



# FBC Holdings Limited

strength • diversity • service



**FBC Bank Limited**  
*(Registered Commercial Bank)*



**FBC Building Society**  
*(Registered Building Society)*



**FBC Securities (Private) Limited**  
*(Registered Stockbroker) - Zimbabwe Stock Exchange*



**FBC Reinsurance Limited**



**Eagle Insurance  
Company Limited**

**TURNALL**

Turnall Holdings Limited



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

**AUDITED FINANCIAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**



# FBC Holdings Limited

strength • diversity • service

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Chairman's Statement

#### Financial Highlights

- Group profit before income tax up 8% to US\$16.9 million from US\$15.7 million.
- Group profit for the year increased by 25% to US\$15.6 million from US\$12.5 million.
- Cost to income ratio 77% (2011- 75%).
- Basic earnings per share increased to 2.42 US cents per share from 1.78 US cents per share.
- Total assets have grown by 40% to US\$392 million from US\$280 million.
- Total shareholders' equity increased by 21% to US\$67 million from US\$55 million.
- Net asset value per share 12.5 US cents (2011-12.05 US cents).

#### Financial Performance Review

The Group achieved profit before income tax of US\$16.9 million registering a growth of 8% over last year's performance of US\$15.7 million. Although the Group is benefiting from its diversified business model, the subdued performance of the manufacturing business and stock-broking unit diluted the sterling performance of other subsidiaries. All the Group businesses recorded positive performance except the stock-broking subsidiary which registered a loss. The results were achieved against a backdrop of an illiquid market, characterized by high interest rates and weakening credit quality.

The Group recorded a total income of US\$74.2 million, 19% above last year, largely driven by net interest income, fee and commission income and earned insurance premium. The increase in revenues is in line with the increase in customer acquisitions and increased activity on their accounts.

The Group's cost to income ratio moved from 75% in 2011 to 77% due to expenses incurred to increase capacity and customer acquisitions. The linkage of revenues to expenses was however less pronounced as revenues grew by 19% whilst overheads increased by 23%. The Group will continue to channel significant resources to marketing, branding and information technology to achieve sustainable long term competitiveness.

The Group charged US\$3.6 million for impairment loss on financial assets in line with the challenging operating environment, characterized by an illiquid market, short-term credit facilities and prolonged cash conversion cycles. The Group places emphasis on adequate impairment charging and proper, prudent risk management to create value.

The Group's statement of financial position grew by 40% to US\$392 million, a reflection of the increased success in deposits mobilization and other customer acquisitions.

#### Operating Environment

Zimbabwe's Gross Domestic Product grew by 4.4% in 2012, a moderate growth, as the macro-economic fundamentals were dented by erratic rainfall patterns, lack of sufficient external financial and technical support, continued weaknesses in the global economy and domestic structural constraints. The continued shifting of policy and the regulatory framework is keeping potential investors on the fence, despite positive advancements on the political front. Foreign direct investment has remained elusive, with credit lines on offer being solicited at high premiums.

Despite a positive outturn on annual inflation at 2.91% by 31 December 2012 against projections of 4%, the medium to long term trends remain linked to developments in international oil prices, US dollar to South African rand exchange rates, import tariffs and the level of aggregate demand in the economy.

#### Financial Sector Overview

Under the multicurrency system, the stability of the country's banking sector has remained vulnerable to liquidity conditions. Loans and advances in the market have remained predominantly short term in nature and expensive, catering for the financing of working capital against much needed capital investments.

Total market deposits, at US\$4.4 billion, increased by 30.7% from US\$3.4 billion in 2011, while loans and advances increased by 27.5% to US\$3.5 billion from US\$2.7 billion. Adverse macro-economic developments presented potential liquidity challenges to the sector. However, under the vigilant supervision of the Reserve Bank, we are confident that the sector will remain safe and sound.

#### Regulatory Environment and Capitalisation

In mid 2012, the regulatory authorities announced major reviews in capital requirements for banking institutions and insurance companies.

The capital requirements for banking institutions were reviewed as follows:

- Commercial banks: US\$100 million from US\$12.5 million.
- Building societies: US\$80 million from US\$10 million.
- Money-lending institutions: US\$25 000 from US\$5 000.

Banking institutions were required to comply with 25% of the new capital requirement by 31 December 2012, 50% by 30 June 2013, 75% by 31 December 2013 and 100% by 30 June 2014.

The capital requirements for insurance companies were reviewed as follows:

- Short term reinsurance: US\$ 1.5 million from US\$ 400 000
- Short term insurance: US\$ 1.5 million from US\$ 300 000

Insurance companies are required to comply with 50% of the new capital required by 30 June 2013 and 100% by 30 June 2014.

The FBC Holdings Limited subsidiaries held the following capital as at 31 December 2012:

- FBC Bank Limited:** US\$29.4 million against a requirement of US\$25 million. This was discounted from a gross capital of US\$34.4 million after allowing for lending to related parties.
- FBC Building Society:** US\$18.97 million against a requirement of US\$20 million. This was discounted from a gross capital of US\$19.3 million after allowing for lending to related parties.
- Microplan Financial Services (Private) Limited:** US\$1 million against a requirement of US\$25 000.
- FBC Reinsurance Limited:** US\$7 million against a requirement of US\$400 000.
- Eagle Insurance Company (Private) Limited:** US\$2 million against a requirement of US\$300 000
- FBC Securities (Private) Limited:** US\$255 000 against a requirement of US\$150 000.

FBC Building Society traded itself into compliance with the 31 December 2012 capital requirement of US\$20 million on 28 February 2012, and as part of the FBC Holdings Limited re-capitalisation plan, the Society will merge with FBC Bank Limited in the first half of 2013.

The Group's recapitalization plan to meet the June 2013 and June 2014 minimum capital requirements was submitted to, and accepted by the Central Bank.

The Group's banking subsidiaries implemented Basel II on 1 January 2013, in line with the Reserve Bank requirements. The implementation is being fine-tuned and improved to match higher standards.

#### Share Price Performance

Positive trading in equities, especially in the last quarter of the year, saw the FBCH share price gain 15.4% to 7.5c, against a 4.5% gain by the overall industrial index. Subsequently, FBCH's market capitalization ended the year stronger, at US\$44.4 million, a trend which we anticipate will be carried through in 2013. The market capitalization of FBC Holdings Limited continues to be significantly below the Group's shareholders equity of US\$67 million. This position is expected to reverse with liquidity improvement in the economy.

#### Directorate

Mr Stanely Kudenga, Managing Director of FBC Reinsurance resigned from the Group effective 1 March 2012 after having served the Group for more than ten years. Mr Kleto Chiketsani, a seasoned insurance practitioner with over 20 years experience was appointed Managing Director of FBC Reinsurance taking over from Mr. Kudenga. Mr Kleto Chiketsani was appointed to the Board of FBC Holdings Limited on 3 June 2012.

Mrs Chipo Mtasa was appointed to the Board of FBC Holdings Limited on 3 June 2012. Mrs Mtasa is a Chartered accountant (Zimbabwe) with extensive experience in strategic management. I welcome Mrs Mtasa to the Group and look forward to her wise guidance.

#### e-Commerce

The operating landscape continues to demand innovative solutions in the face of a well-informed and technologically savvy customer. The Group's e-Commerce thrust is starting to pay-off with new revenue channels starting to flow into the fee-income base, driven by increased transaction traffic. FBC will exploit its industry knowledge as well as create partnerships to maintain leadership in technology-driven financial services.

#### Corporate Social Investment

Through a vibrant corporate social responsibility programme, FBC Holdings has continued to participate in alleviating social challenges that face the communities we serve. This is in line with the Group's mandate to give back to the societies it operates in, as a responsible corporate citizen. FBC Holdings invested a total of US\$619 000 to charity organizations and various noble causes across the nation. The Group remains committed to support education, financial inclusion, enterprise development, sport, the arts and health sectors as part of its corporate social responsibility.

#### Dividend

In view of the need to preserve income in order to achieve the new minimum regulatory capital requirements announced by the Reserve Bank of Zimbabwe on 31 July 2012, the Board of Directors proposed the non payment of a dividend.

#### Outlook

We remain optimistic that the country will have peaceful elections in 2013, which will result in macro economic stability and increased foreign direct investment, leading to improved liquidity. The Group is well poised to exploit the new environment to grow shareholders value.

#### Appreciation

I would like to convey my profound gratitude to our valued clients and other stakeholders for their continued support and confidence in the FBC brand. My heartfelt gratitude is also extended to all non-executive directors for their unwavering support and guidance through the years. The Group Chief Executive, management team and staff members' professionalism and dedication to their work underpins the resilience of the Group and I am confident in their capability to deliver sustained stakeholder value.

**Herbert Nkala**  
Group Chairman  
21 March 2013

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MicroPlan  
4th Floor FBC House  
113 Leopold Takawira Street  
Harare  
Tel: 04-772729/45  
micro@fbc.co.zw

**MicroPlan**  
Financial Services (Pvt) Limited

A subsidiary of FBC Holdings Limited





# FBC Holdings Limited

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## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Group Chief Executive Report

I am pleased to present to you FBC Holdings' audited financial statements for the year ended 31 December 2012. The Group continues to exploit the inherent synergies and potential embedded in its diverse business model.

#### Group Performance

It is pleasing to note that the Group continues to deliver positive performance despite the challenges associated with a recovering economy. The Group's various businesses continue to expand their activities in response to improving market opportunities. The contributions from the various subsidiaries have consistently been on a positive trend with the exception of FBC Securities (Private) Limited.

The Group total income at US\$74 million registered a growth of 19% over last year buoyed by strong performance in the banking and insurance subsidiaries. Group profit before tax increased by 8% to US\$16.9 million weighed down by higher overheads, incurred mainly to enhance the Group's competitiveness through implementing technology driven business solutions, integration of Information Technology (IT) platforms and brand positioning. All the subsidiaries, except the stock-broking business which recorded a loss, contributed to the Group's profitability with the manufacturing business' contribution being significantly curtailed as a result of a change in strategic focus.

The Group net interest income contribution to total Group income improved to 27% from 23% achieved last year as a result of increased lending and an improvement in the cost of funding. Loans and advances to customers recorded a significant growth of 57% whilst the cost of funding was better than last year by 1.3%. As a result, the Group's net interest income increased by 47% to US\$20.3 million from the US\$13.8 million attained the previous year.

The Group fees and commission income was almost static at US\$20.6 million, recording less than a 1% growth. This was primarily due to a reduction in the pricing of some services in an effort to ameliorate our customers' service charge burden and to stimulate transactions on our electronic service delivery channels. The contribution to total Group income by this revenue line, decreased to 28% from 33% last year.

Revenues from the insurance businesses registered a marked increase of 67% to US\$14.6 million as a result of a growth in market share. The contribution of net earned insurance premium to total Group income increased to 20% from 14%. The insurance subsidiaries continue to consolidate underwriting of quality business, minimising claims, growing the customer base and improving risk management.

The Group impairment allowance at US\$3.6 million is satisfactory in view of the liquidity challenges and the absence of appropriately structured funding in the economy. The liquidity constraints and high interest rates subsisting in the economy are denting the improvement of customers' credit quality. The Group's total impairment allowance at US\$9.8 million is considered adequate, with most of the loan book secured by tangible security.

The Group's cost to income ratio moved from 75% to 77% as the Group spent more to enhance competitiveness and branding in the long term. The Group will continue to invest in technology with a view to reduce the cost to income ratio to sustainable levels.

The Group's statement of financial position increased by 40% to US\$392 million from US\$280 million on the back of improved brand acceptance by the market resulting in increased customer acquisitions.

