THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Circular is neither a prospectus nor an invitation to the public to subscribe for shares in FBC Holdings Limited ("FBCH" or "the Group"), but is a document issued, in compliance with the Zimbabwe Stock Exchange Listings Requirements, to inform FBCH Shareholders of the Proposed Transaction whose basis, rationale and terms and conditions are more fully set out in this Circular.

Action required:
- Shareholders are invited to attend the Extraordinary General Meeting convened by the EGM Notice contained herein;
- Shareholders who are unable to attend the EGM, but wish to be represented thereat, should complete and sign the Proxy Form included in Appendix VI of this Circular and return to the Company Secretary by 1230 hours on 26 September 2023;
- Shareholders may attend the EGM in person, notwithstanding the completion and return of the Proxy Form;
- If you are in any doubt as to the action you should take, please consult your stockbroker, banker, accountant or other professional advisor immediately; and
- If you no longer hold any shares in FBCH, you should send this Circular, as soon as possible, to the stockbroker, bank or other agent through whom the sale of your shareholding in FBCH was executed for onward delivery to the purchaser or transferee of your shares.

FBC Holdings Limited
You Matter Most

Incorporated in Zimbabwe on 7 November 2002, Registration Number 15583/2002

CIRCULAR TO FBC HOLDINGS LIMITED SHAREHOLDERS

REGARDING AND SEEKING APPROVALS FOR:

The acquisition by FBC Holdings Limited of all of the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited and the entire beneficial interest in the Africa Enterprise Network Trust for a cash consideration.

INCORPORATING:

Notice of an Extraordinary General Meeting of the members of FBC Holdings Limited, to be held physically in the Kariba Room, Holiday Inn Harare, Samora Machel Avenue and Fifth Street and virtually via the link, https://polling.fts-net.com/ on 28 September 2023, at 1230 hours, which notice was published on 07 September 2023 in accordance with the Listings Requirements of the Zimbabwe Stock Exchange and the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, as set out at the end of this Circular. Shareholders are asked to complete and return the attached form of proxy in accordance with the instructions printed thereon, as soon as possible, but not later than 1230 hours, on 26 September 2023.

Financial Advisors
FBC Bank Limited
(Registered Commercial Bank)
You Matter Most

Independent Financial Advisors
CorporateExcellence
FINANCIAL ADVISORY SERVICES

Legal Advisors
DMH
FULL SERVICE LAW FIRM

Reporting Accountants
KPMG

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

Transfer Secretaries
FTS
FIRST TRANSFER SECRETARIES
(PRIVATE) LIMITED

Tax Advisors
BDO

Date of issue: 07 September 2023

This Circular is available in English only. Additional copies of this Circular may be obtained from the Company Secretary at the Registered Offices of FBC Holdings Limited and the Transfer Secretaries, at the addresses set out in the "Corporate Information" section of this Circular, during normal business hours on Business Days. A copy of this Circular will also be available for viewing and downloading on FBC Holdings Limited's website (https://www.fbc.co.zw/)

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CORPORATE INFORMATION AND ADVISORS

FBC Holdings Limited Directors Herbert Nkala Chipo Mtasa Dr. John Mushayavanhu Aeneas Chuma Gary Stephen Collins Franklin H. Kennedy David Makwara Canada Malunga Rutenhero Moyo Charles Msipa Sifiso Ndlovu Vimbai Nyemba Kleto Chiketsani Webster Rusere Trynos Kufazvinei	**Bankers** FBC Bank Limited 6th Floor, FBC Centre 45 Nelson Mandela Avenue Harare
Company Secretary and Registered Office Tichaona Mabeza 6th Floor, FBC Centre, 45 Nelson Mandela Avenue Harare	**Independent Financial Advisors** Corporate Excellence Financial Advisory Services (Private) Limited 3 Drummond Chaplin Milton Park Harare
Financial Advisors FBC Bank Limited 5th Floor, FBC Centre 45 Nelson Mandela Avenue Harare	**Transfer Secretaries** First Transfer Secretaries 1 Armagh Avenue Eastlea Harare
Legal Advisors Dube, Manikai & Hwacha DMH House 4 Fleetwood Road Alexandra Park Harare	**Sponsoring Broker** FBC Securities Limited 2nd Floor Bank Chambers 76 Samora Machel Avenue Harare
Reporting Accountants & Auditors KPMG Zimbabwe Mutual Gardens 100 The Chase (West) Emerald Hill Harare Zimbabwe	**Tax Advisors** BDO Tax & Advisory Services (Private) Limited Kudenga House 3 Baines Avenue Harare, Zimbabwe

FORWARD LOOKING STATEMENTS

This Circular contains statements which are or may be, "forward-looking statements" which are prospective in nature. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning strategy, the economic outlook, production, cash flows and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity, capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditures, acquisition strategy and expansion prospects, or future capital expenditure levels and other economic factors, such as, amongst other things, interest and exchange rates.

All these forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. FBCH cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which FBCH operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, as regards FBCH and made by FBCH as communicated in publicly available documents, all of which are estimates and assumptions, although FBCH believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to FBCH or not currently considered material) may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

FBCH Shareholders should keep in mind that any forward-looking statements made in this Circular or elsewhere are applicable only on the date on which such forward-looking statements are made. New factors that could cause the business of FBCH not to develop as expected may emerge from time to time and it is not possible to predict all of them. The extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. FBCH has no duty to, and does not intend to, update, or revise the forward-looking statements contained in this Circular after the date of issue of this Circular, except as may be required by law.

DEFINITIONS AND INTERPRETATIONS

In this Circular the following definitions apply, unless otherwise stated or the context indicates otherwise, the words in the first column have the meanings stated opposite them in the second column. Words in the singular shall include the plural and vice versa, and words importing natural persons shall include juristic persons, whether corporate or incorporate and vice versa. The definitions apply mutatis mutandis throughout this Circular from the cover page to all appendices and attachments (unless the context indicates a contrary intention).

"Acquisition"	The proposed acquisition by FBC Holdings Limited of Standard Chartered Bank (Zimbabwe) Limited, Standard Chartered Nominees Zimbabwe (Private) Limited as well as the beneficial interest in the Africa Enterprise Network Trust, as a single indivisible transaction from Standard Chartered Holdings (Africa) B.V, Standard Chartered Bank and Standard Chartered Holdings (International) B.V;
"AENT"	Africa Enterprise Network Trust.
"Articles"	The Articles of Association of FBC Holdings Limited.
"Auditors" or "Independent Reporting Accountants" or "KPMG"	KPMG Chartered Accountants (Zimbabwe), Auditors of the Company and Independent Reporting Accountants to the Proposed Transaction.
"BDO" or "Tax Advisors"	BDO Tax and Advisory Services (Private) Limited, the tax advisors to the proposed transaction.
"Board of Directors" or "Directors" or "Board"	The Board of Directors of FBC Holdings Limited.
"CE"	Chief Executive.
"Chairman"	Chairman of the Board of Directors of FBC Holdings Limited.
"Circular" or "the Circular to Shareholders"	This document dated 07 September 2023 including the appendices hereto, addressed to FBC Holdings Limited Shareholders, which sets out the terms and conditions of the Proposed Transaction.
"Companies Act" or "Act"	The Companies and Other Business Entities Act (Chapter 24:31).
"Completion Balance Sheet"	The Statement of Financial Position that will be prepared and finalised on the completion date, in accordance with the Sale and Purchase Agreement.
"Completion Date"	The date at which the Proposed Transaction is concluded.
"Completion"	The agreement and finalisation of the Completion Balance Sheet which will pave the way for the settlement of the consideration.
"Consideration"	The purchase price in respect of the Proposed Transaction.
"Conditions Precedent"	The Conditions Precedent to which the Proposed Transaction is subject as set out in section 12 of this Circular.
"Corporate Excellence" or "Independent Financial Advisors"	Corporate Excellence Financial Advisory Services (Private) Limited, a licenced securities investment advisor with the Securities and Exchange Commission of Zimbabwe, and the independent financial advisors to the Proposed Transaction.
"Dube, Manikai & Hwacha" or "DMH" or "Legal Advisors"	Dube, Manikai & Hwacha Legal Practitioners, the legal advisors to the Proposed Transaction.
"EGM"	Extraordinary General Meeting of FBC Holdings Limited shareholders convened in terms of the Companies and Other Business Entities Act (Chapter 24:31), to be held at 1230 hours on 28 September 2023, physically in the Kariba Room, Holiday Inn Harare, Samora Machel Avenue and Fifth Street and virtually via the link, https://polling.fts-net.com/ at which FBC Holdings Limited Shareholders will vote on the Proposed Transaction.
"Escrow Agreement"	The agreement entered into between SCH, FBCB and SCB setting out the terms on which the Escrow Agent is instructed to hold the Consideration.
"Escrow Account"	The account managed by the Escrow Agent pursuant to the Escrow Agreement in respect of the Escrow Amount.
"Escrow Amount"	The sum of Thirty-Four million United States Dollars (US$34,000,000) deposited with the Escrow Agent by FBCB pursuant to the Escrow Agreement.
"FBC Bank" or "FBCB"	FBC Bank Limited, a registered commercial bank in Zimbabwe and a licensed securities investment advisor with the Securities and Exchange Commission of Zimbabwe, and financial advisors to the Proposed Transaction;
"FBC Building Society"	A registered Building Society and a wholly owned subsidiary of FBC Holdings Limited.
"FBC Insurance"	FBC Insurance Company (Private) Limited, a registered insurance company and owned 95% by FBC Holdings Limited.

DEFINITIONS AND INTERPRETATIONS//CONTINUED

"FBC Re Botswana"	FBC Re Proprietary Limited Botswana, a registered reinsurance company in Botswana and a wholly owned subsidiary of FBC Reinsurance Limited.
"FBC Re"	FBC Reinsurance Limited, a registered reinsurance company and a wholly owned subsidiary of FBC Holdings Limited.
"FBC Securities" or "Sponsoring Broker"	FBC Securities Limited, the sponsoring broker to the Proposed Transaction and a member of the Zimbabwe Stock Exchange.
"FBCH" or "the Company" or "the Group"	FBC Holdings Limited, a public company incorporated in Zimbabwe under company registration number 15583/2002 and listed on the ZSE.
"FBCB" or "the Financial Advisor"	FBC Bank Limited, a licenced securities investment advisor with the Securities and Exchange Commission of Zimbabwe, and the financial advisors to the Proposed Transaction.
"First Transfer Secretaries" or "FTS" or "Transfer Secretaries"	First Transfer Secretaries (Private) Limited who provide share transfer secretarial services to FBC Holdings Limited and are transfer secretaries for the Proposed Transaction
"Form of Proxy"	The form accompanying this Circular, which provides for FBCH shareholders to appoint a proxy to attend the EGM and vote on their behalf on the resolutions proposed.
"IFRS"	International Financial Reporting Standards.
"MHL"	Mashonaland Holding Limited, a company listed on the ZSE.
"MicroPlan"	MicroPlan Financial Services (Private) Limited, registered microfinance institution and a wholly owned subsidiary of FBC Holdings Limited.
"NAV"	Net Asset Value.
"Non-Resident Shareholder(s)	A holder(s) of FBC Holdings Limited shares who is designated as "non-resident" in terms of the Exchange Control Regulations.
"NSSA"	National Social Security Authority.
"OutRisk"	OutRisk Underwriting Management Agency (Private) Limited, a registered insurance broker and a wholly owned subsidiary of FBC Holdings Limited.
"Proposed Transaction" or "Proposed Acquisition"	FBCH's intention to acquire all of the issued ordinary shares of SCBZ and the entire beneficial interest in AENT as a single indivisible transaction.
"RBZ"	The Reserve Bank of Zimbabwe, the central bank of Zimbabwe.
"Sale and Purchase Agreement"	The sale and purchase agreement dated 8 June 2023, concluded amongst FBC Holdings Limited, FBC Bank Limited on the one hand, Standard Chartered Holdings (Africa) B.V, Standard Chartered Bank and Standard Chartered Holdings (International) B.V on the other, for the acquisition of Standard Chartered Bank (Zimbabwe) Limited, Standard Chartered Nominees Zimbabwe (Private) Limited as well as the beneficial interest in the Africa Enterprise Network Trust, as a single indivisible transaction, by FBCH.
"SC Nominees"	Standard Chartered Nominees Zimbabwe (Private) Limited, a registered custodial services business that is wholly owned by Standard Chartered Bank (Zimbabwe) Limited.
"SCB Plc"	Standard Chartered Bank Plc, an investment holding company which owns Standard Chartered Bank global businesses.
"SCB" or "the Escrow Agent"	Standard Chartered Bank UK.
"SCBZ"	Standard Chartered Bank (Zimbabwe) Limited, a registered commercial bank in Zimbabwe that is wholly owned by Standard Chartered Holdings (Africa) BV, Standard Chartered Plc UK and Standard Chartered Holdings (International) BV, and subject of the Proposed Acquisition.
"SCH"	Standard Chartered Holdings (Africa) B.V, the 88.31% shareholder in SCBZ.
"SECZ"	Securities and Exchange Commission of Zimbabwe.
"Share Register"	The Register of Shareholders of the Company maintained by the Transfer Secretaries and the sub-register of nominee Shareholders maintained by each stockbroker.
"Shareholder(s)"	The holders of ordinary shares of FBC Holdings Limited.
"US$" or "USD"	The United States Dollar, the official currency of the United States of America.
"Xarani"	Xarani (Private) Limited, a company in the business of the provision of real-time digital business solutions and application programming interface, and a subsidiary of FBC Holdings Limited.
"ZSE" or "Zimbabwe Stock Exchange"	Zimbabwe Stock Exchange Limited, a securities exchange established in terms of the Securities and Exchange Act of 2004 of Zimbabwe [Chapter 24:25] and regulates the conduct of companies whose shares are listed on the official list and traded on the Zimbabwe Stock Exchange main board.
"ZSE Listing Requirements"	The Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, Statutory Instrument 134 of 2019.
"ZWL" or "ZW$"	The Zimbabwean Dollar, the official trading currency of Zimbabwe.

SALIENT INFORMATION AND IMPORTANT DATES

This summary presents the salient information in relation to the Proposed Transaction, the detailed terms and conditions of which are more fully set out in this Circular. The Circular should accordingly be read in its entirety for a full appreciation of the rationale for, and the implications of the Proposed Transaction, as well as about determining the action required by the Shareholders of FBC Holding Limited.

Proposed Transaction

Subject to Shareholder approval at the EGM, the Board is hereby proposing the purchase by FBC Holdings Limited ("FBCH") of all of the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited ("SCBZ") and the entire beneficial interest in the Africa Enterprise Network Trust ("AENT") ("the Trust Interest") for a cash consideration ("the Proposed Acquisition" or "the Proposed Transaction"). SCBZ owns 100% of Standard Chartered Nominees Zimbabwe (Private) Limited ("SC Nominees"). On completion of the Proposed Acquisition, SCBZ will become a wholly owned subsidiary of FBCH. FBCH will also own the entire Trust Interest which is comprised of a 20.7% shareholding in Mashonaland Holdings Limited ("MHL") ("the MHL Shareholding") and a legacy debt receivable with a face value USD8 million from the Ministry of Finance and Economic Development ("MoFED"). Under the proposed transaction, FBCH shall not retain the SCBZ name.

Rationale for and benefits of the Proposed Transaction

The benefits of the Proposed Transaction include, but are not limited to, the following:

- Creation of a larger, diversified banking portfolio with a combined asset base, customer base and geographical reach that is more resilient and competitive in the face of industry wide challenges such as regulatory compliance and digitization;
- Leveraging on the two banking entities' respective strengths, capabilities and competences to create dynamic banking operations allowing the merged entity to enhance its loan underwriting capacity and enabling the Group to serve a broader range of customers across different market segments;
- Enabling the Group to achieve economies of scale and operational efficiencies by consolidating back-office operations, systems and resources, reducing duplication, and enhancing productivity and profitability;
- Creation of shareholder value through enhanced earnings and return on equity as well as envisaged improved liquidity of the FBCH shares on the ZSE due to enlarged operations;
- Harnessing the competencies and capabilities of the SCBZ human capital base with exposure to international best standards into the existing FBCH culture thereby creating a dynamic team capable of meeting the diverse needs of the Group's clients;
- Access to world class digital capabilities which will significantly enhance the Group's current digitization efforts resulting in seamless transactions for customers; and
- In addition to the 20.68% shareholding in MHL, SCBZ comes with an impressive portfolio of investment properties that will augment FBCH's own vibrant portfolio.

Extraordinary General Meeting

To consider and if deemed fit, approve the following resolutions:

1) Acquisition of 100% of the issued share capital in SCBZ and the entire beneficial interest in AENT;
2) Transfer of undertaking of SCBZ to FBCB; and
3) Directors' authority to give effect to the above resolutions.

The above resolutions are set out in detail in Appendix V of this Circular. FBCH Shareholders are being called by notice dated 07 September 2023 (notice of which is attached to and forms part of this Circular) to attend the EGM of the Company which will be held in the Kariba Room, Holiday Inn Harare, Samora Machel Avenue and Fifth Street on 28 September 2023, at 1230 hours.

Important dates and times

The attention of FBCH Shareholders is drawn to the important events and dates of occurrence stated below.

Event	Date
Notice of FBCH EGM published	07 September 2023
Abridged Circular to FBCH shareholders published	07 September 2023
Circular to FBCH shareholders emailed	07 September 2023
Last day of lodging Forms of Proxy for the EGM (at 1230 hours)	26 September 2023
FBCH EGM (at 1230 hours)	28 September 2023
Publication of EGM resolution results	29 September 2023

Notes

- The dates stated above are subject to change at the discretion of FBCH and any such change will be published in the Zimbabwean press and on the Company's website.
- All times indicated above and elsewhere in this Circular are Zimbabwean standard times.
- If the EGM is adjourned or postponed, Forms of Proxy submitted in respect of the EGM will remain valid in respect of any adjournment or postponement thereof.
- If the Proposed Transaction is approved by FBCH Shareholders at the EGM, update announcements will be made on progress regarding completion of any outstanding Conditions Precedent.

PART I: CHAIRMAN'S LETTER

FBC Holdings Limited
You Matter Most

FBC Holdings Limited, FBC Centre, 45 N. Mandela Avenue, P. O. Box 1227, Harare, Zimbabwe, Telephone: 783203/7, www.fbc.co.zw

Dear Shareholder,

1. Introduction

FBC Holdings Limited is the investment holding company for subsidiaries in the financial services industry that provide commercial and investment banking, mortgage finance, microfinance, stockbroking, short-term insurance, insurance broking and re-insurance services. It is listed on the Zimbabwe Stock Exchange. The Group's flagship subsidiary is FBC Bank Limited which provides commercial and investment banking services to corporate and retail customers.

Over the years the Group has managed to achieve successful growth through both organic means and mergers and acquisitions. Organic growth efforts by the Group have seen the birth of Microplan Financial Services (Private) Limited, FBC Securities (Private) Limited, Xarani (Private) Limited and OutRisk Underwriting Management Agency (Private) Limited and the establishment of regional reinsurance operations in Botswana under FBC Re Proprietary Botswana.

Notable mergers and acquisitions achieved by the Group since 1997 include the following:

- merger of Southern African Reinsurance Corporation Limited ("SARE") with First Banking Corporation Limited (now FBC Bank Limited) in 2004 to form FBC Holdings Limited;
- acquisition of Zimbabwe Building Society (now FBC Building Society) in 2005;
- acquisition of Turnall Holdings Limited in 2010; and
- acquisition of a 95% shareholding in Eagle Insurance (now FBC Insurance (Private) Limited) in 2011.

2. Background to the Proposed Transaction

The current prevailing macroeconomic environment in Zimbabwe characterised by economic instability and currency volatility can only be withstood by financial institutions with robust financial bases underpinned by a diverse and quality clientele to enable them to be resilient in the face of increased competition, regulation and the need to keep up with digitization trends in line with global developments.

In April 2022, Standard Chartered PLC announced its decision to divest from a number of markets including Zimbabwe. Consequently, Standard Chartered Bank Zimbabwe Limited was put up for sale. Against the foregoing background and in line with FBCH's strategy of continuously growing the business organically and through mergers and acquisitions if opportunities arise, the Board, in a meeting held in June 2022 resolved to submit a bid for the acquisition of SCBZ. A rigorous bidding process ensued culminating in the Group's binding offer being accepted by the shareholders of SCBZ and the subsequent execution of a sale and purchase agreement.

3. The Proposed Transaction

3.1. Details of the Proposed Transaction

FBCH has entered into an agreement with Standard Chartered Holdings (Africa) B.V ("SCH") for the purchase of all of the issued ordinary shares of SCBZ and the entire beneficial interest in the AENT ("the Trust Interest") for a cash consideration ("the Proposed Acquisition" or "the Proposed Transaction"). SCBZ owns 100% of Standard Chartered SC Nominees. On completion of the Proposed Acquisition, SCBZ will become a wholly owned subsidiary of FBCH. FBCH will also own the entire Trust Interest which is comprised of a 20.7% shareholding in MHL ("the MHL Shareholding") and a legacy debt receivable with a face value of USD8 million from the Ministry of Finance and Economic Development ("MOFED"). Under the proposed transaction, FBCH shall not retain the SCBZ name.

3.2. Consideration and completion mechanics

The Proposed Transaction consideration will be based on net asset value ("NAV") to be determined through a Completion Balance Sheet mechanism. The Consolidated Completion Balance Sheet, which will combine the SCBZ and the AENT balance sheets ("Completion Balance Sheet") will be computed by SCH by no later than 45 business days following the successful fulfilment or waiver of the last condition precedent and delivered to FBCH. FBCH will be accorded an opportunity to dispute any item or items and propose adjustments in aggregate of at least US$350,000 within 20 business days. If adjustments are less than US$350,000 or if FBCH does not wish to dispute the Completed Balance Sheet or if FBCH does not give notice to dispute within 20 business days then the NAV in the Completion Balance Sheet will be adopted as the Proposed Transaction consideration.

To demonstrate FBCH's capacity to execute the Proposed Transaction, an escrow account was set up in which FBCH, through FBC Bank Limited ("FBCB") deposited a sum of Thirty-Four million United States Dollars ("USD") (US$34,000,000) ("the Escrow Amount") with Standard Chartered Bank UK ("SCB" or "the Escrow Agent"). The Escrow Amount was based on the indicative NAV using a proforma Completion Balance Sheet computed as at 31 March 2023.

4. Brief overview of the acquired entities

4.1. Standard Chartered Bank Zimbabwe Limited

SCBZ is a registered commercial bank that has been in existence for the past 130 years, whose main focus is the Corporate, Commercial and Institutional Banking ("CCIB") business. It is wholly owned indirectly by Standard Chartered Plc, with 88.3% shareholding held through SCH, 3.2% through Standard Chartered Holdings (International) BV ("SCIH") and 8.5% through SCB.

4.2. Standard Chartered Nominees Zimbabwe (Private) Limited

SC Nominees is a custodial services business licensed by the SECZ that is wholly owned by SCBZ, with a focus on institutions.

4.3. Africa Enterprise Network Trust

AENT is a stand-alone fund created by the SCBZ shareholders to house any other local investments other than the investment in SCBZ. The shareholders are the current holders of the beneficial and economic interest in the Trust. AENT's main assets are;

- 20.68% equity interest in MHL; and
- Legacy debt receivable with a face value of USD8 million from MoFED.

5. Proposed Post Transaction strategy

5.1. Operations

If the Proposed Transaction is successfully concluded, FBCH will own 100% shareholding directly in SCBZ and indirectly in SC Nominees and the beneficial interest in AENT. This will result in FBCH owning two commercial banking licences through FBCB and SCBZ and two custodial services business licenses through FBCB custodial services and SC Nominees. As part of the post-acquisition plan, FBCH will optimise its commercial banking operations culminating into two major divisions, in the form of Wholesale Banking Division (the ex-SCBZ business) and Consumer Banking Division (the current FBC Bank).

5.2. Employees

Post the Proposed Transaction, FBCH will retain the services of all current SCBZ and SC Nominees employees in compliance with s16(1) of the Labour Act Chapter 28:01.

6. Rationale for and benefits of the Proposed Transaction

The benefits of the Proposed Transaction include, but are not limited to, the following:

- Creation of a larger, diversified banking portfolio with a combined asset base, customer base and geographical reach that is more resilient and competitive in the face of industry wide challenges such as regulatory compliance, digitization and macroeconomic volatility;
- Leveraging on the two banking entities' respective strengths, capabilities and competences to create dynamic banking operations allowing the merged entity to enhance its loan underwriting capacity and enabling the Group to serve a broader range of customers across different market segments;
- Enabling the Group to achieve economies of scale and operational efficiencies by consolidating back-office operations, systems and resources, reducing duplication, and enhancing productivity and profitability; and
- Creation of shareholder value through enhanced earnings and return on equity as well as envisaged improved liquidity of the FBCH shares on the ZSE due to enlarged operations;
- Harnessing the competencies and capabilities of the SCBZ human capital base with exposure to international best standards into the existing FBCH culture thereby creating a dynamic team capable of meeting the diverse needs of the Group's clients;
- Access to world class digital capabilities which will significantly enhance the Group's current digitization efforts resulting in seamless transactions for customers; and
- In addition to the 20.68% shareholding in MHL, SCBZ comes with an impressive portfolio of investment properties that will augment FBCH's own vibrant portfolio.

7. Independent Financial Advisor’s opinion

The Board appointed an independent professional expert, Corporate Excellence, to review the terms of the Proposed Transaction and provide it with its opinion as to whether the terms and conditions of the Proposed Transaction are fair and reasonable to the Shareholders of FBCH.

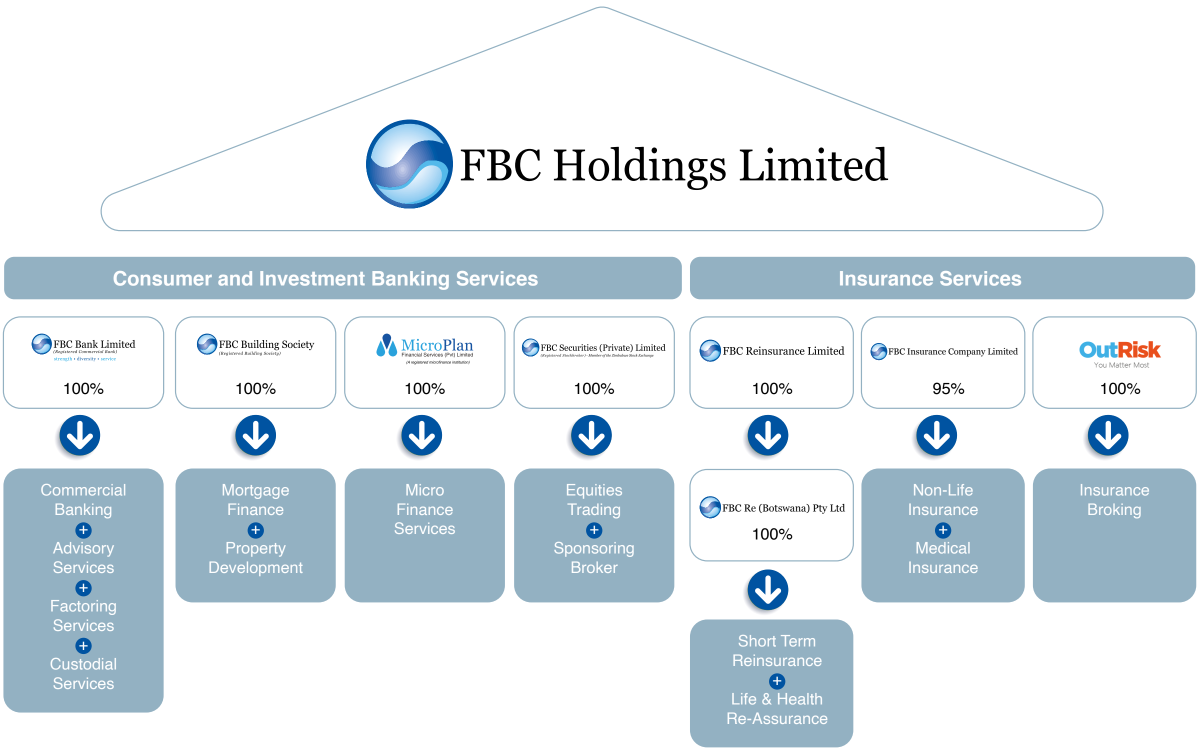
Having considered the details of the Proposed Transaction and based on conditions set out in the Independent Financial Advisors’ Report on the Proposed Transaction, Corporate Excellence has concluded that they believe that the terms of the Proposed Transaction are fair and reasonable to the Group and its Shareholders.

The Fair and Reasonable Report by Corporate Excellence is reproduced in Appendix IV of this Circular.

