2018

ANNUAL REPORT

FBC Holdings Limited

strength • diversity • service

2018

Annual Report Table of contents

OVERVIEW

About This Report

This integrated annual report was prepared for FBC Holdings and its subsidiaries.

This annual report can be viewed at
www.fbc.co.zw

Group Structure

FBC Holdings Limited

strength • diversity • service

Consumer and Investment Banking Services				Insurance Services	
FBC Bank Limited	FBC Building Society	MicroPlan Financial Services (Pvt) Limited	FBC Securities (Private) Limited	FBC Reinsurance Limited	FBC Insurance Company Limited
100%	100%	100%	100%	100%	95%
Commercial Banking + Advisory Services + Factoring Services + Custodial Services	Mortgage Finance + Property Development	Micro Finance Services	Equities Trading + Sponsoring Broker	Short Term Reinsurance + Life & Health Re-Assurance	Non-Life Insurance + Medical Insurance + Life Insurance

The FBC Footprint

Our Pillars of Strength

Core Values	Governance	Our Team	Social Impact & Financial Inclusion
Integrity	7 Boards of Directors in the Group	±527 Permanent Employees	+500 Construction Jobs
Teamwork	Independent Chairpersons	+79% Aged <45 years	+600 Agencies
Commitment	28 Non-Executive Directors	47% Female Employees	9 Rural out of 20 Microfinance Branches
Communication	21 Executive Directors	± 301 on Attachment & Internships	600 000 clients Group wide HCP Subcribers +100 000
Life-long learning and Entrepreneurship			270 974 Mobile Banking Subscribers

Our Promise to Our Stakeholders

Clear Purpose	To be Trendsetters in Financial & Risk Management		
Strategic Priorities	New Business Development	Risk Management & Compliance	e-Commerce & Operational Efficiencies
Strong Foundation	Adequate Capital	Appropriate Skills Mix	Robust IT Systems
Responsible Corporate Citizen	Environmental Management	Social Impact Management	Strong Governance

Strong Earnings Capacity

+

Stable & Sustainable ROE

+

Consistent Dividend Pay-out

+

Consistent Sustainability & Growth Strategy

General Information/continued

Registered Office
6th Floor FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe

Telephone	: +263-0242-700312/797770
	: +263-0242-708071/2
Telex	: 24512 FIRSTB ZW
Swift	: FBCPZWHA
Fax	: +263-0242-700761
E-mail	: info@fbc.co.zw
Website	: http://www.fbc.co.zw

Transfer Secretaries
First Transfer Secretaries (Private) Limited
1 Armagh Avenue, Eastlea
P.O. Box 11 Harare

Telephone	: +263-0242-782869
Mobile	: +263 772146157/8

Independent Auditor
Deloitte & Touche
West Block, Borrowdale Office Park
Borrowdale Road
Harare
P.O. Box 267, Harare

Telephone	: +263-0867700261
Fax	: +263-0242-852130

Attorneys
Dube Manikai & Hwacha Legal Practitioners
Eastgate Building
6th Floor, Goldbridge, Southwing
Corner Sam Nujoma Street and Robert Mugabe Road
P.O. Box CR 36, Cranborne, Harare

Telephone	: +263-0242-780351/2

Costa & Madzonga Legal Practitioners
10 York Avenue, Newlands
P.O. Box CY1221, Causeway, Harare

Telephone	: +263-08644133638/9

FBC Bank Limited

Belgravia Private Banking Branch
No. 2 Lanark Road, Belgravia
P.O. Box A852, Avondale, Harare

Telephone	: +263-0242-251975
	: +263-0242-251976
Fax	: +263-0242-253556

Chinhoyi Branch
Stand 5309 Magamba Way
P.O. Box 1220, Chinhoyi

Telephone	: +263-067-24086
Fax	: +263-067-26162

FBC Bank Limited (Continued)

Bulawayo Avenue Branch
Asbestos House
Jason Moyo Avenue
P.O. Box 2910, Bulawayo

Telephone	: +263-029-76079
	: +263-029-76371
Fax	: +263-029-67536

Masvingo Branch
FBC House
179 Robertson Street, Masvingo

Telephone	: +263-039-264118-9
	: +263-039-264415-6
	: +263-039-262671
Fax	: +263-039-262912

Gweru Branch
71 Sixth Street
P.O. Box 1833, Gweru

Telephone	: +263-054-26491
	: +263-054-26493
	: +263-054-26497
Fax	: +263-054-26498

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 1227, Harare

Telephone	: +263-0242-700312
	: +263-0242-797761-6
Fax	: +263-0242-7008071/2

Kwekwe Branch
44a/b Robert Mugabe Way
P.O. Box 1963, Kwekwe

Telephone	: +263-055-24116
	: +263-055-24160
Fax	: +263-055-24208

Mutare Branch
101 A Herbert Chitepo Avenue
P.O. Box 2797, Mutare

Telephone	: +263-020-62586
	: +263-020-62114
Fax	: +263-020-60543

Nelson Mandela Avenue Branch
Nelson Mandela Avenue
P.O. Box BE 818, Belvedere, Harare

Telephone	: +263-0242-750946
	: +263-0242-753608
Fax	: +263-0242-775395

General Information/continued

FBC Bank Limited (Continued)

Southerton Branch
11 Highfield Junction Shop
P.O. Box St495, Southerton, Harare
Telephone : +263-0242-759712
: +263-0242-759392
Fax : +263-0242-759567

Zvishavane Branch
98 Robert Mugabe Way
P.O. Box 91, Zvishavane
Telephone : +263-039-2176
: +263-039-2177
Fax : +263-039-3327

Chitungwiza Branch
No 197 Tilcor Township, Seke
Chitungwiza
Telephone : +263-0242-30212
: +263-0242-31016

Samora Machel Avenue Branch
Old Reserve Bank Building
76 Samora Machel Avenue
P.O. Box GD 450, Greendale, Harare
Telephone : +263-0242-700372
: +263-0242-700044
Fax : +263-0242-793799

Victoria Falls Branch
Shop 4 Galleria De Falls
P.O. Box 225, Victoria Falls
Telephone : +263-083-45995/6
Fax : +263-083-5995/6

Msasa Branch
104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare
Telephone : +263-0242-446806
Fax : +263-0242-446815

Beitbridge Branch
1454 NSSA Complex
Telephone : +263-085-23196
: +263-085-23198

Bulawayo Private Branch
Asbestos Harare
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : +263-029-76079
: +263-029-76371
: +263-029-67536

FBC Bank Limited (Continued)

Graniteside and SME Branch
Number 1 Crawford Road
Graniteside, Harare
Telephone : +263-0242-710326
: +263-0242-710327
: +263-0242-710328

Borrowdale Branch
Unit 122-125, Sam Levy's Village
Borrowdale, Harare
Telephone : +263-0242-850911
: +263-0242-850912
: +263-0242-850913

FBC Reinsurance Limited

Head Office
4th Floor, FBC Centre
45 N Mandela Avenue
P.O. Box 4282, Harare
Telephone :+263-0242-772703/7
Fax :+263-0242-772701

Bulawayo Office
1st Floor Asbestos House
Jason Moyo Avenue
P.O. Box 2199, Bulawayo
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Fax :+263-029-888560

FBC Insurance Company Limited

Head Office
Eagle House
105 Jason Moyo Avenue, Harare
Telephone :263-0242-708212
Fax :263-0242-797135

Mutare Branch
Manica Chambers
2nd Avenue Road, Mutare
Telephone :263-020-65723
Fax :263-020-63079/65722

Bulawayo Branch
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone :263-029-71791/4
Fax :263-029-76224

General Information/continued

FBC Building Society

Leopold Takawira Branch
FBC House
113 Leopold Takawira
P.O. Box 4041, Harare
Telephone : +263-0242-756811-6
Fax : +263-0242-772747

Gweru Branch
Impala Seeds Building
69B 6th Street
P.O. Box 1345, Gweru
Telephone : +263-054-226189
: +263-054-223586
Fax : +263-054-226189

Bulawayo Branch
FBC House
Corner R. Mugabe Way and 11th Avenue
Bulawayo
Telephone : +263-029-79504/68679
: +263-029-64547/69925/48
Fax : +263-029-74069

FBC Centre Branch
45 Nelson Mandela Avenue
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Telephone : +263-0242-707057
Fax : +263-0242-783440

Mutare Branch
FBC House
101 A Herbert Chitepo Avenue
P.O. Box 1224, Mutare
Telephone : +263-020-65894
: +263-020-65897/8
Fax : +263-020-66723

Masvingo Branch
FBC House
179 Robertson Street, Masvingo
Telephone : +263-039-62671/821/912
Fax : +263-039-65876

FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone : 263-0242-797761-6 / 700373

Microplan Financial Services (Private) Limited

Head Office
4th Floor, FBC House
113 Leopold Takawira, Harare
Telephone : +263-0242-772745/772729
Fax : N/A

Bulawayo Branch
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
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Chiredzi Branch
349 Chilonga Drive, Chiredzi
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Mobile : +263 731 772 750 / +263 772 527 147

Mutare Branch
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Mutare
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Microplan Financial Services (Private) Limited (Continued)

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Masvingo Branch
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Mobile : +263-736462940
Telephone : +263-039-262912

Gwanda Branch
Stand 623 Nkala Complex
Soudan Street, Gwanda
Telephone : +263-084-24296

Gweru Branch
Office Number 15, Moonlight Building,
5th Street, Gweru
Mobile : +263 732 772 745
Landline : +263-054-224524

Bindura Branch
846 Chenjerai Hunzvi Street, Bindura
Telephone : +263-066-6581

Chinhoyi Office
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6/7 Cilling Street
Kadoma

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Stand 9 Robert Mugabe Avenue, Rusape
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Mt Darwin Office
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Telephone : +263 731 772 733
: +263 773 396 657

Hauna Office
Stand 107, Hauna Growth Point, Mutasa
Telephone : +263 731 772 735

Guruve Office
Stand 1409, Guruve Business Centre, Guruve
Telephone : +263 731 772 736

Hwange
Shop Number 101D, 22-23 Coronation Drive, Hwange
Direct : +263 731 772 747
CELL : +263 778 942 055

Zvishavane Office
Office 14 Makairos Building, 97 R. G Mugabe Way,
Zvishavane
Phone : +263 774 381 574

Beitbridge Branch
NSSA Complex, Beitbridge, Zimbabwe
Direct line : +263 286 22197 / +263 778 203 776
+263 713 492 811 / +263 731 772 748

Report Profile

FBC Holdings is once again pleased to present its annual integrated financial statements including sustainability reporting on the Group's non-financial performance for the period ended 31 December 2018. The reporting cycle is annual with the last report having been published in April 2018.

The sustainability report is FBC Holdings' third report prepared with reference to the Global Reporting Initiative Standards. The report captures the Group's material issues for the business and its stakeholders in the following impact categories: social, environmental and economic performance. The Group will continue to improve and strengthen its sustainability strategy and reporting framework in accordance with the Group's broader strategic objectives that seek to promote a sustainable business model and unlock long term value for its stakeholders and future generations.

The Group welcomes the opinions of all its stakeholders both within and outside the Group and believes in proactive stakeholder engagement in order to appreciate fundamental stakeholder needs and desires. This approach enhances its ability to proffer tailored market leading service delivery solutions to its diverse stakeholders. Engagements with our stakeholders are done through various platforms including client networking events, customer surveys, formal meetings and text chats via Facebook and WhatsApp.

If you would like to provide the Group with further feedback regarding the contents of this report please feel free to contact Tichaona Mabeza via email on: tichaona.mabeza@fbc.co.zw.

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Financial Highlights
For the year ended 31 December 2018

	31-Dec-18 US$	31-Dec-17 US$
Consolidated statement of comprehensive income		
Profit before income tax	54 646 473	29 303 554
Profit for the year	44 435 443	23 248 230
Consolidated statement of financial position		
Total equity	178 711 967	144 555 936
Total assets	1 113 976 719	712 437 485
Share statistics		
Shares in issue - actual (m)	672	672
Shares in issue - weighted (m)	639	640
Basic earnings per share - (US cents)	6.95	3.62
Diluted earnings per share - (US cents)	6.95	3.62
Headline earnings per share - (US cents)	6.95	3.63
Dividend per share - ordinary (US cents)	1.21	1.07
Closing share market price - (US cents)	35.0	20.0
Ratios		
Return on shareholders equity	25%	16%
Cost to income ratio	62%	72%

Group Chairman’s statement

Financial Highlights

- Group profit before income tax up 86% to US$54.6 million.
- Group profit after tax increased by 91% to US$44.4 million.
- Cost to income ratio improved to 62% from 72%.
- Basic earnings per share registered a 92% growth to 6.95 US cents per share.
- Net asset value increased by 32% to 28.44 US cents per share.
- Total shareholders’ equity increased by 24% to US$178.3 million.
- Group total assets increased by 56% to US$1.1 billion.
- Return on equity improved to 25% from 16%.
- Final dividend proposed RTGS$6.2 million, excluding an interim dividend of US$2 million paid in September 2018.

Group Chairman's statement/continued

Financial Performance Review

I am pleased to present the 2018 full year financial performance for FBC Holdings Limited. Our 2018 financial performance is a reflection of the continued success of our diversified business model which has enabled us to continue bolstering our performance.

The 2018 Group profit before tax of US$54.6 million was 86% ahead of last year's comparative amount of US$29.3 million and the Group profit after tax of US$44.4 million was 91% better than last year's amount of US$23.2 million, culminating in a return on equity of 25%.

Total net income for the Group was up 39% to US$145.9 million, with strong growth being registered in all the major revenue streams driven by a commendable product penetration of the market. Net interest income was up 41% to US$65.2 million from US$46.1 million, while net fees and commissions income also increased by 35% from US$31.6 million to US$42.8 million. Performance of our property development operations was also stronger this year, as evidenced by the 112% growth in our gross profit to US$2.5 million from prior year. Despite the challenges weighing down the insurance sector in Zimbabwe, our insurance operations managed to register a modest 16% growth in net earned insurance premium. The improved performance was driven by increased volumes of business across the subsidiaries supported by the continued entrenchment of the FBC brand in the market.

As you will observe from our set of results, the Group's impairment allowance charge on financial assets for the period is down 63%, mainly due to the effects of changes to International Financial Reporting Standard (IFRS 9) which uses an expected credit loss model compared to the previous model that used an incurred loss approach. This is consistent with the realities of our strong asset quality and we expect that scenario to obtain in the future.

The Group's administrative expenses of US$73.3 million were however 29% higher compared to the previous year, reflecting the adverse changes in the operating environment.

The Group's total assets as at 31 December 2018 surpassed the US$1 billion mark, recording a 56% growth to US$1.1 billion from US$712.4 million the previous year. The Group's capital position over the same period closed at US$178.3 million, translating to a 24% growth from US$144.6 million recorded in the previous year. The Group's market capitalisation on the Zimbabwe Stock Exchange closed the year at US$235.2 million, representing a 32% trading premium to net asset value.

Audit Opinion

The country adopted the multi-currency system to replace the use of the Zimbabwean dollar in 2009, which subsequently resulted in the Zimbabwean dollar being demonetised and since then the country has been operating in a multi-currency regime, with the local Real Time Gross Settlement (RTGS) foreign currency account (FCA) bank balances trading at par with the United States Dollar. As a result, the country adopted the United States Dollar (USD) as the functional and presentation currency.

In the Monetary Policy Statement issued in October 2018, the Reserve Bank of Zimbabwe (RBZ) directed that separate bank accounts be maintained for RTGS balances and US Dollar balances, although the official exchange rate between the two remained at 1:1.

In February 2019, the RBZ introduced the interbank foreign exchange market and a new electronic currency called the RTGS Dollar which encompassed RTGS

Group Chairman's statement/continued

FCA balances, bond notes and bond coins. The new currency commenced trading on 22 February 2019 at an exchange rate of 1 USD to 2.5 RTGS Dollars. At the time of the introduction of the new currency, the Government issued a Statutory Instrument 33 of 2019 (SI33/19) which fixed the exchange rate between the RTGS balances, bond notes and coins at 1:1 to the US Dollar for the period prior to the effective date of the introduction of the RTGS Dollar. The fixing of an exchange rate of 1:1 for the period prior to the effective date of 22 February 2019 is not in compliance with International Accounting Standard 21 (IAS 21) which deals with The Effects of Foreign Exchange Rates. IAS 21 requires, among other key requirements, that the financial statements be presented at an exchange rate which approximates the market exchange rate. From October 2018 to 22 February 2019, the effective date of the new currency, the market traded at various rates, with some significant transactions also being traded at 1 US Dollar to 1 RTGS Dollar in compliance with the law. The Group maintained a fixed rate of 1:1 between the US Dollar and the RTGS Dollar and has therefore not complied with IAS 21 for the year ended 31 December 2018, as compliance would have resulted in the Group violating the law which required parity between the US Dollar and RTGS Dollar. The Group has, however, provided a sensitivity analysis of the statement of financial position that would prevail if various exchange rates had been used instead of the gazetted rate of 1:1. The sensitivity analysis is shown in note 44.2.

In view of the above failure to fully comply with the requirements of IAS21, the Group Independent Auditors, Deloitte & Touche Zimbabwe, have issued an adverse opinion on the financial statements for the year ended 31 December 2018.

Operating Environment

The 2018 financial reporting season comes in the midst of significant monetary and fiscal policy reforms that started in October 2018 with the launch of an economic reform programme under the Transitional Stabilisation Programme (TSP). Fiscal consolidation through containment of the fiscal deficit to sustainable levels has been the key stabilisation objective of the TSP and the 2019 National Budget. Preliminary indications are pointing to a change in approach in the management of public finances, with the government recording surpluses in its public finances since December 2018. This commendable progress will significantly support the stabilisation of the economy as well as attract investment. It is our hope that the government will continue to consolidate its fiscal discipline for the long term benefit of the nation.

Inflationary pressure however remains a cause of concern and its effects have been felt in our operations through a general increase in the cost of doing business. Inflation is expected to slow down during the second half of 2019, on the back of fiscal consolidation measures and containment of money supply growth.

Distortions in the foreign exchange market negatively affected the markets through multiple pricing of goods and services. Mostly affected in our Group was FBC Building Society through procurement of construction materials while our insurance businesses witnessed punitive realities in their claims management processes.

The Monetary Policy Statement announced in February 2019, paved the way for market determined exchange rates between the RTGS dollar and other currencies which promotes financial sector stability, containment of inflationary pressures and the building of confidence.

Financial Services Sector

The banking sector remained generally stable as reflected by impressive capital levels and industry

Group Chairman's statement/continued

wide improved earnings performance for the period ended 31 December 2018. Asset quality however, deteriorated as reflected by the increase in the average non-performing loans to total loans ratio, from 7.1% at the end of 2017 to 8.39% by December 2018. FBC Bank Limited's (non-performing loans) NPL ratio was at 1.1%, FBC Building Society at 6.1% whilst Microplan was at 4.91% as at 31 December 2018.

The Insurance Sector

The uptake of insurance products has generally remained subdued due to prevailing vulnerabilities in the local economy. Given pricing disparities of insurance policies, we have witnessed a general increase in underinsurance as most customers are failing to keep pace with the premium requirements from insurers. It is against this background that, going forward, FBC Insurance has taken a deliberate decision to develop innovative products that are customer centric, whilst at the same time preserving the general risk management expectations of decent insurance cover.

Claims costs also went up significantly as most service providers adjusted their pricing models in response to the distortions of the foreign currency market. This trend has been most prevalent in the motor insurance business class.

Property Market Sector

The need to preserve value, at both individual and corporate level, has continued to influence the demand for properties within the local market. The aforementioned pricing distortions have filtered through to property valuation disparities. Property development has remained constrained due to distortions in the pricing of construction materials which invariably would distort the pricing of completed housing units.

Stock Market Performance

The industrial index gained 46.28% during the year to close at 487.13 points. The pressures to hedge monetary assets remain the key driver of the bullish performance on the Zimbabwe Stock Exchange as investors chase inflation indexed assets. Market players have resultantly been rebalancing investment portfolios out of money market investments in favour of the stock market.

FBCH 2018 Share Price Performance

The FBC Holdings share experienced relatively high trading volumes with a total of 69,742,707 shares being traded during the year at a volume weighted average price of 0.2603 cents. Prior year volumes were recorded at only 7,645,248 shares at a volume weighted average price of 0.1546 cents. The recorded growth in the company's share price of 68.37% was ahead of that registered by the broad market index of 46% and ahead of the official inflation figure of 42.1%.

FBC Trend-Setting

During the period under review, the Group was recognised for outstanding performance in various fields of interest. The recognitions below bear testimony to this achievement:

- FBC Holdings won the Institute of People Management of Zimbabwe (IPMZ) HR Technology award.
- FBC Bank won the CSR Network Zimbabwe 2018 Top Sustainable Company of the Year award.
- FBC Building Society scooped the First Prize in the Chartered Institute of Project Managers Zimbabwe (CIPMZ) Awards for being the Best in Property Development under the Residential Projects Category.
- FBC Insurance Company scooped the Short Term Insurance Runner up Award in the 2018 Top Companies Survey.

Group Chairman's statement/continued

- MicroPlan became the first local firm to receive the Smart Campaign Certification in Zimbabwe. The Smart Campaign is a global initiative aimed at promoting the embedding of client protection practices into the institutional culture and operations of micro-financing firms.
- MicroPlan was also recognised at the Zimbabwe Association of Microfinance Institutions (ZAMFI) Awards as follows;
  - Most Client Focused and Socially Responsible Microfinance Institution (MFI).
  - Most Innovative Use of ICT by an MFI.
- Microplan also won the Zimbabwe National Chamber of Commerce (ZNCC) Matabeleland Region 1st Runner- Up Enterprise Development Award.

FBC in the Community

The FBC Group invested in a considerable number of community-based, sustainable and value-driven corporate social responsibility (CSR) initiatives to improve the livelihoods of ordinary Zimbabweans across the country. FBC established an exceptional track-record of success in spearheading CSR initiatives in the fields of education, health, environment, sport, culture and the welfare of senior citizens. The details of the Group's activities are provided in the Group Chief Executive's report.

Following the devastation of Cyclone Idai that hit Mozambique, Zimbabwe and Malawi in March 2019, the Group responded swiftly by offering help to fellow countrymen affected by this disaster. The Group donated forty (40) tonnes of groceries and two thousand (2000) litres of fuel to assist victims of Cyclone Idai in Manicaland and Masvingo Provinces. The total value of the Group's donation is in excess of $120 000. In addition, the whole of the FBC Family across the nation contributed resources towards alleviating the plight of Cyclone Idai victims. FBC Group members of staff mobilised important items such as tents, blankets, clothes, buckets, dry –food, pots and basic hygienic items.

The Group has also pledged to assist with the reconstruction of four classroom blocks in the affected provinces.

Digital Transformation and Innovation

The Group accelerated its digitalisation and innovation programme in 2018 through deployment of both human and technology investment. Amongst other outcomes, the program should enable the business to be leaner, cost-efficient, agile and competitive locally and beyond. Aside from lowering costs, the initiatives will continuously realign processes to focus on improving customer experience, business growth, as well as delivery reach across the integrated organisation.

Compliance

FBC Holdings Limited and its subsidiaries are committed to complying with all applicable laws that are legally binding for the Group, including anti money- laundering laws. Any breach of the applicable laws and regulations exposes the Group to legal, financial and reputational risks and may result in de-risking which will impair the Group's ability to provide products and services to its customer base. The Group therefore realises the serious impact of non-compliance and will continue to place great emphasis and commit resources on measures to mitigate the same. During the course of 2018, the Group invested in Anti Money Laundering Software and Systems to enhance transaction monitoring and surveillance. The Group continues to work with its correspondent banks to continuously improve on transaction monitoring and sanctions screening.

Group Chairman’s statement/continued

Environment, Social and Governance (ESG) Priorities

In line with the adopted International Finance Corporation (IFC) and Global Reporting Initiative (GRI) reporting guidelines on environmental management, the Group continues to spearhead initiatives that assist in combatting environmental harm and subsequently raising livelihoods. We are making relentless efforts, through our lending units, to work towards low-emission and climate resilient projects.

The Group is building and enhancing processes incorporating ESG risks as part of the overall enterprise risk management with the objective of sustaining long-term value creation for all our stakeholders and the Board is devoting time to discuss the ESG risks and opportunities to ensure that they are embedded in the long-term strategy of the Group.

Directorate

The Board was strengthened by the appointment of Mr. Rute Moyo and Mr. Gary Steven Collins with effect from 2 July and 9 July 2018 respectively. The two non-executive directors each bring a wealth of experience which will come to bear in providing strategic direction to the Group.

Dividend

On behalf of the Board of Directors, I am pleased to advise shareholders that a final dividend of 0.9182 RTGS cents per share was proposed. This is in addition to the interim dividend of 0.2976 US cents per share which was paid in September 2018. The total dividend paid for the year 2018 amounted to RTGS Dollars 6.2 million and US$2 million that was paid in September 2018 as an interim dividend.

Outlook

Along with the rest of the nation, we remain optimistic that the fiscal and monetary interventions that the government is pursuing will yield the desired results, providing the bedrock for strengthening our business development initiatives. Digital transformation, investment in ICT capabilities and strengthening our compliance and risk management frameworks will remain the key enablers of our business going forward.

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

Appreciation

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

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

I thank you.

Herbert Nkala
Group Chairman
15 April 2019

Group Chief Executive's Report

I am delighted to report yet another good set of results of FBC Holdings Limited for the year ended 31 December 2018. The Group's strong set of results came against tough macroeconomic conditions.

Group Chief Executive's Report/continued

Macroeconomic Developments

The year 2018 was characterised by depressed macroeconomic growth as most sectors of the economy performed below expectations. We note however, that the national aspiration for Zimbabwe is to be in the league of prosperous nations, with a clear desire to be an "upper middle income economy" by 2030. Pursuant to this vision, we have witnessed the introduction of a set of fiscal and monetary reforms by the authorities to stabilise the economy.

Importantly, reduction of the fiscal deficit to sustainable levels has been the key stabilisation objective of the economic reform programme aptly named the Transitional Stabilisation Programme (TSP) and the 2019 National Budget. Preliminary indicators show an improvement in the management of public finances, with the government recording surpluses since December 2018. This commendable progress will help to stabilise the economy as well as attract more investment if the same pedestal is maintained.

Performance of the Group

The Group managed to achieve another strong financial performance for the year 2018, despite the macro-economic challenges which adversely affected business prospects and confidence. The Group's performance was spurred by its diversified business model.

The Group recorded a profit before tax of US$54.6 million which was 86% higher than the prior year's comparative of US$29.3 million. Total income for the Group was up 39% to US$145.9 million, with balanced growth in all our key revenue drivers. Net interest income increased by 41% to US$65.2 million from US$46.1 million on the back of reduced cost of funding and a simultaneous increase in interest earnings assets. The Group net fees and commissions' income registered a growth of 35% to US$42.8 million from US$31.6 million supported by an increase in the volume of transactions on our digital delivery channels. Performance of our property development operations was also stronger this year, evidenced by the 112% growth in Gross Profit to US$2.5 million. Our insurance businesses registered a modest 16% growth in net earned insurance premium on the back of improved medical insurance business.

After several years of preparation, 2018 marked the effective year of the implementation of IFRS 9. A strong asset quality base resulted in the Group's impairment allowance charge for the year on financial instruments reducing by 63%, as the Group implemented IFRS 9, which uses an expected credit loss model compared to the previous model which used an incurred loss approach. The Group will continue to enhance its modelling development capabilities to improve effectiveness.

Administrative expenses increased by 29% to US$73.3 million in 2018 from US$57.0 million in 2017 due to a combination of inflationary pressures and expansionary related costs.

The Group's statement of financial position improved significantly, recording a 56% growth to US$1.11 billion as at 31 December 2018, from US$712.4 million the previous year. Total shareholders' equity increased by 24% to US$178.7 million, from last year's position of US$144.6 million. This compares favourably to the Group's market capitalisation on the Zimbabwe Stock Exchange at the end of the year of US$235.2 million, offering a 32% trading premium to net asset value.

FBC Bank Limited

For the twelve months ended 31 December 2018, FBC Bank posted a commendable profit before tax of US$33.8 million, up 104% on the previous year's US$16.6 million. Bank profitability was achieved on the back of increased net interest income emanating from savings on cost of funds, bad debts recoveries

Group Chief Executive's Report/continued

and increased revenue from e-commerce driven products. Total income for the period was US$89.5 million representing a 50% increase on prior year.

Total assets for FBC Bank were 61% higher than prior year at US$896.4 million. The Bank's statement of financial position growth was driven by a commendable growth in deposits and lines of credit. Gross loans and advances subsequently increased by 42% to US$331.2 million, accounting for 36% of the Bank's total assets. Beyond regulatory guidance, the loan portfolio is well diversified across all sectors with the Group's internal risk management framework ensuring a well-diversified risk asset portfolio with low concentration risk. Non-performing loans were recorded at 1.1% in 2018, down from 4.14% as at the end of December 2017, due to aggressive collections and a robust risk management framework.

