

Unaudited Interim Results

For the six months ended 30 June 2016



FBC Holdings Limited

strength • diversity • service



FBC Bank Limited
(Registered Commercial Bank)



FBC Building Society
(Registered Building Society)



FBC Reinsurance Limited



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



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



Eagle Insurance Company Limited
A member of the FBC Group

Unaudited Interim Results for the six months ended 30 June 2016

CHAIRMAN'S STATEMENT

Financial Highlights

- Group profit before income tax up 10% to US\$11.1 million.
- Group profit after tax increased by 13% to US\$9.3 million.
- Cost to income ratio 76%.
- Basic earnings per share registered a 15% growth to 1.41 US cents per share.
- Net asset value 17.08 US cents per share.
- Interim dividend proposed US\$1.5 million (0.2235 US cents per share).

Financial Performance Review

The Group's diversified business model continues to yield dividends, with the Group achieving a profit before tax of US\$11.1 million for the six months ended 30 June 2016, registering a 10% increase over the same period last year. All the subsidiaries contributed positively to the Group's earnings.

The Group recorded total income of US\$46.6 million, registering a 16.8% increase on the US\$39.9 million achieved for the same period last year, mainly as a result of increased interest income. Net interest income registered a commendable growth of 36.6% to US\$22.5 million contributing 48% of total income, up from a 41% contribution for the same period last year. The growth in net interest income was mainly driven by an improvement in the cost of funding, overall growth in interest earning assets and the re-classification of suspended interest income to earned interest income, following the performance of some material non-performing loans.

Net fee and commission income recorded a growth of 15.9% to US\$12.5 million from US\$10.8 million, as a result of an increased volume of electronic transactions and contribution to total income remained static at 27%.

The gross profit on property sales decreased significantly compared to the same period last year, mainly due to tax adjustments on the housing projects. The gross sales of US\$3.2 million were slightly less than the gross sales of US\$3.3 recorded for the same period last year. The demand for our housing units continues to be strong.

The insurance business registered a 6% decline in premium insurance revenues, though net earned insurance premium was in line with last year, primarily due to low activity in the economy. The Group's cost to income ratio marginally increased to 76% from 75% for the same period last year, primarily as a result of expansionary expenses incurred on expanding the Group's network and an increased impairment allowance which took into account the challenging economic environment we are operating in. The Group will continue to focus on cost containment whilst at the same time investing in expansionary expenses essential for revenue growth and compliance.

The Group's statement of financial position at US\$575 million registered a 17% growth on the 31 December 2015 position of US\$491 million. The growth in the statement of financial position was mainly driven by a 21% increase in total deposits compared to the 31 December 2015 position.

Total equity attributable to shareholders of the parent company increased by 7% to US\$112 million, compared to a position of US\$105 million as at 31 December 2015, as a result of retained earnings, which were however, counteracted by the purchase of treasury shares of approximately US\$1 million and the payment of a dividend of a similar amount.

Operating Environment

The economic environment remained fragile during the first half of the year. Growth prospects have been revised downwards to 1.4% from an initial projection of 2.7%. The economy continues to be constrained by cash shortages, low commodity prices, low foreign direct investments, high cost of funding and informalisation of the economy amongst other key factors. Global economic risks have increased, resulting in changes in demand patterns of some products and services. Consequently the country's trade balances have remained in deficit, impacting on the ability of the country to build reserves and liquidity. Locally, the government's revenue base has continued to decrease due to depressed economic activities. The government's re-engagement efforts with international financiers remain critical to the improvement of the country's future growth prospects and funding opportunities.

Financial Sector Developments

The financial services sector has continued to be resilient despite the macroeconomic and industry specific challenges. Most financial institutions have managed to comply with prescribed minimum capital requirements. The prevailing cash shortages and nostro funding challenges, however, have adversely affected the reputation and growth prospects of the industry. Regulatory authorities have introduced a raft of measures to ease transaction costs, whilst players in the banking industry are in the process of enhancing their ICT infrastructures to accommodate the change in the transactional patterns from cash-based to electronic based ones. The insurance sector has also suffered from subdued business as evidenced by declining premiums and reduced profitability levels across the insurance sector.

Trading on the ZSE for the period ending 30 June 2016 remained depressed with market capitalization dropping to US\$2.919 billion, shedding 9.13% for year to date, mainly due to foreign investors exiting the market.

Share Price Performance

A total of 32,113,244 FBC Holdings shares were traded at a volume weighted average price of 6.03 US cents during the period. The counter closed the half year period at 6.4 US cents, reflecting an 8.5% drop from the 2016 opening price of 7 US cents. This is against the industrial index's 12% drop in the same period. The share price continues to be heavily discounted, when compared to the net asset value of 17.08 US cents per share and the future earnings capacity of the Group.

Dividend

On behalf of the Board of FBC Holdings Limited, I am pleased to advise shareholders that an increased interim dividend of 0.2235 US cents per share was proposed for the half year ended 30 June 2016 after taking into account the good performance of the Group. The dividend proposed translates to six times dividend cover and an annualized dividend yield of 6.98%.

Corporate Social Environment

During the first half of 2016, FBC Holdings Limited disbursed over \$120 000 towards various corporate social responsibility initiatives in the fields of education, health, community share trusts, sports and the arts. This investment is consistent with the Group's commitment to its ongoing social investment strategy.

Marketing and Public Relations

The Group has remained visible in the market place during the first half of the year owing to targeted marketing and public relations initiatives. The Group continues to leverage on its brand as it undertakes initiatives to maintain market share as well as reduce its cost of funding.

Branch Network and Financial Inclusion

MicroPlan continues to implement its rural finance outreach strategy through a collaborative arrangement with Care International in a FAO sponsored Zimbabwe Livelihoods and Food Security Programme. The four year program has introduced MicroPlan to five pre-identified rural districts in three provinces of Zimbabwe.

In the first half of 2016 alone, MicroPlan has received valuable technical assistance and capacity building opportunities, particularly in the development of core competencies and infrastructure unique to this segment of our product offering as a Group. With the financial assistance of FAO, we have managed to increase MicroPlan's branch network from 12 to 17 following the opening of 5 new MicroPlan branches in Mt Darwin, Guruve, Rusape, Hauna and Mutare.

Micro insurance has taken centre stage in the current market due to affordability and convenience. Eagle Insurance, through the Hospital Cash Plan product offering, continues to make a substantial contribution to the growth and development of Zimbabwean communities that have traditionally had limited access to insurance.

e- Commerce

All subsidiaries continue to expand their presence in e-commerce distribution channels, and this will be a key revenue driver for the Group. A variety of initiatives are also on course to manage the various risks that come with the opening up of the various e-channels under the Information Security Management standards. The Group continues to advocate for initiatives aimed towards ensuring seamless integration of the various payment platforms and solutions for goods and services in Zimbabwe's payments ecosystem. The Group recently launched the Visa payment system to complement the MasterCard offering. This has seen the Bank now being in a position to accept the major international credit and debit cards for the convenience of its customers and visitors to Zimbabwe.

Compliance

The Group has invested approximately US\$1 million in compliance and Anti Money Laundering and Financing of Terrorism related technology and will continue to invest in this critical area in light of the increased compliance requirements locally and internationally.

Outlook

Mindful of the prevailing market vulnerabilities, FBCH endeavours to continue leveraging on the diversity of its business model. The Group will continue to promote the adoption of e-commerce business practices and invest in e-commerce driven distribution channels. Anti-Money Laundering/KYC & Compliance capabilities will continue to be a critical area of investment and attention.

Appreciation

I would like to express my appreciation for the unwavering support of our various stakeholders, strategic partners, customers and the regulatory authorities. As always, I am humbled by the dedication and confidence shown in the FBC brand by our valued customers. I am grateful for the counsel and guidance provided by the non-executive directors during this period as well as the professionalism and commitment demonstrated at all times, by the Group Chief Executive, his management team and members of staff.



Herbert Nkala
Group Chairman
24 August 2016

Unaudited Interim Results for the six months ended 30 June 2016

Consolidated Statement of Comprehensive Income For the six months ended 30 June 2016

| | Note | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|---|------|-----------------------------------|-----------------------------------|
| Interest income | 16 | 33 470 637 | 29 433 193 |
| Interest expense | 17 | (10 974 749) | (12 969 064) |
| Net interest income | | 22 495 888 | 16 464 129 |
| Fee and commission income | 18 | 12 507 650 | 10 806 088 |
| Fee and commission expense | | (4 461) | (17 273) |
| Net fee and commission income | | 12 503 189 | 10 788 815 |
| Revenue | 19.1 | 3 214 051 | 3 304 882 |
| Cost of sales | 19.2 | (3 088 129) | (2 301 195) |
| Gross profit | | 125 922 | 1 003 687 |
| Insurance premium revenue | 20 | 17 930 595 | 19 057 641 |
| Premium ceded to reinsurers and retrocessionaires | | (6 736 025) | (8 030 373) |
| Net earned insurance premium | | 11 194 570 | 11 027 268 |
| Net trading income | | 123 379 | 392 960 |
| Net loss from financial instruments carried at fair value | | (341) | (6 875) |
| Other operating income | 21 | 202 143 | 261 310 |
| | | 325 181 | 647 395 |
| Total income | | 46 644 750 | 39 931 294 |
| Impairment allowance on financial assets | 5.3 | (4 277 200) | (1 590 149) |
| Net insurance commission expense | 22 | (2 827 358) | (2 661 610) |
| Insurance claims and loss adjustment expenses | 23 | (4 812 964) | (4 605 253) |
| Administrative expenses | 24 | (23 608 236) | (21 009 001) |
| Profit before income tax | | 11 118 992 | 10 065 281 |
| Income tax expense | 25 | (1 818 093) | (1 869 358) |
| Profit for the period | | 9 300 899 | 8 195 923 |
| Other comprehensive income | | | |
| Available for sale reserve | | (45 408) | 15 098 |
| Tax relating to other comprehensive income | | 454 | (151) |
| Other comprehensive income, net income tax | | (44 954) | 14 947 |
| Total comprehensive income for the period | | 9 255 945 | 8 210 870 |
| Profit attributable to : | | | |
| Equity holders of the parent | | 9 286 598 | 8 176 763 |
| Non-controlling interests | | 14 301 | 19 160 |
| Total | | 9 300 899 | 8 195 923 |
| Total comprehensive income attributable to : | | | |
| Equity holders of the parent | | 9 241 644 | 8 191 710 |
| Non-controlling interests | | 14 301 | 19 160 |
| Total | | 9 255 945 | 8 210 870 |
| Earnings per share (US cents) | | | |
| Basic earnings per share | 28.1 | 1.41 | 1.23 |
| Diluted earnings per share | 28.2 | 1.41 | 1.23 |

Consolidated Statement of Cash Flows For the six months ended 30 June 2016

| | Note | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|------|-----------------------------------|-----------------------------------|
| Cash flow from operating activities | | | |
| Profit for the period | | 11 118 992 | 10 065 281 |
| Adjustments for: | | | |
| Depreciation | 11 | 1 030 618 | 853 930 |
| Amortisation | | 252 636 | 237 860 |
| Impairment loss on loans and advances | 5.3 | 4 277 200 | 1 590 149 |
| Profit from disposal of property and equipment | 21 | (14 312) | (14 947) |
| Fair value adjustment on financial assets at fair value through profit or loss | | 341 | 6 875 |
| Net cash generated before changes in operating assets and liabilities | | 16 665 475 | 12 739 148 |
| (Increase) in financial assets held to maturity | | (32 131 189) | - |
| Decrease in loans and advances | | 11 584 287 | 1 124 795 |
| (Increase) in trade and other receivables | | (229 643) | (2 428 895) |
| Decrease in bonds and debentures | | 5 624 | 2 768 518 |
| Decrease/(increase) in financial assets at fair value through profit or loss | | 78 662 | (379 066) |
| Decrease/(increase) in inventory | | 505 878 | (242 309) |
| (Increase) in prepayments and other assets | | (2 442 161) | (1 188 421) |
| (Increase) in investment property | | - | (375 000) |
| Increase in deposits from other banks and customers | | 62 799 886 | 2 113 746 |
| Increase in insurance liabilities | | 674 234 | 2 297 652 |
| Increase in trade and other payables | | 726 059 | 993 379 |
| | | 58 237 112 | 17 423 547 |
| Income tax expense paid | | (2 337 843) | (3 217 768) |
| Net cash generated from operating activities | | 55 899 269 | 14 205 779 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | 11 | (989 276) | (569 567) |
| Purchase of intangible assets | 10 | (656 215) | (170 827) |
| Proceeds from sale of property and equipment | | 164 117 | 30 854 |
| Net cash used in investing activities | | (1 481 374) | (709 540) |
| Net cash flows before financing activities | | 54 417 895 | 13 496 239 |
| Cash flows from financing activities: | | | |
| Proceeds from borrowings | | 12 041 607 | 8 397 280 |
| Dividend paid to non-controlling interest | | (12 545) | - |
| Dividend paid to company's shareholders | | (995 524) | - |
| Purchase of treasury shares | | (939 019) | (330 311) |
| Net cash generated from financing activities | | 10 094 519 | 8 066 969 |
| Net increase in cash and cash equivalents | | 64 512 414 | 21 563 208 |
| Cash and cash equivalents at beginning of the period | | 93 762 063 | 110 965 506 |
| Cash and cash equivalents at the end of period | 4.1 | 158 274 477 | 132 528 714 |