8. Effects of the Proposed Transaction

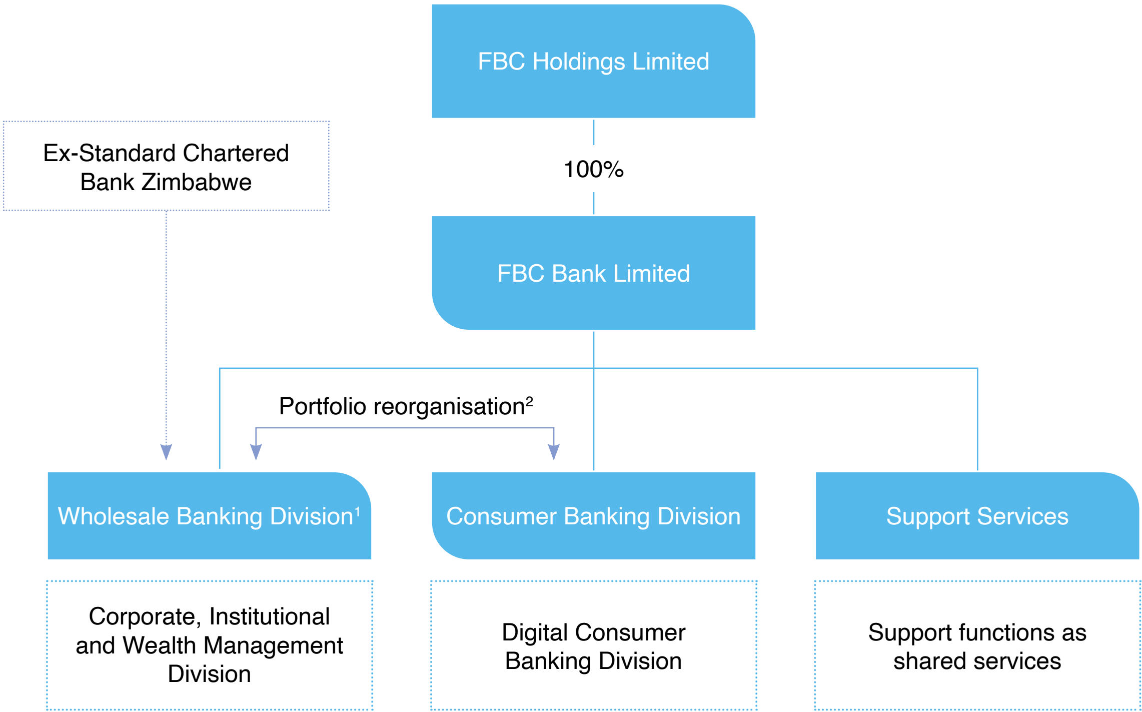
8.1. Group structure before and after the Proposed Transaction

8.1.1. FBC Group structure before the Proposed Transaction



8.1.2. FBC Group structure after the Proposed Transaction

The Group Structure provided under 8.1.1 is expected to be maintained post-completion. Under the proposed transaction, FBCH shall not retain the SCBZ name. The structural impact of the transaction will be centred on FBCH's commercial banking operations. As part of the post-acquisition plan, FBCH will optimise its commercial banking operations culminating into two major divisions in the form of Wholesale Banking Division (the ex-SCBZ business) and Consumer Banking Division. Group support functions will continue providing shared services to the two divisions. The envisaged commercial banking structure is provided below.



1. FBC Bank to undertake a brand creation process to develop a new separate brand for this semi-autonomous division
2. There will be need to reorganise portfolios between the two segments as the current FBC Bank also has customer relationships that could be best served under the new wholesale banking division and vice-versa for consumer banking relationships that could be best managed under the new digital consumer banking division.

8.2. Effects on FBCH'S share capital structure

The Proposed Transaction will not have any effect on the share capital structure of FBCH as it will be financed from internally generated resources. The table below shows the Group's share capital structure.

Share capital	
Authorised ordinary shares	800 000 000
Nominal value per share (ZWL)	0.00001
Total nominal value (ZWL)	8 000
Issued ordinary shares	671 949 927
Nominal value per share (ZWL)	0.00001
Total nominal value (ZWL)	6 719
Authorised but unissued ordinary shares	128 050 073
Total nominal value per share (ZWL)	0.00001
Total nominal value (ZWL)	1 281

8.3. Effects on FBCH shareholding

The Proposed Transaction will not have any impact on the shareholding structure of the Group. As of the Last Practicable Date FBCH's top 10 Shareholders were as depicted in the table below.

Rank	Shareholder	Number of shares	% holding
1	National Pension Scheme	236 037 330	35.13%
2	Public Service Fund	74 055 573	11.02%
3	FBC Holdings Limited	54 335 823	8.09%
4	Tirent Investments (Private) Limited	45 778 925	6.81%
5	Cashgrant Investments (Private) Limited	27 619 523	4.11%
6	Strauss Zimbabwe (Private) Limited	17 125 561	2.55%
7	Stanbic Nominees (Private) Limited	13 552 041	2.02%
8	Vidryl International (Private) Limited	11 408 184	1.70%
9	Dinkrain Investments (Private) Limited	11 348 363	1.69%
10	Ketan Joshi	10 913 815	1.62%
	Sub-total	**502 175 138**	**74.73%**
	Other	169 774 789	25.27%
	Total	**671 949 927**	**100.00%**

Source: FTS

9. Financial impact of the Proposed Transaction

The pro-forma financial position of FBCH is set out together with the Accountant's Report in Appendix III (d) to this Circular.

9.1. Impact on the financial position and NAV per share

Based on the pro-forma financial position of FBCH net asset value per share will increase from ZWL100 000 to ZWL103 000 after the successful consummation of the Proposed Transaction as shown in the table below.

	Inflation Adjusted				
	Pre-Transaction			Transaction Adjustments	Post-Transaction
	FBCH	SCBZ	AENT		FBCH
	Audited 31-Dec-2022 ZWL' 000	Audited 31-Dec-2022 ZWL' 000	Audited 31-Dec-2022 ZWL' 000	31-Dec-2022 ZWL'000	31-Dec-2022 ZWL' 000
Total Assets	335 377 380	127 422 460	8 266 353	(31 881 426)	439 184 767
Total Liabilities	272 499 587	101 812 405	60 458	509 829	374 882 279
Shareholders' equity	62 768 927	25 610 055	8 205 894	(31 881 426)	64 703 450
Non Controlling Interest	108 866	-	-		108 866
Weighted Average Ordinary Shares	628 931	825	-		628 931
NAV Per Share	100	31 042	-		103

9.2. Impact on earnings per share

The Proposed Transaction will be earnings per share ("EPS") accretive to FBCH shareholders as it will result in an increase in the EPS from ZWL (cents) 1 999 000 to ZWL (cents) 2 307 000 after the successful consummation of the Proposed Transaction as shown in the table below.

	Inflation Adjusted				
	Pre-Transaction			Transaction Adjustments	Post-Transaction
	FBCH	SCBZ	AENT		FBCH
	Audited 31-Dec-2022 ZWL' 000	Audited 31-Dec-2022 ZWL' 000	Audited 31-Dec-2022 ZWL' 000	31-Dec-2022 ZWL'000	31-Dec-2022 ZWL' 000
Total Income	119 055 596	27 933 381	4 293 907	(32 227 288)	119 055 596
Operating expenditure	(95 423 521)	(23 950 855)	(2 443 661)	28 329 039	(93 488 998)
Profit before Tax	23 632 075	3 982 526	1 850 246	(3 898 249)	25 566 598
Profit after Tax	12 571 777	1 446 063	1 832 530	(1 344 070)	14 506 300
Basic Earnings per Share (ZWL cents)	1 999	175 280			2 307

10. Tax implications

The Proposed Transaction has no immediate tax impact in the hands of Shareholders. The full tax impact to the Group will be assessed by a tax expert on completion of the Proposed Transaction. Applications will be made to ZIMRA and the Registrar of Companies in terms of a Scheme of Reconstruction for the deferment of tax liabilities.

11. Costs of the Proposed Transaction

The costs of implementing the Proposed Transaction are estimated to amount to US$745 000 which relate to various advisory, accounting, regulatory as well as advertising, printing and postage charges. The transaction costs are broken down in the table below.

Description	Amount (US$)
Legal fees for the Transaction	US$401 938
Transfer Secretary	US$10 000
Reporting Accountants	US$63 250
Tax Consultant	US$53 483
Independent Financial Advisor	US$50 000
Sponsoring Broker	US$10 000
Financial Advisor	US$55 000
Regulatory Fees*	US$61 000
Design, Print and Publication costs	US$30 000
Other	US$10 329
TOTAL	**US$745 000**

** Indicative*

12. Conditions Precedent

The Proposed Transaction is subject to fulfilment of the following Conditions Precedent:

- approval of the Reserve Bank in respect of FBCH acquiring a 100% interest in a banking institution together with accompanying approvals;
- approval of the Minister of Finance in terms of Section 25 (1) (a) of the Banking Act (Chapter 24:20);
- approval of the Proposed Transaction by the Zimbabwe Stock Exchange and Securities and Exchange Commission of Zimbabwe;
- approval of the Securities and Exchange Commission in respect of FBCH acquiring a 100% interest of a custodial services business;
- approval of Proposed Transaction by the Insurance and Pensions Commission with respect to the treatment of the SCBZ's pension scheme;
- requisite approval of the Proposed Transaction by the Zimbabwe Revenue Authority;
- approval of the Proposed Transaction by the Competition and Tariff Commission of Zimbabwe; and
- any requisite approvals as may be necessary.

13. Regulatory issues

This Circular is issued in compliance with the ZSE Listings Requirements. The Listings Committee of the ZSE met and approved the Proposed Transaction on 05 September 2023 and granted approval for the publication of the Abridged Circular EGM Notice and the distribution to Shareholders of this Circular in respect of the Proposed Transaction.

14. Working capital adequacy statement

The Directors after considering the effects of the Proposed Transaction are of the opinion that the working capital available to FBCH after the Proposed Transaction will be sufficient for FBCH's present requirements for at least the next 12 months from the date of issue of this Circular.

15. Litigation statement

As at the date of this Circular FBCH is not involved in any material litigation dispute arbitration or administrative proceedings which may have or have had in the past twelve months preceding the date of this Circular a significant effect on the financial position assets or operations of the FBCH nor is FBCH aware of any circumstances that may give rise to such material litigation dispute arbitration or administrative proceedings and have a material adverse effect on FBCH.

16. Material changes

Whilst pending approval of this circular, FBCH published the June 30, 2023 half year results. A request was made to the ZSE and an approval granted to maintain the historical and proforma financials based as at and for the period ended 31 December 2022. The ZSE has directed that the interim financial statements be publicly available for inspection on both the FBC Holdings Limited and the ZSE websites. The interim financial statements are also readily available for inspection at the registered office of FBC Holdings Limited.

17. Expert consents

Dube Manikai and Hwacha, KPMG, Corporate Excellence, FBC Securities, First Transfer Secretaries, FBCB and BDO have consented in writing to act in the capacities stated in this Circular and to their names and reports being stated and reproduced in this Circular and have not withdrawn their consents prior to the date of issue of this Circular.

FBCB and FBC Securities are both wholly owned subsidiaries of FBCH. The entities provided their professional services in the roles of Financial Advisors and Sponsoring Brokers respectively.

18. Documents available for inspection

The following documents or copies thereof will be available for inspection at the registered office of FBC Holdings Limited (whose address details are provided in the "Corporate Information" section at the beginning of this Circular) during normal business hours until 6th September 2023:

- Memorandum and Articles of Association of FBC Holdings Limited;
- Memorandum and Articles of Association of FBC Bank Limited;
- Memorandum and Articles of Association of Standard Chartered Bank Zimbabwe Limited;
- Trust Deed of the Africa Enterprise Network Trust;
- Signed Sale and Purchase Agreement between Standard Chartered Holdings (Africa) B.V FBC Holdings Limited and FBC Bank Limited;
- Disclosure letter in respect of the Sale and Purchase Agreement;
- Tax Covenant in respect of the Sale and Purchase Agreement;
- Audited annual reports of FBCH for the past five financial years ended 31 December 2018, 2019, 2020 2021 and 2022;
- Audited financial statements of FBC Bank for the past five financial years ended 31 December 2018, 2019, 2020, 2021 and 2022;
- Audited financial statements of Standard Chartered Bank Zimbabwe Limited for the past five financial years ended 31 December 2018, 2019, 2020, 2021 and 2022;
- FBCH reviewed financial statements for the six months ended 30 June 2023;
- Report of the Reporting Accountants on the inflation adjusted financial information of FBC Holdings Limited FBC Bank Limited and Standard Chartered Bank Zimbabwe Limited;
- Report of the Reporting Accountants on the unaudited pro forma consolidated financial information of FBC Holdings Limited;
- Fair and Reasonable Opinion by the Independent Financial Advisors on the Proposed Transaction; and
- Signed expert consent letters.

19. Directors' recommendation

The Board has considered the terms and conditions of the Proposed Transaction and having also considered the fair and reasonable opinion by the Independent Financial Advisors in relation to the Proposed Transaction is of the opinion that the terms and conditions thereof are fair and reasonable to FBCH Shareholders. Accordingly the Board recommends to FBCH Shareholders that they vote in favour of the resolutions to be considered at the EGM giving effect to the Proposed Transaction.

The Directors will collectively vote in favour of the individual resolutions to approve the proposed Transactions at the EGM in respect of their own shareholdings.

Yours faithfully

(Signed on Original)

Herbert Nkala

(Group Chairman)

20. Directors' responsibility statement

The Directors whose names appear hereunder, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in this Circular misleading and that they have made all reasonable enquiries to ascertain such facts.

The Directors also confirm that this Circular includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) that investors and their professional advisors would require and reasonably expect to find for purposes of making informed assessment of the assets and liabilities, financial position, profits or losses and prospects of FBCH in order to vote at the EGM.

When the Acquisition proposal was placed for the Board's consideration at a meeting of the Directors, the Directors unanimously undertook as they hereby do, to recommend that all FBCH Shareholders exercise their rights in terms of the Proposed Transaction.

Signed on 05 September 2023 by the Directors.

Name	Designation	Signature
Nkala Herbert	Group Non-Executive Chairman	Signed on Original
Chiketsani Kleto	Executive Director	Signed on Original
Chuma Aeneas	Non-Executive Director	Signed on Original
Collins Gary Stephen	Non-Executive Director	Signed on Original
Kennedy Franklin H.	Non-Executive Director	Signed on Original
Kufazvinei Trynos	Group Finance Director	Signed on Original
Makwara David	Non-Executive Director	Signed on Original
Malunga Canada	Non-Executive Director	Signed on Original
Moyo Rutenhero	Non-Executive Director	Signed on Original
Msipa Charles	Non-Executive Director	Signed on Original
Mtasa Chipo	Deputy Chairperson	Signed on Original
Mushayavanhu John	Group Chief Executive	Signed on Original
Ndlovu Sifiso	Non-Executive Director	Signed on Original
Nyemba Vimbai	Non-Executive Director	Signed on Original
Rusere Webster	Executive Director	Signed on Original

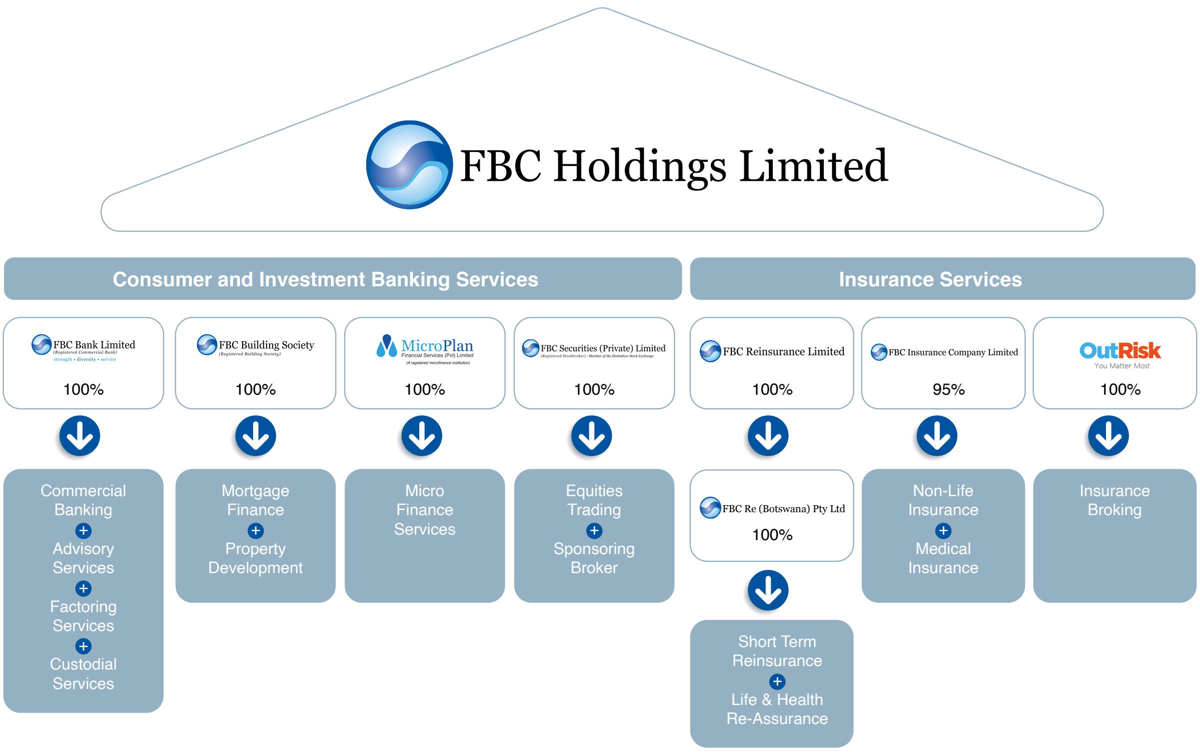
PART II: APPENDICES

Appendix I - Information on FBC Holdings Limited

1.1. History and nature of business

FBCH is an investment holding company listed on the ZSE with operations in Zimbabwe and Botswana. The Group was established in 2001, following the merger and rebranding of First Banking Corporation Limited ("First Bank") and Southern African Reinsurance Corporation Limited ("SARE"). In 2004, First Bank delisted from the ZSE paving the way for the listing of FBCH. Over the years, FBCH has evolved to become a diversified Group offering financial services through subsidiaries that span commercial banking, mortgage financing, short-term insurance, re-insurance, securities trading, micro financing and financial technology services. The FBC Group comprises FBC Bank, FBC Building Society, FBC Reinsurance, FBC Re Proprietary Limited Botswana, FBC Securities, MicroPlan, FBC Insurance, Xarani and OutRisk.

1.2. Corporate structure



- **FBC Bank**, a commercial bank registered in accordance with the Zimbabwe Banking Act (Chapter 24:20), serves individual clients, small to middle market businesses, large corporates and institutions with a full complement of commercial and investment banking services.
- **FBC Building Society** constructs residential properties, as well as providing mortgage lending, savings deposit accounts and other money market investment products to the public.
- **Microplan** is a microfinance institution that focuses on micro lending to the unbanked sector and hence caters for the lower income segment clients.
- **FBC Reinsurance** provides risk transfer solutions to insurers in Africa and beyond. Its major role is to provide underwriting capacity to allow short term insurance companies to assume greater individual risks than their

size would otherwise allow, protect the insurer's (i.e., cedant's) balance sheet against catastrophic losses and larger than predicted accumulation of claims, management advice and risk management.

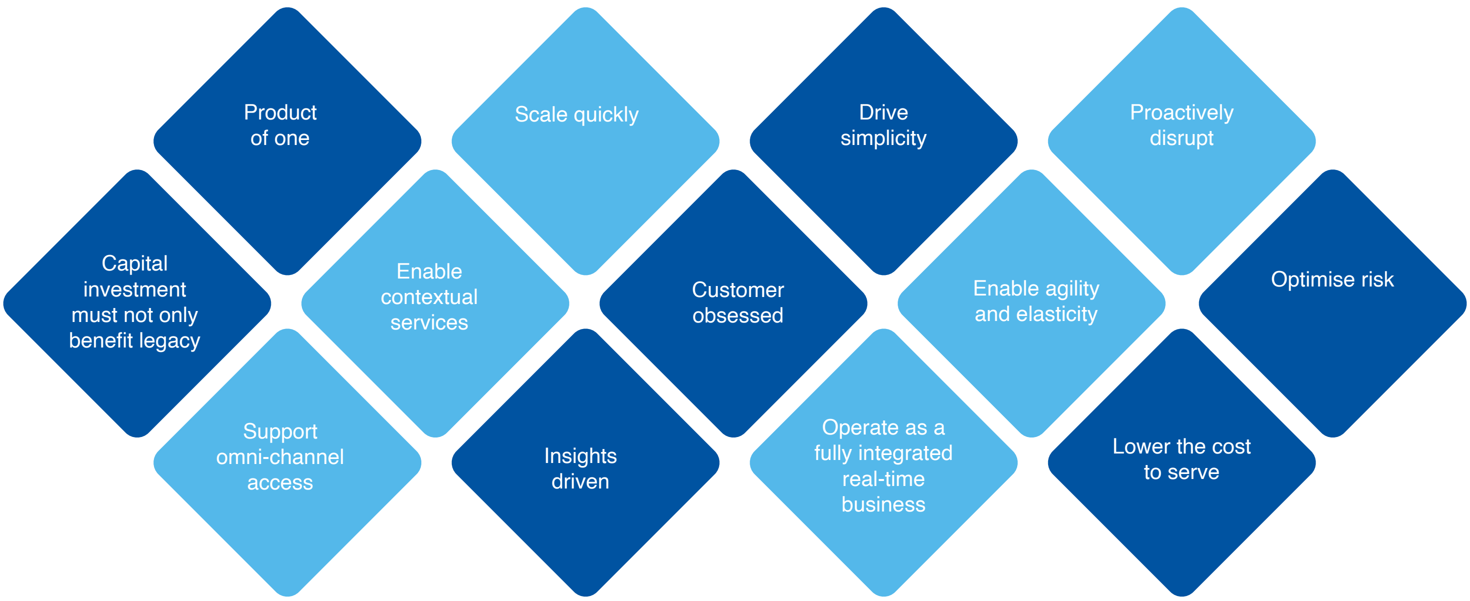
- **FBC Insurance** is a short-term insurance company licenced to offer a wide array of insurance products that include motor, engineering, accident, fire, marine, farming, and aviation cover.
- **FBC Securities** is a registered stock broking company whose core business is to facilitate equities trading at the Zimbabwe Stock Exchange and the Victoria Falls Stock Exchange on behalf of clients. It offers a range of services to its clients that include research, advisory services, private portfolio management, and sponsoring broker services.
- **OutRisk** is a young, vibrant and purely digital insurtech that has ingrained the versatility of cutting-edge digital technologies as key drivers of its operating model in a bid to meet and exceed dynamic customer needs. Its customer driven products are designed to deliver value to customers through providing the perfect cover for personal and business assets that include motor vehicles, office and household contents, and immovable property. The Company serves as a distribution channel for FBC Insurance because it has underwriting and claims management authority to act on behalf of the insurance company through an Underwriting Agency agreement.

1.3. Operations

The current operations of the Group include the following services:

Customer and Investment Banking Services				Insurance Services			
FBC Bank	FBC Building Society	Microplan	FBC Securities	FBC Reinsurance	FBC Re Botswana	FBC Insurance	OutRisk
Commercial Banking Advisory Services Factoring Services Custodial Services	Mortgage Finance Property Development	Micro Finance Services	Equities Trading Sponsoring Broker Services	Short Term Reinsurance Life Re-Assurance Health Re-Assurance	Short Term Reinsurance	Non-Life Insurance Medical Insurance Life Assurance	Insurtech Underwriting Services

1.4. Business principles



1.5. Service delivery channels and footprint in Zimbabwe

Delivery Channels

- 19 Retail Banking branches
- 20 dedicated Microfinance branches
- 2 dedicated SME Banking Centres
- 3 Insurance branches
- +540 Agencies
- +7 000 Point of Sale Terminals
- Member of the ZIMSWITCH Network
- Internet Banking Services
- Mobile Banking Services
- MasterCard Services
- Insurance Services
- Custodial Services
- Securities Trading
- Digital Services

1.6. 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 RBZ from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board comprises of four executive directors and eleven non-executive directors. The composition of the Board of FBCH 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.

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.

1.7. Delegation of Authority by the Board

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:

1.7.1.Board Finance and Strategy Committee

The Board Finance and Strategy Committee has written terms of reference. This committee, chaired by a non-executive director, is constituted at Group level and oversees the subsidiary companies. It 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,
- The adequacy of the Group's management information systems and
- The Group's expansion initiatives.

1.7.2.Board Human Resources and Remuneration Committee

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. Its 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.

1.7.3.Board Audit Committee

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. It 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.

1.7.4.Board Risk and Compliance Committee

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 any such breaches.

1.7.5.Board Credit Committee

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. It is chaired by a non-executive director.

1.7.6. Board Loans Review Committee

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

1.7.7. Board Assets and Liabilities Committee

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. Meetings of the committee are attended by invitation by other senior executives of the Bank.

1.8. 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:

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

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

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

1.9. 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 and Group Finance Director; 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; and Divisional Director Human Resources.

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

1.10. 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.

1.11. Risk Management and Control

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.

1.12. 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.

1.13. 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.

1.14. Statement of Compliance

At the time of releasing this Circular, 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), the Companies and Other Business Entities Act (Chapter 24:31), the relevant Statutory Instruments ("SI") SI 33/99, SI 33/19, SI 62/96 and SI 134/19 (Listing Requirements), The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01), the Value Added Tax Act (Chapter 23:12), Insurance Act (Chapter 24:07), Securities and Exchange Act (Chapter 24:25), Building Societies Act (Chapter 24:02), Zimbabwe Microfinance Act (Chapter 24:29).

1.15. The Board

1.15.1. Directors

FBCH has a Board, which is composed of four (4) Executive and eleven (11) non-Executive directors. Thirteen (13) directors are resident in Zimbabwe, one (1) resident in the United States of America, and one (1) resident in Australia.

Chairman	Herbert Nkala
Deputy Chairperson	Chipo Mtasa
Group Chief Executive	Dr. John Mushayavanhu
Non-Executive Directors	Aeneas Chuma Gary Stephen Collins Franklin H. Kennedy David Makwara Canada Malunga Rutenhuro Moyo Charles Msipa Sifiso Ndlovu Vimbai Nyemba
Executive Directors	Kleto Chiketsani Webster Rusere
Group Finance Director	Trynos Kufazvinei
Group Company Secretary	Tichaona K. Mabeza

1.15.2. Directors' profiles

Director	Designation	Profile
Herbert Nkala	Chairman	Hebert holds a BSc. Hons from University of Wales (UK) and an MBA from University of Zimbabwe. He was appointed to the FBC Holdings Limited Board in November 2002. He is also a Chairman and Director of several other companies, which are listed on the Zimbabwe Stock Exchange.
Chipo Mtasa	Deputy Chairperson	Chipo is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various industries of commerce in Zimbabwe. Chipo is the former Group Chief Executive for Rainbow Tourism Group and the Managing Director of TelOne, and is currently a director of several other companies. She was appointed to the Board of FBC Holdings Limited in July 2012.
John Mushayavanhu (Dr.)	Group CE	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 and a Doctorate in Business Administration from Binary University, Malaysia. A career banker, John has over 42 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.
Aeneas Chuma	Non-Executive Director	Aeneas has in excess of 32 years diverse experience in development work with the United Nations in various countries and is a holder of an Msc in Applied Economics.
Kleto Chiketsani	Executive Director	Kleto has over 29 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.

Director	Designation	Profile
Garry Collins	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 of Solveworx (Pty) Limited, Australia and holds a Post Graduate Diploma in Journalism and Media Studies.
Franklin Hugh Kennedy	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	Deputy Group Chief Executive and Group Finance Director	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 31 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.
David Makwara	Non-Executive Director	David is the current Director of Corporate Affairs at NSSA, having previously worked as the Acting Chief Executive of NSSA. He has previously held various executive positions within and outside Zimbabwe including being the Managing Director of Trust Finance and Trust Securities Malawi.
Canada Malunga	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. An entrepreneur par excellence, 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.

Director	Designation	Profile
Charles Msipa	Non-Executive Director	Mr Msipa is a lawyer by profession with years of experience at a senior level in various organizations, and is currently Group Managing Director of Schweppes Holdings Africa Limited.
Sifiso Ndlovu (Dr.)	Non-Executive Director	Dr Sifiso is currently the Chief Executive of Zimbabwe Teachers Association and is an accomplished writer and academic. He previously held several positions within the education sector. He is a board member of the Gwanda State University and Seke Teachers College amongst others.
Vimbai Nyemba	Non-Executive Director	Vimbai is a registered legal practitioner, founding and managing partner of V Nyemba and Associates Legal Practitioners, a firm she established in 1997. She is a member of the Law Society of Zimbabwe, SADC Lawyers Association and African Bar Association amongst others. Vimbai is the current chairperson of the Procurement Regulatory Authority of Zimbabwe and Board member of the Deposit Protection Corporation, Zimbabwe Asset Management Corporation and Star Africa Corporation. She has previously served as the President of the Law Society of Zimbabwe from 2015 to 2016.
Webster Rusere	Executive Director	Webster Rusere is the Managing Director of FBC Bank Limited and Executive Director at FBC Holdings Limited in Zimbabwe. Prior to that, he was Managing Director of FBC Building Society. He is a former President of Bankers Association of Zimbabwe and former Chairman of Association of Housing Financiers of Zimbabwe. He is a Fellow of the Institute of Bankers of Zimbabwe and holder of a Masters in Accounting, Banking and Economics from University of Manchester in UK.