All the Group's subsidiaries with prescribed capital requirements are adequately capitalised in line with regulatory guidelines.

#### FBC Bank Limited

The Bank recorded a profit before income tax of US\$6.7 million maintaining its contribution to the Group's profit before tax at 40%. Total Bank income was US\$36.2 million, with the contribution of net interest income increasing to 49% from 42% recorded last year. This was driven by an increase in the Bank's lending portfolio by 45% to US\$159.5 million. Non funded income remained almost static at US\$18 million as the Bank eased pricing on some services in an effort to promote e-channel usage in the long term. The Bank has recorded significant success with this initiative as a significant number of our customers have now switched to e-channel transacting platforms. The Bank also successfully completed MasterCard acquiring, a programme that enables visitors and local Mastercard holders to transact on FBC Bank ATM's and POS machines countrywide.

The Bank's capital at US\$34.4 million and US\$29.4 million after deducting exposures to insiders, was well above the minimum regulatory capital requirement of US\$25 million as at 31 December 2012. The Bank has a clear and regulatory authority approved capitalization plan to comply with the US\$100 million capital by 2014.

The Bank engaged professional consultancy firm KPMG in the implementation of Basel II and managed to meet the Reserve Bank of Zimbabwe's Basel II compliance deadline of 1 January 2013. The Bank is currently fine tuning the process in an effort to gravitate towards the non standardised format.

The Bank maintained its A- rating from Global Credit Rating Agency in 2012.

#### FBC Building Society

The Building Society achieved a net surplus of US\$5.5 million, representing a 90% increase from the 2011 net surplus of US\$2.9 million. The unavailability of long term financing in the local market continues to hinder further prospects of advancing the Building Society's business objectives. The Building Society however managed to access a US\$5 million credit facility from Shelter Afrique for direct mortgage lending. The Society loan book registered a 93% growth driven mostly by mortgages from the Society's housing projects. The Society completed and sold 202 high density houses, 88 medium density houses and 26 cluster units in the year under review. In 2013, the Society intends to undertake a high density housing project in Kwekwe's Mbizo suburb where 160 units are to be built. The Society's capital base stands at US\$19.3 million against a regulatory minimum capital of US\$20 million. The Society complied with the US\$20 million minimum regulatory capital as at the end of February 2013, from normal trading surpluses.

#### Microplan Financial Services (Private) Limited

The Group's micro finance business contributed US\$0.9 million to the overall Group profit before tax, representing a 55% growth in its first full year of operation. Microplan's business success is attributed to deliberate efforts towards new product development, coupled with a robust risk management framework. The business unit continues to aggressively pursue synergistic opportunities across the Group, including access to various service distribution channels, access to new business development, robust risk management guidance, and new business development. The Group will continue to support the unit in its efforts to become a significant player in the advancement of financial inclusion and alleviation of poverty in previously marginalised communities.

#### FBC Securities (Private) Limited

A subdued performance on the equities market in the first three quarters of the year under review impacted negatively on the unit's performance. Renewed foreign interest in the last quarter, however, saw traded volumes increasing, giving hope for the future. The stock broking industry witnessed a number of closures and suspensions owing to non-compliance issues. I am glad to report that FBC Securities met all regulatory requirements to the satisfaction of the authorities and its going concern status is safe and sound. During the year 2012 the unit recorded a loss of US\$300 000. Strategically the unit remains an important element to the Group through which synergistic benefits continue to be realised. Going forward, I am certain that new strategies under employment will begin to bear fruits and should see the unit contributing meaningfully to the Group. These include a leaner, more focused team, an aggressive pursuit of the foreign market and assisting local companies in capital raising and restructuring.

#### FBC Reinsurance Limited ("FBC Re")

FBC Re remains the most liquid reinsurer in Zimbabwe accounting for 60% of reinsurers' liquid assets as at the fourth quarter 2012 as per the Insurance and Pension Commission ("IPEC") Report. By the same measure, it is now the most profitable reinsurer in Zimbabwe, with an A- rating by the Global Credit Rating Agency. This is the highest credit rating a Zimbabwean insurance company can obtain from GCR, taking into consideration country risk.

The company recorded a profit before tax of US\$2.1 million representing a 49% growth from the previous year's performance. Market share of net premium income grew from 14% in 2011 to 17% in 2012. The company's capital position stands at US\$7 million, which is 367% above the prescribed minimum capital requirement.

The company's profitability is underpinned by a strong underwriting discipline coupled with sound risk management principles as well as the fastest claims settlement turnaround time in the market.

FBC Re's superior claim settlement service was demonstrated in 2012 following the fire loss at OK Zimbabwe. The company was the first to settle its share of the loss commitment, despite the fact that FBC Re had the largest exposure on that loss, with a total commitment of over 30% of the total loss. The company continues to manage its exposures through retrocession arrangements with strong international re-insurers.

#### Eagle Insurance Company (Private) Limited

Following its acquisition by the Group last year, the company's profitability has improved, recording a profit before tax of US\$0.74 million, 74% up from the previous year. The company's market share in terms of net premium income is up to 5.8% from 3.7% in 2011 as at the fourth quarter 2012. The company's capital position stands at US\$2 million which is significantly higher than the prescribed minimum capital requirement of US\$1.5 million by year 2014. The Group continues to support and nurture Eagle Insurance which was acquired as a loss making business in early 2011. The Group will continue to support Eagle Insurance in its efforts to develop sound risk management principles as well as a strong underwriting discipline and superior claim settlement service to clients. The Group believes the future of Eagle Insurance also lies in new product development, evidenced by the company's introduction of the Hospital Cash Plan product - a first in the Zimbabwean market. The company also leads the insurance industry by being the first insurance company to develop fully implemented web based IT systems to drive e-commerce service delivery.

#### Turnall Holding Limited ("Turnall")

Turnall's performance was lower than the previous year, but remains positive. The company's turnover of US\$42.5 million was 18% lower than the previous year, with profit before tax decreasing from US\$5.1 million to US\$1.2 million due to a combination of the unavailability of liquidity and high interest rates in the market. The business changed its model to emphasize cash flow management and cost control rather than growing volumes.

The focus on improving working capital management resulted in a reduction in sales and production levels, negatively impacting on margins and profitability.

The company has continued to believe in strategically positioning the business through a capital expenditure program to enhance both the technology and product offering for the future. To this end the company will commission a state of the art concrete tile plant and a pavers production line in June 2013.

We are confident that the concrete tile plant will enable us to compete in the high end segment of the housing market and offer price competitive products on the back of improved technology and machinery.

#### Service Delivery

To continually provide quality service, convenience and savings to our clients, the Group has invested in technology and continues to explore emerging technologies. It is also committed to investing in the upgrading of equipment in order to enhance the FBC customer service experience.

#### Risk Management

The Group maintains a strong risk management culture supported by a risk philosophy which states that 'everyone is a risk manager'. Policies and procedure manuals are regularly reviewed to ensure that they remain relevant to conditions prevailing in the operating environment and are in conformity with best practices. The Group, through its Enterprise-Wide Risk Management frame-work, conducts stress tests to assess the vulnerability of the Group against severe market conditions. Proactive measures are undertaken to address any undesirable outcomes from the stress tests. In addition, the full implementation of Basel II standards is expected to promote stronger risk management practices which ensure that the Group balances its risks and rewards. Management and Board Committees which form part of the risk governance structure across the Group, provide continuous oversight on overall risks.

#### Human Resources

Employee relations continue to be positive and healthy and this has been sustained through employee participation, recognition and commitment to the Group and its value system. The Group retained its key staff members over the year through concerted employee retention programmes as well as initiatives to improve employee engagement and talent management. The employee engagement levels in 2012 improved over prior year levels. Talent management, employee engagement, retention and performance management remain the Group's human capital management focus as it endeavours to have more engaged and highly productive employees. It is expected that the conducive human capital management fundamentals and initiatives will be sustained going forward.

#### Information Technology and E-Commerce

The operating landscape continues to demand innovative solutions in the face of a well-informed and technologically savvy customer. The Group's e-Commerce thrust is starting to pay-off with new revenue channels starting to flow into the fee-income base driven by increased transaction traffic. The Group has enhanced its capacity to serve more customers more conveniently with the current infrastructure, hence increased productivity. The high mobile phone penetration rate should see the Group leverage the channel to enter new segments with technology-driven products and services at a competitive cost. Strategic partnerships are a key factor in establishing financial reach which ensures viable financial inclusivity, in an increasingly competitive industry which mobile network operators have also entered with vigour and enthusiasm. FBC will exploit its industry knowledge as well as create partnerships to maintain leadership in technology-driven financial services.

#### Product Development

FBC Holdings believes that novelty and awareness are necessary ingredients to success in a competitive and fast changing economic landscape. Emerging technologies like the mobile phone continue to avail major opportunities in the distribution of financial and information services. As a Group we have embraced these technological advancements through our e-Commerce drive and have in the past launched Mobile Moola, SMS Alerts and the Hospital Cash Plan among other technologically driven products. We continue to strive to employ technology to unlock the latent potential amongst the unbanked. The Bank has continued to roll out MasterCard products since we secured membership. This association with MasterCard and our e-Commerce drive continues to leverage the FBC brand into the more affluent segments whilst extending convenience and quality banking services to our clients.

#### Marketing and Public Relations

The FBC brand has risen in stature during the course of the year and continues to be regarded highly in the market place. Various customer awareness initiatives have been undertaken to keep the public informed of new products and pertinent developments within the Group.

#### Appreciation

As always, my sincere gratitude is extended to our valued and loyal customers who have demonstrated their well placed confidence in us over the years. Their support continues to propel us to achieve even more. I wish to thank the FBC Team comprising the Board of Directors, Management and Staff for their continued support.

John Mushayavanhu  
Group Chief Executive  
21 March 2012





# FBC Holdings Limited

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## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Consolidated Statement of Comprehensive Income For the year ended 31 December 2012

|  | Note | 2012<br>US\$      | 2011<br>US\$      |
|--|------|-------------------|-------------------|
| Interest income  | 15   | 37 806 670        | 26 621 440        |
| Interest expense   | 15.1 | (17 511 395)      | (12 773 813)      |
| <b>Net interest income</b>   |      | <b>20 295 275</b> | <b>13 847 627</b> |
| Fee and commission income  | 16   | 20 605 148        | 20 430 481        |
| Fee and commission expense   | 16.1 | (27 318)          | (20 067)          |
| <b>Net fee and commission income</b>   |      | <b>20 577 830</b> | <b>20 410 414</b> |
| Revenue  | 17   | 53 613 611        | 56 292 235        |
| Cost of sales  | 17.1 | (37 504 472)      | (39 054 161)      |
| <b>Gross profit</b>  |      | <b>16 109 139</b> | <b>17 238 074</b> |
| Net earned insurance premium   | 18   | 14 577 433        | 8 741 064         |
| Net trading income   |      | 1 391 380         | 1 016 385         |
| Net gains from financial assets carried at fair value through profit or loss |      | 388 229           | 145 506           |
| Other operating income   | 19   | 875 739           | 760 314           |
|  |      | 17 232 781        | 10 663 269        |
| <b>Total income</b>  |      | <b>74 215 025</b> | <b>62 159 384</b> |
| Impairment allowance on financial assets                                     | 5.3  | (3 603 842)       | (3 717 144)       |
| Net insurance commission expense   |      | (3 012 597)       | (2 138 109)       |
| Insurance claims and loss adjustment expenses                                |      | (5 811 900)       | (3 108 215)       |
| Administrative expenses  | 20   | (44 894 036)      | (37 487 980)      |
| Share of loss of associate   |      | -                 | (32 938)          |
| <b>Profit before income tax</b>  |      | <b>16 892 650</b> | <b>15 674 998</b> |
| Income tax expense   | 21   | (1 255 798)       | (3 168 488)       |
| <b>Profit for the year</b>   |      | <b>15 636 852</b> | <b>12 506 510</b> |
| <b>Other comprehensive income</b>  |      |                   |                   |
| Gains on property revaluation  |      | -                 | 3 844 017         |
| Tax relating to other comprehensive income                                   |      | -                 | (714 285)         |
| <b>Other comprehensive income, net income tax</b>                            |      | <b>-</b>          | <b>3 129 732</b>  |
| <b>Total comprehensive income for the year</b>                               |      | <b>15 636 852</b> | <b>15 636 242</b> |
| <b>Profit attributable to:</b>   |      |                   |                   |
| Equity holders of the parent   |      | 12 987 368        | 9 705 377         |
| Non - controlling interest   |      | 2 649 484         | 2 801 133         |
| <b>Profit for the year</b>   |      | <b>15 636 852</b> | <b>12 506 510</b> |
| <b>Total comprehensive income attributable to:</b>                           |      |                   |                   |
| Equity holders of the parent   |      | 12 987 368        | 11 798 046        |
| Non - controlling interest   |      | 2 649 484         | 3 838 196         |
| <b>Total comprehensive income for the year</b>                               |      | <b>15 636 852</b> | <b>15 636 242</b> |
| <b>Earnings per share (US cents)</b>   |      |                   |                   |
| Basic  | 24.1 | 2.42              | 1.78              |
| Diluted  | 24.2 | 2.42              | 1.78              |
| Headline   | 24.3 | 2.39              | 1.84              |