Consolidated Statement of Financial Position As at 30 June 2016

| | Note | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|---|------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Balances with banks and cash | 4 | 158 274 477 | 93 762 063 |
| Financial assets held to maturity | | 81 755 222 | 49 624 033 |
| Loans and advances to customers | 5.1 | 267 110 206 | 282 971 693 |
| Trade and other receivables including insurance receivables | 5.2 | 8 329 172 | 8 099 529 |
| Bonds and debentures | 6 | 8 696 696 | 8 702 320 |
| Financial assets at fair value through profit or loss | 7 | 1 373 384 | 1 050 037 |
| Available for sale financial assets | | 332 160 | 377 568 |
| Inventory | 8 | 5 606 776 | 6 112 654 |
| Prepayments and other assets | 9 | 8 108 729 | 5 666 568 |
| Deferred income tax assets | | 6 746 739 | 6 181 913 |
| Investment property | | 2 472 140 | 2 472 140 |
| Intangible assets | 10 | 1 301 525 | 897 946 |
| Property and equipment | 11 | 24 455 710 | 24 646 858 |
| Total assets | | 574 562 936 | 490 565 322 |
| EQUITY AND LIABILITIES | | | |
| Liabilities | | | |
| Deposits from other banks and customers | 12 | 435 561 461 | 360 719 968 |
| Insurance liabilities | 13 | 10 078 662 | 9 404 428 |
| Trade and other payables | 14 | 14 659 908 | 13 933 849 |
| Current income tax liabilities | | 991 260 | 907 522 |
| Deferred income tax liabilities | | 671 408 | 710 525 |
| Total liabilities | | 461 962 699 | 385 676 292 |
| Equity | | | |
| Capital and reserves attributable to equity holders of the parent entity | | | |
| Share capital and share premium | 15 | 14 089 892 | 14 089 892 |
| Other reserves | | 37 858 281 | 38 439 904 |
| Retained profits | | 60 391 125 | 52 100 051 |
| | | 112 339 298 | 104 629 847 |
| Non controlling interest in equity | | 260 939 | 259 183 |
| Total equity | | 112 600 237 | 104 889 030 |
| Total equity and liabilities | | 574 562 936 | 490 565 322 |

A Financial institution tailored for your every need



Let our exceptional service and strength provide you with the comfort and stability of excellent financial management. Our dedicated team and products are ready to meet your discerning requirements, anytime, anyplace and from anywhere in the world. Quite simply, we are a financial institution that strives on our customers' happiness.

Call, SMS or WhatsApp our FBC Help Centre on:

+263 772 419693, 772 152647

TEL: +263 4 704481-82

TOLLFREE: 0808 0025, 0808 0026

EMAIL: help@fbc.co.zw

Skype FBC.Help.Centre



FBC Holdings Limited
strength • diversity • service

Unaudited Interim Results for the six months ended 30 June 2016

Consolidated Statement of Changes in Equity For the six months ended 30 June 2016

| | Share capital US\$ | Share premium US\$ | Retained profits US\$ | Share option reserve 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\$ |
|---|-----------------------|-----------------------|--------------------------|------------------------------|-------------------------|-----------------------------------|-----------------------------|------------------------------------|----------------------------|------------------------------|--------------------|----------------------------------|----------------------|
| Half year ended 30 June 2016 | | | | | | | | | | | | | |
| Balance 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 period | - | - | 9 286 598 | - | - | - | - | - | - | - | 9 286 598 | 14 301 | 9 300 899 |
| Other comprehensive income | | | | | | | | | | | | | |
| Available for sale reserve | - | - | - | - | - | - | - | (44 954) | - | - | (44 954) | - | (44 954) |
| Total other comprehensive income | - | - | - | - | - | - | - | (44 954) | - | - | (44 954) | - | (44 954) |
| Total comprehensive income | - | - | 9 286 598 | - | - | - | - | (44 954) | - | - | 9 241 644 | 14 301 | 9 255 945 |
| Transaction with owners | | | | | | | | | | | | | |
| Dividend paid | - | - | (995 524) | - | - | - | - | - | - | - | (995 524) | (12 545) | (1 008 069) |
| Increase in ownership interest | - | - | - | - | - | 402 350 | - | - | - | - | 402 350 | - | 402 350 |
| Treasury share purchase | - | - | - | - | (939 019) | - | - | - | - | - | (939 019) | - | (939 019) |
| Shareholders' equity at 30 June 2016 | 6 719 | 14 083 173 | 60 391 125 | - | (2 501 340) | 36 624 611 | 2 170 001 | (105 662) | - | 1 670 671 | 112 339 298 | 260 939 | 112 600 237 |
| Half year ended 30 June 2015 | | | | | | | | | | | | | |
| Balance 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 period | - | - | 8 176 763 | - | - | - | - | - | - | - | 8 176 763 | 19 160 | 8 195 923 |
| Other comprehensive income | | | | | | | | | | | | | |
| Available for sale reserve | - | - | - | - | - | - | - | 14 947 | - | - | 14 947 | - | 14 947 |
| Total other comprehensive income | - | - | - | - | - | - | - | 14 947 | - | - | 14 947 | - | 14 947 |
| Total comprehensive income | - | - | 8 176 763 | - | - | - | - | 14 947 | - | - | 8 191 710 | 19 160 | 8 210 870 |
| Transaction with owners | | | | | | | | | | | | | |
| Treasury share purchase | - | - | - | - | (330 311) | - | - | - | - | - | (330 311) | - | (330 311) |
| Shareholders' equity at 30 June 2015 | 6 719 | 14 083 173 | 42 609 566 | - | (1 504 012) | 36 222 261 | 2 170 001 | (15 867) | 627 590 | 1 670 671 | 95 870 102 | 227 353 | 96 097 455 |

Notes to the Financial Results For the six months ended 30 June 2016

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage finance, micro lending, short - term reinsurance, short - term insurance and stockbroking services. The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 24 August 2016.

2 BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the half year ended 30 June 2016 have been prepared in accordance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting", the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20). They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

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

4 BALANCES WITH BANKS AND CASH

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|---|-----------------------------------|--------------------------------|
| Balances with Reserve Bank of Zimbabwe ("RBZ") | | |
| Current account balances | 88 991 425 | 57 131 391 |
| | 88 991 425 | 57 131 391 |
| Balances with other banks and cash | | |
| Notes and coins | 2 960 603 | 13 326 759 |
| Other bank balances | 66 322 449 | 23 303 913 |
| | 158 274 477 | 93 762 063 |
| Balances with banks and cash (excluding bank overdrafts) | | |
| Current | 158 274 477 | 93 762 063 |
| Non-current | - | - |
| Total | 158 274 477 | 93 762 063 |

4.1 For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances:

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ | Unaudited 30 June 2015 US\$ |
|---|-----------------------------------|--------------------------------|-----------------------------------|
| Balances with other banks, cash and current account balances at RBZ (including bank overdrafts) | 158 274 477 | 93 762 063 | 132 528 714 |
| Total cash and cash equivalents - statement of cash flows | 158 274 477 | 93 762 063 | 132 528 714 |

5 LOANS AND RECEIVABLES

5.1 Loans and advances to customers

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|-------------------------------|-----------------------------------|--------------------------------|
| Loans and advances maturities | | |
| Maturing within 1 year | 100 806 166 | 166 959 721 |
| Maturing after 1 year | 190 753 566 | 136 396 594 |
| | 291 559 732 | 303 356 315 |
| Gross carrying amount | (24 449 526) | (20 384 622) |
| Impairment allowance | 267 110 206 | 282 971 693 |

5.2 Trade and other receivables including insurance receivables

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--|-----------------------------------|--------------------------------|
| Trade receivables | 88 215 | - |
| Insurance receivables | | |
| - Due by insurance clients and insurance brokers | 6 005 117 | 6 012 301 |
| - Due by reinsurers and retrocessionaires | 2 694 057 | 2 600 970 |
| | 8 787 389 | 8 613 271 |
| Gross carrying amount | (458 217) | (513 742) |
| Impairment allowance | | |
| Total | 8 329 172 | 8 099 529 |
| Current | 8 329 172 | 8 099 529 |
| Non-current | - | - |
| Total | 8 329 172 | 8 099 529 |

5.3 Allowance for impairment

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ | Unaudited 30 June 2015 US\$ |
|--|-----------------------------------|--------------------------------|-----------------------------------|
| Balance at 01 January | 20 898 364 | 23 094 397 | 23 094 397 |
| Impairment allowance through statement of comprehensive income | 4 277 200 | 3 325 576 | 1 590 149 |
| Reversal of impairment | (794 242) | - | - |
| Amounts written off during the period as uncollectible | (55 525) | (7 657 711) | - |
| Interest in suspense | 581 946 | 2 136 102 | 2 114 296 |
| Balance at end of period | 24 907 743 | 20 898 364 | 26 798 842 |

6 BONDS AND DEBENTURES

Maturing after 1 year but within 7 years

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--------------|-----------------------------------|--------------------------------|
| Current | - | - |
| Non-current | 8 696 696 | 8 702 320 |
| Total | 8 696 696 | 8 702 320 |

Bonds of US\$8 440 000 and US\$256 696 have a fixed interest rate of 10% and 5% and they mature on 30 June 2022 and 30 September 2020 respectively.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed securities at market value

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--------------|-----------------------------------|--------------------------------|
| Current | 1 373 384 | 1 050 037 |
| Non-current | - | - |
| Total | 1 373 384 | 1 050 037 |

8 INVENTORY

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|------------------|-----------------------------------|--------------------------------|
| Raw materials | 135 026 | 274 442 |
| Work in progress | 1 544 668 | 4 039 788 |
| Finished goods | 3 927 082 | 1 798 424 |
| | 5 606 776 | 6 112 654 |
| Current | 5 606 776 | 6 112 654 |
| Non-current | - | - |
| Total | 5 606 776 | 6 112 654 |

9 PREPAYMENTS AND OTHER ASSETS

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--|-----------------------------------|--------------------------------|
| Prepayments | 1 619 248 | 1 774 253 |
| Deferred acquisition costs | 943 589 | 902 108 |
| Commission receivable | 1 711 043 | 1 711 043 |
| Refundable deposits for Mastercard and Visa transactions | 850 929 | 706 781 |
| Stationary stock and other consumables | - | 45 359 |
| Time- share asset | 50 625 | 56 250 |
| Other | 2 933 295 | 470 774 |
| | 8 108 729 | 5 666 568 |
| Current | 6 347 061 | 3 899 277 |
| Non-current | 1 761 668 | 1 767 291 |
| Total | 8 108 729 | 5 666 568 |

10 INTANGIBLE ASSETS

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ | Software US\$ |
|-------------------------------------|-----------------------------------|--------------------------------|------------------|
| Half year ended 30 June 2016 | | | |
| Opening net book amount | | | 897 946 |
| Additions | | | 656 215 |
| Amortisation charge | | | (252 636) |
| Closing net book amount | | | 1 301 525 |
| As at 30 June 2016 | | | |
| Cost | | | 5 068 777 |
| Accumulated amortisation | | | (3 767 252) |
| Net book amount | | | 1 301 525 |
| Year ended 31 December 2015 | | | |
| Opening net book amount | | | 1 212 593 |
| Additions | | | 178 989 |
| Amortisation charge | | | (493 636) |
| Closing net book amount | | | 897 946 |
| As at 31 December 2015 | | | |
| Cost | | | 4 412 562 |
| Accumulated amortisation | | | (3 514 616) |
| Net book amount | | | 897 946 |

Unaudited Interim Results for the six months ended 30 June 2016

11 PROPERTY, PLANT AND EQUIPMENT

| Half year ended 30 June 2016 | Freehold premises US\$ | Computer equipment US\$ | Furniture and Office equipment US\$ | Motor vehicles US\$ | Total US\$ |
|--------------------------------|------------------------|-------------------------|-------------------------------------|---------------------|-------------------|
| Opening net book amount | 17 023 884 | 1 739 955 | 4 897 265 | 985 754 | 24 646 858 |
| Additions | - | 81 951 | 583 481 | 323 844 | 989 276 |
| Disposals | - | (47 639) | (574) | (101 593) | (149 806) |
| Depreciation | (205 695) | (273 566) | (380 848) | (170 509) | (1 030 618) |
| Closing net book amount | 16 818 189 | 1 500 701 | 5 099 324 | 1 037 496 | 24 455 710 |

