834	539 446
Total net income		**40 586 559**	**22 837 507**
Credit impairment losses	5	(5 439 911)	(3 245 684)
Administrative expenses	14	(23 253 828)	(14 380 602)
Profit before income tax		**11 892 820**	**5 211 221**
Income tax expense		(3 689 676)	(1 907 200)
Profit for the period		**8 203 144**	**3 304 021**
Total comprehensive income for the period		**8 203 144**	**3 304 021**

Statement of Changes in Equity
For the year ended 30 June 2018

	Share capital US$	Share premium US$	Retained profits US$	Revaluation reserve US$	Total equity US$
Balance as at 1 January 2017	**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:					
Fair value gain on financial assets	-	-	-	891 325	891 325
Total comprehensive income	**-**	**-**	**11 979 230**	**891 325**	**12 870 555**
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**
Changes on initial application of IFRS 9	-	-	(1 403 586)	-	(1 403 586)
Restated balance as at 1 January 2018	**18 502 313**	**13 197 687**	**41 913 628**	**2 919 350**	**76 532 978**
Profit for the year	-	-	8 203 144	-	8 203 144
Other comprehensive income:	**-**	**-**	**-**	**-**	**-**
Balance as at 30 June 2018	**18 502 313**	**13 197 687**	**50 116 772**	**2 919 350**	**84 736 122**

Statement of Cash Flows
For the six months ended 30 June 2018

	Notes	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Cash flow from operating activities			
Profit before income tax		11 892 820	5 211 221
Adjustments for non cash items:			
Credit impairment losses	5	5 439 911	3 245 684
Non cash recoveries		(334 000)	(1 542 714)
Amortisation		185 042	204 901
Depreciation	7	1 085 253	917 596
Profit on disposal of property and equipment		-	(5 827)
Net cash generated before changes in operating assets and liabilities		**18 269 026**	**8 030 861**
Increase in financial assets at amortised cost		(20 233 258)	(22 936 848)
(Increase) /decrease in loans and advances to customers		(93 087 164)	14 102 727
Decrease in prepayments and other assets		2 167 115	5 353 973
Decrease /(increase) in amounts due from group companies		2 188 765	(4 850 353)
Increase in bonds and debentures		(164 597 077)	(14 865)
Increase in deposits from customers		159 534 758	38 616 785
(Decrease) /Increase in deposits from other financial institutions		(8 381 644)	26 983 654
Increase/ (decrease) in other liabilities		3 875 820	(1 987 723)
		(100 263 659)	63 298 211
Income tax paid		(1 568 468)	(1 784 080)
Net cash (used in) /generated from operating activities		**(101 832 127)**	**61 514 131**
Cash flows from investing activities			
Proceeds from sale of property and equipment		-	5 827
Purchase of intangible assets		(27 791)	(64 078)
Purchase of property and equipment		(1 055 805)	(1 618 259)
Net cash used in investing activities		**(1 083 596)**	**(1 676 510)**
Cash flows from financing activities			
Proceeds received from lines of credit		99 989 916	-
Repayments of lines of credit			(11 640 730)
Net cash generated from/(used in) financing activities		**99 989 916**	**(11 640 730)**
Net (decrease)/ increase in cash and cash equivalents		**(2 925 807)**	**48 196 891**
Cash and cash equivalents at beginning of the period		169 588 201	154 083 491
Cash and cash equivalents at the end of the period	2	**166 662 394**	**202 280 382**

Notes to the Financial Results
For the six months ended 30 June 2018

1. CHANGES IN ACCOUNTING POLICIES

Financial instruments

The Bank has adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

The Bank did not early adopt any of IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 'Financial Instruments: Disclosures' have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Bank accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank.
Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail under the Group accounting policy note.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows

	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount (US$)	Measurement Category	Carrying Amount (US$)
Financial Assets				
Cash and cash equivalents	Amortised cost	169 588 201	Amortised cost	169 588 201
Financial assets at amortised cost	Amortised cost	68 642 560	Amortised cost	68 307 928
Financial assets at fair value through P/L	Fair value through P/L	548 844	Fair value through P/L	546 168
Loans and advances to customers	Amortised cost	222 128 898	Amortised cost	220 792 367
Bonds and debentures	Amortised cost	27 633 715	Amortised cost	27 499 001
Amounts due from Group companies	Amortised cost	16 778 958	Amortised cost	16 697 161
Financial Liabilities				
Deposits from customers	Amortised cost	370 225 135	Amortised cost	370 225 135
Deposits from other financial institutions	Amortised cost	89 944 995	Amortised cost	89 944 995
Lines of credit	Amortised cost	950 313	Amortised cost	950 313

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Detailed information regarding the new classification requirements of IFRS 9 is provided under accounting policy note for the Group.

