FBC Holdings Limited
strength • diversity • service

Audited Results
FOR THE YEAR ENDED 31 DECEMBER 2018

Group Chairman's Statement

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

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

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

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

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

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

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

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

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

In February 2019, the RBZ introduced the interbank foreign exchange market and a new electronic currency called the RTGS Dollar which encompassed RTGS FCA balances, bond notes and bond coins. The new currency commenced trading on 22 February 2019 at an exchange rate of 1 USD to 2.5 RTGS Dollars. At the time of the introduction of the new currency, the Government issued a Statutory Instrument 33 of 2019 (SI33/19) which fixed the exchange rate between the RTGS balances, bond notes and coins at 1:1 to the US Dollar for the period prior to the effective date of the introduction of the RTGS Dollar. The fixing of an exchange rate of 1:1 for the period prior to the effective date of 22 February 2019 is not in compliance with International Accounting Standard 21 (IAS 21) which deals with The Effects of Foreign Exchange Rates. IAS 21 requires, among other key requirements, that the financial statements be presented at an exchange rate which approximates the market exchange rate. From October 2018 to 22 February 2019, the effective date of the new currency, the market traded at various rates, with some significant transactions also being traded at 1 US Dollar to 1 RTGS Dollar in compliance with the law. The Group maintained a fixed rate of 1:1 between the US Dollar and the RTGS Dollar and has therefore not complied with IAS 21 for the year ended 31 December 2018, as compliance would have resulted in the Group violating the law which required parity between the US Dollar and RTGS Dollar. The Group has, however, provided a sensitivity analysis of the statement of financial position that would prevail if various exchange rates had been used instead of the gazetted rate of 1:1. The sensitivity analysis is shown in note 34.2.

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

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

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

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

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

Financial Services Sector
The banking sector remained generally stable as reflected by impressive capital levels and industry wide improved earnings performance for the period ended 31 December 2018. Asset quality however, deteriorated as reflected by the increase in the average non-performing loans to total loans ratio, from 7.1% at the end of 2017 to 8.39% by December 2018. FBC Bank Limited's (non-performing loans) NPL ratio was at 1.1%, FBC Building Society at 6.1% whilst Microplan was at 4.91% as at 31 December 2018.

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

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

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

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

FBCH 2018 Share Price Performance
The FBC Holdings share experienced relatively high trading volumes with a total of 69,742,707 shares being traded during the year at a volume weighted average price of 0.2603 cents. Prior year volumes were recorded at only 7,645,248 shares at a volume weighted average price of 0.1546 cents. The recorded growth in the company's share price of 68.37% was ahead of that registered by the broad market index of 46% and ahead of the official inflation figure of 42.1%.

FBC Trend-Setting
During the period under review, the Group was recognised for outstanding performance in various fields of interest. The recognitions below bear testimony to this achievement:
- FBC Holdings won the Institute of People Management of Zimbabwe (IPMZ) HR Technology award.
- FBC Bank won the CSR Network Zimbabwe 2018 Top Sustainable Company of the Year award.
- FBC Building Society scooped the First Prize in the Chartered Institute of Project Managers Zimbabwe (CIPMZ) Awards for being the Best in Property Development under the Residential Projects Category.
- FBC Insurance Company scooped the Short Term Insurance Runner up Award in the 2018 Top Companies Survey.
- MicroPlan became the first local firm to receive the Smart Campaign Certification in Zimbabwe. The Smart Campaign is a global initiative aimed at promoting the embedding of client protection practices into the institutional culture and operations of micro-financing firms.
- MicroPlan was also recognised at the Zimbabwe Association of Microfinance Institutions (ZAMFI) Awards as follows;
  - Most Client Focused and Socially Responsible Microfinance Institution (MFI)
  - Most Innovative Use of ICT by an MFI
- Microplan also won the Zimbabwe National Chamber of Commerce (ZNCC) Matabeleland Region 1st Runner- Up Enterprise Development Award.

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

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

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

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

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

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

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

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

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

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

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

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

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

I thank you.

Herbert Nkala
Group Chairman
15 April 2019

Group Chief Executive's Report

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

Macroeconomic Developments

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

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

Performance of the Group

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

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

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

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

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

FBC Bank Limited

For the twelve months ended 31 December 2018, FBC Bank posted a commendable profit before tax of US$33.8 million, up 104% on the previous year's US$16.6 million. Bank profitability was achieved on the back of increased net interest income emanating from savings on cost of funds, bad debts recoveries and increased revenue from e-commerce driven products. Total income for the period was US$89.5 million representing a 50% increase on prior year.

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

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

FBC Building Society

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

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

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

MicroPlan Financial Services (Private) Limited

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

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

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

FBC Securities (Private) Limited

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

FBC Reinsurance Company Limited

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

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

FBC Insurance Company Limited

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

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

Regulatory Capitalisation Requirements

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

Risk Management

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

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

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

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

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

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

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

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

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

Responsible Business and Community Investments

The FBC Holdings Group donated Seventy Five Thousand Dollars (US$75 000) to Harare City Council towards establishing a scholarship fund being created for funding the education of children affected by Cholera following the cholera outbreak during the third quarter of 2018. The fund will benefit the children of parents who passed-on as a result of cholera, from primary to tertiary education.

