FBC Holdings Limited

strength • diversity • service

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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)

Eagle Insurance Company Limited

Group Chairman's Statement

Financial Highlights
- Group profit before income tax up 20% to US$25.7 million.
- Group profit after tax up 21% to US$21.9 million.
- Cost to income ratio improved to 72% from 74%.
- Basic earnings per share up 25% to 3.40 US cents.
- Net asset value per share up 21% to 19.2 US cents.
- Final dividend proposed US$2 million, bringing total dividend to US$3.5 million.
- Group statement of financial position up 24% to US$610.1 million.
- Group total equity up 18% to US$123.4 million.

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

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

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

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

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

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

As at 31 December 2016, the Group's statement of financial position was 24% stronger at US$610.1 million from US$490.6 million as at the end of last year. Growth was on the back of a 26% increase in total deposits and borrowings due in part to higher cash retention levels currently prevailing within the banking sector and the positive impact of the FBC brand in the market space.

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

Capital Growth Strategy
I am pleased to advise that all the FBC Holdings Limited subsidiaries were in full compliance with their regulatory minimum capital requirements and had the following total equity:
- FBC Bank Limited: US$65.1 million compared to the regulatory minimum of US$25 million.
- FBC Building Society: US$41.3 million compared to the regulatory minimum of US$20 million.
- FBC Reinsurance Limited: US$13.0 million compared to the regulatory minimum of US$1.5 million.
- Eagle Insurance Company Limited: US$6.5 million compared to the regulatory minimum of US$1.5 million.
- FBC Securities (Private) Limited: US$622 937 compared to the regulatory minimum of US$150 000.
- MicroPlan Financial Services (Private) Limited: US$7.0 million compared to the regulatory minimum of US$25 000.

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

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

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

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

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

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

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

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

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

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

Marketing and Public Relations
The Group's focused and sustained marketing programmes continue to pay off in positioning the FBC brand in the market. The brand's market appeal is positive. In this regard the FBC brand, through FBC Bank has been recognised by the Institute of Chartered Secretaries and Administration (ICSAZ) Excellence in Corporate Governance Awards through the following awards:
1. Best Banking Internal Audit Disclosure Award (2nd Position)
2. Best Banking Risk Management Practice (2nd Position)

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

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

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

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

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

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

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

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

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

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

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

Herbert Nkala
Group Chairman

21 March 2017

Group Chief Executive's Report

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

Group Performance

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

Net interest income grew by 22% to US$44.8 million from US$36.6 million, while its contribution to the Group total income increased to 48% from 45% in 2015. While the Group's lending portfolio decreased during the period under review, the asset quality and yields improved significantly as the Group instituted measures to improve asset quality. Mindful of the prevailing macroeconomic environment, the Group has however prudently increased the impairment allowance on financial assets. It is also pleasing to note that the Group's initiatives to manage cost of funds yielded positive results with interest expense down by 11% in 2016.

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

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

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

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

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

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

FBC Bank Limited

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

The Bank's statement of financial position increased by 21% from US$387.4 million to US$470.2 million supported by strong liquidity management practices in view of the prevailing macroeconomic environment. The Bank received a US$10 million capital injection from FBC Holdings Limited, whilst an additional US$20 million was jointly raised from the local market, through the issuance of tobacco bills for the 2016/17 agricultural season.

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

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

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

FBC Building Society

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

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

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

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

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

MicroPlan Financial Services (Private) Limited

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

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

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

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

FBC Securities (Private) Limited

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

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

FBC Reinsurance Limited

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

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

FBC Reinsurance maintained its A- rating in claims paying ability from the Global Credit Rating Agency of South Africa.
FBC Reinsurance's retrocession programme has been enhanced by the addition of an A- rated global reinsurer on the panel. This ensures that the business accepted by FBC Re is reinsured with some of the strongest global reinsurers. The company also has arrangements with top rated specialist markets, covering businesses against risks associated with political riots and terrorism, as well as cyber risks.

Eagle Insurance Company Limited

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

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

Regulatory Capital Requirements

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

Risk Management

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

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

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

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

Community and Social Investment

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

Environmental Management

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

Human Resources

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

The financial performance of the Group bears testimony to the level of productivity that committed and highly engaged employees are capable of delivering. Internal and independent research has confirmed the existence of a positive correlation between high employee engagement and better company performance. The Group will continue to review its policies to ensure that areas which increase the level of employee commitment and consequently productivity are given attention. These include but are not limited to employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, work life balance, employee wellness and other related policies which influence high levels of engagement.

Information Technology and E-Commerce

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

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

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

Service Delivery

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

Product Development

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

Appreciation

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

John Mushayavanhu
Group Chief Executive

21 March 2017

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
Interest income	18	67 000 371	61 476 965
Interest expense	18.1	(22 202 373)	(24 848 487)
Net interest income		**44 797 998**	**36 628 478**
Fee and commission income	19	26 092 451	20 977 274
Fee and commission expense	19.1	(174 718)	(81 617)
Net fee and commission income		**25 917 733**	**20 895 657**
Revenue	20	7 001 895	6 709 923
Cost of sales	20.1	(6 039 694)	(5 758 871)
Gross profit		**962 201**	**951 052**
Insurance premium revenue	21	32 695 860	35 425 142
Premium ceded to reinsurers and retrocessionaires		(13 910 791)	(13 227 253)
Net earned insurance premium		**18 785 069**	**22 197 889**
Net trading income		517 641	792 957
Net gain/(loss) from financial assets at fair value through profit or loss	22	231 188	(361 233)
Other operating income	23	1 814 251	850 102
		2 563 080	**1 281 826**
Total net income		**93 026 081**	**81 954 902**
Impairment allowance on financial assets	5.4	(7 874 767)	(3 325 576)
Net insurance commission expense	24	(4 331 491)	(4 798 058)
Insurance claims and loss adjustment expenses	25	(7 672 766)	(8 551 720)
Administrative expenses	26	(47 471 352)	(43 931 527)
Profit before income tax		**25 675 705**	**21 348 021**
Income tax expense	27	(3 737 979)	(3 249 778)
Profit for the year		**21 937 726**	**18 098 243**
Total comprehensive income			
Transfer from regulatory reserves		-	627 590
Tax		-	-
Loss on available for sale financial assets		(63 526)	(30 196)
Tax		635	302
Other comprehensive income, net income tax		**(62 891)**	**597 696**
Total comprehensive income for the year		**21 874 835**	**18 695 939**
Profit attributable to:			
Equity holders of the parent		21 885 495	18 040 863
Non - controlling interest		52 231	57 380
Profit for the year		**21 937 726**	**18 098 243**
Total comprehensive income attributable to:			
Equity holders of the parent		21 822 604	18 638 559
Non- controlling interest		52 231	57 380
Total comprehensive income for the year		**21 874 835**	**18 695 939**
Earnings per share (US cents)			
Basic earnings per share	28.1	3.40	2.72
		3.40	**2.72**
Diluted earnings per share	28.2	3.40	2.72
		3.40	**2.72**

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
ASSETS			
Balances with other banks and cash	4	184 244 019	93 762 063
Financial assets held to maturity		75 078 481	49 624 033
Loans and advances to customers	5.1	276 534 813	282 971 693
Trade and other receivables including insurance receivables	5.2	9 120 237	8 099 529
Bonds and debentures	6	9 139 955	8 702 320
Financial assets at fair value through profit or loss	7	1 102 173	1 050 037
Available for sale financial assets	8	862 886	377 568
Inventory	9	5 171 336	6 112 654
Prepayments and other assets	10	10 054 693	5 666 568
Deferred income tax assets		8 145 597	6 181 913
Investment property	11	3 710 457	2 472 140
Intangible asset	12	1 890 026	897 946
Property, plant and equipment	13	25 090 044	24 646 858
Total assets		**610 144 717**	**490 565 322**
EQUITY AND LIABILITIES			
Liabilities			
Deposits and borrowings from other banks and customers	14	455 501 429	360 719 968
Insurance liabilities	15	9 470 934	9 404 428
Trade and other payables	16	19 809 097	13 933 849
Current income tax liability		878 275	907 522
Deferred income tax liability		772 386	710 525
Total liabilities		**486 432 121**	**385 676 292**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	17.3	14 089 892	14 089 892
Other reserves		37 840 340	38 439 904
Retained profits		71 488 214	52 100 051
		123 418 446	**104 629 847**
Non controlling interest in equity		294 150	259 183
Total equity		**123 712 596**	**104 889 030**
Total equity and liabilities		**610 144 717**	**490 565 322**