### Consolidated Statement of Financial Position As at 31 December 2012

|   | Note | 2012<br>US\$       | 2011<br>US\$       |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>   |      |                    |                    |
| Balances with other banks and cash  | 4    | 82 415 090         | 50 359 054         |
| Loans and advances to customers   | 5.1  | 190 592 547        | 121 333 026        |
| Trade and other receivables including insurance receivables                     | 5.2  | 26 582 806         | 23 173 709         |
| Financial assets at fair value through profit or loss                           | 6    | 2 932 818          | 2 123 239          |
| Inventory   | 7    | 22 152 528         | 17 290 873         |
| Prepayments and other assets  | 8    | 6 921 582          | 5 708 773          |
| Deferred income tax assets  |      | 1 664 338          | 1 292 080          |
| Investment property   |      | 25 000             | 25 000             |
| Intangible asset  | 9    | 1 457 875          | 1 418 791          |
| Property, plant and equipment   | 10   | 57 310 267         | 56 868 165         |
| <b>Total assets</b>   |      | <b>392 054 851</b> | <b>279 592 710</b> |
| <b>EQUITY AND LIABILITIES</b>   |      |                    |                    |
| <b>Liabilities</b>  |      |                    |                    |
| Deposits and borrowings from other banks and customers                          | 11   | 253 244 110        | 161 409 251        |
| Insurance liabilities   | 12   | 10 976 731         | 8 380 408          |
| Trade and other payables  | 13   | 30 699 218         | 21 866 385         |
| Current income tax liability  |      | 1 712 581          | 4 843 420          |
| Deferred income tax liability   |      | 7 269 578          | 8 874 414          |
| <b>Total liabilities</b>  |      | <b>303 902 218</b> | <b>205 373 878</b> |
| <b>Equity</b>   |      |                    |                    |
| <b>Capital and reserves attributable to equity holders of the parent entity</b> |      |                    |                    |
| Share capital and share premium   | 14   | 7 681 908          | 7 681 908          |
| Other reserves  |      | 34 616 972         | 34 750 923         |
| Retained profits  |      | 24 738 249         | 13 106 111         |
|   |      | 67 037 129         | 55 538 942         |
| Non controlling interest in equity  |      | 21 115 504         | 18 679 890         |
| <b>Total equity</b>   |      | <b>88 152 633</b>  | <b>74 218 832</b>  |
| <b>Total equity and liabilities</b>   |      | <b>392 054 851</b> | <b>279 592 710</b> |

### Consolidated Statement of Changes in Equity For the year ended 31 December 2012

|   | Share<br>capital<br>US\$ | Share<br>premium<br>US\$ | Retained<br>profits<br>US\$ | Share<br>option<br>reserve<br>US\$ | Treasury<br>shares<br>US\$ | Non<br>distributable<br>reserve<br>US\$ | Revaluation<br>reserve<br>US\$ | Regulatory<br>reserve<br>US\$ | Changes in<br>ownership<br>US\$ | Total<br>US\$ | Non<br>controlling<br>interest<br>US\$ | Total<br>equity<br>US\$ |
|---|--------------------------|--------------------------|-----------------------------|------------------------------------|----------------------------|---|--------------------------------|-------------------------------|---------------------------------|---------------|--|-------------------------|
| <b>Balance as at 1 January 2011</b>                                     | 5 907                    | 7 675 990                | 4 382 388                   | 82 926                             | (1 124 059)                | 33 659 224                              | 1 099 074                      | 709 223                       | 8 358                           | 46 499 031    | 15 228 427                             | 61 727 458              |
| Profit for the year   | -                        | -                        | 9 705 377                   | -                                  | -                          | -                                       | -                              | -                             | -                               | 9 705 377     | 2 801 133                              | 12 506 510              |
| <b>Other comprehensive income:</b>                                      |                          |                          |                             |                                    |                            |   |                                |                               |                                 |               |  |                         |
| Gain on revaluation of property, plant and equipment, net of income tax | -                        | -                        | -                           | -                                  | -                          | -                                       | 2 092 669                      | -                             | -                               | 2 092 669     | 1 037 063                              | 3 129 732               |
| Regulatory impairment allowance   | -                        | -                        | 18 573                      | -                                  | -                          | -                                       | (18 573)                       | -                             | -                               | -             | -                                      | -                       |
| <b>Total other comprehensive income</b>                                 | -                        | -                        | 18 573                      | -                                  | -                          | -                                       | 2 092 669                      | (18 573)                      | -                               | 2 092 669     | 1 037 063                              | 3 129 732               |
| <b>Total comprehensive income</b>                                       | -                        | -                        | 9 723 950                   | -                                  | -                          | -                                       | 2 092 669                      | (18 573)                      | -                               | 11 798 046    | 3 838 196                              | 15 636 242              |
| <b>Transaction with owners:</b>   |                          |                          |                             |                                    |                            |   |                                |                               |                                 |               |  |                         |
| Share options exercised   | 11                       | -                        | -                           | (11)                               | -                          | -                                       | -                              | -                             | -                               | -             | -                                      | -                       |
| Dividend declared   | -                        | -                        | (1 000 227)                 | -                                  | -                          | -                                       | -                              | -                             | -                               | (1 000 227)   | (495 092)                              | (1 495 319)             |
| Share option revaluation  | -                        | -                        | -                           | 27 801                             | -                          | -                                       | -                              | -                             | -                               | 27 801        | -                                      | 27 801                  |
| Acquisition of additional interest in subsidiary                        | -                        | -                        | -                           | -                                  | -                          | -                                       | -                              | -                             | -                               | -             | 362 221                                | 362 221                 |
| Increase in ownership interest  | -                        | -                        | -                           | -                                  | -                          | -                                       | -                              | -                             | (223 124)                       | (223 124)     | (253 862)                              | (476 986)               |
| Share buyback   | -                        | -                        | -                           | -                                  | (1 562 585)                | -                                       | -                              | -                             | -                               | (1 562 585)   | -                                      | (1 562 585)             |
| <b>Balance as at 31 December 2011</b>                                   | 5 918                    | 7 675 990                | 13 106 111                  | 110 716                            | (2 686 644)                | 33 659 224                              | 3 191 743                      | 690 650                       | (214 766)                       | 55 538 942    | 18 679 890                             | 74 218 832              |
| <b>Balance as at 1 January 2012</b>                                     | 5 918                    | 7 675 990                | 13 106 111                  | 110 716                            | (2 686 644)                | 33 659 224                              | 3 191 743                      | 690 650                       | (214 766)                       | 55 538 942    | 18 679 890                             | 74 218 832              |
| Profit for the year   | -                        | -                        | 12 987 368                  | -                                  | -                          | -                                       | -                              | -                             | -                               | 12 987 368    | 2 649 484                              | 15 636 852              |
| <b>Other comprehensive income:</b>                                      |                          |                          |                             |                                    |                            |   |                                |                               |                                 |               |  |                         |
| Regulatory impairment allowance   | -                        | -                        | 63 060                      | -                                  | -                          | -                                       | -                              | (63 060)                      | -                               | -             | -                                      | -                       |
| <b>Total other comprehensive income</b>                                 | -                        | -                        | 63 060                      | -                                  | -                          | -                                       | -                              | (63 060)                      | -                               | -             | -                                      | -                       |
| <b>Total comprehensive income</b>                                       | -                        | -                        | 13 050 428                  | -                                  | -                          | -                                       | -                              | (63 060)                      | -                               | 12 987 368    | 2 649 484                              | 15 636 852              |
| <b>Transaction with owners:</b>   |                          |                          |                             |                                    |                            |   |                                |                               |                                 |               |  |                         |
| Dividend declared   | -                        | -                        | (1 352 280)                 | -                                  | -                          | -                                       | -                              | -                             | -                               | (1 352 280)   | (213 870)                              | (1 566 150)             |
| Treasury share purchase   | -                        | -                        | -                           | -                                  | (201 085)                  | -                                       | -                              | -                             | -                               | (201 085)     | -                                      | (201 085)               |
| Treasury share reserve release  | -                        | -                        | (66 010)                    | -                                  | 130 194                    | -                                       | -                              | -                             | -                               | 64 184        | -                                      | 64 184                  |
| <b>Balance as at 31 December 2012</b>                                   | 5 918                    | 7 675 990                | 24 738 249                  | 110 716                            | (2 757 535)                | 33 659 224                              | 3 191 743                      | 627 590                       | (214 766)                       | 67 037 129    | 21 115 504                             | 88 152 633              |