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

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

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

Human Capital Development

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

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

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

Information Technology, Digital Transformation and Innovation

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

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

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

Service Delivery and Customer Experience

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

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

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

Appreciation

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

John Mushayavanhu
Group Chief Executive
15 April 2019

Audited Results

FOR THE YEAR ENDED 31 DECEMBER 2018

Audit opinion

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by Deloitte & Touche. An adverse opinion was issued thereon. The auditor's report included Key Audit Matters (KAMs) which relate to Valuation of expected credit losses on Financial Assets and Valuation of Incurred But Not Reported (IBNR) claim provision. The auditor's report on these financial statements is available for inspection at the company's registered office.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Note	31 Dec 2018 US$	31 Dec 2017 US$
Interest and related income	18	85 310 382	65 715 846
Interest and related expense	18.1	(20 111 730)	(19 647 155)
Net interest and related income		**65 198 652**	**46 068 691**
Fee and commission income	19	43 159 361	31 928 468
Fee and commission expense	19.1	(358 716)	(322 495)
Net fee and commission income		**42 800 645**	**31 605 973**
Revenue from property sales	20	10 839 739	5 387 808
Cost of property sales	20.1	(8 350 999)	(4 212 915)
Net income from property sales		**2 488 740**	**1 174 893**
Insurance premium revenue	21	35 036 452	30 988 208
Premium ceded to reinsurers and retrocessionaires		(13 357 206)	(12 288 100)
Net earned insurance premium		**21 679 246**	**18 700 108**
Net trading income		1 464 471	1 367 267
Net gain from financial assets at fair value through profit or loss	22	3 139 229	636 005
Other operating income	23	9 153 805	5 740 990
		13 757 505	**7 744 262**
Total net income		**145 924 788**	**105 293 927**
Impairment allowance	5.4	(2 513 421)	(6 883 565)
Net insurance commission expense	24	(3 806 204)	(3 783 042)
Insurance claims and loss adjustment expenses	25	(11 656 355)	(8 279 135)
Administrative expenses	26	(73 302 335)	(57 044 631)
Profit before income tax		**54 646 473**	**29 303 554**
Income tax expense	27	(10 211 030)	(6 055 324)
Profit for the year		**44 435 443**	**23 248 230**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains on property revaluation		-	1 311 411
Tax		-	(313 684)
		-	997 727
Items that may be subsequently reclassified to profit or loss			
Gain/(loss) on financial assets at fair value through other comprehensive income		1 228 993	(27 177)
Tax		(12 290)	272
		1 216 703	(26 905)
Total other comprehensive income. net income tax		**1 216 703**	**970 822**
Total comprehensive income for the year		**45 652 146**	**24 219 052**
Profit attributable to:			
Equity holders of the parent		44 416 204	23 197 279
Non - controlling interest		19 239	50 951
Profit for the year		**44 435 443**	**23 248 230**
Total comprehensive income attributable to:			
Equity holders of the parent		45 632 907	24 164 106
Non - controlling interest		19 239	54 946
Total comprehensive income for the year		**45 652 146**	**24 219 052**
Earnings per share (US cents)			
Basic earnings per share	28.1	6.95	3.62
Diluted earnings per share	28.2	6.95	3.62

Consolidated Statement of Financial Position
As at 31 December 2018

	Note	31 Dec 2018 US$	31 Dec 2017 US$
ASSETS			
Balances with other banks and cash	4	192 209 582	181 002 565
Financial assets at amortised cost	5.5	186 068 296	112 878 823
Loans and advances to customers	5.1	405 508 331	300 746 805
Trade and other receivables including insurance receivables	5.2	12 942 578	9 639 660
Bonds and debentures	6	225 565 873	27 633 715
Financial assets at fair value through profit or loss	7	9 049 902	2 365 325
Financial assets at fair value through other comprehensive income	8	2 064 702	835 710
Inventory	9	8 461 294	6 523 937
Prepayments and other assets	10	21 000 608	23 684 304
Current income tax asset		147 326	655 613
Deferred income tax assets		5 189 191	7 586 301
Investment property	11	8 838 000	8 184 400
Intangible assets	12	2 056 337	1 851 136
Property and equipment	13	34 874 699	28 849 191
Total assets		**1 113 976 719**	**712 437 485**
EQUITY AND LIABILITIES			
Liabilities			
Deposits and borrowings from other banks and customers	14	873 173 638	523 984 853
Insurance liabilities	15	13 921 902	7 680 864
Trade and other payables	16	46 742 668	35 311 178
Current income tax liability		643 429	70 599
Deferred income tax liability		783 115	834 055
Total liabilities		**935 264 752**	**567 881 549**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	17.3	14 089 892	14 089 892
Other reserves		35 396 838	38 807 167
Retained profits		128 886 322	91 326 329
		178 373 052	**144 223 388**
Non controlling interest in equity		338 915	332 548
Total equity		**178 711 967**	**144 555 936**
Total equity and liabilities		**1 113 976 719**	**712 437 485**

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Note	31 Dec 2018 US$	31 Dec 2017 US$
Cash flow from operating activities			
Profit before income tax		54 646 473	29 303 554
Adjustments for non cash items:			
Depreciation	13	2 807 016	2 339 547
Amortisation charge	12	574 935	626 899
Impairment allowance	5.4	2 513 421	6 883 565
Fair value adjustment on investment property	11	(45 970)	(2 129 962)
Impairment reversal on property and equipment	13	-	(1 629)
Impairment loss on intangible assets	12	-	27 890
Fair value adjustment on financial assets at fair value through profit or loss		(3 139 229)	(636 005)
Profit on disposal of property and equipment	23	(39 689)	(14 326)
Net cash generated before changes in operating assets and liabilities		**57 316 957**	**36 399 533**
Increase in financial instruments held to maturity		(73 189 473)	(37 800 342)
Increase in loans and advances		(105 917 853)	(31 095 557)
Increase in trade and other receivables		(3 302 918)	(519 423)
Increase in bonds and debentures		(197 932 158)	(18 493 760)
Increase in financial assets at fair value through profit or loss		(3 545 348)	(627 147)
Increase in inventory		(2 738 398)	(1 352 601)
Decrease/(increase) in prepayments and other assets		2 683 696	(13 629 611)
Increase in investment property		(607 630)	(2 343 981)
Increase in deposits from customers		207 225 825	165 407 265
Increase/(decrease) in deposits from other banks		52 143 469	(26 120 915)
Increase/(decrease) in insurance liabilities		6 241 038	(1 790 070)
Increase in trade and other payables		11 431 490	15 502 081
		(50 191 303)	**83 535 472**
Income tax paid		(6 796 032)	(7 211 061)
Net cash (used in)/generated from operating activities		**(56 987 335)**	**76 324 411**
Cash flows from investing activities			
Purchase of intangible assets	12	(780 136)	(615 899)
Purchase of property and equipment	13	(8 838 267)	(4 851 082)
Proceeds from sale of property and equipment		45 432	79 754
Net cash used in investing activities		**(9 572 971)**	**(5 387 227)**
Cash flows from financing activities			
Proceeds from borrowings		97 514 129	2 800 000
Repayment of borrowings		(7 694 638)	(73 602 926)
Dividend paid to the Company's shareholders		(7 412 632)	(3 359 164)
Dividend paid to non-controlling interests		(12 504)	(16 548)
Purchase of treasury shares		(4 627 032)	-
Net cash generated from/(used in) from financing activities		**77 767 323**	**(74 178 638)**
Net increase/(decrease) in cash and cash equivalents		**11 207 017**	**(3 241 454)**
Cash and cash equivalents at beginning of the year		181 002 565	184 244 019
Cash and cash equivalents at the end of year	4.2	**192 209 582**	**181 002 565**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 27 March 2019.

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

2.1 Basis of preparation
The Group's consolidated financial results have been prepared with policies consistent with International Financial Reporting Standards ("IFRS"), and the International Financial Reporting Interpretations Committee, ("IFRS IC") interpretations and in the manner required by the Zimbabwe Companies Act, (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 62/96, SI 33/99 and SI 33/19 unless stated otherwise. The consolidated financial results have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, through other comprehensive income, investment property and property and equipment.