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 US$	2015 US$
Cash flow from operating activities			
Profit before income tax		25 675 705	21 348 021
Adjustments for non cash items:			
Depreciation	13	2 079 725	1 747 315
Amortisation charge	12	516 869	493 636
Impairment loss on loans and advances	5.4	7 874 767	3 325 576
Fair value adjustment on investment property	11	5 320	(162 576)
Impairment loss on intangible assets	12	1 337	-
Fair value adjustment on financial assets at fair value through profit or loss	22	(231 188)	361 233
Profit on disposal of property and equipment	23	(34 562)	(32 503)
Net cash generated before changes in operating assets and liabilities		**35 887 973**	**27 080 702**
Increase in financial instrument held to maturity		(25 454 448)	(38 874 724)
(Increase)/decrease in loans and advances		(1 437 887)	17 375 275
Increase in trade and other receivables		(1 020 708)	(1 717 122)
Increase in bonds and debentures		(437 635)	(5 933 802)
Decrease/(increase) in financial assets at fair value through profit or loss		179 052	(62 231)
(Increase)/decrease in available for sale financial assets		(145 859)	30 196
Decrease/(Increase) in inventory		941 318	(1 648 304)
(Increase)/decrease in prepayments and other assets		(4 388 125)	428 718
Increase in investment property		(1 243 637)	(616 564)
Increase/(decrease) in deposits from customers		45 836 574	(7 687 854)
Increase in deposits from other banks		36 864 692	12 652 873
Increase in insurance liabilities		66 506	2 126 380
Increase/(decrease) in trade and other payables		5 875 248	(1 410 066)
		91 523 064	**1 743 477**
Income tax paid		(5 669 049)	(4 987 872)
Net cash generated from/(used in) operating activities		**85 854 015**	**(3 244 395)**
Cash flows from investing activities			
Purchase of intangible assets	12	(1 510 286)	(178 989)
Purchase of property, plant and equipment	13	(2 631 552)	(3 321 442)
Proceeds from sale of property, plant and equipment		143 203	50 512
Net cash used in investing activities		**(3 998 635)**	**(3 449 919)**
Cash flows from financing activities			
Proceeds from borrowings		12 989 191	3 735 163
Repayment of borrowings		(908 996)	(12 848 077)
Dividend paid to the company's shareholders		(2 497 332)	(1 001 205)
Dividend paid to non-controlling interests		(17 264)	(6 390)
Purchase of treasury shares		(939 023)	(388 620)
Net cash generated from/(used in) financing activities		**8 626 576**	**(10 509 129)**
Net increase/(decrease) in cash and cash equivalents		90 481 956	(17 203 443)
Cash and cash equivalents at beginning of the year		93 762 063	110 965 506
Cash and cash equivalents at the end of year	4.2	**184 244 019**	**93 762 063**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

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

FBC Holdings Limited

strength • diversity • service

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

These consolidated financial results were approved for issue by the Board of Directors on 21 March 2017.

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

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

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

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

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

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

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

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

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

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

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within "changes in ownership reserve". Gains or losses on disposals to non-controlling interests are also recorded in equity within "changes in ownership reserve".

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

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

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

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments.

In accordance with IFRS 8, Operating Segments, the Group has the following business segments: commercial banking, micro lending, mortgage financing, reinsurance, short-term insurance and stockbroking.

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

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

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

4 BALANCES WITH BANKS AND CASH

	31-Dec-16 US$	31-Dec-15 US$
4.1 Balances with Reserve Bank of Zimbabwe ("RBZ")		
Current account balances	**95 549 439**	**57 131 391**
Balances with banks and cash		
Notes and coins	6 914 832	13 326 759
Other bank balances	81 779 748	23 303 913
	88 694 580	**36 630 672**
Balances with banks and cash (excluding bank overdrafts)	**184 244 019**	**93 762 063**
Current	184 244 019	93 762 063
Non-current	-	-
Total	**184 244 019**	**93 762 063**

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

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

	31-Dec-16 US$	31-Dec-15 US$
Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	95 549 439	57 131 391
Balances with banks and cash (note 4.1)	88 694 580	36 630 672
	184 244 019	**93 762 063**

5 LOANS AND RECEIVABLES

	31-Dec-16 US$	31-Dec-15 US$
5.1 Loans and advances to customers		
Loans and advance maturities		
Maturing within 1 year	110 171 383	166 959 721
Maturing after 1 year	185 463 630	136 396 594
Gross carrying amount	**295 635 013**	**303 356 315**
Impairment allowance	(19 100 200)	(20 384 622)
	276 534 813	**282 971 693**
5.2 Trade and other receivables including insurance receivables		
Insurance receivables;		
- Due by insurance clients and insurance brokers	6 292 404	6 012 301
- Due by reinsurers	436 287	566 701
- Due by retrocessionaires	2 539 016	2 034 269
Gross carrying amount	**9 267 707**	**8 613 271**
Impairment allowance	(147 470)	(513 742)
	9 120 237	**8 099 529**
Current	9 120 237	8 099 529
Non-current	-	-
Total	**9 120 237**	**8 099 529**

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

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

6 BONDS AND DEBENTURES

	31-Dec-16 US$	31-Dec-15 US$
Maturing after 1 year but within 7 years	**9 139 955**	**8 702 320**

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

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31-Dec-16 US$	31-Dec-15 US$
Listed securities at market value	**1 102 173**	**1 050 037**
Current	1 102 173	1 050 037
Non-current	-	-
Total	**1 102 173**	**1 050 037**

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

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

8 AVAILABLE FOR SALE FINANCIAL ASSETS

	31-Dec-16 US$	31-Dec-15 US$
Listed securities at market value	**862 886**	**377 568**
Current	862 886	377 568
Non-current	-	-
Total	**862 886**	**377 568**

9 INVENTORY

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

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

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

13 PROPERTY, PLANT AND EQUIPMENT

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

		31-Dec-16 US$	31-Dec-15 US$
14	**DEPOSITS AND BORROWINGS FROM OTHER BANKS AND CUSTOMERS**		
14.1	**Deposits from customers**		
	Demand deposits	123 120 420	75 313 161
	Promissory notes	29 644 300	37 765 456
	Other time deposits	102 501 952	96 351 481
		255 266 672	**209 430 098**
	Current	250 293 348	204 365 822
	Non-current	4 973 324	5 064 276
	Total	**255 266 672**	**209 430 098**
14.2	**Deposits from other banks**		
	Money market deposits	114 850 822	77 986 130
	Current	**114 850 822**	**77 986 130**
14.3	**Borrowings**		
	Bank borrowings	-	3 735 164
	Foreign lines of credit	85 194 115	65 902 989
	Other borrowings	189 820	3 665 587
		85 383 935	**73 303 740**
	Current	72 850 007	10 318 845
	Non-current	12 533 928	62 984 895
	Total	**85 383 935**	**73 303 740**
	Total deposits and borrowings	**455 501 429**	**360 719 968**

		2016 US$	%	2015 US$	%
14.4	**Deposits concentration**				
	Agriculture	13 041 693	3%	8 994 139	2%
	Construction	6 598 389	1%	3 419 684	1%
	Wholesale and retail trade	71 826 042	16%	71 377 383	20%
	Public sector	27 464 401	6%	24 801 577	7%
	Manufacturing	27 687 781	6%	23 555 554	7%
	Telecommunication	10 380 673	2%	8 159 431	2%
	Transport	6 521 667	1%	3 547 590	1%
	Individuals	42 973 492	9%	40 373 383	11%
	Financial services	176 011 564	39%	142 089 010	39%
	Mining	26 083 386	6%	21 402 035	6%
	Other	46 912 341	11%	13 000 182	4%
		455 501 429	**100%**	**360 719 968**	**100%**

		31-Dec-16 US$	31-Dec-15 US$
15	**INSURANCE LIABILITIES**		
	Gross outstanding claims	6 321 008	5 799 070
	Liability for unearned premium	3 149 926	3 605 358
		9 470 934	**9 404 428**
	Current	**9 470 934**	**9 404 428**
16	**TRADE AND OTHER PAYABLES**		
	Trade and other payables	8 580 473	6 995 899
	Deferred income	4 487 315	4 413 902
	Other liabilities	6 741 309	2 524 048
		19 809 097	**13 933 849**
	Current	19 809 097	13 933 849
	Non-current	-	-
	Total	**19 809 097**	**13 933 849**
17	**SHARE CAPITAL AND SHARE PREMIUM**		
17.1	**Authorised**		
	Number of ordinary shares, with a nominal value of US$0,00001	**800 000 000**	**800 000 000**
17.2	**Issued and fully paid**		
	Number of ordinary shares, with a nominal value of US$0,00001	**671 949 927**	**671 949 927**

	17.3 Share capital movement	Number of Shares	Share Capital US$	Share Premium US$	Total US$
	As at 1 January 2015	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**
	Share issue	-	-	-	-
	As at 31 December 2015	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**
	Share issue	-	-	-	-
	As at 31 December 2016	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**

		31-Dec-16 US$	31-Dec-15 US$
18	**INTEREST INCOME**		
	Cash and cash equivalents	2 970 277	3 217 220
	Loans and advances to other banks	2 911 802	2 530 340
	Loans and advances to customers	48 994 578	50 994 933
	Banker's acceptances and tradable bills	11 464 532	4 681 300
	Other interest income	659 182	53 172
		67 000 371	**61 476 965**
18.1	**INTEREST EXPENSE**		
	Deposit from other banks	6 428 835	7 305 957
	Demand deposits	779 248	472 907
	Afreximbank and PTA Bank	9 515 740	9 233 670
	Time deposits	5 478 550	7 835 953
		22 202 373	**24 848 487**
19	**FEE AND COMMISSION INCOME**		
	Retail service fees	23 388 750	16 019 619
	Credit related fees	2 266 666	4 789 325
	Investment banking fees	289 657	26 964
	Brokerage commission	147 326	140 549
	Financial guarantee contract commission	52	817
		26 092 451	**20 977 274**
19.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	**174 718**	**81 617**
20	**REVENUE**		
	Property sales	7 001 895	6 709 923
		7 001 895	**6 709 923**
20.1	**COST OF SALES**		
	Raw materials	6 039 694	5 758 871
		6 039 694	**5 758 871**
21	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	32 240 428	34 806 647
	Change in unearned premium reserve ("UPR")	455 432	618 495
		32 695 860	**35 425 142**
22	**NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7), fair value gains	**231 188**	**(361 233)**
23	**OTHER OPERATING INCOME**		
	Rental income	293 653	404 843
	Profit on disposal of property, plant and equipment	34 562	32 503
	Sundry income	1 486 036	412 756
	Rental income is earned from owner occupied properties. Included in rental income is US$ 151 536 (2015- US$ 186 183) earned from investment property.	**1 814 251**	**850 102**

		31-Dec-16 US$	31-Dec-15 US$
24	**NET INSURANCE COMMISSION EXPENSE**		
	Commissions paid	5 764 835	6 247 579
	Commission received	(1 594 156)	(1 500 177)
	Change in technical provisions	160 812	50 656
		4 331 491	**4 798 058**

