



FBC Holdings Limited

strength • diversity • service

Reviewed Interim Results

FOR THE SIX MONTHS ENDED 30 JUNE 2019



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



FBC Building Society
(Registered Building Society)



FBC Reinsurance Limited



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



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



FBC Insurance Company Limited

CHAIRMAN'S STATEMENT

It is with great pleasure that I present the financial results of FBC Holdings Limited for the six months ended 30 June 2019.

Financial Highlights

• Group total income	ZWL\$198.4 million
• Group profit before income tax	ZWL\$90 million
• Group profit after income tax	ZWL\$54.3 million
• Cost to income ratio	55%
• Basic earnings per share (ZWL cents)	8.74
• Net asset value (ZWL cents per share)	43.53
• Return on equity	20%

Financial Performance Review

Following the change in the functional currency, FBC Holdings achieved a commendable set of results for the six months ended 30 June 2019, recording a profit before income tax of ZWL\$90 million and profit after income tax of ZWL\$54.3 million. The favourable performance continues to be underpinned by the Group's diversified business model. The Group benefitted from its effective hedging strategy by recording notable exchange gains and fair value gains following the introduction of the Zimbabwe dollar.

Total net income for the Group was ZWL\$198.4 million for the period under review, primarily driven by the banking subsidiaries. Net interest income performance was at ZWL\$27.4 million for the period under review. Net fees and commission income of ZWL\$32.3 million was realised as the Group continues to make strides on its digitalisation strategy. Net income from property sales was ZWL\$1.05 million for the period reflecting a slowdown in property sales as the market readjusts to determine pricing equilibrium in response to policy changes on the transacting currency.

The launch of a revolutionary user based insurance product, MyDrive, brought about positive growth within the insurance subsidiary resulting in sustained growth in net earned insurance premium. Despite the challenges weighing down the insurance sector, the Group recorded net earned insurance premiums of ZWL\$18.5 million for the six months ended 30 June.

Net trading income for the period was ZWL\$73.3 million with the major proportion being foreign exchange gains. Other operating income comprising of fair value adjustment to financial assets and investment properties totalled ZWL\$45.8 million.

Administrative expenses were ZWL\$87.7 million for the period under review, driven by an increase in operating expenses arising from the general price increases in the economy. However, due to the strong income performance reported in the period under review, cost-to-income ratio improved to 55% compared to 71% recorded in the comparable period in 2018.

The Group's statement of financial position as at 30 June 2019 was ZWL \$2.36 billion with loans and advances of ZWL\$1.2 billion constituting 52% of total assets. Total equity attributable to shareholders of the parent company was at ZWL\$269.9 million translating to a net asset value of ZWL43.53 cents per share.

Legacy Debt

The Group's mortgage business borrowed a sum of US\$5 million from a regional financial institution for the purpose of providing mortgage financing. An amount of US\$2.38 million is outstanding at reporting date. In line with Exchange Control Directive RU28 dated 22 February 2019 and Exchange Control Circular 08 dated 24 July 2019, the Group registered the amount outstanding as legacy debt and an amount of ZWL\$2.38 million was paid to the Central Bank in line with the directive. The Group has accordingly classified the payment to the Reserve Bank as a receivable in United States Dollars.

The Group is also in the process of registering an FBC Holdings external loan of USD 10 million obtained from another regional financial institution under the same arrangement. Pending finalization of the registration process for this loan, the Group has absorbed the exchange losses arising therefrom. The exchange losses are expected to reverse upon conclusion of the registration process.

Operating Environment

The operating environment remained challenging throughout the first half of 2019. During the period under review, inflationary pressure remained a cause for concern, and its effects have been felt across the economy as evidenced by the general increase in the cost of doing business. The annual inflation rate has been on an upward trajectory having closed the first half of 2019 at 175.7% from 42.1% at the beginning of the year. The increase in prices of goods and services was largely being driven by the adverse movement in foreign exchange rates.

On 24 June 2019, Zimbabwe's fiscal authorities responded by introducing a raft of measures aimed at stabilising the Zimbabwean economy. Through Statutory Instrument 142 of 2019, the use of the multiple currency payment system was abandoned, and a directive issued for all local transactions to be conducted using the Zimbabwe dollar.

Financial Services Sector

While the performance of the financial services sector has remained relatively stable, a number of monetary policy measures implemented during the period have resulted in some significant developments in the sector. Interest rates have been on the increase in reaction to the negative returns arising from an increased inflation rate and the need to discourage rent seeking behaviour from speculative borrowing. The liberalisation of the interbank foreign exchange trading has seen an upward movement in exchange rates and an increase in interbank trades as the gap between the formal interbank rate and the parallel market rate narrows. This, coupled with the reintroduction of Bureau De Change has resulted in increased volumes of foreign currency traded on the formal market, which has contributed to

improved availability of foreign currency on the formal market, albeit at a higher cost.

To capitalise on the opportunity presented in the foreign exchange trading space, MicroPlan Financial Services obtained a Bureau De Change operating license and commenced operations to capitalise on the liberalisation. As at 30 June 2019, the ZWL was trading at ZWL\$8.56 against the US\$, which is 242% weaker compared to the ZWL\$2.50 initial exchange rate set on 20 February 2019 when the interbank forex market was introduced.

Financial technologies continue to evolve and revolutionise access options available in the transactional environment. It is one of our core objectives to promote a transition towards a cashless society. In this regard, we have increased POS deployment in the market and officially launched more secure chip and pin ATM cards in a bid to improve security.

The Insurance Sector

The Insurance and Pension Commission (IPEC) launched the Zimbabwe Integrated Capital and Risk Project ("ZICARP") which is aimed at creating market discipline and improving confidence levels in the country's insurance sector. ZICARP, essentially consists of three pillars which include the Risk-based Capital Framework, Own-Risk and Solvency Assessment framework (ORSA) and the Market Disclosure Framework.

The demand for insurance products has however remained subdued as a result of erosion of disposable income and limited capacity by the general public to keep pace with increasing insurance costs from the continued asset value appreciation driven by a depreciating local currency.

Property Market

Real estate property remains one of the preferred hedge solutions in the prevailing inflationary environment. Activity on the property market however remained slow and this was further worsened by the abolition of the multi-currency system which has discouraged sellers from disposing their real estate property. On the construction side, the cost of building materials remains high resulting in a general slowdown in construction activities.

Stock Market Performance

The Equities Market has registered moderate gains on the back of the announcement of fiscal and monetary reforms anchored on the aforementioned Statutory Instrument 142 of 2019.

During the period under review, the Zimbabwe Stock Exchange ("ZSE") gazetted revised Listing Requirements under Statutory Instrument 134 of 2019. Among other equally important amendments, disclosure of periodic financial information has been changed from bi-annually to quarterly, in line with international best practice.

Interim Share Price Performance

The FBCH share continues to receive substantial investor attention as evidenced by the volumes of shares traded. During the interim period volumes traded of 30.5 million increased by 44% compared to the same period last year. The share price increased by 72% from the December 2018 price to close the interim period at 60.25c on the back of a number of factors namely increased demand from investors, change in functional currency and the general flight to inflation hedging assets by investors. The 72% registered growth in the share price was ahead of the 40% registered by the broad market share index.

Dividend

On behalf of the Board of Directors, I am pleased to advise stakeholders that an interim dividend of 2.232 ZWL cents per share was proposed for the half year ending 30 June 2019 after taking into account the performance of the Group. The interim dividend proposed amounts to ZWL\$15 million which is 3.6 times dividend cover.

FBC Trend Setting

FBC Holdings continues to make inroads in the market with new and innovative products that seek to provide various solutions for our clients. During the period under review FBC Holdings subsidiaries have received the following accolades;

- MyDrive won the 1st Runner up Innovative Product Award in the Business Weekly Inaugural Consumer Insurance Awards.
- FBC Holdings scooped the Institute of People Management of Zimbabwe (IPMZ) 1st Runner up People Development and Impact Award for the year 2018.

FBC Holdings was recognised as one of the nation's Top Five Listed Companies in The Zimbabwe Independent 2018 Quoted Companies Survey (QCS). This achievement is testimony to the sustainable and stable financial performance of the Group over the years. The survey considered multiple dimensions which include market capitalisation, ratio of volumes traded to listed shares, share price movement, highest percentage movement during the financial year, turnover, comprehensive net income for the year, total assets, growth in turnover, growth in net profit, growth in total assets, net profit margin, basic earnings per share, price earnings (P/E) ratio, asset turnover ratio, return on equity and return on assets. The Group anticipates that it will continue on this positive trajectory, resulting in sustainable value creation for stakeholders.

FBC in the Community

FBC Holdings continues to support sustainable and value driven community based initiatives. The Group believes in ploughing back into the various communities that it serves in. In this vein, FBC Holdings supported various initiatives that include but are not limited to education, sport, health and environment, culture and the welfare of senior citizens.

Digital Transformation and Innovation

The Group continues to advance its efforts towards digital transformation with the Group having launched a high-tech, digitalised "Contact Centre System". The newly deployed FBC Contact Centre defines a technological evolution from the traditional "Call Centre" to a modernised digital customer experience management system. The new platform is well equipped with advanced technologies for handling inbound and outbound interactions.

During the period under review, FBC Insurance also launched an innovative motor insurance product, MyDrive, which is enabled by telematics technology. Instead of customers paying fixed term insurance premiums as has been the norm in the local motor insurance industry, MyDrive premiums are based on usage of the vehicle and is more risk based at a granular level. Resultantly, customers only pay for the distance that they drive.

The Group embarked on a core banking system upgrade for the Bank and Building Society. This investment brings in a new Digital Banking Experience (OBDX) in a secure and convenient environment. The Group expects this initiative to improve service standards and product offering in line with customer expectations. This is in line with the Group's digitalization transformation strategy rollout. The Group has replicated the same strategy in other subsidiaries. Overall FBC Holdings expects higher customer satisfaction levels in response to this digitalization strategy rollout across the Group.

Compliance

The FBC Group is committed to complying with all legislation applicable to its operations including financial crime regulations pertaining to money laundering, terrorist financing, bribery and corruption and sanctions. Any breach of the above may expose the Group to a plethora of serious risks such as Legal, Compliance and Reputational Risks as well as Financial Abandonment and De-risking. The consequences of the foregoing would impair the Group's ability to provide seamless service to its clients and ultimately threaten its going concern status.

As such the Group has put in place a robust compliance framework to ensure adherence to all legislation and international best practice. A considerable amount of resources have been availed to enable an effective compliance framework that encompasses a Compliance Culture, Board Oversight, Policies and Procedures, Automation of Compliance Systems, Training and Internal Controls. The Group continues to place emphasis on this area so as to ensure its operations are in line with the evolving regulatory environment.

Environment, Social and Governance (ESG) Priorities (Sustainability)

The Group's primary objective is to deliver increased profitability whilst taking cognisance of environmental and social safeguards. Since 2016, we adopted a deliberate strategy to align our lending policies to the demands of the IFC Social and Environmental Management System (SEMS) and have thus been periodically disclosing our sustainability initiatives as we look forward to scaling up such initiatives. The Group remains committed to keeping the environment safe and ensuring that our valued clients pursue environmentally friendly business.

Corporate Governance and Board Appointments

On behalf of FBC Holdings, I wish to thank the following board members of the FBC family who retired in line with our corporate governance policy;

- Philip Chiradza - FBC Holdings Limited
- Godfrey Nhemachena- FBC Holdings Limited
- David Birch- FBC Reinsurance
- Marah Hativagone - FBC Building Society
- Boyman Vincent Mancama -FBC Insurance
- Geoffrey Senzo Mhlanga-FBC Insurance

The aforementioned former board members contributed immensely to the growth of the Group. In order to maintain compliance the retiring directors are being replaced. The Group is awaiting relevant regulatory approvals for identified replacements.

Outlook

Business is not immune to economic challenges and geo-political strife, even if the correlation between financial markets and growth in the economy is weak. The present political and economic climate creates a wide range of challenges across many industries, which result in difficulties but also opportunities to the Group. Currency reforms, robust monetary policy interventions, and the continued international re-engagement efforts by the government are critical to the future performance of FBC Holdings and the economy at large. The Group remains optimistic that the various policy interventions will yield the desired results for long-term sustained economic growth.

Appreciation

I would like to convey my sincere gratitude to our various stakeholders, strategic partners, clients and regulatory authorities for their unwavering support which continues to keep the FBC brand shining. I am also grateful to my fellow Non-Executive Directors of FBCH, Group Chief Executive John Mushayavanhu and the entire FBC team for their concerted effort in driving the growth, profitability and stability of the Group.

I look forward to the continued dedication of the team as we navigate through the prevailing economic challenges while keeping focused on our quest for prosperity.

I thank you.



Herbert Nkala
Group Chairman
28 August 2019

AUDITOR'S STATEMENT

These condensed interim financial results for the six months ended 30 June 2019 have been reviewed by Deloitte & Touche and a modified review conclusion issued thereon. This conclusion carries an adverse conclusion with respect to the following matters:

- Non-compliance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange in accounting for the change in functional currency;
- The Group has applied a discount of 50% on the valuation of properties. This is management's estimate of the recoverable values given the limited trade of properties in Zimbabwe dollars. We have not been able to assess the reasonability of the discount rate applied by management; and
- Non-compliance with International Financial reporting Standard 9 - Financial Instruments in the recognition and measurement of other receivables.

The review conclusion has been made available to management and those charged with the governance of FBC Holdings Limited. The engagement partner responsible for this review is Tumai Mafunga. The auditor's report on these interim financial results is available for inspection at the Company's registered office.