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 - continued

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Financial Assets	IAS 39 Carrying amount 31 Dec 2017	Reclassification	Remeasuremnt	IFRS 9 Carrying amount 01 Jan 2018
Amortised Cost				
Cash and cash equivalents	169 588 201	-	-	169 588 201
Financial assets at amortised cost	68 642 560	-	(334 632)	68 307 928
Financial assets at fair value through P/L	548 844	-	(2 676)	546 168
Loans and advances to customers	222 128 898	-	(1 336 531)	220 792 367
Bonds and debentures	27 633 715	-	(134 714)	27 499 001
Amounts due from Group companies	16 778 958	-	(81 797)	16 697 161

(iii) Reconciliation of impairment allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowances measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement Category	Loan loss allowance under IAS 39	Reclassification	Remeasuremnt	Loan loss allowance under IFRS 9
Amortised cost				
Cash and cash equivalents	-	-	-	-
Financial assets at amortised cost	-	-	334 632	334 632
Financial assets at fair value through P/L	-	-	2 676	2 676
Loans and advances to customers	11 425 613	-	1 336 531	12 762 144
Bonds and debentures	-	-	134 714	134 714
Amounts due from Group companies	-	-	81 797	81 797
Total	11 425 613	-	1 890 351	13 315 964

The total remeasurement loss of US$ 1 403 586 net of tax (gross-US$1 890 351) was recognised in opening reserves at 1 January 2018.

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
2	**BALANCES WITH BANKS AND CASH**		
	Balances with Reserve Bank of Zimbabwe		
	Current account balances	107 017 568	134 513 858
	Balances with other banks and cash		
	Nostro accounts	12 631 049	21 077 848
	Notes and coins	9 011 262	4 993 005
	Other bank balances	38 002 515	9 003 490
		59 644 826	35 074 343
	Cash and cash equivalents	166 662 394	169 588 201
3	**FINANCIAL ASSETS AT AMORTISED COST**		
	Open market treasury bills	87 789 001	67 223 247
	Accrued Interest	1 086 817	1 419 313
		88 875 818	68 642 560
3.1	**Maturity analysis of financial assets at amortised cost**		
	Maturing between 0 to 90 days	3 663 913	9 390 057
	Maturing between 91 to 180 days	3 631 564	7 169 384
	Maturing between 181 to 365 days	42 051 674	7 819 575
	Maturing in more than 365 days	39 528 667	44 263 544
		88 875 818	68 642 560
3.2	**Exposure to credit risk : financial assets at amortised cost**		
	Stage I classified exposures: investment grade	90 788 797	68 642 560
	Twelve months expected credit losses	(1 912 979)	-
	Stage II classified exposures: standard monitoring	-	-
	: special monitoring	-	-
	Life time expected credit losses	-	-
	Stage III classified exposures: default	-	-
	Life time expected credit losses	-	-
	Carrying amount of financial assets at ammortised cost	88 875 818	68 642 560
4	**LOANS AND ADVANCES TO CUSTOMERS**		
	Maturing within 1 year	113 526 053	75 316 750
	Maturing after 1 year but within 5 years	208 560 346	158 237 761
	Gross carrying amount	322 086 399	233 554 511
	Impairment allowance (note 3.2)	(14 503 753)	(11 425 613)
	Net loans and advances	307 582 646	222 128 898

4.1 Loans concentration by sector

Sector of the economy	30 June 2018 gross total	percentage	31 Dec 2017 gross total	percentage
Agriculture	16 659 778	5%	7 237 145	3%
Communication	4 194 680	1%	3 228 819	1%
Construction	9 904 681	3%	10 057 184	4%
Distribution	15 029 889	5%	13 204 414	6%
Individuals	86 231 305	27%	77 087 292	33%
Local authorities	10 751 392	3%	11 938 629	5%
Manufacturing	23 193 536	7%	28 677 398	12%
Mining	14 868 078	5%	16 214 510	7%
Other services	120 137 946	37%	41 315 333	18%
Wholesale	21 115 114	7%	24 593 787	11%
Gross value of loans and advances	322 086 399	100%	233 554 511	100%
less credit impairment loss allowance	(14 503 753)		(11 425 613)	
Net loans and advances	307 582 646		222 128 898	

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
4.2	**Exposure to credit risk : Loans and advances**		
	Amortised cost of gross loans and advance; past due and impaired		
	Stage III classified exposures: default	4 269 710	9 677 853
	Amortised cost, past due and impaired	4 269 710	9 677 853
	Life time expected credit losses	(2 580 500)	(2 765 011)
	Carrying amount, past due and impaired	1 689 210	6 912 842
	Past due but not impaired		
	Stage II classified exposures: standard monitoring	50 385 808	44 605 034
	: special monitoring	16 795 270	14 868 345
	Gross amount, past due but not impaired	67 181 078	59 473 379
	Life time expected credit losses	(3 043 971)	(1 732 120)
	Carrying amount, past due and not impaired	64 137 107	57 741 259
	Neither past due nor impaired		
	Stage I classified exposures: investment grade	250 635 611	164 403 279
	Twelve months credit losses	(8 879 282)	(6 928 482)
	Carrying amount, not impaired	241 756 329	157 474 797
	Total carrying amount (loans and advances)	307 582 646	222 128 898
5	**MOVEMENT IN CREDIT IMPAIRMENT LOSSES**		
	Balance at the beginning of the period	**11 425 613**	**14 175 260**
	Remeasurement on initial application of IFRS 9	1 890 351	-
	Restated opening balance	**13 315 964**	-
	Increase in impairment allowances	5 439 911	6 342 964
	Changes in interest in suspence	-	(1 735 247)
	Reclassification of previously suspended interest	(1 631 138)	-
	Amounts written off	(708 005)	(7 357 364)
	Balance at end period	**16 416 732**	**11 425 613**
6	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	7 734 144	5 600 129
	Mastercard & Visa collateral	4 664 279	4 664 519
	Insurance receivables	206 293	206 293
	Other receivables	4 130 171	8 431 061
		16 734 887	18 902 002
6.1	**Maturity analysis of other assets**		
	Maturing within 1 year	11 864 315	14 031 190
	Maturing after 1 year but within 5 years	4 870 572	4 870 812
		16 734 887	18 902 002
7	**PROPERTY AND EQUIPMENT**		
	Carrying amount at the beginning of the year	20 656 227	17 529 675
	Additions	1 055 805	3 890 815
	Disposals	-	(511 576)
	Reversal of depreciation on disposal/ revaluation	-	448 826
	Revaluation	-	1 200 437
	Depreciation charge for the period	(1 085 253)	(1 901 950)
	Carrying amount at the end of the year	20 626 779	20 656 227
8	**DEPOSITS FROM CUSTOMERS**		
	Amounts due to customers by type:	450 579 776	264 126 159
	Demand deposits	44 976 091	52 691 470
	Promissory notes	34 204 026	53 407 506
	Time deposits		
		529 759 893	370 225 135
8.1	**Deposits from other financial institutions**		
	Money market deposits	81 563 351	89 944 995
8.2	**LINES OF CREDIT**		
	African Export-Import Bank	100 000 000	-
	The Zimbabwe Agriculture Development Trust ("ZADT")	807 729	880 313
	The Reserve Bank of Zimbabwe- Women's Empowerment Fund	132 500	70 000
		100 940 229	950 313
	Total Deposits	712 263 473	461 120 443