12 DEPOSITS FROM OTHER BANKS AND CUSTOMERS

12.1 DEPOSITS FROM CUSTOMERS

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|---------------------|-----------------------------|--------------------------|
| Demand deposits | 122 274 465 | 75 313 161 |
| Promissory notes | 49 394 418 | 37 765 456 |
| Other time deposits | 88 155 568 | 96 351 481 |
| Total | 259 824 451 | 209 430 098 |

12.2 DEPOSITS FROM OTHER BANKS

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|-------------------------------------|-----------------------------|--------------------------|
| Money market deposits | 90 391 663 | 77 986 130 |
| Bank borrowings and lines of credit | 85 345 347 | 73 303 740 |
| Total | 175 737 010 | 151 289 870 |

TOTAL DEPOSITS

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--------------|-----------------------------|--------------------------|
| Current | 365 183 796 | 297 735 073 |
| Non-current | 70 377 665 | 62 984 895 |
| Total | 435 561 461 | 360 719 968 |

12.3 Deposits concentration

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2016 % | Audited 31 Dec 2015 US\$ | Audited 31 Dec 2015 % |
|----------------------------|-----------------------------|--------------------------|--------------------------|-----------------------|
| Agriculture | 5 223 951 | 1% | 8 994 139 | 2% |
| Construction | 20 817 616 | 5% | 3 419 684 | 1% |
| Wholesale and retail trade | 80 952 545 | 19% | 71 377 383 | 20% |
| Public sector | 36 774 732 | 8% | 24 801 577 | 7% |
| Manufacturing | 7 910 681 | 2% | 23 555 554 | 7% |
| Telecommunication | 8 642 376 | 2% | 8 159 431 | 2% |
| Transport | 4 150 491 | 1% | 3 547 590 | 1% |
| Individuals | 41 306 915 | 9% | 40 373 383 | 11% |
| Financial services | 172 302 436 | 40% | 142 089 010 | 39% |
| Mining | 16 550 710 | 4% | 21 402 035 | 6% |
| Other | 40 929 008 | 9% | 13 000 182 | 4% |
| Total | 435 561 461 | 100% | 360 719 968 | 100% |

13 INSURANCE LIABILITIES

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--------------------------------|-----------------------------|--------------------------|
| Gross outstanding claims | 6 113 004 | 5 799 070 |
| Liability for unearned premium | 3 965 658 | 3 605 358 |
| Total | 10 078 662 | 9 404 428 |
| Current | 10 078 662 | 9 404 428 |
| Non-current | - | - |
| Total | 10 078 662 | 9 404 428 |

14 TRADE AND OTHER PAYABLES

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|--------------------------|-----------------------------|--------------------------|
| Trade and other payables | 5 858 071 | 6 995 899 |
| Deferred income | 3 527 960 | 4 413 902 |
| Other liabilities | 5 273 877 | 2 524 048 |
| Total | 14 659 908 | 13 933 849 |
| Current | 13 583 733 | 13 933 849 |
| Non-current | 1 076 175 | - |
| Total | 14 659 908 | 13 933 849 |

15 SHARE CAPITAL AND SHARE PREMIUM

| | Number of Shares | Share Capital US\$ | Share Premium US\$ | Total US\$ |
|--|--------------------|--------------------|--------------------|-------------------|
| Authorised | | | | |
| Number of ordinary shares, with a nominal value of US\$0.00001 | 800 000 000 | 800 000 000 | - | 800 000 000 |
| Issued and fully paid | | | | |
| Number of ordinary shares, with a nominal value of US\$0.00001 | 671 949 927 | 671 949 927 | - | 671 949 927 |
| Share capital movement | | | | |
| As at 1 January 2016 | 671 949 927 | 6 719 | 14 083 173 | 14 089 892 |
| Share issue | - | - | - | - |
| As at 30 June 2016 | 671 949 927 | 6 719 | 14 083 173 | 14 089 892 |

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

16 INTEREST INCOME

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|-----------------------------|-----------------------------|
| Cash and cash equivalents | 1 715 277 | 1 915 807 |
| Loans and advances to other banks | 1 359 570 | 2 780 106 |
| Loans and advances to customers | 25 128 758 | 23 112 248 |
| Bankers acceptances and tradable bills | 5 267 032 | 1 625 032 |
| Total | 33 470 637 | 29 433 193 |

Credit related fees that are an integral part of the effective interest on loans and advances have been classified under interest income. At 30 June 2015 these were shown under fees and commission income

17 INTEREST EXPENSE

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--------------------------|-----------------------------|-----------------------------|
| Deposit from other banks | 3 129 458 | 4 059 312 |
| Demand deposits | 364 721 | 214 243 |
| Afreximbank and PTA Bank | 4 994 907 | 5 146 613 |
| Time deposits | 2 485 663 | 3 548 896 |
| Total | 10 974 749 | 12 969 064 |

18 FEE AND COMMISSION INCOME

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|-------------------------|-----------------------------|-----------------------------|
| Retail service fees | 11 433 895 | 9 910 298 |
| Credit related fees | 929 338 | 795 602 |
| Investment banking fees | 12 615 | 5 297 |
| Brokerage | 76 739 | 52 440 |
| Other | 55 063 | 42 451 |
| Total | 12 507 650 | 10 806 088 |

19.1 REVENUE

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|----------------|-----------------------------|-----------------------------|
| Property Sales | 3 214 051 | 3 304 882 |
| Total | 3 214 051 | 3 304 882 |

19.2 COST OF SALES

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|----------------------|-----------------------------|-----------------------------|
| Property development | 3 088 129 | 2 301 195 |
| Total | 3 088 129 | 2 301 195 |

20 INSURANCE PREMIUM REVENUE

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|-----------------------------|-----------------------------|
| Gross premium written | 18 290 894 | 19 895 677 |
| Change in unearned premium reserve ("UPR") | (360 299) | (838 036) |
| Total | 17 930 595 | 19 057 641 |

21 OTHER OPERATING INCOME

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|---|-----------------------------|-----------------------------|
| Rental income | 159 649 | 163 396 |
| Profit on disposal of property, plant and equipment | 14 312 | 14 947 |
| Sundry income | 28 182 | 82 967 |
| Total | 202 143 | 261 310 |

22 NET INSURANCE COMMISSIONS EXPENSE

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--------------------------------|-----------------------------|-----------------------------|
| Commissions paid | 3 388 014 | 3 264 156 |
| Change in technical provisions | (560 656) | (602 546) |
| Total | 2 827 358 | 2 661 610 |

23 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--------------------------------|-----------------------------|-----------------------------|
| Claims paid | 3 923 177 | 3 855 022 |
| Change in technical provisions | 889 787 | 750 231 |
| Total | 4 812 964 | 4 605 253 |

24 ADMINISTRATIVE EXPENDITURE

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|-------------------------|-----------------------------|-----------------------------|
| Administration expenses | 7 666 787 | 7 803 349 |
| Staff costs | 13 470 037 | 11 143 872 |
| Directors' remuneration | 441 330 | 269 288 |
| Audit fees: | | |
| - current year fees | 35 898 | 44 481 |
| - prior year fees | 229 754 | 194 511 |
| - other services | - | - |
| Depreciation | 1 030 618 | 853 930 |
| Amortisation | 252 636 | 237 860 |
| Operating lease payment | 481 176 | 461 710 |
| Total | 23 608 236 | 21 009 001 |

25 INCOME TAX EXPENSE

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|-----------------------------|-----------------------------|
| Current income tax on income for the half year | 2 421 588 | 1 838 460 |
| Deferred tax | (603 495) | 30 898 |
| Total | 1 818 093 | 1 869 358 |

26 CAPITAL COMMITMENTS

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|---|-----------------------------|-----------------------------|
| Capital expenditure authorized but not yet contracted for | 9 152 366 | 10 441 526 |

27 CONTINGENT LIABILITIES

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|----------------------------------|-----------------------------|-----------------------------|
| Guarantees and letters of credit | 3 230 276 | 4 328 256 |

28 EARNINGS PER SHARE

28.1 Basic earnings per share

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|---|-----------------------------|-----------------------------|
| Profit attributable to equity holders of the parent | 9 286 598 | 8 176 763 |
| Total | 9 286 598 | 8 176 763 |
| Basic earnings per share | 1.41 | 1.23 |
| Basic earnings per share (US cents) | 1.41 | 1.23 |

| | Shares issued | Treasury shares | Shares outstanding | Weighted |
|--|--------------------|---------------------|--------------------|--------------------|
| Weighted average number of ordinary shares Half Year ended 30 June 2016 | | | | |
| Issued ordinary shares as at 1 January 2016 | 671 949 927 | (11 304 203) | 660 645 724 | 663 438 711 |
| Treasury shares purchased | - | (14 910 533) | (14 910 533) | (5 786 844) |
| Weighted average number of ordinary shares as at 30 June | 671 949 927 | (26 214 736) | 645 735 191 | 657 651 867 |
| Weighted average number of ordinary shares Half Year ended 30 June 2015 | | | | |
| Issued ordinary shares as at 1 January 2015 | 671 949 927 | (6 516 226) | 665 433 701 | 665 433 701 |
| Treasury shares purchased | - | (3 929 962) | (3 929 962) | (327 497) |
| Weighted average number of ordinary shares as at 30 June | 671 949 927 | (10 446 188) | 661 503 739 | 665 106 204 |

28.2 Diluted earnings per share

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|---|-----------------------------|-----------------------------|
| Profit attributable to equity holders of the parent | 9 286 598 | 8 176 763 |
| Total | 9 286 598 | 8 176 763 |
| Weighted average number of ordinary shares at 30 June | 657 651 867 | 665 106 204 |
| Diluted earnings per share (US cents) | 1.41 | 1.23 |
| Diluted earnings per share (US cents) | 1.41 | 1.23 |

28.3 Headline earnings per share

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|-----------------------------|-----------------------------|
| Profit attributable to equity holders | 9 286 598 | 8 176 763 |
| Adjusted for excluded remeasurements | - | - |
| Profit on the disposal of property and equipment | (14 312) | (14 947) |
| Other | - | - |
| Headline earnings | 9 272 286 | 8 161 816 |
| Weighted average number of ordinary shares at 30 June | 657 651 867 | 665 106 204 |
| Headline earnings per share (US cents) | 1.41 | 1.23 |

28.4 Diluted headline earnings per share

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|-----------------------------|-----------------------------|
| Diluted headline earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares. | | |
| Headline earnings | 9 272 286 | 8 161 816 |
| Weighted average number of ordinary shares at 30 June | 657 651 867 | 665 106 204 |
| Diluted earnings per share (US cents) | 1.41 | 1.23 |

Unaudited Interim Results for the six months ended 30 June 2016

29 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE HIERARCHY

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

Quoted market prices - Level 1

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

Valuation technique using observable inputs - Level 2

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

Valuation technique using significant observable inputs - Level 3

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

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

Valuation technique using;

| | Quoted prices in active markets for identical assets (Level 1) US\$ | Significant other observable inputs (Level 2) US\$ | Significant unobservable inputs (Level 3) US\$ |
|---|---|--|--|
| Recurring fair value measurements | | | |
| As at 30 June 2016 | | | |
| Investment property | - | - | 2 472 140 |
| Financial assets held to maturity | - | - | 81 755 222 |
| Financial assets at fair value through profit or loss | 1 373 384 | - | - |
| Available for sale financial assets | 332 160 | - | - |
| Land and buildings | - | - | 16 818 189 |
| As at 31 December 2015 | | | |
| Investment property | - | - | 2 472 140 |
| Financial assets held to maturity | - | - | 49 624 033 |
| Financial assets at fair value through profit or loss | 1 050 037 | - | - |
| Available for sale financial assets | 377 568 | - | - |
| Land and buildings | - | - | 17 023 884 |

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

30 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

| | Held to maturity US\$ | Held for trading US\$ | Available for sale US\$ | Loans and receivables US\$ | Financial liabilities at amortised cost US\$ |
|---|-----------------------|-----------------------|-------------------------|----------------------------|--|
| As at 30 June 2016 | | | | | |
| Trading assets | | | | | |
| Balances with other banks and cash | - | - | - | 158 274 477 | - |
| Financial assets held to maturity | 81 755 222 | - | - | - | - |
| Loans and advances to customers | - | - | - | 267 110 206 | - |
| Trade and other receivables including insurance receivables | - | - | - | 8 329 172 | - |
| Bonds and debentures | 8 696 696 | - | - | - | - |
| Financial assets at fair value through profit or loss | - | 1 373 384 | - | - | - |
| Available for sale financial assets | - | - | 332 160 | - | - |
| | 90 451 918 | 1 373 384 | 332 160 | 433 713 855 | - |
| Trading liabilities | | | | | |
| Deposits and borrowings from other banks and customers | - | - | - | - | 435 561 461 |
| Insurance liabilities | - | - | - | - | 10 078 662 |
| Trade and other payables | - | - | - | - | 14 659 908 |
| | - | - | - | - | 460 300 031 |
| As at 31 December 2015 | | | | | |
| Trading assets | | | | | |
| Balances with other banks and cash | - | - | - | 93 762 063 | - |
| Financial assets held to maturity | 49 624 033 | - | - | - | - |
| Loans and advances to customers | - | - | - | 282 971 693 | - |
| Trade and other receivables including insurance receivables | - | - | - | 8 099 529 | - |
| Bonds and debentures | 8 702 320 | - | - | - | - |
| Financial assets at fair value through profit or loss | - | 1 050 037 | - | - | - |
| Available for sale financial assets | - | - | 377 568 | - | - |
| | 58 326 353 | 1 050 037 | 377 568 | 384 833 285 | - |
| Trading liabilities | | | | | |
| Deposits and borrowings from other banks and customers | - | - | - | - | 360 719 968 |
| Insurance liabilities | - | - | - | - | 9 404 428 |
| Trade and other payables | - | - | - | - | 13 933 849 |
| | - | - | - | - | 384 058 245 |

31 RELATED PARTIES

The Group carried out banking and investment related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The full list of related party transactions are provided in the Group's annual report for the year ended 31 December 2015. There have not been any material movements since.