1.15.3. Directors' interests

At the Last Practicable Date, the shareholding direct and indirect interests of the Directors of FBCH and their immediate families were as follows:

Director	Number of shares directly held	Number of shares indirectly held	Total	% holding
Nkala H	-	410 339	410 339	0.06%
Mushayavanhu J	142 241	45 778 925	45 921 166	6.83%
Kufazvinei T	35 114	22 756 547	22 791 661	3.39%
Mtasa C	10 000	-	10 000	0.00%
Rusere W	5 000	8 500 519	8 505 519	1.27%

1.15.4. Share price history

Daily historical share price and volume

Date	Price (ZWL)	Open	High	Low	Volume	Change %
2 Aug 2023	850	850	850	850	100	1.80%
31 July 2023	835	835	835	835	400	-1.76%
28 July 2023	849.95	849	849.95	849	29 000	-0.01%
27 July 2023	850	850	850	850	400	-1.13%
26 July 2023	859.75	859.75	859.75	859.75	500	-3.11%
25 July 2023	887.35	1 043.95	1 043.95	887.35	128 900	-15.00%
24 July 2023	1 043.90	1 043.90	1 043.90	1 043.90	5 100	-0.10%
21 July 2023	1 044.90	1 045.00	1 045.00	1 044.90	400	-0.48%
17 July 2023	1 049.90	1 049.90	1 049.90	1 049.90	17 400	-0.01%
11 July 2023	1 050.00	1 189.89	1 050.00	1 050.00	208 000	-11.76%
10 July 2023	1 189.90	1 189.90	1 189.90	1 189.90	2 800	-0.09%
6 July 2023	1 190.95	1 379.00	1 379.00	1 190.95	77 100	-0.75%
5 July 2023	1 199.95	1 199.95	1 199.95	1 199.95	37 100	0.84%
4 July 2023	1 190.00	1 399.95	1 399.95	1 190.00	65 900	-15.00%

Monthly historical share price and volume

Date	Price (ZWL)	Open	High	Low	Volume
8/1/2023	850	850	850	850	100
7/1/2023	835	1 399.95	1 399.95	1 190.00	573 000
6/1/2023	1 399.95	247.3	247.3	247.3	1 770 000
5/1/2023	215.05	160	160	160	265 500
4/1/2023	155	113	113	113	81 400
3/1/2023	100	82.2	90	82.2	887 700
2/1/2023	81.25	66.05	66.05	66.05	191 200
1/1/2023	60.05	62	62	62	614 800
12/1/2022	62	62.9	62.9	62.9	476 300
11/1/2022	62.9	54	54	54	568 400
10/1/2022	54	45	45	45	21 370 000
9/1/2022	45	57.85	57.85	57.85	491 600

Appendix II (a) – Information on Standard Chartered Bank Zimbabwe Limited

2.1. History and company background

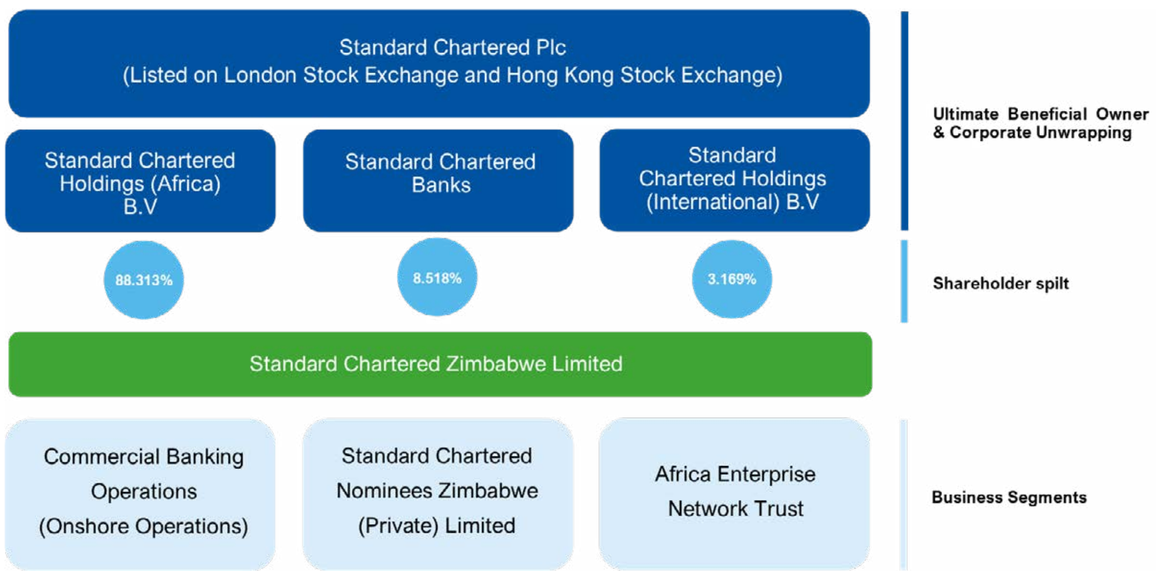
SCBZ was established in 1892, making it the oldest financial institution in Zimbabwe. It is a large commercial bank, focusing mainly on Commercial, Corporate & Institutional Banking ("CCIB") solutions for its target market. SCBZ is a subsidiary of the Standard Chartered Bank Group, an international financial services conglomerate, headquartered in London in the United Kingdom, with operations in more than sixty (60) countries and a network of over 1,700 branches, employing in excess of 86,000 people.

SCBZ has won numerous awards over the years, including, but not limited to the following:

- Bank of the Year in Zimbabwe – The Banker (2012, 2013);
- Best Foreign Bank in Zimbabwe – EMEA Finance (2012, 2014, 2016);
- Best Emerging Markets Bank – Global Finance (2013, 2014, 2015, 2016);
- Best Bank in Zimbabwe – Banks and Banking Survey (2012, 2013);
- Best Consumer Digital Bank – Global Finance (2014, 2015, 2016); and
- Lifetime Investor Award, Financial Sector – Zimbabwe Investment Authority (2013).

SCBZ focuses on delivering exceptional and convenient banking experience to its clients through its world class digital platforms such as SC Mobile and Straight2Bank. It has also made critical investments required to support its business operations, for example the acceleration of its digital strategy to fully automate service provision capabilities available to its customers and other stakeholders, whilst improving productivity and lowering operational costs.

2.2. Corporate structure



2.3. Core activities

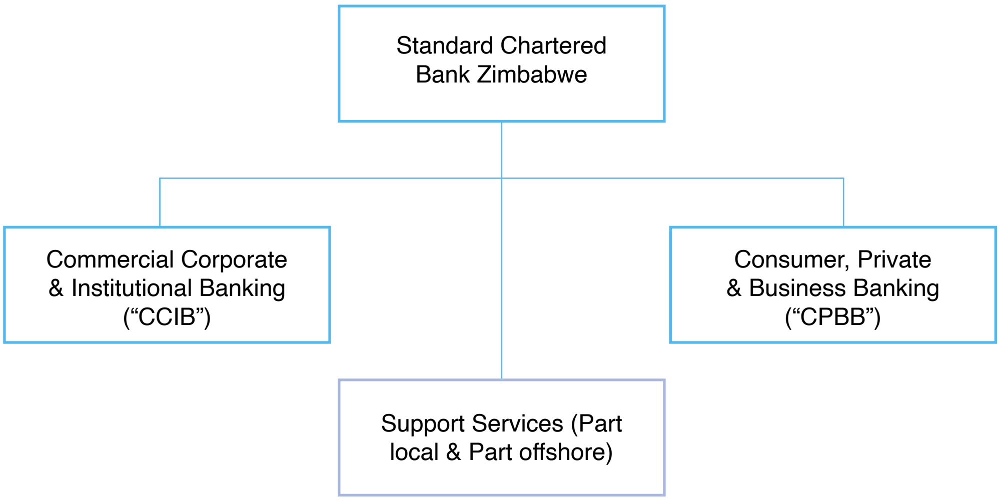
SCBZ provides the following products and services through its divisions:

a) Transaction banking: offers a full scope of innovative, customised solutions in cash management and trade finance. Include services such as trade finance, cash management, remmitances, receivables and supply chain finance and documentary credits;

b) Lending: offers a full spectrum of innovative and customised lending products such as corporate term loans, trade finance loans, invoice based loans, import loans and overdrafts; and

c) Financial markets: the bank is a leading provider of treasury products and services. It offers a comprehensive product range encompassing foreign exchange, commodity hedging solutions, debt syndication, structured finance and custody solutions.

2.4. Summarised scope of banking business

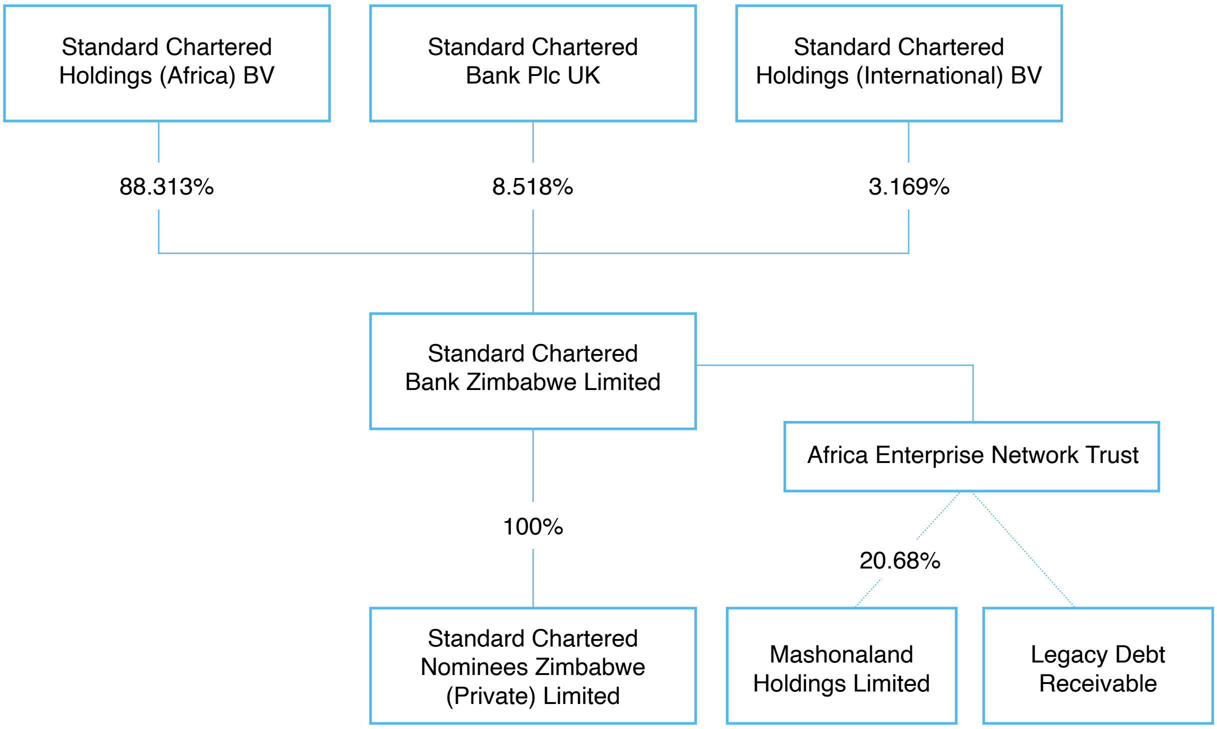


2.5. Service delivery channels

While SCBZ pursues a multi-channel service delivery strategy, its competitive strength lies in its market leading digital banking platform that delivers convenience and speed to customers through an ecosystem of highly efficient distribution and processing solutions. The business has also embedded in its business development processes innovative data analytics capabilities that drive client upselling and cross selling.

Amongst other competitive strengths, SCBZ customers have embraced digital distribution solutions, accessing services through a countrywide network of Automated Teller Machines as well as utilising various online and mobile making solutions. In need, customer assistance is efficiently and timeously provided through advanced automated call centre operations. SCBZ only has two branches, one in Harare and another in Bulawayo. To facilitate foreign payments, SCBZ also has correspondent banking relationships in a number of markets where Standard Chartered operates, and this is expected to continue post-acquisition.

2.6. Ownership structure



- SC Nominees is a registered custodial service business that was established in 1960 and is owned 100% by SCBZ. It is regulated by the Securities Exchange Commission of Zimbabwe. Among other services, it manages financial instruments as well as offering safe custody services to a number of institutions and high net worth individuals in Zimbabwe. It operates from the 1st Floor of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare.
  The company has two directors namely Mubaiwa Mubaiwa & Geri Mangori, the CEO and CFO of SCBZ respectively.
- AENT is an investment holding fund that was established in 2005, and is the vehicle through which SCB Plc holds equity interest in ZSE listed Mashonaland Holdings Limited and Legacy Debt Receivable from the MoFED.
  The directors of Standard Chartered Bank Zimbabwe are the trustees of AENT.

2.7. Board of Directors

SCBZ's board of directors is composed of two (2) Executive and six (6) Non-Executive Directors. Six (6) directors are resident in Zimbabwe and two are resident in the United Arab Emirates.

Chairman	Dr Samuel Mushiri
Group Chief Executive	Mubaiwa Mubayiwa
Non-Executive Directors	Millicent Clarke Akhil Mahesh Herbert Mashanyare Milidzani Faith Masiye-Moyo Eve Mkondo
Executive Director	Geri Mangori (Chief Finance Officer)

2.8. Auditors

The auditors of Standard Chartered Bank Zimbabwe Limited and Africa Enterprise Network Trust are Ernst & Young Chartered Accountants (Zimbabwe).

2.9. Financial information

Standard Chartered Bank Zimbabwe Limited
Statement of profit or loss and other comprehensive income
for the years ended 31 December

	INFLATION ADJUSTED			HISTORICAL COST*		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Interest income	12 397 740	8 788 156	1 417 987	9 084 649	2 046 338	568 401
Interest expense	(29 638)	(21 149)	(23 938)	(22 372)	(4 383)	(13 462)
Net interest income	**12 368 102**	**8 767 007**	**1 394 049**	**9 062 277**	**2 041 955**	**554 939**
Fee and commission income	9 667 753	9 100 386	1 815 621	6 804 756	2 110 910	778 742
Commission expense	(1 568 422)	(1 411 914)	(334 740)	(1 153 161)	(309 088)	(138 994)
Foreign currency trading income	4 497 827	1 684 640	301 397	2 380 090	398 073	148 474
Non interest income	**12 597 158**	**9 373 112**	**1 782 278**	**8 031 685**	**2 199 895**	**788 222**
Total revenue	**24 965 260**	**18 140 119**	**3 176 327**	**17 093 962**	**4 241 850**	**1 343 161**
Other income	2 968 121	1 056 625	711 652	6 971 344	986 968	916 547
Total income	**27 933 381**	**19 196 744**	**3 887 979**	**24 065 306**	**5 228 818**	**2 259 708**
Operating expenses	(12 406 258)	(7 983 632)	(2 053 293)	(9 397 110)	(1 808 575)	(770 763)
Profit before impairment charge	**15 527 123**	**11 213 112**	**1 834 686**	**14 668 196**	**3 420 243**	**1 488 945**
Net impairment charge	**(1 569 144)**	**(626 821)**	**(347 017)**	**(1 578 119)**	**(182 343)**	**(186 045)**
Expected credit losses:						
(i) Loans and advances at amortised cost	(1 554 606)	(807 092)	(242 821)	(1 554 606)	(234 784)	(92 371)
(ii) Financial assets at fair value through other comprehensive income	18 487	294 581	(104 194)	18 487	85 694	(93 673)
Cash and cash equivalents	(56 582)	(114 310)	-	(56 582)	(33 253)	-
Recovery of bad debts previously written off	23 557	-	11	14 582	-	4
Bad debts written off	-	-	(13)			(5)
Loss on monetary position	(9 975 453)	(2 749 323)	(957 590)	-	-	-
Profit before tax	**3 982 526**	**7 836 968**	**530 079**	**13 090 077**	**3 237 900**	**1 302 900**
Tax expense	(2 536 463)	(2 220 190)	(164 553)	(2 284 947)	(621 484)	(179 267)
Profit after tax	**1 446 063**	**5 616 778**	**365 526**	**10 805 130**	**2 616 416**	**1 123 633**
Other comprehensive income:						
Items that will not be reclassified to profit and loss	**4 667 776**	**255 276**	**(286 465)**	**6 980 182**	**416 464**	**494 801**
Property revaluation gains	5 346 647	224 610	(373 959)	7 901 390	484 743	553 156
Tax on property revaluation gains	(449 378)	(10 767)	-	(954 776)	(80 294)	(67 604)
Reserve on equity investments at FVOCI	(219 445)	-	-	18 056	-	-
Related tax	10 972	-	72 627	(903)	-	-
Acturial gains arising from re-measurement of retirement benefit obligations	(27 922)	55 039	18 358	21 805	15 961	11 421
Tax thereon	6 902	(13 606)	(3 491)	(5 390)	(3 946)	(2 172)
Items that are or maybe reclassified subsequently to profit and loss	**(70 551)**	**(628 448)**	**88 717**	**(135 659)**	**(123 829)**	**87 773**
Reserve on financial assets at FVOCI	(93 718)	(834 814)	117 849	(180 206)	(164 491)	116 595
Tax thereon	23 167	206 366	(29 132)	44 547	40 662	(28 822)
Other comprehensive income	**4 597 225**	**(373 172)**	**(197 748)**	**6 844 523**	**292 635**	**582 574**
Total comprehensive income for the period	**6 043 288**	**5 243 606**	**167 778**	**17 649 653**	**2 909 051**	**1 706 207**

*The historical amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historical financial information.

Standard Chartered Bank Zimbabwe Limited
Statement of Financial Position
as at 31 December

	INFLATION ADJUSTED			HISTORICAL COST*		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
ASSETS						
Cash and cash equivalents	84 371 976	54 095 601	9 543 139	84 371 976	15 736 450	5 937 107
Financial assets at FVOCI	3 938 657	4 060 908	1 354 129	3 938 657	1 181 321	842 449
Non-current assets held for sale	720 400	3 876 776	-	720 400	1 127 757	-
Loans and advances at amortised cost	10 672 906	17 371 874	4 141 051	10 672 906	5 053 491	2 576 287
Other assets	4 895 209	4 804 728	2 194 017	3 357 045	1 397 699	1 364 439
Restricted balances with Central Bank	5 463 390	4 271 839	197 556	5 463 390	1 242 681	122 906
Equity investment at FVOCI	243 749	-	-	243 749	-	-
Right of use asset	96 629	82 383	22 319	11 576	2 381	723
Investment property	7 649 600	2 291 283	1 813 627	7 649 600	666 536	1 128 319
Property and equipment	9 369 944	4 542 163	1 287 676	8 983 361	1 219 791	734 698
Total assets	**127 422 460**	**95 397 555**	**20 553 514**	**125 412 660**	**27 628 107**	**12 706 928**
EQUITY AND LIABILITIES						
Equity						
Share capital	176 088	176 088	51 224	825	825	825
Share premium	4 402 247	4 402 247	1 280 617	20 625	20 625	20 625
Change in functional currency reserve	1 267 212	1 267 212	368 633	5 937	5 937	5 937
Revaluation reserve	6 749 695	1 852 426	476 665	8 076 834	1 130 220	725 771
Reserve of financial assets at FVOCI	69 193	(91 818)	156 106	69 193	(26 710)	97 119
Retained earnings	12 945 620	10 809 133	1 309 743	15 502 118	4 121 380	1 345 793
Total equity	**25 610 055**	**18 415 288**	**3 642 988**	**23 675 532**	**5 252 277**	**2 196 070**
Liabilities						
Deposits from customers	94 155 713	71 914 470	14 830 201	94 155 713	20 919 972	9 226 366
Deposits from banks	121 530	69 037	402 713	121 530	20 083	250 541
Other liabilities	5 492 249	3 551 904	873 769	5 464 690	1 024 695	543 601
Provisions	918 778	565 000	416 073	918 778	164 359	258 852
Current tax liabilities	406 853	361 455	196 658	406 853	105 148	122 347
Deferred tax liability	717 282	520 401	191 112	669 564	141 573	109 151
Total liabilities	**101 812 405**	**76 982 267**	**16 910 526**	**101 737 128**	**22 375 830**	**10 510 858**
Total equity and liabilities	**127 422 460**	**95 397 555**	**20 553 514**	**125 412 660**	**27 628 107**	**12 706 928**

*The historical amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historical financial information.

Standard Chartered Bank Zimbabwe Limited
Statement of cashflows
for the years ended 31 December

	INFLATION ADJUSTED			HISTORICAL COST*		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Cashflow from operations						
Profit before tax	3 982 526	7 836 968	530 079	13 090 077	3 237 900	1 207 436
Adjustments for:						
Profit on disposal on non-current assets held for sale	202 558	(142 543)	-	(65 938)	(129 533)	-
Fair value adjustments on investment property	(3 812 477)	(448 084)	(669 846)	(5 998 623)	(332 955)	186 040
Profit on disposal of property and equipment	(55 114)	(42 128)	(903)	(34 793)	(10 593)	(900 574)
Fair value gain on non-current assets held for sale	1 060 373	(286 634)	-	(637 394)	(478 016)	-
Unrealised foreign currency gain	(37 524 914)	(16 918 019)	(6 344 083)	(37 524 914)	(4 921 464)	(554 939)
Bad debts written off	-	-	13	-	-	(2 413 723)
Depreciation charge	283 880	208 508	171 212	79 838	29 917	(109)
Net interest income	(12 368 102)	(8 767 007)	(1 394 049)	(9 062 277)	(2 041 955)	12 911
Loan impairement charge	1 592 701	626 821	347 004	1 592 701	182 343	5
	(46 638 569)	**(17 932 118)**	**(7 360 573)**	**(38 561 323)**	**(4 464 356)**	**(2 462 953)**
Operating cashflow before changes in operating assets and liabilities						
Changes in operating assets and liabilities						
"Decrease/(increase) in financial assets at fair value through other comprehensive income"	-	-	-	-	-	(402 729)
(Increase)/decrease in loans and advances	5 144 362	(3 943 696)	487 964	(7 174 021)	(2 711 988)	(2 021 802)
Decrease/(increase) in other assets	(2 803 472)	2 836 442	622 789	(4 705 674)	17 165	(985 007)
(increase)/decrease in restricted balances with the Central Bank	(1 191 551)	(3 592 720)	677 391	(4 277 291)	(1 153 028)	(53 483)
Increase in deposits from banks	52 493	(1 315 328)	802 309	101 447	(230 458)	244 464
Increase/(Decrease) in deposits from customers	22 241 137	20 933 825	143 783	73 235 635	11 693 500	7 084 990
Increase in other liabilities	3 072 234	371 793	120 247	6 329 462	606 894	654 831
Payment of principal portion of lease liabilities	-	-	-	-	-	(935)
	(20 123 366)	(2 641 802)	(4 506 090)	24 948 235	3 757 729	2 057 376
Interest income received	12 244 446	8 689 136	1 398 719	-	1 996 624	538 978
Interest expense paid	(28 431)	(70 206)	(38 230)	-	(13 134)	(4 418)
Corporate tax paid	(2 755 848)	(2 612 475)	(218 358)	-	(698 996)	(114 323)
Net cash generated/(utilised) from operating activities	**(10 663 199)**	**3 364 653**	**(3 363 959)**	**24 948 235**	**5 042 223**	**2 477 613**
Cashflow from investing activities						
Proceeds on disposal of property and equipment	183 243	48 876	903	-	10 678	109
Proceeds on disposal of non-current assets held for sale	635 907	943 724	-	-	274 530	-
Improvements and additions to property & equipment	(166 286)	(111 956)	(99 252)	-	(31 204)	(44 773)
Purchase of financial assets as FVOCI	(3 263 257)	(4 836 684)	(3 084 670)	-	(1 052 669)	-
Sale of financial assets at FVOCI	1 641 926	2 878 700	1 941 964	-	635 000	
Net Cash utilised in investing activities	**(968 467)**	**(1 077 340)**	**(1 241 055)**	**-**	**(163 665)**	**(44 664)**
Cashflow from financing activities:						
Payment on principal portion of lease liabilities	(2 874)	(3 328)	(15 028)	-	(785)	-
Net cash utilised in financing activities	**(971 341)**	**(1 080 668)**	**(1 256 083)**	**-**	**(164 450)**	**(44 664)**
Net increase/(decrease) in cash and cash equivalents	**(11 634 540)**	**2 283 985**	**(4 620 042)**	**24 948 235**	**4 877 773**	**2 432 949**
Cash and cash equivalents at the beginning of the period	54 095 601	32 805 483	7 861 749	-	5 937 107	1 090 329
Effects of exchange rate movements and monetary gains/(losses)	41 910 915	19 006 133	6 301 432	-	4 921 570	2 413 829
Cash and cash equivalents at the end of the period	**84 371 976**	**54 095 601**	**9 543 139**	**24 948 235**	**15 736 450**	**5 937 107**

*The historical amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historical financial information.

Appendix III (a) – Consolidated historical financial information of FBCH for the years ended 31 December 2020 to 31 December 2022

Consolidated statement of profit and loss and other comprehensive income for the years ended 31 December 2020 to 2022

		INFLATION ADJUSTED			HISTORICAL COST*		
	Note	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Interest income calculated using the effective interest method	18	42 913 440	22 318 646	14 403 407	32 152 045	5 251 560	1 762 266
Interest expense	18.1	(13 328 514)	(4 804 684)	(4 989 416)	(10 647 773)	(1 031 727)	(605 775)
Net interest income		**29 584 926**	**17 513 962**	**9 413 990**	**21 504 271**	**4 219 834**	**1 156 491**
Fee and commission income	19	17 504 339	11 625 455	6 839 674	12 618 022	2 739 394	849 279
Fee and commission expense	19.1	(268 663)	(81 882)	(95 135)	(211 705)	(18 802)	(10 623)
Net fee and commission income		**17 235 676**	**11 543 574**	**6 744 539**	**12 406 317**	**2 720 592**	**838 656**
Revenue	20	30 943	2 071 610	153 251	10 786	345 153	10 812
Cost of sales	20.1	(17 523)	(1 176 089)	(126 635)	(4 038)	(214 880)	(6 949)
Net income from property sales		**13 420**	**895 521**	**26 616**	**6 748**	**130 273**	**3 864**
Insurance premium revenue	21	9 989 180	8 968 093	6 680 908	6 618 929	1 899 844	749 283
Premium ceded to reinsurers and retrocessionaires		(1 892 223)	(2 857 964)	(2 014 255)	(1 338 478)	(633 154)	(280 131)
Net earned insurance premium		**8 096 958**	**6 110 129**	**4 666 653**	**5 280 451**	**1 266 690**	**469 151**
Revenue		**54 930 980**	**36 063 185**	**20 851 797**	**39 197 788**	**8 337 388**	**2 468 162**
Net foreign currency dealing and trading income		41 623 072	11 267 959	19 116 035	39 046 720	3 101 258	3 153 912
Net gain from financial assets at fair value through profit or loss	22	9 975 499	8 415 823	3 959 318	8 508 691	2 498 188	752 576
Other operating income	23	12 526 045	5 812 889	1 092 140	21 401 168	2 387 918	834 065
Total other income		**64 124 616**	**25 496 671**	**24 167 493**	**68 956 579**	**7 987 364**	**4 740 552**
Total net income		**119 055 596**	**61 559 857**	**45 019 290**	**108 154 367**	**16 324 752**	**7 208 714**
Credit impairment losses	5.4	(4 575 668)	(1 578 792)	(759 538)	(4 575 668)	(459 272)	(137 461)
Insurance commission expense	24	(1 635 872)	(957 770)	(1 534 213)	(1 102 643)	(190 458)	(171 382)
Insurance commission recovered from reinsurers	24	519 180	584 872	517 252	392 572	136 568	74 908
Insurance claims and loss adjustment expenses	25	(5 923 191)	(3 176 933)	(2 615 610)	(4 425 450)	(742 049)	(332 366)
Insurance claims and loss adjustment expenses recovered from reinsurers	25	1 046 155	329 405	580 988	886 562	67 257	72 639
Administrative expenses	26	(69 553 342)	(30 869 188)	(24 877 432)	(50 190 145)	(7 421 269)	(3 100 788)
Monetary loss		(15 300 784)	(8 870 714)	(7 516 199)	-	-	-
Profit before income tax		**23 632 075**	**17 020 736**	**8 814 537**	**49 139 595**	**7 715 528**	**3 614 265**
Income tax expense	27	(11 060 298)	(2 099 060)	(436 298)	(9 091 826)	(844 386)	(400 887)
Profit for the year		**12 571 777**	**14 921 676**	**8 378 240**	**40 047 769**	**6 871 142**	**3 213 378**

*The historical amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historical financial information.

Consolidated statement of profit and loss and other comprehensive income for the years ended 31 December 2020 to 2022 (continued)

	Note	INFLATION ADJUSTED			HISTORICAL COST*		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Other comprehensive income/(loss)							
Items that will not be reclassified to profit or loss							
Gains/(loss) on property revaluation		6 409 622	3 658 562	(962 458)	16 001 408	2 172 804	1 308 825
Related tax		(1 036 276)	(400 993)	362 417	(2 641 444)	(374 804)	(204 497)
Gain on financial assets at fair value through other comprehensive income		18 630	404 298	191 311	56 026	117 611	34 623
Related tax		(645)	(6 720)	(4 093)	(2 515)	(1 955)	(741)
		5 391 331	**3 655 146**	**(412 822)**	**13 413 474**	**1 913 656**	**1 138 211**
Items that may be subsequently reclassified to profit or loss							
Foreign operations – foreign currency translation differences		549 415	-	-	549 415	-	-
Related tax		-	-	-	-	-	-
		549 415	**-**	**-**	**549 415**	**-**	**-**
Total other comprehensive income/(loss), net income tax		**5 940 745**	**3 655 146**	**(412 822)**	**13 962 889**	**1 913 656**	**1 138 211**
Total comprehensive income for the year		**18 512 522**	**18 576 822**	**7 965 418**	**54 010 658**	**8 784 798**	**4 351 588**
Profit attributable to:							
Equity holders of the parent		12 555 216	14 914 793	8 368 579	40 018 318	6 867 850	3 211 693
Non - controlling interest		16 561	6 883	9 661	29 452	3 292	1 684
Profit for the year		**12 571 777**	**14 921 676**	**8 378 240**	**40 047 769**	**6 871 142**	**3 213 378**
Total comprehensive income attributable to:							
Equity holders of the parent		18 472 569	18 559 518	7 954 981	53 927 423	8 774 791	4 344 033
Non - controlling interest		39 953	17 304	10 437	83 236	10 006	7 555
		18 512 522	**18 576 822**	**7 965 418**	**54 010 658**	**8 784 798**	**4 351 588**
Earnings per share (ZWL cents)							
Basic earnings per share	28.1	1 996.28	2 369.27	1 347.39	6 362.91	1 090.98	517.10
Diluted earnings per share	28.2	1 996.28	2 369.27	1 347.39	6 362.91	1 090.98	517.10
Headline earnings per share	28.3	1 996.21	2 371.38	1 391.36	6 361.35	1 091.19	519.11
Diluted headline earnings per share	28.4	1 996.21	2 371.38	1 391.36	6 361.35	1 091.19	519.11

*The historical cost amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historical cost financial information.