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the six months ended 30 June 2019

	Note	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
Interest and related income	17	46 838 299	38 703 960
Interest and related expense	18	(19 452 199)	(7 735 400)
Net interest and related income		27 386 100	30 968 560
Fee and commission income	19	32 385 527	20 256 814
Fee and commission expense		(69 144)	(120 063)
Net fee and commission income		32 316 383	20 136 751
Revenue from property sales	20.1	1 556 982	1 764 261
Cost of property sales	20.2	(506 999)	(1 443 299)
Net income from property sales		1 049 983	320 962
Insurance premium revenue	21	29 775 757	17 327 028
Premium ceded to reinsurers and retrocessionaires		(11 272 484)	(7 761 521)
Net earned insurance premium		18 503 273	9 565 507
Net trading and dealing income		73 291 676	697 893
Net gains from financial assets at fair value through profit or loss		11 824 725	24 278
Other operating income	22	34 020 295	2 755 011
Total income		198 392 435	64 468 962
Impairment allowance	5.4	(7 101 551)	(7 233 655)
Net insurance commission expense	23	(3 344 330)	(1 628 657)
Insurance claims and loss adjustment expenses	24	(10 230 758)	(5 017 561)
Administrative expenses	25	(87 681 373)	(31 763 513)
Profit before income tax		90 034 423	18 825 576
Income tax expense	26	(35 718 835)	(4 013 471)
Profit for the period		54 315 588	14 812 105
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Gain on equity instruments at fair value through other comprehensive income		1 805 743	45 295
Tax		(18 057)	(453)
Items that will not be reclassified to profit or loss			
Gain on property revaluation		57 146 235	-
Tax		(9 796 198)	-
Total comprehensive income for the period		103 453 311	14 856 947
Profit attributable to:			
Equity holders of the parent		54 205 716	14 808 744
Non-controlling interests		109 872	3 361
Total		54 315 588	14 812 105
Total comprehensive income attributable to:			
Equity holders of the parent		103 008 861	14 853 586
Non-controlling interests		444 450	3 361
Total		103 453 311	14 856 947
Earnings per share (ZWL cents)			
Basic earnings per share	29.1	8.74	2.31
Diluted earnings per share	29.2	8.74	2.31
Headline earnings per share	29.3	8.74	2.31

Consolidated Statement of Changes in Equity For the six months ended 30 June 2019

	Share capital ZWL\$	Share premium ZWL\$	Retained profits ZWL\$	Treasury shares ZWL\$	Non distributable reserve ZWL\$	Revaluation reserve ZWL\$	Available for sale reserve ZWL\$	Regulatory reserve ZWL\$	Changes in ownership ZWL\$	Total ZWL\$	Non controlling interest ZWL\$	Total equity ZWL\$
Half year ended 30 June 2019												
Balance at 1 January 2019	6 719	14 083 173	128 886 322	(7 128 376)	36 624 611	3 163 733	1 066 199	-	1 670 671	178 373 052	338 915	178 711 967
Profit for the period	-	-	54 205 716	-	-	-	-	-	-	54 205 716	109 872	54 315 588
Other comprehensive income												
Gain on revaluation of property and equipment net of tax	-	-	-	-	-	47 015 459	-	-	-	47 015 459	334 578	47 350 037
Net transfer to regulatory reserves	-	-	(933 322)	-	-	-	-	933 322	-	-	-	-
Available for sale reserve	-	-	-	-	-	-	1 787 686	-	-	1 787 686	-	1 787 686
Total other comprehensive income			(933 322)			47 015 459	1 787 686	933 322		48 803 145	334 578	49 137 723
Total comprehensive income			53 272 394			47 015 459	1 787 686	933 322		103 008 861	444 450	103 453 311
Transaction with owners												
Dividend paid	-	-	(5 974 088)	-	-	-	-	-	-	(5 974 088)	-	(5 974 088)
Treasury share purchase	-	-	-	(5 518 943)	-	-	-	-	-	(5 518 943)	-	(5 518 943)
Shareholders' equity at 30 June 2019	6 719	14 083 173	176 184 628	(12 647 319)	36 624 611	50 179 192	2 853 885	933 322	1 670 671	269 888 882	783 365	270 672 247
Half year ended 30 June 2018												
Balance at 1 January 2018	6 719	14 083 173	91 326 329	(2 501 344)	36 624 611	3 163 733	(150 504)	-	1 670 671	144 223 388	332 548	144 555 936
Changes on initial application of IFRS 9	-	-	(988 257)	-	-	-	-	-	-	(988 257)	(368)	(988 625)
Restated balance at 1 January 2018	6 719	14 083 173	90 328 072	(2 501 344)	36 624 611	3 163 733	(150 504)		1 670 671	143 225 131	332 180	143 557 311
Profit for the period	-	-	14 808 744	-	-	-	-	-	-	14 808 744	3 361	14 812 105
Other comprehensive income												
Gain on revaluation of property and equipment net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale reserve	-	-	-	-	-	-	44 842	-	-	44 842	-	44 842
Total other comprehensive income			-				44 842			44 842		44 842
Total comprehensive income			14 808 744				44 842			14 853 586	3 361	14 856 947
Transaction with owners												
Dividend paid	-	-	(5 476 356)	-	-	-	-	-	-	(5 476 356)	(12 782)	(5 489 138)
Shareholders' equity at 30 June 2018	6 719	14 083 173	99 660 460	(2 501 344)	36 624 611	3 163 733	(105 662)		1 670 671	152 602 361	322 759	152 925 120

Consolidated Statement of Financial Position As at 30 June 2019

	Notes	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
ASSETS			
Balances with banks and cash	4	539 165 112	192 209 582
Financial assets at amortised cost	5.3	141 581 803	186 068 296
Loans and advances to customers	5.1	1 237 522 325	405 508 331
Trade and other receivables including insurance receivables	5.2	19 134 617	12 942 578
Bonds and debentures	6	182 448 074	225 565 873
Financial assets at fair value through profit or loss	7	28 349 433	9 049 902
Financial assets at fair value through other comprehensive income		5 585 584	2 064 702
Inventory	8	10 315 246	8 461 294
Prepayments and other assets	9	62 019 511	21 000 608
Current income tax asset		-	147 326
Deferred income tax asset		2 007 797	5 189 191
Investment property	12	35 849 369	8 838 000
Intangible assets	10	1 728 993	2 056 337
Property and equipment	11	93 732 319	34 874 699
Total assets		2 359 440 183	1 113 976 719
EQUITY AND LIABILITIES			
Liabilities			
Deposits from other banks and customers	13	1 862 401 503	873 173 638
Insurance liabilities	14	26 474 716	13 921 902
Trade and other payables	15	162 916 654	46 742 668
Current income tax liabilities		8 213 883	643 429
Deferred income tax liabilities		28 761 180	783 115
Total liabilities		2 088 767 936	935 264 752
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	16	14 089 892	14 089 892
Other reserves		79 614 362	35 396 838
Retained profits		176 184 628	128 886 322
		269 888 882	178 373 052
Non controlling interest in equity		783 365	338 915
Total equity		270 672 247	178 711 967
Total equity and liabilities		2 359 440 183	1 113 976 719

Consolidated Statement of Cash Flows For the six months ended 30 June 2019

	Notes	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
Cash flow from operating activities			
Profit for the period		90 034 423	18 825 576
Adjustments for:			
Depreciation	11	1 564 169	1 364 311
Amortisation	10	327 344	273 143
Impairment allowance	5.4	7 101 551	7 233 655
Profit from disposal of property and equipment	22	(19 595)	(2 046)
Net unrealised exchange gains and losses		(72 041 267)	-
Fair value adjustment on investment property	22	(27 083 941)	-
Fair value adjustment on financial assets at fair value through profit or loss		(11 824 725)	(24 278)
Net Cash generated before changes in operating assets and liabilities		(11 942 041)	27 670 361
Decrease/(increase) in financial assets at amortised cost		44 703 512	(54 826 599)
Decrease/(increase) in loans and advances		17 397 911	(98 637 746)
Decrease/(increase) in trade and other receivables		27 120 852	(168 123)
Decrease/(increase) in bonds and debentures		43 448 728	(164 597 076)
Increase in financial assets at fair value through profit or loss		(7 474 806)	(940 862)
Increase in inventory		(1 853 952)	(960 864)
(Increase)/decrease in prepayments and other assets		(41 018 903)	7 916 012
Decrease/(increase) in investment property		72 572	(334 000)
(Decrease)/increase in deposits from other banks and customers		(97 887 099)	181 205 315
Increase in insurance liabilities		12 552 814	2 184 247
Increase in trade and other payables		45 179 689	1 755 291
		30 299 277	(99 734 044)
Income tax expense paid		(6 655 852)	(3 010 379)
Net cash generated/(used) from operating activities		23 643 425	(102 744 423)
Cash flows from investing activities			
Purchase of property and equipment	11	(3 276 533)	(1 815 173)
Purchase of intangible assets	10	-	(30 131)
Proceeds from sale of property and equipment		20 574	2 469
Net cash used in investing activities		(3 255 959)	(1 842 835)
Net cash flows before financing activities		20 387 466	(104 587 258)
Cash flows from financing activities			
Proceeds from borrowings		-	105 500 000
Repayment of borrowings		(10 206 808)	(2 295 616)
Dividend paid to non-controlling interest		-	(12 782)
Dividend paid to company's shareholders		(5 974 088)	(5 476 356)
Purchase of treasury shares		(5 518 943)	-
Net cash (used)/generated from financing activities		(21 699 839)	97 715 246
Net decrease in cash and cash equivalents		(1 312 373)	(6 872 012)
Effects of changes in exchange rates		348 267 903	-
Cash and cash equivalents at beginning of the period		192 209 582	181 002 565
Cash and cash equivalents at the end of period	4.1	539 165 112	174 130 553

Notes to the Financial Results For the six months ended 30 June 2019

1 GENERAL INFORMATION

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

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

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 28 August 2019.

2 BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the half year ended 30 June 2019 have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting, the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Insurance Act (Chapter 24:07) and the Zimbabwe Banking Act (Chapter 24:20). They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

These Group condensed consolidated interim financial statements did not fully comply with International Accounting Standard ("IAS") 21 - The Effects of Changes in Foreign Exchange Rates.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019.

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

3.1 Changes in functional currency

Introduction of the Zimbabwean dollar ("ZWL\$") as an official currency

On 20 February 2019, through the Monetary Policy statement, the Reserve Bank Governor announced the introduction of the Zimbabwean dollar ("ZWL\$") as a currency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective 22 February 2019. Pursuant to this, statutory instrument 33 of 2019 and statutory instrument 142 of 2019 were promulgated legislating this development into law.

3.2 Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Zimbabwean dollar ("ZWL\$"), which is the Group's presentation currency as at half year end 30 June 2019 and as prescribed by statutory instrument 33 of 2019 and statutory instrument 142 of 2019. All the Group's subsidiaries operate in Zimbabwe and have the Zimbabwean dollar ("ZWL\$") as their functional and presentation currency as at half year end 30 June 2019.

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
4 BALANCES WITH BANKS AND CASH		
Balances with Reserve Bank of Zimbabwe ("RBZ")		
Statutory reserves	24 253 171	-
Current account balances	110 044 430	131 238 946
134 297 601		131 238 946
Balances with other banks and cash		
Notes and coins	85 518 335	8 969 265
Other bank balances	319 349 176	52 001 371
Balances with banks and cash (excluding bank overdrafts)	539 165 112	192 209 582
Current	539 165 112	192 209 582
Non-current	-	-
Total	539 165 112	192 209 582

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$	Unaudited 30 June 2018 ZWL\$
4.1 For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances:			
Balances with other banks, cash and current account balances at RBZ (excluding bank overdrafts)	539 165 112	192 209 582	174 130 553
Total cash and cash equivalents - statement of cash flows	539 165 112	192 209 582	174 130 553

5 FINANCIAL ASSETS

5.1 Loans and advances to customers

Loans and advances maturities

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Maturing within 1 year	269 106 492	253 032 843
Maturing after 1 year	988 444 878	164 948 162
Gross carrying amount	1 257 551 370	417 981 005
Impairment allowance	(20 029 045)	(12 472 674)
1 237 522 325		405 508 331

5.2 Trade and other receivables including insurance receivables

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Trade receivables	165 066	-
Insurance receivables		
- Due by insurance clients and insurance brokers	13 785 738	6 839 366
- Due by reinsurers and retrocessionaires	5 665 203	6 866 335
Gross carrying amount	19 616 007	13 705 701
Impairment allowance	(481 390)	(763 123)
Total	19 134 617	12 942 578
Current	19 134 617	12 942 578
Non-current	-	-
Total	19 134 617	12 942 578

5.3 Financial assets at amortised cost

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$	Unaudited 30 June 2018 ZWL\$
Maturing within 1 year	76 373 714	158 016 219	
Maturing after 1 year	65 852 950	28 913 959	
Gross carrying amount	142 226 664	186 930 178	
Impairment allowance	(644 861)	(861 882)	
141 581 803		186 068 296	

5.4 Movement in impairment allowance

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$	Unaudited 30 June 2018 ZWL\$
Balance at beginning of period	15 363 367	15 651 229	15 651 229
Change on initial application of IFRS 9	-	206 481	1 485 390
Impairment allowance through statement of profit or loss and other comprehensive income	7 101 551	2 513 421	7 233 655
Reversal of impairment	-	-	-
Amounts written off during the year as uncollectible	(238 618)	(895 421)	(900 183)
Interest in suspense	-	(2 112 343)	(1 876 413)
Balance at end of period	22 226 300	15 363 367	21 593 678

6 BONDS AND DEBENTURES

Maturing after 1 year but within 7 years
Impairment allowance

Current
Non-current

Total

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed securities at market value

Current
Non-current

Total

8 INVENTORY

Raw materials
Work in progress
Finished goods

Current
Non-current

Total

9 PREPAYMENTS AND OTHER ASSETS

Prepayments
Deferred acquisition costs
Refundable deposits for Mastercard and Visa transactions
Stationery stock and other consumables
Time-share asset
Other

Current
Non-current

Total

10 INTANGIBLE ASSETS

As at end of period

Opening net book amount
Additions
Amortisation charge

Closing net book amount

As at end of period

Cost
Accumulated amortisation
Accumulated impairment

Net book amount

11 PROPERTY AND EQUIPMENT

Half year ended 30 June 2019

Opening net book amount at 1 January 2019
Additions
Revaluation
Disposals
Depreciation

Closing net book amount as at 30 June 2019

Year ended 31 December 2018

Opening net book amount at 1 January 2018
Additions
Revaluation
Disposals
Depreciation

Closing net book amount as at 31 December 2018

Land and buildings were revalued at 31 May 2019 by the Directors and the values were in USD due to lack of transactional data in ZWL\$. The USD values were translated to ZWL\$ using an effective exchange rate of USD 1:ZWL\$4.125.