8.3 Deposits concentration (excluding lines of credit)

	30 June 2018	percentage	31 Dec 2017	percentage
Agriculture	24 452 930	4%	18 406 805	4%
Construction	11 886 207	2%	8 863 145	2%
Wholesale and retail trade	146 491 114	24%	101 237 429	22%
Public sector	36 679 395	6%	27 610 208	6%
Manufacturing	81 988 188	13%	56 013 610	12%
Telecommunication	31 624 420	5%	23 805 104	5%
Transport	27 179 918	4%	20 543 661	4%
Individuals	88 358 789	14%	55 220 416	12%
Financial services	81 563 351	13%	89 944 995	20%
Mining	71 917 666	12%	51 613 610	11%
Other	9 181 266	2%	6 911 148	2%
	611 323 244	100%	460 170 131	100%

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
8.4	**Maturity analysis (excluding lines of credit)**		
	Maturing within 1 year	607 173 244	458 020 131
	Maturing after 1 year but within 5 years	4 150 000	2 150 000
		611 323 244	460 170 131
9	**TRADE AND OTHER PAYABLES**		
	Provisions	3 488 858	4 244 078
	Accrued expenses	16 085 731	11 757 846
	Deferred income	3 239 911	2 936 756
		22 814 500	18 938 680
10	**CAPITAL ADEQUACY**		
	Ordinary share capital	18 502 313	18 502 313
	Share premium	13 197 687	13 197 687
	Retained profit	50 116 772	43 317 214
	Capital allocated for market and operational risk	(9 260 896)	(9 852 623)
	Advances to insiders	(4 248 794)	(2 748 090)
	Tier 1 capital	68 307 082	62 416 501
	Revaluation reserve	2 919 350	2 919 350
	Tier 2 capital	2 919 350	2 919 350
	Tier 1 & 2 capital	71 226 432	65 335 851
	Tier 3 capital allocated for market and operational risk	9 260 896	9 852 623
		80 487 328	75 188 474
	Risk weighted assets	315 320 361	412 280 311
	Tier 1 Ratio (%)	21.66%	15.14%
	Tier 2 Ratio (%)	0.93%	0.71%
	Tier 3 Ratio (%)	2.94%	2.39%
	Capital adequacy (%)	25.53%	18.24%

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
11	**INTEREST INCOME**		
	Loans and advances to banks and other financial institutions	1 597 317	1 258 912
	Loans and advances to customers	18 553 346	13 420 558
	Banker's acceptances and tradable bills	5 335 204	6 168 786
	Bonds and debentures	1 072 886	430 797
		26 558 753	21 279 053
12	**INTEREST EXPENSE**		
	Deposits from other financial institutions	1 677 549	2 946 371
	Demand deposits	509 664	315 997
	Lines of credit	1 231 525	3 914 356
	Time deposits	2 432 117	2 267 356
		5 850 855	9 444 080
13	**FEES AND COMMISSION INCOME**		
	Retail services fees	15 854 585	9 566 232
	Corporate banking service fees	342 291	69 598
	Financial guarantee contracts issued	267 442	27 270
	Investment banking fees	79 616	45 412
		16 543 934	9 708 512
14	**ADMINISTRATION EXPENSES**		
	Operating expenses	9 121 587	4 610 458
	Staff costs (note 15)	10 598 546	7 367 837
	Directors' remuneration	1 740 002	766 801
	Depreciation	1 085 253	917 596
	Amortisation	185 042	204 901
	Operating lease payment	472 798	456 601
	Audit fees	50 600	56 408
		23 253 828	14 380 602
15	**STAFF COSTS**		
	Salaries and allowances	9 946 505	6 764 842
	Social security	137 107	124 356
	Pension contribution	514 934	478 639
		10 598 546	7 367 837
16	**CAPITAL COMMITMENTS**		
	Capital expenditure authorized but not yet contracted for	29 542 158	38 403 074
17	**CONTINGENT LIABILITIES**		
	Guarantees and letters of credit	36 015 542	8 002 919

The amount of these letters of credit and guarantees represents the Bank's maximum exposure and no material losses are anticipated from these transactions.