Total Equity for the Bank stood at US$105.5 million, up 35% from the 31 December 2017 figure of US$77.9 million. The Reserve Bank of Zimbabwe has set a minimum regulatory capital threshold of RTGS$100 million by the end of year 2020.

FBC Building Society

The Building Society achieved a net surplus position of US$11.7 million for the twelve months ended 31 December 2018, contributing 21% to Group profitability. The Society's net surplus represents a 26% increase compared to year 2017. The unit's total income was US$20.8 million, up by 21% on the prior year largely driven by a 22% growth in non-funded income to US$6.2 million and a 112% increase in net income from property sales, slowed down by interest rates which continued to be pegged at 12% per annum.

Gross profit from property sales was 112% ahead of 2017 at US$2.5 million despite the unit's deliberate slowdown in property sales in response to the speculative mortgage environment and multi-tier pricing system. Subsequently, a total of 35 housing units were sold in 2018 against a comparable figure of 60 units in 2017. Construction activities and stand development remain underway at our various countrywide project sites.

FBC Building Society's total loan book closed the year at US$63.7 million, representing an 8% growth on the prior comparative year. The statement of financial position for FBC Building Society also registered a 48% growth, closing the year at US$192.8 million from US$129.9 million in 2017. The Building Society's capital position was US$53.6 million and remains above the regulatory minimum capital of RTGS $20 million.

MicroPlan Financial Services (Private) Limited

MicroPlan recorded a profit before tax of US$3.9 million, which was 13% lower than the prior year's US$4.5 million. MicroPlan's decline in profitability came on the back of increased loan loss provisions following the adoption of IFRS 9, resulting in an increased impairment of US$0.9 million due mainly to the unsecured nature of its lending products. Total income for the unit was 18% firmer at US$10.2 million, despite the increased competitive environment from both the commercial banking sector and peer micro financiers, which inevitably put pressure on interest margins.

As at 31 December 2018, the net loan book size stood at US$24.4 million accounting for 89% of the company's total assets. All loans and advances are in line with RBZ guidelines. The loan book is diversified across different geographical sectors of Zimbabwe. MicroPlan's capital stood at US$10.6 million at the close of the financial year, and is significantly higher than the regulatory minimum requirement of RTGS$25,000.00.

Group Chief Executive's Report/continued

MicroPlan Financial Services is currently ranked third largest amongst credit- only Microfinance Institutions (MFI), based on the MFI quarterly industry report as at 30 June 2018 issued by the Reserve Bank of Zimbabwe. The entity's market share in comparison with credit-only microfinance institutions, based on the recent information shared as at 30 June 2018 stands at 11%.

FBC Securities (Private) Limited

FBC Securities posted a profit before tax of US$0.61 million representing a 5% growth from the previous year, benefitting from the bull-run triggered by investors seeking inflation indexed assets. Local institutional investors continued to dominate the market, showing an insatiable preference for equities in relation to money market placements. Foreign participation on the other hand, has predominantly been skewed towards reinvesting funds from prior year disposals or dividends received, following difficulties in remitting funds outside the country.

FBC Reinsurance Company Limited

FBC Reinsurance contributed 5% to the Group's profit before tax, posting a decent US$2.7 million profit before tax (PBT). This translates to a 59% increase from the prior year's US$1.7 million PBT. While the Reinsurance business managed to sustain a positive profit trajectory for the period under review, the economic environment has continued to threaten business prospects for the reinsurance industry.

As a result of the currency volatility, there has been an increase in demand for foreign currency denominated policies across the insurance industry. Whilst all reinsurers seem to be participating in these schemes by virtue of their transactional relations with international counterparties, most insurers have been confined to fronting foreign denominated policies due to the diluted effect of their capital reserves. Subsequently, efforts remain underway to establish an operation in Mauritius. The reinsurance business still awaits approval by the relevant authorities. The establishment of an offshore business is meant to diversify earnings for the reinsurance portfolio.

FBC Insurance Company Limited

FBC Insurance closed the year on a low note contributing 1% to the Group's profit before tax by recording a US$0.443 million profit before tax, which is down 67% relative to the full year profit of US$1.359 million for the year 2017. FBC Insurance's performance was hard hit by the effects of pricing distortions which saw the value of claims re-pricing at a faster rate than the sums insured. The insurance units have introduced more micro-insurance products to improve revenues. FBC Insurance introduced the Funeral Cash Plan, a micro insurance product, to augment the already existing Hospital cash plan product.

Recently FBC Insurance launched the “My Drive” low cost mileage based insurance product to augment the current Motor Vehicle insurance business. This product is modelled on telematics, which enables FBC Insurance to improve customer experience through timely reaction and assistance in the event of an accident. In line with the Group's digitalisation thrust, our insurance businesses will continue to monitor world industry disruptions as a means to improving product design, operational efficiencies and the overall customer experience.

Regulatory Capitalisation Requirements

Banking sector minimum capital requirements have been pegged at RTGS$100 million by 2020 and FBC Bank is projected to trade itself into compliance in the first half of 2019. The Building Society is already compliant with the 2020 requirements of RTGS$25 million. FBC insurance has recently been granted a composite licence and this requires a minimum capital of RTGS$ 7.5 million. A capitalisation plan was

Group Chief Executive's Report/continued

submitted to IPEC and approved. The unit will trade itself into compliance. All other subsidiaries were in compliance with the minimum regulatory capital requirements.

Risk Management

The Group's Enterprise Risk Management (ERM) Framework is a blend of regulatory and best practice standards. These include Basel II/III, Solvency II, ISO 31 000 and COSO risk management frameworks. Further, the Group has fully embraced Stress Testing, Internal Capital Adequacy Assessment Processes (ICAAP), and Recovery Planning to enhance the risk management standards across all the subsidiaries. The ERM model implementation has enabled the Group to appropriately take risks consistent with the risk appetite and risk bearing capacity of the organization. The risk appetite is continuously reviewed to ensure there is proper alignment of the Group's objectives and the risk bearing capacity of the organization. The adoption of the ERM framework has also resulted in a strong risk management culture and awareness, resulting in the attainment of the Group's objectives.

Resources have been committed to continuously enhance our systems and processes. The Group acquired an Operational Risk Management System in 2018 and successfully set up an Information Security function to address the emerging cyber risks in the rapidly changing technological environment. All policies and procedures are reviewed at least once every year in line with changes in the operating and regulatory environment.

Adequate Management and Board Oversight has remained a key pillar in ERM implementation process and as such, management and board committee structures have been designed to ensure effective oversight of the Group's operations.

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

FBC Holdings Limited realizes the catastrophic impact that non-compliance with laws and regulations may have on its various operations. The Group has a "Zero Tolerance to Non-Compliance" and a compliance philosophy that dictates that "Everybody is a Compliance Manager".

The FBC Group operates in a highly regulated sector and is committed to complying with all laws including applicable financial crime compliance laws and regulations such as those related to anti money laundering, countering the financing of terrorism, sanctions and anti-bribery and corruption.

Over and above laws and regulations, the Group has adopted international standards such as the Financial Action Taskforce (FATF) forty recommendations, as well as best practice, in line with the expectations of important stakeholders such as its regulators and correspondent banks.

This commitment is embodied in the comprehensive compliance framework that the Group has put in place that entails:

- Board Oversight;
- Policies and Procedures;
- Automation of key control processes such as risk assessment, screening and surveillance;
- Training;
- Internal Controls; and
- Independent control and assurance functions such as Compliance, Risk Management and Internal Audit.

Responsible Business and Community Investments

The FBC Holdings Group donated Seventy Five Thousand Dollars (US$75 000) to Harare City Council

Group Chief Executive's Report/continued

towards establishing a scholarship fund being created for funding the education of children affected by Cholera following the cholera outbreak during the third quarter of 2018. The fund will benefit the children of parents who passed-on as a result of cholera, from primary to tertiary education.

Education is the cornerstone of our corporate social responsibility initiatives. FBC Bank, in partnership with the Ministry of Primary and Secondary Education (MoPSE), delivered e-learning equipment comprised of 900 mini laptops, 20 teachers' laptops, 20 short throw projectors and 20 digital interactive smart boards to 20 primary and secondary schools which scooped the 2016 annual Secretary's Merit Awards across the country's 10 provinces between September and October 2018.

The 2017 winning schools were rewarded with an FBC Bank sponsored smart classroom. The classroom was equipped with 45 mini laptops (tablets), one teacher's laptop, a standard projector and an interactive whiteboard.

The FBC Group also sponsored community driven initiatives for social organisations such as the Danhiko Project Sports Day, Kapota School of the Blind and Entembeni Old People's Home.

Human Capital Development

FBC Holdings is an equal opportunity employer embracing diversity and talent management as key dimensions of its human capital policies. It also believes in creating a harmonious industrial relations climate that pervades all its subsidiaries. In addition it ensures that all the elements that in combination influence positive employee engagement are taken care of, in its employee relations management and practices. In this respect it has registered high levels of employee commitment and belongingness as reflected by the level of employee engagement which in the last two years has been the highest ever recorded since the Group started measuring employee engagement in 2011. Employee engagement levels provide the Group with a measure through which it is able to gauge staff motivation and the extent to which they are prepared to apply discretionary effort by going beyond the normal call of duty and contributing to organizational productivity and ultimately performance. In this respect the company has observed a positive correlation between rising levels of employee engagement and improving company performance.

The Group regularly reviews its human capital management policies and practices with a view to ensuring that areas which positively impact the level of employee engagement and consequently productivity, are given priority. These include but are not limited to employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, safety and health and other employee related matters which influence employee commitment. This is evidenced by employee retention levels which have been above 97% for the past 5 years. Critical skills retention that is essential in delivering service to our valued customers and stakeholders continues to be a key strategy within FBC. In addition, the Group has fast embraced a digitalization culture with a view to ensuring that all employees embrace the necessary change which is conducive for the implementation of the digitalization strategy.

As part of its digitalization programme, the Group in 2018 installed an e- learning system which has facilitated easier and cost effective access to training materials for a greater segment of our employees through deployment of on-line programmes. This initiative is expected to give the Group competitive advantage in terms of human capital development, in line with one of its values of life-long learning.

Group Chief Executive's Report/continued

Information Technology, Digital Transformation and Innovation

The FBC Group continues to focus its efforts on the delivery of superior customer experience through multiple technology touch points. Technology continues to be an important delivery channel and the Group continues to invest significantly in enhancing its platforms and innovating in its technology based offering. To this end, the Group has committed to the renewal of one of its key technology platforms which will see the re-energizing of the Group's existing touch points and enabling the introduction of additional channels to enhance customer experience. The Bank will be upgrading its core banking system in the course of the year which should see the revamping of channels such as Internet Banking as well as bringing about an Omni- channel experience.

The Group remains alert to the risks associated with digital channels as well as the security of FBC's technology environment. As such, FBC Holdings aims to align its IT & MIS processes to best practice and upgrade its Information Security Management system. In addition to the sound policies and controls relating to cyber security that exist within the Group, FBC continues to prioritize the hardening of its technology environment in order to guard against the growing levels of cyber threats. One such activity is the Group's compliance to, and certification on EMV for local card transactions. The management of other IT related risks also remains critical and feeds into the overall Enterprise Risk Management System.

The Group considers digitalization and innovation as a major enabler for the delivery of a superior customer experience. It is against this background that the Group continues to improve its existing products as well as to introduce innovative products. The FBC Prepaid MasterCard is now coupled with a user-friendly application that allows customers to track their activity as well as transfer funds to other card holders. Another innovative product is the recent launch of the FBC Insurance MyDrive Product which is based on telematics technology. This has brought innovation to the insurance industry as motorists will be charged based on mileage incurred. The Group is focusing on many such initiatives which it envisages to roll out in the year 2019. The enhancing of internal processes through digitalization and automation also remains fundamental in order to maximize efficiencies in the delivery of customer service and improve customer experience.

Group Chief Executive's Report/continued

Service Delivery and Customer Experience

FBC Holdings is dedicated towards supporting sustainable processes and creative ideas for nurturing a culture of superb customer service delivery across the Group's Strategic Business Units (SBUs).

Last year, FBC Holdings completed the refurbishment of FBC Building Society's Leopold Takawira Street Branch in Harare and Robert Mugabe Way Branch in Bulawayo. In the same vein, FBC Bank Harare Private Banking Centre was also refurbished as part of the Group's quest for promoting the delivery of high quality financial services in a fresh, contemporary and inviting environment which meets world-class standards. The renewed ambience enables clients to interact with FBC's Customer Service personnel in a convenient, comfortable and client-friendly environment.

FBC continues to promote financial inclusion in the country. In line with the Group's financial inclusion thrust, MicroPlan opened a new branch in Zvishavane, bringing the total number of the unit's countrywide branches to twenty (20). MicroPlan also opened ten (10) new agencies in Gutu, Murewa, Marondera, Karoi, Kwekwe, Binga, Plumtree, Tsholotsho, Chitungwiza and Gokwe. The unit now boasts of a multi-pronged delivery system which enables it to deliver top-notch financial services for the marginalised, un-banked and under-banked members of the society.

Appreciation

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

John Mushayavanhu
Group Chief Executive
15 April 2019

Sustainability Report

Economic Value Creation

Our financial and investments services position us for greater value creation for our customers, shareholders, regulators and society. The services we provide are critical in driving investment and economic growth, directing capital from savings to those who can use it productively. We have a crucial part to play in the ecosystem of the future by financing and contributing to societal goals. Our desire to have a positive impact in the communities we operate in drives us to continuously improve our performance as a Group.

As one of the leading investment companies in the country, the influence of our business extends beyond just managing risk, savings and protecting our financial systems. We contribute to the growth of the economy in various ways such as the provision of sustainable financing, employment, paying taxes and also indirectly promoting investor confidence. Maintaining a robust business helps us contribute to the environment in which we operate. The outward indicators of our initiatives have a national impact in the form of payments to government, employee pensions and contribution to public infrastructure.

"Maintaining a robust business helps us contribute to the environment in which we operate.."

Strategy to Value Creation

What is fundamental to our goal of achieving sustainable value creation is the ability to manage the capital sourced from investors and the capability of our earnings to enable continuity and growth. We have developed a long term sustainability and business growth strategy founded on the Group's strategic vision to be a US$2 billion dollar business by year 2020. This diversified business model has enabled us to continue to bolster our performance. The Group is 100% equity financed.

Economic Value Generated and Distributed

Economic Value Generation	Unit	2018	2017
Net Interests and related incomes	US$	65 198 652	46 068 691
Net fees and commission income	US$	42 800 645	31 605 973
Net income from property sales	US$	2 488 740	1 174 893
Net earned Insurance premium	US$	21 679 246	18 700 108
Other incomes	US$	13 757 505	7 744 262
Value Generated	US$	145 924 788	105 293 927
Economic Value Distributed			
Other Operating Costs	US$	40 338 762	30 133 459
Employee wages and Benefits	US$	32 425 016	26 774 254
Commissions and claims paid	US$	15 462 559	12 062 177
Income tax paid	US$	6 796 032	7 211 061
Community Investments	US$	538 557	136 918
Value Created	US$	44 435 443	23 248 230

Sustainability Report/continued

Payments to Government

Tax payments constitute the major component of revenue inflows for the government for economic, policy and social development. FBC Holdings attaches great importance to compliance with the government's taxation policies. We study and monitor any tax requirements as demanded by law and contribute accordingly.

Below are our tax contributions

Indicator	Unit	2018 '000'	2017 '000'
Income Tax – Corporate	US$	6 796	7 211
PAYE & AIDS Levy	US$	9 583	7 469
Capital Gains	US$	1 230	-
Grand Total	US$	17 609	14 680

Pension and Retirement Planning.

Caring for our employees extends beyond the time they are contracted to work for us. We work diligently to ensure that our employees receive the necessary assistance to enable them to meet their financial needs upon retirement or whenever they leave our employ.. To achieve this, we provide a retirement plan for our employees where we jointly provide funds as a support measure for long term financial planning. This creates an obligation on our part to ensure that these commitments are met. We are cognisant of the investment risks involved and we seek to ensure that our promise to assist our employees does not adversely affect our performance.

Below are our pension contributions

Indicator	Unit	2018 '000'	2017 '000'
Amount paid as contributions	US$	1 782	1 647
Retired employees on pension as a percentage of current workforce	%	0.75	0.37

Indirect Economic Impacts

FBC Holdings appreciates the challenges faced by our society and we understand the difficulties our communities face in alleviating these challenges. As we give back to the community, it is imperative that we do that in a manner that adds value and one that will solve challenges they may face. During the year, we worked on improving the road infrastructure by installing distance markers to assist motorists that use the highways across Zimbabwe. This community service is a further indication of our contribution to the safety and health of the population as they travel on our highways.

Sustainability Report/continued

Product and Service Responsibility

Our products and services provide us with an instrument to interface with our stakeholders. This enables us to be a force for good for our clients, customers and society as a whole. The clients depend on us to grow and protect their wealth and investors expect superior returns from our products. As part of our commitment to sustainable long-term value creation, we are creating products and services that enable clients to improve their lives by responding to their needs. We appreciate that if we do not manage our products and services well, this can create risks for our clients or lead to unsustainable outcomes. Because we are fully aware of these risks, we continuously monitor our products to ensure that they generate the best possible sustainable outcome. Essential elements of our products and service responsibility include:

- Customer experience
- Innovation
- Data security and consumer protection and
- Responsible marketing

We have developed systems to enhance our capacity to deliver the elements above to meet stakeholder needs while minimising adverse impacts associated with our products.

FBC Holdings remains committed to delivering excellent and superior service...

Customer experience

Our customers are central to our business. They range from individuals, small businesses, large corporate entities and government. Retention of our customers is driven by continuous engagement in order to understand and serve them better.

The Group remains committed to delivering excellent and superior service that enhances our competitive advantage in the market space. It places its customers at the core of its growth, sustainability strategy and believes that customer service and experience will define the direction of our business operations. The Group continues to offer market-leading products that are tailored and sensitive to the diverse segments of our customer needs. With the continued cash shortages, the Group's banking units have developed low cost digital and electronic banking solutions that address the varied service expectations of our customers.

Client base

Indicator	Unit	2018	2017
Total Clients Group wide (Including HCP)	Count	+700 000	+800 000

We pay attention to the diverse needs of customers paying closer attention to gender and age groups across our major business segments. We understand these customer demographic differences implies variance in needs and as such we are monitoring and engaging each group accordingly.

Sustainability Report/continued

MicroPlan

Microfinance Segment: Customers		Unit	2018	2017
Gender	Female	Count	4,277	4,317
	Male	Count	11,337	10,011
Age groups	0-28yrs	Count	756	1,039
	29-55yrs	Count	9,592	9,625
	56+ yrs	Count	5,266	3,664

Sustainable Housing Development

In developing products, we pay attention to the concerns and the vulnerabilities of the stakeholders in our areas of operation. Access to housing is a privilege that few consumers are able to afford and having recognised this issue, we sought to develop a product aligned to the needs of our stakeholders.

FBC Holdings Limited, through the Building Society, has continued to deliver sustainable and affordable housing to the country through its housing development projects since 2009. The FBC Group has continued to be a dominant player in the provision of new housing stock to alleviate the housing back log in the country. The Group has delivered over 1,200 units since the introduction of the multi-currency system in 2009. These units have been constructed in low, medium and high density segments. In 2017 the Building Society constructed 64 low density units at a cost of US$8.1 million. In 2018 the Group delivered 40 low density units at a cost of US$6 million. In 2019 the Group has budgeted over US$25 million for the construction of 250 high density units in Kuwadzana, 250 high density units in Zvishavane and 100 high density units in Hwange. High density residential units are generally low in cost and more affordable to the general populace.

Refurbishments

Our branch ambiance remains a key factor in the provision of a superior customer experience for our clients. The Group continues to refurbish its branches countrywide to foster a conducive business environment for our customers. We value customer feedback and are always in constant communication with our customers through surveys, customer networking events, social media platforms and client visits.

Customer Surveys

We also use surveys to get an understanding of the areas our clients expect us to improve in. These surveys are conducted by Topline Research Solutions. Significant issues identified within our customer survey are highlighted in the stakeholder engagement section of the report. The issues raised by customers has driven innovation in our company, by stimulating creative thinking to identify ways to meet the needs of our customers.

Innovation

Our product research and development committee, together with the project management office and innovations office have become critical to our overall business strategy as we continue to roll out a diverse range of products in line with our customer needs and expectations in a competitive environment. Our product development team is tasked with the development of "market leading" and "best in class" integrated product solutions that will enhance customer convenience through improved product access throughout the value chain. During the year, we introduced a new product – "MyDrive", which is a usage-based short term insurance product.

Sustainability Report/continued

Data Security and Customer Protection

Our operational activities at FBC Holdings require that we capture pertinent information from our clients in various forms. Part of that information is in the form of personally identifiable information which can be used to distinguish or trace an individual's identity i.e biometric records about an individual's medical, educational, financial and employment information. Access to this information is often associated with incidents of data security breaches, fraud, dishonesty and theft, thus placing us at a huge risk. As part of risk management, the Group has robust security systems and procedures for accessing data.

Ensuring the privacy and data security of this information is a responsibility that is crucial for our business. Failure to manage this makes the business prone to decreased revenue and consumer confidence. We have put in place systems to protect our consumer information from illegal breaches and to guarantee that their information is safe with us. Remaining cognisant of the security risks associated with information technologies, the Group has implemented an Information Security Management System based on the ISO27001 standard. This has enabled the preservation of confidentiality, integrity and security of our information systems, including the valuable processed information that ensures the protection of stakeholder value against the rampant cyber risks.

We have implemented systems to ensure that our clients can promptly respond to any form of fraud and/or security breaches. The need to protect our stakeholders from financial terrorism arising from accessed information, is crucial for us, hence we continuously send reminder messages to customers to educate them on actions to take to protect themselves from cyber crime.

Responsible Marketing

FBC Holdings acknowledges that marketing activities should be closely monitored in a manner that upholds human dignity, is anti-discrimination in any form and is not anti-social by its nature. In the area of sustainability, we ensure that all instances of "green-washing" are avoided and that we do not make misleading or unsubstantiated claims about the environmental benefits of our products and services.

> *"FBC Holding above its primary role of managing money embraces its responsibility for building a prosperous society"*

Financial Inclusion

FBC Holdings embraces its responsibility towards building a prosperous society. We operate in a society faced with challenges that can be solved by our expertise. This is also a key opportunity to increase our productivity and returns while solving challenges faced by our consumers. The majority of potential clients remain excluded from the investments and financial services that we offer. Small scale upcoming businesses and women owned business experience challenges in accessing finance and loans. This understanding of the vulnerabilities and underserved aspects in our areas of operation has stimulated innovation in developing products for the betterment of our people.

Sustainability Report/continued

FBC Holdings has developed a sustainable long term strategy for financial inclusion for the micro, small and medium enterprises ("MSME") sector in Zimbabwe. The Group has partnered with development finance institutions for the financing of this sector. We are of the strong view that the MSME sector can develop into thriving large corporate entities through the provision of flexible financial solutions for this important sector of the economy. The growth of the MSME sector has a positive long- term economic impact on the growth of our business portfolios and the general wellbeing of our customers and of the communities we operate in. Through this strategy, we seek to contribute to SDG 10 on reduced inequalities, by facilitating access to finance for our population.

Contributing to SDG 10

10 REDUCED INEQUALITIES

In light of the above, the Group has established two dedicated branches that focus on the agri-business value chain, supply chain management in mining, education and energy sectors. With the financial inclusion agenda in mind, FBC Bank has established a dedicated Women's Desk that deals with emerging women enterprises and youth businesses.

Our financial inclusion strategy is focused on broadening access to financial services for the unbanked and under-banked, particularly in the remote parts of Zimbabwe. The FBC Instant Card and Agency Banking Model have been introduced to complement existing efforts in marginalised market segments. To date, the Group has over 600 agencies and has deployed over 100,000 Instant Cards into the market. The Group is proactively integrating its various ICT platforms to its core banking system to enable seamless transactions that promote financial inclusion.

The table below illustrates our financial inclusion activities for MSMES

SME Sector	Supported Activities
Agriculture	Supported clients with capital expenditure to acquire tractors, centre pivots, driers, planters and inputs
Mining	Supported with capex to acquire chrome processing plant and front end loader
Green Energy	Supported schools to install solar powered irrigation systems

FBC SME Lending Value

Loans to SMEs	Target	2018	2017
Total value of loans to SMEs	US$15.4m	US$12.1m	US$14.3m
Percentage of SME Loans to total loans	7.0%	3.71%	6.04%

Rural Financing

The Group is cognisant of the need for the provision of banking services to remote parts of Zimbabwe. The majority of the rural population in the country is generally unbanked and excluded from access to basic financial services. FBC Holdings, through our microfinance subsidiary, MicroPlan, continues to drive the Group's financial inclusion strategy by focusing particularly on rural communities. MicroPlan's services include rural finance, micro business finance, micro insurance and capacity building. The Group has a widespread network of branches in both urban and rural areas. A number of smallholder projects have benefited from MicroPlan in collaboration with development finance institutions such as FAO, in partnership with CARE International Zimbabwe.

Sustainability Report/continued

Indicator	2018	2017	Change
Microplan Loans	US$26.7m	US$22.6m	18%
Rural loans	US$4.6m	US$3.0m	53%
Proportion of rural branches against total branches (%)	45%	47%	-4%
Total Active clients across Microplan (Number)	15,614	14,328	9%
Total Active Loan Clients in Rural Areas (Number)	4,423	3,152	40%

Financing Women

Women make up a significant part of the population and many sectors critical for economic growth rely heavily on women. Research and experience show that women are less likely to have bank accounts than men. This information indicates the level of opportunity for our organisation driven by these social constructs. We have developed facilities to help women get access to finance as our contribution to addressing inequalities as encouraged by SDG10.

Illustrated below is our contributions to women financing.

Accounts and Loans to Women

	FBC Bank			FBC Building Society		
	Target	2018	2017	Target	2018	2017
Total Loan Accounts (Business and Personal) controlled by Women.	5,000	4,126	4,276	5,000	3,981	2,906
Percentage of Total Loans to Women owned SMEs	30%	0.17%	13.56%	30%	0.00%	0.00%
Percentage of Women with Bank Accounts	40%	25.19%	26.12%	40%	30.70%	38.50%
Percentage of Loans to Women	30%	5.16%	5.55%	30%	13.01%	14.51%

Contributing to SDG 10

10 REDUCED INEQUALITIES

Sustainable Financing

Our role as a financial intermediary is to raise capital from investors and provide financing through the provision of loan facilities. We determine where finance goes and which activities to promote. Our quest for sustainability requires us to have in place, financing safeguards to ensure that we meet our current needs without compromising the ability of the future generation to meet theirs. Financing sustainable consumers has been proven to lower risk as these consumers are more likely to perform better and have lower reputational risk probabilities. This has driven us into integrating environmental social and governance criteria in our financing activities. This is also in line with the Equator Principles 2, which the Group observes.

"...the Group embarked on an ESG training program based on the IFC principles for financial institutions targeting 25 staff members..."

In view of the significance and importance of sustainable finance for our business, the impact on investors and development finance institutions, the Group embarked on an ESG training program based on the IFC principles for financial institutions targeting 25 staff members and management drawn from our Credit Division, Corporate Banking, SME Banking, Risk Management, Corporate Finance and Human Resources Departments. The training was intended to equip management and staff on global best practice in environmental, social and governance matters to be applied

Sustainability Report/continued

locally across FBC divisions. In the process, the Group has revised its Credit Policy to include ESG considerations as part of credit granting procedures.

Promoting sustainable finance

The Group cherishes the presence of foreign shareholders such as Shore Cap II in its ownership structure which helps to strengthen the Group's sustainability agenda. Furthermore, the Group has solid relationships with international Development Finance Institutions (DFIs) which provide financing for our micro, small and medium enterprises, and the youths and women businesses. The DFI partners which include NORSAD, PTA Bank, Afreximbank and FAO in conjunction with CARE, require that the Group adhere to agreed international environmental, social and governance ("ESG") principles such as the International Finance Corporation ("IFC")'s Performance Standards on Environmental and Social Sustainability for financial institutions which the Group has already embedded in its lending policies.

We have provided below statistics of our performance in the integration of sustainability in our lending and investment activities below:

Indicator	Unit	2018	2017
Lending and project finances integrating ESG (US$ Million)	Amount	US$276m	US$149m
Projects and loans screened on ESG	Count	2 369	1 597
Customers and clients trained on ESG issues.	%	61%	63%

Human Capital Management

We depend on our employees as business partners to deliver our products and generate value for our stakeholders. Achieving this requires us to work together with our employees to address how we can successfully reach this goal. The context of employment is changing and the skillset required to position our organisation continues to shift. Employees are also evolving and require unique working conditions to be provided by the employer. The ability to create a conducive working environment where people enjoy coming to work, is an ideal we seek to achieve.

Contributing to SDG 8

8 DECENT WORK AND ECONOMIC GROWTH

FBC Holdings is an equal opportunity employer and does not discriminate on the basis of gender, colour or race. The Group is guided by and observes local and international labour and manpower legislation on fair labour practices. Our recruitment policy aims at attracting, developing and retaining appropriately qualified and competent personnel across all our business units. Our Group is a strong advocate for the promotion of a decent work environment and as such, we support the achievement of the SDG 8 requirements for decent work and economic growth. We intend to continuously improve our performance in promoting decent work and economic growth by addressing the issues of youth unemployment, creating formal employment opportunities, improving the utilisation of women in the labour force and providing more access to senior management and executive roles for women.