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

		31-Dec-16 US$	31-Dec-15 US$
26	**ADMINISTRATIVE EXPENSES**		
	Administrative expenses	15 653 750	16 393 701
	Staff costs	26 978 616	23 227 957
	Directors' fees	746 143	703 782
	Audit fees:		
	- Current year fees	340 008	173 256
	- Prior year fees	178 300	187 491
	- Other services	-	-
	Depreciation	2 079 725	1 747 315
	Impairment of intangible assets	1 337	-
	Amortisation	516 869	493 636
	Operating lease payment	976 604	1 004 389
		47 471 352	**43 931 527**
27	**INCOME TAX EXPENSE:**		
	Charge for the year:		
	Current income tax on income for the reporting year	5 267 514	4 594 914
	Adjustments in respect of prior years	371 654	327 364
	Deferred income tax	(1 901 189)	(1 672 500)
	Income tax expense	**3 737 979**	**3 249 778**
28	**EARNINGS PER SHARE**		
28.1	**Basic earnings per share**		
	Profit attributable to equity holders of the parent	21 885 495	18 040 863
	Total	**21 885 495**	**18 040 863**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2016				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2016	671 949 927	11 304 203	660 645 724	660 645 724
Treasury shares purchased	-	20 523 079	(20 523 079)	(16 782 946)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**31 827 282**	**640 122 645**	**643 862 778**
Basic earnings per share (US cents)				3.40
				3.40
Year ended 31 December 2015				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2015	671 949 927	6 516 226	665 433 701	665 433 701
Treasury shares purchased	-	4 787 977	(4 787 977)	(1 994 990)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**11 304 203**	**660 645 724**	**663 438 711**
Basic earnings per share (US cents)				2.72
				2.72

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.

		31-Dec-16 US$	31-Dec-15 US$
	Earnings		
	Profit attributable to equity holders of the parent	21 885 495	18 040 863
	Total	**21 885 495**	**18 040 863**
	Weighted average number of ordinary shares at 31 December	**643 862 778**	**663 438 711**
	Diluted earnings per share (US cents)	**3.40**	**2.72**
28.3	**Headline earnings per share**		
	Profit attributable to equity holders	**21 885 495**	**18 040 863**
	Adjusted for excluded remeasurements		
	Profit on the disposal of property, plant and equipment (note 23)	(34 562)	(32 503)
	Impairment of intangible asset	1 337	-
	Headline earnings	**21 852 270**	**18 008 360**
	Weighted average number of ordinary shares at 31 December	**643 862 778**	**663 438 711**
	Headline earnings per share (US cents)	**3.39**	**2.71**

29 **SEGMENT REPORTING**

Segment information is presented in respect of business segments.

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

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

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

31 December 2016	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	44 419 716	8 667 331	14 225 764	852 931	322 100	647 840	69 135 682
Interest expense	(19 211 684)	(1 249 119)	(4 887 783)	-	-	-	(25 348 586)
Net interest income / loss	25 208 032	7 418 212	9 337 981	852 931	322 100	647 840	43 787 096
Sales	-	-	7 001 895	-	-	-	7 001 895
Cost of sales	-	-	(6 039 694)	-	-	-	(6 039 694)
Gross profit	-	-	962 201	-	-	-	962 201
Net earned insurance premium	-	-	-	11 537 208	8 345 751	-	19 882 959
Net fee and commission income	20 730 238	476 716	5 123 977	-	-	131 926	26 462 857
Net trading income and other income	1 789 812	112 194	166 284	291 117	240 415	2 834	2 602 656
Total net income for reported segments	47 728 082	8 007 122	15 590 443	12 681 256	8 908 266	782 600	93 697 769
Intersegment revenue	(276 368)	(54 693)	(1 097 187)	(797 589)	(1 366 803)	(42 043)	(3 634 683)
Intersegment interest expense and commission	1 214 902	1 217 463	878 620	33 656	403 367	4 107	3 752 115
Net income from external customers	**48 666 616**	**9 169 892**	**15 371 876**	**11 917 323**	**7 944 830**	**744 664**	**93 815 201**
Segment profit before income tax	**12 152 426**	**4 197 275**	**8 516 850**	**2 266 736**	**1 454 104**	**481 561**	**29 068 952**
Impairment allowances on financial assets	6 453 789	771 344	649 634	-	-	-	7 874 767
Depreciation	1 646 612	43 056	221 084	28 851	135 525	4 597	2 079 725
Amortisation	330 329	5 086	75 106	22 570	83 778	-	516 869
Segment assets	**470 233 877**	**17 544 690**	**147 682 029**	**21 589 978**	**12 129 381**	**2 165 292**	**671 345 247**
Total assets includes:							
Additions to non-current assets	2 173 931	76 169	135 663	48 154	186 461	11 174	2 631 552
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**405 167 868**	**10 488 890**	**106 411 020**	**8 637 766**	**5 596 690**	**1 542 354**	**537 844 588**
31 December 2015							
Total segment net income							
Interest income	40 688 990	7 459 327	11 861 778	904 208	404 754	136 543	61 455 600
Interest expense	(23 325 950)	(1 722 591)	(4 978 685)	-	-	-	(30 027 226)
Net interest income	17 363 040	5 736 736	6 883 093	904 208	404 754	136 543	31 428 374
	-	-	-	-	-	-	-
Sales	-	-	6 709 923	-	-	-	6 709 923
Cost of sales	-	-	(5 758 871)	-	-	-	(5 758 871)
Gross profit	-	-	951 052	-	-	-	951 052
Net earned insurance premium	-	-	-	13 752 838	9 568 880	-	23 321 718
Net fee and commission income	19 913 382	482 183	4 868 831	-	-	122 764	25 387 160
Net trading income and other income	1 272 343	52 197	175 108	(298 995)	30 865	(6 886)	1 224 632
Total net income for reported segments	38 548 765	6 271 116	12 878 084	14 358 051	10 004 499	252 421	82 312 936
Intersegment revenue	(1 516 767)	-	(2 168 152)	(1 199 948)	(1 534 095)	(82 952)	(6 501 914)
Intersegment interest expense and commission	3 002 797	1 636 767	1 738 372	38 913	1 255 383	3 272	7 675 504
Net income from external customers	**40 034 795**	**7 907 883**	**12 448 304**	**13 197 016**	**9 725 787**	**172 741**	**83 486 526**
Segment profit before income tax	**9 289 390**	**3 027 775**	**6 307 115**	**2 521 059**	**1 663 178**	**(151 207)**	**22 657 310**
Impairment allowances on financial assets	2 054 623	517 393	636 560	-	117 000	-	3 325 576
Depreciation	1 372 473	27 037	167 101	22 518	142 887	15 299	1 747 315
Amortisation	310 648	-	72 295	27 023	83 670	-	493 636
Segment assets	**387 388 351**	**18 876 686**	**124 754 260**	**19 477 235**	**12 963 393**	**1 550 225**	**565 010 150**
Total assets includes:							
Additions to non-current assets	2 925 619	118 817	156 713	81 665	38 450	178	3 321 442
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**344 320 639**	**13 384 908**	**89 724 276**	**7 646 373**	**7 190 834**	**1 285 359**	**463 552 389**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	

		2016 US$	2015 US$
30	**Operating segments reconciliations**		
	Net income		
	Total net income for reportable segments	93 815 201	83 486 526
	Total net income for non reportable segments	5 396 269	2 956 020
	Elimination of intersegment revenue received from the holding company	(158 540)	(95 802)
	Add fair value loss/(gain) on treasury shares	-	57 195
	Intersegment eliminations	(6 026 849)	(4 449 037)
	Group total net income	**93 026 081**	**81 954 902**
	Group profit before tax		
	Total profit before income tax for reportable segments	29 068 952	22 657 310
	Intersegment eliminations	(3 393 247)	(1 309 289)
	Profit before income tax	**25 675 705**	**21 348 021**
	Group assets		
	Total assets for reportable segments	671 345 247	565 010 150
	Other group assets	45 000	56 250
	Deferred tax asset allocated to the holding company	1 815 925	1 527 861
	Intersegment eliminations	(63 061 455)	(76 028 939)
	Group total assets	**610 144 717**	**490 565 322**
	Group liabilities		
	Total liabilities for reportable segments	537 844 588	463 552 389
	Elimination of intersegment payables	(51 412 467)	(77 876 097)
	Group total liabilities	**486 432 121**	**385 676 292**

In the normal course of business, group companies trade with one another and the material intergroup transactions include:
1) Underwriting of insurance risk by the insurance subsidiary;
2) Reinsurance of the insurance subsidiary's insurance risk by the reinsurance subsidiary;
3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
4) Placement of funds with the Building Society by group companies.

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

31 FINANCIAL RISK MANAGEMENT

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

The policies specifically cover foreign exchange risk, liquidity risk, interest rate risk , credit risk and the general use of financial instruments. Group Risk and Compliance, Group Internal audit review from time to time the intergrity of the risk control systems in place and ensure that risk policies and strategies are effectively implemented within the Group.

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

The Group's activities and operations results in exposure to the following risks:
(a) Credit risk
(b) Market risk
(b.i) Interest rate risk,
(b.ii) Currency risk, and
(b.iii) Price risk
(c) Liquidity risk
(d) Settlement risk
(e) Operational risk
(f) Capital risk

Other risks:
g) Reputational risk
h) Legal and Compliance risk
i) Strategic risk

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

31.1 Credit risk

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

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

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

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

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

Credit policies, procedures and limits
The Group has sound and well-defined policies, procedures and limits which are reviewed at least once every year and approved by the Board of Directors of the subsidiary companies and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to Credit Managers, Management, Board Credit Committees and the Board. In addition there are counterparty limits, individual account limits, group limits and concentration limits.