12 INVESTMENT PROPERTY

Opening balance
Additions
Fair value adjustment
Disposals

Closing balance

Non-current
Total

The property was fair valued at 30 June 2019 at ZWL\$35 849 369

The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

13 DEPOSITS FROM OTHER BANKS AND CUSTOMERS

13.1 DEPOSITS FROM CUSTOMERS

Demand deposits
Promissory notes
Other time deposits

13.2 DEPOSITS FROM OTHER BANKS

Money market deposits
Bank borrowings and lines of credit

TOTAL DEPOSITS

Current
Non-current

Total

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
183 245 297 (797 223)	182 448 074	226 694 025 (1 128 152)
182 448 074		225 565 873
- 182 448 074	182 448 074	- 225 565 873
182 448 074		225 565 873
28 349 433		9 049 902
28 349 433 -	28 349 433	9 049 902 -
28 349 433		9 049 902
286 742 7 858 417 2 170 087	10 315 246	68 900 6 307 718 2 084 676
10 315 246		8 461 294
10 315 246 -	10 315 246	8 461 294 -
10 315 246		8 461 294
20 393 495 3 009 959 20 812 870 71 161 16 875 17 715 151	62 019 511	7 873 595 765 528 7 025 695 33 566 22 500 5 279 724
62 019 511		21 000 608
48 744 195 13 275 316	62 019 511	14 902 986 6 097 622
62 019 511		21 000 608
2 056 337 - (327 344)	1 728 993	1 851 136 780 136 (574 935)
1 728 993		2 056 337
7 318 882 (5 560 662) (29 227)	1 728 993	7 318 882 (5 233 318) (29 227)
1 728 993		2 056 337

	Freehold premises ZWL\$	Computer equipment ZWL\$	Furniture and Office equipment ZWL\$	Motor vehicles ZWL\$	Total ZWL\$
22 324 186 647 018 57 146 235 -	1 412 489 971 381 -	9 108 589 608 241 -	2 029 435 1 049 893 -	34 874 699 3 276 533 57 146 235 (587)	
(225 212)	(361 908)	(677 839)	(299 210)	(1 564 169)	
79 892 227	2 021 570	9 038 991	2 779 531	93 732 319	

	Freehold premises ZWL\$	Computer equipment ZWL\$	Furniture and Office equipment ZWL\$	Motor vehicles ZWL\$	Total ZWL\$
17 870 284 4 897 661 -	1 383 003 642 625 -	8 054 578 2 321 502 -	1 541 326 976 479 -	28 849 191 8 838 267 -	
-	(3 827)	(1 916)	-	(5 743)	
(443 759)	(609 312)	(1 265 575)	(488 370)	(2 807 016)	
22 324 186	1 412 489	9 108 589	2 029 435	34 874 699	

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
8 838 000 202 756 27 083 941 (275 328)	35 849 369	8 184 400 632 630 45 970 (25 000)
35 849 369		8 838 000
35 849 369 -	35 849 369	8 838 000 -
35 849 369		8 838 000

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
656 416 963 145 509 208 52 024 707 853 950 878	1 862 401 503	495 219 204 43 480 837 89 199 721 627 899 762
127 376 799 881 073 826	1 862 401 503	140 873 376 104 400 500
1 862 401 503		873 173 638
992 622 203 869 779 300	1 862 401 503	765 719 123 107 454 515
1 862 401 503		873 173 638

	Reviewed 30 June 2019 ZWL\$	Reviewed 30 June 2019 %	Audited 31 Dec 2018 ZWL\$	Audited 31 Dec 2018 %
13.3 Deposits concentration				
Agriculture	45 533 934	2%	33 714 872	4%
Construction	27 445 023	1%	19 959 817	2%
Wholesale and retail trade	188 489 727	10%	139 533 516	16%
Public sector	57 160 693	3%	46 638 573	5%
Manufacturing	99 246 561	5%	73 069 043	8%
Telecommunication	55 555 587	3%	45 036 702	5%
Transport	44 048 245	2%	32 625 304	4%
Individuals	132 585 931	7%	99 035 558	11%
Financial services	971 040 198	54%	229 999 590	28%
Mining	151 123 452	8%	99 639 588	11%
Other	90 172 152	5%	53 921 075	6%
	1 862 401 503	100%	873 173 638	100%

There are material concentration of deposits to the following sectors; Financial services 54%, wholesale and retail trade 10%, individuals 7% and mining 8%.

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
14 INSURANCE LIABILITIES		
Gross outstanding claims	14 035 749	10 280 141
Liability for unearned premium	12 438 967	3 641 761
	26 474 716	13 921 902
Current	26 474 716	13 921 902
Non-current	-	-
Total	26 474 716	13 921 902
15 TRADE AND OTHER PAYABLES		
Trade and other payables	16 508 850	12 255 038
Deferred income	4 566 467	4 736 974
Mastercard and Visa prepayments	83 961 500	5 593 158
Customer funds awaiting payment	29 726 304	7 926 415
Other liabilities	28 153 533	16 231 083
	162 916 654	46 742 668
Current	160 955 543	32 962 918
Non-current	1 961 111	13 779 750
Total	162 916 654	46 742 668
16 SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Number of ordinary shares, with a nominal value of ZWL\$0.00001	800 000 000	800 000 000
Issued and fully paid		
Number of ordinary shares, with a nominal value of ZWL\$0.00001	671 949 927	671 949 927

	Number of Shares	Share Capital ZWL\$	Share Premium ZWL\$	Total ZWL\$
Share capital movement				
As at 1 January 2019	671 949 927	6 719	14 083 173	14 089 892
Share issue	-	-	-	-
As at 30 June 2019	671 949 927	6 719	14 083 173	14 089 892

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

	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
17 INTEREST AND RELATED INCOME		
Cash and cash equivalents	215 031	162 594
Loans and advances to other banks	1 199 080	1 585 581
Loans and advances to customers	36 857 981	28 218 774
Bankers acceptances and tradable bills	8 566 207	8 737 011
	46 838 299	38 703 960
18 INTEREST AND RELATED EXPENSE		
Deposit from other banks	2 333 991	2 052 071
Demand deposits	1 704 326	615 875
Afreximbank	9 426 682	1 386 068
Time deposits	5 987 200	3 681 386
	19 452 199	7 735 400
19 FEE AND COMMISSION INCOME		
Retail service fees	26 769 757	18 159 699
Credit related fees	1 747 623	1 831 336
Investment banking fees	209 640	53 414
Brokerage	3 658 507	212 365
	32 385 527	20 256 814
20.1 REVENUE FROM PROPERTY SALES		
Property Sales	1 556 982	1 764 261
20.2 COST OF PROPERTY SALES		
Property development	506 999	1 443 299
21 INSURANCE PREMIUM REVENUE		
Gross Premium Written	43 402 964	19 131 941
Change in Unearned Premium Reserve ("UPR")	(13 627 207)	(1 804 913)
	29 775 757	17 327 028
22 OTHER OPERATING INCOME		
Rental income	154 052	94 874
Profit on disposal of property and equipment	19 595	2 046
Sundry income	6 762 707	2 658 091
Fair value adjustment to investment properties	27 083 941	-
	34 020 295	2 755 011
23 NET INSURANCE COMMISSIONS EXPENSE		
Commissions paid	5 588 761	2 018 541
Change in technical provisions	(2 244 431)	(389 884)
	3 344 330	1 628 657

24 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

Claims paid
Change in technical provisions

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
6 725 023	4 854 701
3 505 735	162 860
10 230 758	5 017 561

25 ADMINISTRATIVE EXPENDITURE

Administration expenses
Staff costs
Directors' remuneration
Audit fees:
- current year fees
- prior year fees
- other services
Depreciation
Amortisation
Operating lease payment

Reviewed 30 June 2019 ZWL\$	Unaudited 31 Dec 2018 ZWL\$
29 611 646	10 945 497
54 159 309	18 276 317
1 188 772	314 071
36 570	44 717
123 280	62 567
-	-
1 564 169	1 364 311
327 344	273 143
670 283	482 890
87 681 373	31 763 513

26 INCOME TAX EXPENSE

Current income tax on income for the half year
Deferred tax

Reviewed 30 June 2019 ZWL\$	Unaudited 31 Dec 2018 ZWL\$
38 692 571	4 632 339
(2 973 736)	(618 868)
35 718 835	4 013 471

27 CAPITAL COMMITMENTS

Capital expenditure authorized but not yet contracted for

Reviewed 30 June 2019 ZWL\$	Unaudited 31 Dec 2018 ZWL\$
55 754 843	73 591 521

28 CONTINGENT LIABILITIES

Guarantees and letters of credit

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
275 897 826	26 227 144

29 EARNINGS PER SHARE

29.1 Basic earnings per share

Profit attributable to equity holders of the parent

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
54 205 716	14 808 744
54 205 716	14 808 744

Total

Basic earnings per share

Basic earnings per share (ZWL cents)

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
8.74	2.31
8.74	2.31

Shares issued	Treasury shares	Shares outstanding	Weighted
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Weighted average number of ordinary shares

Half Year ended 30 June 2019

Issued ordinary shares as at 1 January 2019

671 949 927	(44 827 282)	627 122 645	627 122 645
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Treasury shares purchased

-	(10 854 126)	(10 854 126)	(7 107 222)
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Weighted average number of ordinary shares as at 30 June

671 949 927	(55 681 408)	616 268 519	620 015 423
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Weighted average number of ordinary shares

Half Year ended 30 June 2018

Issued ordinary shares as at 1 January 2018

671 949 927	(31 827 282)	640 122 645	640 122 645
-------------	--------------	-------------	-------------

Treasury shares purchased

-	-	-	-
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Weighted average number of ordinary shares as at 30 June

671 949 927	(31 827 282)	640 122 645	640 122 645
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29.2 Diluted earnings per share

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

Profit attributable to equity holders of the parent

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
54 205 716	14 808 744
54 205 716	14 808 744

Total

Weighted average number of ordinary shares at 30 June

620 015 423	640 122 645
-------------	-------------

Diluted earnings per share (ZWL cents)

Diluted earnings per share (ZWL cents)

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
8.74	2.31
8.74	2.31

29.3 Headline earnings per share

Profit attributable to equity holders

54 205 716

Adjusted for excluded remeasurements
Profit on the disposal of property and equipment
Other

(19 595)
-

Headline earnings

54 186 121

Weighted average number of ordinary shares at 30 June

620 015 423

Headline earnings per share (ZWL cents)

8.74

29.4 Diluted headline earnings per share

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

Headline earnings
Weighted average number of ordinary shares at 30 June

Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
54 186 121	14 806 698
620 015 423	640 122 645

Diluted headline earnings per share (ZWL cents)

8.74

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE HIERARCHY

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

Quoted market prices - Level 1

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

Valuation technique using observable inputs - Level 2

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

Valuation technique using significant observable inputs - Level 3

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

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

Valuation technique using:

	Quoted prices in active markets for identical assets (Level 1) ZWL\$	Significant other observable inputs (Level 2) ZWL\$	Significant unobservable inputs (Level 3) ZWL\$
Recurring fair value measurements As at 30 June 2019			
Investment property	-	-	35 849 369
Financial assets at amortised cost	-	-	141 581 803
Financial assets at fair value through profit or loss	28 349 433	-	-
Financial assets at fair value through other comprehensive income	5 585 584	-	-
Land and buildings	-	-	79 892 227
As at 31 December 2018			
Investment property	-	-	8 838 000
Financial assets at amortised cost	-	-	186 068 296
Financial assets at fair value through profit or loss	9 049 902	-	-
Financial assets at fair value through other comprehensive income	2 064 702	-	-
Land and buildings	-	5 580 221	16 743 964

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

31 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Financial assets at amortised cost ZWL\$	Financial assets at fair value through profit or loss ZWL\$	Financial assets at fair value through other comprehensive income ZWL\$	Loans and receivables ZWL\$	Financial liabilities at amortised cost ZWL\$
As at 30 June 2019					
Trading assets					
Balances with other banks and cash	-	-	-	539 165 112	-
Financial assets at amortised cost	141 581 803	-	-	-	-
Loans and advances to customers	-	-	-	1 237 522 325	-
Trade and other receivables including insurance receivables	-	-	-	19 134 617	-
Bonds and debentures	182 448 074	-	-	-	-
Financial assets at fair value through profit or loss	-	28 349 433	-	-	-
Financial assets at fair value through other comprehensive income	-	-	5 585 584	-	-
	324 029 877	28 349 433	5 585 584	1 795 822 054	-
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	1 862 401 503
Insurance liabilities	-	-	-	-	26 474 716
Trade and other payables	-	-	-	-	162 916 654
	-	-	-	-	2 051 792 873
As at 31 December 2018					
Trading assets					
Balances with other banks and cash	-	-	-	192 209 582	-
Financial assets at amortised cost	186 068 296	-	-	-	-
Loans and advances to customers	-	-	-	405 508 331	-
Trade and other receivables including insurance receivables	-	-	-	12 942 578	-
Bonds and debentures	225 565 873	-	-	-	-
Financial assets at fair value through profit or loss	-	9 049 902	-	-	-
Financial assets at fair value through other comprehensive income	-	-	2 064 702	-	-
	411 634 169	9 049 902	2 064 702	610 660 491	-
Trading liabilities					
Deposits and borrowings from other banks and customers	-	-	-	-	873 173 638
Insurance liabilities	-	-	-	-	13 921 902
Trade and other payables	-	-	-	-	46 742 668
	-	-	-	-	933 838 208

32 RELATED PARTIES

The Group carried out banking and investment related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The full list of related party transactions are provided in the Group's annual report for the year ended 31 December 2018.

33 SEGMENT REPORTING

Segment information is presented in respect of business segments.