In previous financial periods the Group adopted the United States Dollars as its presentation and functional currency. For the year 2018 financial statements, the Group has also adopted the United States Dollars as its presentation currency in compliance with local laws and regulations particularly Statutory instrument 33 of 2019 and relevant guidance on the matter provided by the Public Accountants and Auditors Board (PAAB) on 21 March 2019.

2.1.1 Changes in accounting policies

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

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

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

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

IFRS 15 - Revenue from contracts with customers
The Group has adopted IFRS 15 as issued by the International Accounting Standards Board (IASB) in April 2016 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 15 in previous periods.

The Group has applied IFRS 15 using the "cumulative effect method" transition option – i.e. recognising the cumulative effect of applying IFRS 15 as of 1 January 2018 as an adjustment to the opening balance of retained earnings of the annual reporting period, with no restatement of the comparative period.

Under this transition method, the Group is required to apply IFRS 15 retrospectively only to contracts that were not completed contracts at the date of initial application, and changes arising from this retrospective are adjusted for in the opening retained earnings.

The adoption of IFRS 15 has resulted in changes in the Group accounting policies for recognition of revenues. IFRS 15 has had a significant impact on revenue recognition for property development income for FBC Building Society. The impact is from the timing of revenue recognition. Property sales revenue was previously recognized under IAS 18 using stage of completion. Under IFRS 15, revenue recognition for property sales is now done when the performance obligation i.e. delivery of a housing unit as per agreed terms in the agreement of sale, has been satisfied and the property handed over to the customer. The standard has not impacted revenue recognition under other revenue streams.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 and IFRS 15 on the Group. Further details of the specific IFRS 9 and IFRS 15 accounting policies applied in the current period, as well as the previous IAS 39 and IAS 18 accounting policies applied in the comparative period, are described in more detail under the Group accounting policy note within the full set of financial statements for the year ended 31 December 2018.

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

	IAS 39		IFRS 9	
	Measurement	Carrying amount	Measurement	Carrying amount
Financial assets		US$		US$
Balances with banks and cash	Amortised cost	181 002 565	Amortised cost	181 002 565
Financial assets at amortised cost	Amortised cost	112 878 823	Amortised cost	112 372 607
Loans and advances to customers	Amortised cost	300 746 805	Amortised cost	301 481 869
Bonds and debentures	Amortised cost	27 633 715	Amortised cost	27 405 977
Financial assets at fair value through profit or loss	FVPL	2 365 325	FVPL	2 365 325
Financial assets at fair value through other comprehensive income	FVOCI	835 710	FVOCI	835 710
Trade and other receivables including insurance receivables	Amortised cost	9 639 660	Amortised cost	9 639 660
Financial liabilities				
Deposits from banks and customers	Amortised cost	523 984 853	Amortised cost	523 984 853
Insurance liabilities	Amortised cost	7 680 864	Amortised cost	7 680 864

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 and impact of IFRS 15
The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 and IAS 18 to their new measurement categories upon transition to IFRS 9 and IFRS 15 on 1 January 2018:

	IAS 18/IAS 39 Carrying amount 31 Dec 2017 US$	IFRS 15 Impact US$	IFRS 9 Reclassifi US$	IFRS 9 Remeasurement US$	IFRS 15/IFRS 9 Carrying amount as at 1 Jan 2018 US$
Assets					
Balances with banks and cash	181 002 565	-	-	-	181 002 565
Financial assets at amortised cost	112 878 823	-	-	(506 216)	112 372 607
Loans and advances to customers	300 746 805	-	-	735 064	301 481 869
Bonds and debentures	27 633 715	-	-	(227 738)	27 405 977
Financial assets at fair value through profit or loss	2 365 325	-	-	-	2 365 325
Financial assets at fair value through other comprehensive income	835 710	-	-	-	835 710
Trade and other receivables including insurance receivables	9 639 660	-	-	-	9 639 660
Inventory	6 523 937	3 563 044	-	-	10 086 981
Liabilities					
Deferred income tax liability	834 055	-	-	(330 237)	503 818
Trade and other payables	35 311 178	4 364 085	-	-	39 675 263
Current income tax liability	70 599	-	-	427 723	498 322
Equity					
Retained profits	91 326 329	(801 041)	-	1 357 462	91 882 750
Non controlling interest in equity	332 548	-	-	(368)	332 180

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

Measurement category	Impairment allowance under IAS 39	Reclassification	Remeasurement	Impairment allowance under IFRS 9
Armotised cost	US$	US$	US$	US$
Cash and cash equivalents	-	-	-	-
Financial assets at amortised cost	-	-	506 216	506 216
Loans and advances to customers	15 237 829	-	(735 064)	14 502 765
Bonds and debentures	-	-	227 738	227 738
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Trade and other receivables including insurance receivables	413 400	-	-	413 400
Loan commitments	-	-	207 591	207 591
Total	**15 651 229**	**-**	**206 481**	**15 857 710**

Total remeasurement amount of US$1 357 094 net of tax (gross - US$1 454 579) was recognised in opening reserves at 1 January 2018

(iv) IFRS 15 Impact on profit (loss) for the year 31 December 2018

	US$
Revenues	
Increase due to change in the timing of recognition for property sales	4 364 085
Cost of sales	
Increase due to change in the timing of recognition for property sales	(3 563 044)
Increase in net income from property sales	**801 041**

Adjustment to current year statement of comprehensive income components

	Current year performance US$	Initial IFRS 15 application adjustment US$	Reported performance 2018 US$	Reported performance 2017 US$
Revenue from property sales	6 475 652	4 364 085	10 839 739	5 387 808
Cost of sales	(4 787 955)	(3 563 044)	(8 350 999)	(4 212 915)
Net income from property sales	**1 687 697**	**801 041**	**2 488 740**	**1 174 893**

The opening retained earnings have been decreased by US$801 041;
Current period revenue has increased by US$4 364 085;
Current period cost of sales have increased by US$3 563 044;
Overall surplus for the year has been increased by US$801 041.

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

2.2 Basis of consolidation

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

(c) Disposal of subsidiaries

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

2.3 Segment reporting

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

3.1 Functional currency

As prescribed under statutory instrument 33 of 2019, the Group adopted United States Dollars (USD) as the functional currency.

3.1.1 Functional currency assessment for the year 2018 financial statements

Management in complying with the law and considering guidance on the matter provided by the Public Accountants and Auditors Board (PAAB) have assessed that the functional currency as at the 31 December 2018 was still United States Dollars. The Group used an exchange rate of 1:1 between RTGS balances, bond notes and the USD as at 31 December 2018.