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

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

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

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

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

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

Provisioning policy and write offs
Determination of general and specific provisions

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

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

General allowance for impairment

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

Specific allowance for impairment

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

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

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

31.1.1 Exposure to credit risk

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

Loans and advances neither past due nor impaired
Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be within the grade 1 to 3 category. Past due loans and advances are those whose repayments (capital and interests) are outstanding for more than 30 days.

Loans and advances past due but not impaired
Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

31.1.2 Sectorial analysis of utilizations of loans and advances to customers

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

Reconciliation of allowance for impairment for loans and advances

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

31.1.3 Trade and other receivables including insurance receivables

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

31.2 Liquidity risk

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

Management of liquidity risk
The Group does not manage liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the Company, through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and Board

Risk and Compliance Committees, is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for the banking entities and the Finance Managers for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

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

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

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

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

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

Contractual maturity analysis On balance sheet items as at 31 December 2016	**Up to 3 months US$**	**3 months to 1 year US$**	**Over 1 year US$**	**Total US$**
Liabilities				
Deposits from customers	235 900 935	14 282 988	5 082 749	255 266 672
Deposits from other banks	111 789 264	3 061 558	-	114 850 822
Borrowings	10 903 911	62 056 275	12 423 749	85 383 935
Insurance liabilities	2 075 892	-	7 395 042	9 470 934
Current income tax liabilities	878 275	-	-	878 275
Trade and other liabilities	1 511 070	12 640 072	1 170 640	15 321 782
Total liabilities - (contractual maturity)	**363 059 347**	**92 040 893**	**26 072 180**	**481 172 420**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	184 244 019	-	-	184 244 019
Financial assets held to maturity	13 039 237	33 665 203	28 374 041	75 078 481
Loans and advances to customers	33 067 350	106 383 477	137 083 986	276 534 813
Bonds and debentures	-	-	9 139 955	9 139 955
Trade and other receivables including insurance receivables	1 280 318	7 839 919	-	9 120 237
Financial assets at fair value through profit or loss	140 281	875 896	85 996	1 102 173
Available for sale financial assets	862 886	-	-	862 886
Prepayments and other assets	926 055	4 526 820	2 389 993	7 842 868
	233 560 146	153 291 315	177 073 971	563 925 432
Liquidity gap	**(129 499 201)**	**61 250 422**	**151 001 791**	**82 753 012**
Cumulative liquidity gap - on balance sheet	**(129 499 201)**	**(68 248 779)**	**82 753 012**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	5 966 488	-	5 966 488
Commitments to lend	13 378 399	-	-	13 378 399
Total liabilities	13 378 399	5 966 488	-	19 344 887
Liquidity gap	**(13 378 399)**	**(5 966 488)**	**-**	**63 408 125**
Cumulative liquidity gap - on and off balance sheet	**(142 877 600)**	**(87 593 666)**	**63 408 125**	**-**
Contractual maturity analysis On balance sheet items as at 31 December 2015				
Liabilities				
Deposits from customers	193 945 072	10 420 750	5 064 276	209 430 098
Deposits from other banks	74 876 026	3 110 104	-	77 986 130
Borrowings	3 518 454	6 800 391	62 984 895	73 303 740
Insurance liabilities	2 523 461	-	6 880 967	9 404 428
Current income tax liabilities	907 522	-	-	907 522
Trade and other liabilities	2 118 504	10 966 918	848 427	13 933 849
Total liabilities - (contractual maturity)	**277 889 039**	**31 298 163**	**75 778 565**	**384 965 767**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	93 762 063	-	-	93 762 063
Financial assets held to maturity	-	27 988 587	21 635 446	49 624 033
Loans and advances to customers	30 542 463	109 781 455	142 647 775	282 971 693
Bonds and debentures	-	-	8 702 320	8 702 320
Trade and other receivables including insurance receivables	1 835 744	6 263 785	-	8 099 529
Financial assets at fair value through profit or loss	136 472	913 565	-	1 050 037
Available for sale financial assets	377 568	-	-	377 568
Prepayments and other assets	964 343	333 814	2 676 339	3 974 496
	127 618 653	145 281 206	175 661 880	448 561 739
Liquidity gap	**(150 270 386)**	**113 983 043**	**99 883 315**	**63 595 972**
Cumulative liquidity gap - on balance sheet	**(150 270 386)**	**(36 287 343)**	**63 595 972**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	4 328 256	-	4 328 256
Commitments to lend	7 044 988	-	-	7 044 988
Total liabilities	7 044 988	4 328 256	-	11 373 244
Liquidity gap	**(7 044 988)**	**(4 328 256)**	**-**	**52 222 728**
Cumulative liquidity gap - on and off balance sheet	**(157 315 374)**	**(47 660 587)**	**52 222 728**	**-**

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

31.3 Market risk
Market risk is the risk of financial loss from on and off balance sheet positions arising from adverse movements in market prices such as interest rates, foreign exchange rates and equity prices.

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

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

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

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

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

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

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

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

31.4 Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour their obligation to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/ clearing agent to ensure that trades are settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process.

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

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

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

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

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

Business continuity management
To ensure that the essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Business Continuity Committee is responsible for ensuring that all subsidiary companies conduct tests each year in line with the Group policy. The Group successfully conducted its business continuity tests and all processes were well documented. All structures, processes and systems of the banking subsidiaries have been aligned to Basel II requirements. The Group also adopted in full all the Risk Management Guidelines which were issued by the Reserve Bank of Zimbabwe as part of the Basel II implementation for the banking subsidiaries.

31.6 Capital risk

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

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

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

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

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

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

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

The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

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

Company As at 31 December 2016	Regulatory Authority	Minimum Capital Required US$	Net Regulatory Capital US$	Total Equity US$
FBC Bank Limited	RBZ	25 000 000	63 506 925	65 066 009
FBC Building Society	RBZ	20 000 000	41 153 844	41 271 010
FBC Reinsurance Limited	IPEC	1 500 000	12 952 212	12 952 212
FBC Securities (Private) Limited	SECZ	150 000	622 937	622 937
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	6 532 692	6 532 692
Microplan Financial Services (Private) Limited	RBZ	10 000	7 055 800	7 055 800
As at 31 December 2015				
FBC Bank Limited	RBZ	25 000 000	41 387 308	43 067 712
FBC Building Society	RBZ	20 000 000	35 029 984	35 029 984
FBC Reinsurance Limited	IPEC	1 500 000	11 830 862	11 830 862
FBC Securities (Private) Limited	SECZ	150 000	264 865	264 865
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	5 772 560	5 772 560
Microplan Financial Services (Private) Limited	RBZ	10 000	5 491 778	5 491 778

31.7 Reputational risk

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

31.8 Legal and compliance risk

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

31.9 Strategic risk

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

32 STATEMENT OF COMPLIANCE

The Group complies with the following statutes inter alia:-
The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23); Insurance Act (Chapter 24:07) and the Companies Act (Chapter - 24:03). In addition, the Group also complies with the Reserve Bank of Zimbabwe and Insurance and Pensions Commission's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

33 INTERNATIONAL CREDIT RATINGS

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

Subsidiary	2016	2015	2014	2013	2012	2011
FBC Bank Limited	BBB+	A-	A-	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
Eagle Insurance Company Limited	A-	A-	BBB-	BBB-	BB+	BB
Microplan Financial Services Limited	BBB-	N/A	N/A	N/A	N/A	N/A

34 SUBSEQUENT EVENTS

Dividend Declared

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

CORPORATE GOVERNANCE

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

The Board meets regularly, with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant: (i) Board Audit Committee, (ii) Board Human Resources and Remuneration Committee, (iii) Board Finance and Strategy Committee (iv) Board Risk and Compliance Committee (v) Board Marketing and Public Relations Committee.

Board Attendance

Board member	Main board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing & PR			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Herbert Nkala	a	a	a	a	N/A	N/A	N/A	N/A	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John Mushayavanhu	a	a	a	a	N/A	N/A	N/A	N/A	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Kleto Chiketsani	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Philip M Chiradza	a	r	a	a	N/A	N/A	N/A	N/A	a	a	a	a	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gertrude S Chikwava	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	a	a	a	r	a	a	a	a	a	a	a	a
Felix Gwandekwande	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin H Kennedy	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trynos Kufazvinei	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	a	a	a	a	a	a	a	a	N/A	N/A	N/A	N/A	a	a	a	a	N/A	N/A	N/A	N/A	a	a	a	a
Chipo Mtasa	a	a	a	a	a	a	a	a	N/A	N/A	N/A	N/A	a	a	r	a	N/A	N/A	N/A	N/A	r	a	a	a
Godfrey G Nhemachena	a	a	a	a	a	a	a	a	a	a	a	a	N/A	N/A	N/A	N/A	a	a	a	a	N/A	N/A	N/A	N/A
Webster Rusere	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robin Vela	a	a	a	a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	a	a	a	a	a	r	a	a	N/A	N/A	N/A	N/A

Legend

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

By order of the Board

Tichaona K. Mabeza
GROUP COMPANY SECRETARY

21 March 2017

Audit opinion

The Auditors of the Group, Deloitte & Touche have audited the financial results of the Group for the year ended 31 December 2016. The audit report is unqualified.