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

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

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

	Commercial banking ZWL\$	Microlending ZWL\$	Mortgage financing ZWL\$	Short term reinsurance ZWL\$	Short term insurance ZWL\$	Stockbroking ZWL\$	Intersegment eliminations ZWL\$	Consolidated ZWL\$
30 June 2019								
Total segment revenue								
Interest income	33 374 051	5 118 758	8 237 231	188 324	207 836	136 471	(424 372)	46 838 299
Interest expense	(14 740 113)	(747 978)	(3 065 496)	-	-	-	(898 612)	(19 452 199)
Net interest income	18 633 938	4 370 780	5 171 735	188 324	207 836	136 471	(1 322 984)	27 386 100
Turnover	-	-	1 556 982	-	-	-	-	1 556 982
Cost of sales	-	-	(506 999)	-	-	-	-	(506 999)
Gross profit	-	-	1 049 983	-	-	-	-	1 049 983
Net earned insurance premium	-	-	-	12 658 833	6 478 675	-	(632 235)	18 503 273
Net fee and commission income	24 896 113	534 372	3 414 484	-	-	555 671	2 915 743	32 316 383
Net trading income and other income	161 377 587	172 033	5 763 100	7 055 470	2 511 471	275 492	(58 018 457)	119 136 696
Total income	204 907 638	5 077 185	15 399 302	19 900 627	9 197 982	967 634	(57 057 933)	198 392 435
Intersegment revenue	(758 989)	(45 989)	(293 309)	(169 268)	1 783 811	(76)	(516 180)	-
Intersegment interest expense and commission	84 967	811 925	157 326	78 905	116	(4 098)	(1 129 141)	-
Revenue from external customers	204 233 616	5 843 121	15 263 319	19 810 264	10 981 909	963 460	(58 703 254)	198 392 435
Segment profit before income tax	125 512 782	594 198	6 048 285	13 669 446	3 222 745	308 083	(59 321 116)	90 034 423
Impairment losses on financial assets	6 657 998	331 234	112 801	-	-	(482)	-	7 101 551
Depreciation	1 209 346	59 393	195 443	29 051	67 951	2 985	-	1 564 169
Amortisation	239 758	30 516	8 435	11 722	36 913	-	-	327 344
Segment assets	2 084 396 350	32 023 948	221 655 658	55 433 859	33 434 900	2 950 588	(70 455 120)	2 359 440 183
Total assets includes:								
Additions to non-current assets	2 072 864	437 351	475 708	149 601	141 009	-	-	3 276 533
Investment in associates	-	-	-	491 139	-	-	-	-
Segment liabilities	1 857 606 312	22 214 559	154 179 820	30 157 198	16 273 162	1 657 826	6 679 059	2 088 767 936
30 June 2018								
Total segment revenue								
Interest income	26 558 753	4 535 618	7 384 335	283 181	123 902	251 156	(432 985)	38 703 960
Interest expense	(5 850 855)	(703 910)	(1 510 172)	-	-	-	329 537	(7 735 400)
Net interest income	20 707 898	3 831 708	5 874 163	283 181	123 902	251 156	(103 448)	30 968 560
Turnover	-	-	1 764 261	-	-	-	-	1 764 261
Cost of sales	-	-	(1 443 299)	-	-	-	-	(1 443 299)
Gross profit	-	-	320 962	-	-	-	-	320 962
Net earned insurance premium	-	-	-	5 722 584	4 774 176	-	(931 253)	9 565 507
Net fee and commission income	16 543 934	450 240	2 958 354	-	-	184 222	1	20 136 751
Net trading income and other income	3 334 727	134 473	79 682	169 734	147 123	2 397	(390 954)	3 477 182
Total income	40 586 559	4 416 421	9 233 161	6 175 499	5 045 201	437 775	(1 425 654)	64 468 962
Intersegment revenue	(502 547)	(32 879)	(104 131)	(197 067)	(941 964)	(3 428)	1 782 016	-
Intersegment interest expense and commission	100 407	455 872	247 053	27 483	4 599	3 909	(839 323)	-
Revenue from external customers	40 184 419	4 839 414	9 376 083	6 005 915	4 107 836	438 256	(482 961)	64 468 962
Segment profit before income tax	11 892 820	1 054 148	5 410 120	1 007 220	98 399	190 844	(827 975)	18 825 576
Impairment losses on financial assets	5 439 911	1 548 909	92 043	156 384	(2 920)	(672)	-	7 233 655
Depreciation	1 085 252	41 224	156 603	18 736	59 650	2 846	-	1 364 311
Amortisation	185 042	30 516	8 435	12 237	36 913	-	-	2 773 143
Segment assets	821 516 700	24 490 406	177 495 147	24 325 391	13 769 500	2 346 804	(53 001 344)	1 010 942 604
Total assets includes:								
Additions to non-current assets	1 055 805	65 662	663 169	6 942	22 270	1 325	-	1 815 173
Investment in associates	-	-	-	491 139	-	-	-	-
Segment liabilities	736 780 579	16 169 019	126 787 290	10 025 691	6 614 893	1 156 417	(39 516 405)	858 017 484
Type of revenue generating activity	Commercial and retail banking	Microlending general classes	Mortgage financing general classes	Underwriting of short term re-insurance	Underwriting of short term insurance	Equity market dealing		

34 FINANCIAL RISK MANAGEMENT

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

The policies specifically cover foreign exchange risk, liquidity risk, interest rate risk, credit risk and the general use of financial instruments.

Group Risk and Compliance, Group Internal audit review from time to time the integrity of the risk control systems in place and ensure that risk policies and strategies are effectively implemented within the Group.

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

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

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

- Other risks:
- g) Reputational risk
- h) 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.

34.1 Credit risk

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

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

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

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

Credit policies, procedures and limits

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

Credit risk mitigation and hedging

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

The Future Of Financial Services

34.1 Credit risk (Continued)

Credit risk stress testing

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

Impairments

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

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

Impaired loans

The Group's policy regarding impaired/ doubtful loans is all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest.

All such loans are classified in the 8, 9 and 10 under the Basel II ten tier grading system.

Provisioning policy and write offs

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	IFRS 9 grading/ tier system	Type of allowance
1	Prime grade	Insignificant	1%	Stage 1	12 Months ECL
2	Strong	Modest	1%		
3	Satisfactory	Average	2%		
4	Moderate	Acceptable	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%	Stage 3	Lifetime ECL
9	Doubtful	High default	50%		
10	Loss	Bankrupt	100%		

Expected Credit Losses (ECL)

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

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

Probability of Default (PD)

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

Exposure at Default (EAD)

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

34.1.1 Exposure to credit risk

Loans and advances

Past due and impaired

Stage 3/Grade 8: Impaired	1 178 821	2 272 794
Stage 3/Grade 9: Impaired	996 239	1 295 582
Stage 3/Grade 10: Impaired	5 801 287	1 321 953
Gross amount	7 976 347	4 890 329
Credit impairment loss allowance	(3 075 499)	(2 502 159)

Carrying amount

Past due but not impaired	4 900 848	2 388 170
Stage 2/Grades 4 - 7:	59 661 129	71 021 831

Niether past due nor impaired

Stage 1/Grades 1 - 3:	1 189 913 894	342 068 845
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Gross amount

Credit impairment loss allowance	1 249 575 023	413 090 676
	(16 953 546)	(9 970 515)

Carrying amount

	1 232 621 477	403 120 161
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Total carrying amount

	1 237 522 325	405 508 331
--	---------------	-------------

	Reviewed 30 June 2019 ZWL\$	Reviewed 30 June 2019 %	Audited 31 Dec 2018 ZWL\$	Audited 31 Dec 2018 %
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34.1.2 Sectoral analysis of utilisations - loans and advances

Mining	83 024 848	7%	15 590 292	4%
Manufacturing	22 153 721	2%	26 612 940	6%
Mortgage	85 934 644	7%	71 549 053	17%
Wholesale	9 546 231	1%	26 966 444	6%
Distribution	46 688 959	4%	21 485 452	5%
Individuals	107 588 315	9%	103 801 650	25%
Agriculture	85 231 228	7%	22 335 312	5%
Communication	4 761 787	0%	5 185 829	1%
Construction	9 759 326	1%	9 990 212	2%
Local Authorities	9 083 792	1%	10 663 733	3%
Other services	793 778 519	63%	103 800 088	25%
Gross loans and advances	1 257 551 370	100%	417 981 005	100%
Less credit impairment loss allowance	(20 029 045)		(12 472 674)	
Carrying amount	1 237 522 325		405 508 331	

There are material concentration of loans and advances to the following sectors; other services 63%, individuals 9%, mortgages 7% and mining 7%.

34.1.3 Loans and advances

	Reviewed 30 June 2019			
	(ECL) staging		Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$		
Credit grade				
Investment grade	1 164 936 513	-	-	1 164 936 513
Standard monitoring	24 977 381	44 008 887	-	68 986 268
Special monitoring	-	15 652 242	911 965	16 564 207
Default	-	-	7 064 382	7 064 382
Gross loans and advances	1 189 913 894	59 661 129	7 976 347	1 257 551 370
Credit impairment loss allowance	(11 424 941)	(5 528 605)	(3 075 499)	(20 029 045)
Net loans and advances	1 178 488 953	54 132 524	4 900 848	1 237 522 325

	Audited 31 Dec 2018			
	(ECL) staging		Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$		
Credit grade				
Investment grade	342 068 845	-	-	342 068 845
Standard monitoring	-	51 493 930	-	51 493 930
Special monitoring	-	19 527 901	-	19 527 901
Default	-	-	4 890 329	4 890 329
Gross loans and advances	342 068 845	71 021 831	4 890 329	417 981 005
Credit impairment loss allowance	(4 206 960)	(5 763 555)	(2 502 159)	(12 472 674)
Net loans and advances	337 861 885	65 258 276	2 388 170	405 508 331

34.1.4 Reconciliation of credit impairment allowance for loans and advances

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Balance at 1 January	12 472 674	15 237 829
Change on initial application of IFRS 9	-	(735 064)
Increase in impairment loss allowance	7 513 255	785 757
Impairment reversal	-	-
Write off	43 116	(703 505)
Interest in suspense	-	(2 112 343)
	20 029 045	12 472 674

34.1.5 Trade and other receivables

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Past due and impaired	1 643 002	1 092 849
Allowance for impairment	(481 390)	(763 123)
Carrying amount	1 161 612	329 726
Past due but not impaired	-	1 692 786
Niether past due nor impaired	17 973 005	10 920 066
Gross amount	17 973 005	12 612 852
Allowance for impairment	-	-
Carrying amount	17 973 005	12 612 852
Total carrying amount	19 134 617	12 942 578

34.1.6 Financial assets at amortised cost

	Reviewed 30 June 2019			
	(ECL) staging		Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$		
Credit grade				
Investment grade	142 226 664	-	-	142 226 664
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross financial assets at amortised cost	142 226 664	-	-	142 226 664
Credit impairment loss allowance	(644 861)	-	-	(644 861)
Net financial asset at amortised cost	141 581 803	-	-	141 581 803

	Audited 31 Dec 2018			
	(ECL) staging		Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$		
Credit grade				
Investment grade	186 930 178	-	-	186 930 178
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross financial assets at amortised cost	186 930 178	-	-	186 930 178
Credit impairment loss allowance	(861 882)	-	-	(861 882)
Net financial asset at amortised cost	186 068 296	-	-	186 068 296



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34.1.7 Bonds and debentures

	Reviewed 30 June 2019				Total ZWL\$
	(ECL) staging			Total ZWL\$	
	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$		
Credit grade					
Investment grade	183 245 297	-	-	-	183 245 297
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross bonds and debentures	183 245 297	-	-	-	183 245 297
Credit impairment loss allowance	(797 223)	-	-	-	(797 223)
Net bonds and debentures	182 448 074	-	-	-	182 448 074
	Audited 31 Dec 2018				
Credit grade					
Investment grade	226 694 025	-	-	-	226 694 025
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross bonds and debentures	226 694 025	-	-	-	226 694 025
Credit impairment loss allowance	(1 128 152)	-	-	-	(1 128 152)
Net bonds and debentures	225 565 873	-	-	-	225 565 873

34.1.8 Credit exposure on undrawn loan commitments and guarantees

	Reviewed 30 June 2019				Total ZWL\$
	(ECL) staging			Total ZWL\$	
	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$		
Credit grade					
Investment grade	279 871 996	-	-	-	279 871 996
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross loan commitments and guarantees	279 871 996	-	-	-	279 871 996
Credit impairment loss allowance	(273 781)	-	-	-	(273 781)
Net loan commitments and guarantees	279 598 215	-	-	-	279 598 215
	Audited 31 Dec 2018				
Credit grade					
Investment grade	45 035 747	-	-	-	45 035 747
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross loan commitments and guarantees	45 035 747	-	-	-	45 035 747
Credit impairment loss allowance	(137 536)	-	-	-	(137 536)
Net loan commitments and guarantees	44 898 211	-	-	-	44 898 211

34.2 Liquidity risk

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

Management of liquidity risk

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

Liquidity and funding management

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

Cash flow and maturity profile analysis

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

Liquidity contingency plans

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

Liquidity stress testing

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

34.3 Market risk

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

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non-trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 34.3. to 34.3.3.

34.3.1 Interest rate risk

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

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

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

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

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

34.3.2 Currency risk

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

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

34.3.3 Price risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss. 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.

34.4 Settlement risk

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

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

34.5 Operational risk

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

Group's approach to managing operational risk

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

Operational risk framework and governance

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

The management and measurement of operational risk

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

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

Business continuity management

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

34.6 Capital risk

34.6.1 Regulatory Capital and Financial Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

Company As at 30 June 2019	Regulatory Authority	Minimum capital required ZWL\$	Net Regulatory Capital ZWL\$	Total Equity ZWL\$
FBC Bank Limited	RBZ	25 000 000	195 872 476	226 790 038
FBC Building Society	RBZ	20 000 000	63 575 624	67 475 838
FBC Reinsurance Limited	IPEC	10 000 000	25 276 661	25 276 661
FBC Securities (Private) Limited	SECZ	150 000	1 292 762	1 292 762
FBC Insurance Company (Private) Limited	IPEC	7 500 000	17 161 738	17 161 738
Microplan Financial Services (Private) Limited	RBZ	25 000	9 809 389	9 809 389

34.7 Compliance risk

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

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

35 STATEMENT OF COMPLIANCE

The Group complied with the following statutes inter alia:- The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23); Statutory Instrument 33 of 2019; Statutory Instrument 33 of 1999; Statutory Instrument 62 of 1996; Statutory Instrument 142 of 2019 and the Companies Act (Chapter - 24:03).

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

36 INTERNATIONAL CREDIT RATINGS

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

Subsidiary	2019	2018	2017	2016	2015
FBC Bank Limited	BBB+	BBB+	BBB+	BBB+	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	A-	A-
Microplan Financial Services	BBB	BBB	BBB-	BBB-	N/A

37 INTERIM DIVIDEND ANNOUNCEMENT

Notice is hereby given that an interim dividend of 2.232 ZWL cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 28 August 2019 in respect of the half year ended 30 June 2019. The dividend is payable to shareholders registered in the books of the Company at the close of business on Friday, 20 September 2019. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 17 September 2019 and ex-dividend as from 18 September 2019. Dividend payment will be made to Shareholders on or about 30 September 2019.