Sustainability Report/continued

The Group is committed to sound employee wellness and ensures that there is a sustainable work-life balance in the manner in which human capital is deployed and managed. The Group prioritises employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, safety and health and other employee related matters which influence employee engagement and productivity. Our Human Resources Division has acquired an e-learning management system to facilitate easier access to training materials to a wider population of our employees through the deployment of on-line programs.

New Employees

Indicator	Unit	2018	2017
Male	Number	41	89
Female	Number	35	65
Total		76	154

Employee Turnover

Indicator	Unit	2018	2017
Male	Number	13	9
Female	Number	8	6
Total Turnover		21	15

Staff Learning and Development

FBC's Long Life Learning Vision

In line with our commitment to supporting and encouraging life-long learning for our employees, we have provided various initiatives which include honorariums for employees who excel in their educational endeavours. A significant number of staff members continue to benefit from the Group's Long Life Learning initiatives annually. This initiative promotes continuous up-skilling and knowledge enhancement for employees in the work place.

"A significant number of staff members continue to benefit from the Group's Long Life Learning initiatives annually"

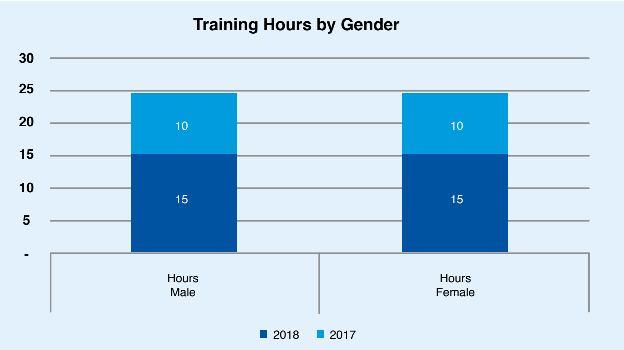
Skills Base

Some of our staff members are members to the following bodies:

- Institute of Bankers Zimbabwe (IOBZ)
- Chartered Institute of Management Accountants (CIMA)
- Institute of Chartered Financial Analysts (ICFA)
- Institute of Chartered Accountants Zimbabwe (ICAZ)
- Association Chartered Certified Accountants (ACCA)
- Institute of Chartered Secretaries and Administration of Zimbabwe (ICSAZ
- Institute of Chartered Tax Accountants (ICTA)
- Institute of Personnel Management of Zimbabwe (IPMZ)
- Marketers Association of Zimbabwe (MAZ)
- Institute of Insurance of Zimbabwe (IIZ)
- Institute of Internal of Internal Auditors of Zimbabwe (IIAZ)
- Project Management Institute of Zimbabwe (PMIZ)
- Law Society of Zimbabwe (LSZ)

Sustainability Report/continued

Average hours of training per employee



Staff Wellness and Health training

Key goals for training our employees this year were based on the need to address the wellness, health and safety issues critical for our employees to perform well. The training was also conducted as part of meeting our legal obligations to provide a safe working environment for our employees. We will continue to revamp our training initiatives to capture the needs of our employees. This year we will conduct a survey to establish training needs. This will help us in providing the appropriate training to assist employees in solving their personal problems while ensuring that when they come to work each day, they are rightly capacitated to perform at their best level.

Activity	Attendance	2018	2017
Wellness	Number	213	310
Health and Safety	Number	101	26
Total		314	336

Safety and Health Performance

Indicator	Unit	2018	2017
Total Number of Injuries	Count	1	0
Number of lost days	Count	21	0
Number of days lost due to Absenteeism	Count	751	1 516
Safety Training (days)	Count	8	6

Investing in the Community

In our quest to serve the communities we operate in, we seek to positively impact the society by contributing to the enhancement of their welfare. In line with developing our communities, we invested in activities which we believe improves the livelihoods of the ordinary Zimbabweans. We spearheaded initiatives in education, health, environment, sport, culture and the welfare of senior citizens.

Sustainability Report/continued

Education

FBC Group has identified education as a significant pillar in our sustainability and corporate social responsibility strategy. We have therefore aligned ourselves to SDG 4 in the provision of quality education in the communities we operate. In this regard, the Group has signed a 5 year Memorandum of Understanding with the Ministry of Primary and Secondary Education for the sponsorship of the Secretary's Merit Awards.

The FBC-MSU Scholarship Fund

The Group supports 5 Midlands State University (MSU) students annually under the FBC-MSU Scholarship Fund. The Group has strategically targeted education as its primary theme for corporate social responsibility initiatives. We aim to support the education and learning infrastructure across the 10 provinces in Zimbabwe. We are committed to contributing towards SDG 4 on the provision of quality education as part of our national contribution.

Contributing to SDG 4

Community Investments in the year 2018

Category	Initiative/ Activity	Organisations Supported	Materials donated	Amount/ Values (US$)
Education	Scholarship	Midlands State University	Bursary	4 908
	Scholarship fund for children affected by Cholera	Harare City Council	Bursary	75 000
	Ministry of Primary & Secondary Education Secretary's Bell	12 Schools across Provinces in the country	Electronic Gadgets; Laptops, Projector, and interactive electronic boards	275 799
	Supporting the disabled	Gross Care International	"A4 Braille Paper, Continuous Braille paper, Braillon paper and A4 Slate	10 950
	Building of Kwekwe Campus	Midlands State University	Expenses	100 000
Sport				
	Supporting Sport in the industry-Golf	Zimbabwe Open Golf Tournament	Expenses	50 000
	Supporting Local Cricket Teams	Zimbabwe Cricket Association	Expenses	10 000
Health	Supporting Cancer	Zimpapers	Expenses	3 400
Community Development	Charitable causes	City of Gweru Mayor's Cheer Fund	Expenses	1 000
Elderly Community	Supporting Old Peoples Home	Enthembeni Old Peoples Home Service	Expenses	5 000
Disabled Community Development	Supporting Sport	Danhiko Paralympic games	Expenses	2 500
Total				**538 557**

Sustainability Report/continued

Environmental Management

As FBC Holdings, we recognise the dependence of our society on our natural resources and environment. We are committed to being a business that embeds environmental responsibility into how we conduct our business in order to improve our impact across operations. The FBC Group is aware of and values the importance of conserving the environment through effective management of energy, water, waste and greenhouse gases in our business operations, the communities we operate in and at the workplace.

The revised FBC Group Environmental, Social and Governance ("ESG") Policy has added greater impetus in the manner in which we view environmental impact on our stakeholders. Our ESG Policy is reviewed and approved annually by the FBC Holdings Board of Directors. The Building Society's housing projects are subject to an environmental impact assessment and are approved for compliance by the Environmental Management Authority (EMA). Our ESG policy has now been embedded in the Group's Credit Policy which has greatly improved the way we view our lending and investing activities.

Water Footprint

Source	Unit	2018	2017
Municipal	Mega Litres	65	54

Due to data unavailability, we have not been able to provide our consumption from borehole water within our business operations. Management is making great efforts to ensure our next annual report disclose the consumption.

Energy Consumption

Energy type	Unit	2018	2017
Electricity consumption	KWh	2.3m	2.3m

Energy Consumption outside the organisation

Fuel Type	Unit	2018	2017
Diesel	Litres	14 000	8 000
Petrol	Litres	18 000	22 000
Total		**32 000**	**30 000**

Our fuel consumption are based on annual procurement records of what the group used. The Group will continue to enhance data systems.

Material usage

Indicator	Unit	2018	2017
Print paper consumption	Kgs	19 344	19 753

As part of our commitment to reducing our environmental impact we will set targets across our business unit to manage consumption in line with our growth strategies for the year 2019.

Recognition & Awards

FBC Holdings Limited
strength • diversity • service

Human Resources Technology Award

Institute of People Management of Zimbabwe (IPMZ)

Best Exhibitor Award in the Financial Services Sector

Mashonaland West Province Agricultural Show

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

1st Runner- Up Enterprise Development Award Zimbabwe

National Chamber of Commerce (ZNCC) Matabeleland Region

Most Client Focused and Socially Responsible MFI Zimbabwe

Association of Micro-finance Institutions (ZAMFI)

Most Innovative Use of ICT by an MFI Zimbabwe Association of Micro-finance Institutions (ZAMFI)

Microplan became the first local firm in Zimbabwe to receive the

Smart Campaign Certification

Client Protection Certification Programme

FBC Insurance Company Limited

Short Term Insurance Runner up Award in the 2018

Financial Gazettes Top Companies Survey

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

2018 Top Sustainable Company of the Year award

CSR Network

FBC Building Society
(Registered Building Society)

First Prize for Being the Best in Property Development under the

Residential Projects Category

Chartered Institute of Project Managers Zimbabwe (CIPMZ)

Directors' Report

The Directors have pleasure in submitting the annual report and financial statements, for the financial year ended 31 December 2018, for FBC Holdings Limited.

ACTIVITIES AND INCORPORATION

FBC Holdings Limited (''the Company'') and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises of five wholly-owned subsidiaries and one subsidiary controlled 95%. The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, short term reinsurance, short term insurance, stockbrocking, micro financing and other related financial services.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of US$0.00001 each as at 31 December 2018. The issued and fully paid ordinary shares remained at 671 949 927 ordinary shares of US$0.00001 with no movements during the year. The details of the authorized and issued share capital are set out in note 19.3 of the consolidated financial statements.

RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2018 was US$178 373 052 (2017: US$144 223 288).

FINANCIAL STATEMENTS	2018 US$	2017 US$
The results reflected a profit before income tax for the year of	54 646 473	29 303 554
Income tax expense	(10 211 030)	(6 055 324)
Profit for the year	**44 435 443**	**23 248 230**
Equity holders of the parent	44 416 204	23 197 279
Non-controlling interest	19 239	50 951
	44 435 443	**23 248 230**

Directors' Report/continued

DIRECTORS' INTERESTS

As at 31 December 2018, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' shareholding

Number of shares	Direct holding	Indirect holding	Total
H. Nkala (Group Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	31 760 865	31 903 106
T. Kufazvinei (Executive Director)	35 114	11 408 184	11 443 298
W. Rusere (Executive Director)	5 000	10 165 352	10 170 352
F. Gwandekwande (Executive Director)	7 344	-	7 344
C. Mtasa (Non-Executive Director)	10 000	-	10 000
	199 699	**53 744 740**	**53 944 439**

The other directors have no shareholding in the Company.

CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the regulatory authorities:
FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). 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 capital position for these subsidiaries is detailed in the table below;

Company	Regulatory Authority	Minimum capital required US$	Discounted Capital US$	Total Equity US$
As at 31 December 2018				
FBC Bank Limited	RBZ	25 000 000	89 415 015	105 500 554
FBC Building Society	RBZ	20 000 000	49 278 852	53 637 435
FBC Reinsurance Limited	IPEC	10 000 000	15 834 029	15 834 029
FBC Securities (Private) Limited	SECZ	150 000	1 224 081	1 224 081
FBC Insurance Company (Private) Limited	IPEC	7 500 000	7 499 788	7 499 788
Microplan Financial Services (Private) Limited	RBZ	25 000	10 624 684	10 624 684
As at 31 December 2017				
FBC Bank Limited	RBZ	25 000 000	75 188 472	77 936 562
FBC Building Society	RBZ	20 000 000	47 392 883	47 503 334
FBC Reinsurance Limited	IPEC	7 500 000	13 626 886	13 626 887
FBC Securities (Private) Limited	SECZ	150 000	1 054 128	1 054 129
FBC Insurance Company (Private) Limited	IPEC	2 500 000	7 367 424	7 367 425
Microplan Financial Services (Private) Limited	RBZ	25 000	9 542 669	9 542 669

Directors' Report/continued

At 31 December 2018, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 21% and that of the building society was 78%, against the statutory minimum ratios of 12%. The respective capital adequacy ratios are determined as illustrated below.

	31-Dec-18	31-Dec-17
FBC Bank Limited capital adequacy ratio	**US$**	**US$**
Ordinary share capital	18 502 313	18 502 313
Share premium	13 197 687	13 197 687
Retained profits	70 881 205	43 317 212
General reserve	-	-
Capital allocated for market and operational risk	(12 055 024)	(9 852 623)
Advances to insiders	(16 085 540)	(2 748 090)
Tier 1 Capital	**74 440 641**	**62 416 499**
Other reserves	2 919 350	2 919 350
General provisions	-	-
Tier 1 and 2 Capital	**77 359 991**	**65 335 849**
Tier 3 capital allocated for market and operational risk	12 055 024	9 852 623
	89 415 015	**75 188 472**
Risk weighted assets	**435 317 955**	**412 280 311**
Tier 1 ratio (%)	17%	15%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	3%	2%
Capital adequacy ratio (%)	**21%**	**18%**
Minimum Statutory Capital adequacy ratio	**12%**	**12%**

Directors' Report/continued

FBC Building Society capital adequacy ratio	31-Dec-18 US$	31-Dec-17 US$
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	42 257 377	36 123 275
Capital allocated for market and operational risk	(2 436 774)	(1 953 645)
Advances to insiders	(4 358 584)	(110 451)
Tier 1 Capital	**46 728 618**	**45 325 778**
Non distributable reserves	-	-
Revaluation reserves	113 460	113 460
Tier 1 and 2 Capital	**46 842 078**	**45 439 238**
Tier 3 capital allocated for market and operational risk	2 436 774	1 953 645
	49 278 852	47 392 883
Risk weighted assets	**62 859 969**	**82 513 703**
Tier 1 ratio (%)	74%	55%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	4%	2%
Capital adequacy ratio (%)	**78%**	**57%**
Minimum Statutory Capital adequacy ratio	**12%**	**12%**

DIVIDEND

A final dividend of 0.9182 RTGS cents per share was declared by The Board on 27 March 2019 payable on 671 949 927 ordinary shares in issue in respect of the year ended 31 December 2018. The dividend is payable to Shareholders registered in the books of the Company at the close of business on Wednesday, 17 April 2019. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 12 April 2019 and ex-dividend as from 15 April 2019. Dividend payment will be made to Shareholders on or about 23 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Group and Company financial statements in accordance with applicable laws and regulations. The Companies Act (Chapter 24:03) requires the directors to prepare Group and Company financial statements for each financial year. The Group and Company financial statements are required by law and International Financial Reporting Standards (IFRSs) to

Directors' Report/continued

present a true and fair view of the financial position of the Group and the parent Company and the performance for that period. In preparing each of the Group and Company financial statements, the directors are required to:

* select suitable accounting policies and then apply them consistently;
* make judgments and estimates that are reasonable and neutral;
* state whether they have been prepared in accordance with IFRSs; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at anytime the financial position of the Group and the Company and enable them to ensure that its financial statements comply with the applicable legislation. They have general responsibility for taking such steps as are reasonably open to them to safe guard the assets of the Group and to prevent and detect fraud and other irregularities. The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Compliance with legislation

These financial statements, which have been prepared under the historical cost convention (except for fair value measurements where applicable), are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07)the Companies Act (Chapter24:03) and the relevant regulations made thereunder, and the relevant Statutory Instruments (SI) SI 62/96,SI 33/99 and SI 33/19.

Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs achieves consistency with the financial reporting framework adopted. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

Directors' Report/continued

While full compliance with IFRSs has been possible in previous reporting periods, we have not been able to comply with IFRS for 2018.

The IFRS Conceptual Framework, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of a company, for use in preparing financial statements.

IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe. In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in accounting treatment being adopted in the 2018 financial statements, which is different from that which would have been adopted if the group had been able to Independently apply the judgements and estimates provided for under IFRS. As such directors and management have been unable to produce financial statements which in their view would be true and fair and urge users of the financial statements to exercise due caution.

Going concern

The Board has satisfied itself that the Group and Company have adequate resources to continue in operation for the foreseeable future. The Group and Company financial statements have accordingly been prepared on a going concern basis. The annual financial statements for the year ended 31 December 2018 set out on pages 66 to 189 were approved by the Board of Directors on 27 March 2019.

Directors' Report/continued

INDEPENDENT AUDITOR

Messrs. Deloitte & Touche have expressed their willingness to continue in office and shareholders will be asked to confirm their re-appointment at the forthcoming Annual General Meeting and to fix their remuneration for the past year.

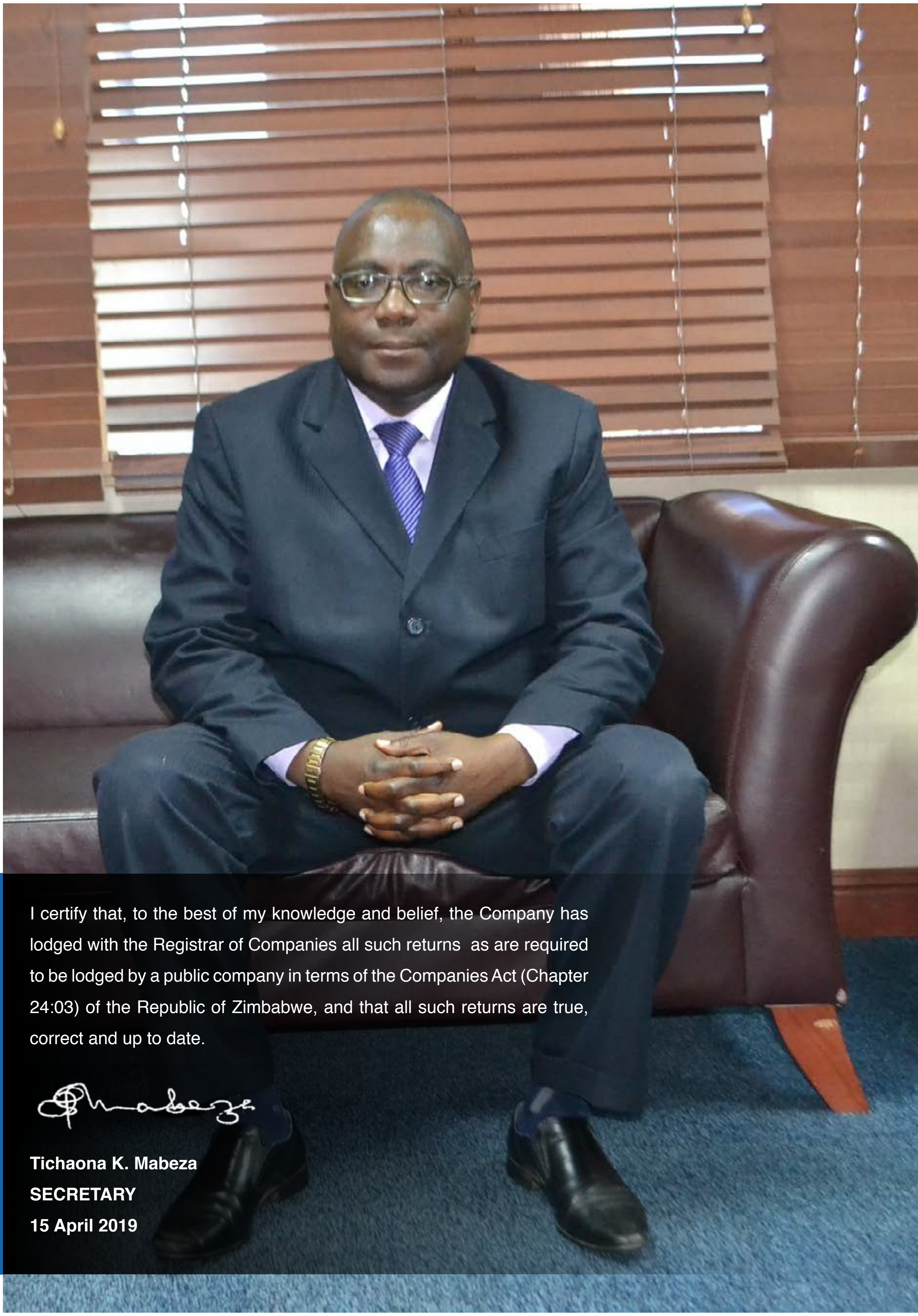
By order of the Board
Tichaona K. Mabeza
SECRETARY
15 April 2019

Preparer of Financial Statements

These annual financial statements have been prepared under the supervision of Trynos Kufazvinei (Group Finance Director) and have been audited in terms of the Companies Act (Chapter 24:03) of Zimbabwe.

Trynos Kufazvinei CA(Z)
PAAB Number : 00293

Company Secretary's Certification



I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies Act (Chapter 24:03) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.

Tichaona K. Mabeza
SECRETARY
15 April 2019

Board of Directors

HERBERT NKALA
B.Sc. Hons, MBA
(CHAIRMAN)

Appointed to the FBC Holdings Limited Board in November 2002. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.

CHIPO MTASA
B.Acc (Hons), CA(Z)
(DEPUTY CHAIRPERSON)

Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.

JOHN MUSHAYAVANHU
AIBZ, DIP MANAGEMENT, MBA
(GROUP CHIEF EXECUTIVE)

John is an Associate of the Institute of Bankers in Zimbabwe ("AIBZ"), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom. A career banker, John has over 38 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is a former President of the Bankers Association of Zimbabwe ("BAZ"). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed Chief Executive of FBC Holdings on the 1st of June 2011.

GERTRUDE SIYAYI CHIKWAVA
MSc Strategic Management, AIBZ
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.

Board of Directors

PHILIP MHARIDZO CHIRADZA
(MSC - Strategic Management), Dip (Gen Management)
(NON-EXECUTIVE DIRECTOR)
Appointed to the Board of FBC Holdings Limited in June 2005. He is the former Managing Director of Beverley Building Society and is also a director of several other companies.

KLETO CHIKETSANI
Bachelor of Business Studies (Honours) (UZ), AIISA
(EXECUTIVE DIRECTOR)
Kleto has over 25 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is one of the founder members of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.

Gary Collins
PGD JMC
(NON EXECUTIVE DIRECTOR)
Gary is a deep subject matter expert on the nexus between digital innovation, leading edge technologies and core business value in banking and diversified financial services. He is Founder and Chief Executive Officer of Solveworx (Pty) Limited, Australia and holds a Post Graduate Diploma in Journalism and Media Studies.

FELIX GWANDEKWANDE
AIBZ, MBA in Accounting, Banking and Economics (UK)
(EXECUTIVE DIRECTOR)
Felix was appointed Managing Director of FBC Building Society on the 1st of June 2011. A career banker, chartered marketer, and a holder of a Masters in Business Administration from Nottingham Trent University, Felix has over 30 years experience in the financial services industry encompassing most aspects of banking. He joined FBC Bank in 1998, rising through branch management and heading the Bank's Retail Operations.

Board of Directors

FRANKLIN HUGH KENNEDY
Business Administration (Honours)
(NON EXECUTIVE DIRECTOR)

Franklin is currently the President of Equator Capital Partners LLC and is director of several other companies. He is a holder of a Bachelor of Business Administration (Honours) degree from the University of Western Ontario, Canada. He was appointed to the Board of FBC Holdings Limited on 18 December 2013.

TRYNOS KUFAZVINEI
B Acc (Hons), CA(Z), MBA
(DEPUTY GROUP CHIEF EXECUTIVE)

Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from the University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 27 years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive of the FBC Group on the 1st of June 2011.

CANADA MALUNGA
B.Acc (Hons), CA(Z)
(NON-EXECUTIVE DIRECTOR)

Canada, a Chartered Accountant (Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the Managing Director of Masimba Holdings Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

Rutenhuro Moyo
MSIO
(NON EXECUTIVE DIRECTOR)

Has a Masters in Industrial and Occupational Psychology and has post graduate qualifications in Business and Finance. Rute has wide experience and has held senior positions in international corporations such as Anglo – American, Old Mutual and Coca Cola Central Africa. He is director of several other companies.

GODFREY GAVIRO NHEMACHENA
BSc. Soc
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of Directors of First Banking Corporation Limited in June 2002 and to the Board of FBC Holdings in August 2004. He holds directorships in a number of other companies. He is the former Town Clerk for the City of Gweru and is the past Chairman of the Local Authorities Pension Fund.

WEBSTER RUSERE
AIBZ, MBA
(EXECUTIVE DIRECTOR)

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager and rose to become Managing Director of FBC Bank Limited Congo Sarl in November 2000. After the expiry of the DRC management contract in 2004, he was appointed Head of Retail Banking Division. He held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.

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.

Guidelines issued by the Reserve Bank of Zimbabwe, Secuируities and Exchange Commission and the Insurance and Pension Commission from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises of five executive directors and nine non-executive directors.

The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

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.

	Main Board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing and PR				Interim Board Digitalisation and Innovations			
Board member	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Herbert Nkala	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chipo Mtasa	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a
John Mushayavanhu	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	n/a	√	√	√
Kleto Chiketsani	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gertrude Chikwava	x	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a
James Chiuta	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Phillip Chiradza	√	√	√	√	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Felix Gwandekwande	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Franklin Kennedy	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trynos Kufazvinei	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Canada Malunga	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	√	√	√
Godfrey Nhemachena	√	√	√	√	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a
Webster Rusere	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rutenhuro Moyo	n/a	n/a	n/a	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	x	√
Gary Collins	n/a	n/a	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√

Key

√ - Attended x - Apologies Q1 - Quarter 1 n/a- not applicable Q2 - Quarter 2

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:

Corporate Governance/continued

Board Finance and Strategy Committee

Members

C. Malunga (Chairman)
G. S. Chikwava
F. H. Kennedy
C. Mtasa
J. Mushayavanhu

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:

- The Group's financial statements, and accounting policies,
- The Group's strategy and budget,
- The Group's performance against agreed benchmarks and
- The adequacy of the Group's management information systems.

Board Human Resources and Remuneration Committee

Members

G. G. Nhemachena (Chairman)
P.M. Chiradza
H. Nkala

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources and other senior executives.

The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance.

The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

Board Audit Committee

Members

C. Mtasa (Chairperson)
C. Malunga
G.G. Nhemachena
P.M. Chiradza

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:

- Review compliance with statutory regulations,
- Review the effectiveness of internal controls,
- Review and approve the financial statements and
- Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

Corporate Governance/continued

Board Risk and Compliance Committee

Members

G. G. Nhemachena (Chairman)

G. S. Chikwava

J. Mushayavanhu

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/ regulatory breaches and monitoring resolution of such breaches.

Board Credit Committee

Members

T. Mazoyo (Chairperson)

M. Nzwere

W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The Divisional Director of Credit attend the committee meetings by invitation.

Board Loans Review Committee

Members

M. Ndoro (Chairperson)

T. Mutunhu

J. Mushayavanhu

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only.

Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Divisional Director of Credit and the Group Chief Executive.

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

Board Assets and Liabilities Committee

Members

M.Nzwere (Chairman)

T. Mazoyo

J. Mushayavanhu

T. Mutunhu

W. Rusere

Corporate Governance/continued

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

Internal Controls

The Directors are responsible for the Group's internal control system, which incorporates procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:

i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.

ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.

iii) Detailed monthly management accounts with comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

Executive Committee

The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:

The Group Chief Executive
Deputy Group Chief Executive
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (FBC Insurance Company (Private) Limited)
Managing Director (Microplan Financial Services (Private) Limited)
Group Company Secretary
Divisional Director Human Resources

It meets monthly or more frequently if necessary and acts on behalf of the Board.

Internal Audit

The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

Corporate Governance/continued

Risk Management and Control

Introduction and overview

Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

The most important risks that the Group is exposed to are listed below:

- Credit risk,
- Market risk,
- Liquidity risk,
- Reputational risk,
- Strategic risk,
- Operational risk and
- Compliance risk.

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities.

Risk management framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committees for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society.

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.

In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:

- Group Risk Management,
- Group Internal Audit and
- Group Compliance.

Group Risk Management Division assumes a central role in oversight and management of all risks that the Group is exposed to in its various activities. The Divisional Director of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk within the Group. The Divisional Director of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Corporate Governance/continued

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Group Risk and Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Board Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed in note 34 under Financial Risk Management.

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

Group's approach to managing operational risk

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

Operational risk framework and governance

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

The management and measurement of operational risk

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

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

Corporate Governance/continued

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 Management 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.

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 Group'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.

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), the relevant Statutory Instruments ("SI") SI 33/99, SI 33/19 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01), the Value Added Tax Act (Chapter 23:12), the Insurance Act (Chapter 24:07) and the Securities Act (Chapter 24:25).

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.

Corporate Governance/continued

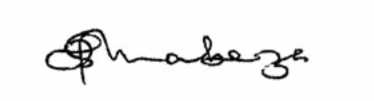
International credit ratings

All banking and insurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating. The micro lending unit's rating is also reviewed annually by Microfinanza rating agency. The ratings are as illustrated below;

Subsidiary	2018	2017	2016	2015	2014
FBC Bank Limited	BBB+	BBB+	BBB+	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	A-	BBB
Microplan Financial Services Limited	BBB	BBB	BBB-	N/A	N/A

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)



Tichaona K. Mabeza
(Group Company Secretary)

15 April 2019

Group
Financial Statements

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Independent Auditor's Report to the Shareholders of FBC Holdings Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Adverse Opinion

We have audited the consolidated and separate financial statements of FBC Holdings Limited ("the Company) and its subsidiaries ("the Group") set out on pages 66 to 189 which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements do not present fairly, the consolidated and separate financial position of the Group as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), and the Insurance Act (Chapter 24:07).