# FBC Holdings Limited

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## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Consolidated Statement of Cash Flows For the year ended 31 December 2012

|  | Note | 2012<br>US\$       | 2011<br>US\$        |
|--|------|--------------------|---------------------|
| <b>Cash flow from operating activities</b>                                     |      |                    |                     |
| Profit before income tax   |      | 16 892 650         | 15 674 998          |
| <b>Adjustments for:</b>  |      |                    |                     |
| Depreciation   | 10   | 3 830 018          | 3 169 303           |
| Amortisation charge  | 9    | 582 752            | 468 042             |
| Impairment allowance on loans and advances                                     | 5    | 3 603 842          | 3 717 144           |
| Share options  |      | -                  | 27 790              |
| Impairment allowance on property and equipment                                 |      | -                  | 54 548              |
| Share of loss of associate   |      | -                  | 32 938              |
| Fair value adjustment on financial assets at fair value through profit or loss |      | (388 229)          | (145 506)           |
| Fair value adjustment on investment property                                   |      | -                  | (55 000)            |
| Loss on remeasurement of previously held associate                             |      | -                  | 367 995             |
| Write-off of goodwill  |      | -                  | 4 290               |
| Profit on disposal of property and equipment                                   |      | (175 109)          | (18 349)            |
| <b>Net cash generated before changes in operating assets and liabilities</b>   |      | <b>24 345 924</b>  | <b>23 298 193</b>   |
| Increase in loans and advances   |      | (72 367 235)       | (41 706 497)        |
| Increase in trade and other receivables  |      | (3 822 387)        | (4 842 319)         |
| Decrease in statutory reserves   |      | 9 035 745          | 85 250              |
| (Increase)/decrease in financial assets at fair value through profit or loss   |      | (809 579)          | 189 996             |
| Increase in inventory  |      | (4 861 655)        | (7 047 126)         |
| Increase in prepayments and other assets                                       |      | (1 212 809)        | (2 582 841)         |
| Increase/(decrease) in deposits from customers                                 |      | 56 497 433         | (39 257 314)        |
| Increase in deposits from other banks  |      | 30 275 460         | 44 623 835          |
| Increase in insurance liabilities  |      | 2 596 323          | 1 561 562           |
| Increase in trade and other payables   |      | 8 832 833          | 6 225 934           |
|  |      | 48 510 053         | (19 451 327)        |
| Income tax paid  |      | (6 257 608)        | (2 781 424)         |
| <b>Net cash generated/(used) in operating activities</b>                       |      | <b>42 252 445</b>  | <b>(22 232 751)</b> |
| <b>Cash flows from investing activities</b>                                    |      |                    |                     |
| Acquisition of a subsidiary, net of cash acquired                              |      | -                  | (569 859)           |
| Purchases of intangible assets   | 9    | (621 836)          | (708 914)           |
| Purchase of property, plant and equipment                                      | 10   | (4 336 496)        | (5 420 081)         |
| Proceeds from sale of property, plant and equipment                            |      | 239 484            | 104 218             |
| <b>Net cash used in investing activities</b>                                   |      | <b>(4 718 848)</b> | <b>(6 594 636)</b>  |
| <b>Cash flows from financing activities</b>                                    |      |                    |                     |
| Purchase of additional interest in existing subsidiary                         |      | -                  | (476 987)           |
| Proceeds from loans and borrowings   |      | 5 061 966          | 13 216 207          |
| Dividend paid to company's shareholders  |      | (1 352 280)        | (1 000 227)         |
| Dividends paid to non-controlling interests                                    |      | (213 870)          | (495 092)           |
| Purchase of treasury shares  |      | (201 085)          | (1 562 585)         |
| <b>Net cash generated from financing activities</b>                            |      | <b>3 294 731</b>   | <b>9 681 316</b>    |
| Net increase/(decrease) in cash and cash equivalents                           |      | 40 828 328         | (19 146 071)        |
| Cash and cash equivalents at beginning of the year                             |      | 41 091 857         | 60 237 928          |
| <b>Cash and cash equivalents at the end of year</b>                            | 4.1  | <b>81 920 185</b>  | <b>41 091 857</b>   |

### Notes to the Consolidated Financial Results For the year ended 31 December 2012

#### 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, stockbroking, reinsurance, short-term insurance and other related financial services. The Group also manufactures pipes and roofing sheets.

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

These consolidated financial results were approved for issue by the Board of Directors on 19 March 2013.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

A full set of the Group's accounting policies is available in the Group's annual report, which is ready for inspection at the Company's registered office. The following paragraphs describe the main accounting policies applied by the Group.

These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 Basis of preparation

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

##### 2.1.1 Going concern

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

##### 2.2 Basis of consolidation

###### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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

If the business combination is achieved in stages, the acquisition date carrying amount value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and measurement, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Inter-company transactions, balances, income and

expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

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

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

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

#### (c) Disposal of subsidiaries

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

#### 2.3 Segment reporting

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions. The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment and the CODM is the Group Executive Committee. The CODM is responsible for allocating resources and assessing performance of the operating segments.

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

#### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

The areas involving critical accounting estimates and judgements include; impairment losses, income taxes and claims.

#### 4 BALANCES WITH BANKS AND CASH

##### Balances with Reserve Bank of Zimbabwe ("RBZ")

|   | 2012<br>US\$      | 2011<br>US\$      |
|---|-------------------|-------------------|
| Statutory reserves                        | -                 | 9 035 745         |
| Current account balances                  | 50 701 657        | 12 654 910        |
|   | <b>50 701 657</b> | <b>21 690 655</b> |
| <b>Balances with other banks and cash</b> |                   |                   |
| Notes and coins                           | 23 907 633        | 16 086 163        |
| Other bank balances                       | 7 805 800         | 12 582 236        |
|   | 31 713 433        | 28 668 399        |
| <b>Balances with banks and cash</b>       | <b>82 415 090</b> | <b>50 359 054</b> |
| Current                                   | 82 415 090        | 50 359 054        |
| Non-current                               | -                 | -                 |
| <b>Total</b>                              | <b>82 415 090</b> | <b>50 359 054</b> |

##### 4.1 Cash and cash equivalents

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

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

|   |                   |                   |
|---|-------------------|-------------------|
| Balances with other banks and cash                              | 31 713 433        | 28 668 399        |
| Current account balance at the Reserve Bank of Zimbabwe ("RBZ") | 50 701 657        | 12 654 910        |
| Bank overdrafts   | (494 905)         | (231 452)         |
|   | <b>81 920 185</b> | <b>41 091 857</b> |

#### 5 LOANS AND RECEIVABLES

##### 5.1 Loans and advances to customers

###### Loans and advance maturities

|                        |             |             |
|------------------------|-------------|-------------|
| Maturing within 1 year | 144 452 501 | 102 743 469 |
| Maturing after 1 year  | 55 928 410  | 22 619 684  |

###### Gross carrying amount

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| Impairment allowance | (9 788 364)        | (4 030 127)        |
|                      | <b>190 592 547</b> | <b>121 333 026</b> |

###### Current

|             |             |            |
|-------------|-------------|------------|
| Non-current | 135 315 806 | 99 236 924 |
|             | 55 276 741  | 22 096 102 |

###### Total

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>190 592 547</b> | <b>121 333 026</b> |
|--|--------------------|--------------------|

##### 5.2 Trade and other receivables including insurance receivables

|                              |            |            |
|------------------------------|------------|------------|
| Retail trade receivables     | 16 813 011 | 16 116 973 |
| Insurance receivables:       |            |            |
| - Due by clients and brokers | 4 807 101  | 3 124 743  |
| - Due by reinsurers          | 492 749    | 252 512    |
| - Due by retrocessionaires   | 4 497 710  | 4 004 276  |

###### Gross carrying amount

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Impairment allowance | (27 765)          | (324 795)         |
|                      | <b>26 582 806</b> | <b>23 173 709</b> |

###### Current

|             |            |            |
|-------------|------------|------------|
| Non-current | 26 582 806 | 23 173 709 |
|             | -          | -          |

###### Total

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>26 582 806</b> | <b>23 173 709</b> |
|--|-------------------|-------------------|

##### 5.3 Allowance for impairment

|  | Loans and advances | Trade and other receivables | Total     |
|--|--------------------|-----------------------------|-----------|
| Balance as at 1 January 2011                                   | 596 360            | 902 741                     | 1 499 101 |
| Impairment allowance through statement of comprehensive income | 3 433 767          | 283 377                     | 3 717 144 |
| Reversal of impairment   | -                  | (78 756)                    | (78 756)  |
| Amounts written off during the year as uncollectible           | -                  | (782 567)                   | (782 567) |

###### Balance as at 31 December 2011

|  |                  |                |                  |
|--|------------------|----------------|------------------|
|  | <b>4 030 127</b> | <b>324 795</b> | <b>4 354 922</b> |
|--|------------------|----------------|------------------|

###### Balance as at 1 January 2012

|  |           |           |           |
|--|-----------|-----------|-----------|
| Balance as at 1 January 2012                                   | 4 030 127 | 324 795   | 4 354 922 |
| Impairment allowance through statement of comprehensive income | 3 107 714 | 496 128   | 3 603 842 |
| Reversal of impairment   | -         | (41 419)  | (41 419)  |
| Amounts written off during the year as uncollectible           | -         | (751 739) | (751 739) |
| Interest in suspense   | 2 650 523 | -         | 2 650 523 |

###### Balance as at 31 December 2012

|  |                  |               |                  |
|--|------------------|---------------|------------------|
|  | <b>9 788 364</b> | <b>27 765</b> | <b>9 816 129</b> |
|--|------------------|---------------|------------------|





# FBC Holdings Limited

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## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

|  | 2012<br>US\$     | 2011<br>US\$     |
|--|------------------|------------------|
| <b>6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                  |                  |
| Listed securities at market value                              | 2 932 818        | 2 123 239        |
| Current  | 2 932 818        | 2 123 239        |
| Non-current  | -                | -                |
| <b>Total</b>   | <b>2 932 818</b> | <b>2 123 239</b> |

|                    | 2012<br>US\$      | 2011<br>US\$      |
|--------------------|-------------------|-------------------|
| <b>7 INVENTORY</b> |                   |                   |
| Consumables        | 1 508 735         | 1 439 729         |
| Raw materials      | 4 334 764         | 6 443 529         |
| Work in progress   | 3 854 289         | 2 349 729         |
| Finished goods     | 12 454 740        | 7 057 886         |
| <b>Total</b>       | <b>22 152 528</b> | <b>17 290 873</b> |

|                                       | 2012<br>US\$     | 2011<br>US\$     |
|---------------------------------------|------------------|------------------|
| <b>8 PREPAYMENTS AND OTHER ASSETS</b> |                  |                  |
| Prepayments                           | 2 385 095        | 1 011 507        |
| Deferred acquisition costs            | 848 404          | 695 756          |
| Recoveries                            | 276 898          | 458 912          |
| Commission receivable                 | 1 474 367        | 1 551 695        |
| Other                                 | 1 936 818        | 1 990 903        |
| <b>Total</b>                          | <b>6 921 582</b> | <b>5 708 773</b> |
| Current                               | 6 921 582        | 5 708 773        |
| Non-current                           | -                | -                |
| <b>Total</b>                          | <b>6 921 582</b> | <b>5 708 773</b> |

|                                | Software<br>US\$ |
|--------------------------------|------------------|
| <b>9 INTANGIBLE ASSETS</b>     |                  |
| Year ended 31 December 2011    |                  |
| Opening net book amount        | 1 177 919        |
| Additions                      | 708 914          |
| Amortisation charge            | (468 042)        |
| <b>Closing net book amount</b> | <b>1 418 791</b> |
| As at 31 December 2011         |                  |
| Cost                           | 2 627 737        |
| Accumulated amortisation       | (1 208 946)      |
| <b>Net book amount</b>         | <b>1 418 791</b> |
| Year ended 31 December 2012    |                  |
| Opening net book amount        | 1 418 791        |
| Additions                      | 621 836          |
| Amortisation charge            | (582 752)        |
| <b>Closing net book amount</b> | <b>1 457 875</b> |
| As at 31 December 2012         |                  |
| Cost                           | 3 249 573        |
| Accumulated amortisation       | (1 791 698)      |
| <b>Net book amount</b>         | <b>1 457 875</b> |