38 CORPORATE GOVERNANCE

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

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

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

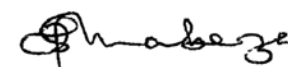
Board Attendance

Board member	Main board		Board Audit		Board Human Resources		Board Finance and Strategy		Board Risk and Compliance		Board Marketing and Public Relations	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Herbert Nkala	✓	✓	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
John Mushayavanhu	✓	✓	N/A	N/A	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
Gertrude S Chikwava	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓
Philip M Chiradzwa	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Felix Gwandekwande	✓	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trynos Kufazvinei	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	✓	✓	✓	✓	N/A	N/A	✓	✓	✓	✓	N/A	N/A
Chipo Mtasa	✓	✓	✓	✓	N/A	N/A	✓	✓	N/A	N/A	✓	✓
Godfrey G Nhemachena	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓
Webster Rusere	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin H Kennedy	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A
Rutenhuro Moyo	✓	✓	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A
Garry Collins	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Legend

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

By order of the Board



Tichaona K. Mabeza
GROUP COMPANY SECRETARY
28 August 2019

The Ultimate Financial Service Provider.

Statement of Financial Position As at 30 June 2019

	Note	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
ASSETS			
Balances with banks and cash	1	518 833 608	174 134 723
Financial assets at fair value through profit or loss		2 263 982	548 844
Financial assets at amortised cost	2.2	64 470 261	95 472 526
Loans and advances to customers	3	1 144 308 731	322 345 657
Bonds and debentures	4.2	182 448 074	225 025 769
Prepayments and other assets	6	37 982 087	21 209 808
Amounts due from group companies		40 570 873	23 373 704
Deferred tax asset		-	2 998 975
Investment property	7	34 004 438	8 420 000
Intangible assets		1 261 758	1 501 517
Property and equipment	8	58 252 539	21 416 859
Total assets		2 084 396 351	896 448 382
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	9	806 207 757	575 736 794
Deposits from other financial institutions	9.1	100 964 650	88 527 125
Lines of credit	9.2	771 814 929	91 964 442
Current income tax liability		2 260 780	387 891
Deferred tax liability		31 147 274	-
Trade and other payables	10	145 210 921	34 331 574
Total liabilities		1 857 606 311	790 947 826
Equity			
Share capital		18 502 313	18 502 313
Share premium		13 197 687	13 197 687
Retained earnings		165 461 066	70 881 206
Other reserves		29 628 974	2 919 350
Total equity		226 790 040	105 500 556
Total equity and liabilities		2 084 396 351	896 448 382

Statement of Profit or Loss and Other Comprehensive Income For the six months ended 30 June 2019

	Note	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
Interest and similar income	12	33 374 051	26 558 753
Interest and similar expense	13	(14 740 113)	(5 850 855)
Net interest income		18 633 938	20 707 898
Dealing and trading income		131 966 751	697 893
Fee and commission income	14	24 896 113	16 543 934
Other operating income	15	29 410 836	2 636 834
Total net income		204 907 638	40 586 559
Credit impairment losses	5	(6 657 998)	(5 439 911)
Administrative expenses	16	(72 736 858)	(23 253 828)
Profit before income tax		125 512 782	11 892 820
Income tax expense		(30 932 922)	(3 689 676)
Profit for the period		94 579 860	8 203 144
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		35 972 557	-
Tax relating to other comprehensive income		(9 262 933)	-
Other comprehensive income (net of income tax)		26 709 624	-
Total comprehensive income for the period		121 289 484	8 203 144

Statement of Changes in Equity For the six months ended 30 June 2019

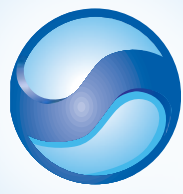
	Share capital ZWL\$	Share premium ZWL\$	Retained profits ZWL\$	Revaluation reserve ZWL\$	Total equity ZWL\$
Balance as at 1 January 2018	18 502 313	13 197 687	43 317 214	2 919 350	77 936 564
Changes on initial application of IFRS 9	-	-	(1 403 586)	-	(1 403 586)
Restated balance as at 1 January 2018	18 502 313	13 197 687	41 913 628	2 919 350	76 532 978
Profit for the year	-	-	8 203 144	-	8 203 144
Balance as at 30 June 2018	18 502 313	13 197 687	50 116 772	2 919 350	84 736 122
Balance as at 01 January 2019	18 502 313	13 197 687	70 881 206	2 919 350	105 500 556
Profit for the year	-	-	94 579 860	-	94 579 860
Other comprehensive income:					
Revaluation of property and equipment	-	-	-	26 709 624	26 709 624
Balance as at 30 June 2019	18 502 313	13 197 687	165 461 066	29 628 974	226 790 040

Statement of Cash Flows For the six months ended 30 June 2019

	Note	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
Cash flow from operating activities			
Profit before income tax		125 512 782	11 892 820
Adjustments for non cash items:			
Credit impairment allowance	5	6 657 998	5 439 911
Non cash recoveries		-	(334 000)
Fair value changes on investments		25 760 938	-
Net unrealised foreign exchange gains		(128 533 087)	-
Amortisation		239 758	185 042
Depreciation	8	1 209 346	1 085 253
Loss on disposal of property and equipment		(19 595)	-
Net cash generated before changes in operating assets and liabilities		30 828 140	18 269 026
Decrease/(increase) in financial assets held at amortised cost		31 002 265	(20 233 258)
Increase in loans and advances to customers		(4 737 574)	(93 087 164)
(Increase)/ decrease in prepayments and other assets		(44 965 471)	2 167 115
(Increase)/ decrease in amounts due from group companies		(17 197 169)	2 188 765
Decrease/(increase) in bonds and debentures		42 577 695	(164 597 077)
Decrease/(increase) in deposits from customers		(77 179 829)	159 534 758
Increase/(decrease) in deposits from other financial institutions		12 437 525	(8 381 644)
Increase in other liabilities		46 610 893	3 875 820
		19 301 804	(100 263 659)
Income tax paid		(2 620 327)	(1 568 468)
Net cash generated from/(used in) operating activities		16 681 477	(101 832 127)
Cash flows from investing activities			
Proceeds from sale of property and equipment		19 989	-
Purchase of intangible assets		-	(27 791)
Purchase of property and equipment		(2 072 864)	(1 055 805)
Net cash used in investing activities		(2 052 875)	(1 083 596)
Cash flows from financing activities			
Proceeds received from lines of credit		-	99 989 916
Repayments of lines of credit		(1 224 513)	-
Net cash (used in)/ generated from financing activities		(1 224 513)	99 989 916
Effects of exchange rates changes		331 294 797	-
Net increase /(decrease) in cash and cash equivalents		13 404 088	(2 925 807)
Cash and cash equivalents at beginning of year		174 134 723	169 588 201
Cash and cash equivalents at the end of period	1	518 833 608	166 662 394

Notes to the Financial Results For the six months ended 30 June 2019

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
1 BALANCES WITH BANKS AND CASH		
Balances with Reserve Bank of Zimbabwe		
Statutory reserve balances	22 967 520	20 735 879
Current account balances	109 083 381	108 430 795
	132 050 901	129 166 674
Balances with other banks and cash		
Nostro accounts	238 410 803	25 402 763
Notes and coins	82 628 023	8 608 588
Other bank balances	65 743 881	10 956 698
	386 782 707	44 968 049
Cash and cash equivalents	518 833 608	174 134 723
2 FINANCIAL ASSETS AT AMORTISED COST		
Open market treasury bills	64 117 506	90 992 766
Accrued interest	628 767	4 479 760
	64 746 273	95 472 526
2.1 Maturity analysis of financial assets at amortised cost		
Maturing between 0 to 90 days	628 767	18 336 071
Maturing between 91 to 180 days	16 560 588	50 339 888
Maturing between 180 to 365 days	20 987 993	17 998 559
Maturing in more than 365 days	26 568 925	8 798 008
	64 746 273	95 472 526
2.2 Exposure to credit risk : financial assets at amortised cost		
Stage I classified exposures: investment grade	64 746 273	95 904 094
Twelve months expected credit losses	(276 012)	(431 568)
Stage II classified exposures: standard monitoring	-	-
: special monitoring	-	-
Life time expected credit losses	-	-
Stage III classified exposures: default	-	-
Life time expected credit losses	-	-
Carrying amount of financial assets at amortised cost	64 470 261	95 472 526
3 LOANS AND ADVANCES TO CUSTOMERS		
Maturing within 1 year	248 686 596	230 945 837
Maturing after 1 year but within 5 years	911 498 534	100 260 730
Gross carrying amount	1 160 185 130	331 206 567
Expected credit losses	(15 876 399)	(8 860 910)
Net loans and advances	1 144 308 731	322 345 657



3.1 Loans concentration by sector

Sector of the economy	'June 2019		'Dec 2018	
	gross total	percentage	gross total	percentage
Agriculture	82 488 898	7%	20 112 354	6%
Communication	4 761 787	0%	5 185 829	2%
Construction	9 759 326	1%	9 990 212	3%
Distribution	46 412 782	4%	21 248 789	6%
Individuals	113 212 121	10%	63 271 844	19%
Local authorities	9 083 792	1%	10 663 732	3%
Manufacturing	22 257 735	2%	26 503 959	8%
Mining	82 983 588	7%	15 546 095	5%
Other services	779 678 868	67%	131 717 310	40%
Wholesale	9 546 233	1%	26 966 443	8%
Gross value of loans and advances	1 160 185 130	100%	331 206 567	100%
Expected credit losses	(15 876 399)		(8 860 910)	
Net loans and advances	1 144 308 731		322 345 657	

3.2 Exposure to credit risk : Loans and advances

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Amortised cost of gross loans and advance ; past due and impaired		
Stage III classified exposures : default	2 539 117	3 697 004
Amortised cost , past due and impaired	2 539 117	3 697 004
Life time expected credit losses	(961 049)	(681 459)
Carrying amount, past due and impaired	1 578 068	3 015 545
Past due but not impaired		
Stage II classified exposures : standard monitoring	38 155 442	45 545 774
: special monitoring	12 443 502	15 181 925
Gross amount, past due but not impaired	50 598 944	60 727 699
Life time expected credit losses	(3 195 566)	(5 461 549)
Carrying amount, past due and not impaired	47 403 378	55 266 150
Neither past due nor impaired		
Stage I classified exposures : investment grade	1 107 047 069	266 781 864
Twelve months expected credit losses	(11 719 784)	(2 717 902)
Carrying amount, not impaired	1 095 327 285	264 063 962
Total carrying amount (loans and advances)	1 144 308 731	322 345 657

4 Bond and debentures

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Maturing within 1 year	106 412 160	104 740 813
Maturing after 1 year but within 5 years:	76 833 137	120 284 956
183 245 297	225 025 769	
4.1 Maturity analysis of debentures		
Corporate debentures	6 072 913	6 996 696
Accrued interest	11 665	11 665
6 084 578	7 008 361	
4.2 Savings and Infrastructure bonds		
Maturing between 0 to 90 days	-	9 226 391
Maturing between 91 to 180 days	55 349 753	41 665 895
Maturing between 180 to 365 days	51 050 743	53 848 527
Maturing in more than 365 days	70 760 223	114 404 747
183 245 297	226 153 921	
Expected credit losses	(797 223)	(1 128 152)
Carrying amount at the end of the period	182 448 074	225 025 769

5 MOVEMENT IN CREDIT IMPAIRMENT LOSSES

For the year six months ended 30 June 2019	Bonds and debentures ZWL\$	Loans and advances ZWL\$	Financial assets at amortised cost ZWL\$	Undrawn contractual commitments and guarantees ZWL\$	Total ZWL\$
Balance at the beginning of the period	1 128 152	8 860 910	431 568	136 858	10 557 489
Movement in impairment allowances	(330 929)	7 015 489	(155 556)	128 995	6 657 998
Balance at the end of the period	797 223	15 876 399	276 012	265 853	17 215 487
For the year ended 31 December 2018	Bonds and debentures ZWL\$	Loans and advances ZWL\$	Financial assets at amortised cost ZWL\$	Undrawn contractual commitments and guarantees ZWL\$	Total ZWL\$
Balance at the beginning of the period	-	11 425 613	-	-	11 425 613
Remeasurement on initial application of IFRS 9	227 738	(1 606 376)	308 892	204 463	(865 283)
Restated opening balance	227 738	9 819 237	308 892	204 463	10 560 330
Increase in impairment allowances	900 414	(254 822)	122 676	(67 605)	700 664
Amounts written off as uncollectable	-	(703 505)	-	-	(703 505)
Balance at the end of the period	1 128 152	8 860 910	431 568	136 858	10 557 489

6 PREPAYMENTS AND OTHER ASSETS

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Prepayments	15 937 333	6 517 817
Mastercard, Visa and ZimSwitch collateral	20 812 870	7 025 695
Other receivables	1 231 884	7 666 296
37 982 087	21 209 808	
6.1 Maturity analysis of other assets		
Maturing within 1 year	17 169 217	14 184 113
Maturing after 1 year but within 5 years	20 812 870	7 025 695
37 982 087	21 209 808	

7 INVESTMENT PROPERTY

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Balance at 1 January	8 420 000	7 666 400
Fair value adjustments	25 760 938	120 970
Additions	173 500	632 630
Disposal	(350 000)	-
Balance at the end of the period	34 004 438	8 420 000

8 PROPERTY AND EQUIPMENT

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Carrying amount at the beginning of the year	21 416 859	20 656 227
Additions	2 072 864	2 999 899
Disposals	(67 987)	(91 449)
Reversal of depreciation on disposal	67 592	87 718
Revaluation	35 972 557	-
Depreciation charge for the period	(1 209 346)	(2 235 536)
Carrying amount at the end of the period	58 252 539	21 416 859

9 DEPOSITS FROM CUSTOMERS

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Amounts due to customers by type:		
Demand deposits	653 648 311	494 850 249
Promissory notes	145 509 208	43 480 837
Time deposits	7 050 238	37 405 708
806 207 757	575 736 794	

9.1 Deposits from other financial institutions

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Money market deposits	100 964 650	88 527 125

9.2 LINES OF CREDIT

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
African Export-Import Bank	771 075 000	91 121 013
The Zimbabwe Agriculture Development Trust ("ZADT")	581 729	682 729
The Reserve Bank of Zimbabwe- Women's Empowerment Fund	158 200	160 700
	771 814 929	91 964 442