32 SEGMENT REPORTING

Segment information is presented in respect of business segments.

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

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

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

32 SEGMENT REPORTING (Continued)

| | Commercial banking US\$ | Microlending US\$ | Mortgage financing US\$ | Short term reinsurance US\$ | Short term insurance US\$ | Stockbroking US\$ | Intersegment eliminations US\$ | Consolidated US\$ |
|--|-------------------------|-------------------|-------------------------|-----------------------------|---------------------------|-------------------|--------------------------------|--------------------|
| 30 June 2016 | | | | | | | | |
| Total segment revenue | | | | | | | | |
| Interest income | 21 992 945 | 4 999 329 | 6 619 833 | 384 311 | 162 156 | 393 785 | (1 081 722) | 33 470 637 |
| Interest expense | (9 619 955) | (677 594) | (2 322 856) | - | - | - | 1 645 656 | (10 974 749) |
| Net interest income | 12 372 990 | 4 321 735 | 4 296 977 | 384 311 | 162 156 | 393 785 | 563 934 | 22 495 888 |
| Turnover | - | - | 3 214 051 | - | - | - | - | 3 214 051 |
| Cost of sales | - | - | (3 088 129) | - | - | - | - | (3 088 129) |
| Gross profit | - | - | 125 922 | - | - | - | - | 125 922 |
| Net earned insurance premium | - | - | - | 6 938 995 | 4 255 575 | - | - | 11 194 570 |
| Net fee and commission income | 9 460 481 | 200 989 | 2 776 161 | - | - | 65 558 | - | 12 503 189 |
| Net trading income and other income | 249 191 | 32 932 | 80 434 | (48 280) | 8 478 | 2 426 | - | 325 181 |
| Total income | 22 082 662 | 4 555 656 | 7 279 494 | 7 275 026 | 4 426 209 | 461 769 | 563 934 | 46 644 750 |
| Intersegment revenue | (82 191) | - | (567 223) | (288 061) | (162 119) | (27 874) | (563 934) | (1 691 402) |
| Intersegment interest expense and commission | 624 293 | 628 732 | 436 691 | - | - | 1 686 | - | 1 691 402 |
| Revenue from external customers | 22 624 764 | 5 184 388 | 7 148 962 | 6 986 965 | 4 264 090 | 435 581 | - | 46 644 750 |
| Segment profit before income tax | 4 591 855 | 2 717 152 | 3 710 353 | 1 169 200 | 418 713 | 318 676 | (1 806 957) | 11 118 992 |
| Impairment losses on financial assets | 3 416 405 | 459 187 | 401 608 | - | - | - | - | 4 277 200 |
| Depreciation | 798 597 | 20 099 | 122 328 | 12 203 | 74 021 | 3 370 | - | 1 030 618 |
| Amortisation | 162 151 | - | 37 553 | 11 097 | 41 835 | - | - | 252 636 |
| Segment assets | 429 140 040 | 21 604 570 | 136 162 668 | 21 209 721 | 12 375 560 | 1 823 134 | (47 752 757) | 574 562 936 |
| Total assets includes: | | | | | | | | |
| Additions to non-current assets | 676 300 | 41 821 | 91 784 | - | 172 873 | 6 498 | - | 989 276 |
| Investment in associates | - | - | - | 491 139 | - | - | - | - |
| Segment liabilities | 381 260 526 | 14 506 414 | 98 473 739 | 8 888 623 | 6 564 823 | 1 239 592 | (48 971 018) | 461 962 699 |

30 June 2015

| | Commercial banking US\$ | Microlending US\$ | Mortgage financing US\$ | Short term reinsurance US\$ | Short term insurance US\$ | Stockbroking US\$ | Intersegment eliminations US\$ | Consolidated US\$ |
|--|-------------------------------|-------------------|-------------------------|--|--|-----------------------|--------------------------------|--------------------|
| 30 June 2015 | | | | | | | | |
| Total segment revenue | | | | | | | | |
| Interest income | 21 605 477 | 3 732 226 | 6 054 936 | 440 309 | 225 975 | 48 075 | (2 673 805) | 29 433 193 |
| Interest expense | (12 461 550) | (966 107) | (2 840 212) | - | - | - | 3 298 805 | (12 969 064) |
| Net interest income | 9 143 927 | 2 766 119 | 3 214 724 | 440 309 | 225 975 | 48 075 | 625 000 | 16 464 129 |
| Turnover | - | - | 3 304 882 | - | - | - | - | 3 304 882 |
| Cost of sales | - | - | (2 301 195) | - | - | - | - | (2 301 195) |
| Gross profit | - | - | 1 003 687 | - | - | - | - | 1 003 687 |
| Net earned insurance premium | - | - | - | 6 547 071 | 4 480 196 | - | - | 11 027 268 |
| Net fee and commission income | 8 281 816 | 198 561 | 2 262 203 | - | - | 46 235 | - | 10 788 815 |
| Net trading income and other income | 512 434 | 18 518 | 103 763 | (56 292) | 17 737 | (6 875) | 58 110 | 647 395 |
| Total income | 17 938 177 | 2 983 198 | 6 584 377 | 6 931 088 | 4 723 908 | 87 435 | 683 110 | 39 931 294 |
| Intersegment revenue | (481 744) | - | (1 324 314) | (624 144) | (222 034) | (47 717) | (625 000) | (3 324 953) |
| Intersegment interest expense and commission | 1 636 056 | 966 106 | 721 123 | - | - | 1 668 | - | 3 324 953 |
| Revenue from external customers | 19 092 489 | 3 949 304 | 5 981 186 | 6 306 944 | 4 501 874 | 41 386 | 58 110 | 39 931 294 |
| Segment profit before income tax | 4 206 990 | 1 442 901 | 3 121 030 | 1 084 429 | 560 959 | (183 645) | 167 386 | 10 065 279 |
| Impairment losses on financial assets | 1 001 298 | 283 711 | 305 140 | - | - | - | - | 1 590 149 |
| Depreciation | 675 072 | 9 915 | 89 347 | 8 525 | 71 071 | - | - | 853 930 |
| Amortisation | 141 215 | - | 34 741 | 13 317 | 41 835 | 6 752 | - | 237 860 |
| Segment assets | 393 889 138 | 14 764 783 | 108 893 844 | 20 454 869 | 11 978 847 | 1 467 671 | (53 353 041) | 498 096 111 |
| Total assets includes: | | | | | | | | |
| Additions to non-current assets | 460 971 | 55 081 | 16 651 | 12 483 | 24 381 | - | - | 569 567 |
| Investment in associates | - | - | - | 491 139 | - | - | - | - |
| Segment liabilities | 357 539 287 | 10 302 145 | 76 020 005 | 9 425 682 | 6 898 237 | 1 272 050 | (59 458 749) | 401 998 656 |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting short-term classes of insurance | Underwriting general classes of short term insurance | Equity market dealing | | |

33 FINANCIAL RISK MANAGEMENT

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

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

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

The Group's activities and operations results in exposure to the following risks:

- (a) Credit risk
- (b) Market risk
 - (b.i) Interest rate risk,
 - (b.ii) Currency risk, and
 - (b.iii) Price risk
- (c) Liquidity risk
- (d) Settlement risk
- (e) Operational risk
- (f) Capital risk

Other risks:

- (g) Reputational risk
- (h) Legal and Compliance risk
- (i) Strategic risk

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

33.1 Credit risk

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

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

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

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

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



Enter the world of seamless financial convenience

FBC Holdings Limited
strength • diversity • service

Call, SMS or WhatsApp our FBC Help Centre on:
+263 772 419693, 772 152647
TEL: +263 4 704481-82
TOLLFREE: 0808 0025, 0808 0026
EMAIL: help@fbc.co.zw
FBC.Help.Centre

#ConnectEngageTransact @FBCHoldings www.fbc.co.zw

Unaudited Interim Results for the six months ended 30 June 2016

33.1 Credit risk (continued)

Credit policies, procedures and limits

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

Credit risk mitigation and hedging

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

Credit risk stress testing

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

Impairments

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

Default

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

Past due loans

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

Impaired loans

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

Provisioning policy and write offs

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.

Credit risk and Basel II

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

33.1.1 Exposure to credit risk

| Loans and advances | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|-------------------------------|-----------------------------------|--------------------------------|
| Past due and impaired | | |
| Grade 8: Impaired | 7 418 995 | 9 564 595 |
| Grade 9: Impaired | 1 665 037 | 2 010 262 |
| Grade 10: Impaired | 17 519 300 | 12 764 706 |
| Gross amount | 26 603 332 | 24 339 563 |
| Allowance for impairment | (17 247 477) | (14 476 110) |
| Carrying amount | 9 355 855 | 9 863 453 |
| Past due but not impaired | | |
| Grades 4 - 7: | 92 819 861 | 84 016 094 |
| Neither past due nor impaired | | |
| Grades 1 - 3: | 172 136 539 | 195 000 658 |
| Gross amount | 264 956 400 | 279 016 752 |
| Allowance for impairment | (7 202 049) | (5 908 512) |
| Carrying amount | 257 754 351 | 273 108 240 |
| Total carrying amount | 267 110 206 | 282 971 693 |

33.1.2 Sectoral analysis of utilisations - loans and advances

| | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2016 % | Audited 31 Dec 2015 US\$ | Audited 31 Dec 2015 % |
|---------------------------|-----------------------------------|--------------------------------|--------------------------------|-----------------------------|
| Mining | 21 350 417 | 7% | 13 511 235 | 4% |
| Manufacturing | 50 779 634 | 17% | 53 833 631 | 18% |
| Mortgage | 42 308 298 | 15% | 40 603 547 | 13% |
| Wholesale | 12 761 395 | 4% | 15 680 752 | 5% |
| Distribution | 28 274 260 | 10% | 29 904 593 | 10% |
| Individuals | 69 907 233 | 24% | 88 306 979 | 29% |
| Agriculture | 21 315 928 | 7% | 17 750 980 | 6% |
| Communication | 8 507 596 | 3% | 6 720 323 | 2% |
| Construction | 4 253 798 | 1% | 2 240 106 | 1% |
| Local Authorities | 17 015 193 | 6% | 20 160 967 | 7% |
| Other services | 15 085 980 | 6% | 14 643 202 | 5% |
| Gross loans and advances | 291 559 732 | 100% | 303 356 315 | 100% |
| Less impairment allowance | (24 449 526) | | (20 384 622) | |
| Carrying amount | 267 110 206 | | 282 971 693 | |

33.1.3 Reconciliation of allowance for impairment for loans and advances

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|----------------------------------|-----------------------------------|--------------------------------|
| Balance at 1 January | 20 384 622 | 22 697 655 |
| Increase in impairment allowance | 4 277 200 | 3 208 576 |
| Impairment reversal | (794 242) | - |
| Write off | - | (7 657 711) |
| Interest in suspense | 581 946 | 2 136 102 |
| | 24 449 526 | 20 384 622 |

33.1.4 Trade and other receivables

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|-------------------------------|-----------------------------------|--------------------------------|
| Past due and impaired | 458 217 | 513 742 |
| Allowance for impairment | (458 217) | (513 742) |
| Carrying amount | - | - |
| Past due but not impaired | - | - |
| Neither past due nor impaired | 8 329 172 | 8 099 529 |
| Gross amount | 8 329 172 | 8 099 529 |
| Allowance for impairment | - | - |
| Carrying amount | 8 329 172 | 8 099 529 |
| Total carrying amount | 8 329 172 | 8 099 529 |

33.2 Liquidity risk

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

Management of liquidity risk

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

Liquidity and funding management

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

Cash flow and maturity profile analysis

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

Liquidity contingency plans

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

Liquidity stress testing

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

33.3 Market risk

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

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

33.3.1 Interest rate risk

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

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:

- 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.
- Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired.