|                                   | Freehold premises<br>US\$ | Plant and machinery<br>US\$ | Computer equipment<br>US\$ | Furniture and office equipment<br>US\$ | Motor vehicles<br>US\$ | Total<br>US\$     |
|-----------------------------------|---------------------------|-----------------------------|----------------------------|--|------------------------|-------------------|
| <b>10 PROPERTY AND EQUIPMENT</b>  |                           |                             |                            |  |                        |                   |
| Year ended 31 December 2011       |                           |                             |                            |  |                        |                   |
| Opening net book amount           | 22 202 599                | 19 845 106                  | 1 298 398                  | 2 717 771                              | 1 658 049              | 47 721 923        |
| Additions                         | 49 552                    | 4 302 666                   | 374 981                    | 590 732                                | 102 150                | 5 420 081         |
| Acquisition of subsidiary         | 2 393 928                 | -                           | 38 401                     | 29 396                                 | 90 139                 | 2 551 864         |
| Transfer from investment property | 640 000                   | -                           | -                          | -                                      | -                      | 640 000           |
| Revaluation of property           | 3 844 017                 | -                           | -                          | -                                      | -                      | 3 844 017         |
| Disposals                         | -                         | -                           | -                          | (9 388)                                | (76 481)               | (85 869)          |
| Impairment                        | (54 548)                  | -                           | -                          | -                                      | -                      | (54 548)          |
| Depreciation                      | (530 311)                 | (1 389 455)                 | (437 332)                  | (354 728)                              | (457 477)              | (3 169 303)       |
| <b>Closing net book amount</b>    | <b>28 545 237</b>         | <b>22 758 317</b>           | <b>1 274 448</b>           | <b>2 973 783</b>                       | <b>1 316 380</b>       | <b>56 868 165</b> |
| As at 31 December 2011            |                           |                             |                            |  |                        |                   |
| Cost or valuation                 | 30 080 085                | 25 466 757                  | 2 205 819                  | 3 895 438                              | 3 248 568              | 64 896 667        |
| Accumulated depreciation          | (1 480 300)               | (2 708 440)                 | (931 371)                  | (921 655)                              | (1 680 637)            | (7 722 403)       |
| Accumulated impairment            | (54 548)                  | -                           | -                          | -                                      | (251 551)              | (306 099)         |
| <b>Net book amount</b>            | <b>28 545 237</b>         | <b>22 758 317</b>           | <b>1 274 448</b>           | <b>2 973 783</b>                       | <b>1 316 380</b>       | <b>56 868 165</b> |
| Year ended 31 December 2012       |                           |                             |                            |  |                        |                   |
| Opening net book amount           | 28 545 237                | 22 758 317                  | 1 274 448                  | 2 973 783                              | 1 316 380              | 56 868 165        |
| Additions                         | 140 000                   | 2 586 205                   | 459 396                    | 819 268                                | 331 627                | 4 336 496         |
| Disposals                         | -                         | (577)                       | (13 209)                   | (39 231)                               | (11 359)               | (64 376)          |
| Depreciation                      | (601 941)                 | (1 949 319)                 | (507 041)                  | (391 156)                              | (380 561)              | (3 830 018)       |
| <b>Closing net book amount</b>    | <b>28 083 296</b>         | <b>23 394 626</b>           | <b>1 213 594</b>           | <b>3 362 664</b>                       | <b>1 256 087</b>       | <b>57 310 267</b> |
| As at 31 December 2012            |                           |                             |                            |  |                        |                   |
| Cost or valuation                 | 30 220 085                | 28 052 262                  | 2 651 891                  | 4 675 175                              | 3 557 314              | 69 156 727        |
| Accumulated depreciation          | (2 082 241)               | (4 657 636)                 | (1 438 297)                | (1 312 511)                            | (2 049 676)            | (11 540 361)      |
| Accumulated impairment            | (54 548)                  | -                           | -                          | -                                      | (251 551)              | (306 099)         |
| <b>Net book amount</b>            | <b>28 083 296</b>         | <b>23 394 626</b>           | <b>1 213 594</b>           | <b>3 362 664</b>                       | <b>1 256 087</b>       | <b>57 310 267</b> |

The Group's land and buildings were revalued as at 31 December 2011 by independent valuers. Valuations were made on the basis of open market values.

|   | 2012<br>US\$       | 2011<br>US\$       |
|---|--------------------|--------------------|
| <b>11 DEPOSITS FROM OTHER BANKS AND CUSTOMERS</b> |                    |                    |
| <b>11.1 DEPOSITS FROM OTHER CUSTOMERS</b>         |                    |                    |
| Demand deposits                                   | 91 135 507         | 59 564 521         |
| Promissory notes                                  | 30 002 288         | 1 532 925          |
| Other time deposits                               | 6 149 929          | 9 692 845          |
| <b>Total</b>                                      | <b>127 287 724</b> | <b>70 790 291</b>  |
| Current   | 127 287 724        | 70 790 291         |
| Non-current                                       | -                  | -                  |
| <b>Total</b>                                      | <b>127 287 724</b> | <b>70 790 291</b>  |
| <b>11.2 DEPOSITS FROM OTHER BANKS</b>             |                    |                    |
| Money market deposits                             | 84 389 794         | 54 114 334         |
| Bank borrowings and lines of credit               | 41 566 592         | 36 504 626         |
| <b>Total</b>                                      | <b>125 956 386</b> | <b>90 618 960</b>  |
| Current   | 106 839 547        | 90 618 960         |
| Non-current                                       | 19 116 839         | -                  |
| <b>Total</b>                                      | <b>125 956 386</b> | <b>90 618 960</b>  |
| <b>Total deposits</b>                             | <b>253 244 110</b> | <b>161 409 251</b> |

|                                   | 2012<br>US\$       | %           | 2011<br>US\$       | %           |
|-----------------------------------|--------------------|-------------|--------------------|-------------|
| <b>11.3 Deposit concentration</b> |                    |             |                    |             |
| Agriculture                       | 4 982 313          | 2%          | 2 427 028          | 2%          |
| Construction                      | 2 225 233          | 1%          | 1 923 578          | 1%          |
| Wholesale and retail trade        | 30 875 375         | 12%         | 10 975 722         | 7%          |
| Public sector                     | 6 159 518          | 2%          | 19 335 840         | 12%         |
| Manufacturing                     | 10 116 713         | 4%          | 1 735 285          | 1%          |
| Telecommunication                 | 2 351 318          | 1%          | 546 209            | 0%          |
| Transport                         | 4 558 834          | 2%          | 7 134 496          | 4%          |
| Individuals                       | 38 390 034         | 15%         | 18 220 129         | 11%         |
| Financial services                | 125 956 386        | 50%         | 90 618 960         | 56%         |
| Mining                            | 12 699 877         | 5%          | 3 051 222          | 2%          |
| Other                             | 14 928 509         | 6%          | 5 440 782          | 4%          |
| <b>Total</b>                      | <b>253 244 110</b> | <b>100%</b> | <b>161 409 251</b> | <b>100%</b> |

|                                 | 2012<br>US\$      | 2011<br>US\$     |
|---------------------------------|-------------------|------------------|
| <b>12 INSURANCE LIABILITIES</b> |                   |                  |
| Gross outstanding claims        | 7 336 142         | 5 918 568        |
| Provision for unearned premium  | 3 640 589         | 2 461 840        |
| <b>Total</b>                    | <b>10 976 731</b> | <b>8 380 408</b> |
| Current                         | 10 976 731        | 8 380 408        |
| Non-current                     | -                 | -                |
| <b>Total</b>                    | <b>10 976 731</b> | <b>8 380 408</b> |

|                                    | 2012<br>US\$      | 2011<br>US\$      |
|------------------------------------|-------------------|-------------------|
| <b>13 TRADE AND OTHER PAYABLES</b> |                   |                   |
| Trade and other payables           | 21 249 775        | 19 924 015        |
| Other liabilities                  | 7 198 502         | 1 739 934         |
| Deferred income                    | 2 250 941         | 202 436           |
| <b>Total</b>                       | <b>30 699 218</b> | <b>21 866 385</b> |
| Current                            | 30 699 218        | 21 866 385        |
| Non-current                        | -                 | -                 |
| <b>Total</b>                       | <b>30 699 218</b> | <b>21 866 385</b> |

|   | 2012<br>US\$ | 2011<br>US\$ |
|---|--------------|--------------|
| <b>14 SHARE CAPITAL AND SHARE PREMIUM</b> |              |              |
| <b>14.1 Authorised</b>                    |              |              |
| Number of ordinary shares                 | 800 000 000  | 800 000 000  |
| Par value of shares US\$                  | 0.00001      | 0.00001      |
| <b>14.2 Issued and fully paid</b>         |              |              |
| Number of ordinary shares                 | 591 850 127  | 591 850 127  |

|                                    | Number of Shares | Share Capital US\$ | Share Premium US\$ | Total US\$ |
|------------------------------------|------------------|--------------------|--------------------|------------|
| <b>14.3 Share capital movement</b> |                  |                    |                    |            |
| As at 31 December 2011             | 591 850 127      | 5 918              | 7 675 990          | 7 681 908  |
| Movement                           | -                | -                  | -                  | -          |
| As at 31 December 2012             | 591 850 127      | 5 918              | 7 675 990          | 7 681 908  |

|                                   | 2012<br>US\$      | 2011<br>US\$      |
|-----------------------------------|-------------------|-------------------|
| <b>15 INTEREST INCOME</b>         |                   |                   |
| Cash and cash equivalents         | 1 823 319         | 1 415 500         |
| Loans and advances to other banks | 919 545           | 872 231           |
| Loans and advances to customers   | 32 053 931        | 17 332 021        |
| Investment securities             | 2 809 677         | 6 992 698         |
| Other interest income             | 200 198           | 8 990             |
| <b>Total</b>                      | <b>37 806 670</b> | <b>26 621 440</b> |

|                              | 2012<br>US\$      | 2011<br>US\$      |
|------------------------------|-------------------|-------------------|
| <b>15.1 INTEREST EXPENSE</b> |                   |                   |
| Deposit from other banks     | 6 625 777         | 4 929 626         |
| Demand deposits              | 218 328           | 4 962 512         |
| Afreximbank and PTA Bank     | 6 474 285         | 2 415 038         |
| Time deposits                | 4 193 005         | 466 637           |
| <b>Total</b>                 | <b>17 511 395</b> | <b>12 773 813</b> |

|                                     | 2012<br>US\$      | 2011<br>US\$      |
|-------------------------------------|-------------------|-------------------|
| <b>16 FEE AND COMMISSION INCOME</b> |                   |                   |
| Retail service fees                 | 15 403 897        | 14 406 934        |
| Credit related fees                 | 4 799 658         | 4 035 881         |
| Investment banking fees             | 102 713           | 1 483 510         |
| Brokerage                           | 95 844            | 231 298           |
| Other                               | 203 036           | 272 858           |
| <b>Total</b>                        | <b>20 605 148</b> | <b>20 430 481</b> |

|  | 2012<br>US\$  | 2011<br>US\$  |
|--|---------------|---------------|
| <b>16.1 FEE AND COMMISSION EXPENSE</b> |               |               |
| Brokerage                              | 27 318        | 20 067        |
| <b>Total</b>                           | <b>27 318</b> | <b>20 067</b> |

|                   | 2012<br>US\$      | 2011<br>US\$      |
|-------------------|-------------------|-------------------|
| <b>17 REVENUE</b> |                   |                   |
| Local sales       | 52 621 719        | 54 633 712        |
| Export sales      | 991 892           | 1 658 523         |
| <b>Total</b>      | <b>53 613 611</b> | <b>56 292 235</b> |

|   | 2012<br>US\$      | 2011<br>US\$      |
|---|-------------------|-------------------|
| <b>17.1 COST OF SALES</b>                     |                   |                   |
| Depreciation of property, plant and equipment | 1 900 862         | 1 571 942         |
| Raw materials                                 | 29 136 968        | 25 671 283        |
| Staff costs                                   | 6 052 734         | 6 354 093         |
| Other   | 413 908           | 5 456 843         |
| <b>Total</b>                                  | <b>37 504 472</b> | <b>39 054 161</b> |

|  | 2012<br>US\$      | 2011<br>US\$     |
|--|-------------------|------------------|
| <b>18 NET EARNED INSURANCE PREMIUM</b> |                   |                  |
| Gross premium written                  | 24 129 957        | 15 424 478       |
| Premium ceded                          | (8 373 776)       | (6 334 763)      |
| Change in unearned premium reserve     | (1 178 748)       | (348 651)        |
| <b>Total</b>                           | <b>14 577 433</b> | <b>8 741 064</b> |

|  | 2012<br>US\$   | 2011<br>US\$   |
|--|----------------|----------------|
| <b>19 OTHER OPERATING INCOME</b>   |                |                |
| Investment property fair value adjustment  | -              | 55 000         |
| Loss on remeasurement of previously held interest in Eagle Insurance Company (Private) Limited | -              | (367 995)      |
| Write-off of goodwill  | -              | (4 290)        |
| Rental income  | 317 581        | 286 928        |
| Profit disposal of property, plant and equipment   | 175 109        | 18 349         |
| Sundry income  | 383 049        | 772 322        |
| <b>Total</b>   | <b>875 739</b> | <b>760 314</b> |