FBC Bank Limited

(Registered Commercial Bank)

strength • diversity • service

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Financial Position

As at 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
ASSETS			
Balances with banks and cash	1	154 083 491	86 662 932
Financial assets at fair value through profit or loss		548 844	-
Financial assets held to maturity	2	55 028 821	49 624 033
Loans and advances to customers	3	202 304 569	208 864 160
Bonds and debentures		9 139 955	8 702 320
Prepayments and other assets	4	8 858 140	3 545 503
Amounts due from group companies		12 495 374	6 570 769
Deferred tax asset		5 171 167	3 455 335
Investment property		3 685 457	2 447 140
Intangible assets		1 388 385	513 700
Property and equipment	5	17 529 675	17 002 459
Total assets		**470 233 878**	**387 388 351**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	6	225 600 487	175 355 558
Deposits from other financial institutions	6.1	99 375 667	97 365 231
Lines of credit	6.2	72 054 126	65 902 989
Current income tax liability		407 059	776 510
Trade and other payables	7	7 730 530	4 920 351
Total liabilities		**405 167 869**	**344 320 639**
Equity			
Share capital		18 502 313	18 500 925
Share premium		13 197 687	2 199 075
Retained earnings		31 337 984	20 742 037
Other reserves		2 028 025	1 625 675
Total equity		**65 066 009**	**43 067 712**
Total equity and liabilities		**470 233 878**	**387 388 351**

Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
Interest and similar income	9	44 419 716	43 470 396
Interest and similar expense	10	(19 211 684)	(23 325 950)
Net interest income		**25 208 032**	**20 144 446**
Dealing and trading income		517 641	792 957
Fee and commission income	11	20 716 666	17 131 976
Other operating income		1 285 742	479 385
Total net income		**47 728 081**	**38 548 764**
Impairment allowance on loans and advances	3.2	(6 453 789)	(2 054 623)
Administrative expenses	12	(29 121 866)	(27 204 751)
Profit before income tax		**12 152 426**	**9 289 390**
Income tax expense		(1 556 479)	(1 686 600)
Profit for the period		**10 595 947**	**7 602 790**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Transfer to/ from regulatory reserves, net of tax		-	660 244
Other comprehensive income (net of income tax)		**-**	**660 244**
Total comprehensive income for the period		**10 595 947**	**8 263 034**

Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital US$	Share premium US$	Retained earnings US$	Revaluation reserve US$	Regulatory reserve US$	Total equity US$
Balance as at 1 January 2015	**18 500 000**	**-**	**12 479 003**	**1 625 675**	**660 244**	**33 264 922**
Profit for the year	-	-	7 602 790	-	-	7 602 790
Other comprehensive income:						
Transfer from regulatory reserve	-	-	660 244	-	(660 244)	-
Total comprehensive income	**-**	**-**	**8 263 034**	**-**	**(660 244)**	**7 602 790**
Transaction with owners:						
Share issue	925	2 199 075	-	-	-	2 200 000
Balance as at 31 December 2015	**18 500 925**	**2 199 075**	**20 742 037**	**1 625 675**	**-**	**43 067 712**
Profit for the year	-	-	10 595 947	-	-	10 595 947
Other comprehensive income:						
Fairvalue gain on financial assets	-	-	-	402 350	-	402 350
Transaction with owners:						
Share issue	1 388	10 998 612	-	-	-	11 000 000
Balance as at 31 December 2016	**18 502 313**	**13 197 687**	**31 337 984**	**2 028 025**	**-**	**65 066 009**

Statement of Cash Flows

For the year ended 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
Cash flow from operating activities			
Profit before income tax		12 152 426	9 289 390
Adjustments for non cash items:			
Impairment allowance on loans and advances	3.2	6 453 789	2 054 623
Non cash recoveries		(1 243 636)	(1 535 941)
Fair value changes on investment property		5 320	(162 576)
Amortisation		330 329	310 648
Depreciation	5	1 646 612	1 372 463
Profit on disposal of property and equipment		(35 400)	(18 059)
Net cash generated before changes in operating assets and liabilities		**19 309 440**	**11 310 548**
Increase in financial assets held to maturity		(5 404 788)	(38 874 724)
Decrease in loans and advances to customers		105 802	33 174 854
(Increase)/ decrease in prepayments and other assets		(5 312 637)	266 836
Increase in amounts due from group companies		(5 924 605)	(3 974 819)
Increase in bonds and debentures		(437 635)	(5 933 802)
Increase /(decrease) in deposits from customers		50 244 929	(10 927 802)
Increase in deposits from other financial institutions		2 010 436	16 639 433
Increase in other liabilities		2 810 178	539 981
		57 401 120	2 220 505
Income tax paid		(3 641 762)	(2 881 298)
Net cash generated from /(used in) operating activities		**53 759 358**	**(660 793)**
Cash flows from investing activities			
Purchase of marketable securities		(146 494)	-
Proceeds from sale of property and equipment		35 400	18 059
Purchase of intangible assets		(1 205 014)	(94 638)
Purchase of property and equipment		(2 173 828)	(2 925 619)
Net cash used in investing activities		**(3 489 936)**	**(3 002 198)**
Cash flows from financing activities			
Proceeds from issue of equity instruments		11 000 000	2 200 000
Proceeds received from lines of credit		7 773 137	20 418 406
Repayments of lines of credit		(1 622 000)	(32 818 155)
Net cash generated from/(used in) financing activities		**17 151 137**	**(10 199 749)**
Net increase /(decrease) in cash and cash equivalents		**67 420 559**	**(13 862 740)**
Cash and cash equivalents at beginning of year		86 662 932	100 525 672
Cash and cash equivalents at the end of year	1	**154 083 491**	**86 662 932**

Notes to the Financial Results

For the year ended 31 December 2016

		31 Dec 2016 US$	31 Dec 2015 US$
1	**BALANCES WITH BANKS AND CASH**		
	Balances with Reserve Bank of Zimbabwe		
	Current account balances	95 053 187	56 928 288
	Balances with other banks and cash		
	Nostro accounts	24 619 103	5 860 036
	Notes and coins	5 659 445	11 252 322
	Other bank balances	28 751 756	12 622 286
		59 030 304	29 734 644
	Cash and cash equivalents	154 083 491	86 662 932
2	**FINANCIAL ASSETS HELD TO MATURITY**		
	Open market treasury bills	54 266 045	49 223 215
	Accrued interest	762 776	400 818
		55 028 821	49 624 033
2.1	**Maturity analysis of financial assets held to maturity**		
	Maturing between 0 to 90 days	4 762 776	-
	Maturing between 90 to 180 days	11 419 375	-
	Maturing between 180 to 365 days	19 574 991	27 988 587
	Maturing in more than 365 days	19 271 679	21 635 446
		55 028 821	49 624 033
3	**LOANS AND ADVANCES TO CUSTOMERS**		
	Maturing within 1 year	81 789 413	138 886 661
	Maturing after 1 year but within 5 years	134 690 416	85 124 083
	Gross carrying amount	216 479 829	224 010 744
	Impairment allowance (note 3.2)	(14 175 260)	(15 146 584)
	Net loans and advances	202 304 569	208 864 160

3.1	**Loans concentration by sector** **Sector of the economy**	2016 gross total	percentage	2015 gross total	percentage
	Agriculture	21 724 261	10%	15 680 752	7%
	Communication	8 689 704	4%	6 720 322	3%
	Construction	4 344 852	2%	2 240 107	1%
	Distribution	26 069 113	12%	29 121 397	13%
	Individuals	52 138 225	24%	56 002 686	25%
	Local authorities	10 862 130	5%	20 160 967	9%
	Manufacturing	54 310 652	25%	53 762 579	24%
	Mining	15 206 982	7%	13 440 645	6%
	Other services	10 099 354	5%	11 200 537	5%
	Wholesale	13 034 556	6%	15 680 752	7%
	Gross value of loans and advances	216 479 829	100%	224 010 744	100%
	less allowance for impairment	(14 175 260)		(15 146 584)	
	Net loans and advances	202 304 569		208 864 160	

		31 Dec 2016 US$	31 Dec 2015 US$
3.2	**Movement in impairment allowance**		
	Balance at the beginning of the period	15 146 584	19 052 434
	Increase in impairment allowances	6 453 789	2 054 623
	Changes in interest in suspense/(recoveries)	(1 436 060)	1 534 987
	Amounts written off	(5 989 053)	(7 495 460)
	Balance at end period	14 175 260	15 146 584
4	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	925 042	766 247
	Commission receivable	1 711 042	1 711 042
	Mastercard, Visa and ZimSwitch collateral	2 574 983	706 781
	Insurance receivables	206 293	206 293
	Other receivables	3 440 780	155 140
		8 858 140	3 545 503
4.1	**Maturity analysis of other assets**		
	Maturing within 1 year	6 076 864	1 834 461
	Maturing after 1 year but within 5 years	2 781 276	1 711 042
		8 858 140	3 545 503

Notes to the Financial Results
For the year ended and as at 31 December 2016

		31 Dec 2016 US$	31 Dec 2015 US$
5	**PROPERTY AND EQUIPMENT**		
	Carrying amount at the beginning of the year	17 002 459	15 474 408
	Additions	2 173 828	2 925 619
	Disposals	(85 698)	(149 166)
	Reversal of depreciation on disposal/ revaluation	85 698	149 166
	Adjustments	-	(25 105)
	Depreciation charge for the period	(1 646 612)	(1 372 463)
	Carrying amount at the end of the year	17 529 675	17 002 459
6	**DEPOSITS FROM CUSTOMERS**		
	Amounts due to customers by type:		
	Demand deposits	141 257 174	85 272 753
	Promissory notes	29 644 300	37 765 456
	Time deposits	54 699 013	52 317 349
		225 600 487	175 355 558
6.1	**Deposits from other financial institutions**		
	Money market deposits	99 375 667	97 365 231
6.2	**Lines of credit**		
	Eastern and Southern African Trade and Development Bank ("PTA Bank")	10 000 000	3 590 135
	African Export-Import Bank	61 051 730	59 970 000
	The Zimbabwe Agriculture Development Trust ("ZADT")	1 002 396	1 842 854
	The Reserve Bank of Zimbabwe- Chrome facility	-	500 000
		72 054 126	65 902 989
	Total Deposits	397 030 280	338 623 778