Consolidated statement of financial position as at 31 December 2020, 2021 and 2022

		INFLATION ADJUSTED			HISTORICAL COST*		
		31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-22	31-Dec-21	31-Dec-20
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS							
Balances with other banks and cash	4	83 802 420	60 637 822	58 345 816	83 802 420	17 639 587	10 559 374
Financial assets at amortised cost	5.5	8 078 817	6 771 121	5 997 717	8 078 817	1 969 724	1 085 461
Loans and advances to customers	5.1	149 660 349	80 898 404	73 727 063	149 659 682	23 533 213	13 342 941
Trade and other receivables including insurance receivables	5.2	5 323 096	2 176 852	2 870 850	4 859 643	618 741	485 620
Bonds and debentures	6	-	23 856	2 617 315	-	6 940	473 679
Financial assets at fair value through profit or loss	7	14 599 436	12 516 965	4 264 294	14 987 164	3 724 820	808 233
Financial assets at fair value through other comprehensive income	8	212 026	536 267	212 123	212 026	156 000	38 390
Inventory	9	875 391	1 061 544	1 645 029	315 340	102 710	126 313
Prepayments and other assets	10	20 269 549	22 905 265	12 025 219	19 470 057	6 546 710	2 042 880
Current income tax asset		554 646	80 634	50 575	554 646	23 457	9 153
Deferred tax assets		2 264 276	657 413	553 956	2 094 242	149 384	101 657
Investment property	11	27 644 769	14 356 708	5 406 743	27 644 769	4 176 377	978 508
Intangible assets	12	423 993	446 534	531 217	66 490	16 479	9 074
Property and equipment	13	21 059 327	13 929 402	10 284 291	21 059 327	4 052 073	1 861 242
Right of use asset		609 285	592 414	504 120	149 280	75 027	36 749
Total assets		**335 377 380**	**217 591 204**	**179 036 328**	**332 953 904**	**62 791 242**	**31 959 274**
EQUITY AND LIABILITIES							
Liabilities							
Deposits from customers	14.1	110 579 907	89 235 478	60 572 805	110 579 907	25 958 666	10 962 413
Deposits from other banks	14.2	13 501 664	8 887 589	2 524 868	13 501 664	2 585 406	456 948
Borrowings	14.3	68 162 013	29 088 916	50 025 761	68 162 013	8 461 987	9 053 618
Insurance liabilities	15	5 469 140	2 681 472	2 705 744	4 524 170	681 083	402 455
Trade and other payables	16	62 248 476	34 442 314	29 841 192	59 987 860	9 635 885	5 353 987
Current income tax liability		357 618	1 329 469	754 729	357 618	386 743	136 590
Deferred tax liability		11 957 913	2 233 125	4 302 330	10 557 448	668 584	642 742
Lease liability		222 855	284 100	186 861	222 855	82 645	33 818
Total liabilities		**272 499 587**	**168 182 462**	**150 914 290**	**267 893 535**	**48 460 999**	**27 042 571**
Equity							
Capital and reserves attributable to equity holders of the parent entity							
Share capital and share premium	17.3	3 007 380	3 007 380	3 007 380	14 090	14 090	14 090
Other reserves		21 933 648	17 627 183	9 125 018	17 070 518	4 515 727	1 490 652
Retained profits		37 827 900	28 705 268	15 938 031	47 872 817	9 780 718	3 402 259
Total equity. excluding non controlling interest		**62 768 927**	**49 339 830**	**28 070 429**	**64 957 425**	**14 310 535**	**4 907 001**
Non controlling interest in equity		108 866	68 913	51 608	102 944	19 708	9 702
Total equity		**62 877 793**	**49 408 742**	**28 122 037**	**65 060 369**	**14 330 243**	**4 916 703**
Total equity and liabilities		**335 377 380**	**217 591 204**	**179 036 328**	**332 953 904**	**62 791 242**	**31 959 274**

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Consolidated statement of cashflow for the years ended 31 December 2020 to 2022

		INFLATION ADJUSTED			HISTORICAL COST*		
	Note	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Cash flow from operating activities							
Profit before income tax		23 632 075	17 020 736	8 814 537	49 139 595	7 715 528	3 614 265
Adjustments for non cash items:							
Monetary loss		15 300 784	8 870 714	7 516 199	-	-	-
Depreciation		1 239 369	894 807	889 096	603 449	182 408	59 591
Amortisation charge	12	98 345	127 965	312 672	7 608	3 227	2 535
Credit impairment losses	5.4	4 575 668	1 578 792	759 538	4 575 668	459 272	137 461
Fair value adjustment on investment property	23	(10 709 699)	(4 986 751)	(959 560)	(19 973 502)	(2 354 373)	(818 938)
Net unrealised exchange gains and losses		7 086 715	16 374 017	(19 004 963)	(35 911 521)	(1 650 253)	(3 966 691)
Fair value adjustment on financial assets at fair value through profit or loss		(9 975 499)	(8 415 823)	(3 959 318)	(8 508 691)	(2 498 188)	(752 576)
Profit/(loss) on disposal of property and equipment	23	(410)	13 318	273 110	(9 814)	1 328	12 494
Depreciation right of use asset		197 362	123 636	-	85 168	22 864	-
Interest on lease liability		466 277	189 435	50 026	272 768	43 846	(28 884)
Provisions*		12 809 247	3 629 276	2 907 810	10 685 011	982 536	526 253
Net cash generated before changes in operating assets and liabilities		**44 720 233**	**35 420 122**	**(2 400 853)**	**965 739**	**2 908 195**	**(1 214 490)**
Decrease/(increase) in financial assets at amortised cost		2 190 431	(494 779)	(1 270 163)	(2 610 966)	(803 210)	(894 731)
Decrease in loans and advances		33 794 091	2 070 648	34 299 789	(23 570 434)	(7 501 771)	(2 719 442)
(Increase)/decrease in trade and other receivables		(3 146 244)	708 372	(12 185)	(4 240 902)	(128 940)	(327 820)
Decrease in bonds and debentures		23 856	2 593 458	394 520	6 940	466 739	(352 169)
Decrease in financial assets at fair value through profit or loss		7 893 028	163 152	1 056 616	(2 753 653)	(418 399)	2 103
Decrease in financial assets at fair value through other comprehensive income		-	-	347 764	-	-	11 104
Decrease in inventory		186 153	583 484	(10 036)	(212 629)	23 602	(112 787)
Decrease/(increase) in prepayments and other assets		10 323 389	(10 476 648)	2 390 259	(5 362 919)	(4 380 772)	(746 553)
Increase in investment property		(2 584 067)	(3 963 214)	(646 351)	(2 241 598)	(843 496)	(15 342)
(Decrease)/increase in deposits from customers		(33 081 324)	17 126 987	(15 497 595)	30 195 487	11 640 514	4 253 679
(Decrease)/increase in deposits from other banks		(11 594 756)	6 138 048	(2 312 012)	(5 292 573)	2 063 100	261 807
Increase/(decrease) in insurance liabilities		2 787 669	(24 273)	211 420	3 843 087	278 628	351 122
Decrease in trade and other payables		(8 892 674)	(296 794)	(2 625 664)	15 777 375	2 930 313	2 560 951
		42 619 785	**49 548 564**	**13 925 510**	**4 502 953**	**6 234 504**	**1 057 432**
Income tax paid		(5 419 451)	(4 134 756)	(1 490 578)	(5 605 386)	(1 007 180)	(183 744)
Interest on lease liability paid		(466 277)	(189 435)	-	(272 768)	(43 846)	-
Net cash generated from operating activities		**36 734 057**	**45 224 373**	**12 434 931**	**(1 375 201)**	**5 183 477**	**873 688**
Cash flows from investing activities							
Purchase of intangible assets		(75 804)	(43 283)	(17 456)	(57 618)	(10 632)	(2 777)
Purchase of property and equipment		(2 224 047)	(923 463)	(1 136 867)	(1 721 316)	(215 415)	(162 835)
Proceeds from sale of property and equipment		43 654	13 769	6 452	27 949	3 574	1 089
Net cash used in investing activities		**(2 256 196)**	**(952 978)**	**(1 147 871)**	**(1 750 986)**	**(222 473)**	**(164 524)**
Cash flows from financing activities							
Lease liability principal repayment		(275 478)	(114 692)	(10 796)	(19 211)	(12 315)	25 844
Proceeds from borrowings		61 590 051	6 880 401	3 244 126	61 590 051	1 716 718	250 065
Repayment of borrowings		(74 327 065)	(34 168 400)	2 170 152	(53 700 136)	(4 155 905)	610 109
Dividend paid to the Company's shareholders		(3 432 584)	(2 147 557)	(1 631 602)	(1 926 219)	(489 392)	(212 941)
Dividend paid to non-controlling interests							
Purchase of treasury shares		(1 610 888)	(2 484 855)	(320 339)	(1 354 314)	(556 216)	(49 051)
Sale of treasury shares		-	7 342 295	259 066	-	1 674 350	20 801
Net cash used in financing activities		**(18 055 964)**	**(24 692 808)**	**3 710 607**	**4 590 171**	**(1 822 759)**	**644 826**
Net increase in cash and cash equivalents		**16 421 897**	**19 578 587**	**14 997 668**	**1 463 984**	**3 138 245**	**1 353 990**
Cash and cash equivalents at beginning of the year		60 637 822	58 345 816	47 290 505	17 639 587	10 559 374	1 907 907
Effect of changes in exchange rates		65 041 720	13 550 903	32 806 011	64 698 849	3 941 968	7 297 478
Effects of inflation on cash and cash equivalents		(58 299 020)	(30 837 484)	(36 748 368)	-	-	-
Cash and cash equivalents at the end of year		**83 802 420**	**60 637 822**	**58 345 816**	**83 802 420**	**17 639 587**	**10 559 374**

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Notes to the consolidated financial information

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.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below. These policies have been consistently applied by the Group and the Company.

2.1 Basis of preparation

The Group's consolidated financial statements are 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), Securities and Exchange Act (Chapter 24:25), Building Societies Act (Chapter 24:02), Microfinance Act (Chapter 24:29) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

The inflation adjusted consolidated financial statements are prepared from statutory records that are maintained under the historical cost convention (restated under IAS 29 principles) 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.

Functional and presentation currency

The presentation currency of the Group is ZWL and the functional currency of FBC Holdings the company is ZWL.

Adoption of the IAS 29 (Financial Reporting in Hyperinflation Economies)

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflation economies had become effective in Zimbabwe, for reporting periods on or after 1 July 2019. The financial statements are prepared in accordance with IAS 29 together with International Financial Reporting Standards Committee (IFRIC) 7. (Applying Restated Approach under IAS 29), as if the economy had been hyperinflationary from 1 October 2018.

Notes to the consolidated financial information (continued)

The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate the transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried in the financial statements are restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognized in the statement of profit or loss for the year ended 31 December 2022 and the comparative period. Comparative amounts in the Group financial statements are restated to reflect the change in the general price index from 1 October 2018 to the end of the reporting period. All items in the statement of cash flows are expressed based on the restated financial information for the period.

As noted above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical figures.

The factors used in the periods under review are as follows:

Period	Indices	Conversion Factors at 31 December 2022
CPI as at 31 December 2020	2 474.51	5.5255
CPI as at 31 December 2021	3 977.46	3.4376
CPI as at 31 December 2022	13 672.91	1

The main procedures applied for the above-mentioned restatement are as follows:

i. All corresponding figures as of and for the year ended 31 December 2021 are restated by applying the change in the index from 31 December 2021 to 31 December 2022.

ii. Monetary assets and liabilities that are carried at amounts current at balance sheet date are not re-stated because they are already expressed in terms of the monetary unit current at the balance sheet date.

iii. Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders equity are restated by applying the change in the index from the date of the transaction or if applicable from the date of their most recent revaluation to 31 December 2022. An impairment loss is recognised in profit or loss if the remeasured amount of a non-monetary item exceeds its estimated recoverable amount.

iv. Property, plant and equipment that is not current at the statement of financial position date is restated from the date of initial application of hyperinflation conditions, that is, 1 January 2018 or from the transaction date if purchased after 1 January 2018. Depreciation and amortization amounts are based on restated costs. Owner occupied buildings are revalued annually at the balance sheet date, and therefore are being carried at amounts current at the balance sheet date, are not restated. The depreciation amounts are based on the opening restated amounts.

v. Deferred tax is calculated on restated carrying amounts.

vi. Profit or loss items/transactions, except the depreciation and amortization charges explained above, are restated by applying the change in the index from the date of the transaction to 31 December 2022.

vii. The effect of inflation on the net monetary position of the entity is included in the income statement as loss or gain on monetary position.

viii. All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

The inflation adjusted figures forms the primary set of financial statements and the unadjusted historical figures are supplimentary information.

Notes to the consolidated financial information (continued)

IAS 21 (The Effects of Changes in Foreign Exchange Rates)

The Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as the legal tender and prescribed for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be in Zimbabwean Dollars at the rate which was at par with the United Stated Dollar (USD).

In order to comply with SI 33, issued on 22 February 2019, the Group changed its functional currency to the ZWL with effect from 23 February 2019.

Guidance issued by the Public Accountants and Auditors Board (PAAB) notes the requirements of SI 33 were contrary of the provisions of IAS 21.

2.1.1 Changes in accounting policy and disclosures

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

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities.The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2022, the taxable temporary difference in relation to the right-of-use asset is ZWL149 million and the deductible temporary difference in relation to the lease liability is ZWL223 million, resulting in a net deferred tax asset of ZWL1.8 million. Under the amendments, the Group will disclose a separate deferred tax liability of ZWL37 million and a deferred tax asset of ZWL55 million. There will be no impact on retained earnings on adoption of the amendments.

IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

Background

IFRS 4 Insurance Contracts (IFRS 4), the existing standard dealing with the accounting treatment for insurance contracts will be replaced by IFRS 17 for the group's 2023 financial year. IFRS 4 requires the use of local accounting practices in measuring insurance liabilities (which referred local actuarial guidance), whereas, IFRS 17 introduces defined accounting models which will increase the comparability of information

Notes to the consolidated financial information (continued)

reported by all reporting entities that issue insurance contracts. IFRS 17 provides the basis of measurement for defined insurance contracts and reinsurance contracts, including measurement of investment contracts with DPF. The transition date for IFRS 17 is 1 January 2023, with the first retrospective restatement being 1 January 2022, as if IFRS 17 had always been in place.

Due to the long contract boundaries of certain contracts in the scope of IFRS 17, the standard permitted once-off optional transition simplifications where it would be impracticable to apply components fully retrospectively. This is discussed in more detail below.

Project governance, status and process going forward

IFRS 17 implementation and governance committee, sponsored by the Group's Deputy Group Chief Executive, is responsible for providing overall strategic and implementation direction to the project and monitoring progress. The implementation and governance committee is supported by several other sub-committees and working groups responsible for various work streams within the project including but not limited to design decisions in relation to required technical IFRS 17 policies, judgements, methodologies and supporting processes. The implementation and governance committee receives regular updates from the several other committees and working groups, and in turn reports to the Boards of our insurance subsidiaries.

The implementation of IFRS 17 is significant for the Group's insurance activities, specifically in areas such as revenue recognition, presentation in the statement of comprehensive income, level of transparency of the measurement components and significant additional disclosure requirements. Comprehensive effort has been applied to the technical interpretation of the standard and the design decisions required. While industry discussions have been critical to the project, management is mindful of the possibility of interpretation differences.

Management is also cognisant that it remains possible that certain interpretations maybe further clarified as additional information becomes available.

The impact of IFRS 17 on regulatory capital oversight and measurement is expected to be minimal given that the majority of the Group's insurance entities are in Zimbabwe, and these entities already comply with the set minimum capital requirements, which does not directly reference IFRS 17 measurement.

Overview of IFRS 17

The definition and scope of contracts to be measured under IFRS 17 are largely aligned to IFRS 4, however, there are some slight differences regarding certain judgements related to investment contracts with DPF and the introduction of the determination of significant insurance risk on a present value basis. The main revenue recognition principle that IFRS 17 adopts is to recognise revenue (and consequently profit or loss) over the duration of the applicable policyholder contracts in a manner that best reflects the delivery of insurance contract services in the specific reporting period. This aligns closely to the principles applied in IFRS 15. The total recognised profit or loss outcome of contracts (i.e. the actual cash flows that emerge over the total contract term) naturally remains unchanged. However, the year-by-year reporting of profit or loss outcomes between IFRS 4 and IFRS 17 is often different. This is mainly due to the accounting policy measurement elections under the application of IFRS 4 being largely referenced to locally adopted actuarial standards or guidance. IFRS 17 does not allow for profits to emerge on "day one" (contract recognition date), while still avoiding the deferral of anticipated contracted losses (onerous contracts). Losses for each applicable

Notes to the consolidated financial information (continued)

contract are to be recognized immediately in profit or loss. Some contracts include an amount that meets the definition of a 'non-distinct investment component' (NDIC) under IFRS 17. The NDIC is the amount that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Under IFRS 17, the investment components that are highly inter-related with the insurance contract is not unbundled on contract inception. Similarly, a contract with equivalent terms that could not be sold separately in the same market or jurisdiction are not unbundled. Any such amounts are treated like deposits and excluded from insurance revenue and insurance services expenses when they are paid to the policyholder or beneficiary, as they do not relate to the provision of insurance services. This is a significant change to current disclosure treatments which includes these amounts in insurance premiums and insurance claims respectively.

IFRS 17 measurement principles are ambivalent to the type of insurance (i.e., life or non- life/general), and the permitted measurement model depends on the terms and conditions of the underlying contracts, including the related contract boundaries and coverage periods, rather than the insurance license type. Portfolios are established for insurance contracts that have similar risks, however, each portfolio is limited to a maximum of a twelve-month duration between the first contract and the last contract recognised. At date of inception, the portfolios are further divided into distinct and ring-fenced cohort groups that differentiate the expected profitability of each contract between onerous, unlikely to become onerous and those that have a higher risk of becoming onerous over time.

Subsequent measurement of insurance contracts is therefore applied to the cohort groups.

IFRS 17 includes three permitted measurement models. The measurement approach refers to the model used for valuing the liabilities and recognising profits in insurance revenue over time and should be appropriate for the contract being measured. All measurement models include two components, being a liability for remaining coverage (LRC) and a liability for incurred claims (LIC). The LRC relates to the measurement of the liability where the insured event has not occurred (i.e., the Group's obligation for insured events related to the unexpired portion of the coverage period). The LIC component relates to the measurement of the liability, where the insured event has occurred (i.e., the Group's obligation to investigate and pay claims for insured events that have already occurred and includes events that have occurred but have not been reported). The LRC measured component is dependent on what measurement model is applied, whereas the measurement of the LIC component is the same under all three measurement models, except that for contracts measured using the PAA approach, it has a simplification for discounting.

A general measurement model (GMM) is applicable to longer contract duration insurance contracts that do not have significant investment components (unless the criteria to use the simplified PAA model is met) and is based on a fulfilment objective (risk-adjustment added to the present value of probability-weighted estimates of future cash flows, which includes insurance acquisition cash flows). GMM is prescribed by the standard as the default measurement model for insurance and reinsurance contracts being predominantly risk type contracts and annuities. The GMM requires the use of current estimates, which are those informed by actual trends and investment markets, adjusted for the time value of money. A risk adjustment (RA) is established as an explicit, current adjustment to compensate the Group for bearing non-financial risk. The risk adjustment is released over the contract duration in line with the reduction of the estimated risk.

Notes to the consolidated financial information (continued)

The contractual service margin (CSM) established by IFRS 17 is measured at initial recognition and is a component of measuring the LRC. The CSM represents the unearned profit on the contract which is expected to be earned in the future and results in no profit at initial recognition. The CSM is released over the life of the contract in line with the level of service provided in each period. The interest rate used to discount cash flows and determine the initial CSM is locked in at the rate at inception for that contract, for all future CSM movements. For onerous groups of contracts, losses are recognised upfront in profit or loss. Apart from the CSM, all other probability-weighted estimates of cash flows contained in the measurement of insurance assets or liabilities are measured at current values, taking future expectations into consideration. For contracts that have a component of significant insurance risk but are substantially investment-related contracts with direct participation in a share of underlying items, the GMM is modified to measure such contracts using the variable fee measurement approach (VFA), for example, a retirement annuity that may include a product benefit of a minimum return of contributions on death. This approach effectively amortises, over the remaining life of the contract, the impact to the future estimated revenue (e.g., asset- based investment management fees) that have arisen from changes in investment values at the reporting date. A key difference to the GMM approach is that the CSM is not locked in at the original discount rate. An optional simplified premium allocation approach (PAA) is available for contracts with a coverage period of 12 months or less, or if it is reasonably expected that the PAA would produce a measurement of the LRC that would not materially differ from the one produced applying the GMM. Contracts measured under the PAA approach do not have a CSM.

Key revenue recognition differences between IFRS 17 and IFRS 4

Under current accounting policies, margins are established and deferred over future service periods, but these are not locked in at discount rates applicable on date of contract inception. For GMM contracts the use of designated coverage units to release the margin over the remaining contract period under IFRS 17 differs to the current (mainly systematic time-based) approach to releasing the deferred margins on initial recognition. The application of the CSM as guided under IFRS 17 is likely to result in lower volatility in insurance earnings between reporting periods over time. This is mainly a consequence of the requirement to, where applicable, absorb any changes to estimates of future contractual fulfilment cash flows into the CSM. This then systematically impacts future margin releases rather than the current treatment which impacts the profit or loss in the year of change. IFRS 17 introduces a significant change to the income statement presentation by removing a cash flow presentation (gross premiums and claims). IFRS 17 introduces the concept of insurance revenue recognition that is intended to represent the price actually charged for the insurance contract services rendered and should not include any investment flows that are to be repaid (adjusted for applicable investment returns) in the future. IFRS 17 comprehensively defines what is profit or loss derived from insurance services and the net finance income or expense. The insurance finance income or expense includes, inter alia, the effect of the time value of money on the best estimate cash flow assumptions.

Contracts measured under GMM (including reinsurance)

Under IFRS 17, the estimate of future cash flows depends on the assessment of the contract boundary term for the specific contracts and the determination of relevant cash flows that relate directly to the fulfilment of the contract. The estimation of future cash flows includes expected premiums received, expected claims and benefit payments, an allocation of directly attributable acquisition cost cash flows, attributable to the portfolio to which the contract belongs, claims handling costs, policy administration costs, an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts and transaction-based taxes. Future fulfilment costs that are modelled under the GMM are closely aligned to the existing interpretation under IFRS 4, except for the IFRS 17 guidance of only including portfolio acquisition costs. This has led to a reduction of acquisition costs modelled in the best estimate cash flows (for insurance contracts issued).

Notes to the consolidated financial information (continued)

Contracts measured under VFA (not applicable to reinsurance)

A key difference in recognition between IFRS 4 and IFRS 17 pertains to investment fees referenced to investment activities and calculated based off referenced asset values. IFRS 17 accommodates measurement guidance for these services, that are integral to insurance contracts or are discretionary features, through a "recalibration mechanism" within the CSM. Variations to future fees arising from changes in asset values are deferred and amortised over the contract term. This effectively allows for a less volatile earnings recognition pattern compared to IFRS 4 where the full future impact to estimated asset-based future fees is recognised in profit or loss.

Contracts measured under PAA (including reinsurance)

Insurance contracts, which were defined as short-term or general insurance in previous financial reporting generally have short contract periods of one year or less.

The Group has elected to measure these under the PAA measurement model. In addition, the PAA has been elected for annually renewable contracts within corporate business. The LRC at initial recognition is measured as premiums received, minus acquisition costs and plus or minus any assets or liabilities previously recognised. Under IFRS 17, the LIC requires the calculation of a risk adjustment and includes future claims handling expenses to be incurred in settling the LIC. The PAA measurement approach is therefore not expected to materially impact profit emergence on applicable portfolios going forward, when compared to the current basis.

Financial Instruments

The Group applied IFRS 9 Financial Instruments for years commencing 1 January 2018. There is no expected change to previously applied classification and designation of financial instruments that are linked to policyholder benefits as a result of IFRS 17. There are consequential reclassifications between IFRS 17 and IFRS 9 policyholder liabilities on adoption of IFRS 17 because of minor changes in the interpretation of the definition of insurance under IFRS 17. These reclassifications, however, do not have a material impact on the overall measurement of these portfolios on transition.

Transition approaches

If it is impracticable to fully retrospectively adjust, an entity can choose either a modified retrospective or a fair value approach to measure the initial IFRS 17 balances on the first retrospective restatement date (1 January 2022). For the short contract boundary nature contracts measured under the PAA approach, these will all be measured using full retrospective application.

Overal impact

The Group has not yet assessed the extent of the impact as at 31 December 2022.

Future accounting developments

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

Definition of Accounting Estimate – Amendments to IAS 8

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Notes to the consolidated financial information (continued)

2.1.2 Going concern

The Group and Company's forecasts and projections, taking into account the remnants of COVID-19 pandemic, reasonably possible changes in trading environment and performance, show that the Group and Company 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.

As at the end of February 2023, our Group and Company's operations were in line with the Budget and had adequate liquidity for operations. The Group and Company is leveraging on its Group financial position which had adequate cash resources as at the end of February 2023 to preserve its financial flexibility in the uncertain environment.

The Group and Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.1.3 Use of judgements and estimates

Information about assumptions and estimation uncertainties at 31 December 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Impairment of financial assets, note 3.1
- Insurance claims, note 3.2
- Inventory valuation, note 3.3
- Investment property and property and equipment valuation, note 3.4
- Valuation of unlisted equities, note 3.5
- Gain or loss on the monetary position, note 3.6

2.2 Basis of consolidation

(a) Subsidiaries

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.

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 IFRS 9 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.

Notes to the consolidated financial information (continued)

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.

(b) 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.

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

(c) Non controlling interest

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.

(d) 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".

(e) Loss in control

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.

(f) Transactions eliminated on consolidation

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

(g) 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.

Notes to the consolidated financial information (continued)

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, insurance broking 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.

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.

2.3.7 Insurance broking

The principal activities of this segment consist of broking insurance products.

Notes to the consolidated financial information (continued)

2.4 Foreign currency translation

i) 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges. Economic hedging is applied where hedging is being refered to in these financial statements.

Foreign exchange gains or losses are presented in the statement of profit or loss within 'net foreign currency dealing and trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income 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 fanancial assets at fair value through other comprehensive income, are included in other comprehensive income.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into ZWL at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into ZWL at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

2.5 Financial assets and liabilities

2.5.1 Financial assets Classification

Financial instruments include cash and cash equivalents, loans and advances to customers, financial investments, investment securities, derivative assets and liabilities, financial assets and liabilities included in other assets and liabilities, deposits and current accounts. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss.

Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by instrument basis) to be presented at fair value through OCI. The Group has an equity investments in Zimbabwe Stock Exchange and Turnall Holdings which are measured at fair value through OCI.

Notes to the consolidated financial information (continued)

i. Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of that transaction.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

Notes to the consolidated financial information (continued)

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other debt securities are held by the Group Central Treasury in separate portfolios to meet everyday liquidity needs. The Group Central Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group originates certain loans and advances to customers and investment securities for sale to securitisation vehicles that are not consolidated by the Group. Such financial assets are held within a business model whose objective is to realise cash flows through sale.

Certain non-trading loans and advances to customers held by the Group's investment banking business and debt securities held by the Group Central Treasury are managed with an objective of realising cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the asset's performance and to make decisions.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

— contingent events that would change the amount and timing of cash flows;
— leverage features;

Notes to the consolidated financial information (continued)

— prepayment and extension terms;
— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
— features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest r ate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected

Non-recourse loans
Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:
— whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
— the fair value of the collateral relative to the amount of the secured financial asset;
— the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
— whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
— the Group's risk of loss on the asset relative to a full-recourse loan;
— the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
— whether the Group will benefit from any upside from the underlying assets.

Contractually linked instruments
The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:
— the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
— the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
— the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Notes to the consolidated financial information (continued)

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions. When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities and measured as explained.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iv. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

Notes to the consolidated financial information (continued)

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

— fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
— other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Notes to the consolidated financial information (continued)

v. Fair value measurement

Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(a) The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to the consolidated financial information (continued)

vi. Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

— financial assets at amortised cost;
— lease receivables;
— financial guarantee contracts issued; and
— loan commitments issued.

No impairment loss is recognised on equity investments

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

— debt investment securities that are determined to have low credit risk at the reporting date; and
— other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

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.

Notes to the consolidated financial information (continued)

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.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

— financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

— financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows. Estimated future cashflows are determined on the basis of recovery rates, the identification of impaired assets and the estimation of impairment, market values and estimated time and cost to sell collateral.

— undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

— financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

— financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;

— POCI assets: a credit-adjusted effective interest rate;

— lease receivables: the discount rate used in measuring the lease receivable;

— undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and

Notes to the consolidated financial information (continued)

— financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

— If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

— If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer;

— a breach of contract such as a default or past-due event;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

— The market's assessment of creditworthiness as reflected in bond yields.

— The rating agencies' assessments of creditworthiness.

— The country's ability to access the capital markets for new debt issuance.