18 LIQUIDITY PROFILING

Liquidity profiling as at 30 June 2018

On balance sheet items	Upto 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	496 638 294	32 571 599	550 000	529 759 893
Deposits from other financial institutions	61 738 358	14 465 719	5 359 274	81 563 351
Lines of credit	10 000 000	940 229	90 000 000	100 940 229
Current income tax liabilities	-	1 702 607	-	1 702 607
Other liabilities	3 488 858	16 085 731	3 239 911	22 814 500
Total liabilities - (contractual maturity)	571 865 510	65 765 885	99 149 185	736 780 580
Assets held for managing liquidity risk				
Balances with other banks and cash	128 662 394	38 000 000	-	166 662 394
Financial assets at amortised cost	3 663 913	45 683 238	39 528 667	88 875 818
Financial assets at fair value through profit or loss	-	-	548 844	548 844
Loans and advances to customers	74 050 705	35 003 830	198 528 111	307 582 646
Bonds and debentures	-	161 100 000	31 130 791	192 230 791
Other assets (excluding prepayments)	4 130 171	-	4 870 572	9 000 743
Total assets - (contractual maturity)	210 507 183	279 787 068	274 606 985	764 901 236
Liquidity gap	(361 358 327)	214 021 183	175 457 800	28 120 656
Cumulative liquidity gap - on balance sheet	(361 358 327)	(147 337 144)	28 120 656	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	36 015 542	-	36 015 542
Commitments to lend	14 611 445	-	-	14 611 445
Total liabilities	14 611 445	36 015 542	-	50 626 987
Liquidity gap	(375 969 772)	178 005 641	175 457 800	(22 506 331)
Cumulative liquidity gap - on and off balance sheet	(375 969 772)	(197 964 131)	(22 506 331)	-

Liquidity profiling as at 31 December 2017

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	346 614 429	21 460 706	2 150 000	370 225 135
Deposits from other financial institutions	71 971 446	15 973 549	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)	426 318 230	49 609 056	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 at amortised cost	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	(192 821 313)	9 348 321	205 189 796	21 716 804
Cumulative liquidity gap - on balance sheet	(192 821 313)	(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	(205 552 522)	1 345 402	205 189 796	982 676
Cumulative liquidity gap - on and off balance sheet	(205 552 522)	(204 207 120)	982 676	-

19 INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 30 June 2018

	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	12 631 049	38 000 000	-	-	-	116 031 345	166 662 394
Financial assets at amortised cost	336 178	3 327 735	3 631 564	42 051 674	39 528 667	-	88 875 818
Financial assets at fair value through profit or loss	-	-	-	-	-	548 844	548 844
Loans and advances to customers	36 794 961	31 151 897	6 103 848	35 003 830	198 528 110	-	307 582 646
Bonds and debentures	-	-	18 400 000	142 700 000	31 130 791	-	192 230 791
Prepayments and other assets	-	-	-	-	-	16 734 887	16 734 887
Amounts due from group companies	-	-	-	-	-	14 590 193	14 590 193
Investment property	-	-	-	-	-	8 000 400	8 000 400
Deferred tax asset	-	-	-	-	-	4 697 225	4 697 225
Intangible assets	-	-	-	-	-	966 725	966 725
Property and equipment	-	-	-	-	-	20 626 779	20 626 779
Total assets	49 762 188	72 479 632	28 135 412	219 755 504	269 187 568	182 196 398	821 516 702
Deposits from customers	30 913 433	47 189 877	1 191 944	405 000	2 150 000	447 909 639	529 759 893
Deposits from other financial institutions	25 378 810	28 750 221	21 716 073	3 718 247	2 000 000	-	81 563 351
Lines of credit	10 000 000	-	-	940 229	90 000 000	-	100 940 229
Other liabilities	-	-	-	-	-	22 814 500	22 814 500
Current income tax liabilities	-	-	-	-	-	1 702 607	1 702 607
Capital and reserves	-	-	-	-	-	84 736 122	84 736 122
Total liabilities	66 292 243	75 940 098	22 908 017	5 063 476	94 150 000	557 162 868	821 516 702
Interest rate repricing gap	(16 530 055)	(3 460 466)	5 227 395	214 692 028	175 037 568	(374 966 470)	-
Cumulative interest rate repricing gap	(16 530 055)	(19 990 521)	(14 763 126)	199 928 902	374 966 470	-	-

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 at amortised cost	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
Deferred tax asset	-	-	-	-	-	7 666 400	7 666 400
Investment property	-	-	-	-	-	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	-	-

20 FBC BANK FOREIGN EXCHANGE GAP AS AT 30 JUNE 2018

Foreign exchange gap analysis as at 30 June 2018

Base currency US$ equivalent	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
Assets					
Cash	230 703	86 313	15 939	11 617	344 572
Balances with Reserve Bank	111 506	9 744	-	3 036	124 286
Correspondent nostro balances	295 019	69 664	307 014	70 579	742 276
Loans and overdrafts	59 517	75	104	55	59 751
Other assets	4 451	42	15	-	4 508
Total assets	701 196	165 838	323 072	85 287	1 275 393
Liabilities					
Deposits from customers	518 194	132 731	6 290	79 795	737 010
Other liabilities	7 252	4 366	46	1 345	13 009
Total liabilities	525 446	137 097	6 336	81 140	750 019
Net currency position	175 750	28 741	316 736	4 147	525 374