Total Deposits

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Total Deposits	1 678 987 336	756 228 361

9.3 Deposits concentration (excluding lines of credit)	31 June 2019	percentage	31 Dec 2018	percentage
Agriculture	45 533 934	5%	33 713 196	5%
Construction	26 915 172	3%	19 927 918	3%
Wholesale and retail trade	188 406 206	21%	139 495 423	21%
Public sector	44 993 683	5%	33 313 196	5%
Manufacturing	98 688 965	10%	73 069 031	11%
Telecommunication	53 830 344	6%	39 855 835	6%
Transport	44 048 245	5%	32 613 196	5%
Individuals	125 604 137	14%	92 996 949	14%
Financial services	100 964 650	11%	88 527 125	13%
Mining	134 575 861	15%	99 639 588	15%
Other	43 611 210	5%	11 112 462	2%
907 172 407	100%	664 263 919	100%	

9.4 Maturity analysis (excluding lines of credit)

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Maturing within 1 year	907 065 525	660 113 919
Maturing after 1 year but within 5 years	106 882	4 150 000
907 172 407	664 263 919	

10 Trade and other payables

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
Provisions	15 911 804	6 310 433
Accrued expenses	125 570 293	24 913 788
Deferred income	3 728 824	3 107 353
145 210 921	34 331 574	

11 CAPITAL ADEQUACY

	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
Ordinary share capital	18 502 313	18 502 313
Share premium	13 197 687	13 197 687
Retained earnings	165 461 066	70 881 206
Capital allocated for market and operational risk	(9 641 696)	(12 055 024)
Advances to insiders	(30 992 563)	(16 085 541)
Tier 1 capital	156 526 807	74 440 641
Revaluation reserve	29 628 973	2 919 350
Tier 2 capital	29 628 973	2 919 350
Tier 1 & 2 capital	186 155 780	77 359 991
Tier 3 capital allocated for market and operational risk	9 641 696	12 055 024
	195 797 476	89 415 016
Risk weighted assets	815 708 034	435 317 955
Tier 1 Ratio (%)	19.19%	17.10%
Tier 2 Ratio (%)	3.63%	0.67%
Tier 3 Ratio (%)	1.18%	2.77%
Capital adequacy (%)	24.00%	20.54%

12 INTEREST AND SIMILAR INCOME

	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
Loans and advances to banks and other financial institutions	1 318 046	1 597 317
Loans and advances to customers	19 499 410	18 553 346
Banker's acceptances and tradable bills	4 351 141	5 335 204
Bonds and debentures	8 205 454	1 072 886
33 374 051	26 558 753	

13 INTEREST AND SIMILAR EXPENSE

	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
Deposits from other financial institutions	2 190 386	1 677 549
Demand deposits	1 631 631	509 664
Lines of credit	8 956 463	1 231 525
Time deposits	1 961 633	2 432 117
14 740 113	5 850 855	

14 FEES AND COMMISSION INCOME

	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
Retail services fees	24 091 145	15 854 585
Corporate banking service fees	577 554	342 291
Financial guarantee contracts issued	17 774	267 442
Investment banking fees	209 640	79 616
24 896 113	16 543 934	



	REVIEWED 30 June 2019 ZWL\$	UNAUDITED 30 June 2018 ZWL\$
15 OTHER OPERATING INCOME		
Rental income	53 798	34 994
Profit on disposal of property and equipment	19 595	5 827
Fairvalue changes to investments held at fairvalue through profit or loss	27 401 404	-
Sundry management fees	-	215 448
Bad debts recoveries	1 936 039	2 380 565
	29 410 836	2 636 834
16 ADMINISTRATION EXPENSES		
Operating expenses	31 439 148	9 121 587
Staff costs (note 17)	38 883 307	12 177 092
Directors' remuneration (note 17.1)	208 608	161 456
Depreciation	1 209 346	1 085 253
Amortisation	239 758	185 042
Operating lease payment	650 891	472 798
Audit fees	105 800	50 600
	72 736 858	23 253 828
17 Staff costs		
Salaries and allowances	37 782 638	11 525 051
Social security	172 168	137 107
Pension contribution	928 501	514 934
	38 883 307	12 177 092
17.1 Directors' remuneration		
Board fees	185 067	144 597
Other emoluments	23 541	16 859
	208 608	161 456

	REVIEWED 30 June 2019 ZWL\$	AUDITED 31 Dec 2018 ZWL\$
18 CAPITAL COMMITMENTS		
Capital expenditure authorized but not yet contracted for	43 875 621	57 400 312
19 CONTINGENT LIABILITIES		
Guarantees and letters of credit	300 562 089	44 695 546

The amount of these letters of credit and guarantees represents the Bank's maximum exposure and no material losses are anticipated from these transactions.

20 LIQUIDITY PROFILING
Liquidity profiling as at 30 June 2019

On balance sheet items	Upto 3 months ZWL\$	3 months to 1 year ZWL\$	Over 1 year ZWL\$	Total ZWL\$
Liabilities				
Deposits from customers	799 440 925	6 766 832	-	806 207 757
Deposits from other financial institutions	86 186 903	14 670 864	106 883	100 964 650
Lines of credit	-	739 929	771 075 000	771 814 929
Income tax payable	2 260 780	-	-	2 260 780
Other liabilities	50 688 324	49 841 199	44 681 398	145 210 921
Total liabilities - (contractual maturity)	938 576 932	72 018 824	815 863 281	1 826 459 037
Assets held for managing liquidity risk				
Balances with other banks and cash	518 833 608	-	-	518 833 608
Financial assets at amortised cost	566 295	63 903 966	-	64 470 261
Financial assets at fair value through profit or loss	-	-	2 263 982	2 263 982
Loans and advances to customers	86 888 269	183 382 376	874 038 086	1 144 308 731
Bonds and debentures	-	79 531 683	102 916 391	182 448 074
Other assets (excluding prepayments)	-	1 231 884	20 812 870	22 044 754
Total assets - (contractual maturity)	606 288 172	328 049 909	1 000 031 329	1 934 369 410
Liquidity gap	(332 288 760)	256 031 085	184 168 048	107 910 373
Cumulative liquidity gap - on balance sheet	(332 288 760)	(76 257 675)	107 910 373	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	275 897 826	-	275 897 826
Commitments to lend	24 664 263	-	-	24 664 263
Total liabilities	24 664 263	275 897 826	-	300 562 089
Liquidity gap	(356 953 023)	(19 866 741)	184 168 048	(192 651 716)
Cumulative liquidity gap - on and off balance sheet	(356 953 023)	(376 819 764)	(192 651 716)	-

Liquidity profiling as at 31 December 2018	1 month to 3 months ZWL\$	3 months to 1 year ZWL\$	Over 1 year ZWL\$	Total ZWL\$
On balance sheet items				
Liabilities				
Deposits from customers	515 431 038	58 305 756	2 000 000	575 736 794
Deposits from other financial institutions	57 334 760	26 892 365	4 300 000	88 527 125
Lines of credit	-	1 964 442	90 000 000	91 964 442
Current income tax liabilities	387 890	-	-	387 890
Other liabilities	6 885 797	15 734 562	11 711 215	34 331 574
Total liabilities - (contractual maturity)	580 039 485	102 897 125	108 011 215	790 947 825
Assets held for managing liquidity risk				
Balances with other banks and cash	174 134 723	-	-	174 134 723
Financial assets at amortised cost	18 336 071	68 338 447	8 798 008	95 472 526
Financial assets at fair value through profit or loss	-	-	548 844	548 844
Loans and advances to customers	49 601 134	172 483 793	100 260 730	322 345 657
Bonds and debentures	9 226 391	95 514 422	120 284 956	225 025 769
Other assets (excluding prepayments)	-	14 184 112	7 025 695	21 209 807
Total assets - (contractual maturity)	251 298 319	350 520 774	236 918 233	838 737 326
Liquidity gap	(328 741 166)	247 623 649	128 907 018	47 789 501
Cumulative liquidity gap - on balance sheet	(328 741 166)	(81 117 517)	47 789 501	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	26 227 144	-	26 227 144
Commitments to lend	18 468 402	-	-	18 468 402
Total liabilities	18 468 402	26 227 144	-	44 695 546
Liquidity gap	(347 209 568)	221 396 505	128 907 018	3 093 955
Cumulative liquidity gap - on and off balance sheet	(347 209 568)	(125 813 063)	3 093 955	-

21 INTEREST RATE REPRICING AND GAP ANALYSIS
Total position as at 30 June 2019

	0 - 30 days ZWL\$	31 - 90 days ZWL\$	91-180 days ZWL\$	181-365 days ZWL\$	Over 365 days ZWL\$	Non-interest bearing ZWL\$	Total ZWL\$
Cash and cash equivalents	238 410 803	-	-	-	-	280 422 805	518 833 608
Financial assets at amortised cost	562 624	3 671	63 903 966	-	-	-	64 470 261
Financial assets at fair value through profit or loss	-	-	-	-	-	2 263 982	2 263 982
Loans and advances to customers	312 521 303	-	-	60 712 429	771 075 000	-	1 144 308 731
Bonds and debentures	-	-	55 349 752	24 181 931	102 916 391	-	182 448 074
Prepayments and other assets	-	-	-	-	-	37 982 087	37 982 087
Amounts due from group companies	-	-	-	-	-	40 570 873	40 570 873
Investment property	-	-	-	-	-	34 004 438	34 004 438
Intangible assets	-	-	-	-	-	1 261 758	1 261 758
Property and equipment	-	-	-	-	-	58 252 539	58 252 539
Total assets	551 494 729	3 671	119 253 718	84 894 359	873 991 391	454 758 482	2 084 396 351
Deposits from customers	114 677 023	31 115 591	6 766 832	-	-	653 648 311	806 207 757
Deposits from other financial institutions	56 497 331	29 689 571	14 368 186	409 561	-	-	100 964 650
Lines of credit	-	-	-	739 929	771 075 000	-	771 814 929
Other liabilities	-	-	-	-	-	145 210 921	145 210 921
Current income tax liabilities	-	-	-	-	-	2 260 780	2 260 780
Capital and reserves	-	-	-	-	-	225 074 902	225 074 902
Total liabilities	171 174 354	60 805 162	21 135 018	1 149 490	771 075 000	1 026 194 914	2 051 533 939
Interest rate repricing gap	380 320 375	(60 801 491)	98 118 700	83 744 869	102 916 391	(571 436 432)	32 862 412
Cumulative interest rate repricing gap	380 320 375	319 518 884	417 637 584	501 382 453	604 298 844	32 862 412	-

Total position as at 31 December 2018

	0 - 30 days ZWL\$	31 - 90 days ZWL\$	91-180 days ZWL\$	181-365 days ZWL\$	Over 365 days ZWL\$	Non-interest bearing ZWL\$	Total ZWL\$
Cash and cash equivalents	20 735 879	-	-	-	-	153 398 844	174 134 723
Financial assets at amortised cost	5 300 910	13 035 161	50 339 888	17 998 559	8 798 008	-	95 472 526
Financial assets at fair value through profit or loss	-	-	-	-	-	548 844	548 844
Loans and advances to customers	212 819 927	-	-	9 265 000	100 260 730	-	322 345 657
Bonds and debentures	9 226 391	-	41 665 895	53 848 527	120 284 956	-	225 025 769
Prepayments and other assets	-	-	-	-	-	21 209 808	21 209 808
Amounts due from group companies	-	-	-	-	-	23 373 704	23 373 704
Deferred tax asset	-	-	-	-	-	2 998 974	2 998 974
Investment property	-	-	-	-	-	8 420 000	8 420 000
Intangible assets	-	-	-	-	-	1 501 517	1 501 517
Property and equipment	-	-	-	-	-	21 416 859	21 416 859
Total assets	248 083 107	13 035 161	92 005 783	81 112 086	229 343 694	232 868 550	896 448 381
Deposits from customers	25 761 113	37 865 242	3 338 791	164 063	2 300 667	506 306 918	575 736 794
Deposits from other financial institutions	44 956 123	11 878 830	10 582 450	16 041 460	5 068 262	-	88 527 125
Lines of credit	-	-	-	1 964 442	90 000 000	-	91 964 442
Other liabilities	-	-	-	-	-	34 331 574	34 331 574
Current income tax liabilities	-	-	-	-	-	387 890	387 890
Capital and reserves	-	-	-	-	-	105 500 556	105 500 556
Total liabilities	70 717 236	49 744 072	13 921 241	18 169 965	97 368 929	646 526 938	896 448 381
Interest rate repricing gap	177 365 871	(36 708 911)	78 084 542	62 942 121	131 974 765	(413 658 388)	-
Cumulative interest rate repricing gap	177 365 871	140 656 960	218 741 502	281 683 623	413 658 388	-	-

22 FBC BANK FOREIGN EXCHANGE GAP AS AT 30 June 2019
Foreign exchange gap analysis as at 30 June 2019

Base currency ZWL\$ equivalent	USD ZWL\$	ZAR ZWL\$	EUR ZWL\$	BWP ZWL\$	GBP ZWL\$	TOTAL ZWL\$
Assets						
Cash	130 885 510	4 131 913	1 272 974	754 391	458 520	137 503 308
Balances with Reserve Bank	-	-	-	-	-	-
Correspondent nostro balances	312 158 614	8 425 820	2 879 163	702 960	18 897	324 185 254
Loans and overdrafts	1 005 177 217	-	-	-	-	1 005 177 217
Other assets	14 021 188	-	-	-	-	14 021 188
Total assets	1 462 242 529	12 557 533	4 152 137	1 457 351	477 417	1 480 886 967
Liabilities						
Deposits from customers	1 377 243 206	6 939 278	671 940	325 182	159 233	1 385 338 838
Total liabilities	1 377 243 206	6 939 278	671 940	325 182	159 233	1 385 338 838
Net currency position	84 999 323	5 618 255	3 480 197	1 132 169	318 185	95 548 129

Foreign exchange gap analysis as at 31 December 2018

	ZAR ZWL\$	EUR ZWL\$	BWP ZWL\$	GBP ZWL\$	TOTAL ZWL\$
Assets					
Cash	18 687	2 514	1 917	1 527	24 645
Balances with Reserve Bank	94 971	243 502	-	21 051	359 524
Correspondent nostro balances	100 030	38 761	258 981	301 075	698 847
Loans and overdrafts	1 979	476	-	239	2 694
Other assets	4 532	139	14	76	4 761
Total assets	220 199	285 392	260 912	323 968	1 090 471

24 RESERVE BANK OF ZIMBABWE ("RBZ") ONSITE EXAMINATION

The Bank has its corporate governance and risk management processes independently audited by the Reserve Bank of Zimbabwe.