Basis for Adverse Opinion

The Group and company transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency during the year ended 31 December 2018, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency for financial accounting and reporting purposes.

The Reserve Bank of Zimbabwe (RBZ) issued a monetary policy statement in October 2018 instructing all banks to separate and create distinct bank accounts for depositors, namely, RTGS Foreign Currency Accounts (FCA) and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Due to this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International

Independent Auditor's Report/continued

Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates." Such assessment pointed to a change in functional currency.

Subsequent to year-end, as indicated in note 44 to the consolidated and separate financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued bond notes as currency.

The Group and company has maintained their functional currency as the USD and have presented the financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with IFRS. Had the Group and Company applied the requirements of IAS 21, many of the elements of the accompanying consolidated and separate financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the consolidated and separate financial statements of this departure have not been determined. A comparative analysis of how different exchange rates would impact on the consolidated statements of financial position has been presented in note 44 to the consolidated and separate financial statements. However, these amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section of our report, we have determined the matters described below to be the key audit matters.

Independent Auditor's Report/continued

Key audit matter	How the matter was addressed in the audit
1. Valuation of expected credit losses on financial assets	
The Group adopted the new and complex accounting standard (IFRS 9: Financial Instruments) on 1 January 2018. This standard introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39. The closing impairment allowances reflected in the statement of financial position as at 31 December 2018 and determined in accordance with IFRS 9 amounts to US$14 600 244. This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment. The key areas where we identified greater levels of Director's judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model; • The measurement of modelled provisions, which is dependent on key assumptions relating to probability of default (the chance that the borrowers will fail to meet their contractual obligations in the future), loss given default (an estimate of the loss from a transaction given that default has occurred) and expected recoveries discounted to present value; • The identification of exposures with a significant deterioration in credit quality; • Assumptions used in the expected credit loss model. • Note 2.5.3, Note 3.1, Note 5 and Note 34.1 to the consolidated financial statements provide detailed information around the determination of the expected credit losses.	• Tested the design and implementation of controls around the determination of the expected credit losses; • Reviewed the Group's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; • Obtained an understanding of the Group's internal rating models for financial assets and reviewed the validation report prepared by the Group's expert to assess whether the rating model is appropriate. • Performed procedures to ensure the competence, objectivity and independence of the Group's expert; • Reviewed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages; • For a sample of exposures, tested the appropriateness of the Group's staging; • Tested assumptions used in the ECL calculations and assessed for reasonability; • For a sample of exposures, tested the appropriateness of determining Exposure at Default (the total value that the Group is exposed to at the time of default) and probability of default; • With the assistance of an auditors' expert, performed model validation assessment on the Group's model and performed an independent assessment on the appropriateness of the model; • Reviewed the maturity dates to ensure completeness in the impairment model; • Tested the completeness of loans and advances, treasury bills, off balance sheet items, investment securities, placements and other financial assets included in the ECL calculations; • Assessed the completeness of collateral recognised during the period under review; • Assessed consistency of inputs and assumptions used by the Group's management to determine impairment provisions; and • Reviewed the appropriateness of the opening balance adjustments.
2. Valuation of Incurred But Not Reported (IBNR) claims provision	
The determination of the IBNR claims provision is an area of key judgement due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date. Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for. The claims provision as at 31 December 2018 was US$2 145 471 (2017: US$1 451 597). Disclosures in relation to the claims provision are included in note 2.8 and note 16 of the consolidated financial statements	• Obtained an understanding of the methods and assumptions applied in the provision determination, as well as the source of the information used in the provision determination. • Tested the design and implementation of controls around the determination of the IBNR provision. • In order to assess the quality of historical reserving exercises, we performed a retrospective review of the adequacy of the prior periods' estimates by comparing it with the claims experience related to the provision that was recorded in the prior years. • We performed procedures to assess the adequacy of the current year IBNR provision, that included the following: • Analysis of the 2017 claims incurred that were reported up to the date of our audit report against the current year (2018) IBNR provision; • Verification of the mathematical accuracy of the provision determination prepared by the Group; and • We engaged our own internal actuarial specialists to interrogate the methodology and assumptions of the Group's actuary used in the assessment of the IBNR. This was done to support the conclusion over whether the amount calculated by the Group lies within an acceptable range.

Independent Auditor's Report/continued

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act (Chapter 24:03) which we obtained prior to the date of this auditor's report and the Annual Report which is expected to be made available to us after the date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group and Company maintained their functional currency as the USD and have presented the consolidated and separate financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21. We have determined that the other information is materially misstated for the same reason.

When we read the other information obtained after the date of the auditor's report, if we conclude that there is a material mistatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 and SI 62/96), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report/continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor’s Report/continued

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Tumai Mafunga.

Deloitte & Touche

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Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Tumai Mafunga Partner
Registered Auditor
PAAB Practice Certificate Number: 0442
Date: 16 April 2019

Consolidated Statement of Financial Position

As At 31 December 2018

	Note	31-Dec-18 US$	31-Dec-17 US$
ASSETS			
Balances with banks and cash	4	192 209 582	181 002 565
Financial assets at amortised cost	5.5	186 068 296	112 878 823
Loans and advances to customers	5.1	405 508 331	300 746 805
Trade and other receivables including insurance receivables	5.2	12 942 578	9 639 660
Bonds and debentures	6	225 565 873	27 633 715
Financial assets at fair value through profit or loss	7	9 049 902	2 365 325
Financial assets at fair value through other comprehensive income	8	2 064 702	835 710
Inventory	9	8 461 294	6 523 937
Prepayments and other assets	10	21 000 608	23 684 304
Current income tax asset		147 326	655 613
Deferred income tax assets	18.3	5 189 191	7 586 301
Investment property	11	8 838 000	8 184 400
Intangible assets	12	2 056 337	1 851 136
Property and equipment	13	34 874 699	28 849 191
Total assets		**1 113 976 719**	**712 437 485**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	14.1	627 899 762	420 673 937
Deposits from other banks	14.2	140 873 376	88 729 907
Borrowings	15	104 400 500	14 581 009
Insurance liabilities	16	13 921 902	7 680 864
Trade and other payables	17	46 742 668	35 311 178
Current income tax liability		643 429	70 599
Deferred income tax liability	18.3	783 115	834 055
Total liabilities		**935 264 752**	**567 881 549**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	19.3	14 089 892	14 089 892
Other reserves	20	35 396 838	38 807 167
Retained profits		128 886 322	91 326 329
		178 373 052	144 223 388
Non controlling interest in equity		338 915	332 548
Total equity		**178 711 967**	**144 555 936**
Total equity and liabilities		**1 113 976 719**	**712 437 485**

The consolidated financial statements on pages 66 to 180 were authorised for issue by the board of directors on 15 April 2019 and were signed on its behalf.

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 31 December 2018

	Note	31-Dec-18 US$	31-Dec-17 US$
Interest and related income	21	85 310 382	65 715 846
Interest and related expense	21.1	(20 111 730)	(19 647 155)
Net interest and related income		**65 198 652**	**46 068 691**
Fee and commission income	22	43 159 361	31 928 468
Fee and commission expense	22.1	(358 716)	(322 495)
Net fee and commission income		**42 800 645**	**31 605 973**
Revenue from property sales	23	10 839 739	5 387 808
Cost of property sales	23.1	(8 350 999)	(4 212 915)
Net income from property sales		**2 488 740**	**1 174 893**
Insurance premium revenue	24	35 036 452	30 988 208
Premium ceded to reinsurers and retrocessionaires		(13 357 206)	(12 288 100)
Net earned insurance premium		**21 679 246**	**18 700 108**
Net trading income		1 464 471	1 367 267
Net gain from financial assets at fair value through profit or loss	25	3 139 229	636 005
Other operating income	26	9 153 805	5 740 990
		13 757 505	**7 744 262**
Total net income		**145 924 788**	**105 293 927**
Impairment allowance	5.4	(2 513 421)	(6 883 565)
Net insurance commission expense	27	(3 806 204)	(3 783 042)
Insurance claims and loss adjustment expenses	28	(11 656 355)	(8 279 135)
Administrative expenses	29	(73 302 335)	(57 044 631)
Profit before income tax		**54 646 473**	**29 303 554**
Income tax expense	30.1	(10 211 030)	(6 055 324)
Profit for the year		**44 435 443**	**23 248 230**

Consolidated Statement of Profit or Loss and Other Comprehensive Income/continued
For The Year Ended 31 December 2018

	Note	31-Dec-18 US$	31-Dec-17 US$
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains on property revaluation		-	1 311 411
Tax		-	(313 684)
		-	997 727
Items that may be subsequently reclassified to profit or loss			
Gain/(loss) on financial assets at fair value through other comprehensive income		1 228 993	(27 177)
Tax		(12 290)	272
		1 216 703	**(26 905)**
Total other comprehensive income, net income tax		**1 216 703**	**970 822**
Total comprehensive income for the year		**45 652 146**	**24 219 052**
Profit attributable to:			
Equity holders of the parent		44 416 204	23 197 279
Non - controlling interest		19 239	50 951
Profit for the year		**44 435 443**	**23 248 230**
Total comprehensive income attributable to:			
Equity holders of the parent		45 632 907	24 164 106
Non - controlling interest		19 239	54 946
Total comprehensive income for the year		**45 652 146**	**24 219 052**
Earnings per share (US cents)			
Basic earnings per share	33.1	6.95	3.62
Diluted earnings per share	33.2	6.95	3.62

Company Statement of Changes in Equity

For The Year Ended 31 December 2018

	Share capital US$	Share premium US$	Retained profits US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Available for sale reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2017	**6 719**	**14 083 173**	**71 488 214**	**(2 501 344)**	**36 624 611**	**2 170 001**	**(123 599)**	**1 670 671**	**123 418 446**	**294 150**	**123 712 596**
Profit for the year	-	-	23 197 279	-	-	-	-	-	23 197 279	50 951	23 248 230
Other comprehensive income											
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	993 732	-	-	993 732	3 995	997 727
Loss on available for sale financial assets	-	-	-	-	-	-	(26 905)	-	(26 905)	-	(26 905)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**993 732**	**(26 905)**	**-**	**966 827**	**3 995**	**970 822**
Total comprehensive income	**-**	**-**	**23 197 279**	**-**	**-**	**993 732**	**(26 905)**	**-**	**24 164 106**	**54 946**	**24 219 052**
Transaction with owners:											
Dividend declared and paid	-	-	(3 359 164)	-	-	-	-	-	(3 359 164)	(16 548)	(3 375 712)
Total transactions with owners recognised directly in equity	**-**	**-**	**(3 359 164)**	**-**	**-**	**-**	**-**	**-**	**(3 359 164)**	**(16 548)**	**(3 375 712)**
Balance as at 31 December 2017	**6 719**	**14 083 173**	**91 326 329**	**(2 501 344)**	**36 624 611**	**3 163 733**	**(150 504)**	**1 670 671**	**144 223 388**	**332 548**	**144 555 936**
Balance as at 1 January 2018, as previously reported	**6 719**	**14 083 173**	**91 326 329**	**(2 501 344)**	**36 624 611**	**3 163 733**	**(150 504)**	**1 670 671**	**144 223 388**	**332 548**	**144 555 936**
Changes on initial application of IFRS 15			(801 041)						(801 041)		(801 041)
Changes on initial application of IFRS 9	-	-	1 357 462	-	-	-	-	-	1 357 462	(368)	1 357 094
Balance as at 1 January 2018, restated	**6 719**	**14 083 173**	**91 882 750**	**(2 501 344)**	**36 624 611**	**3 163 733**	**(150 504)**	**1 670 671**	**144 779 809**	**332 180**	**145 111 989**
Profit for the year	-	-	44 416 204	-	-	-	-	-	44 416 204	19 239	44 435 443
Other comprehensive income											
Loss on available for sale financial assets	-	-	-	-	-	-	1 216 703	-	1 216 703	-	1 216 703
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1 216 703**	**-**	**1 216 703**	**-**	**1 216 703**
Total comprehensive income	**-**	**-**	**44 416 204**	**-**	**-**	**-**	**1 216 703**	**-**	**45 632 907**	**19 239**	**45 652 146**
Transaction with owners:											
Dividend declared and paid	-	-	(7 412 632)	-	-	-	-	-	(7 412 632)	(12 504)	(7 425 136)
Treasury share purchase	-	-	-	(4 627 032)	-	-	-	-	(4 627 032)	-	(4 627 032)
Total transactions with owners recognised directly in equity	**-**	**-**	**(7 412 632)**	**(4 627 032)**	**-**	**-**	**-**	**-**	**(12 039 664)**	**(12 504)**	**(12 052 168)**
Balance as at 31 December 2018	**6 719**	**14 083 173**	**128 886 322**	**(7 128 376)**	**36 624 611**	**3 163 733**	**1 066 199**	**1 670 671**	**178 373 052**	**338 915**	**178 711 967**

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	31-Dec-18 US$	31-Dec-17 US$
Cash flow from operating activities			
Profit before income tax		54 646 473	29 303 554
Adjustments for non cash items:			
Depreciation	13	2 807 016	2 339 547
Amortisation charge	12	574 935	626 899
Impairment loss on loans and advances	5.4	2 513 421	6 883 565
Impairment reversal on property and equipment	13	-	(1 629)
Impairment loss on intangible assets	12	-	27 890
Fair value adjustment on investment property	11	(45 970)	(2 129 962)
Fair value adjustment on financial assets at fair value through profit or loss	25	(3 139 229)	(636 005)
Profit on disposal of property and equipment	26	(39 689)	(14 326)
Net cash generated before changes in operating assets and liabilities		**57 316 957**	**36 399 533**
Increase in financial assets at amortised cost		(73 189 473)	(37 800 342)
Increase in loans and advances		(105 917 853)	(31 095 557)
Increase in trade and other receivables		(3 302 918)	(519 423)
Increase in bonds and debentures		(197 932 158)	(18 493 760)
Increase in financial assets at fair value through profit or loss		(3 545 348)	(627 147)
Increase in inventory		(2 738 398)	(1 352 601)
Decrease/(increase) in prepayments and other assets		2 683 696	(13 629 611)
Increase in investment property		(607 630)	(2 343 981)
Increase in deposits from customers		207 225 825	165 407 265
Increase/(decrease) in deposits from other banks		52 143 469	(26 120 915)
Increase/(decrease) in insurance liabilities		6 241 038	(1 790 070)
Increase in trade and other payables		11 431 490	15 502 081
		(50 191 303)	**83 535 472**
Income tax paid		(6 796 032)	(7 211 061)
Net cash (used in)/generated from operating activities		**(56 987 335)**	**76 324 411**
Cash flows from investing activities			
Purchases of intangible assets	12	(780 136)	(615 899)
Purchase of property and equipment	13	(8 838 267)	(4 851 082)
Proceeds from sale of property and equipment		45 432	79 754
Net cash used in investing activities		**(9 572 971)**	**(5 387 227)**
Cash flows from financing activities			
Proceeds from borrowings		97 514 129	2 800 000
Repayment of borrowings		(7 694 638)	(73 602 926)
Dividend paid to company's shareholders		(7 412 632)	(3 359 164)
Dividends paid to non-controlling interests		(12 504)	(16 548)
Purchase of treasury shares		(4 627 032)	-
Net cash generated from/(used in) from financing activities		**77 767 323**	**(74 178 638)**
Net increase/(decrease) in cash and cash equivalents		**11 207 017**	**(3 241 454)**
Cash and cash equivalents at beginning of the year		181 002 565	184 244 019
Cash and cash equivalents at the end of year	4.2	**192 209 582**	**181 002 565**

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

1 GENERAL INFORMATION

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 15 April 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented with the exception of the adoption of IFRS 9 Financial instruments and IFRS 15 Revenues from Contracts with Customers.

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and International Financial Reporting Standards Interpretations Committee, ("IFRIC") interpretations, Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07) and in the manner required by the Zimbabwe Companies Act, (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 62/96, SI 33/99 and SI 33/19 with the exception of IAS 21 The Effects of Changes in Foreign Exchange rates. The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment property and property and equipment.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

In previous financial periods the Group adopted the United States Dollars as its presentation and functional currency. For the year 2018 financial statements, the Group has also adopted the United States Dollars as its presentation currency in compliance with local laws and regulations particulary Statutory instrument 33 of 2019 and relevant guidance on the matter provided by the Public Accountants

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

and Auditors Board (PAAB) on 21 March 2019. The numbers in these financial statements are rounded to the nearest US$.

2.1.1 Changes in accounting policy and disclosures

Application of new and revised International Financial Reporting Standards (IFRSs)

2.1.1.1 New and revised IFRS affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces key changes in the following areas:

Classification and measurement – requiring asset classification and measurement based upon both business model and product characteristics.

Impairment – introducing an expected credit loss model using forward looking information which replaces an incurred loss model. The expected credit loss model introduces a three-stage approach to impairment as follows:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

As required by IFRS 9 the Group applied IFRS 9 retrospectively by adjusting the opening statement of financial position at the date of initial application, and comparative periods have not been restated; for more detail refer to Note 2.5 and Note 43. Additionally the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes

1) identifying the contract with the customer,

2) identifying each of the performance obligations included in the contract,

3) determining the amount of consideration in the contract,
4) allocating the consideration to each of the identified performance obligations and
5) recognising revenue as each performance obligation is satisfied.

The Group elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018, and recognised in retained earnings without restating comparative periods. There were no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Group recognises revenues or when revenue should be recognised gross as a principal or net as an agent; for more detail refer to Note 43.

IAS 40 - Investment Property - Amendments to IAS 40 - Transfers of Investment Property
The Group has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

Annual Improvements to IFRS Standards 2014 – 2016 Cycle- Amendments to IAS 28 Investments in Associates and Joint Ventures
The Group has adopted the amendments to IAS 28 included in the Annual Improvements to IFRS Standards 2014–2016 Cycle for the first time in the current year. The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

2.1.1.2 New and revised standards that did not have an impact

IFRS 2 – Share-based Payment – Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments did not have an impact on the Group.

IFRIC 22 Foreign Currency -Transactions and Advance Consideration
IFRIC 22 addresses how to determine the ‘date of transaction’ for the purpose of determining the

exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

2.1.1.2 Future accounting developments

There have been, and are expected to be, a number of significant changes to the Group's financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 16 – Leases

In January 2016 the IASB issued IFRS 16 Leases and will replace IAS 17 Leases for period beginning on or after 1 January 2019.

IFRS 16 will apply to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. A lessee may elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 Intangible Assets.

IFRS 16 will not result in a significant change to lessor accounting; however, for lessee accounting there will no longer be a distinction between operating and finance leases. Lessees will be required to recognise both:

- a lease liability, measured at the present value of remaining cash flows on the lease, and
- a right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

There is a recognition exception for leases with a term not exceeding 12 months which allows the lessee to apply similar accounting as an operating lease under IAS 17.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to statement of comprehensive income over the life of the lease. As permitted by the standard, the Group intends to apply IFRS 16 on a retrospective basis but to take advantage of the option not to restate comparative periods by applying the modified retrospective approach. The Group intends to take advantage of the following transition options available under the modified retrospective approach:

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

To calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments.

To rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group will adjust the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision.

Apply the recognition exception for leases with a term not exceeding 12 months.

Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease. Application of this accounting standard will not have a material impact on the Group's financial position.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The standard is currently effective from 1 January 2021. The Group is currently assessing the expected impact of adopting this standard.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Group has considered the guidance included within the interpretation and concluded that the prescribed approach under IFRIC 23 is not expected to have a material impact on the Group's financial position.

IAS 12 – Income Taxes – Amendments to IAS 12

In December 2017, as part of the Annual Improvements to IFRS Standards 2015–2017 Cycle, the IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. Effective from 1 January 2019 the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge.

IAS 19 – Employee Benefits – Amendments to IAS 19

In February 2018 the IASB issued amendments to the guidance in IAS 19 Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. The amendments must

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Adoption of the amendments is not expected to have significant impact on the Group.

IFRS 9 - Financial Instruments- Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the ‘Solely Payments of Principal and Interest’ (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. Application of the amendments in the future will not have an impact on the Group’s consolidated financial statements.

IAS 28 - Investments in Associates and Joint Ventures - Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. Application of the amendments in the future will likely have an impact on the Group’s consolidated financial statements.

IAS 23 - Borrowing Costs - Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Application of the amendments in the future will likely not have an impact on the Group’s consolidated financial statements.

IFRS 3 Business Combinations - Amendments to IFRS 3

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. Application of the amendments in the future will likely have an impact on the Group’s consolidated financial statements.

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IFRS 11 Joint Arrangements - Amendments to IFRS 11

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation. Application of the amendments in the future will likely not have an impact on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures- Amendments Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. Application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

2.1.2 Going concern

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

2.2 Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised profits or losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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(c) Disposal of subsidiaries

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

(d) Separate financial statements of the Company

The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances in the separate financial statements of the Company.

2.3 Segment reporting

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

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

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments. In accordance with IFRS 8, Operating segments, the Group has the following business segments: commercial banking, microlending, mortgage financing, reinsurance, short-term insurance and stockbroking.

2.3.1 Commercial banking

The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

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2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

2.3.3 Mortgage financing

The principal activities of this segment consist of housing development, mortgage lending, savings deposit accounts and other money market investment products.

2.3.4 Reinsurance

The principal activities of this segment consist of underwriting the following classes of reinsurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.5 Short - term insurance

The principal activities of this segment consist of underwriting the following classes of insurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.6 Stockbroking

The principal activities of this segment consist of dealing in the equities market and offering advisory services.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

2.4.1.1 Functional currency assessment for the year 2018 financial statements

Introduction of the RTGS as an official currency

On 20 February 2019, through the Monetary Policy statement , the Reserve Bank Governor announced the introduction of the RTGS $ (ZWL) as an official electronic currrency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective 22 February 2019. Pursuant to this, statutory instrument 33 of 2019 was promulgated legislating this development into law. For further details refer to note 44.

Assessment of functional currency

Management in complying with the law and considering guidance on the matter provided by the Public Auditors and Accountants Board "PAAB" have assessed that the functional currency as at the 31 December 2018 was still United States Dollars.

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2.4.1.2 Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the United States of America dollar ("US$"), which is the Group's presentation currency as at year end 31 December 2018 and as prescribed by statutory instrument 33 of 2019. All the Group's subsidiaries operate in Zimbabwe and have the United States of America dollar ('US$') as their functional and presentation currency as at year end 31 December 2018.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains or losses are presented in the statement of comprehensive income within 'net trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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2.5 Financial assets and liabilities

2.5.1 Financial assets Classification

The Group applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Recognition

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets are classified on the basis of two criteria:

i) the business model within which financial assets are managed, and

ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

The Group assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant. Principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

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Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election on initial recognition for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the statement of comprehensive income.

Derecognition

The Group derecognises a financial asset, or a portion of a financial asset, from its statement of financial position where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms or a substantive qualitative amendment is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Transactions in which the Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit and loss.

The Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position as the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and loss.

Reclassification

The Group reclassifies financial assets between measurement categories when, and only when, the business model for managing them changes. Reclassifications are accounted for prospectively from the reclassification date. The reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets. The Group does not restate any previously recognised gains or losses (including impairment gains or losses) or interest.

The Group may sell debt instruments classified in the hold-to-collect business model. Such sales are assessed to conclude on whether or not they indicate a change in business model, and therefore trigger a reclassification of the instruments. The Group considers the following factors in making this assessment:

- the historical frequency, timing and value of sales
- the reasons for the sales (e.g. due to credit deterioration)
- expectations about future sales activities.

Some sales or transfers of financial instruments before maturity might be consistent with the hold-to-collect business model if they are infrequent (even if significant in value) or insignificant in value, either individually or in aggregate (even if frequent) or if they are in response to a deterioration in a counterparty's credit risk as part of the Group's credit risk management activities. Such sales would not change this classification if the Group's cash flow collection objectives remain the same i.e. to collect contractual cash flows. The Group applies judgement in determining when sales are considered frequent or significant.

The Group does not reclassify financial liabilities between measurement categories under any circumstances.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

2.5.2 Issued debt and equity instruments

The Group applies IAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity. Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

2.5.3 Impairment of financial assets

Accounting for the impairment of financial assets under IFRS 9 effective from 1 January 2018.

Impairment

The Group recognises expected credit losses (ECLs) in compliance with IFRS 9 based on unbiased forward-looking information for all financial assets at amortised cost (treasury bills, bonds and debentures and loans and advances), lease receivables, loan commitments and financial guarantee contracts along side Reserve Bank of Zimbabwe (RBZ) provisioning requirement. Any excess RBZ provisioning over IFRS provisioning is accounted for through regulatory reserves in equity.

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month (Stage 1) ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The 12 month ECL is calculated by multiplying the 12 month PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Determining a significant increase in credit risk since initial recognition:

The Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination. PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

ii) Qualitative test

Relevant for accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring. High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, such as industry and Group-wide customer level data, including but not limited to bureau scores and high consumer indebtedness index, wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

iii) Backstop criteria

Relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at a minimum: all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

Forward-looking information

The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

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Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the statement of comprehensive income as a modification gain or loss.

Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect behavioural life of the asset, i.e. the full period over which the business expects to be exposed to credit risk.

Behavioural life is typically based upon historical analysis of the average time to default, closure or withdrawal of facility. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

Discounting

ECLs are discounted at the EIR at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease. For variable/floating rate financial assets, the spot rate at the reporting date is used.

Modelling techniques

ECLs are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original EIR. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

i) BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives;

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ii) IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;

iii) Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and

iv) ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, the Group's risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, the Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Forbearance

A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity.

Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definition of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state.

No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

Accounting for the impairment of financial assets under IAS 39 for 2017

Loans and other assets held at amortised cost

In accordance with IAS 39, the Group assessed at each balance sheet date whether there was objective evidence that loan assets were not to be recovered in full and, wherever necessary, recognised an impairment loss in the statement of comprehensive income.

Notes to the Consolidated Financial Statements/continued

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An impairment loss was recognised if there was objective evidence of impairment as a result of events that would have occurred and would have adversely impacted the estimated future cash flows from the assets. These events include:

i) becoming aware of significant financial difficulty of the issuer or obligor
ii) a breach of contract, such as a default or delinquency in interest or principal payments
iii) the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider
iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
v) the disappearance of an active market for that financial asset because of financial difficulties
vi) observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments were conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans, and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics were grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment included estimating the expected future cash flows from the asset or the group of assets, which were then discounted using the original effective interest rate calculated for the asset. If this was lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss was reversed by adjusting the allowance account. The amount of the reversal was recognised in the statement of comprehensive income.

Following impairment, interest income continued to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans were written off against the related allowance for loan impairment on completion of the Group's internal processes when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off were credited to the statement of comprehensive income.

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Available for sale financial assets

Impairment of available for sale debt instruments

Debt instruments were assessed for impairment in the same way as loans. If impairment was deemed to have occurred, the cumulative decline in the fair value of the instrument that had previously been recognised in the available for sale reserve was removed from reserves and recognised in the statement of comprehensive income. This may had been reversed if there was evidence that the circumstances of the issuer have improved.

Impairment of available for sale equity instruments

Where there was a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it was deemed to be impaired. The cumulative net loss that had been previously recognised directly in the available for sale reserve was removed from reserves and recognised in the statement of comprehensive income. Increases in the fair value of equity instruments after impairment were recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment were recognised in the statement of comprehensive income.

2.5.4 Customer deposits

Customer deposits are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method.

2.5.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.5.6 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

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For The Year Ended 31 December 2018

2.5.7 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment, (when a payment under the guarantee has become probable).

2.6 Balances with other banks and cash

Cash and bank balances comprise cash on hand, deposits held at call with other banks, and cash and balances with the Central Bank.

2.6.1 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown as liabilities.

2.7 Trade and other receivables including insurance receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.8 Insurance contracts

Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (“the policyholder”) by agreeing to compensate the policyholder or other beneficiary in the event of loss are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

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Recognition and measurement

Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties charged on premiums. Premiums written include estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the subsequent financial year, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims' provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

Reinsurance assets

The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessonaire) and the short-term insurance subsidiary cedes insurance risk to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

Reinsurance assets (contracts)

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within trade and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Reinsurance liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when the obligation arises.

Deferred acquisition costs

Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisitions costs include direct cost such as commission and indirect costs such as administrative expenses connected with the processing of proposals and issuing of policies.

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Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For insurance contracts the deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

2.9 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investment property

Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value.

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner- occupation for a transfer from investment property to owner-occupied property. The property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

2.11 Intangible assets

2.11.1 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable

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assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition. Negative goodwill is immediately recognised in the statement of comprehensive income.

2.11.2 Software licences

Separately acquired software licences are at historical cost less accumulated amortisation. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives not exceeding 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranging from three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred.