Foreign exchange gap analysis as at 31 December 2017

	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
Assets					
Cash	364 215	89 705	23 063	10 352	487 335
Balances with Reserve Bank	50 197	35 690	-	2 067	87 954
Correspondent nostro balances	686 869	71 808	136 068	36 598	931 343
Loans and overdrafts	2 912	157	173	11	3 253
Other assets	4 782	20	16	-	4 818
Total assets	1 108 975	197 380	159 320	49 028	1 514 703
Liabilities					
Deposits from customers	773 247	146 742	10 550	39 170	969 709
Other liabilities	7 621	8 272	49	94	16 036
Total liabilities	780 868	155 014	10 599	39 264	985 745
Net currency position	328 107	42 366	148 721	9 764	528 958

Unaudited Interim Results
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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.

30 June 2018				Value at risk (95% confidence level	
Asset class	**Type of risk**	**Present value**	**Portfolio weight**	**1-day holding period**	**5-day holding period**
Currency	Exchange rate	551 328	100%	7 592	11 357
	Total portfolio VaR	551 328	100%	7 592	11 357
31 December 2017					
Asset class					
Currency	Exchange rate	498 625	100%	4 251	9 206
	Total portfolio VaR	498 625	100%	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")	2018 MAIN BOARD	
		QUARTER 1	QUARTER 2
Takabvakure Euwitt Mutunhu	N/E	√	√
John Mushayavanhu	N/E	√	√
P. C. C. Moyo	N/E	√	√
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	√	√
Z. W. Makwanya	N/E	√	√

√ - Present
X - Absent

N/E - Non-executive director
E - Executive director

By Order of the Board

Tichaona K. Mabeza
Company Secretary

22 August 2018

Directors: T. E. Mutunhu (Chairman), W. Rusere (Managing Director), P. C. C. Moyo, Z. W. Makwanya, T. Kufazvinei, M. Makonese (Executive), T. Mazoyo, A. G. R. Mugwagwa (Executive), J. Mushayavanhu, M. Ndoro, M. Nzwere, P. Takawira, A. Magwaza (Executive)

FBC Building Society
(Registered Building Society)

Unaudited Interim Results
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Statement of Financial Position
As at 30 June 2018

	Notes	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
ASSETS			
Cash and cash equivalents	2	24 373 925	16 630 727
Financial assets at amortised cost	3	74 606 138	40 949 343
Loans and advances to customers	4	64 451 657	59 125 283
Inventory	6	7 484 801	6 523 937
Other assets	7	787 232	1 396 809
Investment properties	8	490 000	490 000
Intangible assets	9	28 117	36 553
Property and equipment	10	5 273 277	4 767 134
Total assets		**177 495 147**	**129 919 786**
LIABILITIES			
Deposits from banks	11.1	48 764 940	5 017 972
Deposits from customers	11.2	65 094 915	64 236 828
Borrowings	11.3	2 251 341	2 549 066
Other liabilities	12	10 676 094	10 612 586
Total liabilities		**126 787 290**	**82 416 452**
EQUITY			
Share capital		156 175	156 175
Share premium		11 110 424	11 110 424
Revaluation reserve		113 460	113 460
Retained earnings		39 327 798	36 123 275
Total equity		**50 707 857**	**47 503 334**
Total equity and liabilities		**177 495 147**	**129 919 786**

Statement of Comprehensive Income
For the six months ended 30 June 2018

	Notes	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Interest income	13	7 384 335	7 610 293
Interest expense	14	(1 510 172)	(2 342 314)
Net interest income		**5 874 163**	**5 267 979**
Revenue from property sales		1 764 261	1 260 157
Cost of sales		(1 443 299)	(736 251)
Net income from property sales		**320 962**	**523 906**
Fees and commission income		3 077 099	2 259 948
Fees and commission expense		(118 745)	(99 895)
Net fees and commission income		**2 958 354**	**2 160 053**
Other income	15	79 682	192 173
Total net income		**9 233 161**	**8 144 111**
Credit impairment losses	5	(92 043)	(207 158)
Operating expenses	16	(3 730 998)	(3 367 033)
Total operating expenses		**(3 823 041)**	**(3 574 191)**
Surplus for the period		**5 410 120**	**4 569 920**
Other comprehensive income		**-**	**-**
Total comprehensive income for the period		**5 410 120**	**4 569 920**

Statement of Changes in Equity
For the six months ended 30 June 2018

	Share capital US$	Share premium US$	Revaluation reserve US$	Retained earnings US$	Total US$
Opening balance as 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**
Half year ended 30 June 2018					
Balance as at 1 January 2018	**156 175**	**11 110 424**	**113 460**	**36 123 275**	**47 503 334**
Change on initial application of IFRS 9 (note 1)				939 827	939 827
Restated balance as at 1 January 2018	**156 175**	**11 110 424**	**113 460**	**37 063 102**	**48 443 161**
Surplus for the period	-	-	-	5 410 120	5 410 120
Total comprehensive income	**-**	**-**	**-**	**5 410 120**	**5 410 120**
Transactions with owners recorded directly in equity					
Dividend paid	-	-	-	(3 145 424)	(3 145 424)
Shareholders equity as at 30 June 2018	**156 175**	**11 110 424**	**113 460**	**39 327 798**	**50 707 857**