4 BALANCES WITH OTHER BANKS AND CASH

	31-Dec-18 US$	31-Dec-17 US$
4.1 Balances with Reserve Bank of Zimbabwe ("RBZ")		
Current account balances	131 238 946	135 219 548
Balances with other banks and cash		
Notes and coins	8 969 265	5 228 887
Other bank balances	52 001 371	40 554 130
	60 970 636	45 783 017
Balances with other banks and cash (excluding bank overdrafts)	**192 209 582**	**181 002 565**
Current	192 209 582	181 002 565
Non-current	-	-
Total	**192 209 582**	**181 002 565**

4.2 Cash and cash equivalents

Cash and 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.

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

	31-Dec-18 US$	31-Dec-17 US$
Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	131 238 946	135 219 548
Balances with banks and cash (note 4.1)	60 970 636	45 783 017
	192 209 582	**181 002 565**

5 FINANCIAL ASSETS

5.1 Loans and advances to customers

	31-Dec-18 US$	31-Dec-17 US$
Loans and advance maturities		
Maturing within 1 year	253 032 843	96 850 768
Maturing after 1 year	164 948 162	219 133 866
Gross carrying amount	**417 981 005**	**315 984 634**
Impairment allowance	(12 472 674)	(15 237 829)
	405 508 331	**300 746 805**

5.2 Trade and other receivables including insurance receivables

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

5.3 Irrevocable commitments

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

5.4 Movement in impairment allowance

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

5.4 Movement in impairment allowance

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

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

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

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31-Dec-18 US$	31-Dec-17 US$
Listed securities at market value	9 049 902	2 365 325
Current	9 049 902	2 365 325
Non-current	-	-
Total	**9 049 902**	**2 365 325**

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

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

	31-Dec-18 US$	31-Dec-17 US$
8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Listed securities at market value	2 064 702	835 710
Current	2 064 702	835 710
Non-current	-	-
	2 064 702	**835 710**
9 INVENTORY		
Raw materials	68 900	125 368
Work in progress	6 307 718	4 089 434
Finished goods	2 084 676	2 309 135
	8 461 294	**6 523 937**
Current	8 461 294	6 523 937
Non-current	-	-
Total	**8 461 294**	**6 523 937**
10 PREPAYMENTS AND OTHER ASSETS		
Prepayments	7 873 595	6 472 439
Deferred acquisition costs	765 528	742 791
Refundable deposits for Mastercard and Visa transactions	7 025 695	4 664 519
Stationery stock and other consumables	33 566	19 024
Time - share asset	22 500	33 750
Other	5 279 724	11 751 781
	21 000 608	**23 684 304**
Current	14 902 986	23 650 554
Non-current	6 097 622	33 750
Total	**21 000 608**	**23 684 304**
11 INVESTMENT PROPERTY		
Balance as at 1 January	8 184 400	3 710 457
Additions	632 630	2 483 981
Fair value adjustment	45 970	2 129 962
Disposals	(25 000)	(140 000)
Balance as at 31 December	**8 838 000**	**8 184 400**
Non-current	8 838 000	8 184 400
Total	**8 838 000**	**8 184 400**
12 INTANGIBLE ASSETS		
Year ended 31 December		
Opening net book amount	1 851 136	1 890 026
Additions	780 136	615 899
Impairment loss	-	(27 890)
Amortisation charge	(574 935)	(626 899)
Closing net book amount	**2 056 337**	**1 851 136**
As at 31 December		
Cost	7 318 882	6 538 746
Accumulated amortisation	(5 233 318)	(4 658 383)
Accumulated impairment	(29 227)	(29 227)
Net book amount	**2 056 337**	**1 851 136**

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13 PROPERTY AND EQUIPMENT

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

14 DEPOSITS AND BORROWINGS FROM OTHER BANKS AND CUSTOMERS

	31-Dec-18 US$	31-Dec-17 US$
14.1 Deposits from customers		
Demand deposits	495 219 204	266 871 536
Promissory notes	43 480 837	52 691 470
Other time deposits	89 199 721	101 110 931
	627 899 762	**420 673 937**
Current	619 843 355	415 565 186
Non-current	8 056 407	5 108 751
Total	**627 899 762**	**420 673 937**
14.2 Deposits from other banks		
Money market deposits	140 873 376	88 729 907
Current	**140 873 376**	**88 729 907**
14.3 Borrowings		
Foreign lines of credit	103 917 654	13 499 380
Other borrowings	482 846	1 081 629
	104 400 500	**14 581 009**
Current	5 002 392	2 638 004
Non-current	99 398 108	11 943 005
Total	**104 400 500**	**14 581 009**
Total deposits and borrowings	**873 173 638**	**523 984 853**

14.4 Deposit concentration

	2018 US$	%	2017 US$	%
Agriculture	33 714 872	4%	18 406 872	4%
Construction	19 959 817	2%	9 410 422	2%
Wholesale and retail trade	139 533 516	16%	101 394 353	19%
Public sector	46 638 573	6%	34 343 637	7%
Manufacturing	73 069 043	8%	47 777 712	9%
Telecommunication	45 036 702	5%	29 651 248	6%
Transport	32 625 304	4%	20 203 403	4%
Individuals	99 035 558	11%	61 003 339	10%
Financial services	229 999 590	26%	89 522 891	17%
Mining	99 639 588	12%	61 813 610	12%
Other	53 921 075	6%	50 457 366	10%
	873 173 638	**100%**	**523 984 853**	**100%**

15 INSURANCE LIABILITIES

	31-Dec-18 US$	31-Dec-17 US$
Gross outstanding claims	10 280 141	4 441 660
Liability for unearned premium	3 641 761	3 239 204
	13 921 902	**7 680 864**
Current	**13 921 902**	**7 680 864**

16 TRADE AND OTHER PAYABLES

	31-Dec-18 US$	31-Dec-17 US$
Trade and other payables	12 255 038	12 575 694
Deferred income	4 736 974	5 908 279
Other liabilities	29 750 656	16 827 205
	46 742 668	**35 311 178**
Current	32 962 918	35 311 178
Non-current	13 779 750	-
Total	**46 742 668**	**35 311 178**

17 SHARE CAPITAL AND SHARE PREMIUM

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

17.3 Share capital movement

	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 1 January 2017	671 949 927	6 719	14 083 173	14 089 892
Share issue	-	-	-	-
As at 31 December 2017	671 949 927	6 719	14 083 173	14 089 892
Share issue	-	-	-	-
As at 31 December 2018	671 949 927	6 719	14 083 173	14 089 892