— The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

— The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Notes to the consolidated financial information (continued)

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

— financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

— loan commitments and financial guarantee contracts: generally, as a provision;

— where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

— debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

— the guarantee is implicitly part of the contractual terms of the debt instrument;

— the guarantee is required by laws and regulations that govern the contract of the debt instrument;

— the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

— the guarantee is given by the parent of the borrower or another company within the borrower's group.

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

— the guarantee is implicitly part of the contractual terms of the debt instrument;

— the guarantee is required by laws and regulations that govern the contract of the debt instrument;

— the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

— the guarantee is given by the parent of the borrower or another company within the borrower's group.

Notes to the consolidated financial information (continued)

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents a gains or losses on a compensation right in profit or loss in the line item 'impairment allowance on financial instruments'.

viii. Designation at fair value through profit or loss

Financial assets

On initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

Financial liabilities

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

— the liabilities are managed, evaluated and reported internally on a fair value basis; or

— the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.5.2 Deposits from customers and other banks

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

2.5.3 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 profit or loss and other 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.

2.5.4 Financial guarantees

A financial guarantee contract is a contract that requires the Group (issuer) 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 original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee
- unamortised premium.

Notes to the consolidated financial information (continued)

2.5.5 Settlement of Financial assets and liabilities

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.

2.6 Balances with other banks and cash

Cash and bank balances include 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.

Cash and bank balances are carried at amortised cost in the statement of financial position.

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. For further information of insurance receivables please refer to note 2.8.

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.

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.

Notes to the consolidated financial information (continued)

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.

Notes to the consolidated financial information (continued)

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.

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.

Notes to the consolidated financial information (continued)

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 profit or loss 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

Software licences

Separately acquired software licences are at historical cost amounts less accumulated amortisation at each reporting date.

Amortisation on carrying amounts is calculated using the straight-line method to allocate the cost of licences over the remaining 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 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 yearly valuations by external independent valuers, less 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 eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All property and equipment is stated at revalued amounts less accumulated depreciation and impairment losses.

Notes to the consolidated financial information (continued)

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 profit or loss 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 property and equipment 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. Accumulated depreciation is eliminated at revaluation date.

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:

Land and buildings	50 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Furniture and fittings	10 years
Machinery	5 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'.

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 asset's carrying amount is written down immediately to its recoverable amount if the asset's 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 revalued amount less impairment losses.

Notes to the consolidated financial information (continued)

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 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

2.15.1 Current tax

Tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

2.15.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary

Notes to the consolidated financial information (continued)

differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.16 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 at amortised cost using the effective interest method.

2.17 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.

When the Zimbabwean economy dollarized in 2009, a Financial Reporting Guidance was used to determine a foreign currency opening statement of financial position on the date of change in functional currency from ZWD$ to US$.

The Group used the Guidance to translate the financial statements at the normalisation date to US$ to be used as the deemed costs in the opening statements of financial position at 1 January 2009. The surplus on the restatement of the assets and liabilities was credited to non-distributable reserves in equity. The reserve is not available for distribution to shareholders.

Notes to the consolidated financial information (continued)

2.18 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.

2.19 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Notes to the consolidated financial information (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-ofuse asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.20 Derivative

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Group's other income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. Derivatives have been used to hedge foreign currency and exchange rate risk related to non-trading positions. All derivative instruments are held at fair value through profit or loss.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or financial liability (the host), which, had it been a standalone contract, would have met the definition of a derivative. If these are separated from the host, i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss, then they are accounted for in the same way as derivatives. For financial assets, the requirements are whether the financial asset contain contractual terms that give rise on specified dates to cash flows that are SPPI, and consequently the requirements for accounting for embedded derivatives are not applicable to financial assets.

Notes to the consolidated financial information (continued)

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.

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

2.21.1 Interest income and interest expense

Interest income and interest expense are recognised in the statement of profit or loss 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.

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 are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including Retail service fees, credit related fees investment banking fees and brokerage commission – is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual where revenue is recognised when a performance obligation is satisfied, i.e. when control of the services underlying the particular performance obligation is transferred to the customer.

2.21.3 Net foreign currency dealing and trading income

Foreign currency dealing and trading 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.

Notes to the consolidated financial information (continued)

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:

Upon an offer to purchase a property from the Group with the client meeting all the terms and conditions an agreement of sale is signed making the identification of a contract with a customer together with stating the performance obligations in the signed contract. The offer of a structured mortgage facility then determines the transaction price. Revenue is then measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised when a performance obligation is satisfied and in this case when control and title of the property 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 is recognised as revenue.

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.

Notes to the consolidated financial information (continued)

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.

(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 profit or loss.

Notes to the consolidated financial information (continued)

(f) Long service awards

The net present value of the amount payable to employees in respect of long service awards, which are paid in cash, is recognised as an expense, with a corresponding increase in liabilities. The liability is re-measured at each reporting date and at settlement date. Any changes in the net present value of the liability are recognised as staff costs within operating expenses in the statement of profit or loss.

(g) Annual leave provision

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

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.

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 financial assets at fair value through other comprehensive income 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.

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.

Notes to the consolidated financial information (continued)

3.1 Impairment of financial assets

The Group adopted the Expected Credit Loss (ECL) model and this applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, reinsurers' share of policyholder liabilities, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group) as well as financial assets measured at FVOCI, but not to investments in equity instruments.

The ECL impairment loss allowance is an unbiased, probability - weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD).

Of equal importance is sound correlation between these parameters and forward-looking economic conditions. ECL reflects the Group's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the Group should also consider observable market information about the credit risk of the financial instrument or similar financial instruments. In the absence of sufficient data, management apply expert judgment within an established governance framework to determine the required parameters.

The expert judgement process is based on available internal and external information.

3.2 Insurance 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 15.

3.3 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 profit or loss in 'cost of sales'.

Notes to the consolidated financial information (continued)

3.4 Investment property and property and equipment valuation

The key inputs and assumptions used in the valuations, such as, rental rates per square meter and capitalisation rates are determined in an environment where there is limited market activity due to illiquidity in the market. Fair valuation of properties is difficult to ascertain as market comparable sales are not as readily available as a result of depressed economic activity which has resulted in a limited number of open market sales. Furthermore, the hyperinflationary environment make it increasingly difficult to determine the fair values.

The qualified valuers determined property fair values in ZWL. Additional information is disclosed in note 13.

3.5 Valuation of unlisted equities

The fair values of unlisted equities are classified and accounted for in accordance with the IFRS 9. Since the prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realized under current market conditions.

The translation of the foreign currency denominated assets and liabilities to local currency is based on the year-end exchange rate while transactions are translated at the average exchange rate for the reporting period.

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used. This is after assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.

3.6 The gain or loss on the net monetary position

The gain or loss on the net monetary position can be determined as follows :

1. derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of profit or loss and OCI and the adjustment of index linked assets and liabilities (Approach 1); or
2. Estimated by applying the change in the general price index to the weighted average for the period of the net amounts of monetary assets and liabilities (Approach 2).

   The Group has elected to use Approach 1.

Notes to the consolidated financial information (continued)

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
4 BALANCES WITH BANKS AND CASH						
4.1 Balances with Reserve Bank of Zimbabwe ("RBZ")						
Current account balances	15 054 352	6 487 905	3 544 737	15 054 352	1 887 336	641 523
Balances with banks and cash						
Notes and coins	12 391 077	16 402 033	18 797 029	12 391 077	4 771 363	3 401 870
Other bank balances	56 356 991	37 747 884	36 004 050	56 356 991	10 980 887	6 515 981
	68 748 068	**54 149 917**	**54 801 079**	**68 748 068**	**15 752 250**	**9 917 851**
Balances with banks and cash (excluding bank overdrafts)	**83 802 420**	**60 637 822**	**58 345 816**	**83 802 420**	**17 639 587**	**10 559 374**
Current	83 802 420	60 637 822	58 345 816	83 802 420	17 639 587	10 559 374
Non-current	-	-	-	-	-	-
Total	**83 802 420**	**60 637 822**	**58 345 816**	**83 802 420**	**17 639 587**	**10 559 374**

4.2 Cash and cash equivalents

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

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
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)	15 054 352	6 487 905	3 544 737	15 054 352	1 887 336	641 523
Balances with banks and cash (note 4.1)	68 748 068	54 149 917	54 801 079	68 748 068	15 752 250	9 917 851
	83 802 420	**60 637 822**	**58 345 816**	**83 802 420**	**17 639 587**	**10 559 374**
5 FINANCIAL ASSETS						
5.1 Loans and advances to customers						
Loans and advance maturities						
Maturing within 1 year	98 700 512	28 362 102	37 663 709	98 700 512	8 250 556	6 816 227
Maturing after 1 year	55 731 736	54 340 049	36 866 576	55 731 069	15 807 368	6 672 080
Gross carrying amount	**154 432 249**	**82 702 151**	**74 530 285**	**154 431 582**	**24 057 925**	**13 488 307**
Impairment allowance	(4 771 900)	(1 803 747)	(803 222)	(4 771 900)	(524 711)	(145 366)
	149 660 349	**80 898 404**	**73 727 063**	**149 659 682**	**23 533 213**	**13 342 941**
5.2 Trade and other receivables including insurance receivables						
Retail trade and other receivables	9 190	58 427	302 194	9 190	16 997	54 691
- Due by insurance clients and insurance brokers	3 910 862	2 015 801	1 793 147	3 910 862	586 398	324 522
- Due by reinsurers	1 551 200	(119 747)	894 383	1 087 748	(49 341)	127 921
- Due by retrocessionaires	3 577	572 959	29 141	3 577	166 674	5 274
Gross carrying amount	5 474 829	2 527 441	3 018 865	5 011 376	720 728	512 408
Impairment allowance	(151 733)	(350 589)	(148 015)	(151 733)	(101 987)	(26 788)
	5 323 096	**2 176 852**	**2 870 850**	**4 859 643**	**618 741**	**485 620**
Current	5 318 389	2 160 673	2 844 845	4 854 937	614 035	480 913
Non-current	4 706	16 179	26 005	4 706	4 706	4 706
Total	**5 323 096**	**2 176 852**	**2 870 850**	**4 859 643**	**618 741**	**485 620**

5.3 Irrevocable commitments

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

Notes to the consolidated financial information (continued)

5.4 Movement in credit impairment losses

INFLATION ADJUSTED

	Bonds and debentures ZWL'000	Trade and other receivables ZWL'000	Loans and advances ZWL'000	Financial assets at at armotised cost ZWL'000	Undrawn contractual commitments & guarantees ZWL'000	Total ZWL'000
Movement in credit impairment losses						
Balance at 01 January 2020	15 473	84 987	1 064 924	23 928	3 929	1 193 241
Effects of IAS 29	(12 023)	(66 042)	(827 528)	(18 594)	(3 053)	(927 240)
Impairment loss allowance	8 699	135 425	569 232	21 867	24 315	759 538
Amounts written off /reversals during the year	-	-	(3 406)	-	-	(3 406)
Impairment reversal	-	(6 355)	-	-	-	(6 355)
Balance as at 31 December 2020	**12 149**	**148 015**	**803 222**	**27 201**	**25 191**	**1 015 777**
Balance at 01 January 2021	12 149	148 015	803 222	27 201	25 191	1 015 777
Effects of IAS 29	(4 591)	(55 930)	(303 511)	(10 278)	(9 519)	(383 828)
Impairment loss allowance	(7 423)	262 391	1 286 376	21 485	15 963	1 578 792
Amounts written off /reversals during the year	-	58	17 659	-	-	17 718
Impairment reversal	-	(3 946)	-	(587)	-	(4 533)
Balance as at 31 December 2021	**135**	**350 589**	**1 803 747**	**37 821**	**31 635**	**2 223 926**
Balance at 01 January 2022	135	350 589	1 803 747	37 821	31 635	2 223 926
Effects of IAS 29	(96)	(248 602)	(1 279 035)	(26 819)	(22 432)	(1 576 984)
Impairment loss allowance	(39)	66 993	4 261 558	74 463	172 692	4 575 668
Amounts written off /reversals during the year	-	-	(14 370)	-	-	(14 370)
Impairment reversal	-	(17 247)	-	-	-	(17 247)
Balance as at 31 December 2022	**-**	**151 733**	**4 771 900**	**85 465**	**181 895**	**5 190 993**

HISTORICAL COST

	Bonds and debentures ZWL'000	Trade and other receivables ZWL'000	Loans and advances ZWL'000	Financial assets at at armotised cost ZWL'000	Undrawn contractual commitments & guarantees ZWL'000	Total ZWL'000
Movement in credit impairment losses						
Balance at 01 January 2020	624	3 429	42 964	965	159	48 141
Impairment loss allowance	1 574	24 509	103 019	3 957	4 401	137 461
Amounts written off /reversals during the year	-	-	(616)	-	-	(616)
Impairment reversal	-	(1 150)	-	-	-	(1 150)
Balance as at 31 December 2020	**2 199**	**26 788**	**145 366**	**4 923**	**4 559**	**183 834**
Balance at 01 January 2021	2 199	26 788	145 366	4 923	4 559	183 834
Impairment loss allowance	(2 159)	76 330	374 208	6 250	4 644	459 272
Amounts written off /reversals during the year	-	17	5 137	-	-	5 154
Impairment reversal	-	(1 148)	-	(171)	-	(1 319)
Balance as at 31 December 2021	**39**	**101 987**	**524 711**	**11 002**	**9 203**	**646 942**
Balance at 01 January 2022	39	101 987	524 711	11 002	9 203	646 942
Impairment loss allowance	(39)	66 993	4 261 558	74 463	172 692	4 575 668
Amounts written off /reversals during the year	-	-	(14 370)	-	-	(14 370)
Impairment reversal	-	(17 247)	-	-	-	(17 247)
Balance as at 31 December 2022	**-**	**151 733**	**4 771 900**	**85 465**	**181 895**	**5 190 993**

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
5.5	**Financial assets at amortised cost**						
	Maturing within 1 year	8 114 834	6 679 409	5 916 436	8 114 834	1 943 045	1 070 751
	Maturing after 1 year	49 448	129 533	108 481	49 448	37 681	19 633
	Gross carrying amount	**8 164 282**	**6 808 942**	**6 024 917**	**8 164 282**	**1 980 726**	**1 090 384**
	Impairment allowance	(85 465)	(37 821)	(27 201)	(85 465)	(11 002)	(4 923)
		8 078 817	**6 771 121**	**5 997 717**	**8 078 817**	**1 969 724**	**1 085 461**
6	**BONDS AND DEBENTURES**						
	Maturing within 1 year	-	-	2 593 364	-	-	469 345
	Maturing after 1 year	-	23 991	36 099	-	6 979	6 533
	Gross carrying amount	**-**	**23 991**	**2 629 463**	**-**	**6 979**	**475 878**
	Impairment allowance	-	(135)	(12 149)	-	(39)	(2 199)
		-	**23 856**	**2 617 315**	**-**	**6 940**	**473 679**
7	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**						
	Listed securities at market value	9 200 504	11 207 758	2 866 180	9 588 232	3 343 970	555 203
	Unlisted securities	5 398 932	1 309 208	1 117 424	5 398 932	380 849	202 230
	Suspended securities	-	-	280 690	-	-	50 799
		14 599 436	**12 516 965**	**4 264 294**	**14 987 164**	**3 724 820**	**808 233**
	Current	14 599 436	12 516 965	3 941 483	14 987 164	3 724 820	749 811
	Non-current	-	-	322 811	-	-	58 422
	Total	**14 599 436**	**12 516 965**	**4 264 294**	**14 987 164**	**3 724 820**	**808 233**

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

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

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
8	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**						
	Listed securities at market value	212 026	536 267	212 123	212 026	156 000	38 390
	Current	212 026	536 267	212 123	212 026	156 000	38 390
	Non-current	-	-	-	-	-	-
		212 026	**536 267**	**212 123**	**212 026**	**156 000**	**38 390**
9	**INVENTORY**						
	Raw materials	39 176	70 695	113 633	33 711	19 802	15 486
	Work in progress	836 215	990 849	1 531 395	281 629	82 909	110 826
		875 391	**1 061 544**	**1 645 029**	**315 340**	**102 710**	**126 313**
	Current	875 391	1 061 544	1 645 029	315 340	102 710	126 313
	Non-current	-	-	-	-	-	-
	Total	**875 391**	**1 061 544**	**1 645 029**	**315 340**	**102 710**	**126 313**

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
10	**PREPAYMENTS AND OTHER ASSETS**						
	Prepayments	2 233 059	2 147 050	3 353 196	1 786 728	595 766	515 327
	Deferred acquisition costs	844 954	398 288	304 682	691 849	74 571	38 895
	Refundable deposits for Mastercard and Visa transactions	2 674 467	1 673 187	1 559 326	2 674 467	486 731	282 205
	Stationery stock and other consumables	19 459	17 215	27 671	11 393	2 335	1 503
	Time - share asset	184 500	95 522	94 103	184 500	27 788	17 031
	Legacy debt assets	-	-	5 698 680	-	-	1 031 342
	Zimswitch receivables	1 114 214	1 011 098	458 383	1 114 214	294 129	82 958
	Bill payments receivables	193 979	50 619	109 605	193 979	14 725	19 836
	RBZ NNCD and auction system balances*	8 274 962	16 635 208	-	8 274 962	4 839 194	-
	Capital work in progress	516 451	516 451	328 250	82 539	82 539	41 874
	Deferred employee benefit on staff loan	4 069 946	232 260	-	4 069 946	67 565	-
	Other	143 558	128 366	91 323	385 482	61 367	11 909
		20 269 549	**22 905 265**	**12 025 219**	**19 470 057**	**6 546 710**	**2 042 880**
	Current	17 595 082	22 905 265	6 686 241	16 795 591	6 546 710	1 187 919
	Non-current	2 674 467		5 338 977	2 674 467	-	854 961
	Total	**20 269 549**	**22 905 265**	**12 025 219**	**19 470 057**	**6 546 710**	**2 042 880**

*RBZ NNCD and auction system balances refer to prefunded customer positions upon allotment of foreign currency from the Central bank.

The Group did not impair prepayments and other assets as they comprise of non financial assets and short term financial assets held with the Reserve Bank of Zimbabwe. Any expected credit loss on these balances are considered to be immaterial.

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
11	**INVESTMENT PROPERTY**						
	Balance as at 1 January	14 356 708	5 406 743	3 824 141	4 176 377	978 508	154 283
	Additions	2 068 528	1 169 941	646 351	1 762 249	323 919	15 342
	Fair value adjustment	10 703 994	4 986 751	959 560	21 226 794	2 354 373	818 938
	Disposals	-	-	(88 570)	-	-	(12 688)
	Transfer from property and equipment	-	-	65 260	-	-	2 633
	Transfer from inventory	515 539	2 793 273	-	479 350	519 577	-
	Balance as at 31 December	**27 644 769**	**14 356 708**	**5 406 743**	**27 644 769**	**4 176 377**	**978 508**
	Non-current	27 644 769	14 356 708	5 406 743	27 644 769	4 176 377	978 508
	Total	**27 644 769**	**14 356 708**	**5 406 743**	**27 644 769**	**4 176 377**	**978 508**
12	**INTANGIBLE ASSETS**						
	Year ended 31 December						
	Opening net book amount	446 534	531 217	826 430	16 479	9 074	8 832
	Additions	75 804	43 283	17 456	57 618	10 632	2 777
	Adjustment to cost	-	-	3	-	-	-
	Amortisation charge	(98 345)	(127 965)	(312 672)	(7 608)	(3 227)	(2 535)
	Closing net book amount	**423 993**	**446 534**	**531 217**	**66 490**	**16 479**	**9 074**
	As at 31 December						
	Cost	2 210 325	2 134 522	2 091 239	85 975	28 357	17 725
	Accumulated amortisation	(1 786 332)	(1 687 987)	(1 560 022)	(19 456)	(11 848)	(8 621)
	Accumulated impairment	-	-	-	(29)	(29)	(29)
	Net book amount	**423 993**	**446 534**	**531 217**	**66 490**	**16 479**	**9 074**

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
13	**PROPERTY AND EQUIPMENT**						
	Land and buildings	13 231 607	8 249 851	6 625 543	13 230 382	2 399 568	1 198 905
	Machinery	673 823	528 519	359 305	673 823	153 747	65 027
	Computer equipment	1 173 128	1 432 449	994 101	1 180 411	418 603	180 980
	Furniture and office equipment	2 518 094	1 822 689	1 096 891	2 511 950	528 617	197 613
	Motor vehicles	3 462 674	1 895 893	1 208 452	3 462 761	551 539	218 717
	Total	**21 059 327**	**13 929 402**	**10 284 291**	**21 059 327**	**4 052 073**	**1 861 242**
14	**DEPOSITS AND BORROWINGS FROM OTHER BANKS AND CUSTOMERS**						
14.1	**Deposits from customers**						
	Demand deposits	89 978 567	71 955 326	50 100 953	89 978 567	20 931 857	9 067 226
	Promissory notes	13 623 712	10 405 692	6 851 311	13 623 712	3 027 024	1 239 944
	Other time deposits	6 977 629	6 874 459	3 620 541	6 977 629	1 999 785	655 242
		110 579 907	**89 235 478**	**60 572 805**	**110 579 907**	**25 958 666**	**10 962 413**
	Current	110 303 385	89 235 478	60 342 486	110 303 385	25 958 666	10 920 730
	Non-current	276 522	-	230 318	276 522	-	41 683
	Total	**110 579 907**	**89 235 478**	**60 572 805**	**110 579 907**	**25 958 666**	**10 962 413**
14.2	**Deposits from other banks**						
	Money market deposits	13 501 664	8 887 589	2 524 868	13 501 664	2 585 406	456 948
	Current	**13 501 664**	**8 887 589**	**2 524 868**	**13 501 664**	**2 585 406**	**456 948**

		INFLATION ADJUSTED						HISTORICAL COST					
14.2.1	**Deposit concentration**	2022 ZWL'000	%	2021 ZWL'000	%	2020 ZWL'000	%	2022 ZWL'000	%	2021 ZWL'000	%	2020 ZWL'000	%
	Agriculture	8 811 368	7%	7 330 403	7%	5 276 521	8%	8 811 368	7%	2 132 420	7%	954 940	8%
	Construction	11 446 016	9%	7 760 712	8%	2 897 037	5%	11 446 016	9%	2 257 597	8%	524 303	5%
	Wholesale and retail trade	14 602 769	12%	10 579 105	11%	6 091 983	10%	14 602 769	12%	3 077 469	10%	1 102 522	9%
	Public sector	20 343 946	16%	12 655 652	13%	11 212 185	18%	20 343 946	16%	3 681 539	13%	2 029 171	18%
	Manufacturing	15 317 114	12%	10 385 422	11%	8 141 999	13%	15 317 114	12%	3 021 127	11%	1 473 532	13%
	Telecommunication	7 959 556	6%	7 015 836	7%	5 459 558	9%	7 959 556	6%	2 040 912	7%	988 066	9%
	Transport	7 727 853	6%	6 811 605	7%	3 723 860	6%	7 727 853	6%	1 981 501	7%	673 941	6%
	Individuals	8 744 583	7%	6 801 517	7%	5 468 212	9%	8 744 583	7%	1 978 566	7%	989 632	9%
	Financial services	7 937 361	6%	12 774 847	13%	4 555 041	7%	7 937 361	6%	3 716 212	13%	824 367	7%
	Mining	10 901 415	9%	13 462 476	14%	6 589 339	10%	10 901 415	9%	3 916 244	14%	1 192 533	10%
	Other	10 289 592	8%	2 545 492	3%	3 681 938	6%	10 289 592	8%	740 486	3%	666 354	6%
		124 081 572	**100%**	**98 123 067**	**100%**	**63 097 672**	**100%**	**124 081 572**	**100%**	**28 544 072**	**100%**	**11 419 361**	**100%**

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
14.3	**Borrowings**						
	Bank borrowings						
	Foreign lines of credit	68 452 219	29 293 223	49 428 977	68 452 219	8 521 420	8 945 613
	Other borrowings	(290 206)	(204 306)	596 784	(290 206)	(59 433)	108 005
		68 162 013	**29 088 916**	**50 025 761**	**68 162 013**	**8 461 987**	**9 053 618**
	Current	3 617 288	28 955 615	22 468 261	3 617 288	8 423 210	4 066 286
	Non-current	64 544 725	133 301	27 557 500	64 544 725	38 777	4 987 332
	Total	**68 162 013**	**29 088 916**	**50 025 761**	**68 162 013**	**8 461 987**	**9 053 618**
	Total deposits and borrowings	**192 243 585**	**127 211 983**	**113 123 433**	**192 243 585**	**37 006 059**	**20 472 979**
15	**INSURANCE LIABILITIES**						
	Gross outstanding claims	2 265 231	785 065	753 950	1 860 329	225 517	113 175
	Liability for unearned premium	3 203 910	1 896 407	1 951 794	2 663 842	455 566	289 280
		5 469 140	**2 681 472**	**2 705 744**	**4 524 170**	**681 083**	**402 455**
	Current	**5 469 140**	**2 681 472**	**2 705 744**	**4 524 170**	**681 083**	**402 455**
16	**TRADE AND OTHER PAYABLES**						
	Trade and other payables	22 975 361	13 220 162	4 824 816	21 297 814	3 549 007	873 191
	Deferred income	1 410 871	875 394	1 717 010	842 969	167 991	264 098
	Visa and MasterCard settlement payables	6 827 601	2 726 902	2 822 710	6 827 601	793 258	510 852
	TT Resdex inwards	185 312	226 769	252 378	185 312	65 967	45 675
	RBZ cash cover	19 215 509	10 850 294	14 727 978	19 215 509	3 156 358	2 665 456
	Zimswitch settlement	796 536	403 163	243 508	796 536	117 281	44 070
	Instant banking balances	463 306	596 136	309 865	463 306	173 416	56 079
	Other liabilities	1 985 572	1 609 563	2 907 810	1 970 405	468 223	526 253
	Intermediary tax	1 753 957	1 038 447	602 059	1 753 957	302 085	108 960
	Customer funds awaiting payment	6 634 452	2 895 484	92 686	6 634 452	842 298	16 774
		62 248 476	**34 442 314**	**29 841 192**	**59 987 860**	**9 635 885**	**5 353 987**
	Current	34 784 617	20 044 681	27 708 011	33 101 458	5 534 265	5 014 571
	Non-current	27 463 859	14 397 633	2 133 181	26 886 402	4 101 620	339 416
	Total	**62 248 476**	**34 442 314**	**29 841 192**	**59 987 860**	**9 635 885**	**5 353 987**
17	**SHARE CAPITAL AND SHARE PREMIUM**						
17.1	**Authorised**						
	Number of ordinary shares, with a nominal value of ZWL0,00001	800 000 000	800 000 000	800 000 000	800 000 000	800 000 000	800 000 000
17,2	**Issued and fully paid**						
	Number of ordinary shares, with a nominal value of ZWL0,00001	671 949 927	671 949 927	671 949 927	671 949 927	671 949 927	671 949 927

Notes to the consolidated financial information (continued)

17.3 Share capital movement

	Number of Shares	Share Capital ZWL'000	Share Premium ZWL'000	Total ZWL'000
INFLATION ADJUSTED				
As at 1 January 2020	671 949 927	1 434	3 005 945	3 007 380
Share issue				
As at 31 December 2020	671 949 927	1 434	3 005 945	3 007 380
Share issue				
As at 31 December 2021	**671 949 927**	**1 434**	**3 005 945**	**3 007 380**
Share issue				
As at 31 December 2022	**671 949 927**	**1 434**	**3 005 945**	**3 007 380**
HISTORICAL COST				
As at 1 January 2020	671 949 927	7	14 083	14 090
Share issue				
As at 31 December 2020	671 949 927	7	14 083	14 090
Share issue				
As at 31 December 2021	**671 949 927**	**7**	**14 083**	**14 090**
Share issue				
As at 31 December 2022	**671 949 927**	**7**	**14 083**	**14 090**

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
18 INTEREST INCOME						
Cash and cash equivalents	137 558	103 545	142 842	102 298	25 373	21 292
Loans and advances to other banks	4 488 745	1 016 626	1 152 193	3 402 068	238 235	142 093
Loans and advances to customers	34 800 142	17 038 102	10 702 739	26 180 979	4 004 415	1 301 664
Banker's acceptances and tradable bills	2 053 693	3 076 720	2 091 699	1 470 534	717 323	258 302
Other interest income	1 433 302	1 083 652	313 934	996 166	266 215	38 914
	42 913 440	**22 318 646**	**14 403 407**	**32 152 045**	**5 251 560**	**1 762 266**
Credit related fees that are an intergral part of the effective interest on loans and advances have been classified under interest income.						
18.1 INTEREST EXPENSE						
Deposit from other banks	5 521 437	1 256 677	552 322	4 684 781	268 106	65 753
Demand deposits	99 020	213 479	258 662	76 283	41 323	32 182
Lines of credit from financial institutions	1 680 143	1 517 987	3 752 092	1 157 162	304 428	452 344
Time deposits	6 027 914	1 816 542	426 341	4 729 547	417 870	55 497
	13 328 514	**4 804 684**	**4 989 416**	**10 647 773**	**1 031 727**	**605 775**
19 FEE AND COMMISSION INCOME						
Retail service fees	16 660 618	10 662 941	6 082 776	12 039 039	2 508 556	740 138
Credit related fees	376 790	341 100	619 828	236 413	83 644	92 499
Investment banking fees	14 907	13 469	30 548	11 579	3 280	3 845
Brokerage commission	452 024	607 945	106 521	330 992	143 914	12 796
Other						
	17 504 339	**11 625 455**	**6 839 674**	**12 618 022**	**2 739 394**	**849 279**
19.1 FEE AND COMMISSION EXPENSE						
Brokerage	268 663	81 882	95 135	211 705	18 802	10 623