2.12 Property and equipment

(a) Recognition and measurement

The cost of an item of property and equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings comprise mainly retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent accumulated depreciation for buildings and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is

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eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as separate property and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income within 'administrative expenses' during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from revaluation reserve' to 'retained profits' on disposal of the revalued asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold premises	50 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other 'operating income'.

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The carrying amounts of the Group's items of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than the estimated recoverable amount (note 2.14)

(c) Derecognition

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.13 Time - share asset

The time - share asset comprises a house boat jointly owned with external entities and the Group has a majority share. The boat is recognised as an asset for owner use. The boat is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the Time - share asset.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over the estimated useful life of 10 years.

2.14 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment allowance is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with

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respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured

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at amortised cost using the effective interest method.

2.18 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital ("treasury shares"), where any group company purchases the Company's share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Company's directors.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in the statement of comprehensive income within 'other operating income' on a straight-line basis over the lease term

2.21 Revenue recognition

Revenue is derived substantially from the business of banking and related activities, provision of insurance services and rendering of stock broking services. Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, measurement of the associated costs incurred to earn the revenue or the possible return of the goods.

From the business of banking and related services; revenue comprises interest income, fees and commission income, net trading income and dividend income.

2.21.1 Interest income and interest expense

Interest income and interest expense are recognised in the statement of comprehensive income for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

2.21.2 Fee and commission income and expense

Fee and commission income and expense that is not an intergral part of effective interest rate is generally recognised on an accrual basis when the service has been provided. Loan commitment fees (“establishment fees”) for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Commission and fee income and expense arising in the negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Other management advisory and service fees are recognised based on an accrual basis.

2.21.3 Net trading income

Net trading and dealing income includes gains or losses arising from disposals and changes in fair values of financial assets and liabilities held for trading. Net trading income also includes gains or losses arising from changes in foreign currency exchange rates.

Income from equity investments and other non-fixed income investments is recognised as income on an accrual basis.

2.21.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.21.5 Sale of goods - property sales

The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group uses the following steps in recognising revenue from sale of houses:

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Revenue is recognised when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue on the land portion is recognized in full on execution of the sale agreement.

2.21.6 Insurance premiums (including reinsurance premiums)

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

2.22 Employee benefits

(a) Termination benefits

Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates : (a) when the Group can no longer withdraw the offer for these benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(b) Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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(c) Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pension obligation

The Group provides for retirement benefit obligation in respect of its employees as follows;

- FBCH Pension Fund - Defined Contribution Fund,
- Eagle Insurance Pension Fund (for the short-term insurance subsidiary employees) - Defined Contribution Fund,
- National Social Security Authority ("NSSA") - a Statutory Defined Contribution Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(d) Profit sharing and bonus plans

The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after an independent audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs within operating expenses in the statement of comprehensive income.

2.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company, held as treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company, held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

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2.24 Headline earnings per share

The Group presents headline earnings per share ("HEPS") for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements of investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on disposals of financial assets classified as available for sale or associates and gains or losses in the loss of control or a subsidiary.

These adjusted earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares.

2.25 Dividend in specie

The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. Where the distribution constitutes a business, and the shares relating to the business are quoted on an active market, the liability is measured at the fair value of the shares to be distributed using the quoted price.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3.1 Impairment allowances on loans and advances

Collective impairment

The Group assesses its loan portfolios for impairment at least monthly. In determining whether an impairment allowance should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that

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portfolio. Estimates are made of the duration between occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and past due but not impaired loans is calculated on a portfolio basis based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated emergence period. Critical judgements are also made in :

- determination of significant increase in credit risk
- determination of models and assumptioms
- use of forward looking information
- and on coming up with loss given default

Specific loan impairments

Non-performing loans include those for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for long periods. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows;

	Expected time to recovery 2018 Months	Expected recoveries as a percentage of impaired loans 2018 %	Impairment loss Sensitivity 2018 US$	Expected time to recovery 2017 Months	Expected recoveries as a percentage of impaired loans 2017 %	Impairment loss Sensitivity 2017 US$
Personal loans	6	10%	2 255	6	10%	2 184
Corporate loans	12	75%	1 855	12	75%	18 634

Sensitivity is based on the effect of a one percentage point increase in the value of the estimated recovery on the value of the specific impairment.

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3.2 Income taxes

The Group is subject to income tax in Zimbabwe except for one subsidiary, FBC Building Society which is exempt from income tax. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination during the ordinary course of business is estimated. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax liabilities in the period in which such determination is made. Additional information is disclosed in note 18 and 30.

3.3 Claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 16.

3.4 Inventory valuation

The process for evaluating inventory obsolescence or market value often requires the Group to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. The Group adjusts the inventory by the difference between the estimated market value and the actual cost of the inventory to arrive at net realizable value. The Group's estimates for market value are reviewed at least annually and updated. Any write down resulting from this review is reflected in the statement of comprehensive income in 'cost of sales'.

3.5 Revaluation of property and investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures property at revalued amounts with changes in fair value being recognised in other comprehensive income. After engagement of an independent valuation specialist to assess fair values, the Group's directors exercise judgement in determining whether to adopt certain values determined by the independent valuer.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
4	**BALANCES WITH BANKS AND CASH**	**US$**	**US$**
4.1	**Balances with Reserve Bank of Zimbabwe ("RBZ")**		
	Current account balances	131 238 946	135 219 548
	Balances with banks and cash		
	Notes and coins	8 969 265	5 228 887
	Other bank balances	52 001 371	40 554 130
		60 970 636	45 783 017
	Balances with banks and cash (excluding bank overdrafts)	**192 209 582**	**181 002 565**
	Current	192 209 582	181 002 565
	Non-current	-	-
	Total	**192 209 582**	**181 002 565**
4.2	**Cash and cash equivalents**		
	Cash and cash equivalents include the following for the purposes of the statement of cash flows;		
	Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	131 238 946	135 219 548
	Balances with banks and cash (note 4.1)	60 970 636	45 783 017
	Bank overdrafts	**192 209 582**	**181 002 565**
	Per cash flow statement	**192 209 582**	**181 002 565**
5	**LOANS AND RECEIVABLES**		
5.1	**Loans and advances to customers**		
	Loans and advance maturities		
	Maturing within 1 year	253 032 843	96 850 768
	Maturing after 1 year	164 948 162	219 133 866
	Gross carrying amount	**417 981 005**	**315 984 634**
	Impairment allowance	(12 472 674)	(15 237 829)
		405 508 331	**300 746 805**

The maturity analysis of loans and receivables is based on contractual maturity from year end.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Reconciliation of impairment allowance by nature of loans and advance

	Mortgages US$	Personal loans US$	Corporate loans US$	Total US$
As at 1 January 2017	2 540 439	3 914 252	12 645 509	19 100 200
Charge for the year	600 697	(326 026)	6 342 964	6 617 635
Increase in impairment allowances	600 697	(326 026)	6 342 964	6 617 635
Reversal of impairment	-	-	-	-
Interest in suspense/(recoveries)	45 647	(462 939)	(1 735 247)	(2 152 539)
Amount written off during the year and uncollectable	(970 103)	-	(7 357 364)	(8 327 467)
As at 31 December 2017	**2 216 680**	**3 125 287**	**9 895 862**	**15 237 829**
As at 1 January 2018	2 216 680	3 125 287	9 895 862	15 237 829
Change on initial application of IFRS 9	(1 308 845)	164 139	409 642	(735 064)
Charge for the year	32 681	437 268	315 808	785 757
Increase in impairment allowances	42 774	437 268	865 865	1 345 907
Reversal of impairment	(10 093)	-	(550 057)	(560 150)
Interest in suspense/(recoveries)	(15 653)	(120 721)	(1 975 969)	(2 112 343)
Amount written off during the year and uncollectable	-	(703 505)	-	(703 505)
As at 31 December 2018	**924 863**	**2 902 468**	**8 645 343**	**12 472 674**

The specific allowance under IAS 39 accounting policy for comperative year was arrived at after discounting the expected cash flows either from repayment or realisation of registered bond values of security held. The collective allowance has been determined using the Group's historical loss experience. For the year 2018 refer to note 2.5.3 and 3.1.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18 US$	31-Dec-17 US$
5.2	**Trade and other receivables**		
	Insurance receivables;		
	- Due by insurance clients and insurance brokers	6 839 366	8 625 540
	- Due by reinsurers	537 652	415 586
	- Due by retrocessionaires	6 328 683	1 011 934
	Gross carrying amount	**13 705 701**	**10 053 060**
	Impairment allowance	(763 123)	(413 400)
		12 942 578	**9 639 660**
	Current	6 584 749	9 639 660
	Non-current	6 357 829	-
	Total	**12 942 578**	**9 639 660**

5.3 Irrevocable commitments

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

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

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

	Bonds and debentures US$	Trade and other receivables US$	Loans and advances US$	Financial assets at armotised cost US$	Undrawn contractual commitments and guarantees US$	Total US$
Balance as at 1 January 2018	-	413 400	15 237 829	-	-	15 651 229
Change on initial application of IFRS 9	227 738	-	(735 064)	506 216	207 591	206 481
Impairment loss allowance	900 414	541 639	785 757	355 666	(70 055)	2 513 421
Amounts written off during the year	-	(191 916)	(703 505)	-	-	(895 421)
Impairment reversal	-	-	-	-	-	-
Interest in suspense (reclassification)	-	-	(2 112 343)	-	-	(2 112 343)
Balance as at 31 December 2018	**1 128 152**	**763 123**	**12 472 674**	**861 882**	**137 536**	**15 363 367**

	31-Dec-18 US$	31-Dec-17 US$
5.5 Treasury bills		
Maturing within 1 year	158 016 219	53 421 053
Maturing after 1 year	28 913 959	59 457 770
Gross carrying amount	**186 930 178**	**112 878 823**
Impairment allowance	(861 882)	-
Total	**186 068 296**	**112 878 823**
6 BONDS AND DEBENTURES		
Maturing within 1 year	157 010 217	18 500 000
Maturing after 1 year	69 683 808	9 133 715
Gross carrying amount	**226 694 025**	**27 633 715**
Impairment allowance	(1 128 152)	-
Total	**225 565 873**	**27 633 715**

Bonds have fixed interest rates of 7%, 10% and 5%. They mature on 30 June 2020, 30 June 2021, 30 June 2019 and 30 September 2020 respectively.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18 US$	31-Dec-17 US$
7	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Listed securities at market value	**9 049 902**	**2 365 325**
	Current	9 049 902	2 365 325
	Non-current	-	-
	Total	**9 049 902**	**2 365 325**
8	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**		
	Listed securities at market value	**2 064 702**	**835 710**
	Current	2 064 702	835 710
	Non-current	-	-
	Total	**2 064 702**	**835 710**
9	**INVENTORY**		
	Raw materials	68 900	125 368
	Work in progress	6 307 718	4 089 434
	Finished goods	2 084 676	2 309 135
		8 461 294	**6 523 937**
	Current	8 461 294	6 523 937
	Non-current	-	-
	Total	**8 461 294**	**6 523 937**

Included in work in progress is US$6 307 718 (2017: US$4 089 434) relating to residential properties for sale which are under construction. The cost of inventory recognised as an expense and included in the cost of sales amounted to US$ 8 350 999 (2017: US$ 4 212 915).

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18 US$	31-Dec-17 US$
10	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	7 873 595	6 472 439
	Deferred acquisition costs	765 528	742 791
	Refundable deposits for Mastercard and Visa transactions	7 025 695	4 664 519
	Stationary stock and other consumables	33 566	19 024
	Time - share asset	22 500	33 750
	Other	5 279 724	11 751 781
		21 000 608	**23 684 304**
	Current	14 902 986	23 650 554
	Non-current	6 097 622	33 750
	Total	**21 000 608**	**23 684 304**
11	**INVESTMENT PROPERTY**		
	Balance as at 1 January	8 184 400	3 710 457
	Additions	632 630	2 483 981
	Fair value adjustments	45 970	2 129 962
	Disposal	(25 000)	(140 000)
	Balance as at 31 December	**8 838 000**	**8 184 400**
	Non-current	8 838 000	8 184 400
	Total	**8 838 000**	**8 184 400**
	Investment property comprises the following:		
	Residential house, Victoria Falls	-	25 000
	Residential houses, Harare	4 480 000	3 445 000
	Residential stands, Harare	958 000	3 049 400
	Residential stand, Seke	65 000	50 000
	Residential houses, out of Harare	185 000	215 000
	Commercial stands, Harare	3 150 000	1 400 000
		8 838 000	**8 184 400**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

The fair value of the investment property as at 31 December 2018 was arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. No liabilities are guaranteed by investment property. Refer to note 35 for fair value disclosures on investment property and note 44 for effects of subsequent events on investment property.

Included in other operating income is rental income of US$74 977 (2017: US$59 521) relating to investment property.

12 INTANGIBLE ASSETS

	31-Dec-18 US$	31-Dec-17 US$
Year ended 31 December		
Opening net book amount	1 851 136	1 890 026
Additions	780 136	615 899
Impairment	-	(27 890)
Amortisation charge	(574 935)	(626 899)
Closing net book amount	**2 056 337**	**1 851 136**
As at 31 December		
Cost	7 318 882	6 538 746
Accumulated amortisation	(5 233 318)	(4 658 383)
Accumulated impairment	(29 227)	(29 227)
Net book amount	**2 056 337**	**1 851 136**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

13 PROPERTY AND EQUIPMENT

	Land and buildings US$	Machinery US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
Year ended 31 December 2017						
Opening net book amount	16 677 756	-	1 376 857	5 909 816	1 125 615	25 090 044
Additions	294 168	-	524 705	3 234 580	797 629	4 851 082
Revaluation of property	1 311 411	-	-	-	-	1 311 411
Impairment loss	1 629	-	-	-	-	1 629
Disposals	-	-	(572)	(62 752)	(2 104)	(65 428)
Depreciation	(414 680)	-	(517 987)	(1 027 066)	(379 814)	(2 339 547)
Closing net book amount	**17 870 284**	**-**	**1 383 003**	**8 054 578**	**1 541 326**	**28 849 191**
As at 31 December 2017						
Cost or valuation	19 101 547	184 423	5 035 366	12 467 614	3 511 902	40 300 852
Accumulated depreciation	(1 232 892)	(184 423)	(3 652 363)	(4 405 154)	(1 719 025)	(11 193 857)
Accumulated impairment	1 629	-	-	(7 882)	(251 551)	(257 804)
Net book amount	**17 870 284**	**-**	**1 383 003**	**8 054 578**	**1 541 326**	**28 849 191**
Year ended 31 December 2018						
Opening net book amount	17 870 284	-	1 383 003	8 054 578	1 541 326	28 849 191
Additions	4 897 661	-	642 625	2 321 502	976 479	8 838 267
Disposals	-	-	(3 827)	(1 916)	-	(5 743)
Depreciation	(443 759)	-	(609 312)	(1 265 575)	(488 370)	(2 807 016)
Closing net book amount	**22 324 186**	**-**	**1 412 489**	**9 108 589**	**2 029 435**	**34 874 699**
As at 31 December 2018						
Cost or valuation	23 999 208	184 423	5 670 625	14 774 948	4 408 432	49 037 636
Accumulated depreciation	(1 676 651)	(184 423)	(4 258 136)	(5 658 477)	(2 127 446)	(13 905 133)
Accumulated impairment	1 629	-	-	(7 882)	(251 551)	(257 804)
Net book amount	**22 324 186**	**-**	**1 412 489**	**9 108 589**	**2 029 435**	**34 874 699**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

	31-Dec-18	31-Dec-17
If land and buildings were stated on historical cost basis, the amount would be as follows;	US$	US$
Cost	22 609 312	17 711 651
Accumulated depreciation	(4 108 506)	(3 664 747)
Net book amount	**18 500 806**	**14 046 904**

Fair values of land and buildings

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2017. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Fair value measurements at 31 December 2018 using		
	Observable Significant inputs Level 2 US$	unobservable Significant inputs Level 3 US$	Total US$
Recurring fair value measurements for land and buildings			
- Office buildings	-	16 743 964	16 743 964
- Land and residential properties	5 580 221	-	5 580 221
	5 580 221	**16 743 964**	**22 324 185**

	Fair value measurements at 31 December 2017 using		
	Observable Significant inputs Level 2 US$	unobservable Significant inputs Level 3 US$	Total US$
Recurring fair value measurements for land and buildings			
- Office buildings	-	16 800 000	16 800 000
- Land and residential properties	1 070 284	-	1 070 284
	1 070 284	**16 800 000**	**17 870 284**

There were no level 1 assets or transfers between levels 1 and 2 during 2018

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Valuation techniques used to derive fair values

The valuation technique for the office buildings is the investment approach as the highest and best use of these properties was for office space. The following key inputs were used to determine the fair value;

- Rental rates in price per square metre. These were obtained by comparison of rates for similar properties in similar locations.
- Void rates as a percentage. This is the level of unoccupied space and was based on rates published by listed property companies.
- Capitalisation rate. This is what investors expect to earn as a percentage of their investment on an annual basis. The basis of these rates are actual transactions that transpired during the year.

The valuation of land and residential properties was derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity was adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was price per square metre.

	Office buildings		Land and residential properties	
	2018	2017	2018	2017
	US$	US$	US$	US$
Land and buildings				
Opening balance	16 800 000	15 689 656	1 070 284	988 100
Depreciation recognised	(428 840)	(400 429)	(14 919)	(14 251)
Revaluation gains recognised	-	1 232 208	-	79 202
Impairment adjustment recognised in profit or loss	-	1 629	-	-
Additions	372 804	276 937	4 524 857	17 233
Closing balance	**16 743 964**	**16 800 001**	**5 580 222**	**1 070 284**

Valuation processes of the Group

On a three year basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group’s land and buildings. As at 31 December 2017, the fair values of the land and buildings was determined by Bard Real Estate (Private) Limited. The external valuations of the level 3 land and buildings was performed using an investment approach, unlike the level 2 land and buildings which used the sales comparison approach. There was a limited number of sales in the market for commercial property and therefore the valuations were performed using unobservable inputs. The external valuers determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable rental rates.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Information about fair value measurements using significant unobservable inputs (Level 3)

31 December 2017

Description	Fair value US$	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability to weighted average)	Relationship of unobservable inputs to fair value
Office buildings	16 800 000	Investment approach	Rental rate per square meter	US$7 - US$12	The higher the price per square metre, the higher the fair value
			Void rate as a percentage	10%	The higher the void rate, the lower the fair value
			Capitalisation rate as a percentage	10% - 12%	The higher the capitalisation rate the lower the fair value
Land and residential properties	1 070 284	Sales comparison approach	Price per square meter	US$200 - US$400	The higher the price per square metre, the higher the fair value

14 DEPOSITS

14.1 Deposits from customers

	31-Dec-18 US$	31-Dec-17 US$
Demand deposits	495 219 204	266 871 536
Promissory notes	43 480 837	52 691 470
Other time deposits	89 199 721	101 110 931
	627 899 762	**420 673 937**
Current	619 843 355	415 565 186
Non-current	8 056 407	5 108 751
Total	**627 899 762**	**420 673 937**

14.2 Deposits from other banks

	31-Dec-18 US$	31-Dec-17 US$
Money market deposits	140 873 376	88 729 907
Current	140 873 376	88 729 907
Non-current	-	-
Total	**140 873 376**	**88 729 907**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

14.3 Deposit concentration

	2018		2019	
	US$	%	US$	%
Agriculture	33 714 872	4%	18 406 872	4%
Construction	19 959 817	3%	9 410 422	2%
Wholesale and retail trade	139 533 516	17%	101 394 353	19%
Public sector	46 638 573	6%	34 343 637	7%
Manufacturing	73 069 043	10%	47 777 712	9%
Telecommunication	45 036 702	6%	29 651 248	6%
Transport	32 625 304	4%	20 203 403	4%
Individuals	99 035 558	13%	61 003 339	12%
Financial services	125 599 090	16%	74 941 882	15%
Mining	99 639 588	13%	61 813 610	12%
Other	53 921 075	7%	50 457 366	10%
	768 773 138	**100%**	**509 403 844**	**100%**

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise amounts payable on demand.

15 BORROWINGS

	31-Dec-18	31-Dec-17
	US$	US$
Foreign lines of credit	103 917 654	13 499 380
Other borrowings	482 846	1 081 629
	104 400 500	**14 581 009**
Current	5 002 392	2 638 004
Non-current	99 398 108	11 943 005
Total	**104 400 500**	**14 581 009**

These loans are analysed as follows:

Shelter Afrique - US$5 000 000 being repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period and bears interest at a rate of 11% per annum.

The Zimbabwe Agricultural Development Trust ("ZADT") US$ 1 002 396.00 is a revolving fund with interest of 6.5% per annum

Norsad Finance Limited- US$ 10 million facility. The facility was availed from December 2016 and has an effective interest rate of 9.54% per annum with a tenure of 5 years.

African Export-Import Bank- US$ 30 million. The facility was availed from May 2018 and has an effective interest rate 8.7% per annum with a tenure of 5 years.

African Export-Import Bank- US$ 60 million. The facility was availed from May 2018 and has an effective interest rate 8.7% per annum with a tenure of 3 years.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
16	**INSURANCE LIABILITIES**	**US$**	**US$**
	Gross outstanding claims	10 280 141	4 441 660
	Liability for unearned premium	3 641 761	3 239 204
		13 921 902	**7 680 864**
	Current	13 921 902	7 680 864
	Non-current	-	-
	Total	**13 921 902**	**7 680 864**
16.1	**Gross outstanding claims**		
	Gross outstanding claims at the beginning of the year	4 020 510	5 899 830
	Reinsurer's share of technical liabilities	(590 784)	(2 117 838)
	Net outstanding claims at the beginning of the year	**3 429 726**	**3 781 992**
	Change in liability for claims	432 324	(352 238)
	Reinsurer's share of technical liabilities at the end of the year	6 418 091	1 011 906
	Gross outstanding claims at the end of the year	**10 280 141**	**4 441 660**
16.2	**Liability for unearned premium**		
	Gross liability for unearned premium	3 428 063	3 157 679
	Reinsurer's share of the provision for unearned premium	213 698	81 525
	Balance at end of the year	**3 641 761**	**3 239 204**

Assumptions and sensitivities for general insurance liabilities

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The liabilities are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 14% (2017 : 8.4%) of net written premium for the reinsurance subsidiary and 5% (2017: 5%) of net written premium for the insurance subsidiary. The 14% and 5% were arrived at after consideration of past experience. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, gross IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% with all other variables held constant.

	31-Dec-18	31-Dec-17
Impact of 10% increase in the percentage used to estimate IBNR	**US$**	**US$**
Incurred but not yet reported ("IBNR") losses	225 479	121 204

17 TRADE AND OTHER PAYABLES

	31-Dec-18	31-Dec-17
Trade and other payables	12 255 038	12 575 694
Deferred income	4 736 974	5 908 279
Visa and MasterCard settlement payables	5 593 158	9 484 047
Other liabilities	24 157 498	7 343 158
	46 742 668	**35 311 178**
Current	32 962 918	35 311 178
Non-current	13 779 750	-
Total	**46 742 668**	**35 311 178**

Included in trade and other payables is US$137 536 impairment provision for undrawn contractual commitments and guarantees.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

18 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.75% (2017: 25.75%).

	31-Dec-18	31-Dec-17
The movement on the deferred income tax account is as follows:	US$	US$
As at 1 January	(6 752 246)	(7 373 211)
Statement of comprehensive income charge (note 30)	2 538 794	307 551
Tax charge relating to components of other comprehensive income	12 290	313 414
Other	(204 914)	-
As at 31 December	**(4 406 076)**	**(6 752 246)**

18.1 Analysis of charge in the statement of comprehensive income

The deferred income tax charge in the statement of comprehensive income comprises the following temporary differences:		
Allowance for loan impairment	(958 375)	925 620
Property and equipment allowances	441 598	224 292
Unrealised gains on foreign exchange and equities	(64 117)	(32 249)
Available for sale financial assets	12 290	(272)
Accrual for leave pay	(857 909)	10 012
Deferred acquisition costs	(92 589)	886
Unearned premium reserve and deferred income	(54 516)	(54 516)
Prepayments and other assets	2 141 158	(408 077)
Assessable tax profit/(loss)	1 971 254	(358 145)
Total	**2 538 794**	**307 551**

Assessable tax loss are all within 1 year.

18.2 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following items:		
Allowance for loan impairment	(9 884 179)	(8 720 890)
Available for sale financial assets	(37 752)	(50 042)
Property and equipment allowances	5 172 685	4 731 087
Unrealised gains on foreign exchange and equities	602 583	654 410
Accrual for leave pay	(328 547)	529 362
Deferred acquisition costs	214 326	306 915
Unearned premium reserve and deferred income	(818 808)	(764 292)
Prepayments and other assets	1 701 479	(439 679)
Assessable tax loss	(375 501)	(2 346 755)
Net outstanding claims	(652 362)	(652 362)
	(4 406 076)	**(6 752 246)**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

18.3 Timing of reversal temporary differences	31-Dec-18 US$	31-Dec-17 US$
Deferred income tax assets		-
Deferred income tax asset to be recovered after more than 12 months	5 189 191	7 586 301
Deferred income tax liabilities		
- Deferred income tax liability to be recovered after more than 12 months	783 115	834 055
Net deferred income tax asset	(4 406 076)	(6 752 246)

The deferred income tax arising from property, plant and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA").

Deferred income tax assets arise from allowances for loan impairments which are disclosed for tax purposes. Deduction for loans written off are allowable for tax purposes.

19 SHARE CAPITAL AND SHARE PREMIUM

	31-Dec-18	31-Dec-17
19.1 Authorised		
Number of ordinary shares, with a nominal value of US$0,00001	800 000 000	800 000 000
19.2 Issued and fully paid		
Number of ordinary shares, with a nominal value of US$0,00001	671 949 927	671 949 927

19.3 Share capital movement	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 31 December 2017	671 949 927	6 719	14 083 173	14 089 892
As at 31 December 2018	671 949 927	6 719	14 083 173	14 089 892

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

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
20	**OTHER RESERVES**	**US$**	**US$**
	Revaluation reserves	3 163 733	3 163 733
	Non distributable reserves	36 624 611	36 624 611
	Available for sale reserves	1 066 199	(150 504)
	Treasury shares reserves	(7 128 376)	(2 501 344)
	Changes in ownership reserve	1 670 671	1 670 671
		35 396 838	**38 807 167**

The definitions of the reserves are as follows;

The revaluation reserve consists of increases in the value of land and buildings on revaluation.

Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW$") or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transferred to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS. Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.

Treasury share reserve represents shares the Group has issued and subsequently reacquired.

Change in ownership reserve represents the net expense or gain resulting in a step acquisition of a subsidiary.

		31-Dec-18	31-Dec-17
21	**INTEREST AND RELATED INCOME**	**US$**	**US$**
	Cash and cash equivalents	254 667	2 322 219
	Loans and advances to other banks	2 384 789	2 503 909
	Loans and advances to customers	60 876 711	44 744 734
	Banker's acceptances and tradable bills	21 490 124	15 745 817
	Other interest income	304 091	399 167
		85 310 382	**65 715 846**

Credit related fees that are an intergral part of the effective interest on loans and advances have been classified under interest income.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
21.1	**INTEREST AND RELATED EXPENSE**	**US$**	**US$**
	Deposit from other banks	4 778 238	6 879 265
	Demand deposits	2 459 326	884 481
	Afreximbank and PTA Bank	5 686 106	4 785 062
	Time deposits	7 188 060	7 098 347
		20 111 730	**19 647 155**
22	**FEE AND COMMISSION INCOME**		
	Retail service fees	38 521 782	28 163 280
	Credit related fees	3 545 086	2 840 406
	Investment banking fees	326 413	407 194
	Brokerage commission	766 025	517 468
	Financial guarantee contract commission	55	120
		43 159 361	**31 928 468**
22.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	358 716	322 495
23	**REVENUE FROM PROPERTY SALES**		
	Property sales	10 839 739	5 387 808
23.1	**COST OF PROPERTY SALES**		
	Raw materials	8 350 999	4 212 915
24	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	35 439 009	31 077 487
	Change in unearned premium reserve ("UPR")	(402 557)	(89 279)
		35 036 452	**30 988 208**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18 US$	31-Dec-17 US$
25	**NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7), fair value gain	3 139 229	636 005
26	**OTHER OPERATING INCOME**		
	Rental income	212 282	113 834
	Profit disposal of property and equipment	39 689	14 326
	Sundry income	1 315 996	930 251
	Bad debts recoveries	7 539 868	2 622 952
	Fair value adjustment on investment property	45 970	2 059 627
		9 153 805	**5 740 990**

Rental income is earned from owner occupied properties. Included in rental income is US$74 977 (2017-US$ 59 521) earned from investment property.