Statement of Cash Flows
For the six months ended 30 June 2018

	Notes	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the period		5 410 120	4 569 920
Adjustments for:			
Depreciation of property and equipment	10	156 603	99 042
Amortisation of intangible assets	9	8 436	36 408
Profit on disposal of property and equipment		(277)	-
Credit impairment losses	5	92 043	207 158
Fair value gain investment properties		-	(106 268)
Net cash generated before changes in working capital		5 666 925	4 806 260
Increase in financial assets at amortised cost		(33 840 665)	(8 978 228)
(Increase)/decrease in loans and advances to customers		(4 496 758)	2 222 367
Increase in inventory		(960 864)	(156 601)
Decrease/(increase) in other assets		609 576	(511 319)
Increase/(decrease) in deposits from banks		43 746 968	(1 205 905)
Increase in deposits from customers		858 087	7 208 797
Increase in other liabilities		270 850	609 553
Net cash generated from operating activities		11 854 119	3 994 924
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(663 169)	(198 109)
Proceeds from disposal of property and equipment		702	-
Net cash used in investing activities		(662 467)	(198 109)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings repayment		(303 030)	(303 030)
Dividend paid		(3 145 424)	(1 586 144)
Net cash used in financing activities		(3 448 454)	(1 889 174)
Net increase in cash and cash equivalents		**7 743 198**	**1 907 641**
Cash and cash equivalents at the beginning of the period		16 630 727	62 171 276
Cash and cash equivalents at the end of the period	**2**	**24 373 925**	**64 078 917**

Notes to the Financial Results
For the six months ended 30 June 2018

1. CHANGES IN ACCOUNTING POLICIES

Financial instruments

The Building Society has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Building Society did not early adopt any of IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Building Society elected not to restate comparative figures.

Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Building Society accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Building Society.

Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail under the Group accounting policy note.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount (US$)	Measurement category	Carrying amount (US$)
Financial assets				
Cash and cash equivalents	Amortised cost	16 630 727	Amortised cost	16 630 727
Financial assets held to maturity	Amortised cost	40 949 343	Amortised cost	40 765 473
Loans and advances to customers	Amortised cost	59 125 283	Amortised cost	60 248 981
Financial liabilities				
Deposits from banks	Amortised cost	5 017 972	Amortised cost	5 017 972
Deposits from customers	Amortised cost	64 236 828	Amortised cost	64 236 828
Borrowings	Amortised cost	2 549 066	Amortised cost	2 549 066

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Building Society performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Detailed information regarding the new classification requirements of IFRS 9 is provided under accounting policy note for the Group.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount 31 Dec 2017	Reclassification	Remeasurement	IFRS 9 carrying amount as at 1 January 2018
Amortised cost				
Cash and cash equivalents	16 630 727	-	-	16 630 727
Financial assets held to maturity	40 949 343	-	(183 870)	40 765 473
Loans and advances to customers	59 125 283	-	1 123 698	60 248 981

Reconciliation of impairment allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowances measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39	Remeasurement	Reclassification	Loan loss allowance under IFRS 9
Measured at amortised cost				
Cash and cash equivalents	-	-	-	-
Financial assets measured at amortised cost	-	183 870	-	183 870
Loans and advances to customers	2 477 198	(1 161 392)	-	1 315 806
Loan commitments	-	37 694	-	37 694
Total	**2 477 198**	**(939 828)**	**-**	**1 537 370**

The total remeasurement gain of US$939 828 was recognised in opening reserves at 1 January 2018.

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
2.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	410 216	235 882
	Cash at bank	6 722 389	7 364 003
	Interbank short term investments	17 241 320	9 030 842
		24 373 925	**16 630 727**
3	**FINANCIAL ASSETS AT AMORTISED COST**		
	Treasury bills	38 906 138	30 859 899
	Savings bonds	35 700 000	10 089 444
		74 606 138	**40 949 343**
3.1	**Maturity analysis of financial assets at amortised cost**		
	Up to 1 month	-	2 093 084
	Up to 3 months	11 529 493	216 762
	3 months to 1 year	55 117 806	24 896 620
	1 year to 5 years	7 958 839	13 742 877
		74 606 138	**40 949 343**

3.2 Credit exposure on financial assets at amortised cost

	Unaudited 30 June 2018				Audited 31 Dec 2017
	Expected credit loss (ECL) staging				
	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	74 912 398	-	-	74 912 398	40 949 343
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross financial assets at amortised cost	74 912 398	-	-	74 912 398	40 949 343
Credit impairment loss allowance	(306 260)	-	-	(306 260)	-
Net financial asset at amortised cost	74 606 138	-	-	74 606 138	40 949 343

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
4	**LOANS AND ADVANCES TO CUSTOMERS**		
	Short term loan advances	18 700 895	20 240 212
	Medium term facility	4 234 119	-
	Mortgage loan advances	42 839 533	41 362 269
	Gross loans and advances to customers	65 774 547	61 602 481
	Credit impairment loss allowance	(1 322 890)	(2 477 198)
	Net loans and advances to customers	**64 451 657**	**59 125 283**
4.1	**Maturity analysis of loans and advances**		
	Up to 1 month	1 582 039	1 390 070
	1 month to 3 months	3 164 078	2 780 139
	3 months to 1 year	11 540 613	10 170 783
	1 year to 5 years	20 184 597	17 662 096
	Over 5 years	27 980 330	27 122 195
		64 451 657	**59 125 283**