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

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

	31-Dec-18 US$	31-Dec-17 US$
18.1 INTEREST AND REALTED EXPENSE		
Deposit from other banks	4 778 238	6 879 265
Demand deposits	2 459 326	884 481
Afreximbank and PTA Bank	5 686 106	4 785 062
Time deposits	7 188 060	7 098 347
	20 111 730	**19 647 155**
19 FEE AND COMMISSION INCOME		
Retail service fees	38 521 782	28 163 280
Credit related fees	3 545 086	2 840 406
Investment banking fees	326 413	407 194
Brokerage commission	766 025	517 468
Other	55	120
	43 159 361	**31 928 468**
19.1 FEE AND COMMISSION EXPENSE		
Brokerage	358 716	322 495
20 REVENUE FROM PROPERTY SALES		
Property sales	10 839 739	5 387 808
20.1 COST OF PROPERTY SALES		
Raw materials	8 350 999	4 212 915
21 INSURANCE PREMIUM REVENUE		
Gross premium written	35 439 009	31 077 487
Change in unearned premium reserve ("UPR")	(402 557)	(89 279)
	35 036 452	30 988 208
22 NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE		
Financial assets at fair value through profit or loss (note 7), fair value gains	3 139 229	636 005
23 OTHER OPERATING INCOME		
Rental income	212 282	113 834
Profit disposal of property and equipment	39 689	14 326
Sundry income	1 315 996	930 251
Bad debts recoveries	7 539 868	2 622 952
Fair value adjustments on investment property	45 970	2 059 627
Rental income is earned from owner occupied properties. Included in rental income is US$ 74 977 (2017- US$ 59 521) earned from investment property.	9 153 805	5 740 990
24 NET INSURANCE COMMISSION EXPENSE		
Commissions paid	4 976 802	4 897 686
Commission received	(1 147 861)	(1 113 150)
Change in technical provisions	(22 737)	(1 494)
	3 806 204	3 783 042

25 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

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

	31-Dec-18 US$	31-Dec-17 US$
26 ADMINISTRATIVE EXPENSES		
Administrative expenses	29 592 178	19 656 439
Staff costs (note 26.1)	32 425 016	26 774 254
Directors' remuneration (note 26.2)	6 536 579	6 281 630
Audit fees:		-
- Current year fees	331 404	313 600
- Prior year fees	75 389	67 161
Depreciation	2 807 016	2 339 547
Impairment of intangible assets	-	27 890
Amortisation	574 935	626 899
Operating lease payment	959 818	957 211
	73 302 335	**57 044 631**
26.1 Staff costs		
Salaries and allowances	30 642 742	25 127 044
Social security	394 786	363 974
Pension contribution	1 387 488	1 283 236
	32 425 016	**26 774 254**
26.2 Director's remuneration		
Board fees	988 576	778 162
Other emoluments	91 229	49 914
For services as management	5 456 774	5 453 554
	6 536 579	**6 281 630**
27 INCOME TAX EXPENSE:		
Charge for the year		
Current income tax on income for the reporting year	7 546 912	5 370 913
Adjustments in respect of prior years	125 324	376 860
Deferred income tax	2 538 794	307 551
Income tax expense	**10 211 030**	**6 055 324**

Notes to the Consolidated Financial Statements (continued)
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		31-Dec-18 US$	31-Dec-17 US$
28	**EARNINGS PER SHARE**		
28.1	**Basic earnings per share**		
	Profit attributable to equity holders of the parent	44 416 204	23 197 279
	Total	**44 416 204**	**23 197 279**

Year ended 31 December 2018	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2018	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	13 000 000	(13 000 000)	(1 246 575)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**44 827 282**	**627 122 645**	**638 876 070**
Basic earnings per share (US cents)				6.95
Year ended 31 December 2017				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2017	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**31 827 282**	**640 122 645**	**640 122 645**
Basic earnings per share (US cents)				3.62

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 potential ordinary shares.

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

28.3 Headline earnings per share

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

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

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

31 December 2018	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	60 154 388	9 083 399	15 817 053	555 073	226 151	388 999	86 225 063
Interest expense	(15 606 863)	(1 387 091)	(3 819 067)	-	-	-	(20 813 021)
Net interest income	**44 547 525**	**7 696 308**	**11 997 986**	**555 073**	**226 151**	**388 999**	**65 412 042**
Revenue from property sales	-	-	10 839 739	-	-	-	10 839 739
Cost of property sales	-	-	(8 350 999)	-	-	-	(8 350 999)
Gross profit	**-**	**-**	**2 488 740**	**-**	**-**	**-**	**2 488 740**
Net earned insurance premium	-	-	-	12 526 235	10 022 283	-	22 548 518
Net fee and commission income	35 719 180	1 131 633	6 186 328	-	-	649 156	43 686 297
Net trading income and other income	9 244 214	14 804	104 982	2 997 095	667 798	140 633	13 169 526
Total net income for reported segments	**89 510 919**	**8 842 745**	**20 778 036**	**16 078 403**	**10 916 232**	**1 178 788**	**147 305 123**
Intersegment revenue	(1 388 070)	(6 132)	(715 243)	(8 744 668)	7 441 822	(6 730)	(3 419 021)
Intersegment interest expense and commission	1 153 804	1 387 671	530 419	6 302 527	1 213 926	5 543	10 593 890
Net income from external customers	**89 276 653**	**10 224 284**	**20 593 212**	**13 636 262**	**19 571 980**	**1 177 601**	**154 479 992**
Segment profit before income tax	**33 802 683**	**3 855 139**	**11 696 179**	**2 667 001**	**443 220**	**612 323**	**53 076 545**
Impairment allowances on financial assets	700 663	898 752	366 093	470 983	76 618	312	2 513 421
Depreciation	2 235 536	92 277	310 584	42 350	120 429	5 840	2 807 016
Amortisation	399 301	61 032	16 870	23 905	73 827	-	574 935
Segment assets	**896 448 380**	**27 400 002**	**192 801 038**	**31 737 372**	**15 050 013**	**2 672 274**	**1 166 109 079**
Total assets includes :							
Additions to non-current assets	2 999 899	255 500	940 809	80 754	33 346	3 103	4 313 411
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**790 947 826**	**16 775 318**	**139 163 603**	**15 903 342**	**7 550 225**	**1 448 194**	**971 788 508**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