		31-Dec-18 US$	31-Dec-17 US$
27	**NET INSURANCE COMMISSION EXPENSE**		
	Commissions paid	4 976 802	4 897 686
	Commission received	(1 147 861)	(1 113 150)
	Change in technical provisions	(22 737)	(1 494)
		3 806 204	**3 783 042**

28 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross US$	Reinsurance US$	Net US$
Year ended 31 December 2018			
Claims and loss adjustment expenses	17 008 692	(5 760 092)	11 248 600
Change in technical provisions	521 731	(113 976)	407 755
Total claims	**17 530 423**	**(5 874 068)**	**11 656 355**
Year ended 31 December 2017			
Claims and loss adjustment expenses	15 209 511	(6 597 098)	8 612 413
Change in technical provisions	(352 267)	18 989	(333 278)
Total claims	**14 857 244**	**(6 578 109)**	**8 279 135**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
29	**ADMINISTRATIVE EXPENSES**	**US$**	**US$**
	Marketing	3 206 613	1 775 133
	Premises	2 113 972	1 835 993
	Computer	4 788 627	3 267 393
	Insurance	1 706 979	1 235 445
	Travel	802 250	649 936
	Security	1 613 533	1 560 013
	Communication	1 576 456	1 023 141
	Donations	6 450	29 965
	Subscriptions	1 127 103	800 180
	Operational losses	195 788	231 063
	Mastercard and Visa expenses	2 639 324	1 613 059
	Other administration expenses	9 815 083	5 635 118
	Staff costs (note 29.1)	32 425 016	26 774 254
	Directors' remuneration (note 29.2)	6 536 579	6 281 630
	- Current year fees	331 404	313 600
	- Prior year fees	75 389	67 161
	- Other services	-	-
	Depreciation	2 807 016	2 339 547
	Impairment of property and equipment		
	- Amortisation and impairment (note 12)	574 935	654 789
	Operating lease payment	959 818	957 211
		73 302 335	**57 044 631**
29.1	**Staff costs**		
	Salaries and allowances	30 642 742	25 127 044
	Social security	394 786	363 974
	Pension contribution	1 387 488	1 283 236
		32 425 016	**26 774 254**
29.2	**Directors' remuneration**		
	Board fees	988 576	778 162
	Other emoluments	91 229	49 914
	For services as management	5 456 774	5 453 554
		6 536 579	**6 281 630**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

	31-Dec-18	31-Dec-17
29.3 Operating leases	**US$**	**US$**
Non - cancellable operating lease rentals are payable as follows:		
Up to one year	792 801	779 799
One to two years	195 832	196 624
	988 633	**976 423**

The Group leases some of its properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index.

During the year ended 31 December 2018, US$959 818 (2017: US$957 211 was recognised as an expense in the statement of comprehensive Income.

30 INCOME TAX EXPENSE:

	31-Dec-18	31-Dec-17
30.1 Charge for the year	**US$**	**US$**
Current income tax on income for the reporting year	7 546 912	5 370 913
Prior year under provision	125 324	376 860
Deferred income tax (note 18)	2 538 794	307 551
Income tax expense	**10 211 030**	**6 055 324**

The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2018 is 25.75% (2017: 25.75%).

30.2 Reconciliation of income tax expense

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 25.75% (2017: 25.75%) as follows;

	31-Dec-18	31-Dec-17
Profit before income tax	**54 646 473**	**29 303 554**
Income tax charged based on profit for the year at 25.75% (2017:25.75%)	14 071 467	7 545 665
Tax effect of:		
Exempt income	(5 414 240)	(3 214 213)
Expenses not deductible for tax purposes	1 120 833	2 245 110
Prior year under provision	125 323	376 860
Other	307 647	(898 098)
Income tax expense	**10 211 030**	**6 055 324**
Effective rate	19%	21%

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

31 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Company or have the power to exercise controlling influence over the management or financial and operating policies of the Group. The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

Key management

Name	Position
John Mushayavanhu	Group Chief Executive
Trynos Kufazvinei	Group Finance Director
Kleto Chiketsani	Managing Director (FBC Reinsurance Limited)
Webster Rusere	Managing Director (FBC Bank Limited)
Felix Gwandekwande	Managing Director (FBC Building Society)
Tichaona Mabeza	Group Company Secretary
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
Musa Bako	Managing Director (FBC Insurance Company (Private) Limited)
Patrick Mangwendeza	Managing Director (Microplan Financial Services (Private) Limited
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit
Alfred Chitanda	Executive Director (FBC Insurance Company (Private) Limited)
Agnes Kanhukamwe	Executive Director (FBC Building Society)
Pius Rateiwa	Executive Director (FBC Building Society)
Abel Magwaza	Executive Director (FBC Bank Limited)
Agrippa Mugwagwa	Executive Director (FBC Bank Limited)
Martin Makonese	Executive Director (FBC Bank Limited)
Patrick Takawira	Executive Director (FBC Bank Limited)
Patricia Nyazenga	Divisional Director Credit Management
Mudzingwa Nhiwatiwa	Divisional Director Risk Management

The following are companies and a trust related to directors, key management and the Group:

- Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
- Cotition Investments (Private) Limited (owned by FBC Bank Limited board member)
- Wedgeport Investments (Private) Limited (owned by FBC Holdings Limited board member)
- Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
- Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
- Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
- Rus Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
- Defined Wear (PBC) (Private) Limited (owned by FBC Building Society board member)

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

- Codchem (Private) Limited (owned by FBC Building Society board member)
- J Med Supplies (Private) Limited (owned by FBC Building Society board member)
- Altiwave Investments (Private) Limited (related to FBC Bank Limited)
- Country Sky Investments (related to FBC Bank Limited board member)
- Pachiro Family Trust (related to FBC Bank Limited board member)
- Zuva Petroleum (related to FBC Holdings Executive)

Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2018

	31-Dec-18 US$	31-Dec-17 US$
Zuva Petroleum	101 843	-
Arena Investments (Private) Limited	158 685	172 874
Defined Wear (PBC) (Private) Limited	-	44 047
Country Sky Investments	216 228	220 000
Pachiro Family Trust	-	110 451
	476 756	**547 372**
Loans and advances to non executive directors		
Balance as at 1 January	108 826	211 374
Advances during the year	30 224	-
Transfer to ordinary loans after director resignation	-	-
Interest charged	25 743	18 568
Repayments made during the year	(38 175)	(121 116)
Balance as at 31 December	**126 618**	**108 826**
Loans and advances to executive directors		
Balance as at 1 January	775 910	520 297
Advances during the year	2 655 382	518 950
Interest charged	189 506	115 513
Repayments made during the year	(1 542 245)	(378 850)
Balance as at 31 December	**2 078 553**	**775 910**

Loans and advances to directors and officers of the Group have, along with other loans and advances, been subjected to impairment procedures.

	31-Dec-18 US$	31-Dec-17 US$
Compensation for executive directors and key management		
Short term employee benefits	7 371 683	6 897 320
Post- employment benefits	267 310	243 008
	7 638 993	**7 140 328**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Income from loans to executive directors	31-Dec-18 US$	31-Dec-17 US$
Income from loans to executive directors	189 506	115 513
Income from loans to non-executive directors		
Income from loans to non-executive directors	25 743	18 568

Group entities	Equity interest 2018	Equity interest 2017
FBC Bank Limited	100%	100%
FBC Building Society	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Microplan Financial Services (Private) Limited	100%	100%
FBC Insurance Company (Private) Limited	95,4%	95,4%

Other related party transactions

Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund and director's remuneration. Details of these transactions are disclosed in note 40 and note 29.2 respectively.

32 PRINCIPAL SUBSIDIARIES

The Group had the following subsidiaries at 31 December 2018

Group and Company

Name	Nature of business	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
FBC Bank Limited	Commercial banking	100	100	-
FBC Building Society	Mortgage financing	100	100	-
FBC Reinsurance Limited	Short term reinsurance	100	100	-
FBC Securities (Private) Limited	Stockbroking	100	100	-
FBC Insurance Company (Private) Limited	Short term insurance	72	95	5
Microplan Financial Services (Private) Limited	Microlending	100	100	-

All subsidiaries were incorporated in Zimbabwe, which is also their place of business.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

FBC Reinsurance Limited holds 23% of FBC Insurance Company (Private) Limited which was acquired from external parties.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is US$ 338 915 (2017: US$ 332 548) and it is attributed to FBC Insurance Company (Private) Limited.

Significant restrictions

There are no material restrictions with regards to any of the subsidiaries' ability to access or use assets, and settle liabilities of the Group.

33 EARNINGS PER SHARE

33.1 Basic earnings

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue excluding ordinary shares purchased by the Company and held as treasury shares.

	31-Dec-18 US$	31-Dec-17 US$
Profit attributable to equity holders of the parent	44 416 204	23 197 279
Basic earnings per share		
Basic earnings per share for continuing operations (US cents)	6.95	3.62

Year ended 31 December 2018	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2018	671 949 927	(31 827 282)	640 122 645	640 122 645
Treasury shares purchased	-	(13 000 000)	(13 000 000)	(1 246 575)
Weighted average number of ordinary shares as at 31 December 2018	**671 949 927**	**(44 827 282)**	**627 122 645**	**638 876 070**
Year ended 31 December 2017				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2017	671 949 927	(31 827 282)	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 31 December 2017	**671 949 927**	**(31 827 282)**	**640 122 645**	**640 122 645**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

33.2 Diluted earnings

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

	31-Dec-18 US$	31-Dec-17 US$
Earnings		
Profit attributable to equity holders of the parent	44 416 204	23 197 279
Weighted average number of ordinary shares at 31 December	**638 876 070**	**640 122 645**
Diluted earnings per share		
Diluted earnings per share for continuing operations (US cents)	6.95	3.62

33.3 Headline earnings per share

Headline earnings is calculated by starting with the basic earnings number and then excluding the following re-measurements;

- Gains/losses on the loss of control of a subsidiary
- Impairment/subsequent reversal of impairment of all assets
- Disposal gains/losses of all assets
- Compensation from third parties for assets that were impaired or lost
- The reclassification of all other remeasurements from other comprehensive income to profit or loss
- The reclassification of gains and losses on available-for-sale financial assets upon impairment or disposal and subsequent impairment losses
- The post-tax gain or loss on the disposal of assets or a disposal group constituting discontinued operations

	31-Dec-18 US$	31-Dec-17 US$
Profit attributable to equity holders	**44 416 204**	**23 197 279**
Adjusted for excluded remeasurements		
Profit from the disposal of property and equipment (note 26)	(39 689)	(14 326)
Impairment on assets (note 12 & 13)	-	26 261
Headline earnings	**44 376 515**	**23 209 214**
Weighted average number of ordinary shares at 31 December	**638 876 070**	**640 122 645**
Headline earnings per share (US cents)	**6.95**	**3.63**

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34 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) 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.

34.1 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 losses are inherent parts of the Group's business.

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group or counterparties and to geographical and industry

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For The Year Ended 31 December 2018

segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

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

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

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

Credit policies, procedures and limits

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

Credit risk mitigation and hedging

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

Credit risk stress testing

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

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For The Year Ended 31 December 2018

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirments to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on the lifetime rather than 12-month ECL.

Credit terms:

Default

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

Past due loans

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

Impaired loans

The Group's policy regarding impaired/doubtful loans is that all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest; all such loans are classified in the categories 8, 9 and 10 under the Basel II ten tier grading system and stage 3 under IFRS 9 staging matrix.

Provisioning policy and write offs

The Group has adopted IFRS 9 along side Reserve Bank of Zimbabwe provisioning requirements to determine expected credit losses (ECL).

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

<table>
<tr><th>Rating</th><th>Descriptive classification</th><th>Risk level</th><th>Level of allowance</th><th>2012 Grading and level of allowance</th><th>IFRS 9 grading/tier system</th><th>Type of allowance</th></tr>
<tr><td>1</td><td>Prime grade</td><td>Insignificant</td><td>1%</td><td rowspan="3">A (1%)</td><td rowspan="3">Stage 1</td><td rowspan="3">12 Months ECL</td></tr>
<tr><td>2</td><td>Strong</td><td>Modest</td><td>1%</td></tr>
<tr><td>3</td><td>Satisfactory</td><td>Average</td><td>2%</td></tr>
<tr><td>4</td><td>Moderate</td><td>Acceptable</td><td>3%</td><td rowspan="4">B (3%)</td><td rowspan="4">Stage 2</td><td rowspan="4">Lifetime ECL</td></tr>
<tr><td>5</td><td>Fair</td><td>Acceptable with care</td><td>4%</td></tr>
<tr><td>6</td><td>Speculative</td><td>Management attention</td><td>5%</td></tr>
<tr><td>7</td><td>Speculative</td><td>Special mention</td><td>10%</td></tr>
<tr><td>8</td><td>Substandard</td><td>Vulnerable</td><td>20%</td><td>C (20%)</td><td rowspan="3">Stage 3</td><td rowspan="3">Lifetime ECL</td></tr>
<tr><td>9</td><td>Doubtful</td><td>High default</td><td>50%</td><td>D (50%)</td></tr>
<tr><td>10</td><td>Loss</td><td>Bankrupt</td><td>100%</td><td>E (100%)</td></tr>
</table>

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For The Year Ended 31 December 2018

General allowance for impairment under Reserve Bank of Zimbabwe provisioning requirements

Prime to highly speculative grades “1 to 7”

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

Specific allowance for impairment

Sub-standard to loss grades “8 to 10” - Timely repayment and/or settlement may be at risk

Specific allowance for impairment for facilities in this category are currently maintained at the percentages (detailed above) of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

The basis for writing off assets

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

Credit risk and Basel II

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

Expected Credit Losses (ECL) under IFRS 9 effective from 1 January 2018

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

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

Probability of Default (PD)

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

Exposure at Default (EAD)

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

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on historical experience to determine the appropriate exposure estimates.

Loss Given Default (LGD)

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

For detailed information on ECL's under IFRS 9 refer to note 2.5.3

34.1.1 Exposure to credit risk

	31-Dec-18 US$	31-Dec-17 US$
Loans and advances		
Past due and impaired		
Stage 3/Grade 8: Impaired	2 272 794	2 760 715
Stage 3/Grade 9: Impaired	1 295 582	1 558 327
Stage 3/Grade 10: Impaired	1 321 953	10 189 116
Gross amount, past due and impaired	**4 890 329**	**14 508 158**
Impairment allowance	(2 502 159)	(4 668 896)
Carrying amount, past due and impaired	**2 388 170**	**9 839 262**
Past due but not impaired		
Stage 2/Grade 4 - 7:	71 021 831	67 977 013
Neither past due nor impaired		
Stage 1/Grade 1 - 3:	**342 068 845**	**233 499 462**
Gross amount, not impaired	**413 090 676**	**301 476 475**
Impairment allowance	(9 970 515)	(10 568 932)
Carrying amount, not impaired	**403 120 161**	**290 907 543**
Total carrying amount	**405 508 331**	**300 746 805**

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	31-Dec-18				31-Dec-17
	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	342 068 845	-	-	342 068 845	233 499 462
Standard monitoring	-	51 493 930	-	51 493 930	44 462 699
Special monitoring	-	19 527 901	-	19 527 901	23 514 315
Default	-	-	4 890 329	4 890 329	14 508 158
Gross financial assets at amortised cost	**342 068 845**	**71 021 831**	**4 890 329**	**417 981 005**	**315 984 634**
Impairment allowance	(4 206 960)	(5 763 555)	(2 502 159)	(12 472 674)	(15 237 829)
Net financial asset at amortised cost	**337 861 885**	**65 258 276**	**2 388 170**	**405 508 331**	**300 746 805**
Analysis					
Gross amount					
Balance as at 1 January	**233 594 910**	**67 941 685**	**14 448 039**	**315 984 634**	
Transfers	(4 201 840)	2 810 141	1 391 699		
Stage 1	(13 249 230)	11 923 138	1 326 092		
Stage 2	8 711 054	(9 510 505)	799 451		
Stage 3	336 336	397 508	(733 844)		
New issue	357 616 440	41 738 213	937 257	400 291 910	
Repayments	(244 940 665)	(41 468 208)	(11 183 161)	(297 592 034)	
Amounts written off during the year as uncollectable	-	-	(703 505)	(703 505)	
Balance as at 31 December	**342 068 845**	**71 021 831**	**4 890 329**	**417 981 005**	
Impairment					
Balance as at 1 January	**6 706 047**	**3 748 007**	**4 783 775**	**15 237 829**	
Changes on initial application of IFRS 9	(187 891)	59 350	(606 523)	(735 064)	
Transfers	(792 341)	(100 771)	893 112		
Stage 1	(981 478)	444 944	536 534		
Stage 2	173 426	(556 309)	382 883		
Stage 3	15 711	10 594	(26 305)		
Net change due to new issues and repayments	(865 243)	2 487 740	413 089	2 035 586	
Interest in suspense (reclassification)	(227 532)	(24 136)	(1 860 675)	(2 112 343)	
Changes in parameters	(426 080)	(406 635)	(417 114)	(1 249 829)	
Amounts written off during the year as uncollectable	-	-	(703 505)	(703 505)	
Balance as at 31 December	**4 206 960**	**5 763 555**	**2 502 159**	**12 472 674**	

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Loans and advances neither past due nor impaired

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

Loans and advances past due but not impaired

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

	Personal loans US$	Corporate loans US$	Mortgages US$	Total US$
As at 31 December 2018				
Past due up to 1 month	1 663 683	21 465 593	80 294	23 209 570
Past due 1-3 months	2 763 556	13 445 862	6 607 131	22 816 549
Past due 3-6 months	1 688 577	22 502 867	4 112	24 195 556
Past due 6 - 12 months	106 288	-	9 131	115 419
Over 12 months	624 535	43 869	16 333	684 737
Total	**6 846 639**	**57 458 191**	**6 717 001**	**71 021 831**
Value of collateral	**3 232 057**	**245 411 245**	**5 519 292**	**254 162 594**
Amount of (under)/over collateralisation	**(3 614 582)**	**187 953 054**	**(1 197 709)**	**183 140 763**
As at 31 December 2017				
Past due up to 1 month	2 090 877	22 561 930	-	24 652 807
Past due 1-3 months	4 365 501	5 178 734	6 004 828	15 549 063
Past due 3-6 months	1 612 539	26 162 604	-	27 775 143
Past due 6-12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**8 068 917**	**53 903 268**	**6 004 828**	**67 977 013**
Value of collateral	**561 035**	**67 422 709**	**10 001 361**	**77 985 105**
Amount of (under)/over collateralisation	**(7 507 882)**	**13 519 441**	**3 996 533**	**10 008 092**

Loans and advances past due and impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US$4 890 329 (2017: US$14 508 158) The breakdown of the fair value of related collateral held by the Group as security, are as follows;

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	Personal loans US$	Corporate loans US$	Total US$
As at 31 December 2018			
Gross carrying amount	3 502 701	1 387 628	4 890 329
Less allowance for impairment	(2 254 797)	(247 362)	(2 502 159)
Net carrying amount	**1 247 904**	**1 140 266**	**2 388 170**
Value of collateral	**3 079 909**	**2 751 400**	**5 831 309**
As at 31 December 2017			
Gross carrying amount	5 252 413	9 255 745	14 508 158
Less allowance for impairment	(2 184 357)	(2 484 539)	(4 668 896)
Net carrying amount	**3 068 056**	**6 771 206**	**9 839 262**
Value of collateral	**3 285 366**	**12 248 408**	**15 533 774**

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review.

	31-Dec-18 US$	31-Dec-17 US$
Renegotiated loans and advances to customers -		
- Continuing to be impaired after restructuring	31 994	-
- Non-impaired after restructuring - would otherwise have been impaired	48 667	707 717
- Non-impaired after restructuring - would otherwise not have been impaired	-	-
Total	**80 661**	**707 717**

Repossessed collateral

During the year ended 31 December 2018 the Group repossessed collateral valued at US$ 2 250 410 (2017 - US$3 232 803).

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Sectorial analysis of utilizations of loans and advances to customers

	2018		2017	
	US$	%	US$	%
Mining	15 590 292	4%	16 254 223	5%
Manufacturing	26 612 940	6%	28 795 445	9%
Mortgages	71 549 053	17%	65 690 096	21%
Wholesale	26 966 444	6%	24 593 787	8%
Distribution	21 485 452	5%	13 504 839	4%
Individuals	103 801 650	25%	103 827 037	33%
Agriculture	22 335 312	5%	9 365 776	3%
Communication	5 185 829	1%	3 228 819	1%
Construction	9 990 212	2%	10 057 183	3%
Local authorities	10 663 733	3%	11 938 629	4%
Other services	103 800 088	25%	28 728 800	9%
	417 981 005	**100%**	**315 984 634**	**100%**

Risk concentrations

There are material concentrations of loans and advances to the following sectors; individuals 25% (2017: 33%), manufacturing 6% (2017: 9%), other services 25% (2017: 9%) and mortgages 17% (2017: 21%).

Analysis of credit quality by sector - loans and advances to customers

As at 31 December 2018

	Stage 1/ Grades 1 to 3	Stage 2/ Grades 4 to 7	Stage 3/ Grade 8	Stage 3/ Grade 9	Stage 3/ Grade 10	Total
Sector	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Manufacturing	13 446 514	13 133 168	1 387	1 457	30 414	26 612 940
Wholesale	21 093 677	4 893 205	696 917	199 492	83 153	26 966 444
Individuals	96 074 638	6 373 904	754 061	523 741	75 306	103 801 650
Mortgages	63 713 865	6 655 332	621 902	482 944	75 010	71 549 053
Agriculture	16 694 530	5 248 859	42 459	54 762	294 702	22 335 312
Distribution	11 595 071	9 142 323	91 655	8 859	647 544	21 485 452
Construction	5 097 996	4 848 029	44 187	-	-	9 990 212
Communication	100	5 185 663	66	-	-	5 185 829
Local Authorities	9 805 513	858 220	-	-	-	10 663 733
Mining	9 011 599	6 577 888	-	383	422	15 590 292
Other services	95 535 342	8 105 240	20 160	23 944	115 402	103 800 088
	342 068 845	**71 021 831**	**2 272 794**	**1 295 582**	**1 321 953**	**417 981 005**
Percentage of total loans	82%	17%	1%	0%	0%	100%

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As at 31 December 2017

Sector	Stage 1/ Grades 1 to 3 US$	Stage 2/ Grades 4 to 7 US$	Stage 3/ Grade 8 US$	Stage 3/ Grade 9 US$	Stage 3/ Grade 10 US$	Total US$
Manufacturing	4 886 415	18 755 301	-	-	5 153 729	28 795 445
Wholesale	19 025 263	5 568 524	-	-	-	24 593 787
Individuals	95 636 709	6 661 582	818 796	241 776	468 174	103 827 037
Mortgages	56 086 281	5 880 148	600 550	1 264 408	1 858 709	65 690 096
Agriculture	2 815 934	6 509 368	32 256	5 796	2 422	9 365 776
Distribution	5 776 164	4 823 485	161 425	42 791	2 700 974	13 504 839
Construction	9 747 145	309 994	-	-	44	10 057 183
Communication	-	3 228 819	-	-	-	3 228 819
Local Authorities	11 459 860	-	478 769	-	-	11 938 629
Mining	9 042 018	7 211 812	-	393	-	16 254 223
Other services	19 023 673	9 027 981	668 919	3 163	5 064	28 728 800
	233 499 462	**67 977 014**	**2 760 715**	**1 558 327**	**10 189 116**	**315 984 634**
Percentage of total loans	74%	21%	1%	1%	3%	100%

Reconciliation of allowance for impairment for loans and advances

	31-Dec-18 Specific allowance / Stage 3 US$	Collective allowance / Stage 1-2 US$	Total US$	31-Dec-17 Specific allowance / Stage 3 US$	Collective allowance / Stage 1-2 US$	Total US$
Balance at 1 January	5 503 066	9 734 763	15 237 829	11 313 164	7 787 036	19 100 200
Change on initial application of IFRS 9	(993 577)	258 513	(735 064)	-	-	-
Increase in impairment allowance	699 607	86 150	785 757	4 669 908	1 947 727	6 617 635
Impairment reversal	(342 372)	342 372	-	-	-	-
Write off	(703 505)	-	(703 505)	(8 327 467)	-	(8 327 467)
Interest in suspense	(1 661 060)	(451 283)	(2 112 343)	(2 152 539)	-	(2 152 539)
	2 502 159	**9 970 515**	**12 472 674**	**5 503 066**	**9 734 763**	**15 237 829**

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34.1.2 Trade and other receivables including insurance receivables	31-Dec-18 US$	31-Dec-17 US$
Past due and impaired	1 092 849	438 223
Allowance for impairment	(763 123)	(413 400)
Carrying amount	**329 726**	**24 823**
Past due but not impaired	-	-
Neither past due nor impaired	12 612 852	9 614 837
Gross amount, not impaired	**12 612 852**	**9 614 837**
Allowance for impairment	-	-
Carrying amount, not impaired	**12 612 852**	**9 614 837**
Total carrying amount	**12 942 578**	**9 639 660**

As at 31 December 2018, trade receivables amounting to US$nil (2017 : US$nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2018 trade receivables amounting to US$1 092 849 (2017: US$438 223) were impaired. The amount of the allowance was US$763 123 as at 31 December 2018 (2017: US$143 400). The individually impaired receivables mainly relate to lapsed insurance policies. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	31-Dec-18 US$	31-Dec-17 US$
Over 6 months	1 092 849	438 223
Reconciliation of the allowance for impairment of trade receivables including insurance receivables		
Allowances for impairment		
Balance as at 1 January	413 400	147 470
Allowance for trade receivables including insurance receivables' impairment	541 639	265 930
Receivables written off during the year as uncollectable	(191 916)	-
Balance as at 31 December	**763 123**	**413 400**

The allowance amount of US$ 541 639 relates to insurance receivables in the Group's insurance subsidiaries.

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34.1.3 Bonds and Debentures

	31-Dec-18				31-Dec-17
	ECL staging				
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime	Total	
	ECL	ECL	ECL		
	US$	US$	US$	US$	US$
Credit grade					
Investment grade	226 694 025	-	-	226 694 025	27 633 715
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross Bonds and Debentures	**226 694 025**	**-**	**-**	**226 694 025**	**27 633 715**
Impairment allowance	(1 128 152)	-	-	(1 128 152)	-
Net Bonds and Debentures	**225 565 873**	**-**	**-**	**225 565 873**	**27 633 715**
Analysis					
Gross amount					
Balance as at 1 January	**27 633 715**	**-**	**-**	**27 633 715**	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
New issue	357 130 164	-	-	357 130 164	
Repayments	(158 069 854)	-	-	(158 069 854)	
Amounts written off during the year as uncollectable	-	-	-	-	
Balance as at 31 December	**226 694 025**	**-**	**-**	**226 694 025**	
Impairment					
Balance as at 1 January	**-**	**-**	**-**	**-**	
Changes on initial application of IFRS 9	227 738	-	-	227 738	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
Net change due to new issues and repayments	900 414	-	-	900 414	
Balance as at 31 December	**1 128 152**	**-**	**-**	**1 128 152**	

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34.1.4 Financial assets at amortised cost

	31-Dec-18				31-Dec-17
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US$	US$	US$	US$	US$
Credit grade					
Investment grade	186 930 178	-	-	186 930 178	112 878 823
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross financial assets at amortised cost	**186 930 178**	**-**	**-**	**186 930 178**	**112 878 823**
Impairment allowance	(861 882)	-	-	(861 882)	-
Net financial asset at amortised cost	**186 068 296**	**-**	**-**	**186 068 296**	**112 878 823**
Analysis					
Gross amount					
Balance as at 1 January	**112 878 823**	**-**	**-**	**112 878 823**	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
New issue	105 489 411	-	-	105 489 411	
Repayments	(31 438 056)	-	-	(31 438 056)	
Amounts written off during the year as uncollectable	-	-	-		
Balance as at 31 December	**186 930 178**	**-**	**-**	**186 930 178**	
Impairment					
Balance as at 1 January	**-**	**-**	**-**	**-**	
Changes on initial application of IFRS 9	506 216	-	-	506 216	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
Net change due to new issues and repayments	355 666	-	-	355 666	
Balance as at 31 December	**861 882**	**-**	**-**	**861 882**	

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34.1.5 Credit exposure on undrawn loan commitments and guarantees

	31-Dec-18				31-Dec-17
	ECL staging				
	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	45 035 747	-	-	45 035 747	22 302 231
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross undrawn loan commitments & guarantees	**45 035 747**	**-**	**-**	**45 035 747**	**22 302 231**
Impairment allowance	(137 536)	-	-	(137 536)	-
Net undrawn loan commitments & guarantees	**44 898 211**	**-**	**-**	**44 898 211**	**22 302 231**
Analysis					
Gross amount					
Balance as at 1 January	**22 302 231**	**-**	**-**	**22 302 231**	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
New issue	32 120 046	-	-	32 120 046	
Repayments	(9 386 530)	-	-	(9 386 530)	
Amounts written off during the year as uncollectable	-	-	-	-	
Balance as at 31 December	**45 035 747**	**-**	**-**	**45 035 747**	
Impairment					
Balance as at 1 January	-	-	-	-	
Changes on initial application of IFRS 9	207 591	-	-	207 591	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
Net change due to new issues and repayments	(70 055)	-	-	(70 055)	
Balance as at 31 December	**137 536**	**-**	**-**	**137 536**	

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	31-Dec-18 US$	31-Dec-17 US$
34.1.6 Maximum exposure to credit risk before collateral held or other credit enhancement		
Credit risk exposures relating to on-balance sheet assets are as follows;		
Loans and advances to customers;		
- Individuals	103 801 650	103 827 037
- Corporates	314 179 355	212 157 597
	417 981 005	**315 984 634**
Financial assets at amortised cost	186 068 296	112 878 823
Balances with banks	183 240 317	175 773 678
Bonds and debentures	225 565 873	27 633 715
Trade and other receivables including insurance receivables	13 705 701	10 053 060
Total on balance sheet	**1 026 561 192**	**642 323 910**
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	26 227 144	8 002 919
- Loan commitments	18 808 603	14 299 312
Total off balance sheet credit exposure	**45 035 747**	**22 302 231**
Total credit exposure	**1 071 596 939**	**664 626 141**

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2018, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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Credit quality of balances with other banks		31-Dec-18	31-Dec-17
Counterparties with external credit rating		**US$**	**US$**
Rating	**Agency**		
Aa3	Moody's	16 507 047	20 140 568
A+	S&P	5 956 765	147 424
Baa3	Fitch	2 374 147	65 128
Baa1	Moody's	109 628	84 909
BB	S&P	455 176	639 817
BBB+	GCR	10 956 698	6 003 490
A-	GCR	12 845 522	10 676 405
A-1	S&P	2 796 388	2 796 389
		52 001 371	**40 554 130**

Balances with the Reserve Bank of Zimbabwe

Balances with the RBZ represent amounts in current accounts available for daily transactional use. As at the reporting date, the amount has been considered to be recoverable in full.