# FBC Holdings Limited

strength • diversity • service

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

|   | 2012<br>US\$      | 2011<br>US\$      |
|---|-------------------|-------------------|
| <b>20 ADMINISTRATIVE EXPENSES</b>                                 |                   |                   |
| Administration expenses   | 15 698 149        | 14 509 513        |
| Staff costs   | 22 821 372        | 17 837 854        |
| Directors' remuneration   | 2 554 029         | 1 931 264         |
| Audit fees:   |                   |                   |
| - Current year  | 518 105           | 413 130           |
| - Prior year  | 21 187            | 51 655            |
| - Other services  | 1 074             | -                 |
| Depreciation  | 1 929 156         | 1 597 361         |
| Amortisation  | 582 752           | 468 042           |
| Operating lease payment   | 768 212           | 679 161           |
|   | <b>44 894 036</b> | <b>37 487 980</b> |
| <b>21 INCOME TAX EXPENSE:</b>                                     |                   |                   |
| <b>21.1 Charge for the year</b>                                   |                   |                   |
| Current income tax on income for the reporting year               | 2 421 600         | 4 905 928         |
| Adjustments in respect of prior years                             | 354 431           | 62 471            |
| Deferred income tax   | (1 520 370)       | (1 801 070)       |
| Withholding tax   | 137               | 1 159             |
| <b>Income tax expense</b>   | <b>1 255 798</b>  | <b>3 168 488</b>  |
| <b>22 CAPITAL COMMITMENTS</b>                                     |                   |                   |
| Capital expenditure authorised but net yet contracted             | 7 687 961         | 7 845 445         |
| Capital commitments will be funded from the Group's own resources |                   |                   |
| <b>23 CONTINGENT LIABILITIES</b>                                  |                   |                   |
| Guarantees and letters of credit                                  | 8 225 844         | 7 859 645         |

The contingent liabilities relate to the business and letters of credit for the grain and oil facilities undertaken on behalf of the Central Bank. For the aforementioned contingent liabilities, the Group has no indication of the timing of any outflow "if any" on guarantees extended.

|                                       | 2012<br>US\$ | 2011<br>US\$ |
|---------------------------------------|--------------|--------------|
| <b>24 EARNINGS PER SHARE</b>          |              |              |
| <b>24.1 Basic earnings per share</b>  |              |              |
| Profit attributable to equity holders | 12 987 368   | 9 705 377    |

### Weighted average number of ordinary shares Year ended 31 December 2011

|   | Shares<br>issued   | Treasury<br>shares | Shares<br>outstanding | Weighted           |
|---|--------------------|--------------------|-----------------------|--------------------|
| Issued ordinary shares as at 1 January 2011                         | 590 738 106        | 30 231 435         | 560 506 671           | 560 506 671        |
| Share options exercised   | 1 112 021          | -                  | 1 112 021             | 648 679            |
| Treasury shares purchased   | -                  | 23 148 299         | (23 148 299)          | (15 432 199)       |
| <b>Weighted average number of ordinary shares as at 31 December</b> | <b>591 850 127</b> | <b>53 379 734</b>  | <b>538 470 393</b>    | <b>545 723 151</b> |

### Basic earnings per share for the year ended 31 December 2011 (US cents)

|  |  |  |  |             |
|--|--|--|--|-------------|
|  |  |  |  | <b>1.78</b> |
|--|--|--|--|-------------|

### Weighted average number of ordinary shares Year ended 31 December 2012

|   | Shares<br>issued   | Treasury<br>shares | Shares<br>outstanding | Weighted           |
|---|--------------------|--------------------|-----------------------|--------------------|
| Issued ordinary shares as at 1 January 2012                         | 591 850 127        | 53 379 734         | 538 470 393           | 538 470 393        |
| Treasury shares purchased   | -                  | 2 912 065          | (2 912 065)           | (2 184 049)        |
| <b>Weighted average number of ordinary shares as at 31 December</b> | <b>591 850 127</b> | <b>56 291 799</b>  | <b>535 558 328</b>    | <b>536 286 344</b> |

### Basic earnings per share for the year ended 31 December 2012 (US cents)

|  |  |  |  |             |
|--|--|--|--|-------------|
|  |  |  |  | <b>2.42</b> |
|--|--|--|--|-------------|

**24.2 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. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares based on the monetary value of the subscription rights attached to outstanding share options). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

|  | 2012<br>US\$       | 2011<br>US\$       |
|--|--------------------|--------------------|
| Profit attributable to equity holders                            | 12 987 368         | 9 705 377          |
| <b>Weighted average number of ordinary shares</b>                |                    |                    |
| Weighted average number of ordinary shares at 31 December        | 536 286 344        | 545 723 151        |
| Effect of share options  | -                  | -                  |
| <b>Weighted average number of ordinary shares at 31 December</b> | <b>536 286 344</b> | <b>545 723 151</b> |
| <b>Diluted earnings per share (US cents)</b>                     | <b>2.42</b>        | <b>1.78</b>        |

**24.3 Headline earnings per share**  
Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment / subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements to investment property; remeasurements of goodwill impairment; recognised gains on bargain purchase; gains or losses on disposals of financial assets classified as available for sale or associates and gains or losses of control of a subsidiary.

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

|  | 2012<br>US\$       | 2011<br>US\$       |
|--|--------------------|--------------------|
| Profit attributable to equity holders                            | 12 987 368         | 9 705 377          |
| Adjustment for excluded items                                    |                    |                    |
| Profit on the disposal of property, plant and equipment          | (175 109)          | (18 349)           |
| Share of loss of associate                                       | -                  | 32 938             |
| Goodwill impairment  | -                  | 4 290              |
| Fair value gain on remeasurement of investment property          | -                  | (55 000)           |
| Loss on remeasurement of previously held associate               | -                  | 367 995            |
| <b>Headline earnings</b>   | <b>12 812 259</b>  | <b>10 037 251</b>  |
| <b>Weighted average number of ordinary shares at 31 December</b> | <b>536 286 344</b> | <b>545 723 151</b> |
| <b>Headline earnings per share (US cents)</b>                    | <b>2.39</b>        | <b>1.84</b>        |

**25 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. All transactions between segments are conducted at arms length.

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

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

### 31 December 2012

#### Total segment revenue

|  | Commercial<br>banking<br>US\$ | Microlending<br>US\$ | Mortgage<br>financing<br>US\$ | Short term<br>reinsurance<br>US\$ | Short term<br>insurance<br>US\$ | Stockbroking<br>US\$ | Manufacturing<br>US\$ | Consolidated<br>US\$ |
|--|-------------------------------|----------------------|-------------------------------|-----------------------------------|---------------------------------|----------------------|-----------------------|----------------------|
| Interest income                              | 33 926 104                    | 2 252 320            | 5 653 513                     | -                                 | 43 680                          | 104 291              | 3 285                 | 37 806 670           |
| Interest expense                             | (16 191 911)                  | (740 188)            | (2 038 362)                   | -                                 | -                               | -                    | (3 117 802)           | (17 511 395)         |
| <b>Net interest income</b>                   | <b>17 734 193</b>             | <b>1 512 132</b>     | <b>3 615 151</b>              | <b>-</b>                          | <b>43 680</b>                   | <b>104 291</b>       | <b>(3 114 517)</b>    | <b>20 295 275</b>    |
| Turnover                                     | -                             | -                    | 11 105 170                    | -                                 | -                               | -                    | 42 508 441            | 53 613 611           |
| Cost of sales                                | -                             | -                    | (7 370 540)                   | -                                 | -                               | -                    | (30 133 932)          | (37 504 472)         |
| Gross profit                                 | -                             | -                    | 3 734 630                     | -                                 | -                               | -                    | 12 374 509            | 16 109 139           |
| Net earned insurance premium                 | -                             | -                    | -                             | 10 916 829                        | 5 372 704                       | -                    | -                     | 14 577 433           |
| Net fee and commission income                | 16 578 794                    | 181 650              | 4 325 001                     | -                                 | -                               | 68 526               | -                     | 20 577 830           |
| Net trading income and other income          | 1 852 785                     | 254 497              | 108 727                       | 1 221 043                         | 81 089                          | -                    | 253 761               | 2 655 348            |
|  | <b>36 165 772</b>             | <b>1 948 279</b>     | <b>11 783 509</b>             | <b>12 137 872</b>                 | <b>5 497 473</b>                | <b>172 817</b>       | <b>9 513 753</b>      | <b>74 215 025</b>    |
| Intersegment revenue                         | (2 516 072)                   | (257 455)            | (1 731 588)                   | (1 186 712)                       | (1 349 678)                     | (39 766)             | (55 929)              | (7 137 200)          |
| Intersegment interest expense and commission | 3 366 209                     | 529 888              | 1 116 681                     | 150 088                           | 724 283                         | -                    | 1 250 052             | 7 137 200            |
| <b>Revenue from external customers</b>       | <b>37 015 909</b>             | <b>2 220 712</b>     | <b>11 168 602</b>             | <b>11 101 248</b>                 | <b>4 872 078</b>                | <b>133 051</b>       | <b>10 707 876</b>     | <b>74 215 025</b>    |
| <b>Segment profit before income tax</b>      | <b>6 691 551</b>              | <b>881 412</b>       | <b>5 478 729</b>              | <b>2 094 406</b>                  | <b>739 551</b>                  | <b>(301 364)</b>     | <b>1 209 889</b>      | <b>16 892 650</b>    |
| Impairment losses on financial assets        | 2 031 685                     | 685 152              | 390 877                       | -                                 | -                               | -                    | 496 128               | 3 603 842            |
| Depreciation                                 | 1 013 614                     | 639                  | 167 377                       | 81 875                            | 79 622                          | 24 466               | 2 462 425             | 3 830 018            |
| Amortisation                                 | 553 825                       | -                    | 28 927                        | -                                 | -                               | -                    | -                     | 582 752              |
| <b>Segment assets</b>                        | <b>281 171 886</b>            | <b>8 507 481</b>     | <b>56 461 813</b>             | <b>19 243 995</b>                 | <b>6 586 222</b>                | <b>1 606 752</b>     | <b>67 485 937</b>     | <b>392 054 851</b>   |
| Total assets includes:                       |                               |                      |                               |                                   |                                 |                      |                       |                      |
| Additions to non-current assets              | 1 744 339                     | 1 020                | 425 225                       | 41 602                            | 87 392                          | 54 589               | 2 604 160             | 4 958 327            |
| Investment in associates                     | -                             | -                    | -                             | 491 139                           | -                               | -                    | -                     | -                    |
| <b>Segment liabilities</b>                   | <b>246 738 794</b>            | <b>7 294 013</b>     | <b>37 101 703</b>             | <b>12 216 923</b>                 | <b>4 550 136</b>                | <b>1 353 932</b>     | <b>37 950 537</b>     | <b>303 902 218</b>   |