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

33.3.2 Currency risk

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

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

33.3.3 Price risk

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

33.4 Settlement risk

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

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

33.5 Operational risk

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

Unaudited Interim Results for the six months ended 30 June 2016

33.5 Operational risk (Continued)

Group's approach to managing operational risk

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

Operational risk framework and governance

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

The management and measurement of operational risk

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

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

Business continuity management

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

33.6 Capital risk

33.6.1 Regulatory Capital and Financial Risk Management

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

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the Group's subsidiaries;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis. It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;

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

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

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

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

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

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

| Company As at 30 June 2016 | Regulatory Authority | Minimum capital required US\$ | Net Regulatory Capital US\$ | Total Equity US\$ |
|--|-------------------------|--|--------------------------------------|----------------------|
| FBC Bank Limited | RBZ | 25 000 000 | 43 004 437 | 47 879 514 |
| FBC Building Society | RBZ | 20 000 000 | 37 476 159 | 37 688 929 |
| FBC Reinsurance Limited | IPEC | 3 000 000 | 12 321 098 | 12 321 098 |
| FBC Securities (Private) Limited | SECZ | 150 000 | 583 541 | 583 541 |
| Eagle Insurance Company (Private) Limited | IPEC | 1 500 000 | 5 810 736 | 5 810 736 |
| Microplan Financial Services (Private) Limited | RBZ | 10 000 | 7 098 156 | 7 098 156 |

33.7 Compliance risk

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

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

34 Statement of Compliance

The Group complied with the following statutes inter alia:-

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

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

35 International credit ratings

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

| Subsidiary | 2016 | 2015 | 2014 | 2013 |
|---------------------------------|------|------|------|------|
| FBC Bank Limited | BBB+ | A- | A- | A- |
| FBC Reinsurance Limited | A- | A- | A- | A- |
| FBC Building Society | BBB- | BBB- | BBB- | BBB- |
| Eagle Insurance Company Limited | A- | A- | BBB | BBB- |

36 Interim dividend announcement

Notice is hereby given that an interim dividend of 0.2235 US cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 24 August 2016 in respect of the half year ended 30 June 2016. The dividend is payable to shareholders registered in the books of the Company at the close of business on Friday, 9 September 2016. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 2 September 2016 and ex-dividend as from 5 September 2016. Dividend payment will be made to shareholders on or about 26 September 2016.

37 CORPORATE GOVERNANCE

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

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

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

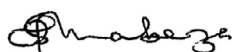
Board Attendance

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

Legend

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

By order of the Board



Tichaona K. Mabeza
GROUP COMPANY SECRETARY
24 August 2016



Call, SMS or WhatsApp our FBC Help Centre on:

+263 772 419693, 772 152647

TEL: +263 4 704481-82

TOLLFREE: 0808 0025, 0808 0026

EMAIL: help@fbc.co.zw

skype FBC.Help.Centre



FBC Holdings Limited
strength • diversity • service

Unaudited Interim Results for the six months ended 30 June 2016

Statement of Financial Position As at 30 June 2016

| | Note | 30 June, 2016 US\$ | 31 Dec, 2015 US\$ |
|---|------|-----------------------|----------------------|
| ASSETS | | | |
| Balances with banks and cash | 1 | 119 488 912 | 86 662 932 |
| Financial assets held to maturity | 2 | 72 409 208 | 49 624 033 |
| Financial assets at fair value through profit or loss | | 548 844 | - |
| Loans and advances to customers | 3 | 193 376 165 | 208 864 160 |
| Bonds and debentures | | 8 696 696 | 8 702 320 |
| Prepayments and other assets | 4 | 4 623 072 | 3 545 503 |
| Amounts due from group companies | | 6 253 087 | 6 570 769 |
| Deferred income tax asset | | 3 455 335 | 3 455 335 |
| Investment property | | 2 447 140 | 2 447 140 |
| Intangible assets | | 1 007 761 | 513 700 |
| Property and equipment | 5 | 16 833 820 | 17 002 459 |
| Total assets | | 429 140 040 | 387 388 351 |
| EQUITY AND LIABILITIES | | | |
| Liabilities | | | |
| Deposits from customers | 6 | 210 380 906 | 175 355 558 |
| Deposits from other financial institutions | 6.1 | 85 732 545 | 97 365 231 |
| Lines of credit | 6.2 | 81 551 916 | 65 902 989 |
| Current income tax liability | | 396 575 | 776 510 |
| Trade and other payables | 7 | 3 198 584 | 4 920 351 |
| Total liabilities | | 381 260 526 | 344 320 639 |
| Equity | | | |
| Share capital | | 18 501 388 | 18 500 925 |
| Share premium | | 3 198 612 | 2 199 075 |
| Retained profits | | 24 151 489 | 20 742 037 |
| Other reserves | | 2 028 025 | 1 625 675 |
| Total equity | | 47 879 514 | 43 067 712 |
| Total equity and liabilities | | 429 140 040 | 387 388 351 |

Statement of Comprehensive Income For the six months ended 30 June 2016

| | Notes | 30 June 2016 US\$ | 30 June 2015 US\$ |
|--|-------|----------------------|----------------------|
| Interest and similar income | 9 | 21 992 945 | 21 605 477 |
| Interest and similar expense | 10 | (9 619 955) | (12 461 549) |
| Net interest income | | 12 372 990 | 9 143 928 |
| Dealing and trading income | | 123 379 | 392 960 |
| Fee and commission income | 11 | 9 460 481 | 8 281 816 |
| Other operating income | | 125 812 | 119 473 |
| Total net income | | 22 082 662 | 17 938 177 |
| Impairment allowance on loans and advances | 3.2 | (3 416 405) | (1 001 298) |
| Administrative expenses | 12 | (14 074 402) | (12 729 889) |
| Profit before income tax | | 4 591 855 | 4 206 990 |
| Income tax expense | | (1 182 403) | (1 122 061) |
| Profit for the period | | 3 409 452 | 3 084 929 |
| Total comprehensive income for the period | | 3 409 452 | 3 084 929 |

Statement of Changes In Equity For the six months ended 30 June 2016

| | Share capital US\$ | Share premium US\$ | Retained profits US\$ | Revaluation reserve US\$ | Regulatory reserve US\$ | Financial assets available for sale 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 and regulatory transfer reserve | - | - | 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 | - | - | 3 409 452 | - | - | - | 3 409 452 |
| Other comprehensive income: | | | | | | | |
| Gain of revaluation of assets | - | - | - | 402 350 | - | - | 402 350 |
| Total comprehensive income | - | - | 3 409 452 | 402 350 | - | - | 3 811 802 |
| Transaction with owners: | | | | | | | |
| Share issue | 463 | 999 537 | - | - | - | - | 1 000 000 |
| Balance as at 30 June 2016 | 18 501 388 | 3 198 612 | 24 151 489 | 2 028 025 | - | - | 47 879 514 |

Statement of Cash Flows For the six months ended 30 June 2016

| | Notes | 30 June 2016 US\$ | 30 June 2015 US\$ |
|--|-------|----------------------|----------------------|
| Cash flow from operating activities | | | |
| Profit before income tax | | 4 591 855 | 4 206 990 |
| Adjustments for non cash items: | | | |
| Impairment allowance on loans and advances | 3.2 | 3 416 405 | 1 001 298 |
| Amortisation | | 162 151 | 141 215 |
| Depreciation | 5 | 798 597 | 674 178 |
| Profit on disposal of property and equipment | | (16 830) | - |
| Net cash generated before changes in operating assets and liabilities | | 8 952 178 | 6 023 681 |
| Increase in financial assets held to maturity | | (22 785 175) | - |
| Increase in financial assets held at fairvalue through profit or loss | | (146 494) | - |
| Decrease/(increase) in loans and advances to customers | | 12 117 923 | (2 789 300) |
| Increase in prepayments and other assets | | (1 077 568) | (220 085) |
| Decrease/(increase) in amounts due from group companies | | 317 683 | (488 251) |
| Decrease in bonds and debentures | | 5 624 | 2 768 518 |
| Increase in deposits from customers | | 35 025 348 | 7 506 468 |
| Decrease in deposits from other financial institutions | | (11 632 686) | (7 769 507) |
| (Decrease)/increase in other liabilities | | (1 721 767) | 196 283 |
| | | 19 055 066 | 5 227 807 |
| Income tax paid | | (1 562 338) | (2 323 553) |
| Net cash generated from operating activities | | 17 492 728 | 2 904 254 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property and equipment | | 16 830 | - |
| Purchase of intangible assets | | (656 214) | (86 476) |
| Purchase of property and equipment | | (676 290) | (460 970) |
| Net cash used in investing activities | | (1 315 674) | (547 446) |
| Cash flows from financing activities | | | |
| Proceeds from issue of equity instruments | | 1 000 000 | - |
| Proceeds received from lines of credit | | 15 648 926 | 13 782 908 |
| Repayments of lines of credit | | - | (900 000) |
| Net cash generated from financing activities | | 16 648 926 | 12 882 908 |
| Net increase in cash and cash equivalents | | 32 825 980 | 15 239 716 |
| Cash and cash equivalents at beginning of the period | | 86 662 932 | 100 525 672 |
| Cash and cash equivalents at the end of the period | 1 | 119 488 912 | 115 765 388 |

Notes to the Financial Results For the six months ended 30 June 2016

| | | 30 June 2016 US\$ | 31 Dec 2015 US\$ | |
|---|--------------------|----------------------|---------------------|-------------|
| 1 BALANCES WITH BANKS AND CASH | | | | |
| Balances with Reserve Bank of Zimbabwe | | | | |
| Current account balances | | 88 744 682 | 56 928 288 | |
| Balances with other banks and cash | | | | |
| Nostro accounts | | 5 069 591 | 5 860 036 | |
| Notes and coins | | 2 720 505 | 11 252 322 | |
| Other bank balances | | 22 954 134 | 12 622 286 | |
| | | 30 744 230 | 29 734 644 | |
| Cash and cash equivalents | | 119 488 912 | 86 662 932 | |
| 2 FINANCIAL ASSETS HELD TO MATURITY | | | | |
| Open market treasury bills | | 72 409 208 | 49 624 033 | |
| | | 72 409 208 | 49 624 033 | |
| 3 LOANS AND ADVANCES TO CUSTOMERS | | | | |
| Maturing within 1 year | | 76 998 870 | 138 886 662 | |
| Maturing after 1 year but within 5 years | | 135 691 041 | 85 124 083 | |
| Gross carrying amount | | 212 689 911 | 224 010 745 | |
| Impairment allowance (note 3.2) | | (19 313 746) | (15 146 585) | |
| Net loans and advances | | 193 376 165 | 208 864 160 | |
| 3.1 Loans concentration by sector | | | | |
| Sector of the economy | Jun-16 gross total | percentage | Dec-15 gross total | percentage |
| Agriculture | 19 142 092 | 9% | 15 680 752 | 7% |
| Communication | 8 507 596 | 4% | 6 720 322 | 3% |
| Construction | 4 253 798 | 2% | 2 240 107 | 1% |
| Distribution | 27 649 688 | 13% | 29 121 397 | 13% |
| Individuals | 40 411 083 | 19% | 56 002 686 | 25% |
| Local authorities | 17 015 193 | 8% | 20 160 967 | 9% |
| Manufacturing | 51 045 578 | 24% | 53 762 579 | 24% |
| Mining | 21 268 991 | 10% | 13 440 645 | 6% |
| Other services | 10 634 497 | 5% | 11 200 538 | 5% |
| Wholesale | 12 761 395 | 6% | 15 680 752 | 7% |
| Gross value of loans and advances | 212 689 911 | 100% | 224 010 745 | 100% |
| Less allowance for impairment | (19 313 746) | | (15 146 585) | |
| Net loans and advances | 193 376 165 | | 208 864 160 | |
| 3.2 Movement in impairment provision | | | | |
| Balance at the beginning of the period | | 15 146 584 | 19 052 434 | |
| Increase in impairment allowances | | 3 416 405 | 2 054 624 | |
| Increase in interest in suspense | | 750 757 | 1 534 987 | |
| Amounts written off | | - | (7 495 460) | |
| Balance at end period | | 19 313 746 | 15 146 585 | |
| 4 PREPAYMENTS AND OTHER ASSETS | | | | |
| Prepayments | | 1 207 828 | 766 247 | |
| Commission receivable | | 1 711 041 | 1 711 042 | |
| Mastercard collateral | | 850 929 | 706 781 | |
| Recoveries | | 206 293 | 206 293 | |
| Other receivables | | 646 981 | 155 140 | |
| | | 4 623 072 | 3 545 503 | |
| 4.1 Maturity analysis of other assets | | | | |
| Maturing within 1 year | | 2 912 030 | 1 834 461 | |
| Maturing after 1 year but within 5 years | | 1 711 042 | 1 711 042 | |
| | | 4 623 072 | 3 545 503 | |