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
20	**REVENUE**						
	Property sales	30 943	2 071 610	153 251	10 786	345 153	10 812
		30 943	**2 071 610**	**153 251**	**10 786**	**345 153**	**10 812**
20.1	**COST OF SALES**						
	Property costs	17 523	1 176 089	126 635	4 038	214 880	6 949
		17 523	**1 176 089**	**126 635**	**4 038**	**214 880**	**6 949**
21	**INSURANCE PREMIUM REVENUE**						
	Gross premium written	11 911 549	9 206 610	7 453 701	8 755 911	2 066 150	983 441
	Change in unearned premium reserve ("UPR")	(1 922 369)	(238 517)	(772 793)	(2 136 981)	(166 306)	(234 158)
		9 989 180	**8 968 093**	**6 680 908**	**6 618 929**	**1 899 844**	**749 283**
22	**NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**						
	Financial assets at fair value through profit or loss (note 7), fair value gains	9 975 499	8 415 823	3 959 318	8 508 691	2 498 188	752 576
23	**OTHER OPERATING INCOME**						
	Rental income	233 560	120 100	104 923	176 776	27 607	10 827
	Profit/(loss) disposal of property and equipment	410	(13 318)	(273 110)	9 814	(1 328)	(12 494)
	Sundry income	1 581 607	713 985	323 538	1 240 525	156 199	29 742
	Bad debts recoveries	769	5 018	88 701	552	1 006	5 549
	Fair value adjustment on investment property	10 709 699	4 987 104	848 087	19 973 502	2 204 435	800 440
		12 526 045	**5 812 889**	**1 092 140**	**21 401 168**	**2 387 918**	**834 065**
24	**NET INSURANCE COMMISSION EXPENSE**						
	Commissions paid	1 751 723	1 068 900	1 561 591	1 189 807	226 134	204 561
	Change in technical provisions	(115 851)	(111 130)	(27 378)	(87 164)	(35 676)	(33 179)
		1 635 872	**957 770**	**1 534 213**	**1 102 643**	**190 458**	**171 382**
	Commission received	(519 180)	(584 872)	(517 252)	(392 572)	(136 568)	(74 908)
		1 116 692	**372 898**	**1 016 961**	**710 071**	**53 890**	**96 474**

Notes to the consolidated financial information (continued)

25 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

INFLATION ADJUSTED	Gross ZWL'000	Reinsurance ZWL'000	Net ZWL'000
Year ended 31 December 2022			
Claims and loss adjustment expenses	(5 433 901)	902 047	(4 531 854)
Change in technical provisions	(489 290)	144 108	(345 182)
Total claims	**(5 923 191)**	**1 046 155**	**(4 877 036)**
Year ended 31 December 2021			
Claims and loss adjustment expenses	(2 825 754)	320 283	(2 505 472)
Change in technical provisions	(351 179)	9 122	(342 057)
Total claims	**(3 176 933)**	**329 405**	**(2 847 529)**
Year ended 31 December 2020			
Claims and loss adjustment expenses	(2 234 494)	568 352	(1 666 142)
Change in technical provisions	(381 116)	12 636	(368 480)
Total claims	**(2 615 610)**	**580 988**	**(2 034 622)**
HISTORICAL COST			
Year ended 31 December 2022			
Claims and loss adjustment expenses	(4 009 312)	683 563	(3 325 749)
Change in technical provisions	(416 138)	202 999	(213 139)
Total claims	**(4 425 450)**	**886 562**	**(3 538 888)**
Year ended 31 December 2021			
Claims and loss adjustment expenses	(665 192)	64 533	(600 658)
Change in technical provisions	(76 857)	2 723	(74 134)
Total claims	**(742 049)**	**67 257**	**(674 792)**
Year ended 31 December 2020			
Claims and loss adjustment expenses	(266 422)	60 777	(205 645)
Change in technical provisions	(65 944)	11 863	(54 082)
Total claims	**(332 366)**	**72 639**	**(259 727)**

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
26	**ADMINISTRATIVE EXPENSES**						
	Administrative expenses	15 877 262	9 243 288	7 311 591	11 614 125	2 090 636	852 236
	Staff costs (note 26.1)	38 701 176	15 536 978	11 278 347	27 215 481	3 970 847	1 540 909
	Directors' remuneration (note 26.2)	12 946 287	4 590 473	4 685 548	10 201 924	1 057 072	603 809
	Audit fees:						
	- Current year fees	552 471	363 040	166 440	466 699	91 949	20 013
	- Prior year fees	16 941	77 381	116 837	10 186	17 138	11 339
	- Other services	-	-	-	-	-	-
	Depreciation	1 239 369	894 807	889 096	603 449	182 408	59 591
	Impairment of intangible assets						
	Amortisation	98 345	127 965	312 672	7 608	3 227	2 535
	Leases of low value items and short term leases	121 491	35 256	116 902	70 673	7 992	10 356
		69 553 342	**30 869 188**	**24 877 432**	**50 190 145**	**7 421 269**	**3 100 788**
26.1	**Staff costs**						
	Salaries and allowances	36 765 943	14 818 350	11 150 112	26 039 494	3 808 190	1 523 592
	Social security	334 530	73 571	19 417	205 005	16 666	2 610
	Pension contribution	1 600 702	645 057	108 818	970 982	145 992	14 707
		38 701 176	**15 536 978**	**11 278 347**	**27 215 481**	**3 970 847**	**1 540 909**
26.2	**Director's remuneration**						
	Board fees	494 764	343 663	333 213	392 464	82 674	46 324
	Other emoluments	-	841	45 872	-	206	5 528
	For services as management	12 451 523	4 245 969	4 306 462	9 809 460	974 192	551 957
		12 946 287	**4 590 473**	**4 685 548**	**10 201 924**	**1 057 072**	**603 809**
27	**INCOME TAX EXPENSE:**						
	Charge for the year						
	Current income tax on income for the reporting year	3 859 806	4 582 655	1 854 867	3 754 789	1 216 227	304 525
	Adjustments in respect of prior years	-	-	(4 140)	-	-	-
	Deferred income tax	7 200 492	(2 483 595)	(1 414 429)	5 337 037	(371 841)	96 363
	Income tax expense	**11 060 298**	**2 099 060**	**436 298**	**9 091 826**	**844 386**	**400 887**
28	**EARNINGS PER SHARE**						
28.1	**Basic earnings per share**						
	Profit attributable to equity holders of the parent	12 555 216	14 914 793	8 368 579	40 018 318	6 867 850	3 211 693
	Total	**12 555 216**	**14 914 793**	**8 368 579**	**40 018 318**	**6 867 850**	**3 211 693**
	Basic earnings per share (ZWL cents)	1 996.28	2 369.27	1 347.39	6 362.91	1 090.98	517.10
		1 996.28	**2 369.27**	**1 347.39**	**6 362.91**	**1 090.98**	**517.10**

Notes to the consolidated financial information (continued)

Year ended 31 December 2022	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2022	671 949 927	34 530 484	637 419 443	637 419 443
Treasury shares purchased	-	26 717 921	(26 717 921)	(8 488 036)
Treasury shares sold	-	-	-	-
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**61 248 405**	**610 701 522**	**628 931 407**
Year ended 31 December 2021				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2021	671 949 927	44 562 161	627 387 766	627 387 766
Treasury shares purchased	-	49 640 741	(49 640 741)	(26 355 901)
Treasury shares sold	-	(59 672 418)	59 672 418	28 479 141
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**34 530 484**	**637 419 443**	**629 511 006**
Year ended 31 December 2020				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2020	671 949 927	64 708 627	607 241 300	607 241 300
Treasury shares purchased	-	3 483 111	(3 483 111)	(647 665)
Treasury shares sold	-	(23 629 577)	23 629 577	14 501 439
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**44 562 161**	**627 387 766**	**621 095 074**

28.2 Diluted earnings per share

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

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Diluted earnings per share						
Profit attributable to equity holders of the parent	12 555 216	14 914 793	8 368 579	40 018 318	6 867 850	3 211 693
Total	**12 555 216**	**14 914 793**	**8 368 579**	**40 018 318**	**6 867 850**	**3 211 693**
Weighted average number of ordinary shares at 31 December	**628 931 407**	**629 511 006**	**621 095 074**	**628 931 407**	**629 511 006**	**621 095 074**
Diluted earnings per share (ZWL cents)	1 996.28	2 369.27	1 347.39	6 362.91	1 090.98	517.10
	1 996.28	**2 369.27**	**1 347.39**	**6 362.91**	**1 090.98**	**517.10**

28.3 Headline earnings per share

	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-22	31-Dec-21	31-Dec-20
Profit attributable to equity holders of the parent	**12 555 216**	**14 914 793**	**8 368 579**	**40 018 318**	**6 867 850**	**3 211 693**
Adjusted for excluded remeasurements						
Profit on the disposal of property and equipment (note 23)	**(410)**	**13 318**	**273 110**	**(9 814)**	**1 328**	**12 494**
Headline earnings	**12 554 806**	**14 928 111**	**8 641 689**	**40 008 504**	**6 869 178**	**3 224 188**
Weighted average number of ordinary shares at 31 December	**628 931 407**	**629 511 006**	**621 095 074**	**628 931 407**	**629 511 006**	**621 095 074**
Headline earnings per share (ZWL cents)	**1 996.21**	**2 371.38**	**1391.36**	**6 361.35**	**1 091.19**	**519.11**

Notes to the consolidated financial information (continued)

28.4 Diluted headline earnings per share

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

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
Profit attributable to equity holders of the parent	12 555 216	14 914 793	8 368 579	40 018 318	6 867 850	3 211 693
Adjusted for excluded remeasurements						
Profit on the disposal of property and equipment (note 23)	(410)	13 318	273 110	(9 814)	1 328	12 494
Diluted headline earnings	**12 554 806**	**14 928 111**	**8 641 689**	**40 008 504**	**6 869 178**	**3 224 188**
Weighted average number of ordinary shares at 31 December	**628 931 407**	**629 511 006**	**621 095 074**	**628 931 407**	**629 511 006**	**621 095 074**
Diluted headline earnings per share (ZWL cents)	**1 996.21**	**2 371.38**	**1391.36**	**6 361.35**	**1 091.19**	**519.11**

29 SEGMENT REPORTING

Segment information is presented in respect of business segments.
Segment revenue, expenses, liabilities 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 of seven business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short term insurance, stockbroking and insurance broking.

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 information (continued)

29 SEGMENT REPORTING (CONTINUED)

INFLATION ADJUSTED	Commercial banking ZWL'000	Microlending ZWL'000	Mortgage financing ZWL'000	Short term reinsurance ZWL'000	Short term Insurance ZWL'000	Stockbroking ZWL'000	Short term Insurance Broking ZWL'000	Consolidated ZWL'000
Income								
Total net income for the period ended 31 December 2020	30 855 149	507 939	2 428 118	7 712 579	2 150 468	176 774	-	43 831 026
Total net income for the period ended 31 December 2021	35 886 390	1 557 821	6 180 210	9 173 138	2 716 736	784 604	-	56 298 900
Total net income for the period ended 31 December 2022	81 044 743	2 196 412	14 167 187	11 983 589	5 118 343	893 830	(96 929)	115 307 176
Depreciation and amortization for the period ended 31 December 2020	932 294	80 536	93 012	41 694	50 767	1 989	-	1 200 292
Depreciation and amortization for the period ended 31 December 2021	747 845	59 611	105 941	55 972	48 417	2 588	-	1 020 375
Depreciation and amortization for the period ended 31 December 2022	918 908	50 684	186 631	79 644	60 399	4 830	30 145	1 331 242
Impairment allowances on financial assets for period ended 31 December 2020	568 625	12 730	49 215	106 251	22 725	(8)	-	759 538
Impairment allowances on financial assets for period ended 31 December 2021	1 170 197	50 255	98 500	230 319	29 521	-	-	1 578 792
Impairment allowances on financial assets for period ended 31 December 2022	4 329 653	81 503	101 069	-	15 287	-	28 334	4 555 846
Results								
Segment profit before income tax for the period ended 31 December 2020	7 667 462	(272 308)	(81 000)	1 124 707	234 112	(14 866)	-	8 658 107
Segment profit before income tax for the period ended 31 December 2021	9 381 517	139 573	2 360 274	2 455 213	178 224	325 353	-	14 840 155
Segment profit before income tax for the period ended 31 December 2022	24 989 014	330 633	6 673 889	(539 521)	486 861	(131 919)	(595 652)	31 213 306
Total assets and liabilities								
Segment assets for the period ended 31 December 2020	151 760 624	923 685	14 812 763	5 945 392	3 214 159	149 908	-	176 806 532
Segment assets for the period ended 31 December 2021	176 152 075	1 400 802	25 344 417	8 453 534	4 106 265	582 766	-	216 039 859
Segment assets for the period ended 31 December 2022	272 805 462	5 736 117	38 517 110	9 115 929	6 943 304	494 637	630 390	334 242 948
Segment liabilities for the period ended 31 December 2020	39 170 861	154 559	2 805 912	1 045 688	600 058	24 154	-	43 801 233
Segment liabilities for the period ended 31 December 2021	150 044 831	961 492	13 653 911	4 584 306	2 578 689	234 989	-	172 058 218
Segment liabilities for the period ended 31 December 2022	236 569 824	5 101 207	18 894 494	6 466 398	4 547 180	337 548	1 053 246	272 969 898
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	Short term insurance broking	

Notes to the consolidated financial information (continued)

29 SEGMENT REPORTING (CONTINUED)

HISTORICAL COST	Commercial banking ZWL'000	Microlending ZWL'000	Mortgage financing ZWL'000	Short term reinsurance ZWL'000	Short term Insurance ZWL'000	Stockbroking ZWL'000	Short term Insurance Broking ZWL'000	Consolidated ZWL'000
Income								
Total net income for the period ended 31 December 2020	5 082 001	55 824	607 340	662 302	216 641	22 373	-	6 646 482
Total net income for the period ended 31 December 2021	9 371 790	367 519	1 962 772	2 032 825	630 630	197 104	-	14 562 641
Total net income for the period ended 31 December 2022	71 684 574	1 702 836	17 919 919	4 298 301	3 365 077	530 991	(90 304)	99 411 394
Depreciation and amortization for the period ended 31 December 2020	47 877	1 488	10 250	892	1 438	93	-	62 039
Depreciation and amortization for the period ended 31 December 2021	129 140	6 694	35 275	3 668	10 047	482	-	185 305
Depreciation and amortization for the period ended 31 December 2022	431 313	25 989	92 665	12 276	36 861	1 433	8 217	608 754
Impairment allowances on financial assets for period ended 31 December 2020	102 909	2 304	8 907	19 229	4 113	(1)	-	137 461
Impairment allowances on financial assets for period ended 31 December 2021	340 411	14 619	28 654	67 000	8 588	-	-	459 272
Impairment allowances on financial assets for period ended 31 December 2022	4 329 653	81 503	101 069	-	15 287	-	28 334	4 555 846
Results								
Segment profit before income tax for t he period ended 31 December 2020	2 803 998	(4 450)	290 352	483 829	43 925	1 371	-	3 619 025
Segment profit before income tax for the period ended 31 December 2021	4 274 928	37 604	994 487	901 252	83 554	102 057	-	6 393 882
Segment profit before income tax for the period ended 31 December 2022	36 660 885	322 472	12 764 253	2 369 027	876 062	88 910	(704 096)	52 377 514
Total assets and liabilities								
Segment assets for the period ended 31 December 2020	27 304 167	131 517	2 472 494	1 058 918	579 068	27 130	-	31 573 294
Segment assets for the period ended 31 December 2021	51 068 532	356 280	7 147 200	2 417 379	1 192 994	169 527	-	62 351 912
Segment assets for the period ended 31 December 2022	271 990 529	5 461 559	37 836 124	8 967 712	6 930 144	494 637	576 122	332 256 827
Segment liabilities for the period ended 31 December 2020	24 234 611	95 616	1 745 652	555 826	368 020	14 673	-	27 014 398
Segment liabilities for the period ended 31 December 2021	43 571 626	259 421	3 971 933	1 247 613	764 418	66 973	-	49 881 984
Segment liabilities for the period ended 31 December 2022	235 002 134	4 965 080	18 894 494	5 623 937	4 692 095	312 773	1 051 760	270 542 274
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	Short term insurance broking	

Notes to the consolidated financial information (continued)

		INFLATION ADJUSTED			HISTORICAL COST		
		31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
30	**SEGMENT REPORTING (CONTINUED)**						
	Operating segments reconciliations						
	Net income						
	Total net income for reportable segments	115 307 176	56 298 900	43 831 026	99 411 394	14 562 641	6 646 482
	Total net income for non reportable segments	20 196 977	11 827 590	7 982 394	16 235 895	3 124 262	1 127 885
	Elimination of intersegment revenue received from the holding company	(53 893)	(156 797)	(464)	(46 454)	(31 448)	(76)
	Intersegment eliminations	(16 394 664)	(6 409 836)	(6 793 666)	(7 446 468)	(1 330 703)	(565 576)
	Group total net income	**119 055 596**	**61 559 857**	**45 019 290**	**108 154 367**	**16 324 752**	**7 208 714**
	Group profit before tax						
	Total profit before income tax for reportable segments	31 213 306	14 840 155	8 658 107	52 377 514	6 393 882	3 619 025
	Intersegment eliminations	(7 581 230)	2 180 581	156 431	(3 237 919)	1 321 646	(4 760)
	Profit before income tax	**23 632 075**	**17 020 736**	**8 814 537**	**49 139 595**	**7 715 528**	**3 614 265**
	Group assets						
	Total assets for reportable segments	334 242 948	216 039 859	176 806 532	332 256 827	62 351 912	31 573 294
	Other group assets	42 323 199	33 104 422	24 671 470	25 505 135	5 628 268	2 038 850
	Deferred tax asset allocated to the holding company	2 161 427	602 860	561 763	2 004 036	137 150	106 001
	Intersegment eliminations	(43 350 194)	(32 155 937)	(23 003 438)	(26 812 094)	(5 326 088)	(1 758 870)
	Group total assets	**335 377 380**	**217 591 204**	**179 036 328**	**332 953 904**	**62 791 242**	**31 959 274**
	Group liabilities						
	Total liabilities for reportable segments	272 969 898	172 058 218	150 571 066	270 542 274	49 881 984	27 014 398
	Other group liabilities and elimination of intersegment payables	(470 310)	(3 875 756)	343 224	(2 648 739)	(1 420 984)	28 172
	Group total liabilities	**272 499 587**	**168 182 462**	**150 914 290**	**267 893 535**	**48 460 999**	**27 042 571**

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 Bank and the Building Society by Group companies.

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

Notes to the consolidated financial information (continued)

31 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

31.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products.

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

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

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

The Group Credit Division periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assess the adequacy of the impairment allowance.

Notes to the consolidated financial information (continued)

Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

Credit policies, procedures and limits

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

Credit risk mitigation and hedging

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

Credit risk stress testing

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

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 to determine expected credit losses (ECL)

Notes to the consolidated financial information (continued)

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

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

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

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

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

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

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

Notes to the consolidated financial information (continued)

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
31.1.1 Exposure to credit risk						
Loans and advances						
Stage 3/Grade 8:	3 682 098	190 948	18 019	3 682 098	55 547	11 210
Stage 3/Grade 9:	45 507	176 108	3 788	45 507	51 230	2 357
Stage 3/Grade 10:	499 695	243 346	3 485	499 695	70 790	2 168
Gross amount	**4 227 300**	**610 402**	**25 292**	**4 227 300**	**177 566**	**15 735**
Allowance for impairment	(1 076 288)	(417 905)	(12 741)	(1 076 288)	(121 569)	(7 927)
Carrying amount	**3 151 012**	**192 497**	**12 551**	**3 151 012**	**55 997**	**7 809**
Stage 2/Grade 4 - 7:	14 932 203	10 848 957	2 091 224	14 932 203	3 155 970	1 301 021
Stage 1/Grade 1 - 3:	135 272 746	71 242 792	19 564 398	135 272 079	20 724 389	12 171 551
Gross amount	**150 204 949**	**82 091 749**	**21 655 622**	**150 204 282**	**23 880 358**	**13 472 572**
Allowance for impairment	(3 695 612)	(1 385 842)	(220 917)	(3 695 612)	(403 142)	(137 440)
Carrying amount	**146 509 337**	**80 705 908**	**21 434 706**	**146 508 670**	**23 477 216**	**13 335 132**
Total carrying amount	**149 660 349**	**80 898 404**	**21 447 257**	**149 659 682**	**23 533 213**	**13 342 941**

31.1.2 Sectorial analysis of utilizations of loans and advances to customers

INFLATION ADJUSTED	2022 ZWL'000	2022 %	2021 ZWL'000	2021 %	2020 ZWL'000	2020 %
Mining	21 464 716	14%	9 907 705	12%	3 697 651	17%
Manufacturing	10 390 219	7%	15 733 088	19%	1 136 939	5%
Mortgage	12 179 431	8%	4 007 433	5%	584 194	3%
Wholesale	114 130	0%	3 054 425	4%	390 834	2%
Distribution	12 462 590	8%	3 821 923	5%	1 112 202	5%
Individuals	9 662 125	6%	11 494 014	14%	928 078	4%
Agriculture	5 362 361	3%	6 023 156	7%	1 837 287	8%
Communication	-	0%	79 034	0%	-	0%
Construction	6 605 513	4%	5 341 036	6%	251 108	1%
Local authorities	116 805	0%	480 406	1%	30 360	0%
Other services	76 074 359	49%	22 759 931	28%	11 712 262	54%
	154 432 249	**100%**	**82 702 151**	**100%**	**21 680 915**	**100%**

HISTORICAL COST	2022 ZWL'000	2022 %	2021 ZWL'000	2021 %	2020 ZWL'000	2020 %
Mining	21 464 716	14%	2 882 159	12%	2 300 433	17%
Manufacturing	10 390 219	7%	4 576 767	19%	707 328	5%
Mortgage	12 179 431	8%	1 165 765	5%	363 447	3%
Wholesale	114 130	0%	888 535	4%	243 151	2%
Distribution	12 462 590	8%	1 111 800	5%	691 938	5%
Individuals	9 662 125	6%	3 343 617	14%	577 389	4%
Agriculture	5 362 361	3%	1 752 141	7%	1 143 038	8%
Communication	-	0%	22 991	0%	-	0%
Construction	6 605 513	4%	1 553 711	6%	156 223	1%
Local authorities	116 805	0%	139 750	1%	18 888	0%
Other services	76 073 692	50%	6 620 689	28%	7 286 473	54%
	154 431 582	**100%**	**24 057 925**	**100%**	**13 488 307**	**100%**

Notes to the consolidated financial information (continued)

Reconciliation of allowance for impairment for loans and advances

INFLATION ADJUSTED	31-Dec-22			31-Dec-21			31-Dec-20		
	Specific allowance / Stage 3 ZWL'000	Collective allowance / Stage 1-2 ZWL'000	Total ZWL'000	Specific allowance / Stage 3 ZWL'000	Collective allowance / Stage 1-2 ZWL'000	Total ZWL'000	Specific allowance / Stage 3 ZWL'000	Collective allowance / Stage 1-2 ZWL'000	Total ZWL'000
Balance at 1 January	417 905	1 385 842	1 803 747	43 799	759 422	803 222	23 721	286 067	309 787
Effects of IAS 29	(296 336)	(982 699)	(1 279 035)	(16 550)	(286 960)	(303 511)	(18 433)	(222 296)	(240 729)
Impairment loss allowance	971 223	3 333 095	4 304 318	411 302	913 380	1 324 682	8 444	157 146	165 590
Amounts written off during the year	(16 504)	(40 626)	(57 130)	(20 646)	-	(20 646)	(991)	-	(991)
Balance as at 31 December	**1 076 288**	**3 695 612**	**4 771 900**	**417 905**	**1 385 842**	**1 803 747**	**12 741**	**220 917**	**233 658**

HISTORICAL COST	31-Dec-22			31-Dec-21			31-Dec-20		
	Specific allowance / Stage 3 ZWL'000	Collective allowance / Stage 1-2 ZWL'000	Total ZWL'000	Specific allowance / Stage 3 ZWL'000	Collective allowance / Stage 1-2 ZWL'000	Total ZWL'000	Specific allowance / Stage 3 ZWL'000	Collective allowance / Stage 1-2 ZWL'000	Total ZWL'000
Balance at 1 January	121 569	403 142	524 711	7 927	137 440	145 366	3 290	39 674	42 964
Impairment loss allowance	971 223	3 333 095	4 304 318	119 648	265 703	385 351	5 254	97 766	103 019
Amounts written off during the year	(16 504)	(40 626)	(57 130)	(6 006)	-	(6 006)	(616)	-	(616)
Balance as at 31 December	**1 076 288**	**3 695 612**	**4 771 900**	**121 569**	**403 142**	**524 711**	**7 927**	**137 440**	**145 366**

Notes to the consolidated financial information (continued)

	INFLATION ADJUSTED			HISTORICAL COST		
	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000	31-Dec-22 ZWL'000	31-Dec-21 ZWL'000	31-Dec-20 ZWL'000
31.1.6 Trade and other receivables including insurance receivables						
Past due and impaired	151 733	350 254	42 480	151 733	101 889	26 428
Allowance for impairment	(151 733)	(350 254)	(42 480)	(151 733)	(101 889)	(26 428)
Carrying amount						
Past due but not impaired	26 247	589 262	45 554	26 247	171 417	28 341
Neither past due nor impaired	5 296 849	1 587 917	790 066	4 833 396	447 419	457 583
Gross amount, not impaired	**5 323 096**	**2 177 179**	**835 621**	**4 859 643**	**618 836**	**485 924**
Allowance for impairment	-	(327)	(488)	-	(95)	(304)
Carrying amount, not impaired	**5 323 096**	**2 176 852**	**835 132**	**4 859 643**	**618 741**	**485 620**
Total carrying amount	**5 323 096**	**2 176 852**	**835 132**	**4 859 643**	**618 741**	**485 620**

31.2 Liquidity risk

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

Management of liquidity risk

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

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

Liquidity and funding management

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

Cash flow and maturity profile analysis

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

Liquidity contingency plans

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

Liquidity stress testing

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

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

Notes to the consolidated financial information (continued)

INFLATION ADJUSTED

Contractual maturity analysis on balance sheet items as at 31 December 2022	Up to 3 months ZWL'000	3 months to 1 year ZWL'000	Over 1 to 20 years ZWL'000	Total ZWL'000
Liabilities				
Deposits from customers	108 063 330	2 516 577	-	110 579 907
Deposits from other banks	13 432 024	57 240	12 400	13 501 664
Borrowings	78 335	9 393 058	71 751 732	81 223 125
Insurance liabilities	5 469 140	-	-	5 469 140
Trade and other liabilities excluding defferred income	55 266 508	3 527 033	2 044 064	60 837 605
Total liabilities - (contractual maturity)	**182 309 338**	**15 493 909**	**73 808 196**	**271 611 442**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	73 049 579	10 752 841	-	83 802 420
Financial assets at amortised cost	6 993 579	2 687 624	122 137	9 803 340
Loans and advances to customers	16 195 829	127 720 085	706 023 687	849 939 601
Bonds and debentures				
Trade and other receivables including insurance receivables	2 650 799	2 638 310	4 706	5 293 815
Financial assets at fair value through profit or loss	12 315 525	-	2 283 911	14 599 436
Financial assets at fair value through other comprehensive income	212 026	-	-	212 026
Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments, work in progress	13 290 764	387 732	2 792 629	16 471 125
	124 708 101	**144 186 593**	**711 227 071**	**980 121 764**
Liquidity gap	**(57 601 237)**	**128 692 684**	**637 418 875**	**708 510 322**
Cumulative liquidity gap - on balance sheet	**(57 601 237)**	**71 091 447**	**708 510 322**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	7 525 519	-	7 525 519
Commitments to lend	5 747 054	-	-	5 747 054
Total liabilities	**5 747 054**	**7 525 519**	**-**	**13 272 573**
Liquidity gap	**(5 747 054)**	**(7 525 519)**	**-**	**695 237 750**
Cumulative liquidity gap - on and off balance sheet	**(63 348 290)**	**57 818 875**	**695 237 750**	**-**

Notes to the consolidated financial information (continued)

INFLATION ADJUSTED

Contractual maturity analysis on balance sheet items as at 31 December 2021	Up to 3 months ZWL'000	3 months to 1 year ZWL'000	Over 1 to 20 years ZWL'000	Total ZWL'000
Liabilities				
Deposits from customers	35 386 075	53 849 402	-	89 235 478
Deposits from other banks	855 210	8 032 379	-	8 887 589
Borrowings	5 021 642	10 087 755	17 818 258	32 927 655
Insurance liabilities	2 681 472	-	-	2 681 472
Trade and other liabilities excluding defferred income	15 017 699	17 746 405	802 816	33 566 920
Total liabilities - (contractual maturity)	**58 962 099**	**89 715 941**	**18 621 073**	**167 299 113**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	54 486 035	6 151 788	-	60 637 822
Financial assets at amortised cost	3 386 631	5 208 941	637 617	9 233 189
Loans and advances to customers	8 365 833	25 022 951	139 929 323	173 318 107
Bonds and debentures	-	-	58 925	58 925
Trade and other receivables including insurance receivables	1 341 443	819 230	16 179	2 176 852
Financial assets at fair value through profit or loss	11 896 333	-	620 632	12 516 965
Financial assets at fair value through other comprehensive income	536 267	-	-	536 267
Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments	17 673 869	314 670	1 742 200	19 730 739
	97 686 412	**37 517 579**	**143 004 875**	**278 208 866**
Liquidity gap	**38 724 313**	**(52 198 362)**	**124 383 802**	**110 909 753**
Cumulative liquidity gap - on balance sheet	**38 724 313**	**(13 474 049)**	**110 909 753**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	13 281 810	-	13 281 810
Commitments to lend	2 446 338	-	-	2 446 338
Total liabilities	**2 446 338**	**13 281 810**	**-**	**15 728 148**
Liquidity gap	**(2 446 338)**	**(13 281 810)**	**-**	**95 181 605**
Cumulative liquidity gap - on and off balance sheet	**36 277 975**	**(29 202 197)**	**95 181 605**	**-**