31 December 2017	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term Insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	42 748 671	7 718 676	15 149 669	756 938	293 635	519 336	67 186 925
Interest expense	(15 479 196)	(1 053 238)	(4 350 444)	-	-	-	(20 882 878)
Net interest income	**27 269 475**	**6 665 438**	**10 799 225**	**756 938**	**293 635**	**519 336**	**46 304 047**
Revenue from property sales	-	-	5 387 808	-	-	-	5 387 808
Cost of property sales	-	-	(4 212 915)	-	-	-	(4 212 915)
Gross profit	**-**	**-**	**1 174 893**	**-**	**-**	**-**	**1 174 893**
Net earned insurance premium	-	-	-	11 307 706	8 410 055	-	19 717 761
Net fee and commission income	25 862 468	732 856	5 076 569	-	-	459 868	32 131 761
Net trading income and other income	6 387 528	180 824	176 800	622 476	459 449	10 068	7 837 145
Total net income for reported segments	**59 519 471**	**7 579 118**	**17 227 487**	**12 687 120**	**9 163 139**	**989 272**	**107 165 607**
Intersegment revenue	(243 002)	-	(827 168)	(8 115 789)	6 443 045	(16 432)	(2 759 346)
Intersegment interest expense and commission	1 455 562	1 070 892	415 837	6 028 939	1 038 790	3 154	10 013 174
Net income from external customers	**60 732 031**	**8 650 010**	**16 816 156**	**10 600 270**	**16 644 974**	**975 994**	**114 419 435**
Segment profit before income tax	**16 559 652**	**4 451 832**	**9 306 997**	**1 715 205**	**1 359 467**	**584 242**	**33 977 395**
Impairment allowances on financial assets	6 342 964	(326 026)	600 697	191 916	74 014	-	6 883 565
Depreciation	1 901 950	66 549	208 873	38 343	120 492	3 340	2 339 547
Amortisation	397 254	61 032	44 844	21 642	102 127	-	626 899
	-	-	-	-	-	-	-
Segment assets	**558 063 849**	**22 626 490**	**129 919 786**	**21 500 808**	**14 968 980**	**2 695 824**	**749 775 737**
Total assets includes :							
Additions to non-current assets	3 890 815	203 222	616 515	15 862	97 375	27 293	4 851 082
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**480 127 286**	**13 083 822**	**82 416 452**	**7 873 921**	**7 601 555**	**1 641 695**	**592 744 731**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	

30	**Operating segments reconciliations**	2018 US$	2017 US$
	Net income		
	Total net income income for reportable segments	154 479 992	114 419 435
	Total net income for non reportable segments	12 527 955	4 731 160
	Elimination of intersegment revenue received from the holding company	(1 118 764)	(1 140 730)
	Intersegment eliminations	(19 964 395)	(12 715 938)
	Group total net income	**145 924 788**	**105 293 927**
	Group profit before tax		
	Total profit before income tax for reportable segments	53 076 545	33 977 395
	Intersegment eliminations	1 569 928	(4 673 841)
	Profit before income tax	**54 646 473**	**29 303 554**
	Group assets		
	Total assets for reportable segments	1 166 109 079	749 775 737
	Other group assets	6 417 517	33 750
	Deferred tax asset allocated to the holding company	511 314	2 222 315
	Intersegment eliminations	(59 061 191)	(39 594 317)
	Group total assets	**1 113 976 719**	**712 437 485**
	Group liabilities		
	Total liabilities for reportable segments	971 788 508	592 744 731
	Other group liabilities and elimination of intersegment payables	(36 523 756)	(24 863 182)
	Group total liabilities	**935 264 752**	**567 881 549**

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

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

31 FINANCIAL RISK MANAGEMENT

The Group has a defi 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 refl changes in markets, products, regulations and best market practice.

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

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

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

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

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31.1 Credit risk

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

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

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

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

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

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

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

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

Significant increase in credit risk
The Group monitors all financial assets that are subject to impairment requirements 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).

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	Highly 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.

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

31.1.1 Exposure to credit risk

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

Loans and advances

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

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

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

31.1.2 Sectorial analysis of utilizations of loans and advances to customers

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

Reconciliation of impairment allowance for loans and advances

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

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31.1.3 Bonds and Debentures

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

31.1.4 Financial assets at amortised cost

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

31.1.5 Credit exposure on undrawn loan commitments and guarantees

	31 Dec 2018				31-Dec-17
	ECL staging Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	US$
Credit grade					
Investment grade	45 035 747	-	-	45 035 747	22 302 231
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross undrawn loan commitments and guarantees	**45 035 747**	**-**	**-**	**45 035 747**	**22 302 231**
Impairment allowance	(137 536)	-	-	(137 536)	-
Net undrawn loan commitments and guarantees	**44 898 211**	**-**	**-**	**44 898 211**	**22 302 231**
Analysis					
Gross amount					
Balance as at 1 January	**22 302 231**	**-**	**-**	**22 302 231**	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
New issue	32 120 046	-	-	32 120 046	
Repayments	(9 386 530)	-	-	(9 386 530)	
Amounts written off during the year as uncollectible	-	-	-		
Balance as at 31 December	**45 035 747**	**-**	**-**	**45 035 747**	
Impairment					
Balance as at 1 January	**-**	**-**	**-**	**-**	
Changes on initial application of IFRS 9	207 591	-	-	207 591	
Transfers	-	-	-		
Stage 1	-	-	-		
Stage 2	-	-	-		
Stage 3	-	-	-		
Net change due to new issues and repayments	(70 055)	-	-	(70 055)	
Balance as at 31 December	**137 536**	**-**	**-**	**137 536**	

31.1.6 Trade and other receivables including insurance receivables

	31-Dec-18 US$	31-Dec-17 US$
Past due and impaired	1 092 849	438 223
Impairment allowance	(763 123)	(413 400)
Carrying amount	**329 726**	**24 823**
Past due but not impaired	1 692 786	-
Neither past due nor impaired	10 920 066	9 614 837
Gross amount, not impaired	**12 612 852**	**9 614 837**
Impairment allowance	-	-
Carrying amount, not impaired	**12 612 852**	**9 614 837**
Total carrying amount	**12 942 578**	**9 639 660**