4.2 Credit exposure on loans and advances to customers

	Unaudited 30 June 2018				Audited 31 Dec 2017
	Expected credit loss (ECL) staging				
	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	37 563 226	-	-	37 563 226	29 817 572
Standard monitoring	16 917 178	2 685 598	-	19 602 776	21 260 815
Special monitoring	-	4 433 266	-	4 433 266	6 462 245
Default	-	-	4 175 279	4 175 279	4 061 849
Gross loans and advances to customers	54 480 404	7 118 864	4 175 279	65 774 547	61 602 481
Credit impairment loss allowance	(943 128)	(13 409)	(366 353)	(1 322 890)	(2 477 198)
Net loans and advances to customers	53 537 276	7 105 455	3 808 926	64 451 657	59 125 283

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
5	**Movement in expected credit impairment losses**		
	Balance at beginning of the period	2 477 198	2 800 957
	Impairment charge for the period	92 043	600 697
	Change on initial application of IFRS 9 (note 1)	(939 828)	-
	Suspended interest	-	45 647
	Amounts written off during the period	(263)	(970 103)
		1 629 150	**2 477 198**
6	**INVENTORY**		
	Raw materials	265 875	125 368
	Work in progress	4 641 570	4 089 434
	Completed units	2 577 356	2 309 135
		7 484 801	**6 523 937**
7	**OTHER ASSETS**		
	Prepayments	60 637	706 654
	Other	726 595	690 155
		787 232	**1 396 809**
8	**INVESTMENT PROPERTIES**		
	Opening balance	490 000	25 000
	Fair value adjustment	-	20 275
	Additions	-	7 560
	Transfer from inventory	-	437 165
	Closing balance	**490 000**	**490 000**
9	**INTANGIBLE ASSETS**		
	Opening net carrying amount	36 553	81 396
	Amortisation charge	(8 436)	(44 843)
	Closing net carrying amount	**28 117**	**36 553**
10	**PROPERTY AND EQUIPMENT**		
	Cost		
	Carrying amount at beginning of the period	4 767 134	4 338 318
	Gross carrying amount	5 705 030	5 303 975
	Accumulated depreciation and impairment	(937 896)	(965 657)
	Additions	663 169	616 515
	Revaluation gain on properties	-	19 545
	Disposals	(423)	-
	Depreciation for the period	(156 603)	(208 873)
	Impairment reversal	-	1 629
	Carrying amount at end of the period	**5 273 277**	**4 767 134**
11	**DEPOSITS AND BORROWINGS**		
11.1	**Deposits from banks**		
	Money market deposits	48 764 940	5 017 972
		48 764 940	**5 017 972**
11.2	**Deposits from customers**		
	Retail savings deposits	13 368 173	16 533 403
	Money market deposits	46 135 107	42 594 674
	Fixed deposits	5 591 635	5 108 751
		65 094 915	**64 236 828**
11.3	**Borrowings**		
	Offshore borrowings	2 251 341	2 549 066
		2 251 341	**2 549 066**
	Total deposits and borrowings	**116 111 196**	**71 803 866**
11.4	**Maturity analysis of deposits and borrowings**		
	Up to 1 month	78 250 444	41 491 357
	1 month to 3 months	27 993 256	20 194 983
	3 months to 1 year	2 630 580	3 065 769
	Over 1 year	7 236 916	7 051 757
		116 111 196	**71 803 866**
12	**OTHER LIABILITIES**		
	Trade and other payables	7 087 130	5 596 484
	Deferred income	2 519 640	2 405 062
	Provisions	1 069 324	2 611 040
		10 676 094	**10 612 586**

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
13	**INTEREST INCOME**		
	Loans and advances to customers	4 278 702	4 450 445
	Interbank money market investments	2 337 577	1 313 717
	Financial assets at amortised cost	768 056	1 846 131
		7 384 335	**7 610 293**
14	**INTEREST EXPENSE**		
	Deposits from banks	374 522	793 000
	Deposits from customers - retail savings	106 211	35 609
	Offshore borrowings	154 543	194 653
	Deposits from customers - time deposits	874 896	1 319 052
		1 510 172	**2 342 314**
15	**OTHER INCOME**		
	Fair value adjustment on investment properties	-	106 268
	Rent received	66 377	76 915
	Profit on disposal of property and equipment	277	-
	Other	13 028	8 990
		79 682	**192 173**
16	**OPERATING EXPENSES**		
	Administration expenses	836 330	754 733
	Personnel expenses	2 633 971	2 407 629
	Directors fees	95 659	69 221
	Depreciation and amortisation	165 038	135 450
		3 730 998	**3 367 033**

FBC Building Society

(Registered Building Society)