Unaudited Interim Results for the six months ended 30 June 2016

| | 30 June 2016 US\$ | 31 Dec 2015 US\$ | | |
|--|----------------------|---------------------|--------------------|-------------|
| 5 PROPERTY AND EQUIPMENT | | | | |
| Opening balance | 17 002 459 | 15 474 408 | | |
| Additions | 676 290 | 2 925 619 | | |
| Disposals | (97 872) | (149 166) | | |
| Revaluations | - | - | | |
| Reversal of depreciation on disposal/ revaluation | 51 540 | 149 166 | | |
| Adjustments | - | (25 105) | | |
| Transfer to investment property | - | - | | |
| Depreciation charge for the period | (798 597) | (1 372 463) | | |
| Carrying amount for the period | 16 833 820 | 17 002 459 | | |
| 6 DEPOSITS FROM CUSTOMERS | | | | |
| Amounts due to customers by type: | | | | |
| Demand deposits | 113 487 415 | 85 272 753 | | |
| Promissory notes | 49 394 416 | 37 765 456 | | |
| Time deposits | 47 499 075 | 52 317 349 | | |
| | 210 380 906 | 175 355 558 | | |
| 6.1 Deposits from other financial institutions | | | | |
| Money market deposits | 85 732 545 | 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 | 69 896 854 | 59 970 000 | | |
| The Zimbabwe Agriculture Development Trust ("ZADT") | 1 155 062 | 1 842 854 | | |
| The Reserve Bank of Zimbabwe- Chrome facility | 500 000 | 500 000 | | |
| | 81 551 916 | 65 902 989 | | |
| Total Deposits | 377 665 367 | 338 623 778 | | |
| 6.3 Deposits concentration (excluding lines of credit) | | | | |
| Agriculture | 5 223 951 | 2% | 8 994 141 | 3% |
| Construction | 20 751 895 | 7% | 3 344 344 | 1% |
| Wholesale and retail trade | 80 932 389 | 27% | 48 339 118 | 18% |
| Public sector | 22 827 084 | 8% | 14 571 260 | 5% |
| Manufacturing | 6 563 217 | 3% | 23 104 454 | 9% |
| Telecommunication | 8 300 758 | 3% | 8 157 939 | 3% |
| Transport | 4 150 379 | 1% | 3 547 346 | 1% |
| Individuals | 35 278 221 | 12% | 35 835 609 | 13% |
| Financial services | 85 732 545 | 29% | 97 365 231 | 36% |
| Mining | 13 115 106 | 4% | 21 400 873 | 8% |
| Other | 13 237 906 | 4% | 8 060 474 | 3% |
| | 296 113 451 | 100% | 272 720 789 | 100% |
| 6.4 Maturity analysis (excluding lines of credit) | | | | |
| Maturing within 1 year | 296 113 451 | 272 720 789 | | |
| Maturing after 1 year but within 5 years | - | - | | |
| | 296 113 451 | 272 720 789 | | |
| 7 TRADE AND OTHER PAYABLES | | | | |
| Provisions | 438 413 | 1 544 779 | | |
| Accrued expenses | 211 450 | 276 839 | | |
| Deferred income | 2 548 721 | 3 098 733 | | |
| | 3 198 584 | 4 920 351 | | |
| 8 CAPITAL ADEQUACY | | | | |
| Ordinary Share Capital | 18 501 388 | 18 500 925 | | |
| Share premium | 3 198 612 | 2 199 075 | | |
| Retained profit | 24 151 489 | 20 742 037 | | |
| Capital allocated for market and operational risk | (7 483 399) | (6 890 321) | | |
| Advances to insiders | (2 847 124) | (1 680 404) | | |
| Tier 1 capital | 35 520 966 | 32 871 312 | | |
| Revaluation reserve | 2 028 025 | 1 625 675 | | |
| Tier 2 capital | 2 028 025 | 1 625 675 | | |
| Tier 1 & 2 capital | 37 548 991 | 34 496 987 | | |
| Tier 3 capital allocated for market and operational risk | 7 483 399 | 6 890 321 | | |
| | 45 032 390 | 41 387 308 | | |
| Risk weighted assets | 339 290 270 | 282 449 567 | | |
| Tier 1 Ratio (%) | 10.47% | 11.64% | | |
| Tier 2 Ratio (%) | 0.60% | 0.58% | | |
| Tier 3 Ratio (%) | 2.21% | 2.44% | | |
| Capital adequacy (%) | 13.28% | 14.66% | | |
| 9 INTEREST INCOME | | | | |
| Loans and advances to banks and other financial institutions | 1 369 675 | 1 255 063 | | |
| Loans and advances to customers | 15 385 258 | 18 545 846 | | |
| Banker's acceptances and tradable bills | 4 804 834 | 1 804 568 | | |
| Bonds and debentures | 433 178 | - | | |
| | 21 992 945 | 21 605 477 | | |
| 10 INTEREST EXPENSE | | | | |
| Deposits from other financial institutions | 2 407 309 | 3 279 035 | | |
| Demand deposits | 310 976 | 152 359 | | |
| Lines of credit | 4 779 429 | 4 903 213 | | |
| Time deposits | 2 122 241 | 4 126 942 | | |
| | 9 619 955 | 12 461 549 | | |
| 11 FEES AND COMMISSION INCOME | | | | |
| Retail services fees | 9 360 142 | 8 171 419 | | |
| Corporate banking service fees | 87 724 | 105 100 | | |
| Investment banking fees | 12 615 | 5 297 | | |
| | 9 460 481 | 8 281 816 | | |
| 12 ADMINISTRATION EXPENSES | | | | |
| Operating expenses | 4 571 945 | 4 814 432 | | |
| Staff costs (note 13) | 6 647 134 | 5 421 691 | | |
| Directors' remuneration (note 13.1) | 1 243 466 | 1 047 211 | | |
| Depreciation | 798 597 | 674 178 | | |
| Amortisation | 162 151 | 141 215 | | |
| Operating lease payment | 458 766 | 439 660 | | |
| Audit fees | 192 343 | 191 502 | | |
| | 14 074 402 | 12 729 889 | | |
| 13 STAFF COSTS | | | | |
| Salaries and allowances | 6 064 881 | 4 863 181 | | |
| Social security | 120 500 | 88 378 | | |
| Pension contribution | 461 753 | 470 132 | | |
| | 6 647 134 | 5 421 691 | | |
| 13.1 Directors' remuneration | | | | |
| Board fees | 279 480 | 68 127 | | |
| For services as management | 908 664 | 869 532 | | |
| Other emoluments | 55 322 | 109 552 | | |
| | 1 243 466 | 1 047 211 | | |

| | 30 June 2016 US\$ | 31 Dec 2015 US\$ |
|---|----------------------|---------------------|
| 14 CAPITAL COMMITMENTS | | |
| Capital expenditure authorized but not yet contracted for | 6 337 931 | 7 670 435 |
| 15 CONTINGENT LIABILITIES | | |
| Guarantees and letters of credit | 3 230 276 | 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 | 6 850 248 | 9 010 496 |
| Grade 9: impaired | 887 456 | 1 372 200 |
| Grade 10: impaired | 12 203 047 | 7 458 435 |
| Gross amount, past due and impaired | 19 940 751 | 17 841 131 |
| Allowance for impairment | (13 947 509) | (10 704 573) |
| Carrying amount, past due and impaired | 5 993 242 | 7 136 558 |
| Past due but not impaired | | |
| Grade 4-7: | 80 458 158 | 72 776 083 |
| Neither past due nor impaired | | |
| Grade 1-3: | 112 291 002 | 133 393 531 |
| Gross amount, not impaired | 192 749 160 | 206 169 614 |
| Allowance for impairment | (5 366 237) | (4 442 012) |
| Carrying amount, not impaired | 187 382 923 | 201 727 602 |
| Total carrying amount (loans and advances) | 193 376 165 | 208 864 160 |

| | Up to 3 months US\$ | 3 months to 1 year US\$ | Over 1 year US\$ | Total US\$ |
|--|---------------------------|-------------------------------|------------------------|--------------------|
| 17 LIQUIDITY PROFILING | | | | |
| Liquidity profiling as at 30 June 2016 | | | | |
| On balance sheet items | | | | |
| Liabilities | | | | |
| Deposits from customers | 157 407 134 | 52 973 772 | - | 210 380 906 |
| Deposits from other financial institutions | 82 609 000 | 3 123 545 | - | 85 732 545 |
| Lines of credit | 13 396 854 | 8 155 062 | 60 000 000 | 81 551 916 |
| Current income tax liabilities | 396 575 | - | - | 396 575 |
| Other liabilities | 649 863 | 2 548 721 | - | 3 198 584 |
| Total liabilities - (contractual maturity) | 254 459 426 | 66 801 100 | 60 000 000 | 381 260 526 |
| Assets held for managing liquidity risk | | | | |
| Balances with other banks and cash | 119 488 912 | - | - | 119 488 912 |
| Financial assets held to maturity | 41 619 621 | 12 264 304 | 18 525 283 | 72 409 208 |
| Financial assets at fair value through profit or loss | - | - | 548 844 | 548 844 |
| Loans and advances to customers | 54 171 089 | 49 513 089 | 89 691 987 | 193 376 165 |
| Bonds and debentures | - | - | 8 696 696 | 8 696 696 |
| Other assets (excluding prepayments) | 853 273 | 850 929 | 1 711 042 | 3 415 244 |
| Total assets - (contractual maturity) | 216 132 895 | 62 628 322 | 119 173 852 | 397 935 069 |
| Liquidity gap | (38 326 531) | (4 172 778) | 59 173 852 | 16 674 543 |
| Cumulative liquidity gap - on balance sheet | (38 326 531) | (42 499 309) | 16 674 543 | - |
| Off balance sheet items | | | | |
| Liabilities | | | | |
| Guarantees and letters of credit | - | 3 230 276 | - | 3 230 276 |
| Commitments to lend | 8 235 271 | - | - | 8 235 271 |
| Total liabilities | 8 235 271 | 3 230 276 | - | 11 465 547 |
| Liquidity gap | (46 561 802) | (7 403 054) | 59 173 852 | 5 208 996 |
| Cumulative liquidity gap - on and off balance sheet | (46 561 802) | (53 964 856) | 5 208 996 | - |

| | Up to 3 months US\$ | 3 months to 1 year US\$ | Over 1 year US\$ | Total US\$ |
|--|---------------------------|-------------------------------|------------------------|--------------------|
| Liquidity profiling as at 31 December 2015 | | | | |
| 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 off balance sheet items | (118 468 800) | (54 109 447) | 11 243 848 | - |
| 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 | - |

Shop, swipe and transact with the FBC Card.