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

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

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

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

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

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

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Contractual maturity analysis on balance sheet items as at 31 December 2018	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	561 405 751	58 437 604	8 056 407	627 899 762
Deposits from other banks	109 681 011	26 892 365	4 300 000	140 873 376
Borrowings	816 561	4 185 831	99 398 108	104 400 500
Insurance liabilities	2 214 090	4 658 087	7 049 725	13 921 902
Current income tax liabilities	389 979	253 450	-	643 429
Trade and other liabilities	23 537 919	4 688 025	13 779 750	42 005 694
Total liabilities - (contractual maturity)	**698 045 311**	**99 115 362**	**132 583 990**	**929 744 663**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	192 209 582	-	-	192 209 582
Financial assets at amortised cost	17 187 454	140 828 766	28 052 076	186 068 296
Loans and advances to customers	56 688 897	186 742 714	162 076 720	405 508 331
Bonds and debentures	21 397 026	135 613 191	68 555 656	225 565 873
Trade and other receivables including insurance receivables	2 209 738	4 375 011	6 357 829	12 942 578
Financial assets at fair value through profit or loss	4 362 204	4 520 378	167 320	9 049 902
Financial assets at fair value through other comprehensive income	-	-	2 064 702	2 064 702
Other assets	2 702 962	3 504 834	6 097 622	12 305 418
	296 757 863	**475 584 894**	**273 371 925**	**1 045 714 682**
Liquidity gap	**(401 287 448)**	**376 469 532**	**140 787 935**	**115 970 019**
Cumulative liquidity gap - on balance sheet	**(401 287 448)**	**(24 817 916)**	**115 970 019**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	26 227 144	-	26 227 144
Commitments to lend	18 808 603	-	-	18 808 603
Total liabilities	18 808 603	26 227 144	-	45 035 747
Liquidity gap	**(18 808 603)**	**(26 227 144)**	**-**	**70 934 272**
Cumulative liquidity gap - on and off balance sheet	**(420 096 051)**	**(69 853 663)**	**70 934 272**	**-**
Contractual maturity analysis on balance sheet items as at 31 December 2017				
Liabilities				
Deposits from customers	389 343 256	24 071 930	7 258 751	420 673 937
Deposits from other banks	70 756 358	15 973 549	2 000 000	88 729 907
Borrowings	3 151 514	6 484 712	4 944 783	14 581 009
Insurance liabilities	2 108 017	-	5 572 847	7 680 864
Current income tax liabilities	70 599	-	-	70 599
Trade and other liabilities	15 639 254	10 027 072	3 736 572	29 402 898
Total liabilities - (contractual maturity)	**481 068 998**	**56 557 263**	**23 512 953**	**561 139 214**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	181 002 565	-	-	181 002 565
Financial assets at amortised cost	13 535 474	39 885 579	59 457 770	112 878 823
Loans and advances to customers	56 739 598	35 528 169	208 479 038	300 746 805
Bonds and debentures	-	18 500 000	9 133 715	27 633 715
Trade and other receivables including insurance receivables	1 349 461	8 290 199	-	9 639 660
Financial assets at fair value through profit or loss	472 060	1 807 269	85 996	2 365 325
Financial assets at fair value through other comprehensive income	835 710	-	-	835 710
Other assets	12 165 557	1 217 535	3 033 209	16 416 301
	266 100 425	**105 228 751**	**280 189 728**	**651 518 904**
Liquidity gap	**(214 968 573)**	**48 671 488**	**256 676 775**	**90 379 690**
Cumulative liquidity gap - on balance sheet	**(214 968 573)**	**(166 297 085)**	**90 379 690**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	8 002 919	-	8 002 919
Commitments to lend	14 299 312	-	-	14 299 312
Total liabilities	14 299 312	8 002 919	-	22 302 231
Liquidity gap	**(14 299 312)**	**(8 002 919)**	**-**	**68 077 459**
Cumulative liquidity gap - on and off balance sheet	**(229 267 885)**	**(188 599 316)**	**68 077 459**	**-**

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile.

Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

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

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

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

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

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

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

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

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

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

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

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

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

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

Settlement limits form part of the credit approval / limit monitoring process.

31.5 Operating risk
Operational risk is the risk of loss arising from the potential inadequate information systems, technological failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems 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.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

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 always thrives to comply with all externally imposed capital requirements.

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

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

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

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

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

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

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

33 INTERNATIONAL CREDIT RATINGS
All banking and insurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating, except for the micro lending unit which has its rating reviewed by Microfinanza rating agency. The ratings are as illustrated below;

Subsidiary	2018	2017	2016	2015	2014	2013
FBC Bank Limited	BBB+	BBB+	BBB+	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	A-	BBB-	BBB-
Microplan Financial Services Limited	BBB	BBB	BBB-	N/A	N/A	N/A

34 SUBSEQUENT EVENTS

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

34.2 Introduction of the RTGS as an official currency
On 20 February 2019, through the Monetary Policy statement , the Reserve Bank Governor announced the introduction of the RTGS $ (ZWL) as an official electronic currrency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective 22 February 2019.

As from that date the Public Auditors and Accountant Board ("PAAB") has been assessing the appropriateness of retaining the US$ as the presentation currency for periods beginning 01 January 2018. Pursuant to the assessment, PAAB issued a guideline, titled "Financial Reporting and Auditing guidance on currency considerations under the environment prevailing for financial years beginning on or after 01 Janauary 2018"

Set out below are disclosures relating to the impact of the assessments done on the change in functional currency which shall not be applied retrospectively. The change in functional currency is effective 22 February 2019 and management have concluded it does not affect balances and transactions for the full year ended 31 December 2018.