Unaudited Interim Results

FOR THE SIX MONTHS ENDED 30 JUNE 2018

17 **LIQUIDITY RISK**

Contractual maturity profile of assets and liabilities

30 June 2018

	Up to 30 days US$	31-90 days US$	91-365 days US$	Over 1 year US$	Total US$
Liabilities					
Deposits from banks	38 203 856	8 544 140	2 016 944	-	48 764 940
Deposits from customers	40 046 588	19 297 601	159 091	5 591 635	65 094 915
Borrowings	-	151 515	454 545	1 645 281	2 251 341
Other liabilities	5 361 926	1 672 749	1 680 308	1 961 111	10 676 094
Total liabilities	**83 612 370**	**29 666 005**	**4 310 888**	**9 198 027**	**126 787 290**
Assets					
Cash and cash equivalents	16 940 446	7 433 479	-	-	24 373 925
Financial assets at amortised cost	-	11 529 493	55 117 806	7 958 839	74 606 138
Loans and advances to customers	1 582 039	3 164 078	11 540 613	48 164 927	64 451 657
Total assets	**18 522 485**	**22 127 050**	**66 658 419**	**56 123 766**	**163 431 720**
Liquidity gap	**(65 089 885)**	**(7 538 955)**	**62 347 531**	**46 925 739**	**36 644 430**
Cumulative liquidity gap	**(65 089 885)**	**(72 628 840)**	**(10 281 309)**	**36 644 430**	

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**	**-**

18 **INTEREST RATE RISK**

Interest rate repricing gap

30 June 2018

	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	9 807 841	7 433 479	-	-	-	7 132 605	24 373 925
Financial assets at amortised cost	-	11 529 493	10 441 389	44 676 417	7 958 839	-	74 606 138
Loans and advances to customers	43 319 364	2 697 739	3 372 174	6 069 914	8 992 466	-	64 451 657
Inventory	-	-	-	-	-	7 484 801	7 484 801
Other assets	-	-	-	-	-	787 232	787 232
Investment properties	-	-	-	-	-	490 000	490 000
Intangible assets	-	-	-	-	-	28 117	28 117
Property and equipment	-	-	-	-	-	5 273 277	5 273 277
Total assets	**53 127 205**	**21 660 711**	**13 813 563**	**50 746 331**	**16 951 305**	**21 196 032**	**177 495 147**
Liabilities							
Deposits from banks	38 203 856	8 544 140	2 016 944	-	-	-	48 764 940
Deposits from customers	45 638 223	19 297 601	159 091	-	-	-	65 094 915
Borrowings	2 251 341	-	-	-	-	-	2 251 341
Other liabilities	-	-	-	-	-	10 676 094	10 676 094
Equity	-	-	-	-	-	50 707 857	50 707 857
Total liabilities	**86 093 420**	**27 841 741**	**2 176 035**	**-**	**-**	**61 383 951**	**177 495 147**
Interest rate repricing gap	**(32 966 215)**	**(6 181 030)**	**11 637 528**	**50 746 331**	**16 951 305**	**(40 187 919)**	**-**
Cumulative interest rate repricing gap	**(32 966 215)**	**(39 147 245)**	**(27 509 717)**	**23 236 614**	**40 187 919**	**-**	**-**

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**	**-**	**-**

19 **CAPITAL ADEQUACY RATIO**

	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
Core Capital Tier 1		
Issued and fully paid up ordinary share capital	11 266 599	11 266 599
Retained earnings	39 327 798	36 123 275
Capital allocated for market and operational risk	(1 840 814)	(1 953 645)
Advances to insiders	(4 234 119)	(110 451)
Total core capital	44 519 464	45 325 778
Supplementary Capital Tier 2		
Revaluation reserves	113 460	113 460
Total supplementary capital	113 460	113 460
Tier 3		
Capital allocated for market and operational risk	1 840 814	1 953 645
Core capital plus supplementary capital	**46 473 738**	**47 392 883**
Total risk weighted assets	**62 038 939**	**60 128 156**
Tier 1 capital ratio	72%	76%
Tier 2 capital ratio	0%	0%
Tier 3 capital ratio	3%	3%
Capital adequacy ratio	75%	79%

	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
20 **CAPITAL COMMITMENTS**		
Capital expenditure authorised not yet undertaken	**2 336 831**	**827 088**

21 **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**

22 **BOARD ATTENDANCE**

	Main Board		Board Audit		Board HR		Board Finance & ALCO		Board Risk & Compli-ance		Board Credit		Board Loans Review	
Board member	**Q1**	**Q2**	**Q1**	**Q2**	**Q1**	**Q2**	**Q1**	**Q2**	**Q1**	**Q2**	**Q1**	**Q2**	**Q1**	**Q2**
Benjamin Kumalo	√	√	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
Oliver Gwaze	√	√	n/a	n/a	n/a	n/a	n/a	n/a	√	√	n/a	n/a	√	√
Marah Hativagone	√	√	√	√	n/a	n/a	√	√	n/a	n/a	√	√	n/a	n/a
Agnes Kanhukamwe	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Guardiner Manikai	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Mushayavanhu	√	√	n/a	n/a	√	√	x	√	x	√	n/a	n/a	√	√
Christopher Y Muyeye	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a
Pius Rateiwa	√	√	n/a	n/a	n/a	n/a	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
Timothy T. Simba	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Key

√ - Attended x - Apologies Q1 - Quarter 1

n/a- not applicable Q2 - Quarter 2

* Messrs. Oliver Gwaze and Christopher Muyeye resigned from the FBC Building Society Board on 14 June 2018.

By Order of the Board

Tichaona K. Mabeza

GROUP COMPANY SECRETARY

22 August 2018

Directors: Benjamin Kumalo (Chairman), Felix Gwandekwande (Managing Director), Marah Hativagone, Agnes Kanhukamwe*, Guardiner Manikai, John Mushayavanhu, Pius Rateiwa*, Webster Rusere (Executive*), Timothy T. Simba