The most recent inspection was carried out for the 12 months to 30 June 2014 and the results indicate that the Bank's risk management and corporate governance practices are sound as illustrated below:

Summary risk assessment system ("RAS") ratings

RAS component	Latest RAS rating 30-06-2014
Overall inherent risk	Moderate
Overall risk management systems	Acceptable
Overall composite risk	Moderate

FBC Bank Limited's CAMELS* ratings by The Reserve Bank Of Zimbabwe

Camels component	Latest RBS ratings 30 June 2014	Previous RBS ratings 30 September 2008
Capital adequacy	2	2
Asset quality	3	3
Management	2	2
Earnings	2	2
Liquidity	1	2
Sensitivity to market risk	2	2
Composite rating	2	2

*CAMELS- is an acronym for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. CAMELS rating system uses a rating scale of 1-5, where '1' is strong, '2' is satisfactory, '3' is fair, '4' is weak, and '5' is critical.

*RBS- stands for risk-based supervision.

25 INTERNATIONAL CREDIT RATING

The Bank has its credit ratings reviewed annually by an international credit rating agency, Global Credit Rating Company

The Bank has a BBB+ Credit rating.

29 BOARD ATTENDANCE

NAME	Executive ("E") / Non Executive Director ("NE")	2019 MAIN BOARD	
		QUARTER 1	QUARTER 2
Takabvakure E. Mutunhu	N/E	✓	✓
John Mushayavanhu	N/E	✓	✓
Peter C. C. Moyo	N/E	✓	✓
Trynos Kufazvinei	N/E	✓	✓
Martin Makonese	E	✓	✓
Morgan Nzwere	N/E	x	x
Webster Rusere	E	✓	✓
Mercy R. Ndoro	N/E	✓	✓
Theresa Mazoyo	N/E	✓	✓
Patrick Takawira	E	✓	✓
Agrippa Mugwagwa	E	✓	✓
Abel Magwaza	E	✓	✓
Zivanayi W. Makwanya	N/E	✓	✓
Fungai D. Makoni	N/E	✓	✓

Key

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

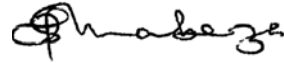
AUDITOR'S STATEMENT

These interim financial results for the six months ended 30 June 2019 have been reviewed by Deloitte & Touche and a modified review conclusion issued thereon. This conclusion carries an adverse conclusion with respect to the following matters:

- Non-compliance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange in accounting for the change in functional currency;
- The Bank has applied a discount of 50% on the valuation of properties. This is management's estimate of the recoverable values given the limited trade of properties in Zimbabwe dollars. We have not been able to assess the reasonability of the discount rate applied by management.

The review conclusion has been made available to management and those charged with the governance of FBC Bank Limited.

By Order of the Board



Tichaona Kudakwashe Mabeza
Company Secretary
28 August 2019

DStv



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Statement of Financial Position As at 30 June 2019

	Notes	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
ASSETS			
Cash and cash equivalents	2	27 508 626	26 951 943
Financial assets at amortised cost	3	75 614 347	86 206 306
Loans and advances to customers	4	64 851 726	63 672 262
Inventory	6	10 315 246	8 461 294
Other assets	7	23 016 275	1 704 203
Investment properties	8	1 729 431	390 000
Intangible assets	9	11 247	19 682
Property and equipment	10	18 608 760	5 395 348
Total assets		221 655 658	192 801 038
LIABILITIES			
Deposits from banks	11.1	59 307 522	59 731 970
Deposits from customers	11.2	69 430 214	67 437 253
Borrowings	11.3	16 547 591	1 953 211
Other liabilities	12	8 894 493	10 041 169
Total liabilities		154 179 820	139 163 603
EQUITY			
Share capital		156 175	156 175
Share premium		11 110 424	11 110 424
Revaluation reserve		13 046 608	113 460
Regulatory provision reserve		933 322	967 963
Retained earnings		42 229 309	41 289 413
Total equity		67 475 838	53 637 435
Total equity and liabilities		221 655 658	192 801 038

Statement of Profit or Loss and Other Comprehensive Income For the six months ended 30 June 2019

	Notes	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
Net interest and related income			
Interest and related income	13	8 237 231	7 384 335
Interest and related expense	14	(3 065 496)	(1 510 172)
Net interest and related income		5 171 735	5 874 163
Net income from property sales			
Revenue from property sales		1 556 982	1 764 261
Cost of sales		(506 999)	(1 443 299)
Net income from property sales		1 049 983	320 962
Net fees and commission income			
Fees and commission income		3 555 899	3 077 099
Fees and commission expense		(141 415)	(118 745)
Net fees and commission income		3 414 484	2 958 354
Other income			
Other income	15	5 763 100	79 682
Total net income		15 399 302	9 233 161
Total operating expenses			
Credit impairment losses	5	(112 801)	(92 043)
Operating expenses	16	(9 238 216)	(3 730 998)
Total operating expenses		(9 351 017)	(3 823 041)
Surplus for the period			
Surplus for the period		6 048 285	5 410 120
Other comprehensive income			
Gain on property revaluation	10	12 933 148	-
Total comprehensive income for the period		18 981 433	5 410 120

Statement of Changes in Equity For the six months ended 30 June 2019

	Share capital ZWL\$	Share premium ZWL\$	Revaluation reserve ZWL\$	Regulatory provision reserve ZWL\$	Retained earnings ZWL\$	Total ZWL\$
Opening balance as at 1 January 2018	156 175	11 110 424	113 460	-	36 123 275	47 503 334
Change on initial application of IFRS 9	-	-	-	-	1 089 448	1 089 448
Change on initial application of IFRS 15	-	-	-	-	(801 042)	(801 042)
Restated balance as at 1 January 2018	156 175	11 110 424	113 460	-	36 411 681	47 791 740
Surplus for the year	-	-	-	-	11 696 179	11 696 179
Other comprehensive income						
Regulatory impairment allowance	-	-	-	967 963	(967 963)	-
Total comprehensive income	-	-	-	967 963	10 728 216	11 696 179
Transactions with owners recorded directly in equity						
Dividend paid	-	-	-	-	(5 850 484)	(5 850 484)
Shareholders equity as at 31 December 2018	156 175	11 110 424	113 460	967 963	41 289 413	53 637 435
Balance as at 1 January 2019	156 175	11 110 424	113 460	967 963	41 289 413	53 637 435
Surplus for the period	-	-	-	-	6 048 285	6 048 285
Other comprehensive income						
Revaluation gain on properties	-	-	12 933 148	-	-	12 933 148
Regulatory impairment allowance	-	-	-	(34 641)	34 641	-
Total comprehensive income	-	-	12 933 148	(34 641)	6 082 926	18 981 433
Transactions with owners recorded directly in equity						
Dividend paid	-	-	-	-	(5 143 030)	(5 143 030)
Shareholders equity as at 30 June 2019	156 175	11 110 424	13 046 608	933 322	42 229 309	67 475 838

Statement of Cash Flows For the six months ended 30 June 2019

	Notes	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the period		6 048 285	5 410 120
Adjustments for:			
Depreciation of property and equipment	10	195 444	156 603
Amortisation of intangible assets	9	8 435	8 435
Profit on disposal of property and equipment		-	(277)
Expected credit loss allowances	5	112 801	92 043
Fair value gain on investment properties		(1 310 175)	-
Net cash generated before changes in working capital		5 054 790	5 666 924
Decrease/(increase) in financial assets at amortised cost		10 652 939	(33 840 665)
Increase in loans and advances to customers		(1 345 996)	(4 496 758)
Increase in inventory		(1 853 952)	(960 864)
(Increase)/decrease in other assets		(3 270 207)	609 577
(Decrease)/increase in deposits from banks		(424 448)	43 746 968
Increase in deposits from customers		1 992 961	858 087
(Decrease)/increase in other liabilities		(1 153 924)	270 850
Net cash generated from operating activities		9 652 163	11 854 119
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(475 708)	(663 169)
Additions to investment properties	8	(29 256)	-
Proceeds from disposal of property and equipment		-	702
Net cash used in investing activities		(504 964)	(662 467)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings repayment		(1 383 045)	(303 030)
Dividend paid		(5 143 030)	(3 145 424)
Net cash used in financing activities		(6 526 075)	(3 448 454)
Net increase in cash and cash equivalents			
		2 621 124	7 743 198
Cash and cash equivalents at the beginning of the period		26 951 943	16 630 727
Effects of movement in exchange rate		(2 064 441)	-
Cash and cash equivalents at the end of the period	2	27 508 626	24 373 925

Notes to the Financial Results For the six months ended 30 June 2019

1. CHANGE IN FUNCTIONAL CURRENCY

The Building Society has in the previous financial period adopted the United States ("US\$") as its presentation and functional currency. In order to comply with local laws and regulations, the Building Society was precluded from applying an independent assessment of the functional currency as provided for under International Accounting Standard 21, "The effects of Changes in Foreign Exchange Rates" ("IAS 21") for the 2018 financial year period. As such, the US\$ was adopted as the presentation and functional currency for the financial year ended 31 December in order to comply with the local laws. Subsequent to issuance of Statutory Instrument 33 of 2019 (SI33/19), the Building Society has now performed an assessment of its functional currency in accordance with IAS 21 and has deemed Zimbabwe Dollar (ZWL\$) as its new functional currency. The comparative balances have therefore been restated to ZWL\$ from US Dollar at a rate of 1:1.

2. CASH AND CASH EQUIVALENTS

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Cash on hand	2 890 223	360 677
Cash at bank	9 348 953	8 138 060
Balances with Reserve Bank of Zimbabwe (RBZ)	2 246 700	2 072 272
Interbank short term investments	13 022 750	16 380 934
Total	27 508 626	26 951 943

3. FINANCIAL ASSETS AT AMORTISED COST

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Treasury bills	10 092 539	34 556 392
Savings bonds	65 521 808	51 649 914
Total	75 614 347	86 206 306

3.1 Maturity analysis of financial assets at amortised cost

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
Up to 1 month	821 553	-
Up to 3 months	17 610 345	16 082 330
3 months to 1 year	57 182 449	69 880 427
1 year to 5 years	-	243 549
Total	75 614 347	86 206 306

3.2 Credit exposure on financial assets at amortised cost

	Reviewed 30 June 2019			
	Expected credit loss (ECL) staging Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Credit grade				
Investment grade	75 963 953	-	-	75 963 953
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross financial assets at amortised cost	75 963 953	-	-	75 963 953
Expected credit losses	(349 606)	-	-	(349 606)
Net financial asset at amortised cost	75 614 347	-	-	75 614 347

	Audited 31 Dec 2018			
	Expected credit loss (ECL) staging Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Credit grade				
Investment grade	86 616 892	-	-	86 616 892
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross financial assets at amortised cost	86 616 892	-	-	86 616 892
Expected credit losses	(410 586)	-	-	(410 586)
Net financial asset at amortised cost	86 206 306	-	-	86 206 306

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
4. LOANS AND ADVANCES TO CUSTOMERS		
Short term loan advances	18 839 335	19 195 375
Medium term facility	4 281 215	4 358 584
Mortgage loan advances	43 240 287	41 460 882
Gross loans and advances to customers	66 360 837	65 014 841
Expected credit losses	(1 509 111)	(1 342 579)
Net loans and advances to customers	64 851 726	63 672 262

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
4.1 Maturity analysis of loans and advances		
Up to 1 month	1 558 208	1 587 202
1 month to 3 months	3 116 416	2 947 848
3 months to 1 year	11 383 558	11 113 042
1 year to 5 years	20 227 477	19 950 483
Over 5 years	28 566 067	28 073 687
	64 851 726	63 672 262

	Reviewed 30 June 2019				
	Expected credit loss (ECL) staging	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Credit grade					
Investment grade	58 083 002	-	-	-	58 083 002
Standard monitoring	-	2 447 003	-	-	2 447 003
Special monitoring	-	2 207 026	-	-	2 207 026
Default	-	-	3 623 806	-	3 623 806
Gross loans and advances to customers	58 083 002	4 654 029	3 623 806	3 623 806	66 360 837
Expected credit losses	(359 158)	(66 721)	(1 083 232)	-	(1 509 111)
Net loans and advances to customers	57 723 844	4 587 308	2 540 574	3 623 806	64 851 726

	Audited 31 Dec 2018				
	Expected credit loss (ECL) staging	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Credit grade					
Investment grade	53 359 291	-	-	-	53 359 291
Standard monitoring	-	3 415 760	-	-	3 415 760
Special monitoring	-	4 282 128	-	-	4 282 128
Default	-	-	3 957 662	-	3 957 662
Gross loans and advances to customers	53 359 291	7 697 888	3 957 662	3 957 662	65 014 841
Expected credit losses	(326 929)	(100 416)	(915 234)	-	(1 342 579)
Net loans and advances to customers	53 032 362	7 597 472	3 042 428	3 957 662	63 672 262

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
4.3 Exposure to credit risk		
Carrying amount	64 851 726	63 672 262
Past due and impaired		
Stage3/Grade 8: Impaired	298 779	674 002
Stage3/Grade 9: Impaired	372 854	588 813
Stage3/Grade 10: Impaired	2 952 173	2 694 847
Gross carrying amount	3 623 806	3 957 662
Expected credit losses	(1 083 232)	(915 234)
Carrying amount	2 540 574	3 042 428
Neither past due nor impaired		
Stage1/Grades 1-3: low fair risk	58 083 002	53 359 291
Stage2/Grades 4-7: watch list	4 654 029	7 697 888
Gross amount	62 737 031	61 057 179
Expected credit losses	(425 879)	(427 345)
Carrying amount	62 311 152	60 629 834
Total carrying amount	64 851 726	63 672 262

	Reviewed 30 June 2019			
	Loans and advances at cost ZWL\$	Financial assets at amortised cost ZWL\$	Undrawn contractual commitments ZWL\$	Total ZWL\$
Balance at 01 January 2019	1 342 579	410 586	678	1 753 843
Expected credit losses charge for the period	166 532	(60 980)	7 249	112 801
Balance as at 30 June 2019	1 509 111	349 606	7 927	1 866 644