#ConnectEngageTransact

FBC Bank App is available on:
Google play App Store

@FBCHoldings

info@fbc.co.zw

www.fbc.co.zw

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

Unaudited Interim Results for the six months ended 30 June 2016

18 INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 30 June 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 | 11 100 000 | 8 600 239 | 3 250 000 | - | - | 96 538 673 | 119 488 912 |
| Financial assets held to maturity | 3 507 493 | 22 621 661 | 15 490 467 | 12 264 304 | 18 525 283 | - | 72 409 208 |
| Financial assets at fairvalue through profit or loss | - | - | - | - | - | 548 844 | 548 844 |
| Loans and advances to customers | 3 421 282 | 9 870 846 | 8 579 575 | 43 077 095 | 108 486 616 | 19 940 751 | 193 376 165 |
| Bonds and debentures | - | - | - | - | 8 696 696 | - | 8 696 696 |
| Prepayments and other assets | - | - | - | - | 1 711 042 | 2 912 030 | 4 623 072 |
| Amounts due from group companies | - | - | - | - | - | 6 253 086 | 6 253 086 |
| Investment property | - | - | - | - | - | 2 447 140 | 2 447 140 |
| Deferred income tax asset | - | - | - | - | - | 3 455 335 | 3 455 335 |
| Intangible assets | - | - | - | - | - | 1 007 762 | 1 007 762 |
| Property and equipment | - | - | - | - | - | 16 833 820 | 16 833 820 |
| Total assets | 18 028 775 | 41 092 746 | 27 320 042 | 55 341 399 | 137 419 637 | 149 937 441 | 429 140 040 |
| Deposits from customers | 8 877 575 | 29 041 057 | 18 457 985 | 51 972 258 | 7 804 972 | 94 227 059 | 210 380 906 |
| Deposits from other financial institutions | 50 895 079 | 11 960 638 | 22 876 828 | - | - | - | 85 732 545 |
| Lines of credit | - | - | - | 21 551 916 | 60 000 000 | - | 81 551 916 |
| Other liabilities | - | - | - | - | - | 3 198 584 | 3 198 584 |
| Current income tax liabilities | - | - | - | - | - | 396 575 | 396 575 |
| Capital and reserves | - | - | - | - | - | 47 879 514 | 47 879 514 |
| Total liabilities | 59 772 654 | 41 001 695 | 41 334 813 | 73 524 174 | 67 804 972 | 145 701 732 | 429 140 040 |
| Interest rate repricing gap | (41 743 879) | 91 051 | (14 014 771) | (18 182 775) | 69 614 665 | 4 235 709 | - |
| Cumulative interest rate repricing gap | (41 743 879) | (41 652 828) | (55 667 599) | (73 850 374) | (4 235 709) | - | - |

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 |
| Investment property | - | - | - | - | - | 2 447 140 | 2 447 140 |
| Deferred income tax asset | - | - | - | - | - | 3 455 335 | 3 455 335 |
| 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 AS AT 30 JUNE 2016

Foreign exchange gap analysis as at 30 June 2016

| Base currency US\$ equivalent | ZAR US\$ | EUR US\$ | BWP US\$ | GBP US\$ | TOTAL US\$ |
|--|----------------|----------------|----------------|-----------------|------------------|
| Assets | | | | | |
| Cash | 230 260 | 43 892 | 29 506 | 10 678 | 314 336 |
| Balances with Reserve Bank Of Zimbabwe | 9 723 | 5 550 | - | - | 15 273 |
| Correspondent nostro balances | 537 853 | 263 614 | 558 123 | 82 493 | 1 442 083 |
| Loans and overdrafts | 54 040 | 1 342 | 184 | - | 55 566 |
| Other assets | 4 167 | 104 | 14 | 81 | 4 366 |
| Total assets | 836 043 | 314 502 | 587 827 | 93 252 | 1 831 624 |
| Liabilities | | | | | |
| Deposits from customers | 578 670 | 232 977 | 357 849 | 118 648 | 1 288 144 |
| Other liabilities | 15 367 | 5 083 | 43 | 92 | 20 585 |
| Total liabilities | 594 037 | 238 060 | 357 892 | 118 740 | 1 308 729 |
| Net currency position | 242 006 | 76 442 | 229 935 | (25 488) | 522 895 |

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 |
| Balances with Reserve Bank Of Zimbabwe | - | - | - | - | - |
| Correspondent nostro balances | 395 689 | 131 907 | 249 714 | 123 818 | 901 128 |
| Loans and overdrafts | 50 475 | 1 535 | 69 | 31 | 52 110 |
| 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.

| 30 June 2016 | | | | Value at risk (95% confidence level) | |
|------------------|----------------------------|----------------|------------------|--------------------------------------|----------------------|
| Asset class | Type of risk | Present value | Portfolio weight | 1-day holding period | 5-day holding period |
| Currency | Exchange rate | 453 281 | 100% | 8 644 | 19 328 |
| | Total portfolio VaR | 453 281 | 100% | 8 644 | 19 328 |
| 31 December 2015 | | | | | |
| Asset class | Type of risk | Present value | Portfolio weight | 1-day holding period | 5-day holding period |
| 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.

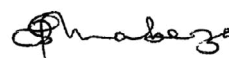
23 BOARD ATTENDANCE

| NAME | Executive ("E") / Non Executive Director ("NE") | 2016 MAIN BOARD | |
|----------------------------|---|-----------------|-----------|
| | | QUARTER 1 | QUARTER 2 |
| Takabvukure 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
X - Absent
N/A - not applicable because board member had resigned prior to the meetings

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

By Order of the Board



Tichaona Kudakwashe Mabeza
Company Secretary
24 August 2016

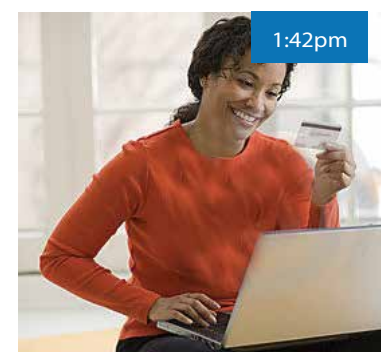
A day made simple with FBC...



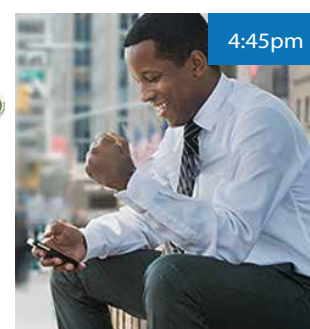
Supplier paid via internet banking...



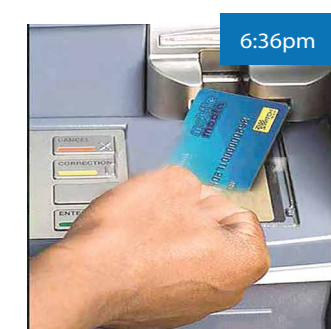
Shopping done using FBC point of sale card...



School fees paid for in the comfort of your home...



Confirmation of salary via FBC Mobile App...



Check bank statement using FBC ATM...



Get pre-paid Zesa with FBC Mobile App...

YouTube | LinkedIn | Facebook | Twitter | @FBCHoldings

FBC Bank App is available on Google play | App Store

So easy... So simple...

#ConnectEngage Transact

info@fbc.co.zw

www.fbc.co.zw

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

Unaudited Interim Results for the six months ended 30 June 2016

Statement Of Financial Position as at 30 June 2016

| | Notes | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|-------------------------------------|-------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 1 | 57 630 852 | 55 523 967 |
| Financial assets held to maturity | 2 | 9 199 519 | - |
| Loans and advances to customers | 3 | 58 971 619 | 57 996 110 |
| Inventory | 4 | 5 606 776 | 6 112 654 |
| Other assets | 5 | 215 423 | 499 063 |
| Investment property | | 25 000 | 25 000 |
| Intangible assets | 6 | 120 286 | 157 839 |
| Property and equipment | 7 | 4 393 193 | 4 439 627 |
| Total assets | | 136 162 668 | 124 754 260 |
| LIABILITIES | | | |
| Deposits from banks | 8.1 | 27 447 956 | 31 427 450 |
| Deposits from customers | 8.2 | 61 646 061 | 50 157 622 |
| Borrowings | 8.3 | 3 434 575 | 3 735 164 |
| Other liabilities | 9 | 5 945 147 | 4 404 040 |
| Total liabilities | | 98 473 739 | 89 724 276 |
| EQUITY | | | |
| Share capital | | 156 175 | 156 175 |
| Share premium | | 11 110 424 | 11 110 424 |
| Revaluation reserves | | 93 915 | 93 915 |
| Accumulated surplus | | 26 328 415 | 23 669 470 |
| Total equity | | 37 688 929 | 35 029 984 |
| Total equity and liabilities | | 136 162 668 | 124 754 260 |

Statement of Comprehensive Income For the six months ended 30 June 2016

| | Notes | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|--|-------|-----------------------------------|-----------------------------------|
| Interest income | 10 | 6 619 833 | 6 054 936 |
| Interest expense | 11 | (2 322 856) | (2 840 212) |
| Net interest income | | 4 296 977 | 3 214 724 |
| Revenue property sales | | 3 214 051 | 3 304 882 |
| Cost of sales | | (3 088 129) | (2 301 195) |
| Net income from property sales | | 125 922 | 1 003 687 |
| Fees and commission income | | 2 815 188 | 2 299 419 |
| Fees and commission expense | | (39 027) | (37 216) |
| Net fees and commission income | | 2 776 161 | 2 262 203 |
| Other income | 12 | 80 434 | 103 763 |
| Total net income | | 7 279 494 | 6 584 377 |
| Impairment on loans and advances | 3.2 | (401 608) | (305 140) |
| Operating expenses | 13 | (3 167 533) | (3 158 207) |
| Total operating expenses | | (3 569 141) | (3 463 347) |
| Surplus for the period | | 3 710 353 | 3 121 030 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 3 710 353 | 3 121 030 |

Statement Of Changes In Equity For the six months ended 30 June 2016

| | Share capital US\$ | Share premium US\$ | Revaluation reserve US\$ | Accumulated surplus US\$ | Total US\$ |
|---|--------------------------|--------------------------|--------------------------------|--------------------------------|-------------------|
| Half year ended 30 June 2016 | | | | | |
| Balance as at 1 January 2016 | 156 175 | 11 110 424 | 93 915 | 23 669 470 | 35 029 984 |
| Surplus for the period | - | - | - | 3 710 353 | 3 710 353 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 3 710 353 | 3 710 353 |
| Transactions with owners recorded directly in equity | - | - | - | (1 051 408) | (1 051 408) |
| Dividend paid | - | - | - | - | - |
| Shareholders equity as at 30 June 2016 | 156 175 | 11 110 424 | 93 915 | 26 328 415 | 37 688 929 |
| Half year ended 30 June 2015 | | | | | |
| Balance as at 1 January 2015 | 156 175 | 11,110,424 | 93,915 | 18,392,295 | 29 752 809 |
| Surplus for the period | - | - | - | 3 121 030 | 3 121 030 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 3 121 030 | 3 121 030 |
| Transactions with owners recorded directly in equity | - | - | - | - | - |
| Shareholders equity as at 30 June 2015 | 156 175 | 11 110 424 | 93 915 | 21 513 325 | 32 873 839 |

Statement of Cash Flows For the six months ended 30 June 2016

| | Notes | Unaudited 30 June 2016 US\$ | Unaudited 30 June 2015 US\$ |
|---|-------|-----------------------------------|-----------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Surplus for the period | | 3 710 353 | 3 121 030 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 7 | 122 328 | 89 348 |
| Amortisation of intangible assets | 6 | 37 553 | 34 741 |
| Loss/ (profit) on disposal of property and equipment | | 7 133 | (882) |
| Impairment on loans and advances | 3.2 | 401 608 | 305 140 |
| Net cash generated before changes in working capital | | 4 278 975 | 3 549 377 |
| Increase in financial assets held to maturity | | (9 199 519) | - |
| Increase in loans and advances to customers | | (1 377 117) | (219 037) |
| Decrease/(increase) in inventory | | 505 878 | (480 846) |
| Decrease/(increase) in other assets | | 286 081 | (1 574 742) |
| Decrease in deposits from banks | | (3 979 494) | (6 001 934) |
| Increase in deposits from customers | | 11 488 439 | 1 320 082 |
| Decrease in other liabilities | | 1 541 107 | 1 346 963 |
| Net cash inflow/(outflow) from operating activities | | 3 544 350 | (2 060 137) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 7 | (91 784) | (16 651) |
| Purchase of intangible assets | 6 | - | (84 353) |
| Proceeds from disposal of property and equipment | | 8 757 | 8 000 |
| Net cash used in investing activities | | (83 027) | (93 004) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Borrowings repayment | | (303 030) | (295 155) |
| Dividend paid | | (1 051 408) | - |
| Net cash used in financing activities | | (1 354 438) | (295 155) |
| Net increase/(decrease) in cash and cash equivalents | | 2 106 885 | (2 448 296) |
| Cash and cash equivalents at the beginning of the period | | 55 523 967 | 50 219 722 |
| Cash and cash equivalents at the end of the period | 1 | 57 630 852 | 47 771 426 |