Write-off policy

The Group writes off an irrecoverable debt when the Board Credit Committee of the subsidiary determines that the debt is uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, write off decisions are generally based on a product specific past due status.

Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital payment obligations and by changes to these lending limits where appropriate.

34.2 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.

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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 their 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.

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

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For The Year Ended 31 December 2018

Contractual maturity analysis On balance sheet items as at 31 December 2018	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	561 405 751	58 437 604	8 056 407	627 899 762
Deposits from other banks	109 681 011	26 892 365	4 300 000	140 873 376
Borrowings	816 561	4 185 831	99 398 108	104 400 500
Insurance liabilities	2 214 090	4 658 087	7 049 725	13 921 902
Current income tax liabilities	389 979	253 450	-	643 429
Trade and other liabilities	23 537 919	4 688 025	13 779 750	42 005 694
Total liabilities - (contractual maturity)	**698 045 311**	**99 115 362**	**132 583 990**	**929 744 663**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	192 209 582	-	-	192 209 582
Financial assets held to maturity	17 187 454	140 828 766	28 052 076	186 068 296
Loans and advances to customers	56 688 897	186 742 714	162 076 720	405 508 331
Bonds and debentures	21 397 026	135 613 191	68 555 656	225 565 873
Trade and other receivables including insurance receivables	2 209 738	4 375 011	6 357 829	12 942 578
Financial assets at fair value through profit or loss	4 362 204	4 520 378	167 320	9 049 902
Available for sale financial assets	-	-	2 064 702	2 064 702
Other assets	2 702 962	3 504 834	6 097 622	12 305 418
	296 757 863	**475 584 894**	**273 371 925**	**1 045 714 682**
Liquidity gap	**(401 287 448)**	**376 469 532**	**140 787 935**	**115 970 019**
Cumulative liquidity gap - on balance sheet	**(401 287 448)**	**(24 817 916)**	**115 970 019**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	26 227 144	-	26 227 144
Commitments to lend	18 808 603	-	-	18 808 603
Total liabilities	**18 808 603**	**26 227 144**	**-**	**45 035 747**
Liquidity gap	**(18 808 603)**	**(26 227 144)**	**-**	**70 934 272**
Cumulative liquidity gap - on and off balance sheet	**(420 096 051)**	**(69 853 663)**	**70 934 272**	**-**

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

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

Management of liquidity gap on short-term maturities

The cash flows presented above reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group therefore seeks to manage its liabilities both on a contractual and behavioural basis. The Group prescribes various liquidity stress scenarios as part of stress testing that include accelerated withdrawal of deposits over a period of time and prescribed measures are in place to ensure that cash inflows exceed outflows under such scenarios.

34.3 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 34.3.1 to 34.3.3.

34.3.1 Interest rate risk

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

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

i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.

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

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

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Scenario analysis of net interest income

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

	Impact on earnings as at 31 December			
Scenario:	**2018**		**2017**	
5% increase in interest rates	**US$**	**US$**	**US$**	**US$**
Assets	854 259 313	6 567 327	459 290 185	3 736 856
Liabilities	366 866 721	(422 500)	259 770 786	(487 014)
Net effect		**6 144 827**		**3 249 842**

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period.

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INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2018

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	32 104 417	5 012 396	-	-	-	155 092 769	192 209 582
Financial assets at amortised cost	5 300 910	29 117 491	88 219 336	53 092 686	10 337 873	-	186 068 296
Loans and advances to customers	110 181 247	26 229 458	46 970 078	100 059 127	122 068 421	-	405 508 331
Trade and other receivables including insurance receivables	-	-	-	-	-	12 942 578	12 942 578
Bonds and debentures	9 766 495	-	41 665 895	53 848 527	120 284 956	-	225 565 873
Financial assets at fair value through profit or loss	-	-	-	-	-	9 049 902	9 049 902
Financial assets at fair value through other comprehensive income	-	-	-	-	-	2 064 702	2 064 702
Inventory	-	-	-	-	-	8 461 294	8 461 294
Prepayments and other assets	-	-	-	-	-	21 000 608	21 000 608
Current income tax asset	-	-	-	-	-	147 326	147 326
Deferred income tax assets	-	-	-	-	-	5 189 191	5 189 191
Investment property	-	-	-	-	-	8 838 000	8 838 000
Intangible assets	-	-	-	-	-	2 056 337	2 056 337
Property and equipment	-	-	-	-	-	34 874 699	34 874 699
Total assets	**157 353 069**	**60 359 345**	**176 855 309**	**207 000 340**	**252 691 250**	**259 717 406**	**1 113 976 719**
Liabilities							
Deposits from customers	65 685 802	49 971 673	3 470 639	164 063	2 300 668	506 306 917	627 899 762
Deposits from other banks	79 197 573	22 911 271	17 654 811	16 041 460	5 068 261	-	140 873 376
Borrowings	2 054 397	563 861	576 267	3 155 019	98 050 956	-	104 400 500
Insurance liabilities	-	-	-	-	-	13 921 902	13 921 902
Trade and other payables	-	-	-	-	-	46 742 668	46 742 668
Current income tax liabilities	-	-	-	-	-	643 429	643 429
Deferred income tax liabilities	-	-	-	-	-	783 115	783 115
Shareholder equity	-	-	-	-	-	178 711 967	178 711 967
Total liabilities	**146 937 772**	**73 446 805**	**21 701 717**	**19 360 542**	**105 419 885**	**747 109 998**	**1 113 976 719**
Interest rate repricing gap	**10 415 297**	**(13 087 460)**	**155 153 592**	**187 639 798**	**147 271 365**	**(487 392 592)**	**-**
Cumulative gap interest rate repricing gap	**10 415 297**	**(2 672 163)**	**152 481 429**	**340 121 227**	**487 392 592**	**-**	

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INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2017

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	7 220 871	10 809 971	-	-	-	162 971 723	181 002 565
Financial assets at amortised cost	7 247 917	4 451 986	12 950 858	28 770 292	59 457 770	-	112 878 823
Loans and advances to customers	64 594 969	3 615 851	9 126 503	64 612 900	158 796 582	-	300 746 805
Trade and other receivables including insurance receivables	-	-	-	-	-	9 639 660	9 639 660
Bonds and debentures	-	-	-	18 500 000	9 133 715	-	27 633 715
Financial assets at fair value through profit or loss	-	-	-	-	-	2 365 325	2 365 325
Financial assets at fair value through other comprehensive income	-	-	-	-	-	835 710	835 710
Inventory	-	-	-	-	-	6 523 937	6 523 937
Prepayments and other assets	-	-	-	-	-	23 684 304	23 684 304
Current income tax asset	-	-	-	-	-	655 613	655 613
Deferred income tax assets	-	-	-	-	-	7 586 301	7 586 301
Investment property	-	-	-	-	-	8 184 400	8 184 400
Intangible assets	-	-	-	-	-	1 851 136	1 851 136
Property, plant and equipment	-	-	-	-	-	28 849 191	28 849 191
Total assets	**79 063 757**	**18 877 808**	**22 077 361**	**111 883 192**	**227 388 067**	**253 147 300**	**712 437 485**
Liabilities							
Deposits from customers	65 021 817	65 216 123	17 227 206	6 844 724	2 150 000	264 214 067	420 673 937
Deposits from other banks	43 604 028	17 468 861	9 683 469	15 973 549	2 000 000	-	88 729 907
Borrowings	5 549 066	-	200 000	5 930 167	2 901 776	-	14 581 009
Insurance liabilities	-	-	-	-	-	7 680 864	7 680 864
Trade and other payables	-	-	-	-	-	35 311 178	35 311 178
Current income tax liabilities	-	-	-	-	-	70 599	70 599
Deferred income tax liabilities	-	-	-	-	-	834 055	834 055
Shareholder equity	-	-	-	-	-	144 555 936	144 555 936
Total liabilities	**114 174 911**	**82 684 984**	**27 110 675**	**28 748 440**	**7 051 776**	**452 666 699**	**712 437 485**
Interest rate repricing gap	**(35 111 154)**	**(63 807 176)**	**(5 033 314)**	**83 134 752**	**220 336 291**	**(199 519 399)**	**-**
Cumulative gap interest rate repricing gap	**(35 111 154)**	**(98 918 330)**	**(103 951 644)**	**(20 816 892)**	**199 519 399**	**-**	

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34.3.2 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 risk arises 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.

The table below indicates the extend to which the Group was exposed to currency risk.

Foreign exchange gap analysis as at 31 December 2018

Base currency	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	360 909	284 777	260 898	323 653	1 230 237
Trade and other receivables	4 955	139	14	76	5 184
Loans and advances to customers	1 979	476	-	239	2 694
Total assets	**367 843**	**285 392**	**260 912**	**323 968**	**1 238 115**
Liabilities					
Deposits from customers	394 709	17 681	4 353	3 663	420 406
Trade and other payables	85 340	144	45	186	85 715
Total liabilities	**480 049**	**17 825**	**4 398**	**3 849**	**506 121**
Net currency position	**(112 206)**	**267 567**	**256 514**	**320 119**	**731 994**

Foreign exchange gap analysis as at 31 December 2017

Base currency	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	1 202 340	197 203	159 132	2 845 405	4 404 080
Trade and other receivables	4 782	20	16	-	4 818
Loans and advances to customers	2 912	157	173	11	3 253
Total assets	**1 210 034**	**197 380**	**159 321**	**2 845 416**	**4 412 151**

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Base currency	ZAR	EUR	BWP	GBP	TOTAL
	US$	US$	US$	US$	US$
Liabilities	equivalent	equivalent	equivalent	equivalent	equivalent
Deposits from customers	775 419	146 742	10 550	39 170	971 881
Trade and other payables	13 804	8 272	49	94	22 219
Total liabilities	**789 223**	**155 014**	**10 599**	**39 264**	**994 100**
Net currency position	**420 811**	**42 366**	**148 722**	**2 806 152**	**3 418 051**

Below are major cross rates to the US$ used by the Group as at 31 December:

Currency	31-Dec-18 Cross rate	31-Dec-17 Cross rate
British pound ("GBP")	0.784	0.740
SA rand ("ZAR")	14.368	12.303
Euro ("EUR")	0.871	0.833
Pula ("BWP")	10.712	9.823

The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% with all other variables held constant.

Impact of 10% increase in exchange rates:	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
For the year ended 31 December 2018					
Assets	36 784	28 539	26 091	32 397	123 811
Liabilities	(48 005)	(1 783)	(440)	(385)	(50 613)
Net position	**(11 221)**	**26 756**	**25 651**	**32 012**	**73 198**
For the year ended 31 December 2017					
Assets	121 003	19 738	15 932	284 542	441 215
Liabilities	(78 922)	(15 501)	(1 060)	(3 926)	(99 409)
Net position	**42 081**	**4 237**	**14 872**	**280 616**	**341 806**

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34.3.3 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 and available for sale financial assets. 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.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's total comprehensive income for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

	31-Dec-18	31-Dec-17
Impact of 25% increase or decrease in the equity index:	**US$**	**US$**
Financial assets at fair value through profit or loss	2 262 476	591 331
Financial assets at fair value through other comprehensive income	516 176	208 928

34.4 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.

34.5 Capital risk

34.5.1 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.

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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.

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The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries. The following subsidiaries have their capital regulated by the regulatory authorities:

Company	Regulatory Authority	Minimum capital required	Net regulatory capital	Total equity
As at 31 December 2018		US$	US$	US$
FBC Bank Limited	RBZ	25 000 000	89 415 015	105 500 554
FBC Building Society	RBZ	20 000 000	49 278 852	53 637 435
FBC Reinsurance Limited	IPEC	10 000 000	15 834 029	15 834 029
FBC Securities (Private) Limited	SECZ	150 000	1 224 081	1 224 081
FBC Insurance Company (Private) Limited	IPEC	7 500 000	7 499 788	7 499 788
Microplan Financial Services (Private) Limited	RBZ	25 000	10 624 684	10 624 684
As at 31 December 2017				
FBC Bank Limited	RBZ	25 000 000	75 188 472	77 936 562
FBC Building Society	RBZ	20 000 000	47 392 883	47 503 334
FBC Reinsurance Limited	IPEC	7 500 000	13 626 886	13 626 887
FBC Securities (Private) Limited	SECZ	150 000	1 054 128	1 054 129
FBC Insurance Company (Private) Limited	IPEC	2 500 000	7 367 424	7 367 425
Microplan Financial Services (Private) Limited	RBZ	25 000	9 542 669	9 542 669

Capital adequacy ratios for banking subsidiaries	Regulatory Requirement	31-Dec-18	31-Dec-17
FBC Bank Limited	12%	21%	18%
FBC Building Society	12%	78%	57%

34.5.2 Capital allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals.

Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

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Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Capital adequacy ratios

	31-Dec-18	31-Dec-17
FBC Bank Limited capital adequacy ratio	**US$**	**US$**
Ordinary share capital	18 502 313	18 502 313
Share premium	13 197 687	13 197 687
Retained profits	70 881 205	43 317 212
Capital allocated for market and operational risk	(12 055 024)	(9 852 623)
Advances to insiders	(16 085 540)	(2 748 090)
Tier 1 capital	**74 440 641**	**62 416 499**
Other reserves	2 919 350	2 919 350
Tier 1 and 2 capital	77 359 991	65 335 849
Tier 3 capital allocated for market and operational risk	12 055 024	9 852 623
	89 415 015	**75 188 472**
Risk weighted assets	**435 317 955**	**412 280 311**
Tier 1 ratio (%)	17%	15%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	3%	2%
Capital adequacy ratio (%)	**21%**	**18%**
Minimum Statutory Capital adequacy ratio	12%	12%

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FBC Building Society capital adequacy ratio	31-Dec-18 US$	31-Dec-17 US$
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	42 257 377	36 123 275
Capital allocated for market and operational risk	(2 436 774)	(1 953 645)
Advances to insiders	(4 358 584)	(110 451)
Tier 1 capital	**46 728 618**	**45 325 778**
Non distributable reserves	-	-
Revaluation reserves	113 460	113 460
Tier 1 and 2 capital	**46 842 078**	**45 439 238**
Tier 3 capital allocated for market and operational risk	2 436 774	1 953 645
	49 278 852	**47 392 883**
Risk weighted assets	**62 859 969**	**82 513 703**
Tier 1 ratio (%)	74%	55%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	4%	2%
Capital adequacy ratio (%)	**78%**	**57%**
Minimum Statutory Capital adequacy ratio	12%	12%

35 FAIR VALUE OF ASSETS AND LIABILITIES

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. Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 of liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputes (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).

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Valuation technique using significant and unobservable 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 (fair value hierarchy);

As at 31 December 2018	Quoted market prices Level 1 US$	Observable inputs Level 2 US$	Significant unobservable inputs Level 3 US$	Total US$
Assets				
Financial assets at fair value through profit or loss	9 049 902	-	-	9 049 902
Financial assets at fair value through other comprehensive income	2 064 702	-	-	2 064 702
Investment property	-	-	8 838 000	8 838 000
Land and buildings	-	5 580 221	16 743 964	22 324 186
Liabilities	-	-	-	-
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss	2 365 325	-	-	2 365 325
Financial assets at fair value through other comprehensive income	835 710	-	-	835 710
Investment property	-	-	8 184 400	8 184 400
Land and buildings	-	1 070 284	16 800 000	17 870 284
Liabilities	-	-	-	-

Valuation techniques and sensitivity analysis

Sensitivity analysis is performed on valuations of assets and liabilities with significant unobservable inputs (level 3) to generate a range of reasonable possible alternative valuations. The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods.

Land and buildings under level 3 comprises commercial and residential properties. Refer to property and equipment note 13.

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Investment property

The valuation approach taken for invesment property was a sales comparison approach being the market value of similar properties. In this approach, similar properties that had been recently sold or which are currently on sale and situated in comparable areas were utilised to derive the fair value. Market evidence from other estate agents and local press was also taken into consideration. The significant unobservable inputs were comparable rates per square meter.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The carrying amounts of financial assets and liabilities held at amortised cost approximate fair values. The following methods and assumptions were used to estimate the fair values;

Loans and advances to customers

The fair value of loans and advances to customers, for the purposes of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Gross loan values are discounted at a rate of the Group's contractual margins depending on credit quality and period to maturity. As such Group product margins are deemed significant inputs in the fair value models for the purposes of this disclosure, the related balances are classified as level 3 since the inputs are unobservable.

Trade and other receivables

The fair value of trade and other receivables, for the purposes of this disclosure, is calculated by the use of discounted cash flow techniques where the gross receivables are discounted at the Group's borrowing rate. Significant inputs in the valuation model are unobservable and are thus classified as level 3 for purposes of this disclosure.

Deposits from banks and amounts due to customers

The fair value disclosed approximates carrying value because the instruments are short term in nature. The deposits from banks and customers are classified as level 2. There are no deposits with long term maturities.

Borrowings

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant due to the market terms (rates and tenor) available. The fair value of the non current portion, for purposes of this disclosure are based on cash flows discounted using a rate based on the contractual borrowing rates which is an observable input. Therefore borrowings are within level 3 of the fair value hierarchy. The carrying amount equals the carrying amounts for borrowings with longer term maturities as the discount rate approximates the liabilities' effective interest rates.

Insurance liabilities and trade and other payables

The fair value disclosed approximates carrying value because the instruments are short term in nature.

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Guarantees, acceptances and other financial facilities

The fair value disclosed approximates carrying value because the instruments are short term in nature.

36 FINANCIAL INSTRUMENTS

Financial assets and liabilities

Accounting classifications and fair values

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

36.1 Position as at 31 December 2018

	Amortised cost US$	At fair value through profit and loss US$	At fair value through other comprehensive income US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets						
Balances with other banks and cash	-	-	-	192 209 582	-	192 209 582
Financial assets at amortised cost	186 068 296					186 068 296
Loans and advances to customers	-	-	-	405 508 331	-	405 508 331
Bonds and debentures	225 565 873	-	-	-	-	225 565 873
Trade and other receivables including insurance receivables	-	-	-	12 942 578	-	12 942 578
Financial assets at fair value through profit or loss	-	9 049 902	-	-	-	9 049 902
Financial assets at fair value through other comprehensive income	-	-	2 064 702	-	-	2 064 702
Total	**411 634 169**	**9 049 902**	**2 064 702**	**610 660 491**	**-**	**1 033 409 264**
Liabilities						
Deposits from customers	-	-	-	-	627 899 762	627 899 762
Deposits from other banks	-	-	-	-	140 873 376	140 873 376
Borrowings	-	-	-	-	104 400 500	104 400 500
Insurance liabilities	-	-	-	-	13 921 902	13 921 902
Trade and other liabilities	-	-	-	-	46 742 668	46 742 668
Total	**-**	**-**	**-**	**-**	**933 838 208**	**933 838 208**

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36.2 Position as at 31 December 2017

	Amortised cost US$	At fair value through profit and loss US$	At fair value through other comprehensive income US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets						
Balances with other banks and cash	-	-	-	181 002 565	-	181 002 565
Financial assets at amortised cost	112 878 823					112 878 823
Loans and advances to customers	-	-	-	300 746 805	-	300 746 805
Bonds and debentures	27 633 715					27 633 715
Trade and other receivables including insurance receivables	-	-	-	9 639 660	-	9 639 660
Financial assets at fair value through profit or loss	-	2 365 325	-	-	-	2 365 325
Financial assets at fair value through other comprehensive income	-	-	835 710	-	-	835 710
Total	**140 512 538**	**2 365 325**	**835 710**	**491 389 030**	**-**	**635 102 603**
Liabilities						
Deposits from other banks	-	-	-	-	420 673 937	420 673 937
Deposits from customers	-	-	-	-	88 729 907	88 729 907
Borrowings	-	-	-	-	14 581 009	14 581 009
Insurance liabilities	-	-	-	-	7 680 864	7 680 864
Trade and other liabilities	-	-	-	-	35 311 178	35 311 178
Total	**-**	**-**	**-**	**-**	**566 976 895**	**566 976 895**

37 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the two subsidiaries; FBC Reinsurance Limited and FBC Insurance Company Limited.

37.1 Risk management objectives and policies for mitigating risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The reinsurers and retrocessionaires that the Group transacted with for the year had the following ratings;

Year ended 31 December

Ratings	Number of reinsurers and retrocessionaires	
	2018	2017
AA+	0	1
AA-	1	2
A+	2	0
A-	4	8
B	1	0
B++	0	0
B+	5	6
BB+	0	0
BBB	0	2
BBB-	1	1
Non rated	0	1
Total	**14**	**21**

37.2 Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, and class of business in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 60 days notice, as well as the right to reject the payment of a fraudulent claim.

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Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

37.3 Reinsurance strategy

The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the statement of financial position. The short-term insurance company utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

37.4 Retrocession strategy

The reinsurance company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the arrangement and placement of retrocession programmes with reputable reinsurers. This is led by Aon Sub Sahara Africa in South Africa and J B Boda Reinsurance Brokers (Pvt) Ltd of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

37.5 Terms and conditions of short- term insurance contracts

The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within a stipulated credit period;
ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and
iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group through its subsidiary, FBC Insurance Company Limited, writes the following types of business within its Commercial and Personal Lines;

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For The Year Ended 31 December 2018

Products		Commercial	Personal Lines
Fire			
Assets all risks	*	*	*
House owners	*	*	*
Fire combined	*	*	*
Accident			
Money	*	*	x
Glass	*	*	x
Goods in transit	*	*	*
Theft	*	*	*
Personal all risks	*	*	*
Business all risks	*	*	x
Fidelity guarantee	*	*	x
Householders	*	*	*
Personal accident			
Group personal accident	*	*	x
Personal accident	*	*	*
Motor			
Private motor	*	*	*
Commercial motor	*	*	*
Motor cycle	*	*	*
Trailer	*	*	*
Motor fleet	*	*	*
Engineering			
Electronic equipment	*	*	x
Machinery breakdown	*	*	x
Machinery breakdown loss of profits	*	x	
Contractors all risks	*	*	x
Erection all risks	*	*	x
Civil engineering completed risks	*	x	
Plant all risks	*	*	x
Marine			
Marine cargo	*	*	*
Marine hull	*	*	*
Public liability	*	*	*
Employers liability	*	*	x
Professional indemnity	*	*	x
Products liability	*	*	x
Directors and officer liability	*	*	x
Bonds and guarantees			
Court bond	*	*	x
Performance bond	*	*	x
Bid bond	*	*	x
Advance payment bond	*	*	x
Government/customs bonds	*	*	x

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Legend

* class of business underwritten

x class of business not underwritten

Commercial department underwrites small to large business from companies. Personal department provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:

- Fire – fire, storm, explosions, malicious and earthquake
- Accident – all risks of accidental loss or damage to property
- Personal accident – death, permanent disablement, total disablement and medical expenses
- Motor – private and commercial (comprehensive, full third party, fire and theft)
- Engineering – accidental physical loss or damage to machinery on an all risks basis
- Marine – loss or damage to cargo in transit or vessel
- Liability – legal liability following death or injury to third parties or damage to third party property
- Bonds and guarantees – guarantees that contractual obligations will be met in case of default

The return to shareholders arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover claims and administrative expenses incurred by the Group.

37.6 Terms and conditions of short- term reinsurance contracts

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

The Group, through its subsidiary, FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative Departments;

Products	Treaty	Facultative
Fire	*	*
Miscellaneous accident	*	*
Motor	*	*
Engineering	*	*
Marine - hull and cargo	*	*
Aviation	*	*
Credit	*	*

* class of business underwritten

x class of business not underwritten

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Both Treaty and Facultative Departments provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities. The following perils are covered under the different types of business;

- Fire - fire, storm, explosions, riot, malicious and earthquake.
- Accident - all risks of accidental loss or damage to property.
- Personal accident - death, permanent disablement, total disablement and medical expenses.
- Motor - private and commercial (comprehensive, full third party, fire and theft).
- Engineering - accidental physical loss or damage to machinery on an all risks basis.
- Marine - loss or damage to cargo in transit or vessel.
- Liability - legal liability following death or injury to third parties or damage to third party property.
- Bonds and guarantees - guarantees that contractual obligations will be met in case of default

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group.

There is scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the environment in which they operate.

The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group's ability to proactively detect fraudulent claims.

37.7 Concentration of insurance risk

With the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

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Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is risk that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the property risks. Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Group has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur meaning that the Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

37.8 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at statement of financial position date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 14% (2017 - 8.4%) of net premium written for the reinsurance subsidiary and 5% (2017 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

37.9 Management of risk relating to changes in underwriting variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

38 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.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

31 December 2018	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term Insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	60 154 388	9 083 399	15 817 053	555 073	226 151	388 999	86 225 063
Interest expense	(15 606 863)	(1 387 091)	(3 819 067)	-	-	-	(20 813 021)
Net interest income / loss	**44 547 525**	**7 696 308**	**11 997 986**	**555 073**	**226 151**	**388 999**	**65 412 042**
Revenue from property sales	-	-	10 839 739	-	-	-	10 839 739
Cost of property sales	-	-	(8 350 999)	-	-	-	(8 350 999)
Gross profit	**-**	**-**	**2 488 740**	**-**	**-**	**-**	**2 488 740**
Net earned insurance premium	-	-	-	12 526 235	10 022 283	-	22 548 518
Net fee and commission income	35 719 180	1 131 633	6 186 328	-	-	649 156	43 686 297
Net trading income and other income	9 244 214	14 804	104 982	2 997 095	667 798	140 633	13 169 526
Total net income for reported segments	**89 510 919**	**8 842 745**	**20 778 036**	**16 078 403**	**10 916 232**	**1 178 788**	**147 305 123**
Intersegment revenue	(1 388 070)	(6 132)	(715 243)	(8 744 668)	7 441 822	(6 730)	(3 419 021)
Intersegment interest expense and commission	1 153 804	1 387 671	530 419	6 302 527	1 213 926	5 543	10 593 890
Net income from external customers	**89 276 653**	**10 224 284**	**20 593 212**	**13 636 262**	**19 571 980**	**1 177 601**	**154 479 992**
Segment profit before income tax	**33 802 683**	**3 855 139**	**11 696 179**	**2 667 001**	**443 220**	**612 323**	**53 076 545**
Impairment allowances on financial assets	700 663	898 752	366 093	470 983	76 618	312	2 513 421
Depreciation	2 235 536	92 277	310 584	42 350	120 429	5 840	2 807 016
Amortisation	399 301	61 032	16 870	23 905	73 827	-	574 935
Segment assets	**896 448 380**	**27 400 002**	**192 801 038**	**31 737 372**	**15 050 013**	**2 672 274**	**1 166 109 079**
Total assets includes:							
Additions to non-current assets	2 999 899	255 500	940 809	80 754	33 346	3 103	4 313 411
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**790 947 826**	**16 775 318**	**139 163 603**	**15 903 342**	**7 550 225**	**1 448 194**	**971 788 508**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing Sale of houses Construction	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

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For The Year Ended 31 December 2018

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

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Operating segments reconciliations	31-Dec-18 US$	31-Dec-17 US$
Net income		
Total net income for reportable segments	154 479 992	114 419 435
Total net income for non reportable segments	12 527 955	4 731 160
Elimination of intersegment revenue received from the holding company	(1 118 764)	(1 140 730)
Intersegment eliminations	(19 964 395)	(12 715 938)
Group total net income	**145 924 788**	**105 293 927**
Group profit before tax		
Total profit before income tax for reportable segments	53 076 545	33 977 395
Intersegment eliminations	1 569 928	(4 673 841)
Profit before income tax	**54 646 473**	**29 303 554**
Group assets		
Total assets for reportable segments	1 166 109 079	749 775 737
Other group assets	6 417 517	33 750
Deferred tax asset allocated to the holding company	511 314	2 222 315
Intersegment eliminations	(59 061 191)	(39 594 317)
Group total assets	**1 113 976 719**	**712 437 485**
Group liabilities		
Total liabilities for reportable segments	971 788 508	592 744 731
Other group liabilities and elimination of intersegment payables	(36 523 756)	(24 863 182)
Group total liabilities	**935 264 752**	**567 881 549**

In the normal course of business, group companies trade with one another and the material intergroup transactions include:

1) Underwriting of insurance risk by the insurance subsidiary;
2) Reinsurance of the insurance subsidiary's insurance risk by the reinsurance subsidiary;
3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
4) Placement of funds with the Building Society by group companies.