6.3 Deposits concentration (excluding lines of credit)

	31 Dec 2016	Percentage	31 Dec 2015	Percentage
Agriculture	13 041 693	4%	8 994 141	3%
Construction	6 180 589	2%	3 344 344	1%
Wholesale and retail trade	71 729 312	22%	48 339 118	18%
Public sector	19 562 540	6%	14 571 260	5%
Manufacturing	36 283 386	11%	23 104 454	8%
Telecommunication	9 781 270	3%	8 157 939	3%
Transport	6 861 105	2%	3 547 346	1%
Individuals	39 125 079	12%	35 835 609	13%
Financial services	99 375 667	31%	97 365 231	36%
Mining	15 883 386	5%	21 400 873	8%
Other	7 152 127	2%	8 060 474	3%
	324 976 154	100%	272 720 789	100%

		31 Dec 2016 US$	31 Dec 2015 US$
6.4	**Maturity analysis (excluding lines of credit)**		
	Maturing within 1 year	324 866 729	272 720 789
	Maturing after 1 year but within 5 years	109 425	-
		324 976 154	272 720 789
7	**TRADE AND OTHER PAYABLES**		
	Provisions	4 039 306	1 546 779
	Accrued expenses	528 424	276 839
	Deferred income	3 162 800	3 096 733
		7 730 530	4 920 351
8	**CAPITAL ADEQUACY**		
	Ordinary Share Capital	18 502 313	18 500 925
	Share premium	13 197 687	2 199 075
	Retained earnings	31 337 984	20 742 037
	Capital allocated for market and operational risk	(9 223 835)	(6 890 321)
	Advances to insiders	(1 559 084)	(1 680 404)
	Tier 1 capital	**52 255 065**	**32 871 312**
	Revaluation reserve	2 028 025	1 625 675
	Tier 2 capital	2 028 025	1 625 675
	Tier 1 & 2 capital	54 283 090	34 496 987
	Tier 3 capital allocated for market and operational risk	9 223 835	6 890 321
		63 506 925	41 387 308
	Risk weighted assets	293 929 876	282 449 567
	Tier 1 Ratio (%)	17.78%	11.64%
	Tier 2 Ratio (%)	0.69%	0.58%
	Tier 3 Ratio (%)	3.14%	2.44%
	Capital adequacy (%)	21.61%	14.66%
9	**INTEREST INCOME**		
	Loans and advances to banks and other financial institutions	2 940 803	2 577 875
	Loans and advances to customers	30 516 659	35 940 159
	Banker's acceptances and tradable bills	9 837 939	4 681 300
	Bonds and debentures	1 124 315	271 062
		44 419 716	43 470 396
10	**INTEREST EXPENSE**		
	Deposits from other financial institutions	4 879 436	6 045 773
	Demand deposits	695 502	345 918
	Lines of credit	9 084 905	8 759 955
	Time deposits	4 551 841	8 174 304
		19 211 684	23 325 950
11	**FEES AND COMMISSION INCOME**		
	Retail services fees	20 147 646	16 824 982
	Corporate banking service fees	292 935	150 162
	Financial guarantee contracts issued	166 421	129 868
	Investment banking fees	109 664	26 964
		20 716 666	17 131 976
12	**ADMINISTRATION EXPENSES**		
	Operating expenses	12 178 313	12 528 962
	Staff costs (note 13)	12 080 696	10 302 936
	Directors' remuneration (note 13.1)	1 644 054	1 502 404
	Depreciation	1 646 612	1 372 463
	Amortisation	330 329	310 648
	Operating lease payment	935 496	960 190
	Audit fees	306 366	227 148
		29 121 866	27 204 751
13	**STAFF COSTS**		
	Salaries and allowances	10 903 645	9 156 258
	Social security	244 666	209 894
	Pension contribution	932 385	936 784
		12 080 696	10 302 936
13.1	**Directors' remuneration**		
	Board fees	129 070	115 800
	For services as management	1 501 902	1 216 650
	Other emoluments	13 082	169 954
		1 644 054	1 502 404

		31 Dec 2016 US$	31 Dec 2015 US$
14	**CAPITAL COMMITMENTS**		
	Capital expenditure authorized but not yet contracted for	14 463 799	7 670 435
15	**CONTINGENT LIABILITIES**		
	Guarantees and letters of credit	5 966 488	4 328 256
	The amount of these letters of credit and guarantees represents the Bank's maximum exposure and no material losses are anticipated from these transactions.		
16	**EXPOSURE TO CREDIT RISK**		
	Gross carrying amount of loans and advances to customers		
	Past due and impaired		
	Grade 8: impaired	2 192 095	9 010 496
	Grade 9: impaired	2 820 766	1 372 200
	Grade 10: impaired	4 419 566	7 458 435
	Gross amount, past due and impaired	**9 432 427**	**17 841 131**
	Allowance for impairment	(7 462 057)	(10 704 572)
	Carrying amount, past due and impaired	**1 970 370**	**7 136 559**
	Past due but not impaired		
	Grade 4-7:	71 418 633	72 776 083
	Neither past due nor impaired		
	Grade 1-3:	135 628 769	133 393 530
	Gross amount, not impaired	**207 047 402**	**206 169 613**
	Allowance for impairment	(6 713 203)	(4 442 012)
	Carrying amount, not impaired	**200 334 199**	**201 727 601**
	Total carrying amount (loans and advances)	**202 304 569**	**208 864 160**

17 LIQUIDITY PROFILING

Liquidity profiling as at 31 December 2016

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

Liquidity profiling as at 31 December 2015

	1 month to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
On balance sheet items				
Liabilities				
Deposits from customers	164 934 808	10 420 750	-	175 355 558
Deposits from other financial institutions	94 255 128	3 110 103	-	97 365 231
Lines of credit	-	5 932 989	59 970 000	65 902 989
Current income tax liabilities	776 510	-	-	776 510
Other liabilities	1 873 606	3 046 745	-	4 920 351
Total liabilities - (contractual maturity)	**261 840 052**	**22 510 587**	**59 970 000**	**344 320 639**
Assets held for managing liquidity risk				
Balances with other banks and cash	86 662 932	-	-	86 662 932
Financial assets held to maturity	-	27 988 587	21 635 446	49 624 033
Loans and advances to customers	56 708 320	58 881 353	93 274 487	208 864 160
Bonds and debentures	-	-	8 702 320	8 702 320
Other assets (excluding prepayments)	-	-	1 711 042	1 711 042
Total assets - (contractual maturity)	**143 371 252**	**86 869 940**	**125 323 295**	**355 564 487**
Liquidity gap	**(118 468 800)**	**64 359 353**	**65 353 295**	**11 243 848**
Cumulative liquidity gap - on balance sheet	**(118 468 800)**	**(54 109 447)**	**11 243 848**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	4 328 256	-	4 328 256
Commitments to lend	6 661 238	-	-	6 661 238
Total liabilities	**6 661 238**	**4 328 256**	**-**	**10 989 494**
Liquidity gap	**(125 130 038)**	**60 031 097**	**65 353 295**	**254 354**
Cumulative liquidity gap - on and off balance sheet	**(125 130 038)**	**(65 098 941)**	**254 354**	**-**

Directors: Takabvakure E. Mutunhu (Chairman), Webster Rusere (Managing Director), Garikai Bera, David .W. Birch, Trynos Kufazvinei (Executive), Martin Makonese (Executive), Theresa Mazoyo, Agrippa G.R Mugwagwa (Executive), John Mushayavanhu, Mercy Ndoro, Morgan Nzwere, Patrick Takawira (Executive)

18 INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2016

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Cash and cash equivalents	28 750 000	-	-	-	-	125 333 491	154 083 491
Financial assets held to maturity	-	4 762 776	11 419 375	19 574 991	19 271 679		55 028 821
Financial assets at fair value through profit or loss	-	-	-	-	-	548 844	548 844
Loans and advances to customers	14 535 698	20 777 878	14 406 240	65 565 038	87 019 715	-	202 304 569
Bonds and debentures	-	-	-	-	9 139 955		9 139 955
Prepayments and other assets	-	-	-	-	-	8 858 140	8 858 140
Amounts due from group companies	-	-	-	-	-	12 495 374	12 495 374
Investment property	-	-	-	-	-	3 685 457	3 685 457
Deferred tax asset	-	-	-	-	-	5 171 167	5 171 167
Intangible assets	-	-	-	-	-	1 388 385	1 388 385
Property and equipment	-	-	-	-	-	17 529 675	17 529 675
Total assets	43 285 698	25 540 654	25 825 615	85 140 029	115 431 349	175 010 533	470 233 878
Deposits from customers	55 788 442	11 167 549	8 184 726	13 619 979	109 425	136 730 366	225 600 487
Deposits from other financial institutions	72 460 306	19 915 914	3 937 889	3 061 558	-	-	99 375 667
Lines of credit	652 396	10 000 000	-	61 401 730	-	-	72 054 126
Other liabilities	-	-	-	-	-	7 730 530	7 730 530
Current income tax liabilities	-	-	-	-	-	407 059	407 059
Capital and reserves	-	-	-	-	-	65 066 009	65 066 009
Total liabilities	128 901 144	41 083 463	12 122 615	78 083 267	109 425	209 933 964	470 233 878
Interest rate repricing gap	(85 615 446)	(15 542 809)	13 703 000	7 056 762	115 321 924	(34 923 431)	-
Cumulative interest rate repricing gap	(85 615 446)	(101 158 255)	(87 455 255)	(80 398 493)	34 923 431	-	-