Notes to the Financial Results For the six months ended 30 June 2016

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|---|-----------------------------------|--------------------------------|
| 1. CASH AND CASH EQUIVALENTS | | |
| Cash on hand | 240 098 | 956 590 |
| Cash at bank | 2 356 304 | 824 615 |
| Interbank short term investments | 55 034 450 | 53 742 762 |
| 57 630 852 | 55 523 967 | |
| 2. FINANCIAL ASSETS HELD TO MATURITY | | |
| Treasury bills | 9 199 519 | - |
| 9 199 519 | - | |
| 3. LOANS AND ADVANCES TO CUSTOMERS | | |
| Short term loan advances | 25 201 620 | 24 831 765 |
| Mortgage loan advances | 36 637 477 | 35 540 105 |
| Gross loans and advances to customers | 61 839 097 | 60 371 870 |
| Allowance for impairment | (2 867 478) | (2 375 760) |
| Net loans and advances to customers | 58 971 619 | 57 996 110 |
| 3.1 Maturity analysis of loans and advances | | |
| Up to 1 month | 1 721 927 | 1 701 642 |
| 1 month to 3 months | 3 443 854 | 3 403 283 |
| 3 months to 1 year | 11 760 526 | 11 624 697 |
| 1 year to 5 years | 23 588 648 | 23 580 836 |
| Over 5 years | 18 456 664 | 17 685 652 |
| 58 971 619 | 57 996 110 | |
| 3.2 Movement in impairment allowance on loans and advances | | |
| Balance at beginning of the period | 2 375 760 | 1 748 261 |
| Impairment charge for the period | 401 608 | 636 560 |
| Suspended interest | 90 110 | 153 191 |
| Amounts written off during the period | - | (162 252) |
| 2 867 478 | 2 375 760 | |
| 3.3 Exposure to credit risk | | |
| Carrying amount | 58 971 619 | 57 996 110 |
| Past due and impaired | | |
| Grade 8: Impaired | 507 081 | 501 087 |
| Grade 9: Impaired | 674 046 | 482 975 |
| Grade 10: Impaired | 4 056 645 | 4 117 362 |
| Gross carrying amount | 5 237 772 | 5 101 424 |
| Allowance for impairment | (1 617 642) | (1 215 796) |
| Carrying amount | 3 620 130 | 3 885 628 |
| Neither past due nor impaired | | |
| Grades 1-3: low fair risk | 44 850 877 | 45 721 616 |
| Grades 4-7: watch list | 11 750 448 | 9 548 830 |
| Gross carrying amount | 56 601 325 | 55 270 446 |
| Allowance for impairment | (1 249 836) | (1 159 964) |
| Carrying amount | 55 351 489 | 54 110 482 |
| Total carrying amount | 58 971 619 | 57 996 110 |
| 4. INVENTORY | | |
| Raw materials | 135 026 | 274 442 |
| Work in progress | 1 544 668 | 4 039 788 |
| Completed units | 3 927 082 | 1 798 424 |
| 5 606 776 | 6 112 654 | |
| 5. OTHER ASSETS | | |
| Prepayments | 48 852 | 96 232 |
| Other | 166 571 | 402 831 |
| 215 423 | 499 063 | |
| 6. INTANGIBLE ASSETS | | |
| Opening net carrying amount | 157 839 | 145 781 |
| Additions | - | 84 353 |
| Amortisation charge | (37 553) | (72 295) |
| Closing net carrying amount | 120 286 | 157 839 |
| 7. PROPERTY AND EQUIPMENT | | |
| Cost | | |
| Carrying amount at beginning of the period | 4 439 627 | 4 457 131 |
| Gross carrying amount | 5 216 436 | 5 086 629 |
| Accumulated depreciation and impairment | (776 809) | (629 498) |
| Net carrying amount at beginning of the period | 4 439 627 | 4 457 131 |
| Additions | 91 784 | 156 713 |
| Disposals | (15 890) | (7 116) |
| Depreciation for the period | (122 328) | (167 101) |
| Carrying amount at end of the period | 4 393 193 | 4 439 627 |

MASOTSHA NDLOVU PHASE 5, WATERFALLS



**NOW SELLING,
OFF PLAN!**

Mortgage Facility Available

Unaudited Interim Results for the six months ended 30 June 2016

| | Unaudited 30 June 2016 US\$ | Audited 31 Dec 2015 US\$ |
|---|-----------------------------------|--------------------------------|
| 8. DEPOSITS AND BORROWINGS | | |
| 8.1 Deposits from banks | | |
| Money market deposits | 27 447 956 | 31 427 450 |
| | 27 447 956 | 31 427 450 |
| 8.2 Deposits from customers | | |
| Retail savings deposits | 7 706 418 | 6 123 490 |
| Money market deposits | 53 939 643 | 44 034 132 |
| | 61 646 061 | 50 157 622 |
| 8.3 Borrowings | | |
| Offshore borrowings | 3 434 575 | 3 735 164 |
| | 3 434 575 | 3 735 164 |
| Total deposits and borrowings | 92 528 592 | 85 320 236 |
| 8.4 Maturity analysis of deposits and borrowings | | |
| Up to 1 month | 58 022 429 | 60 787 219 |
| 1 month to 3 months | 26 210 041 | 15 885 092 |
| 3 months to 1 year | 547 774 | 454 545 |
| Over 1 year | 7 748 348 | 8 193 380 |
| | 92 528 592 | 85 320 236 |
| 9 OTHER LIABILITIES | | |
| Trade and other payables | 2 869 465 | 1 722 181 |
| Deferred income | 979 238 | 976 613 |
| Provisions | 2 096 444 | 1 705 246 |
| | 5 945 147 | 4 404 040 |
| 10. INTEREST INCOME | | |
| Loans and advances to customers | 4 914 660 | 4 144 750 |
| Money market investments | 1 705 173 | 1 910 186 |
| | 6 619 833 | 6 054 936 |
| 11. INTEREST EXPENSE | | |
| Deposits from banks | 722 149 | 780 277 |
| Deposits from customers - retail savings | 53 745 | 61 884 |
| Offshore borrowings | 215 478 | 243 400 |
| Deposits from customers - time deposits | 1 331 484 | 1 754 651 |
| | 2 322 856 | 2 840 212 |
| 12. OTHER INCOME | | |
| Rent received | 74 649 | 86 575 |
| (Loss)/ profit on disposal of property and equipment | (7 133) | 882 |
| Other | 12 918 | 16 306 |
| | 80 434 | 103 763 |
| 13. OPERATING EXPENSES | | |
| Administration expenses | 764 063 | 743 069 |
| Personnel expenses | 2 167 783 | 2 230 300 |
| Directors fees | 75 806 | 60 749 |
| Depreciation and amortisation | 159 881 | 124 089 |
| | 3 167 533 | 3 158 207 |

14. LIQUIDITY RISK

Contractual maturity profile of assets and liabilities 30 June 2016

| | Up to 30 days US\$ | 31-90 days US\$ | 91-180 days US\$ | 181-365 days US\$ | 1 to 5 years US\$ | Over 5 years US\$ | Total US\$ |
|-----------------------------------|-----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|--------------------|
| Liabilities | | | | | | | |
| Deposits from banks | 25 943 532 | 1 504 424 | - | - | - | - | 27 447 956 |
| Deposits from customers | 32 078 897 | 24 554 102 | 93 229 | - | 4 919 833 | - | 61 646 061 |
| Borrowings | - | 151 515 | 151 515 | 303 030 | 2 828 515 | - | 3 434 575 |
| Other liabilities | 1 465 203 | 1 646 348 | 454 620 | 1 302 801 | 1 076 175 | - | 5 945 147 |
| Total liabilities | 59 487 632 | 27 856 389 | 699 364 | 1 605 831 | 8 824 523 | - | 98 473 739 |
| Assets | | | | | | | |
| Cash and cash equivalents | 48 611 167 | 9 019 685 | - | - | - | - | 57 630 852 |
| Financial assets held to maturity | - | - | 2 112 371 | 6 412 741 | 674 407 | - | 9 199 519 |
| Loans and advances to customers | 1 721 927 | 3 443 854 | 4 451 299 | 7 309 227 | 23 588 648 | 18 456 664 | 58 971 619 |
| Total assets | 50 333 094 | 12 463 539 | 6 563 670 | 13 721 968 | 24 263 055 | 18 456 664 | 125 801 990 |
| Liquidity gap | (9 154 538) | (15 392 850) | 5 864 306 | 12 116 137 | 15 438 533 | 18 456 664 | 27 328 252 |
| Cumulative liquidity gap | (9 154 538) | (24 547 388) | (18 683 082) | (6 566 945) | 8 871 588 | 27 328 252 | - |

15. INTEREST RATE RISK

Interest rate repricing gap 30 June 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 | 46 014 765 | 9 019 685 | - | - | - | 2 596 402 | 57 630 852 |
| Financial assets held to maturity | - | - | 2 112 371 | 6 412 741 | 674 407 | - | 9 199 519 |
| Loans and advances to customers | 36 389 482 | 2 291 582 | 2 555 995 | 4 847 577 | 12 886 983 | - | 58 971 619 |
| Inventory | - | - | - | - | - | 5 606 776 | 5 606 776 |
| Other assets | - | - | - | - | - | 215 423 | 215 423 |
| Investment property | - | - | - | - | - | 25 000 | 25 000 |
| Intangible assets | - | - | - | - | - | 120 286 | 120 286 |
| Property and equipment | - | - | - | - | - | 4 393 193 | 4 393 193 |
| Total assets | 82 404 247 | 11 311 267 | 4 668 366 | 11 260 318 | 13 561 390 | 12 957 080 | 136 162 668 |
| Liabilities | | | | | | | |
| Deposits from banks | 25 943 532 | 1 504 424 | - | - | - | - | 27 447 956 |
| Deposits from customers | 36 998 730 | 24 554 102 | 93 229 | - | - | - | 61 646 061 |
| Borrowings | 3 434 575 | - | - | - | - | - | 3 434 575 |
| Other liabilities | - | - | - | - | - | 5 945 147 | 5 945 147 |
| Equity | - | - | - | - | - | 37 688 929 | 37 688 929 |
| Total liabilities | 66 376 837 | 26 058 526 | 93 229 | - | - | 43 634 076 | 136 162 668 |
| Interest rate repricing gap | 16 027 410 | (14 747 259) | 4 575 137 | 11 260 318 | 13 561 390 | (30 676 996) | - |
| Cumulative interest rate repricing gap | 16 027 410 | 1 280 151 | 5 855 288 | 17 115 606 | 30 676 996 | - | - |

| | Unaudited 30 June 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 |
| Accumulated surplus | 26 328 415 | 23 669 470 |
| Capital allocated for market and operational risk | (1 406 234) | (1 685 134) |
| Advances to insiders | (118 855) | - |
| Total core capital | 36 069 925 | 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 | 1 406 234 | 1 685 134 |
| Core capital plus supplementary capital | 37 570 074 | 35 029 984 |
| Total risk weighted assets | 83 319 280 | 86 155 979 |
| Tier 1 capital ratio | 43% | 39% |
| Tier 2 capital ratio | 0% | 0% |
| Tier 3 capital ratio | 2% | 2% |
| Capital adequacy ratio | 45% | 41% |
| 17. CAPITAL COMMITMENTS | | |
| Capital expenditure authorised not yet undertaken | 1 338 216 | 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

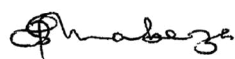
| RAS component | Latest RAS rating 30 June 2014 |
|-------------------------------------|--------------------------------|
| Overall inherent risk | Moderate |
| Overall risk management systems | Acceptable |
| Overall composite risk | Moderate |
| Direction of overall composite risk | Stable |

19. BOARD ATTENDANCE

| Board member | Main Board | | Board Audit | | Board HR | | Board Finance & ALCO | | Board Risk & Compliance | | Board Credit | | Board Loans Review | |
|----------------------|------------|----|-------------|-----|----------|-----|----------------------|-----|-------------------------|-----|--------------|-----|--------------------|-----|
| | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 |
| Benjamin Kumalo | ✓ | ✓ | n/a | n/a | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a | n/a | ✓ | ✓ |
| Felix Gwandekwande | ✓ | X | n/a | n/a | ✓ | n/a | ✓ | ✓ | n/a | n/a | ✓ | ✓ | n/a | n/a |
| Oliver Gwaze | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a | n/a | ✓ | ✓ | n/a | n/a | ✓ | ✓ |
| Marah Hativagone | ✓ | ✓ | ✓ | X | n/a | n/a | ✓ | ✓ | n/a | n/a | ✓ | ✓ | n/a | n/a |
| Agnes Kanhukamwe | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Hashmon Matemera | ✓ | ✓ | n/a | n/a | n/a | n/a | ✓ | ✓ | ✓ | ✓ | n/a | n/a | ✓ | ✓ |
| Kennard C. Muranda | ✓ | ✓ | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a | n/a | ✓ | ✓ | n/a | n/a |
| John Mushayavanhu | ✓ | ✓ | n/a | n/a | ✓ | ✓ | ✓ | ✓ | n/a | n/a | n/a | n/a | ✓ | ✓ |
| Christopher Y Muyeye | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a | n/a |
| Pius Rateiwa | ✓ | ✓ | n/a | n/a | n/a | ✓ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Webster Rusere | ✓ | ✓ | n/a | n/a | n/a | n/a | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | n/a |

Key: ✓ - Attended, x - Apologies, n/a - not applicable

By order of the Board



Tichaona K. Mabeza
GROUP COMPANY SECRETARY
24 August 2016



Chaplin Road, Greendale

Make the best investment for you and your family
MORTGAGE FACILITY AVAILABLE!!!

Chaplin Road, Greendale
Cash Price \$218 000
Mortgage Price \$230 000
Deposit 25% Plus VAT \$ 54 503
Monthly Repayment \$ 2 709

Landline: (04) 797 904, 772 732, 791 804
Mobile Numbers: 0771 402 186, 0772 794 111, 0775 196 610, 0712 426 149
www.fbc.co.zw
0100@fbc.co.zw

FBC Building Society
(Registered Commercial Bank)
Member of FBC Group