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

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Entity wide information

Breakdown of total net income from all services is as follows;

	31-Dec-18 US$	31-Dec-17 US$
Analysis of net income by category:		
- Gross profit from residential properties	2 488 740	1 174 893
Revenue from property sales	10 839 739	5 387 808
Cost of property sales	(8 350 999)	(4 212 915)
- Net income from services	143 436 048	104 119 034
Total	**145 924 788**	**105 293 927**

The Group is domiciled in Zimbabwe. All revenue was earned from external customers in Zimbabwe. All assets of the Group are located in Zimbabwe.

Total net income was earned by a variety of customers with no significant concentration on one customer.

39 BORROWING POWERS

The Directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

40 POST EMPLOYMENT BENEFITS

	31-Dec-18 US$	31-Dec-17 US$
Contributions made during the year are as follows:		
Self administered pension fund	1 387 488	1 283 236
National Social Security Authority (“NSSA”) Scheme	394 786	363 974
	1 782 274	**1 647 210**

The Group operates a defined contribution pension scheme whose assets are held independently of the Group’s assets in separate trustee administered funds. All permanent employees are members of this fund.

The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% (2017 : 3.5%) of pensionable salary to a maximum as set from time to time.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
41	**CAPITAL COMMITMENTS**	**US$**	**US$**
	Capital expenditure authorised but not yet contracted	73 591 521	46 698 106
	Capital commitments will be funded from the Group's own resources		
42	**CONTINGENT LIABILITIES**		
(a)	**Letters of credit**		
	The contingent liabilities relate to guarantees and letters of credit undertaken on behalf of various customers.	26 227 144	8 002 919

(b) Legal proceedings

The Group had no other contingent liabilities as at 31 December 2018 (2017 - US$nil).

(c) Potential tax obligations

The Group is regularly subject to evaluations by tax authorities on its direct and indirect tax filings. The consequence of such reviews is that disagreements can arise with tax authorities over the interpretation or application of certain tax rules relating to the Group's business. Such disagreements may not necessarily be resolved in a manner that is favourable to the Group and additional tax obligations could arise upon the resolution of the disputes.

43 TRANSITION DISCLOSURES

43.1 Reconciliation of impairment allowance from IAS 39 to IFRS 9

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

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Measurement category Armotised cost	Impairment allowance under IAS 39 US$	Reclassification US$	Remeasurement US$	Impairment allowance under IFRS 9 US$
Cash and cash equivalents	-	-	-	-
Financial assets at amortised cost	-	-	506 216	506 216
Loans and advances to customers	15 237 829	-	(735 064)	14 502 765
Bonds and debentures	-	-	227 738	227 738
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Trade and other receivables including insurance receivables	413 400	-	-	413 400
Loan commitments	-	-	207 591	207 591
Total	**15 651 229**	**-**	**206 481**	**15 857 710**

Total remeasurement amount of US$1 357 094 net of tax (gross-US$1 454 579 was recognised in opening reserves at 1 January 2018

43.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 and impact of IFRS 15

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

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 and IAS 18 to their new measurement categories upon transition to IFRS 9 and IFRS15 on 1 January 2018:

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Assets	IAS 18/IAS 39 carrying amount 31 Dec 2017 US$	IFRS 15 Impact US$	IFRS 9 Reclassification US$	IFRS 9 Remeasurement US$	IFRS 15/IFRS 9 carrying amount as at 1 January 2018 US$
Balances with banks and cash	181 002 565	-	-	-	181 002 565
Financial assets at amortised cost	112 878 823	-	-	(506 216)	112 372 607
Loans and advances to customers	300 746 805	-	-	735 064	301 481 869
Bonds and debentures	27 633 715	-	-	(227 738)	27 405 977
Financial assets at fair value through profit or loss	2 365 325	-	-	-	2 365 325
Financial assets at fair value through other comprehensive income	835 710	-	-	-	835 710
Trade and other receivables including insurance receivables	9 639 660	-	-	-	9 639 660
Inventory	6 523 937	3 563 044	-	-	10 086 981
Liabilities					
Deferred income tax liability	834 055	-	-	(330 237)	503 818
Trade and other payables	35 311 178	4 364 087	-	-	39 675 265
Current income tax liability	70 599	-	-	427 723	498 322
Equity					
Retained profits	91 326 329	(801 041)	-	1 357 462	91 882 750
Non controlling interest in equity	332 548	-	-	(368)	332 180

43.3 IFRS 15 Impact on profit (loss) for the year 31 December 2018

Revenues	**US$**
Increase due to change in the timing of recognition for property sales	4 364 085
Cost of sales	
Increase due to change in the timing of recognition for property sales	(3 563 044)
Increase in net income from property sales	**801 041**

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

Adjustment to current year statement of comprehensive income components

	Current year performance US$	Initial IFRS 15 application adjustment US$	Reported performance 2018 US$	Reported performance 2017 US$
Revenue from property sales	6 475 652	4 364 085	10 839 737	5 387 808
Cost of sales	(4 787 955)	(3 563 044)	(8 350 999)	(4 212 915)
Net income from property sales	**1 687 697**	**801 041**	**2 488 738**	**1 174 893**

The opening retained earnings have been decreased by US$801 041;
Current period revenue has increased by US$4 364 085;
Current period cost of sales have increased by US$3 563 044;
Overall surplus for the year has been increased by US$801 041.

43.4 Classification and measurement of financial instruments

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

	IAS 39 Measurement category	Carrying amount US$	IFRS 9 Measurement category	Carrying amount US$
Financial assets				
Balances with banks and cash	Armotised cost	181 002 565	Armotised cost	181 002 565
Financial assets at amortised cost	Armotised cost	112 878 823	Armotised cost	112 372 607
Loans and advances to customers	Armotised cost	300 746 805	Armotised cost	301 481 869
Bonds and debentures	Armotised cost	27 633 715	Armotised cost	27 405 977
Financial assets at fair value through profit or loss	FVPL	2 365 325	FVPL	2 365 325
Financial assets at fair value through other comprehensive income	FVOCI	835 710	FVOCI	835 710
Trade and other receivables including insurance receivables	Armotised cost	9 639 660	Armotised cost	9 639 660
Financial liabilities				
Deposits from banks and customers	Armotised cost	523 984 853	Armotised cost	523 984 853
Insurance liabilities	Armotised cost	7 680 864	Armotised cost	7 680 864

44 SUBSEQUENT EVENTS

44.1 Introduction of the RTGS as an official currency

On 20 February 2019, through the Monetary Policy statement, the Reserve Bank Governor announced the introduction of the RTGS $ (ZWL) as an official electronic currency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective 22 February 2019.

As from that date the Public Auditors and Accountant Board “PAAB” has been assessing the appropriateness of retaining the US$ as the presentation currency for periods beginning 01 January 2018. Pursuant to the assessment, PAAB issued a guideline, titled “Financial Reporting and Auditing guidance on currency considerations under the environment prevailing for financial years beginning on or after 01 January 2018.

Set out below are disclosures relating to the impact of the assessments done on the change in functional currency which shall not be applied retrospectively. The change in functional currency is effective 22 February 2019 and management have concluded it does not affect balances and transactions for the full year ended 31 December 2018.

Notes to the Consolidated Financial Statements/continued

For The Year Ended 31 December 2018

44.2 Table IV Illustrative sensitivity analysis for events after the reporting period

	Monetary Asset/ Liabilities Nostro FCA USD	Monetary Asset/ Liabilities RTGS Dollar	Non-Monetary Asset/ Liabilities Nostro FCA USD	Non-Monetary Asset/ Liabilities RTGS Dollar	Total	Sensitivity Analysis Total RTGS $ at 1:2.5	Total RTGS $ at 1:3.3	Total RTGS $ at 1:5.0
Balances with other banks and cash	43 554 008	148 655 574	-	-	192 209 582	257 540 594	292 383 801	366 425 614
Financial assets at amortised cost	-	186 068 296	-	-	186 068 296	186 068 296	186 068 296	186 068 296
Loans and advances to customers	101 245 893	304 262 438	-	-	405 508 331	557 377 170	638 373 885	810 491 903
Trade and other receivables including insurance receivables	110 786	12 831 792	-	-	12 942 578	13 108 757	13 197 386	13 385 722
Bonds and debentures	-	225 565 873	-	-	225 565 873	225 565 873	225 565 873	225 565 873
Financial assets at fair value through profit or loss	548 844	8 501 058	-	-	9 049 902	9 873 168	10 312 243	11 245 278
Financial assets at fair value through other comprehensive income	-	1 515 858	-	548 844	2 064 702	2 064 702	2 064 702	2 064 702
Inventory	-	-	4 922 135	3 539 159	8 461 294	15 844 497	19 782 205	28 149 834
Prepayments and other assets	2 606 061	16 690 345	-	1 704 202	21 000 608	24 909 699	26 994 548	31 424 852
Current income tax asset	-	147 326	-	-	147 326	147 326	147 326	147 326
Deferred income tax assets	-	-	-	5 189 191	5 189 191	5 189 191	5 189 191	5 189 191
Investment property	-	-	8 838 000	-	8 838 000	22 095 000	29 165 400	44 190 000
Intangible assets	-	-	99 960	1 956 377	2 056 337	2 206 277	2 286 245	2 456 177
Property and equipment	-	-	17 703 831	17 170 868	34 874 699	61 430 446	75 593 510	105 690 023
Total assets	**148 065 592**	**904 238 560**	**31 563 926**	**30 108 641**	**1 113 976 719**	**1 383 420 996**	**1 527 124 611**	**1 832 494 791**
EQUITY AND LIABILITIES								
Liabilities								
Deposits and borrowings from other banks and customers	128 908 382	744 265 256	-	-	873 173 638	1 066 536 211	1 169 662 916	1 388 807 166
Insurance liabilities	84 698	13 837 204	-	-	13 921 902	14 048 949	14 116 707	14 260 694
Trade and other payables	7 147 382	39 595 286	-	-	46 742 668	57 463 741	63 181 647	75 332 196
Current income tax liability	-	643 429	-	-	643 429	643 429	643 429	643 429
Deferred income tax liability	-	-	-	783 115	783 115	783 115	783 115	783 115
Total liabilities	**136 140 462**	**798 341 175**	**-**	**783 115**	**935 264 752**	**1 139 475 445**	**1 248 387 814**	**1 479 826 600**
Equity								
Capital and reserves attributable to equity holders of the parent entity								
Share capital and share premium	-	-	-	14 089 892	14 089 892	14 089 892	14 089 892	14 089 892
Other reserves	-	-	-	35 396 838	35 396 838	35 396 838	35 396 838	35 396 838
Retained profits	-	-	-	128 886 322	128 886 322	128 886 322	128 886 322	128 886 322
Foreign currency translation reserve	-	-	-	-	-	65 233 584	100 024 830	173 956 224
	-	**-**	**-**	**178 373 052**	**178 373 052**	**243 606 636**	**278 397 882**	**352 329 276**
Non controlling interest in equity	-	-	-	338 915	338 915	338 915	338 915	338 915
Total equity	**-**	**-**	**-**	**178 711 967**	**178 711 967**	**243 945 551**	**278 736 797**	**352 668 191**
Total equity and liabilities	**136 140 462**	**798 341 175**	**-**	**179 495 082**	**1 113 976 719**	**1 383 420 996**	**1 527 124 611**	**1 832 494 791**

44.3 Key assumptions around the sensitivity analysis

1) The RTGS $ was not an official currency prior to 20 February 2019 and as such the official exchange rate between the pseudo-currency of electronic balances against the USD$ remained at 1:1 for the full year ended 31 December 2018.

2) The Implied exchange rates of 1:3.3 and 1:5 were the most prevalent parallel market rates as at 31 December 2018. The rate of 1:5 being the worst case scenario.

Company **Financial Statements**

Company Statement of Financial Position

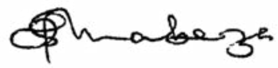
As at 31 December 2018

	Note	31-Dec-18 US$	31-Dec-17 US$
ASSETS			
Land		4 524 857	-
Balances with banks and cash		616 065	2 019 124
Amounts due from related parties	2	9 484 019	6 278 646
Financial assets at fair value through other comprehensive income	3	1 515 858	286 866
Financial assets at fair value through profit or loss		1 847 263	-
Investments in subsidiaries	4	60 030 628	60 030 628
Time - share asset	5	22 500	33 750
Other assets		672 047	599 764
Deferred income tax asset		511 314	2 249 648
Total assets		**79 224 551**	**71 498 426**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	6	20 506 372	11 356 709
Borrowings	11	10 000 000	10 000 000
Other liabilities		3 496 112	1 786 112
Current income tax liability		-	-
Total liabilities		**34 002 484**	**23 142 821**
Equity			
Share capital and premium		14 089 892	14 089 892
Other reserves		30 660 577	34 070 907
Retained profits		471 597	194 806
Total equity		**45 222 066**	**48 355 605**
Total equity and liabilities		**79 224 550**	**71 498 426**

The Company financial statements on pages 182 to 189 were authorised for issue by the board of directors on 15 April 2019 and were signed on its behalf.

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)



Tichaona K. Mabeza
(Company Secretary)

Company Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2018

	Note	31-Dec-18 US$	31-Dec-17 US$
Revenue	7	12 527 955	4 731 160
Operating expenditure	8	(3 112 488)	(4 438 486)
Operating profit		**9 415 467**	**292 674**
Taxation	9	(1 726 044)	406 390
Profit for the year after taxation		**7 689 423**	**699 064**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Available for sale reserve		1 228 992	(27 176)
Tax		(12 290)	272
Other comprehensive income, net income tax		1 216 702	(26 904)
Total comprehensive income for the year		**8 906 125**	**672 160**
Profit for the year attributable to:			
Equity holders of parent		7 689 423	699 064
Total profit for the year		**7 689 423**	**699 064**
Total comprehensive income attributable to:			
Equity holders of parent		8 906 125	672 160
Total comprehensive income for the year		**8 906 125**	**672 160**
Earnings per share (US cents)			
Basic	10	1.20	0.11
Diluted	10	1.20	0.11

Company Statement of Changes in Equity

For The Year Ended 31 December 2018

	Share capital US$	Share premium US$	Revaluation reserves US$	Non distributable reserves US$	Treasury share reserves US$	Available for sale ("AFS") reserves US$	Retained profits US$	Total US$
At 1 January 2017	**6 719**	**14 083 173**	**112 500**	**36 271 104**	**(2 162 194)**	**(123 599)**	**2 854 906**	**51 042 609**
AFS revaluation loss	-	-	-	-	-	(27 176)	-	(27 176)
Deferred tax on AFS	-	-	-	-	-	272	-	272
Profit for the year	-	-	-	-	-	-	699 064	699 064
Dividend declared and paid	-	-	-	-	-	-	(3 359 164)	(3 359 164)
Balance at 31 December 2017	**6 719**	**14 083 173**	**112 500**	**36 271 104**	**(2 162 194)**	**(150 503)**	**194 806**	**48 355 605**
AFS revaluation gain	-	-	-	-	-	1 228 992	-	1 228 992
Deferred tax on AFS	-	-	-	-	-	(12 290)	-	(12 290)
Profit for the year	-	-	-	-	-	-	7 689 423	7 689 423
Purchase of treasury shares	-	-	-	-	(4627 032)	-	-	(4 627 032)
Dividend declared and paid	-	-	-	-	-	-	(7 412 632)	(7 412 632)
Balance at 31 December 2018	**6 719**	**14 083 173**	**112 500**	**36 271 104**	**(6 789 226)**	**1 066 199**	**471 597**	**45 222 066**

Company's Statement of Cash Flows

For The Year Ended 31 December 2018

	31-Dec-18 US$	31-Dec-17 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**9 415 467**	**292 674**
Non cash items:		
Depreciation	11 250	11 250
Provisions	-	1 781 393
Net cash generated before changes in operating assets and liabilities	**9 426 717**	**2 085 317**
Changes in operating assets and liabilities		
Increase in amounts due from related parties	(3 205 373)	(445 315)
Increase in other assets	(72 283)	(124 067)
(Decrease)/Increase in amounts due to related parties	(2 225)	5 922 648
Increase/(decrease) in other liabilities	1 710 000	(2 273 770)
Increase in financial assets at fair value through profit or loss	(1 847 263)	-
	(3 417 144)	**3 079 496**
Income tax paid	-	-
Net cash generated in operating activities	**6 009 573**	**5 164 813**
Cash flows from investing activities		
Net change in subsidiary investments	-	-
Cash used in investing activities	**-**	**-**
Cash flows from financing activities		
Purchase of treasury shares	-	-
Dividend paid	(7 412 632)	(3 359 164)
Proceeds from borrowings	-	-
Net cash used in from financing activities	**(7 412 632)**	**(3 359 164)**
Net (decrease)/increase in cash and cash equivalents	**(1 403 059)**	**1 805 649**
Cash and cash equivalents at beginning of the year	**2 019 124**	**213 475**
Cash and cash equivalents at the end of year	**616 065**	**2 019 124**

Notes to the Company Financial Statements

For The Year Ended 31 December 2018

1 COMPANY ACCOUNTING POLICIES

The financial statements of the Company for the year ended 31 December 2018 are prepared in accordance with the same principles used in preparing consolidated financial statements of the Group. For detailed accounting policies refer to the Group's financial statements.

2 AMOUNTS DUE FROM RELATED PARTIES	31-Dec-18 US$	31-Dec-17 US$
Share option balances due from subsidiaries	82 926	82 926
Other intercompany receivables	9 401 093	6 195 720
	9 484 019	**6 278 646**
Current	9 484 019	6 278 646
Non-current	-	-
Total	**9 484 019**	**6 278 646**

Amounts receivable from group companies were not considered impaired at year end.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	31-Dec-18 US$	31-Dec-17 US$
As at 1 January	286 866	314 042
Acquisition	-	-
Net fair value gain/(loss) transfer to equity	1 228 992	(27 176)
Impairment	-	-
As at 31 December	**1 515 858**	**286 866**

The financial assets at fair value through other comprehensive income include Zimbabwe Stock Exchange listed shares.

During the year 31 December 2014, a dividend in specie was declared by one of the Company's subsidiary's consisting of their entire holding in Turnall Holdings Limited. In turn, the Company disposed of a portion of the shares through a dividend in specie. The intercompany transaction was fully eliminated in the consolidated financial statements. An unrealised gain was recognised on the remaining shares.

The remaining interest represents 5% of Turnall Holdings Limited. The fair value gain was US$1 515 858 for these shares for the year.

Notes to the Company Financial Statements/continued

For The Year Ended 31 December 2018

4 INVESTMENT IN SUBSIDIARIES

4.1 Investment in subsidiaries

Investment in subsidiaries	Equity interest 2018	Equity interest 2017	31-Dec-18 US$	31-Dec-17 US$
FBC Bank Limited	100%	100%	39 527 261	39 527 261
FBC Building Society	100%	100%	12 996 785	12 996 785
FBC Reinsurance Limited	100%	100%	5 995 330	5 995 330
FBC Securities (Private) Limited	100%	100%	379 265	379 265
FBC Insurance Company (Private) Limited	95.4%	95.4%	1 126 987	1 126 987
Microplan Financial Services (Private) Limited	100%	100%	5 000	5 000
			60 030 628	**60 030 628**

4.2 Movement analysis - investment in subsidiaries

	US$
Year ended 31 December 2017	
Balance as at 1 January 2017	60 030 628
Balance as at 31 December 2017	**60 030 628**
Year ended 31 December 2018	
Balance as at 1 January 2018	60 030 628
Balance as at 31 December 2018	**60 030 628**

5 TIME - SHARE ASSET

The Company has a 45% share in a houseboat for use by the Company's employees. The value stated is the value of the share held according to a directors valuation performed on recognition.

	31-Dec-18 US$	31-Dec-17 US$
Balance at 1 January	33 750	45 000
Depreciation	(11 250)	(11 250)
Balance as at 31 December	**22 500**	**33 750**

The time - share asset is included in prepayments and other assets in the consolidated statement of financial position.

6 AMOUNTS DUE TO RELATED PARTIES

	31-Dec-18 US$	31-Dec-17 US$
Other intercompany payables	20 506 372	11 356 709

The liability relates to amounts payable to FBC Reinsurance Limited, FBC Securities

(Private) Limited and other balances due to Group companies.

Notes to the Company Financial Statements/continued

For The Year Ended 31 December 2018

		31-Dec-18	31-Dec-17
7	**REVENUE**	**US$**	**US$**
	Net interest expense	(213 390)	(235 357)
	Dividend income	7 845 540	4 966 517
	Management fees	3 200 000	-
	Net earned insurance premium revenue	1 920 000	-
	Net loss on financial assets at fair value through profit or loss	(233 887)	-
	Other	9 692	
		12 527 955	**4 731 160**
8	**OPERATING EXPENDITURE**		
	Staff costs	2 410 283	3 750 535
	Administration expenses	679 915	669 275
	Audit fees	22 289	18 676
		3 112 488	**4 438 486**
9	**TAXATION**		
	The following constitute the major components of income tax expense recognised in the statement of comprehensive income		
	Analysis of tax charge in respect of the profit for the year		
	Current income tax charge	-	-
	Deferred income tax	(1 726 044)	406 390
	Prior year under provision	-	-
	Income tax expense	**(1 726 044)**	**406 390**
10	**EARNINGS PER SHARE**		
10.1	**Basic earnings per share**		
	Profit attributable to equity holders of the parent	7 689 423	699 064
	Total	**7 689 423**	**699 064**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2018				
Issued ordinary shares as at 1 January	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	13 000 000	(13 000 000)	(1 246 575)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**44 827 282**	**627 122 645**	**638 876 070**
Basic earnings per share (US cents)				1.20

Notes to the Company Financial Statements/continued

For The Year Ended 31 December 2018

	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2017				
Issued ordinary shares as at 1 January	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**31 827 282**	**640 122 645**	**640 122 645**
Basic earnings per share (US cents)				0.11

10.2 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.

Earnings	31-Dec-18 US$	31-Dec-17 US$
Profit attributable to equity holders of the parent	7 689 423	699 064
Total	**7 689 423**	**699 064**
Weighted average number of ordinary shares at 31 December	**638 876 070**	**640 122 645**
Diluted earnings per share (US cents)`	**1.20**	**0.11**

10.3 Headline earnings per share

Profit attributable to equity holders of the parent	7 689 423	699 064
Adjusted for excluded remeasurements	-	-
Headline earnings	**7 689 423**	**699 064**
Weighted average number of ordinary shares at 31 December	**638 876 070**	**640 122 645**
Headline earnings per share (US cents)	**1.20**	**0.11**

11 Borrowings

Norsad Finance Limited- US$ 10 million facility. The facility was availed from December 2016 and has an effective interest rate of 9.54% per annum with a tenure of 5 years.

Shareholding Information

For the year ended 31 December 2018

Spread of shareholding

Range	Shareholders Number	%	Shares held Number('000)	%
0 - 100	1268	15.32	107	0.02
101 - 200	1565	18.90	291	0.04
201 - 500	2520	30.44	798	0.12
501 - 1 000	959	11.58	673	0.10
1 001 - 5 000	1253	15.13	2 875	0.43
5 001 - 10 000	253	3.06	1 815	0.27
10 001 - 50 000	271	3.27	5 679	0.85
50 001 - 100 000	56	0.68	4 185	0.62
100 001 - 500 000	68	0.82	15 402	2.29
500 001 - 1 000 000	14	0.17	9 826	1.46
1 000 001 - 10 000 000	38	0.46	150 529	22.40
10 000 001 -	14	0.17	479 770	71.40
Total	**8 279**	**100.00**	**671 950**	**100.00**

Analysis of shareholding

Industry	Shares held Number('000)	%
Bank	55	0.01
Companies	222 625	33.13
Employee	1 084	0.16
DeacesedEstate	17	0.00
External Companies	49 255	7.33
Fund Managers	44	0.01
Insurance Companies	23 685	3.52
Investment Trusts and Property	543	0.08
Local Resident	25 295	3.76
Nominees Local	30 261	4.50
Non Residents	14 007	2.08
Non Resident Individual	12 539	1.87
Other Corporate Holdings	36	0.01
Pension Fund	292 504	43.53
Total	**671 950**	**100.00**

Top ten shareholders

Institution	Shares held Number('000)	%
NATIONAL PENSION SCHEME	236 037	35.13
SHORECAP II LIMITED NNR .	47 950	7.14
STANBIC NOMINEES (PRIVATE) LIMITED	37 046	5.51
STANBIC NOMINEES (PRIVATE) LIMITED (NNR)	35 016	5.21
TIRENT INVESTMENTS (PRIVATE) LIMITED	31 761	4.73
CASHGRANT INVESTMENTS (PVT) LTD.	27 620	4.11
FBC REINSURANCE COMPANY LIMITED	24 708	3.68
STRAUSS ZIMBABWE (PVT)LTD.	15 598	2.32
OLD MUTUAL LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED	12 909	1.92
VIDRYL INTERNATIONAL (PVT)LTD.	11 408	1.70
Total	**480 053**	**71.45**

Performance on the Zimbabwe Stock Exchange	2018	2017
Number of shares in issue	671 949 927	671 949 927
Market prices (US cents per share)		
Closing	35.00	20.00
High	35.00	25.00
Low	20.00	8.00
Market Capitalisation (US$)	**235 182 474**	**134 389 985**

Notice of Annual General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of Shareholders of FBC Holdings Limited will be held in the Main Lounge, Royal Harare Golf Club, 5th Street Extension, Harare on Thursday, 27 June 2019 at 1500 hours.

Agenda

1. To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2018.

2. To sanction the dividend paid.

3. To elect Directors of the Company by separate resolutions.

3.1 In terms of Article 95 of the Company's Articles of Association, Mr Philip Chiradza, Mrs Gertrude Chikwava and Mr Godfrey Nhemachena retire by rotation. Being eligible, Mrs Chikwava is offering herself for re-election. Mr Chiradza and Mr Nhemachena, each having served on the Board of FBC Holdings Limited for a continuous period of more than 10 years, will not be standing for re-election in line with the Company's Corporate Governance Policy.

3.2. To confirm the appointment of Messrs. Gary Collins and Rutenhuro Moyo to the Board.

4. To approve the remuneration of the Directors for the past financial year.

5. To approve the remuneration of the auditor for the past audit and to re-appoint Messrs. Deloitte & Touche as auditor of the Company.

6. Special business

Share buy-back as ordinary resolutions

To consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following:-

6.1 Purchase of own shares

That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 79 of the Companies Act (Chapter 24:03) to purchase the Company's own shares subject to the following terms and conditions: The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (five percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

6.2 The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.

Notice of Annual General Meeting/continued

6.3 This authority shall expire on the date of the Company's next Annual General Meeting.

6.4 That the shares purchased according to this resolution shall be utilized for treasury purposes.

Directors statement

In relation to the aforesaid proposed resolution, the Directors of the Company state that:-

(i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.

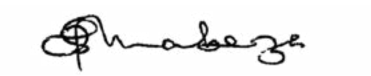
(ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.

(iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.

(iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.

7. To transact all such other business as may be transacted at an Annual General Meeting.

By Order of the Board



Tichaona Mabeza
Company Secretary

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE
4 June 2019

Proxy Form

For the year ended 31 December 2018

I/We ……
Names(in block letters)

of …….
(address in block letters)

Being (a) member(s) of the Company and entitled to vote, do hereby appoint……………………............................

....

Or, failing him/her ………………………………………………………………………………………………...…

Or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the Company to be held on Thursday, 27 June 2019 at 1500 hours and at any adjournment thereof, as follows:

		In favour of	Against	Abstain
1	Resolution to adopt the company annual financial statements			
2	Resolution to sanction payment of dividend			
3.1	Resolution to re-elect a retiring director			
3.2	Resolution to confirm the appointment of new directors to the Board			
4	Resolution to approve the remuneration of the directors			
5	Resolution to approve the remuneration of auditors, Deloitte & Touche Chartered Accountants and to re-appoint them			
6	Resolution to purchase the company's own shares			

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at……………………………………………on…………………………………………………………2019

Full name(s) ……
(in block letters)

Signature(s) ……

Notes:

1. In order to be effective, proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, P O Box 11, Harare so as to reach this address not later than 1200 hours on Tuesday, 25 June 2019.
2. The delivery of a duly completed proxy form shall not preclude any member or his/her duly authorized representative from attending the meeting and speaking and voting thereat instead of the proxy.
3. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.

Notes

Notes

FBC Holdings Limited

strength • diversity • service

www.fbc.co.zw