Total position as at 31 December 2015

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Cash and cash equivalents	14 330 774	18 154 889	-	-	-	54 177 269	86 662 932
Financial assets held to maturity	-	-	-	27 988 587	21 635 446	-	49 624 033
Loans and advances to customers	64 022 148	16 709 707	46 467 855	22 119 601	41 703 718	17 841 131	208 864 160
Bonds and debentures	-	-	-	-	8 702 320	-	8 702 320
Prepayments and other assets	-	-	-	-	1 711 042	1 834 461	3 545 503
Amounts due from group companies	-	-	-	-	-	6 570 769	6 570 769
Deferred tax asset	-	-	-	-	-	3 455 335	3 455 335
Investment property	-	-	-	-	-	2 447 140	2 447 140
Intangible assets	-	-	-	-	-	513 700	513 700
Property and equipment	-	-	-	-	-	17 002 459	17 002 459
Total assets	78 352 922	34 864 596	46 467 855	50 108 188	73 752 526	103 842 264	387 388 351
Deposits from customers	42 477 223	21 535 051	7 406 859	2 100 749	8 320 000	93 515 676	175 355 558
Deposits from other financial institutions	71 546 184	18 585 148	4 123 795	3 110 104	-	-	97 365 231
Lines of credit	-	-	2 402 989	3 500 000	60 000 000	-	65 902 989
Other liabilities	-	-	-	-	-	4 920 351	4 920 351
Current income tax liabilities	-	-	-	-	-	776 510	776 510
Capital and reserves	-	-	-	-	-	43 067 712	43 067 712
Total liabilities	114 023 407	40 120 199	13 933 643	8 710 853	68 320 000	142 280 249	387 388 351
Interest rate repricing gap	(35 670 485)	(5 255 603)	32 534 212	41 397 335	5 432 526	(38 437 985)	-
Cumulative interest rate repricing gap	(35 670 485)	(40 926 088)	(8 391 876)	33 005 459	38 437 985	-	-

19 FBC BANK FOREIGN EXCHANGE GAP

Foreign exchange gap analysis as at 31 December 2016

Base currency US$ equivalent	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
Assets					
Cash	569 732	41 434	23 857	6 024	641 047
Balances with Reserve Bank	81 120	132 806	-	-	213 926
Correspondent nostro balances	705 825	280 483	286 176	83 315	1 355 799
Loans and overdrafts	58 099	37	199	62	58 397
Other assets	4 173	2	14	19	4 208
Total assets	**1 418 949**	**454 762**	**310 246**	**89 420**	**2 273 377**
Liabilities					
Deposits from customers	1 134 321	62 083	51 469	59 010	1 306 883
Other liabilities	4 778	249 275	43	85	254 181
Total liabilities	**1 139 099**	**311 358**	**51 512**	**59 095**	**1 561 064**
Net currency position	**279 850**	**143 404**	**258 734**	**30 325**	**712 313**

Foreign exchange gap analysis as at 31 December 2015

	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
Assets					
Cash	455 432	76 378	33 131	46 851	611 792
Correspondent nostro balances	395 689	131 907	249 714	123 818	901 127
Loans and overdrafts	50 475	1 535	69	31	52 111
Other assets	3 697	2	14	45	3 758
Total assets	**905 293**	**209 822**	**282 928**	**170 745**	**1 568 788**
Liabilities					
Deposits from customers	752 085	65 828	86 963	121 021	1 025 897
Other liabilities	3 277	19	36	100	3 432
Total liabilities	**755 362**	**65 847**	**86 999**	**121 121**	**1 029 329**
Net currency position	**149 931**	**143 975**	**195 929**	**49 624**	**539 459**

20 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.

				Value at risk (95%) confidence level	
31 December 2016 Asset class	**Type of risk**	**Present value**	**Portfolio weight**	**1-day holding period**	**5-day holding period**
Currency	Exchange rate	498 625	100%	4 251	9 206
	Total portfolio VaR	498 625	100%	4 251	9 206
31 December 2015 Asset class					
Currency	Exchange rate	539 458	100%	4 161	9 305
	Total portfolio VaR	539 458	100%	4 161	9 305

21 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.

22 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.

23 BOARD ATTENDANCE

NAME	Executive ("E") / Non Executive Director ("NE")	2016 MAIN BOARD			
		QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Takabvakure Euwitt Mutunhu	N/E	√	√	√	√
John Mushayavanhu	E	√	√	√	√
Garikai Bera	N/E	√	√	√	√
Trynos Kufazvinei	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	√	√	√	√
David William Birch	N/E	√	√	√	√

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

By Order of the Board

Tichaona Kudakwashe Mabeza
Company Secretary

21 March 2017

FBC Building Society

(Registered Building Society)

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Financial Position

As at 31 December 2016

	Notes	Audited 31 Dec 2016 US$	Audited 31 Dec 2015 US$
Assets			
Cash and cash equivalents	1	62 171 276	55 523 967
Financial assets held to maturity	2	17 241 384	-
Loans and advances to customers	3	58 413 922	57 996 110
Inventory	4	5 171 336	6 112 654
Other assets	5	239 398	499 063
Investment property		25 000	25 000
Property and equipment	6	4 338 318	4 439 627
Intangible assets	7	81 396	157 839
Total assets		**147 682 030**	**124 754 260**
Liabilities			
Deposits from banks	8.1	39 882 130	31 427 450
Deposits from customers	8.2	53 889 378	50 157 622
Borrowings	8.3	3 139 988	3 735 164
Other liabilities	9	9 499 524	4 404 040
Total liabilities		**106 411 020**	**89 724 276**
Equity			
Share capital		156 175	156 175
Share premium		11 110 424	11 110 424
Revaluation reserve		93 915	93 915
Retained earnings		29 910 496	23 669 470
Total equity		**41 271 010**	**35 029 984**
Total equity and liabilities		**147 682 030**	**124 754 260**

Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	Audited 31 Dec 2016 US$	Audited 31 Dec 2015 US$
Interest income	10	14 225 764	11 861 778
Interest expense	11	(4 887 783)	(4 978 685)
Net interest income		**9 337 981**	**6 883 093**
Revenue from property sales		7 001 895	6 709 923
Cost of sales		(6 039 694)	(5 758 871)
Net income from property sales		**962 201**	**951 052**
Fees and commission income		5 283 243	4 931 845
Fees and commission expense		(159 266)	(63 014)
Net fees and commission income		**5 123 977**	**4 868 831**
Other income	12	166 284	175 108
Total net income		**15 590 443**	**12 878 084**
Impairment allowance on loans and advances	3.2	(649 634)	(636 560)
Operating expenses	13	(6 423 959)	(5 934 409)
Total operating expenses		**(7 073 593)**	**(6 570 969)**
Surplus for the year		**8 516 850**	**6 307 115**
Other comprehensive income		-	-
Total comprehensive income for the year		**8 516 850**	**6 307 115**

Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital US$	Share premium US$	Revaluation reserve US$	Retained earnings US$	Total US$
Opening balance at 1 January 2015	**156 175**	**11 110 424**	**93 915**	**18 392 295**	**29 752 809**
Surplus for the year	-	-	-	6 307 115	6 307 115
Total comprehensive income	**-**	**-**	**-**	**6 307 115**	**6 307 115**
Transactions with owners recorded directly in equity					
Dividend paid	-	-	-	(1 029 940)	(1 029 940)
Shareholders equity as at 31 December 2015	**156 175**	**11 110 424**	**93 915**	**23 669 470**	**35 029 984**
Opening balance at 1 January 2016	**156 175**	**11 110 424**	**93 915**	**23 669 470**	**35 029 984**
Surplus for the year	-	-	-	8 516 850	8 516 850
Total comprehensive income	**-**	**-**	**-**	**8 516 850**	**8 516 850**
Transactions with owners recorded directly in equity					
Dividend paid	-	-	-	(2 275 824)	(2 275 824)
Shareholders equity as at 31 December 2016	**156 175**	**11 110 424**	**93 915**	**29 910 496**	**41 271 010**

Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Audited 31 Dec 2016 US$	Audited 31 Dec 2015 US$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		8 516 850	6 307 115
Adjustments for:			
Depreciation of property and equipment	6	221 084	167 101
Amortisation and impairment of intangible assets	7	76 443	72 295
Loss/(profit) on disposal of property and equipment		7 133	(1 613)
Impairment allowance on loans and advances	3.2	649 634	636 560
Net cash generated before changes in working capital		9 471 144	7 181 458
Increase in financial assets held to maturity		(17 241 384)	-
Increase in loans and advances to customers		(1 067 446)	(8 476 450)
Decrease/(increase) in inventory		941 318	(1 886 841)
Decrease/(increase) in other assets		259 665	(310 334)
Increase in deposits from banks		8 454 680	6 058 790
Increase in deposits from customers		3 731 756	5 744 484
Increase/(decrease) in other liabilities		5 106 368	(1 138 527)
Net cash generated from operating activities		9 656 101	7 172 580
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(135 663)	(156 713)
Purchase of intangible assets	7	-	(84 353)
Proceeds from disposal of property and equipment		8 755	8 731
Net cash used in investing activities		(126 908)	(232 335)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings repayment		(606 060)	(606 060)
Dividend paid		(2 275 824)	(1 029 940)
Net cash used in financing activities		(2 881 884)	(1 636 000)
Net increase in cash and cash equivalents		**6 647 309**	**5 304 245**
Cash and cash equivalents at the beginning of the year		55 523 967	50 219 722
Cash and cash equivalents at the end of the year	**1**	**62 171 276**	**55 523 967**