34.2.1 Table I : Illustrative sensitivity analysis for events after the reporting period

	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities RTGS Dollar	Non-Monetary Assets/Liabilities Nostro FCA USD	Non-Monetary Assets/Liabilities RTGS Dollar	Total	Sensitivity Analysis Total RTGS $ at 1:2.5	Total RTGS $ at 1:3.3	Total RTGS $ at 1:5.0
Balances with other banks and cash	43 554 008	148 655 574	-	-	192 209 582	257 540 594	292 383 801	366 425 614
Financial assets at amortised cost	-	186 068 296	-	-	186 068 296	186 068 296	186 068 296	186 068 296
Loans and advances to customers	101 245 893	304 262 438	-	-	405 508 331	557 377 170	638 373 885	810 491 903
Trade and other receivables								
including insurance receivables	110 786	12 831 792	-	-	12 942 578	13 108 757	13 197 386	13 385 722
Bonds and debentures	-	225 565 873	-	-	225 565 873	225 565 873	225 565 873	225 565 873
Financial assets at fair value								
through profit or loss	548 844	8 501 058	-	-	9 049 902	9 873 168	10 312 243	11 245 278
Financial assets at fair value								
through other comprehensive income	-	1 515 858	-	548 844	2 064 702	2 064 702	2 064 702	2 064 702
Inventory	-	-	4 922 135	3 539 159	8 461 294	15 844 497	19 782 205	28 149 834
Prepayments and other assets	2 606 061	16 690 345	-	1 704 202	21 000 608	24 909 699	26 994 548	31 424 852
Current income tax asset	-	147 326	-	-	147 326	147 326	147 326	147 326
Deferred income tax assets	-	-	-	5 189 191	5 189 191	5 189 191	5 189 191	5 189 191
Investment property	-	-	8 838 000	-	8 838 000	22 095 000	29 165 400	44 190 000
Intangible assets	-	-	99 960	1 956 377	2 056 337	2 206 277	2 286 245	2 456 177
Property and equipment	-	-	17 703 831	17 170 868	34 874 699	61 430 446	75 593 510	105 690 023
Total assets	**148 065 592**	**904 238 560**	**31 563 926**	**30 108 641**	**1 113 976 719**	**1 383 420 996**	**1 527 124 611**	**1 832 494 791**
EQUITY AND LIABILITIES								
Liabilities								
Deposits and borrowings from								
other banks and customers	128 908 382	744 265 256	-	-	873 173 638	1 066 536 211	1 169 662 916	1 388 807 166
Insurance liabilities	84 698	13 837 204	-	-	13 921 902	14 048 949	14 116 707	14 260 694
Trade and other payables	7 147 382	39 595 286	-	-	46 742 668	57 463 741	63 181 647	75 332 196
Current income tax liability	-	643 429	-	-	643 429	643 429	643 429	643 429
Deferred income tax liability	-	-	-	783 115	783 115	783 115	783 115	783 115
Total liabilities	**136 140 462**	**798 341 175**	**-**	**783 115**	**935 264 752**	**1 139 475 445**	**1 248 387 814**	**1 479 826 600**
Equity								
Capital and reserves attributable to								
equity holders of the parent entity								
Share capital and share premium	-	-	-	14 089 892	14 089 892	14 089 892	14 089 892	14 089 892
Other reserves	-	-	-	35 396 838	35 396 838	35 396 838	35 396 838	35 396 838
Retained profits	-	-	-	128 886 322	128 886 322	128 886 322	128 886 322	128 886 322
Foreign currency translation reserve	-	-	-	-	-	65 233 584	100 024 830	173 956 224
	-	**-**	**-**	**178 373 052**	**178 373 052**	**243 606 636**	**278 397 882**	**352 329 276**
Non controlling interest in equity	-	-	-	338 915	338 915	338 915	338 915	338 915
Total equity	**-**	**-**	**-**	**178 711 967**	**178 711 967**	**243 945 551**	**278 736 797**	**352 668 191**
Total equity and liabilities	**136 140 462**	**798 341 175**	**-**	**179 495 082**	**1 113 976 719**	**1 383 420 996**	**1 527 124 611**	**1 832 494 791**

The numbers indicated above do not necessarliy reflect expected opening balances in RTGS $ for the 2019 financial statements.

34.2.2 Key assumptions around the sensitivity analysis
1) The RTGS $ was not an official currency prior to 20 February 2019 and as such the official exchange rate between the pseudo-currency of electronic balances against the USD$ remained at 1:1 for the full year ended 31 December 2018.

2) The Implied exchange rates of 1:3.3 and 1:5 were the most prevalent parallel market rates as at 31 December 2018. The rate of 1:5 being the worst case scenario.

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

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

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

Board Attendance

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

Key

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

By order of the Board

Tichaona K. Mabeza
GROUP COMPANY SECRETARY

15 April 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FBC HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Adverse Opinion

We have audited the consolidated and separate financial statements of FBC Holdings Limited ("the Company) and its subsidiaries ("the Group") set out on pages 13 to 85 which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for Adverse Opinion

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

The Reserve Bank of Zimbabwe (RBZ) issued a monetary policy statement in October 2018 instructing all banks to separate and create distinct bank accounts for depositors, namely, RTGS Foreign Currency Accounts (FCA) and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Due to this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates." Such assessment pointed to a change in functional currency.

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FBC HOLDINGS LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Basis for Adverse Opinion (continued)

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

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

Key Audit Matters

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
1. Valuation of expected credit losses on financial assets	
The Group adopted the new and complex accounting standard (IFRS 9: Financial Instruments) on 1 January 2018. This standard introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39. The closing impairment allowances reflected in the statement of financial position as at 31 December 2018 and determined in accordance with IFRS 9 amounts to US$14 600 244. This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment. The key areas where we identified greater levels of Director's judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model; • The measurement of modelled provisions, which is dependent on key assumptions relating to probability of default (the chance that the borrowers will fail to meet their contractual obligations in the future), loss given default (an estimate of the loss from a transaction given that default has occurred) and expected recoveries discounted to present value; • The identification of exposures with a significant deterioration in credit quality; • Assumptions used in the expected credit loss model. Note 2.5.3, Note 3.5, Note 5 and Note 34.1 to the consolidated financial statements provide detailed information around the determination of the expected credit losses.	• Tested the design and implementation of controls around the determination of the expected credit losses; • Reviewed the Group's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; • Obtained an understanding of the Group's internal rating models for financial assets and reviewed the validation report prepared by the Group's expert to assess whether the rating model is appropriate. • Performed procedures to ensure the competence, objectivity and independence of the Group's expert; • Reviewed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages; • For a sample of exposures, tested the appropriateness of the Group's staging; • Tested assumptions used in the ECL calculations and assessed for reasonability; • For a sample of exposures, tested the appropriateness of determining Exposure at Default (the total value that the Group is exposed to at the time of default) and probability of default; • With the assistance of an auditors' expert, performed model validation assessment on the Group's model and performed an independent assessment on the appropriateness of the model; • Reviewed the maturity dates to ensure completeness in the impairment model; • Tested the completeness of loans and advances, treasury bills, off balance sheet items, investment securities, placements and other financial assets included in the ECL calculations; • Assessed the completeness of collateral recognised during the period under review; • Assessed consistency of inputs and assumptions used by the Group's management to determine impairment provisions; and • Reviewed the appropriateness of the opening balance adjustments.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
2. Valuation of Incurred But Not Reported (IBNR) claims provision	
The determination of the IBNR claims provision is an area of key judgement due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date. Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for. The claims provision as at 31 December 2018 was US$2 145 471 (2017: US$1 451 597). Disclosures in relation to the claims provision are included in note 2.8 and note 16 of the consolidated financial statements	• Obtained an understanding of the methods and assumptions applied in the provision determination, as well as the source of the information used in the provision determination. • Tested the design and implementation of controls around the determination of the IBNR provision. • In order to assess the quality of historical reserving exercises, we performed a retrospective review of the adequacy of the prior periods' estimates by comparing it with the claims experience related to the provision that was recorded in the prior years. We performed procedures to assess the adequacy of the current year IBNR provision, that included the following: • Analysis of the 2017 claims incurred that were reported up to the date of our audit report against the current year (2018) IBNR provision; • Verification of the mathematical accuracy of the provision determination prepared by the Group; and • We engaged our own internal actuarial specialists to interrogate the methodology and assumptions of the Group's actuary used in the assessment of the IBNR. This was done to support the conclusion over whether the amount calculated by the Group lies within an acceptable range.

Other Information

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

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Other Information (continued)

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FBC HOLDINGS LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche

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

Date: 16 April 2019