Notes to the consolidated financial information (continued)

INFLATION ADJUSTED

Contractual maturity analysis on balance sheet items as at 31 December 2020	Up to 3 months ZWL'000	3 months to 1 year ZWL'000	Over 1 to 20 years ZWL'000	Total ZWL'000
Liabilities				
Deposits from customers	57 317 526	3 024 960	230 318	60 572 805
Deposits from other banks	2 330 834	194 034	-	2 524 868
Borrowings	7 721 465	14 746 796	27 557 500	50 025 761
Insurance liabilities	2 705 744	-	-	2 705 744
Trade and other liabilities excluding defferred income	14 086 597	13 621 414	416 171	28 124 182
Total liabilities - (contractual maturity)	**84 162 166**	**31 587 204**	**28 203 989**	**143 953 359**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	57 793 266	552 550	-	58 345 816
Financial assets at amortised cost	4 134 366	1 754 870	108 481	5 997 717
Loans and advances to customers	11 761 168	25 099 320	36 866 576	73 727 063
Bonds and debentures	-	2 581 216	36 099	2 617 315
Trade and other receivables including insurance receivables	2 675 124	169 721	26 005	2 870 850
Financial assets at fair value through profit or loss	3 941 483	-	322 811	4 264 294
Financial assets at fair value through other comprehensive income	212 123	-	-	212 123
Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments	6 686 241	-	1 559 326	8 245 567
	87 203 770	**30 157 676**	**38 919 299**	**156 280 745**
Liquidity gap	**3 041 604**	**(1 429 528)**	**10 715 310**	**12 327 386**
Cumulative liquidity gap - on balance sheet	**3 041 604**	**1 612 076**	**12 327 386**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	5 338 711	-	5 338 711
Commitments to lend	2 278 005	-	-	2 278 005
Total liabilities	**2 278 005**	**5 338 711**	**-**	**7 616 716**
Liquidity gap	**(2 278 005)**	**(5 338 711)**	**-**	**4 710 670**
Cumulative liquidity gap - on and off balance sheet	**763 599**	**(6 004 640)**	**4 710 670**	**-**

Notes to the consolidated financial information (continued)

HISTORICAL COST

Contractual maturity analysis on balance sheet items as at 31 December 2022	Up to 3 months ZWL'000	3 months to 1 year ZWL'000	Over 1 year ZWL'000	Total ZWL'000
Liabilities				
Deposits from customers	108 063 330	2 516 577	-	110 579 907
Deposits from other banks	13 432 024	57 240	12 400	13 501 664
Borrowings	78 335	9 393 058	71 751 732	81 223 125
Insurance liabilities	4 524 170	-	-	4 524 170
Trade and other liabilities excluding defferred income	53 573 794	3 527 033	2 044 064	59 144 891
Total liabilities - (contractual maturity)	**179 671 653**	**15 493 909**	**73 808 196**	**268 973 758**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	73 049 579	10 752 841	-	83 802 420
Financial assets at amortised cost	6 993 579	2 687 624	122 137	9 803 340
Loans and advances to customers	16 195 162	127 720 085	706 023 687	849 938 934
Bonds and debentures				
Trade and other receivables including insurance receivables	2 187 346	2 638 310	4 706	4 830 363
Financial assets at fair value through profit or loss	12 703 252	-	2 283 911	14 987 164
Financial assets at fair value through other comprehensive income	212 026	-	-	212 026
Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments, work in progress	13 532 688	387 732	2 792 629	16 713 048
	124 873 633	**144 186 593**	**711 227 071**	**980 287 296**
Liquidity gap	**(54 798 021)**	**128 692 684**	**637 418 875**	**711 313 538**
Cumulative liquidity gap - on balance sheet	**(54 798 021)**	**73 894 663**	**711 313 538**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	7 525 519	-	7 525 519
Commitments to lend	5 747 054	-	-	5 747 054
Total liabilities	**5 747 054**	**7 525 519**	**-**	**13 272 573**
Liquidity gap	**(5 747 054)**	**(7 525 519)**	**-**	**698 040 966**
Cumulative liquidity gap - on and off balance sheet	**(60 545 074)**	**60 622 091**	**698 040 966**	**-**

Notes to the consolidated financial information (continued)

31.2 Liquidity risk (continued)

HISTORICAL COST

Contractual maturity analysis on balance sheet items as at 31 December 2021	Up to 3 months ZWL'000	3 months to 1 year ZWL'000	Over 1 year ZWL'000	Total ZWL'000
Liabilities				
Deposits from customers	10 293 835	15 664 831	-	25 958 666
Deposits from other banks	248 781	2 336 625	-	2 585 406
Borrowings	1 460 799	2 934 535	5 183 344	9 578 679
Insurance liabilities	681 083	-	-	681 083
Trade and other liabilities excluding defferred income	4 071 912	5 162 442	233 540	9 467 894
Total liabilities - (contractual maturity)	**16 756 411**	**26 098 433**	**5 416 884**	**48 271 728**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	15 850 027	1 789 560	-	17 639 587
Financial assets at amortised cost	985 173	1 515 285	185 483	2 685 941
Loans and advances to customers	2 433 435	7 279 195	40 705 542	50 418 172
Bonds and debentures	-	-	17 141	17 141
Trade and other receivables including insurance receivables	375 720	238 315	4 706	618 741
Financial assets at fair value through profit or loss	3 544 277	-	180 542	3 724 820
Financial assets at fair value through other comprehensive income	156 000	-	-	156 000
Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments	5 165 367	91 538	506 807	5 763 712
	28 510 001	**10 913 891**	**41 600 223**	**81 024 115**
Liquidity gap	**11 753 590**	**(15 184 542)**	**36 183 339**	**32 752 387**
Cumulative liquidity gap - on balance sheet	**11 753 590**	**(3 430 952)**	**32 752 387**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	3 863 688	-	3 863 688
Commitments to lend	711 642	-	-	711 642
Total liabilities	**711 642**	**3 863 688**	**-**	**4 575 330**
Liquidity gap	**(711 642)**	**(3 863 688)**	**-**	**28 177 057**
Cumulative liquidity gap - on and off balance sheet	**11 041 948**	**(8 006 282)**	**28 177 057**	**-**

Notes to the consolidated financial information (continued)

31.2 Liquidity risk (continued)

HISTORICAL COST

Contractual maturity analysis on balance sheet items as at 31 December 2020	Up to 3 months ZWL'000	3 months to 1 year ZWL'000	Over 1 year ZWL'000	Total ZWL'000
Liabilities				
Deposits from customers	10 373 275	547 455	41 683	10 962 413
Deposits from other banks	421 832	35 116	-	456 948
Borrowings	1 397 424	2 668 862	4 987 332	9 053 618
Insurance liabilities	402 455	-	-	402 455
Trade and other liabilities excluding defferred income	2 549 380	2 465 191	75 318	5 089 890
Total liabilities - (contractual maturity)	**15 144 366**	**5 716 624**	**5 104 333**	**25 965 324**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	10 459 374	100 000	-	10 559 374
Financial assets at amortised cost	748 234	317 595	19 633	1 085 461
Loans and advances to customers	2 128 408	4 542 453	6 672 080	13 342 941
Bonds and debentures	-	467 146	6 533	473 679
Trade and other receivables including insurance receivables	450 198	30 716	4 706	485 620
Financial assets at fair value through profit or loss	749 811	-	58 422	808 233
Financial assets at fair value through other comprehensive income	38 390	-	-	38 390
Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments	1 187 919	-	282 205	1 470 125
	15 762 333	**5 457 910**	**7 043 580**	**28 263 823**
Liquidity gap	**617 967**	**(258 715)**	**1 939 247**	**2 298 500**
Cumulative liquidity gap - on balance sheet	**617 967**	**359 252**	**2 298 500**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	966 195	-	966 195
Commitments to lend	412 271	-	-	412 271
Total liabilities	**412 271**	**966 195**	**-**	**1 378 467**
Liquidity gap	**(412 271)**	**(966 195)**	**-**	**920 033**
Cumulative liquidity gap - on and off balance sheet	**205 696**	**(1 019 214)**	**920 033**	**-**

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.

Notes to the consolidated financial information (continued)

31.3 Market risk

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

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

31.3.1 Interest rate risk

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

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

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

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

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

Scenario analysis of net interest income

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

31.3.2 Currency risk

The Group is a diversified local Company and its major trading and reporting currency is the ZWL. The Group is exposed to various currency exposures primarily with respect to to the South African rand, Botswana pula, British pound, United States Dollar and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

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

31.3.3 Equity Price risk

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

Notes to the consolidated financial information (continued)

31.4 Settlement risk

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

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that trades are settled only when both parties have fulfilled their contractual settlement obligations.
Settlement limits form part of the credit approval / limit monitoring process.

31.5 Operating risk

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

Group's approach to managing operational risk

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

Operational risk framework and governance

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

The management and measurement of operational risk

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

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

Business continuity management

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

Notes to the consolidated financial information (continued)

31.6 Capital risk

31.6.1 Regulatory Capital and Financial Risk Management

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

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

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

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

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

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

- Tier 1 capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

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

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

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

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

Notes to the consolidated financial information (continued)

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

Company	Regulatory authority	Minimum capital required US$	Minimum capital required ZWL'000	Net regulatory capital ZWL'000	Total equity ZWL'000
As at 31 December 2022					
FBC Bank Limited	RBZ	30 000 000	20 530 170	25 030 758	36 988 394
FBC Building Society	RBZ	20 000 000	13 686 780	15 197 289	18 941 630
FBC Reinsurance Limited	IPEC	-	150 000	3 343 774	3 343 774
FBC Securities (Private) Limited	SECZ	-	150	181 864	181 864
FBC Insurance Company (Private) Limited	IPEC	-	37 500	2 238 050	2 238 050
Microplan Financial Services (Private) Limited	RBZ	25 000	17 108	496 478	496 478
As at 31 December 2021					
FBC Bank Limited	RBZ	30 000 000	3 259 980	5 503 064	7 496 906
FBC Building Society	RBZ	20 000 000	2 173 320	2 433 035	3 175 267
FBC Reinsurance Limited	IPEC	-	150 000	1 169 766	1 169 766
FBC Securities (Private) Limited	SECZ	-	150	102 554	102 554
FBC Insurance Company (Private) Limited	IPEC	-	37 500	428 576	428 576
Microplan Financial Services (Private) Limited	RBZ	25 000	2 717	96 860	96 860
As at 31 December 2020					
FBC Bank Limited	RBZ	30 000 000	2 453 598	1 998 606	3 069 556
FBC Building Society	RBZ	20 000 000	1 635 732	368 187	726 842
FBC Reinsurance Limited	IPEC	-	150 000	503 093	503 093
FBC Securities (Private) Limited	SECZ	-	150	12 457	12 457
FBC Insurance Company (Private) Limited	IPEC	-	37 500	211 048	211 048
Microplan Financial Services (Private) Limited	RBZ	25 000	2 045	35 900	35 900

31.7 Climate related risk

Climate-related risks' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Group has set up a Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

The Group has developed a climate risk framework for:

- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor.

The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios.

Notes to the consolidated financial information (continued)

31.8 Reputational risk

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

31.9 Legal and compliance risk

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

31.10 Strategic risk

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

32 Statement of Compliance

The Group complies with the following statutes inter alia:-

The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23); Insurance Act (Chapter 24:07) and the Companies and Other Business Entities Act (Chapter 24:31). In addition, the Group also complies with the Reserve Bank of Zimbabwe and Insurance and Pensions Commission's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

33 INTERNATIONAL CREDIT RATINGS

The Group supended the credit ratings on some of its banking and insurance subsidiaries which have in the past reviewed annually by an international credit rating agency, Global Credit Rating due to the Covid-19 pandemic. The rating for the units with ratings that have been suspended was last done in 2019.

The last ratings for those units with suspended ratings and the ratings for those still being rated are as follows:

Subsidiary	2022	2021	2019	2018	2017	2016	2015
FBC Bank Limited	A-	A-	BBB+	BBB+	BBB+	A-	A-
FBC Reinsurance Limited	A-	A-	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 (Private) Limited	-	-	BBB	BBB	BBB-	BBB-	N/A

34 SUBSEQUENT EVENTS

34.1 Dividend Declared

Notice is hearby given that a final dividend of 297,64 ZWL cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 22 March 2023 in respect of the year ended 31 December 2022.

The dividend is payable to Shareholders registered in the books of Company at the close of business on Friday 14 April 2023. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 11 April 2023 and ex-dividend as from 12 April 2023. Dividend payment will be made to Shareholders on or about 28 April 2023.

Appendix III (b) – Accountant's Report on the consolidated historical financial information of FBC Holdings Limited

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The Directors
FBC Holdings Limited
45 Nelson Mandela Avenue
Harare

Our ref BMN/emtd

7 September 2023

Dear Sir/Madam

Report of the Independent Reporting Accountant on the Consolidated Historical Financial Information of FBC Holdings Limited

Introduction

The directors of FBC Holdings Limited ("FBCH") are proposing to acquire all the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited ("SCBZ") and the entire beneficial interest in the Africa Enterprise Network Trust ("AENT") ("the Trust Interest") as a single and indivisible transaction for a cash consideration ("the Proposed Acquisition" or "the Proposed Transaction") as contained in the circular to shareholders of FBCH dated 7 September 2023 ("the Circular"). SCBZ owns 100% of Standard Chartered Nominees Zimbabwe (Private) Limited ("SC Nominees") which undertakes the custodial business. On completion of the Proposed Acquisition, SCBZ will become a wholly owned subsidiary of FBCH. FBCH will also own the entire Trust Interest which is principally comprised of a 20.7% shareholding in Mashonaland Holdings Limited ("MHL") ("the MHL Shareholding") and a legacy debt receivable from the Ministry of Finance and Economic Development ("MoFED").

KPMG Chartered Accountants (Zimbabwe) have been auditors of the financial statements of FBC Holdings Limited and its subsidiaries (collectively referred to hereinafter as the Group) between 2020 and 2022, from which the financial information, included in Appendix III(a) of this Circular has been extracted. The audit reports and modifications therein, where applicable, for the periods since the year ended 31 December 2020 to 31 December 2022 are indicated below in this report.

In terms of Section 240 to 245 as read with section 223 of the Securities and Exchange Listing Requirements (Zimbabwe Stock Exchange ("ZSE") Listing Requirements) Rules 2019 ("the Zimbabwe Stock Exchange Listing Requirements"), we present our report in respect of the Consolidated Historical Inflation Adjusted Financial Information for the three years ended 31 December 2020 to 31 December 2022.

Responsibilities

The directors of the FBC Holdings Limited are solely responsible for the compilation, contents and presentation of the circular to shareholders of FBCH ("the Circular") dated [Insert Date] of which this report is a part, and for the financial statements and other financial information from which the financial information contained in the Circular has been prepared, in accordance with International Financial Reporting Standards ("IFRSs") and other applicable regulations and guidance, as may be applicable to the Group from time to time. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

We report on the consolidated historical inflation adjusted financial information in accordance with the requirements of Section 240 to 245 of the Zimbabwe Stock Exchange Listing Requirements.

KPMG

Audit Opinions

KPMG Chartered Accountants (Zimbabwe) were appointed auditors of the Group from the year ended 31 December 2020. We have reproduced sections of the auditor's reports on the financial statements of FBCH in respect of the financial years ended 31 December 2020, 2021 and 2022.

YEAR ENDED 31 DECEMBER 2020

The audit opinion for the financial year ended 31 December 2020 was qualified and enunciated as follows:
'In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion section of our report, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of FBC Holdings Limited as at 31 December 2020, and its inflation adjusted consolidated and separate financial performance and its inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the manner required by the Companies and Other Business Entities Act (Chapter24:31), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Securities and Exchange Act (Chapter24:25), Microfinance Act (Chapter 24:29) and the Insurance Act (Chapter 24:07.'

The basis of the qualified opinion related to the following:
Non-compliance with International Financial Reporting Standard IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior year and the impact of this non-compliance on the comparative financial information.

For the 2019 financial year, the Group and Company applied Statutory Instrument (S.I. 33) up to 22 February 2019 and maintained the United States dollar (USD) as its functional currency applying an exchange rate of 1:1 between the USD and the Zimbabwe dollar (ZWL). This was not in compliance with IAS 21 where the functional currency was assessed to have been the ZWL with effect from 1 October 2018 and the market exchange rate was not 1:1. In order to comply with S.I. 33, issued on 22 February 2019, the Group and Company changed its functional currency to the ZWL with effect from 23 February 2019. These departures from IAS 21 resulted in an adverse opinion being issued in respect of the 31 December 2019 inflation adjusted consolidated and separate financial statements.

Had the Group and Company applied the requirements of IAS 21 many elements of the prior year inflation adjusted consolidated and separate financial statements, which are presented as comparative financial information, would have been materially impacted. The financial effects of this departure on the year (2019) inflation adjusted consolidated and separate financial statements have not been determined.

Our opinion on the current year's inflation adjusted consolidated and separate financial statements is qualified because of the possible effects of this matter on the comparability of the current year's inflation adjusted consolidated and separate financial statements with that of the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted 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 qualified opinion section we determined the matters listed below to be the key audit matters to be communicated in our report.

— Valuation of owner-occupied property and investment property
— Valuation of intangible assets
— Accounting for the legacy debt asset
— Expected credit loss allowance on loans and advances to customers
— Valuation of unlisted and suspended securities
— Valuation of incurred but not reported claims (IBNR), net outstanding claims and unearned premium reserve

YEAR ENDED 31 DECEMBER 2021

Audit opinion

The audit opinion for the financial year ended 31 December 2022 was unqualified and enunciated as follows:
'In our opinion, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of FBC Holdings Limited as at 31 December 2021, and its inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the manner required by the Companies and Other Business Entities Act [Chapter 24:31], the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Securities and Exchange Act (Chapter 24:25), Microfinance Act (Chapter 24:29) and the Insurance Act (Chapter 24:07).'

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted 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. We determined the matters listed below to be the key audit matters to be communicated in our report.

— Valuation of owner-occupied property and investment property
— Expected credit loss allowance on loans and advances to customers
— Valuation of gross insurance liabilities

YEAR ENDED 31 DECEMBER 2022

Audit opinion

The audit opinion for the financial year ended 31 December 2022 was unqualified and enunciated as follows:

'In our opinion, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of FBC Holdings Limited as at 31 December 2022, and its inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and in the manner required by the Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07), Securities and Exchange Act (Chapter 24:25), Building Societies Act (Chapter 24:02), Microfinance Act (Chapter 24:29), and Companies and Other Business Entities Act (Chapter 24:31).'

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted 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. We determined the matters listed below to be the key audit matters to be communicated in our report.

— Valuation of owner-occupied property and investment property
— Expected credit loss allowance on loans and advances to customers

Format of the financial information presented

As the purpose of the financial information differs from the purpose of the financial statements prepared for members, the financial information in the Circular in Appendix III(a) is not intended to comply in full with the presentation and disclosure requirements of the Companies and Other Business Entities Act [Chapter 24:03] and IFRSs promulgated by the International Accounting Standards Board ("IASB").

Our report shall not in any way constitute recommendations regarding the completion of the transaction or the issue of the Circular to shareholders.

Historical cost financial information in Appendix III (a)

The historical cost financial information has been shown as supplementary information for the benefit of users and is not the primary financial information. This information does not comply with the International Financial Reporting Standards in that it has not been prepared in line with the requirements of International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies. As a result, no audit or review opinion was expressed on this historical cost financial information, annotated as "Historical Cost" in Appendix III(a). This report on the consolidated historical financial information of FBC Holdings Limited does not therefore extend to the historical cost financial information, annotated as "Historical Cost" in Appendix III(a).

Yours faithfully,

KPMG Chartered Accountants (Zimbabwe)

Appendix III (c) – Unaudited consolidated pro-forma financial information of FBC Holdings Limited

Statements of financial position

		Inflation Adjusted					Historical Cost*				
	Notes	FBC Holdings Limited Consolidated Audited 31 Dec 2022 ZWL' 000	Standard Chartered Bank Zimbabwe Audited 31 Dec 2022 ZWL' 000	Africa Enterprise Network Trust Audited 31 Dec 2022 ZWL' 000	Proforma Journals ZWL' 000	Proforma Consolidated Position Unaudited 31 Dec 2022 ZWL' 000	FBC Holdings Limited Consolidated Unaudited 31 Dec 2022 ZWL' 000	Standard Chartered Bank Zimbabwe Unaudited 31 Dec 2022 ZWL' 000	Africa Enterprise Network Trust Unaudited 31 Dec 2022 ZWL' 000	Proforma Journals ZWL' 000	Proforma Consolidated Position Unaudited 31 Dec 2022 ZWL' 000
ASSETS											
Non-current assets held for sale		-	720 400	-	-	720 400	-	720 400	-	-	720 400
Restricted balances due from the Central Bank		-	5 463 390	-	-	5 463 390	-	5 463 390	-	-	5 463 390
Balances with other banks and cash	1	83 802 420	84 371 976	47 578	(31 881 426)	136 340 548	83 802 420	84 371 976	47 578	(31 881 426)	136 340 548
Financial assets at amortised cost		8 078 817	-	-	-	8 078 817	8 078 817	-	-	-	8 078 817
Loans and advances to customers		149 660 349	10 672 906	-	-	160 333 255	149 659 682	10 672 906	-	-	160 332 588
Trade and other receivables including insurance receivables		5 323 096	-	-	-	5 323 096	4 859 643	-	-	-	4 859 643
Financial assets at fair value through profit or loss		14 599 436	-	3 227 404	-	17 826 840	14 987 164	-	3 227 404	-	18 214 567
Financial assets at fair value through other comprehensive income		212 026	4 182 406	-	-	4 394 432	212 026	4 182 406	-	-	4 394 432
Inventory		875 391	-	-	-	875 391	315 340	-	-	-	315 340
Prepayments and other assets		20 269 549	4 895 209	4 991 371	-	30 156 129	19 470 057	3 357 045	4 991 371	-	27 818 474
Current income tax asset		554 646	-	-	-	554 646	554 646	-	-	-	554 646
Deferred tax assets		2 264 276	-	-	-	2 264 276	2 094 242	-	-	-	2 094 242
Investment property		27 644 769	7 649 600	-	-	35 294 369	27 644 769	7 649 600	-	-	35 294 369
Intangible assets		423 993	-	-	-	423 993	66 490	-	-	-	66 490
Property and equipment		21 059 327	9 369 944	-	-	30 429 271	21 059 327	8 983 361	-	-	30 042 688
Right of use asset		609 285	96 629	-	-	705 914	149 280	11 576	-	-	160 856
Total assets		**335 377 380**	**127 422 460**	**8 266 353**	**(31 881 426)**	**439 184 767**	**332 953 904**	**125 412 660**	**8 266 353**	**(31 881 426)**	**434 751 490**
EQUITY AND LIABILITIES											
Liabilities											
Deposits from customers		110 579 907	94 155 713	-	-	204 735 620	110 579 907	94 155 713	-	-	204 735 620
Deposits from other banks		13 501 664	121 530	-	-	13 623 194	13 501 664	121 530	-	-	13 623 194
Borrowings		68 162 013	-	-	-	68 162 013	68 162 013	-	-	-	68 162 013
Insurance liabilities		5 469 140	-	-	-	5 469 140	4 524 170	-	-	-	4 524 170
Trade and other payables	2	62 248 476	6 411 027	12 047	509 829	69 181 379	59 987 860	6 383 468	12 047	509 829	66 893 204
Current income tax liability		357 618	406 853	-	-	764 471	357 618	406 853	-	-	764 471
Deferred tax liability		11 957 913	717 282	48 411	-	12 723 606	10 557 448	669 564	48 411	-	11 275 423
Lease liability		222 855	-	-	-	222 855	222 855	-	-	-	222 855
Total liabilities		**272 499 587**	**101 812 405**	**60 458**	**509 829**	**374 882 279**	**267 893 535**	**101 737 128**	**60 458**	**509 829**	**370 200 950**
Equity											
Capital and reserves attributable to equity holders of the parent entity											
Share capital and share premium	3	3 007 380	4 578 335	-	(4 578 335)	3 007 380	14 090	21 450	-	(21 450)	14 090
Other reserves	4	21 933 648	8 086 100	-	(8 086 100)	21 933 648	17 070 518	8 151 964	-	(8 151 964)	17 070 518
Retained profits	5	37 827 900	12 945 620	8 205 894	(19 726 820)	39 252 594	47 872 817	15 502 118	8 205 894	(24 217 841)	47 362 988
Total equity, excluding non controlling interest		**62 768 927**	**25 610 055**	**8 205 894**	**(32 391 255)**	**64 193 621**	**64 957 425**	**23 675 532**	**8 205 894**	**(32 391 255)**	**64 447 596**
Non controlling interest in equity		**108 866**	**-**	**-**	**-**	**108 866**	**102 944**	**-**	**-**	**-**	**102 944**
Total equity		**62 877 793**	**25 610 055**	**8 205 894**	**(32 391 255)**	**64 302 487**	**65 060 369**	**23 675 532**	**8 205 894**	**(32 391 255)**	**64 550 540**
Total equity and liabilities		**335 377 380**	**127 422 460**	**8 266 353**	**(31 881 426)**	**439 184 767**	**332 953 904**	**125 412 660**	**8 266 353**	**(31 881 426)**	**434 751 490**

*The historical amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historical financial information.

ASSUMPTIONS TO THE UNAUDITED CONSOLIDATED PRO-FORMA INFLATION ADJUSTED FINANCIAL INFORMATION AS AT 31 DECEMBER 2022

As outlined in Section 3 of the circular, FBC Holdings Limited is proposing to acquire all of the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited (SCBZ) and the entire beneficiary interest in Africa Enterprise Network Trust ("AENT" or "Trust Interest") as a single indivisible transaction for a cash consideration ("The Proposed Transaction"). Standard Chartered Bank Zimbabwe Limited owns 100% of Standard Chartered Nominees (Zimbabwe) Private Limited, a custodial business which is part of the SCBZ. On completion of the proposed acquisition, Standard Chartered Bank Zimbabwe Limited will become a wholly owned subsidiary of FBC Holdings Limited. FBC Holdings Limited will also own the entire Trust interest which is principally comprised of a 20.7% shareholding in Mashonaland Holdings Limited and a legacy debt receivable from the Ministry of Finance and Economic Development.

The proforma financial statements have been prepared to illustrate how the Proposed Transaction might have affected the consolidated financial position of FBC Holdings Limited ("the issuer") had the transaction been effected on 31 December 2022. Because of its nature it may not necessarily present the issuer's actual financial position, changes in equity, results of operations or cash flows. The effective date for this Proposed Transaction will be in the future when the last of the conditions precedent in respect of this Proposed Transaction has been fulfilled. The purchase consideration for the Proposed Transaction will be based on the combined net asset value ("NAV") to be determined through a Completion Balance Sheet mechanism. The Consolidated Completion Balance Sheet, which will combine the net assets of Standard Chartered Bank Zimbabwe Limited and the Africa Enterprise Network Trust balance sheets ("Completion Balance Sheet") will be computed by SCH by no later than 45 business days following the successful fulfilment or waiver of the last condition precedent and delivered to FBC Holdings Limited.

1. The total illustrative purchase consideration, consistent with the Completion Balance Sheet Mechanism described, comprised of the net asset amounts as at 31st of December 2022 of Standard Chartered Bank Zimbabwe Limited and Africa Enterprise Network Trust is ZWL 31 881 426 000.00 representing the combined net asset values of the two entities, on the illustrative Completion Balance Sheet as at 31 December 2022.

2. The transaction expenses of ZWL509 828 755.50 have been expensed against retained profits in line with International Financial Reporting Standard 3 paragraph 53, the acquirer shall account for acquisition related costs as expenses in the period in which the costs are incurred and the services are received. These transaction costs amount to US$745 000.00 and have been translated at an exchange rate of 1:684.3339 which was in existence as at 31 December 2022 for purposes of the pro-forma financial information.

NOTES TO THE UNAUDITED CONSOLIDATED PRO-FORMA INFLATION ADJUSTED FINANCIAL INFORMATION AS AT 31 DECEMBER 2022

Consistent with the above stated assumptions, the following explain the respective adjustments in deriving the unaudited consolidated proforma inflation adjusted financial information as at 31 December 2022:

Note 1: Cash and cash equivalents - (ZWL31 881 426 000.00)
Cash payment of purchase consideration based on illustrative combined net asset value as at 31 December 2022 based on historical financial statements of SCBZ (ZWL23 675 532 000.00) and AENT (ZWL8 205 894 000.00).

Note 2: Accrued transactional costs obligations of ZWL509 829 000.00.
Accrual of transactional costs payable as at 31 December 2022.

Note 3: Share capital and share premium - (ZWL4 578 335 000.00)
Elimination of share capital and share premium of Standard Chartered Bank Zimbabwe Limited (ZWL4 578 335 000.00) and Africa Enterprise Network Trust (ZWL Nil) on consolidation as at 31 December 2022.

Note 4: Other reserves - (ZWL8 086 100 000.00)
Elimination of other reserves of SCBZ (ZWL8 086 100 000.00) and AENT (ZWL Nil).

Note 5: Retained profits - (ZWL19 726 820 000.00)
Elimination of retained profits on consolidation of Standard Chartered Bank Zimbabwe Limited (ZWL12 945 620 000.00) and Africa Enterprise Network Trust (ZWL8 205 894 000.00) net of transaction costs expensed (ZWL509 829 000.00) and effects of applying IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) of ZWL1 934 523 000.00. The Proposed Transaction illustrative purchase consideration is based on the combined historical net asset value of ZWL31 881 426 000.00 and yet the combined inflation adjusted net asset value of ZWL33 815 949 000.00 as at 31 December 2022 is the primary position used for accounting in line with IAS 29 Financial Reporting in Hyperinflationary Economies. This results in a bargain gain, in terms of IAS 29, which is recognised in retained profits in line with International Financial Reporting Standard 3 paragraph 34.