### 31 December 2011

#### Total segment revenue

|  | Commercial<br>banking<br>US\$ | Microlending<br>US\$ | Mortgage<br>financing<br>US\$ | Short term<br>reinsurance<br>US\$ | Short term<br>insurance<br>US\$ | Stockbroking<br>US\$ | Manufacturing<br>US\$ | Consolidated<br>US\$ |
|--|-------------------------------|----------------------|-------------------------------|-----------------------------------|---------------------------------|----------------------|-----------------------|----------------------|
| Interest income                              | 24 211 253                    | 891 775              | 3 375 276                     | -                                 | -                               | 68 118               | 1 365                 | 26 621 440           |
| Interest expense                             | (11 238 088)                  | (133 641)            | (1 097 630)                   | -                                 | -                               | -                    | (2 230 802)           | (12 773 813)         |
| <b>Net interest income</b>                   | <b>12 973 165</b>             | <b>758 134</b>       | <b>2 277 646</b>              | <b>-</b>                          | <b>-</b>                        | <b>68 118</b>        | <b>(2 229 437)</b>    | <b>13 847 627</b>    |
| Turnover                                     | -                             | -                    | 4 428 975                     | -                                 | -                               | -                    | 51 865 260            | 56 293 235           |
| Cost of sales                                | -                             | -                    | (2 788 649)                   | -                                 | -                               | -                    | (36 265 512)          | (39 054 161)         |
| Gross profit                                 | -                             | -                    | 1 638 326                     | -                                 | -                               | -                    | 15 599 748            | 17 238 074           |
| Net earned insurance premium                 | -                             | -                    | -                             | 6 976 215                         | 2 703 006                       | -                    | -                     | 8 741 064            |
| Net fee and commission income                | 16 555 153                    | 73 945               | 3 561 899                     | -                                 | -                               | 226 244              | -                     | 20 410 414           |
| Net trading income and other income          | 1 514 145                     | 60 825               | 168 418                       | 481 964                           | 61 234                          | -                    | -                     | 1 922 205            |
|  | <b>31 042 463</b>             | <b>892 904</b>       | <b>7 646 289</b>              | <b>7 458 179</b>                  | <b>2 764 240</b>                | <b>294 362</b>       | <b>13 370 311</b>     | <b>62 159 384</b>    |
| Intersegment revenue                         | (1 034 909)                   | -                    | (950 526)                     | (28 085)                          | -                               | (9 150)              | (9 529)               | (2 022 670)          |
| Intersegment interest expense and commission | 950 526                       | -                    | 342 877                       | -                                 | 731                             | -                    | 728 536               | 2 022 670            |
| <b>Revenue from external customers</b>       | <b>30 958 080</b>             | <b>892 904</b>       | <b>7 038 640</b>              | <b>7 430 094</b>                  | <b>2 764 971</b>                | <b>285 212</b>       | <b>14 098 847</b>     | <b>62 159 384</b>    |
| <b>Segment profit before income tax</b>      | <b>6 481 514</b>              | <b>571 736</b>       | <b>2 945 341</b>              | <b>1 401 383</b>                  | <b>424 790</b>                  | <b>(147 360)</b>     | <b>5 122 280</b>      | <b>15 674 998</b>    |
| Impairment losses on financial assets        | 3 006 895                     | 169 045              | 257 828                       | -                                 | -                               | -                    | 283 376               | 3 717 144            |
| Depreciation                                 | 975 072                       | 537                  | 226 998                       | 60 232                            | 74 227                          | 8 704                | 1 823 533             | 3 169 303            |
| Amortisation                                 | 468 042                       | -                    | -                             | -                                 | -                               | -                    | -                     | 468 042              |
| <b>Segment assets</b>                        | <b>187 820 474</b>            | <b>3 705 112</b>     | <b>33 060 182</b>             | <b>14 891 043</b>                 | <b>4 650 430</b>                | <b>1 537 183</b>     | <b>66 448 609</b>     | <b>279 592 710</b>   |
| Total assets includes:                       |                               |                      |                               |                                   |                                 |                      |                       |                      |
| Additions to non-current assets              | 1 431 741                     | 4 111                | 118 959                       | 100 188                           | 33 290                          | 25 703               | 4 415 003             | 6 128 995            |
| Investment in associates                     | -                             | -                    | -                             | 657 108                           | -                               | -                    | -                     | -                    |
| <b>Segment liabilities</b>                   | <b>159 621 719</b>            | <b>3 275 600</b>     | <b>18 644 128</b>             | <b>8 999 781</b>                  | <b>2 966 712</b>                | <b>1 227 590</b>     | <b>35 634 853</b>     | <b>230 370 383</b>   |

### 26 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - Interest rate risk
  - Currency risk
  - Price risk
- Settlement risk
- Operational risk
- Compliance risk

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

#### 26.1 Credit risk

Credit risk for lending, trading, insurance products and investment activities and products represent the possibility of loss to the Group if a debtor fails to meet punctually the financial commitments stemming from a credit agreement. Credit risk and exposure to loss are inherent in the Group's business.

The Board Credit Committee periodically reviews and approves the Group's 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 Board Credit Committee.

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

The Banking and Microlending subsidiaries' Credit Departments periodically prepare detailed reports on the quality of the customers for review by the Board Loans Review Committees and assess the adequacy of the impairment allowance.

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

#### Credit policies, procedures and limits

The Group has sound and well-defined policies, procedures and limits which are reviewed annually and approved by the Board of Directors and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management and board credit committees, 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, mortgage financing and microlending subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to counterparty. Generally, guarantor counterparties include parent companies and shareholders.

Creditworthiness for the guarantor is established in line with the credit policy.

#### Credit risk stress testing

The Group and the entities recognise the possible events or future changes that could have a negative impact on the credit portfolios and 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.





## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 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 regards impaired/ doubtful loans as all those 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 C, D and E loan categories or classified 8, 9 and 10 under the Basel II ten tier grading system.

## 26 FINANCIAL RISK MANAGEMENT

### Provisioning policy and write offs

#### Determination of general and specific provisions

Provisioning is determined on the basis of account classification whereby provisions or provisioning methods are uniformly determined for specific grades.

#### General allowance for impairment

##### Pass Grade "A" - No evident weakness, performing to contractual terms

General allowance for impairment for facilities in this category are maintained at 1% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks, to comply with the RBZ provisioning guidelines.

##### Special Mention Grade "B" - Exhibits potential weaknesses, which require close monitoring

General allowance for impairment for these facilities are maintained at 3% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks, to comply with the RBZ provisioning guidelines.

#### Specific allowance for impairment

##### Sub-Standard Grade "C" - Timely repayment and/or settlement may be at risk

Specific allowance for impairment for facilities in this category are currently maintained at 20% of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

##### Doubtful Grade "D" - Full repayment and/or settlement highly improbable

Specific allowance for impairment for exposures in this grade are currently maintained at 50% of total customer outstanding balances and off balance sheet (i.e. contingent) risks after deducting the value of any tangible security held.

##### Loss Grade "E" - Collection not possible

Specific allowance for impairment for debts in this category are currently maintained at 100% of total customer outstanding balances and off balance sheet (i.e. contingent) risks again after deducting the value of any tangible security held.

#### The basis for writing off assets

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

#### Credit risk and Basel II

The Group is in the process of implementing Credit Risk Basel II standards in line with the regulatory authorities' approach. Internal processes have been revamped in an effort to comply with the requirements. Policies and procedure manuals are also being realigned to comply with the minimum requirements of Basel II.

### 26.1.1 Exposure to credit risk

#### Loans and advances to customers

##### Past due and impaired

Grade C: Impaired  
Grade D: Impaired  
Grade E: Impaired

|  | 2012<br>US\$       | 2011<br>US\$       |
|--|--------------------|--------------------|
| Grade C: Impaired                              | 12 741 919         | 7 167 209          |
| Grade D: Impaired                              | 3 059 909          | 1 679 551          |
| Grade E: Impaired                              | 2 470 241          | 965 261            |
| <b>Gross amount, past due and impaired</b>     | <b>18 272 069</b>  | <b>9 812 021</b>   |
| Allowance for impairment                       | (7 633 643)        | (2 895 075)        |
| <b>Carrying amount, past due and impaired</b>  | <b>10 638 426</b>  | <b>6 916 946</b>   |
| <b>Neither past due nor impaired, Grade A:</b> | <b>169 105 502</b> | <b>108 336 531</b> |
| <b>Past due but not impaired, Grade B:</b>     | <b>13 003 340</b>  | <b>7 214 601</b>   |
| <b>Gross amount, not impaired</b>              | <b>182 108 842</b> | <b>115 551 132</b> |
| Allowance for impairment                       | (2 154 721)        | (1 135 052)        |
| <b>Carrying amount, not impaired</b>           | <b>179 954 121</b> | <b>114 416 080</b> |
| <b>Total carrying amount</b>                   | <b>190 592 547</b> | <b>121 333 026</b> |

## 26 FINANCIAL RISK MANAGEMENT

Sectorial analysis of utilizations of loans and advances to customers (net of impairment allowances)

|                   | 2012<br>US\$       | 2012<br>%   | 2011<br>US\$       | 2011<br>%   |
|-------------------|--------------------|-------------|--------------------|-------------|
| Mining            | 13 932 492         | 7%          | 6 874 711          | 6%          |
| Manufacturing     | 43 789 906         | 23%         | 27 260 955         | 22%         |
| Mortgage          | 16 968 935         | 9%          | 7 094 052          | 6%          |
| Wholesale         | 13 092 068         | 7%          | 12 641 786         | 11%         |
| Distribution      | 20 554 276         | 11%         | -                  | 0           |
| Individuals       | 48 806 248         | 26%         | 31 883 909         | 26%         |
| Agriculture       | 10 029 461         | 5%          | 13 087 043         | 11%         |
| Communication     | 2 067 966          | 1%          | 1 335 104          | 1%          |
| Construction      | 1 992 086          | 1%          | 4 935 627          | 4%          |
| Local authorities | 2 153 248          | 1%          | 7 152 689          | 6%          |
| Other             | 17 205 861         | 9%          | 9 067 150          | 7%          |
| <b>Total</b>      | <b>190 592 547</b> | <b>100%</b> | <b>121 333 026</b> | <b>100%</b> |

#### Reconciliation of allowance for impairment for loans and advances

|                                  | 31 December 2012           |                              |                  | 31 December 2011           |                              |                  |
|----------------------------------|----------------------------|------------------------------|------------------|----------------------------|------------------------------|------------------|
|                                  | Specific allowance<br>US\$ | Collective allowance<br>US\$ | Total<br>US\$    | Specific allowance<br>US\$ | Collective allowance<br>US\$ | Total<br>US\$    |
| Balance at 1 January             | 2 895 075                  | 1 135 052                    | 4 030 127        | 361 908                    | 234 451                      | 596 359          |
| Increase in impairment allowance | 2 088 045                  | 1 019 669                    | 3 107 714        | 2 533 167                  | 900 601                      | 3 433 768        |
| Interest in suspense             | 2 650 523                  | -                            | 2 650 523        | -                          | -                            | -                |
|                                  | <b>7 633 643</b>           | <b>2 154 721</b>             | <b>9 788 364</b> | <b>2 895 075</b>           | <b>1 135 052</b>             | <b>4 030 127</b> |

### 26.1.2 Trade and other receivables including insurance receivables

#### Past due and impaired

Allowance for impairment  
Carrying amount

|                                      | 2012<br>US\$      | 2011<br>US\$      |
|--------------------------------------|-------------------|-------------------|
| Carrying amount                      | 6 430 768         | 4 019 681         |
| Allowance for impairment             | (27 765)          | (324 795)         |
| <b>Carrying amount</b>               | <b>6 403 003</b>  | <b>3 694 886</b>  |
| <b>Past due but not impaired</b>     | <b>2 870 522</b>  | <b>2 382 719</b>  |
| <b>Neither past due nor impaired</b> | <b>17 309 281</b> | <b>17 096 104</b> |
| <b>Gross amount, not impaired</b>    | <b>20 179 803</b> | <b>19 478 823</b> |
| <b>Carrying amount, not impaired</b> | <b>20 179 803</b> | <b>19 478 823</b> |
| <b>Total carrying amount</b>         | <b>26 582 806</b> | <b>23 173 709</b> |

### 26.2 Liquidity risk

Liquidity risk is the risk of not being able to generate sufficient funds to meet financial commitments to extend credit, meet deposit maturities, and claims settlement 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 through the subsidiaries' Board Asset Liability Committees ("ALCO") and Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Managers for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

#### Liquidity and funding management

The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt a liquidity policy approved by the Board with independent monitoring being provided by the Group Risk Management function. 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.