	Audited 31 Dec 2018			
	Loans and advances at cost ZWL\$	Financial assets at amortised cost ZWL\$	Undrawn contractual commitments ZWL\$	Total ZWL\$
Balance at 01 January 2018	2 477 198	-	-	2 477 198
Change on initial application of IFRS 9	(1 276 446)	183 870	3 128	(1 089 448)
Expected credit losses charge for the year	141 827	226 716	(2 450)	366 093
Balance as at 31 December 2018	1 342 579	410 586	678	1 753 843

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
6 INVENTORY		
Raw materials	286 742	68 900
Work in progress	7 858 417	6 307 718
Completed units	2 170 087	2 084 676
	10 315 246	8 461 294

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
7 OTHER ASSETS		
Prepayments	1 355 667	907 464
Other receivable	20 425 990	-
Other	1 234 618	796 739
	23 016 275	1 704 203

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
8 INVESTMENT PROPERTIES		
Opening balance	390 000	490 000
Fair value adjustment	1 310 175	(75 000)
Additions	29 256	-
Disposals	-	(25 000)
Closing balance	1 729 431	390 000

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
9 INTANGIBLE ASSETS		
Opening net carrying amount	19 682	36 553
Amortisation charge	(8 435)	(16 871)
Closing net carrying amount	11 247	19 682

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
10 PROPERTY AND EQUIPMENT		
Carrying amount at beginning of the period	5 395 348	4 767 134
Gross carrying amount	6 645 839	5 705 030
Accumulated depreciation	(1 250 491)	(937 896)
Additions	475 708	940 809
Revaluation gain on properties	12 933 148	-
Disposals	-	(2 011)
Depreciation for the period	(195 444)	(310 584)
Carrying amount at end of the period	18 608 760	5 395 348

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
11 DEPOSITS AND BORROWINGS		
11.1 Deposits from banks		
Money market deposits	59 307 522	59 731 970
11.2 Deposits from customers		
Retail savings deposits	21 980 583	15 643 240
Money market deposits	40 470 598	45 737 606
Fixed deposits	6 979 033	6 056 407
	69 430 214	67 437 253

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
11.3 Borrowings		
Offshore borrowings	16 547 591	1 953 211
Total deposits and borrowings	145 285 327	129 122 434

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
11.4 Maturity analysis of deposits and borrowings		
Up to 1 month	91 654 018	90 769 735
1 month to 3 months	29 709 773	23 290 387
3 months to 1 year	6 899 753	7 658 754
Over 1 year	17 021 783	7 403 558
	145 285 327	129 122 434

	Reviewed 30 June 2019 ZWL\$	Audited 31 Dec 2018 ZWL\$
12 OTHER LIABILITIES		
Trade and other payables	7 304 968	8 123 787
Deferred income	837 643	851 412
Provisions	751 882	1 065 970
	8 894 493	10 041 169

	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
13 INTEREST AND RELATED INCOME		
Loans and advances to customers	4 281 612	4 278 702
Interbank money market investments	96 066	150 858
Financial assets at amortised cost	3 859 553	2 954 775
	8 237 231	7 384 335

	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
14 INTEREST AND RELATED EXPENSE		
Deposits from banks	143 605	374 522
Deposits from customers - retail savings	72 695	106 211
Offshore borrowings	470 219	154 543
Deposits from customers - time deposits	2 378 977	874 896
	3 065 496	1 510 172

	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
15 OTHER INCOME		
Fair value adjustment on investment properties	1 310 175	-
Exchange rate gain	4 302 830	-
Rent received	98 341	66 377
Profit on disposal of equipment	-	277
Other	51 754	13 028
	5 763 100	79 682

	Reviewed 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
16 OPERATING EXPENSES		
Administration expenses	2 927 876	836 330
Personnel expenses	5 819 487	2 633 971
Directors fees	286 974	95 659
Depreciation and amortisation	203 879	165 038
	9 238 216	3 730 998

	Reviewed 30 June 2019				
	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
17 LIQUIDITY RISK					
Contractual maturity profile of assets and liabilities					

	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
Liabilities					
Deposits from banks	48 737 666	9 557 481	1 012 375	-	59 307 522
Deposits from customers	42 916 352	18 471 429	1 063 400	6 979 033	69 430 214
Borrowings	-	1 680 863	4 823 978	10 042 750	16 547 591
Other liabilities	3 580 325	1 672 749	1 680 308	1 961 111	8 894 493
Total liabilities	95 234 343	31 382 522	8 580 061	18 982 894	154 179 820

	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
Assets					
Cash and cash equivalents	27 508 626	-	-	-	27 508 626
Financial assets at amortised cost	821 553	17 610 345	57 182 449	-	75 614 347
Loans and advances to customers	1 558 208	3 116 416	11 383 558	48 793 544	64 851 726
Other receivable	3 564 794	1 731 442	4 946 826	10 182 928	20 425 990
Total assets	33 453 181	22 458 203	73 512 833	58 976 472	188 400 689

	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
Liquidity gap	(61 781 162)	(8 924 319)	64 932 772	39 993 578	34 220 869

	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
Cumulative liquidity gap	(61 781 162)	(70 705 481)	(5 772 709)	34 220 869	(103 038 483)

	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
31 December 2018					
Liabilities					
Deposits from banks	41 627 168	11 032 441	7 072 361	-	59 731 970
Deposits from customers	49 142 567	12 106 431	1 318 848	6 056 407	67 437 253
Borrowings	-	1 511 515	4 545 545	1 347 151	7 404 211
Other liabilities	4 589 114	772 402	2 859 667	1 819 986	10 041 169
Total liabilities	95 358 849	24 062 789	10 518 421	9 223 544	139 163 603

	Up to 30 days ZWL\$	31-90 days ZWL\$	91-365 days ZWL\$	Over 1 year ZWL\$	Total ZWL\$
Assets					
Cash and cash equivalents	21 939 547	5 012 396	-	-	26 951 943
Financial assets at amortised cost	-	16 082 330	69 880 427	243 549	86 206 306
Loans and advances to customers	1 587 202	2 947 848	11 113 042	48 024 170	

18 INTEREST RATE RISK
Interest rate repricing gap

30 June 2019

	Up to 30 days ZWLS	31-90 days ZWLS	91-180 days ZWLS	181-365 days ZWLS	Over 365 days ZWLS	Non interest bearing ZWLS	Total ZWLS
Assets							
Cash and cash equivalents	16 555 101	-	-	-	-	10 953 525	27 508 626
Financial assets at amortised cost	821 553	17 610 345	6 254 121	50 928 328	-	-	75 614 347
Loans and advances to customers	64 851 726	-	-	-	-	-	64 851 726
Inventory	-	-	-	-	-	10 315 246	10 315 246
Other assets	-	-	-	-	-	23 016 275	23 016 275
Investment properties	-	-	-	-	-	1 729 431	1 729 431
Intangible assets	-	-	-	-	-	11 247	11 247
Property and equipment	-	-	-	-	-	18 608 760	18 608 760
Total assets	82 228 380	17 610 345	6 254 121	50 928 328	-	64 634 484	221 655 658
Liabilities							
Deposits from banks	48 737 666	9 557 481	1 012 375	-	-	-	59 307 522
Deposits from customers	49 895 385	18 471 429	1 063 400	-	-	-	69 430 214
Borrowings	16 547 591	-	-	-	-	-	16 547 591
Other liabilities	-	-	-	-	-	8 894 493	8 894 493
Equity	-	-	-	-	-	67 475 838	67 475 838
Total liabilities	115 180 642	28 028 910	2 075 775	-	-	76 370 331	221 655 658
Interest rate repricing gap	(32 952 262)	(10 418 565)	4178 346	50 928 328	-	(11 735 847)	-
Cumulative interest rate repricing gap	(32 952 262)	(43 370 827)	(39 192 481)	11 735 847	11 735 847	-	-

31 December 2018

	Up to 30 days ZWLS	31-90 days ZWLS	91-180 days ZWLS	181-365 days ZWLS	Over 365 days ZWLS	Non interest bearing ZWLS	Total ZWLS
Assets							
Cash and cash equivalents	11 368 538	5 012 396	-	-	-	10 571 009	26 951 943
Financial assets at amortised cost	-	16 082 330	34 786 300	35 094 127	243 549	-	86 206 306
Loans and advances to customers	63 672 262	-	-	-	-	-	63 672 262
Inventory	-	-	-	-	-	8 461 294	8 461 294
Other assets	-	-	-	-	-	1 704 203	1 704 203
Investment properties	-	-	-	-	-	390 000	390 000
Property and equipment	-	-	-	-	-	5 395 348	5 395 348
Intangible assets	-	-	-	-	-	19 682	19 682
Total assets	75 040 800	21 094 726	34 786 300	35 094 127	243 549	26 541 536	192 801 038
Liabilities							
Deposits from banks	41 627 168	11 032 441	7 072 361	-	-	-	59 731 970
Deposits from customers	55 198 974	12 106 431	131 848	-	-	-	67 437 253
Borrowings	1 953 211	-	-	-	-	-	1 953 211
Other liabilities	-	-	-	-	-	10 041 169	10 041 169
Equity	-	-	-	-	-	53 637 435	53 637 435
Total liabilities	98 779 353	23 138 872	7 204 209	-	-	63 678 604	192 801 038
Interest rate repricing gap	(23 738 553)	(2 044 146)	27 582 091	35 094 127	243 549	(37 137 068)	-
Cumulative interest rate repricing gap	(23 738 553)	(25 782 699)	1 799 392	36 893 519	37 137 068	-	-

19 CAPITAL ADEQUACY RATIO

Core Capital Tier 1

Issued and fully paid up ordinary share capital
Retained earnings
Capital allocated for market and operational risk
Advances to insiders
Total core capital

	Reviewed 30 June 2019 ZWLS	Audited 31 Dec 2018 ZWLS
Issued and fully paid up ordinary share capital	11 266 599	11 266 599
Retained earnings	42 229 309	41 289 413
Capital allocated for market and operational risk	(2 231 416)	(2 436 774)
Advances to insiders	(4 281 215)	(4 358 584)
Total core capital	46 983 277	45 760 654

Supplementary Capital Tier 2

Revaluation reserves
Regulatory provision reserve
Total supplementary capital

Revaluation reserves	13 046 608	113 460
Regulatory provision reserve	933 322	967 963
Total supplementary capital	13 979 930	1 081 423

Tier 3

Capital allocated for market and operational risk

Capital allocated for market and operational risk	2 231 416	2 436 774
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Core capital plus supplementary capital

Core capital plus supplementary capital	63 194 623	49 278 851
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Total risk weighted assets

Total risk weighted assets	108 692 837	62 859 969
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Tier 1 capital ratio
Tier 2 capital ratio
Tier 3 capital ratio

Tier 1 capital ratio	43%	73%
Tier 2 capital ratio	13%	1%
Tier 3 capital ratio	2%	4%

Capital adequacy ratio

Capital adequacy ratio	58%	78%
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20 CAPITAL COMMITMENTS

Capital expenditure authorised not yet undertaken

Capital expenditure authorised not yet undertaken	7 901 322	2 054 233
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21 RESERVE BANK OF ZIMBABWE ONSITE EXAMINATION

The Building Society has its corporate governance and risk management processes independently audited by the Reserve Bank of Zimbabwe.

FBC Building Society CAMELS* ratings

CAMELS* component	Latest RBS** ratings 30 June 2014	Previous RBS** ratings 30 Sept 2007
Capital adequacy	2	2
Asset quality	3	2
Management	2	2
Earnings	2	2
Liquidity	1	2
Sensitivity to market risk	2	2
Overall composite rating	2	2

*CAMELS is an acronym for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. CAMELS rating system uses a rating scale of 1-5, where '1' is strong, '2' is satisfactory, '3' is fair, '4' is weak and '5' is critical.

**RBS stands for Risk-Based Supervision.

Summary Risk Assessment System (RAS) ratings

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

Summary risk matrix

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Moderate	Acceptable	Moderate	Increasing
Liquidity	Moderate	Acceptable	Moderate	Stable
Interest rate	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Strong	Low	Stable
Operational	Moderate	Acceptable	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Moderate	Stable
Strategic	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

22 BOARD ATTENDANCE

Board member	Main Board		Board Audit		Board HR		Board Finance & ALCO		Board Risk & Compliance		Board Credit		Board Loans Review	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Benjamin Kumalo	√	√	n/a	n/a	√	√	n/a	n/a	n/a	n/a	n/a	n/a	√	√
Felix Gwandekwande	√	x	n/a	n/a	√	x	√	x	n/a	n/a	√	x	n/a	n/a
Aeneas Chuma	√	√	n/a	n/a	n/a	n/a	n/a	n/a	√	√	n/a	n/a	√	√
Clemence Guta	√	√	n/a	n/a	n/a	n/a	n/a	x	√	√	n/a	n/a	√	√
Marah Hativagone *	√	√	√	√	n/a	n/a	√	√	n/a	n/a	√	√	n/a	n/a
Agnes Kanhukamwe	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Guardiner Manikai	√	√	√	√	n/a	n/a	n/a	n/a	√	√	n/a	n/a	√	√
John Mushayavanhu	√	√	n/a	n/a	√	√	√	√	√	√	n/a	n/a	√	√
Pius Rateiwa	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Webster Rusere	√	√	n/a	n/a	n/a	n/a	√	x	√	√	√	√	n/a	n/a
Timothy T. Simba	√	√	n/a	n/a	n/a	n/a	√	√	n/a	n/a	√	√	n/a	n/a

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

* Marah Hativagone resigned from the FBC Building Society Board on 24 June 2019.

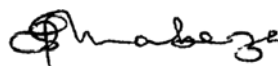
AUDITORS STATEMENT

These interim financial results for the six months ended 30 June 2019 have been reviewed by Deloitte & Touche and a modified review conclusion was issued thereon. This conclusion carries an adverse conclusion with respect to the following matters:

- Non-compliance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange in accounting for the change in functional currency;
- The Building Society has applied a discount of 50% on the valuation of properties. This is management's estimate of the recoverable values given the limited trade of properties in Zimbabwe dollars. We have not been able to assess the reasonability of the discount rate applied by management; and
- Non-compliance with International Financial Reporting Standard 9 - Financial Instruments in the recognition and measurement of other receivables.

The review conclusion has been made available to management and those charged with the governance of FBC Building Society.

By Order of the Board



T. Mabeza
Group Company Secretary
28 August 2019

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