Appendix III (d) – Accountant's Report on the unaudited consolidated pro-forma financial information of FBC Holdings Limited

KPMG
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Emerald Hill, Harare, Zimbabwe
Telephone +263 430 2600
Internet www.kpmg.com/zw

The Directors
FBC Holdings Limited
45 Nelson Mandela Avenue,
Harare

7 September 2023

Dear Sir/Madam

Report of the Independent Reporting Accountant on the Unaudited Consolidated Pro forma Financial Information of FBC Holdings Limited

Introduction

The directors of FBC Holdings Limited ("FBCH") are proposing to acquire all the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited ("SCBZ") and the entire beneficial interest in the Africa Enterprise Network Trust ("AENT" or "the Trust Interest") as a single and indivisible transaction for a cash consideration ("the Proposed Transaction" or "Proposed Acquisition") as contained in the circular to shareholders of FBCH dated 7 September 2023 ("the Circular"). SCBZ owns 100% of Standard Chartered Nominees Zimbabwe (Private) Limited ("SC Nominees") which undertakes custodial business. On completion of the Proposed Acquisition, SCBZ will become a wholly owned subsidiary of FBCH. FBCH will also own the entire Trust Interest which is principally comprised of a 20.7% shareholding in Mashonaland Holdings Limited ("MHL") ("the MHL Shareholding") and a legacy debt receivable from the Ministry of Finance and Economic Development ("MoFED").

We report on the unaudited consolidated pro forma inflation adjusted financial information (referred to as "the unaudited consolidated inflation adjusted pro forma financial information") of FBCH set out in Appendix III(c) of the Circular. The unaudited consolidated pro forma financial information has been prepared for illustrative purposes only, to provide information on how the proposed transaction would have impacted on the financial position of FBCH had it been undertaken on 31 December 2022. Because of its nature, the unaudited consolidated pro forma financial information may not give a fair reflection of FBC Holdings Limited's financial position or the effect on income going forward.

At your request, and for the purposes of the Circular, we present our report on the unaudited consolidated pro forma inflation adjusted financial information set out in Appendix III(c) of the Circular, in compliance with the Securities and Exchange (Zimbabwe Stock Exchange ("ZSE")) Listing Requirements Rules 2019 ("the Zimbabwe Stock Exchange ("ZSE") Listing Requirements").

Responsibilities

The directors of FBC Holdings Limited ("FBCH") are solely responsible for the preparation of the unaudited consolidated pro forma financial information to which this independent accountants' report relates, and for the financial statements and financial information from which it has been prepared.

It is our responsibility to form an opinion on the basis used for the compilation of the unaudited consolidated pro forma inflation adjusted financial information and to report our opinion to you. We do not accept any responsibilities for any reports previously given by us on any financial information used in the compilation of the unaudited consolidated pro forma financial information beyond that owed to those to whom those reports were addressed at the dates of issue.

KPMG

Basis of opinion

Our work, which did not involve an independent examination of any of the underlying financial information, consisted primarily of recalculating the amounts and adjustments to the unaudited consolidated pro forma inflation adjusted financial information based on information obtained and discussing the same unaudited consolidated pro forma inflation adjusted financial information with the directors.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing ("ISA"), we do not express any assurance on the fair presentation of the unaudited consolidated pro forma inflation adjusted financial information. Had we performed additional procedures, or had we performed an audit or review of the financial information in accordance with ISA, other matters might have come to our attention that would have been reported to you.

The unaudited consolidated pro forma inflation adjusted financial information was prepared using certain assumptions made by yourselves and the significant assumptions include:

— FBCH proposes to acquire all the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited (SCBZ) and the entire beneficial interest in the Africa Enterprise Network Trust ("AENT" or "the Trust Interest") as a single and indivisible transaction for a cash consideration.
— The purchase consideration for the Proposed Transaction will be based on net asset value ("NAV") to be determined through a Completion Balance Sheet mechanism and, the Consolidated Completion Balance Sheet, will combine the SCBZ and the AENT balance sheets ("Completion Balance Sheet") as described in section 3 of the Circular.
— On completion of the Proposed Acquisition, SCBZ will become a wholly owned subsidiary of FBCH. FBCH will also own the entire Trust Interest which is principally comprised of a 20.7% shareholding in Mashonaland Holdings Limited and a legacy debt receivable from the Ministry of Finance and Economic Development.
— The proforma financial information has been prepared by the directors of FBCH to illustrate how the Proposed Transaction might have affected the consolidated financial position of FBC Holdings Limited had the transaction been effected on 31 December 2022.
— The total illustrative purchase consideration, consistent with the Completion Balance Sheet Mechanism described, comprised of the net asset amounts as at 31st of December 2022 of Standard Chartered Bank Zimbabwe Limited and Africa Enterprise Network Trust is, ZWL 31 881 426 000.00, representing the combined net asset values of the two entities on the illustrative Completion Balance Sheet as at 31 December 2022.
— Transaction expenses relating to the Proposed Transaction, estimated at ZWL509 829 000.00, have been expensed against retained profits in line with International Financial Reporting Standard 3 (IFRS 3) paragraph 53. These transaction costs are estimated at US$745 000.00 and have been converted at an exchange rate of 1:684.3339 which was in existence as at 31 December 2022 for the purposes of the proforma financial information.
— The illustrative purchase consideration of ZWL 31 881 426 000.00 for cash, is recognised as an investment in subsidiaries and is eliminated on consolidation for purposes of the unaudited consolidated pro forma financial information.
— The purchase consideration for the proposed transaction will be based on the Completion Balance Sheet mechanism consistent with an illustrative net asset value of (ZWL31 881 426 000.00) at 31 December 2022 and, the inflation adjusted net asset value on the same date of (ZWL 33 815 949 000.00), is the official and primary position used for financial reporting in line with IAS 29 Financial Reporting in Hyperinflationary Economies. This results in an illustrative bargain gain of ZWL1 934 523 000.00 as at 31 December 2022, which is recognised in retained profits in line with IFRS 3 paragraph 34.

KPMG

As the proforma financial information has been prepared by the directors of FBCH to illustrate how the Proposed Transaction might have affected the financial position of FBC Holdings Limited had the transaction been effected on 31 December 2022, the actual accounting amounts for the transaction will be finalized by the directors of FBCH at the effective date of the transaction. The effective date for this transaction will be in the future when the last of the conditions precedent has been fulfilled. The combined net asset amounts of SCBZ and AENT at the actual effective date will be applied by the directors of FBCH to determine the purchase consideration and resulting accounting amounts in place of those applied and presented in the unaudited consolidated proforma inflation adjusted financial information.

As the purpose of the unaudited consolidated pro forma inflation adjusted financial information differs from the purpose of financial statements prepared for members, the financial information presented is not intended to comply in full with presentation and disclosure requirements of the Companies and Other Business Entities Act [Chapter 24:31] and International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Opinion

In our opinion, nothing has come to our attention that causes us to believe that, in all material respects:

— The unaudited consolidated pro forma inflation adjusted financial information has not been compiled on the basis stated;

— Such basis is inconsistent with the accounting policies of FBC Holdings Limited; and

— The adjustments are not appropriate for the purposes of the unaudited consolidated pro forma inflation adjusted financial information, as disclosed in terms of the proposed transaction and in terms of sections 230 to 237 of the ZSE Listing Requirements.

Historical cost financial information in Appendix III (a)

The historical cost financial information in Appendix III(a) has been shown as supplementary information for the benefit of users and is not the primary financial information. This information does not comply with the International Financial Reporting Standards in that it has not been prepared in line with the requirements of International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies. As a result, this report on the unaudited consolidated pro forma financial information of FBC Holdings Limited does not extend to the historical cost financial information, annotated as “Historical Cost” in Appendix III(a).

Yours faithfully

KPMG Chartered Accountants (Zimbabwe)

Appendix IV – Report of the Independent Financial Advisor

6 August 2023

The Board of Directors
FBC Holdings Limited
6th Floor, FBC Centre,
45 Nelson Mandela Avenue
Harare

Dear Members of the Board,

"FAIR AND REASONABLE" OPINION ON THE PROPOSED ACQUISITION OF ALL OF THE ISSUED ORDINARY SHARES OF STANDARD CHARTERED BANK ZIMBABWE LIMITED AND THE ENTIRE BENEFICIAL INTEREST IN THE AFRICA ENTERPRISE NETWORK TRUST BY FBC HOLDINGS LIMITED.

1. Introduction

FBC Holdings Limited ("FBCH" or "the Group") has entered into an agreement with Standard Chartered Holdings (Africa) B.V ("SCH") for the purchase of all of the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited ("SCBZ") and the entire beneficial interest in the Africa Enterprise Network Trust ("AENT") ("the Trust Interest") for a cash consideration ("the Proposed Acquisition" or "the Proposed Transaction"). On completion of the Proposed Acquisition, SCBZ will become a wholly owned subsidiary of FBCH. FBCH will also own the entire Trust Interest which is comprised of a 20.7% shareholding in Mashonaland Holdings Limited ("MHL") ("the MHL Shareholding") and a legacy debt receivable from the Ministry of Finance and Economic Development ("MoFED").

The terms and conditions of the Proposed Transaction are detailed in the Circular to Shareholders of FBCH ("the Circular"), to be published on or around 07 September 2023, of which this opinion is a part. Words and phrases used in this letter shall have the same meaning as ascribed to them in the Circular.

2. Consideration and completion mechanics

The Proposed Transaction consideration will be based on net asset value ("NAV") to be determined through a Completion Balance Sheet mechanism. The Consolidated Completion Balance Sheet, which will combine the SCBZ and the AENT balance sheets ("Completion Balance Sheet") will be computed by SCH by no later than 45 business days following the successful fulfilment or waiver of the last condition precedent and delivered to FBCH. FBCH will be accorded an opportunity to dispute any item or items and propose adjustments in aggregate of at least US$350,000 within 20 business days. If adjustments are less than US$350,000 or if FBCH does not wish to dispute the Completed Balance Sheet or if FBCH does not give notice to dispute within 20 business days then the NAV in the Completion Balance Sheet will be adopted as the Proposed Transaction consideration.

To demonstrate FBCH's capacity to execute the Proposed Transaction, an escrow account was set up in which FBCH, through FBC Bank Limited ("FBCB") deposited a sum of Thirty-Four million United States Dollars ("USD") (US$34,000,000) ("the Escrow Amount") with Standard Chartered Bank UK ("SCB" or "the Escrow Agent"). The Escrow Amount was based on the indicative NAV using a proforma Completion Balance Sheet computed as at 31 March 2023.

3. Scope

Corporate Excellence Financial Advisory Services (Private) Limited ("Corporate Excellence") was appointed by the directors of FBCH ("the Board") as the independent professional expert to provide the Board with its opinion as to whether the terms of the Proposed Transaction are fair and reasonable to the Shareholders of FBCH. FBCH is listed on the Zimbabwe Stock Exchange ("ZSE") and the sole purpose of the opinion is for assisting the Board in forming and expressing a view for the benefit of the Company's Shareholders.

Our work and findings shall not in any way constitute recommendations regarding the completion of the Proposed Transaction.

4. Responsibility

The compliance with the ZSE Listings Requirements is the responsibility of the FBCH Board. Our responsibility is to report on the terms and conditions of the Proposed Transaction.

5. Definition of the terms "fair" and "reasonable" for the purpose of our opinion

A transaction will generally be considered fair to a company's Shareholders if the benefits received by the Shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the Shareholders. The assessment of fairness is primarily based on quantitative issues. The purchase of all of the issued ordinary shares of SCBZ and the entire beneficial interest in the AENT would be considered fair if the purchase price is equal to or lower than their fair value.

The assessment of reasonableness is generally based on qualitative considerations surrounding the Proposed Transaction. Hence, even though the quantifiable benefits received by FBCH Shareholders may be less than the value that they surrender, the entire Proposed Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

6. Information utilised and procedures performed

6.1 Key information utilised

In arriving at our opinion, we relied upon financial and other information which was provided by FBC Bank Limited ("FBCB"), the Financial Advisors to FBCH on the Proposed Transaction, and from various public and industry sources. Our conclusion is dependent on that information being complete and accurate in all material respects.

We considered, inter alia, the following sources of information:

a) information on FBCH, FBCB, SCBZ and AENT;
b) the draft Circular to FBCH Shareholders;
c) audited financial information for SCBZ for the financial years ended 31 December 2019 to 31 December 2022 and management accounts for the period up to 31 March 2023;
d) audited financial information for the AENT for the financial years ended 31 December 2019 to 31 December 2022 and management accounts for the period up to 31 March 2023;
e) projected financial information for SCBZ for the three (3) years from 2023 to 2025, including supporting assumptions and schedules prepared by SCBZ management;
f) the FBCH pro-forma consolidated statements of comprehensive income and financial position regarding the Proposed Transaction;
g) the form of completion balance sheets for SCBZ and AENT;
h) schedule of a summary of the SCBZ corporate loan book showing loan staging and expected credit losses;

i) schedule of funding gap treasury bills issued to SCBZ by the MoFED in respect of a funding gap receivable in the sum of US$4,118,600. The balance relating to the funding gap receivable as at 31st March 2023 was US$3,791,909;

j) schedule of treasury bills issued to the AENT by the MoFED in respect of the legacy debt receivable in the sum of US$8,014,327;

k) schedule of treasury bills issued to SCBZ by the MoFED denominated in ZWL:

l) schedule of immovable properties owned by SCBZ;

m) share certificate in favour of AENT in respect of 348,995,283 Mashonaland Holdings Limited shares

n) schematic presentation of the Proposed Transaction structure prepared by FBCB and dated 2023;

o) sale and purchase agreement ("SPA") signed by and between SCH and FBCH and FBCB;

p) escrow agreement between SCH, FBCB and SCB;

q) correspondent banking side letter from SCH to FBCH regarding correspondent banking relationship;

r) trust valuation side letter from SCH to FBCH regarding the valuation of the Trust Interest;

s) disclosure letter in respect of the agreement for sale and purchase agreement between SCH and FBCH and FBCB;

t) Memorandum from the Group Legal Manager to the Group Chief Executive Officer regarding confirmation of legal due diligence in respect of the Proposed Transaction dated 31 May 2023;

u) Due diligence findings and motivation report presented to the FBCH and FBCB boards by management dated June 2023;

v) ZSE Listings Requirements;

w) publicly available financial information on listed companies with operations similar to those of SCBZ; and

x) other publicly available information relevant to the industry in which SCBZ and the AENT operate.

6.2 Key quantitative considerations

We performed the following procedures to arrive at our opinion on the fairness of the Proposed Transaction:

- Reviewed the SPA signed by and between SCH and FBCH and FBCB and the supporting documents to the SPA, namely the escrow agreement between SCH, FBCB and SCB, the trust valuation side letter, the disclosure letter and the correspondent banking side letter. The review enabled us to get an insight into the mechanics of the Proposed Transaction;
- Reviewed the memorandum from the Group Legal Manager to the Group Chief Executive Officer regarding confirmation of the legal due diligence performed in liaison with the Group's external council which concluded that no information had been identified in the course of the due diligence that may have a negative impact on the Proposed Transaction;
- Engaged in various discussions with representatives of FBCB so as to enhance our understanding of the Proposed Transaction and its mechanics;
- Analysed the transaction price being the net asset value based on the Completion Balance Sheet mechanism and evaluated alternative methods of arriving at the transaction purchase price;
- Analysed the form of Completion Balance Sheet to be used for the determination of the purchase price in accordance with the SPA taking cognisance of the requirements of the relevant international financial reporting standards ("IFRS"). This analysis included an assessment of the recent historical performance to date as well as the 31 December 2022 financial position of SCBZ and the AENT;
  - In assessing the historical financial performance of SBCZ we considered the modified audit opinions issued by Ernst & Young ("EY"), SCBZ's auditors in respect of SCBZ's annual financial statements for the years ending 31 December 2021 and 2022 on the basis of non-compliance with the following IFRS standards:
    – 2021 (IAS 21, IAS 8, IFRS 13 and IAS 29); and
    – 2022 (IFRS 13, IAS 8, IAS 29)
  - We further considered the conclusion by EY that it considered the instances of non-compliance as not material to require an adverse audit opinion.
- In light of the foregoing, reviewed and analysed the proforma Completion Balance Sheet which was used to test the mechanics of the Completion Balance Sheet and formed the basis for the Escrow Amount which was placed by FBC with SCB as proof of capacity to conclude the transaction;

- Reviewed and analysed the conversion mechanism from ZWL to USD regarding different asset types:
  - The material Completion Balance Sheet assets we analysed for SCBZ related to:
    – cash and cash equivalents;
    – financial assets at fair value through other comprehensive income;
    – assets held for sale;
    – loans and advances at amortised cost;
    – restricted balances due from the Central Bank;
    – investment property; and
    – property and equipment.
  - The material Completion Balance Sheet liabilities we analysed for SCBZ related to:
    – deposits from customers;
    – other liabilities;
    – provisions; and
    – deferred tax liability.
  - The material Completion Balance Sheet assets we analysed for the AENT related to:
    – cash and cash equivalents;
    – investment in listed entity; and
    – restricted balance due from the central bank.
  - The material completion balance sheet liabilities we analysed for AENT related to:
    – other liabilities; and
    – deferred tax liability.
  - In analysing the conversion mechanism from ZWL to USD for monetary assets, we considered the interbank rate used, being the official rate, albeit not acceptable under IFRS 21, in light of the current unstable environment characterised by currency volatility and hyperinflationary pressures;
  - In analysing the conversion mechanism from ZWL to USD regarding immovable properties, we considered the fact that the SPA provides for the appointment of an independent property valuation expert to perform a valuation of all immovable properties in USD at completion;
- Reviewed and analysed the treatment of USD denominated assets particularly cash and cash equivalents and treasury bills issued by the MoFED:
  - In analysing the treatment of USD denominated monetary assets we considered the hair cut applied to the market or face value of the assets on a sliding scale, in particular local nostro balances, and the discount rates used in calculating the present value of treasury bills;
- Reviewed and analysed the treatment of loans and advances denominated in both ZWL and USD:
  - In analysing the treatment of loans and advances we considered the general and specific haircuts applied to various loans as provided for in the SPA over and above the conservative expected credit losses ("ECL") based on SCBZ classification which places most of Zimbabwean companies in stage 2 under IFRS 9's ECL framework;
- Considered that as at 30th April 2023 SCBZ's capital was approximately US$21.8 million and the expiration of the dispensation on 31st December 2022 that SCBZ had been given by the RBZ regarding compliance with the regulatory capital requirements resulted in SCBZ technically not being compliant with the prescribed minimum capital requirements at that time. We further considered the subsequent announcement by the RBZ in the monetary policy statement of 2 February 2023 that the RBZ would extend the compliance deadline for all non-compliant banks to 31 December 2023;
- Considered the offsetting effect of the potential value loss from conversion of ZWL denominated assets to USD using the interbank rate which may not reflect the true value of the assets in the current unstable macro-economic environment and the value gain from the haircuts applied on USD denominated assets such as cash, treasury bills and on loans and advances as well as the actual USD values for immovable properties at completion;

- Performed a desktop valuation of SCBZ to test the results of the Completion Balance Sheet mechanism:
  - In valuing the business of SCBZ, we used the relative valuation methodology using the Price to Book (“P/B”) multiple. Key value drivers are:
    – multiples at which listed comparable companies are trading;
    – the level of historical earnings;
    – the quality of the loan book;
    – discounts and premiums used which are a function of the perceived risk associated with operating in the Zimbabwean market.
- Studied share price and volume statistics from 1 February 2023 up to the 31st of March 2023 being the of the computation of the proforma Completion Balance Sheet. In terms of the SPA, the MHL Shareholding will be valued based on the 60 day volume weighted average price (“VWAP”) of the shares as at the completion date;
- Studied the overall performance of the ZSE since 8th June 2023, the date on which the SPA was executed which has been characterised by a bearish trend due to measures implemented by monetary and fiscal authorities to stabilise the economy;
- Reviewed the draft Circular to FBCH Shareholders, and where relevant, held discussions with representatives of FBCB to confirm the factual accuracy of all the information, figures and financial calculations included therein; and
- Considered the disclosure letter by SCH in respect of the SPA including both general and specific matters.

6.3 Key qualitative considerations

We performed the following procedures to arrive at our opinion on the reasonableness of the proposed Transaction:

- Considered the rationale for the Proposed Transaction, which in terms of the draft Circular to BTL Shareholders, include:
  - Creation of a larger, diversified banking portfolio with a combined asset base, customer base and geographical reach that is more resilient and competitive in the face of industry wide challenges such as regulatory compliance, digitization and macroeconomic volatility;
  - Leveraging the two banking entities’ respective strengths, capabilities and competences to create dynamic banking operations allowing the merged entity to enhance its loan underwriting capacity and enabling the Group to serve a broader range of customers across different market segments;
  - Enabling the Group to achieve economies of scale and operational efficiencies by consolidating back-office operations, systems and resources, reducing duplication, and enhancing productivity and profitability;
  - Creation of shareholder value through enhanced earnings and return on equity as well as envisaged improved liquidity of the FBCH shares on the ZSE due to enlarged operations;
  - Harnessing the competencies and capabilities of the SCBZ human capital base with exposure to international best standards into the existing FBCH culture thereby creating a dynamic team capable of meeting the diverse needs of the Group’s clients; and
  - Access to world class digital capabilities which will significantly enhance the Group’s current digitization efforts resulting in seamless transactions for customers.
- Considered that the Proposed Transaction does not result in dilution to the shareholders as the Group intends to utilise internally generated resources to undertake the Proposed Acquisition;
- Considered that in terms of the sale and purchase agreement between SCH, FBCH and FBCB no payment has been made yet to the Seller, albeit with a deposit of US$34 million having been placed with SCB only as proof of capacity to conclude the Proposed Transaction. The deposit earns interest of 3.5% per annum in line with the interest earned on the FBCB correspondent banking accounts.

7. Opinion

On the basis of the above considerations, along with the information made available to us by the FBCH Directors through FBCB, for which they are solely responsible, and after due consideration of the details of the Proposed Transaction, we believe that the terms of the Proposed Transaction, as described in the Circular, are fair and reasonable to the Shareholders of FBCH.

Our opinion is necessarily based upon the information available to us up to 4 August 2023, including in respect of the financial, regulatory, and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that the Proposed Transaction would be undertaken within the parameters proposed by FBCH and that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Proposed Transaction have been or will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

We have not undertaken to update this report for events and circumstances occurring subsequent to the date of its issuance.

8. Limiting conditions

This opinion is provided to the FBCH Board in connection with and for the purposes of the Proposed Transaction. This opinion is prepared solely for the FBCH Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of FBCH Shareholders. Should an FBCH Shareholder be in doubt as to what action to take, he or she should consult an independent advisor.

An individual FBCH Shareholder's decision as to whether to participate in any transaction may be influenced by his particular circumstances. The assessment as to whether or not the FBCH Board decides to recommend the Proposed Transaction is a decision that can only be taken by the FBCH Board.

We have not accessed the virtual data room containing information about SCBZ and the AENT and we have relied upon and assumed the accuracy of the information provided by FBCB and used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with FBCB representatives, and by reference to publicly available or independently obtained information. While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include an audit or due diligence review of SCBZ and AENT.

We have not interviewed any of the SCBZ management and/or the AENT trustees to obtain their views regarding the overall performance of the business and its financial position.

We have also assumed that the Proposed Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of FBCH and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Proposed Transaction will be legally enforceable.

9. Independence

In terms of schedule 5.1 (a) of the ZSE Listings Requirements, we confirm that we have no material direct or indirect interest in the shares of FBCH, SCBZ and AENT or the Proposed Transaction, save for our professional fees for services rendered in connection with this fair and reasonable statement.

In terms of schedule 5.1 (b) of the ZSE Listings Requirements, we confirm that we have no existing or continuing relationship with FBCH, SCBZ and AENT and/or any other parties involved in the Proposed Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Proposed Transaction.

10. Consent

We consent to inclusion of this letter in the Circular to the Shareholders of FBCH in the form and manner it appears.

Yours faithfully

Corporate Excellence Financial Advisory Services (Private) Limited

Appendix V - Notice of the Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("EGM") of the Shareholders of FBC Holdings Limited is to be held physically in the Kariba Room, Holiday Inn Harare, Samora Machel Avenue and Fifth Street and virtually via the link, https://polling.fts-net.com/ on 28 September 2023, at 1230 hours, for the purpose of transacting the following business: -

TO CONSIDER and, if deemed fit, to pass, with or without modification, the following Resolutions:

1. **As an Ordinary Resolution – Approval for acquisition of Standard Chartered Bank (Zimbabwe) Limited and the entire beneficial interest in Africa Enterprise Network Trust by FBC Holdings Limited.**

   That, the sale and purchase agreement for the acquisition of the whole of the business of Standard Chartered Bank (Zimbabwe) Limited and cession of the beneficial interest in Africa Enterprise Network Trust, concluded between the Company and Standard Chartered Holdings (Africa) B.V, ("Sale and Purchase Agreement"), be and is hereby approved, as a single indivisible transaction to acquire (i) all the issued shares and the outstanding shares in the capital of Standard Chartered Bank (Zimbabwe) Limited, and (ii) the economic interest in and receive all rights and beneficial interest in the Africa Enterprise Network Trust, in accordance with the Sale and Purchase Agreement and/ or ancillary documentation under the Sale and Purchase Agreement dated 8 June 2023.

2. **As an Ordinary Resolution – Approval for transfer of undertaking of Standard Chartered Bank (Zimbabwe) Limited to FBC Bank Limited.**

   That, pursuant to the resolution number 1, the directors of the Company be and are hereby authorized and empowered, in terms of section 214 (1) (b) of the Companies and Other Business Entities Act, Chapter 24:31, to acquire the business, assets and liabilities of the Standard Chartered Bank (Zimbabwe) Limited and transfer these to FBC Bank Limited, as a going concern, such that Standard Chartered Bank (Zimbabwe) Limited would be amalgamated with FBC Bank Limited.

3. **As an Ordinary Resolution – Directors authorised to give effect to Resolutions**

   That the directors of the Company be and are hereby authorised to do any and all such things as may be necessary to give effect to the above resolutions.

BY ORDER OF THE BOARD

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GROUP COMPANY SECRETARY

Appendix VI - Form of Proxy

I / We ……..

Of……….

Being member/members of the above Company, hereby appoint:

Mr. / Mrs. / Ms. / Dr ……….

Or failing him or her/ Mr. /Mrs / Ms / Dr.……………………………………………………………………………………………….

………

As my/our proxy to vote for me/us on my/our behalf at the EGM of the Company to be held on 28 September 2023, at 1230 hours and at any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions:

Ordinary Resolutions	For	Against	Abstain
ORDINARY RESOLUTION 1 – APPROVAL FOR ACQUISITION OF STANDARD CHARTERED BANK (ZIMBABWE) LIMITED AND THE ENTIRE BENEFICIAL INTEREST IN AFRICA ENTERPRISE NETWORK TRUST BY FBC HOLDINGS LIMITED. “THAT, the sale and purchase agreement for the acquisition of the whole of the business of Standard Chartered Bank (Zimbabwe) Limited and cession of the beneficial interest in Africa Enterprise Network Trust, concluded between the Company and Standard Chartered Holdings (Africa) B.V, (“Sale and Purchase Agreement”), be and is hereby approved, as a single indivisible transaction to acquire (i) all the issued shares and the outstanding shares in the capital of Standard Chartered Bank (Zimbabwe) Limited, and (ii) the economic interest in and receive all rights and beneficial interest in the Africa Enterprise Network Trust, in accordance with the Sale and Purchase Agreement and/ or ancillary documentation under the Sale and Purchase Agreement dated 8 June 2023.”			
ORDINARY RESOLUTION 2 – APPROVAL FOR TRANSFER OF UNDERTAKING OF STANDARD CHARTERED BANK (ZIMBABWE) LIMITED TO FBC BANK LIMITED. “THAT, pursuant to the resolution number 1, the directors of the Company be and are hereby authorized and empowered, in terms of section 214 (1) (b) of the Companies and Other Business Entities Act, Chapter 24:31, to acquire the business, assets and liabilities of the Standard Chartered Bank (Zimbabwe) Limited and transfer these to FBC Bank Limited, as a going concern, such that Standard Chartered Bank (Zimbabwe) Limited would be amalgamated with FBC Bank Limited.”			
ORDINARY RESOLUTION 3 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS “THAT the directors be and are hereby authorised to do any and all such things as may be necessary or desirable to give effect to the above resolutions.”			

Signed this…………………………………… day of………………………….2023

Signature(s) of member……………………………………………………………..

NOTE

1. In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members are entitled to appoint one or more proxies to act in the alternative and to attend and vote and speak in their place. A proxy need not also be a member of the Company.
2. Regulation 74 of the Company’s Articles of Association provides that the instrument appointing a proxy shall be deposited at the office of the Company not less than 48 hours before the time appointed for holding the meeting.
3. Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Form of Proxy in a representative capacity; this authority must take the form of a resolution of the corporate body.

FOR OFFICIAL USE NUMBER OF SHARES HELD	

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, but any deletion must be initialled by the Shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as a proxy to the exclusion of those whose names follow.
2. A Shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorize the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of all the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy or cast them in the same way.
3. Deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory or signatories.
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
   i. under a power of attorney
   ii. on behalf of a company unless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than 48 hours before the meeting.
5. 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.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's Transfer Secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the EGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are the same as those on the share register.