Notes to the Financial Results

For the year ended 31 December 2016

		Audited 31 Dec 2016 US$	Audited 31 Dec 2015 US$
1.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	362 615	956 590
	Cash at bank	5 143 816	824 615
	Interbank short term investments	56 664 845	53 742 762
		62 171 276	**55 523 967**
2.	**FINANCIAL ASSETS HELD TO MATURITY**		
	Treasury bills	17 241 384	-
		17 241 384	**-**
2.1	**Maturity analysis of financial assets held to maturity**		
	Up to 3 months	6 393 267	-
	3 months to 1 year	2 670 837	-
	1 year to 5 years	8 177 280	-
		17 241 384	**-**
3.	**LOANS AND ADVANCES TO CUSTOMERS**		
	Short term loan advances	23 829 196	24 831 765
	Mortgage loan advances	37 385 683	35 540 105
	Gross loans and advances to customers	61 214 879	60 371 870
	Allowance for impairment	(2 800 957)	(2 375 760)
	Net loans and advances to customers	**58 413 922**	**57 996 110**
3.1	**Maturity analysis of loans and advances**		
	Up to 1 month	1 661 860	1 701 642
	1 month to 3 months	3 323 721	3 403 283
	3 months to 1 year	12 227 531	11 624 697
	1 year to 5 years	21 938 750	23 580 836
	Over 5 years	19 262 060	17 685 652
		58 413 922	**57 996 110**
3.2	**Impairment allowance on loans and advances**		
	Balance at beginning of the year	2 375 760	1 748 261
	Impairment charge for the year	649 634	636 560
	Interest in suspense	165 479	153 191
	Amounts written off during the year	(389 916)	(162 252)
		2 800 957	**2 375 760**
3.3	**Exposure to credit risk**		
	Carrying amount	**58 413 922**	**57 996 110**
	Past due and impaired		
	Grade 8: Impaired	490 668	501 087
	Grade 9: Impaired	623 042	482 975
	Grade 10: Impaired	2 512 742	4 117 362
	Gross carrying amount	3 626 452	5 101 424
	Allowance for impairment	(1 938 327)	(1 215 796)
	Carrying amount	**1 688 125**	**3 885 628**
	Neither past due nor impaired		
	Grade 4-7: watch list	10 367 822	9 548 830
	Grade 1-3: low fair risk	47 220 605	45 721 616
	Gross carrying amount	57 588 427	55 270 446
	Allowance for impairment	(862 630)	(1 159 964)
	Carrying amount	56 725 797	54 110 482
	Total carrying amount	58 413 922	57 996 110
4.	**INVENTORY**		
	Raw materials	67 719	274 442
	Work in progress	1 835 080	4 039 788
	Completed units	3 268 537	1 798 424
		5 171 336	**6 112 654**
5.	**OTHER ASSETS**		
	Prepayments	85 794	96 232
	Other	153 604	402 831
		239 398	**499 063**

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

Notes to the Financial Results
For the year ended 31 December 2016

		Audited 31 Dec 2016 US$	Audited 31 Dec 2015 US$
6.	**PROPERTY AND EQUIPMENT**		
	Cost		
	Carrying amount at beginning of the year	4 439 627	4 457 131
	Gross carrying amount	5 216 436	5 086 629
	Accumulated depreciation and impairment	(776 809)	(629 498)
	Additions	135 663	156 713
	Disposals	(15 888)	(7 116)
	Depreciation for the year	(221 084)	(167 101)
	Carrying amount at end of the year	**4 338 318**	**4 439 627**
7.	**INTANGIBLE ASSETS**		
	Opening net carrying amount	157 839	145 781
	Additions	-	84 353
	Amortisation charge	(75 107)	(72 295)
	Impairment charge	(1 336)	-
	Closing net carrying amount	**81 396**	**157 839**
8.	**DEPOSITS AND BORROWINGS**		
8.1	**Deposits from banks**		
	Money market deposits	39 882 130	31 427 450
		39 882 130	**31 427 450**
8.2	**Deposits from customers**		
	Retail savings deposits	6 086 439	6 123 490
	Money market deposits	42 829 615	38 982 557
	Fixed deposits	4 973 324	5 051 575
		53 889 378	**50 157 622**
8.3	**Borrowings**		
	Offshore borrowings	3 139 988	3 735 164
		3 139 988	**3 735 164**
	Total deposits and borrowings	**96 911 496**	**85 320 236**
8.4	**Maturity analysis of deposits and borrowings**		
	Up to 1 month	68 181 774	60 787 219
	1 month to 3 months	20 757 421	15 885 092
	3 months to 1 year	465 049	454 545
	Over 1 year	7 507 252	8 193 380
		96 911 496	**85 320 236**
9.	**OTHER LIABILITIES**		
	Trade and other payables	5 719 560	1 722 181
	Deferred income	935 915	976 613
	Provisions	2 844 049	1 705 246
		9 499 524	**4 404 040**
10.	**INTEREST INCOME**		
	Loans and advances to customers	9 900 733	8 692 191
	Interbank money market investments	2 698 438	3 169 587
	Financial assets held to maturity	1 626 593	-
		14 225 764	**11 861 778**
11.	**INTEREST EXPENSE**		
	Deposits from banks	1 549 399	1 260 185
	Deposits from customers - retail savings	83 746	126 988
	Offshore borrowings	430 835	473 715
	Deposits from customers - time deposits	2 823 803	3 117 797
		4 887 783	**4 978 685**
12.	**OTHER INCOME**		
	Rent received	154 928	161 945
	(Loss)/profit on disposal of property and equipment	(7 133)	1 613
	Other	18 489	11 550
		166 284	**175 108**
13.	**OPERATING EXPENSES**		
	Administration expenses	1 470 530	1 435 534
	Personnel expenses	3 378 047	3 040 819
	Audit fees	76 148	75 831
	Directors fees and key management remuneration	1 201 707	1 142 829
	Depreciation and amortisation	297 527	239 396
		6 423 959	**5 934 409**

14. INTEREST RATE RISK
Interest rate repricing gap
31 December 2016

	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	37 895 585	18 769 260	-	-	-	5 506 431	62 171 276
Financial assets held to maturity	-	6 393 267	1 166 137	1 504 700	8 177 280	-	17 241 384
Loans and advances to customers	37 035 089	2 729 213	3 411 516	6 140 729	9 097 375	-	58 413 922
Inventory	-	-	-	-	-	5 171 336	5 171 336
Other assets	-	-	-	-	-	239 398	239 398
Investment properties	-	-	-	-	-	25 000	25 000
Property and equipment	-	-	-	-	-	4 338 318	4 338 318
Intangible assets						81 396	81 396
Total assets	**74 930 674**	**27 891 740**	**4 577 653**	**7 645 429**	**17 274 655**	**15 361 879**	**147 682 030**
Liabilities							
Deposits from banks	33 328 867	6 553 263	-	-	-	-	39 882 130
Deposits from customers	39 826 231	14 052 643	10 504	-	-	-	53 889 378
Borrowings	3 139 988	-	-	-	-	-	3 139 988
Other liabilities	-	-	-	-	-	9 499 524	9 499 524
Equity	-	-	-	-	-	41 271 010	41 271 010
Total liabilities	**76 295 086**	**20 605 906**	**10 504**	**-**	**-**	**50 770 534**	**147 682 030**
Interest rate repricing gap	**(1 364 412)**	**7 285 834**	**4 567 149**	**7 645 429**	**17 274 655**	**(35 408 656)**	**-**
Cumulative interest rate repricing gap	**(1 364 412)**	**5 921 422**	**10 488 571**	**18 134 000**	**35 408 656**	**-**	

15. LIQUIDITY RISK
Contractual maturity profile of assets and liabilities
31 December 2016

	Up to 30 days US$	31-90 days US$	91-365 days US$	Over 1 year US$	Total US$
Liabilities					
Deposits from banks	33 328 867	6 553 263	-	-	39 882 130
Deposits from customers	34 852 907	14 052 643	10 504	4 973 324	53 889 378
Borrowings	-	151 515	454 545	2 533 928	3 139 988
Other liabilities	1 732 573	3 006 426	3 767 000	993 525	9 499 524
Total liabilities	**69 914 347**	**23 763 847**	**4 232 049**	**8 500 777**	**106 411 020**
Assets					
Cash and cash equivalents	43 402 016	18 769 260	-	-	62 171 276
Financial assets held to maturity	-	6 393 267	2 670 837	8 177 280	17 241 384
Loans and advances to customers	1 661 860	3 323 721	12 227 531	41 200 810	58 413 922
Total assets	**45 063 876**	**28 486 248**	**14 898 368**	**49 378 090**	**137 826 582**
Liquidity gap	**(24 850 471)**	**4 722 401**	**10 666 319**	**40 877 313**	**31 415 562**
Cumulative liquidity gap	**(24 850 471)**	**(20 128 070)**	**(9 461 751)**	**31 415 562**	

		Audited 31 Dec 2016 US$	Audited 31 Dec 2015 US$
16.	**CAPITAL ADEQUACY RATIO**		
	Core Capital Tier 1		
	Issued and fully paid up ordinary share capital	11 266 599	11 266 599
	Retained earnings	29 910 495	23 669 470
	Capital allocated for market and operational risk	(1 765 937)	(1 685 134)
	Advances to insiders	(117 165)	-
	Total core capital	39 293 992	33 250 935
	Supplementary Capital Tier 2		
	Revaluation reserves	93 915	93 915
	Total supplementary capital	93 915	93 915
	Tier 3		
	Capital allocated for market and operational risk	1 765 937	1 685 134
	Core capital plus supplementary capital	**41 153 844**	**35 029 984**
	Total risk weighted assets	**87 333 634**	**86 155 979**
	Tier 1 capital ratio	45%	39%
	Tier 2 capital ratio	0%	0%
	Tier 3 capital ratio	2%	2%
	Capital adequacy ratio	47%	41%
17.	**CAPITAL COMMITMENTS**		
	Capital expenditure authorised not yet undertaken	**1 283 885**	**1 102 000**

18. 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**

19. BOARD ATTENDANCE

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

Key
√ - Attended x - Apologies n/a - not applicable

By order of the Board

T. Mabeza
Group Company Secretary
21 March 2017