### 26.3 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 Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

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 26.3.1 to 26.3.3.

### 26.3.1 Interest rate risk

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 this 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 rate sensitive assets and liabilities, using such models as Value at Risk ("VaR"), Scenario Analysis and control and management of the gap analysis.

#### Scenario analysis of net interest income

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

### 26.3.2 Currency risk

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.

### 26.3.3 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.

### 26.4 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.

### 26.5 Operating 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 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.





# FBC Holdings Limited

strength • diversity • service

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 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 each year in line with the Group policy. The Group successfully conducted its business continuity tests and all processes were well documented. The Group continues to improve its risk management systems and processes in preparation for Basel II implementation. All structures, processes and systems have been aligned to Basel II requirements. The Group also adopted in full all the Risk Management Guidelines which were issued by the Reserve Bank of Zimbabwe as part of the Basel II implementation.

### 26.6 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-compliance 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.

### 26.7 Statement of Compliance

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

### 27 Dividend

In view of the new minimum regulatory capital requirements announced by the Reserve Bank of Zimbabwe on 31 July 2012, the Board of Directors have thought it prudent not to declare a dividend until the new capital levels have been achieved.

### 28 International credit ratings

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

| Subsidiary              | 2012 | 2011 | 2010 | 2009 |
|-------------------------|------|------|------|------|
| FBC Bank Limited        | A-   | A-   | A-   | A-   |
| FBC Reinsurance Limited | A-   | A-   | A-   | A-   |
| FBC Building Society    | BBB- | BBB- | BBB- | BBB- |

## CORPORATE GOVERNANCE

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

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

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

### Board Attendance

| Board Member         | Main Board |     |    |    | Board Audit |     |     |     | Board HR |     |     |     | Board Finance & Strategy |     |     |     | Board Risk & Compliance |     |     |     | Board Marketing & PR |     |     |     |
|----------------------|------------|-----|----|----|-------------|-----|-----|-----|----------|-----|-----|-----|--------------------------|-----|-----|-----|-------------------------|-----|-----|-----|----------------------|-----|-----|-----|
|                      | Q1         | Q2  | Q3 | Q4 | Q1          | Q2  | Q3  | Q4  | Q1       | Q2  | Q3  | Q4  | Q1                       | Q2  | Q3  | Q4  | Q1                      | Q2  | Q3  | Q4  | Q1                   | Q2  | Q3  | Q4  |
| Godfrey G Nhemachena | ✓          | ✓   | ✓  | ✓  | ✓           | ✓   | ✓   | ✓   | N/A      | N/A | N/A | N/A | N/A                      | N/A | N/A | N/A | ✓                       | ✓   | ✓   | ✓   | N/A                  | N/A | N/A | N/A |
| Kenzias Chibota      | ✓          | ✓   | ✓  | ✓  | N/A         | N/A | N/A | N/A | N/A      | N/A | N/A | N/A | ✓                        | ✓   | ✓   | ✓   | ✓                       | ✓   | ✓   | ✓   | N/A                  | N/A | N/A | N/A |
| Philip M Chiradza    | ✓          | ✓   | ✓  | ✓  | ✓           | ✓   | ✓   | ✓   | ✓        | ✓   | ✓   | ✓   | N/A                      | N/A | N/A | N/A | ✓                       | ✓   | ✓   | ✓   | N/A                  | N/A | N/A | N/A |
| Kleto Chiketsani     | N/A        | N/A | ✓  | ✓  | N/A         | N/A | N/A | N/A | N/A      | N/A | N/A | N/A | N/A                      | N/A | x   | ✓   | ✓                       | ✓   | ✓   | ✓   | x                    | ✓   | ✓   | ✓   |
| John Mushayavanhu    | ✓          | ✓   | ✓  | ✓  | N/A         | N/A | N/A | N/A | ✓        | ✓   | ✓   | ✓   | ✓                        | ✓   | ✓   | ✓   | ✓                       | ✓   | ✓   | ✓   | ✓                    | ✓   | ✓   | x   |
| Webster Rusere       | ✓          | ✓   | ✓  | ✓  | N/A         | N/A | N/A | N/A | N/A      | N/A | N/A | N/A | ✓                        | ✓   | ✓   | ✓   | ✓                       | ✓   | ✓   | ✓   | N/A                  | N/A | N/A | N/A |
| Chipo Mtasa          | N/A        | N/A | ✓  | ✓  | N/A         | N/A | N/A | N/A | N/A      | N/A | N/A | N/A | ✓                        | N/A | N/A | 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 | N/A      | N/A | N/A | N/A | ✓                        | ✓   | ✓   | ✓   | N/A                     | N/A | N/A | N/A | ✓                    | ✓   | ✓   | ✓   |
| Trynos Kufazvei      | ✓          | ✓   | ✓  | ✓  | N/A         | N/A | N/A | N/A | N/A      | N/A | N/A | N/A | ✓                        | x   | ✓   | ✓   | N/A                     | N/A | N/A | N/A | N/A                  | N/A | N/A | N/A |
| James M Matiza       | ✓          | ✓   | x  | ✓  | N/A         | N/A | N/A | N/A | N/A      | N/A | N/A | N/A | ✓                        | x   | ✓   | x   | N/A                     | N/A | N/A | N/A | ✓                    | ✓   | ✓   | ✓   |
| Johnson R Mawere     | ✓          | ✓   | ✓  | ✓  | ✓           | ✓   | ✓   | ✓   | ✓        | ✓   | ✓   | ✓   | N/A                      | N/A | N/A | N/A | N/A                     | N/A | N/A | N/A | N/A                  | N/A | N/A | N/A |
| Herbert Nkala        | ✓          | ✓   | ✓  | ✓  | N/A         | N/A | N/A | N/A | ✓        | ✓   | ✓   | ✓   | N/A                      | N/A | N/A | N/A | N/A                     | N/A | N/A | N/A | N/A                  | N/A | N/A | N/A |
| Canada Malunga       | ✓          | ✓   | ✓  | ✓  | ✓           | ✓   | ✓   | ✓   | N/A      | N/A | N/A | N/A | N/A                      | N/A | N/A | N/A | N/A                     | N/A | N/A | N/A | N/A                  | N/A | N/A | N/A |
| Felix Gwandekwande   | ✓          | ✓   | ✓  | x  | 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  
 Meeting postponed P

By order of the Board

Tichaona K. Mabeza  
 GROUP COMPANY SECRETARY  
 21 March 2013

### Audit Opinion

The independent auditors of the Group, PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have audited the financial statements of the Group for the year ended 31 December 2012. The audit report is unqualified.



### A plan that covers you and your loved ones

The Hospital Cash Plan is not a medical aid but a perfect cover against loss of income in the event of a family member being hospitalised for more than 48 hours. A member's policy will be able to cover a spouse, the children and any other relative they wish to be added to the policy.

The Hospital Cash Plan cover is affordable and gives you flexible payment arrangements. It is a good deal to cover you against loss of income.

Your cellphone number becomes your policy number.

#### Benefits

- ✓ Get cash payout of US\$100 for each day for an adult and US\$50 for a child for each day spent in hospital when admitted for more than 48 hours
- ✓ The maximum payout per claim is US\$3,000 for adults per event and US\$1,500 for children and US\$6,000 and US\$3,000 per year respectively
- ✓ Immediate accident cover and three months waiting period for illness
- ✓ Premiums are payable/per month in advance by the 5th of every month

| Principal member | Adult Dependent | Dependents below 18 |
|------------------|-----------------|---------------------|
| \$1.50           | \$1.50          | \$1 per child       |

To purchase your Premium Payment Vouchers visit your nearest FBC Bank branch, OK and Bon Marche stores or pay directly using your E-mail account or via your nearest E-mail distribution partners.



Terms & Conditions apply





# FBC Bank Limited

(Registered Commercial Bank)

strength • diversity • service

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Statement of Financial Position As at 31 December 2012

|   | Note | 2012<br>US\$       | 2011<br>US\$       |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>   |      |                    |                    |
| Balances with banks and cash                          | 1    | 83 438 773         | 49 402 128         |
| Loans and receivables                                 |      |                    |                    |
| - Loans and advances to customers                     | 2    | 159 526 011        | 109 640 382        |
| Financial assets at fair value through profit or loss | 3.1  | 857 673            | 556 951            |
| Financial assets available for sale                   | 3.2  | 12 988 606         | -                  |
| Prepayments and other assets                          | 4    | 7 131 068          | 11 969 668         |
| Deferred income tax asset                             |      | 854 228            | -                  |
| Intangible assets                                     |      | 1 195 622          | 1 418 792          |
| Property and equipment                                | 5    | 15 179 907         | 14 832 554         |
| <b>Total assets</b>                                   |      | <b>281 171 888</b> | <b>187 820 475</b> |
| <b>EQUITY AND LIABILITIES</b>                         |      |                    |                    |
| <b>Liabilities</b>                                    |      |                    |                    |
| Deposits from customers                               | 6.1  | 118 730 694        | 78 024 145         |
| Deposits from other banks                             | 6.2  | 94 916 012         | 52 481 259         |
| Lines of credit                                       | 6.3  | 25 493 722         | 20 183 932         |
| Trade and other payables                              | 7    | 7 514 512          | 4 777 097          |
| Current income tax liability                          |      | 83 855             | 2 247 007          |
| Deferred income tax liability                         |      | -                  | 1 908 278          |
| Total liabilities                                     |      | 246 738 795        | 159 621 718        |
| <b>Equity</b>   |      |                    |                    |
| Share capital and share premium                       |      | 18 500 000         | 18 500 000         |
| Other reserves  |      | 1 640 314          | 1 640 314          |
| Retained profits                                      |      | 14 292 779         | 8 058 443          |
| <b>Total equity</b>                                   |      | <b>34 433 093</b>  | <b>28 198 757</b>  |
| <b>Total equity and liabilities</b>                   |      | <b>281 171 888</b> | <b>187 820 475</b> |

### Statement of Comprehensive Income For the year ended 31 December 2012

|  | Note | 2012<br>US\$      | 2011<br>US\$      |
|--|------|-------------------|-------------------|
| Interest income                                | 10   | 33 926 104        | 24 211 253        |
| Interest expense                               | 11   | (16 191 911)      | (11 238 088)      |
| <b>Net interest income</b>                     |      | <b>17 734 193</b> | <b>12 973 165</b> |
| Dealing and trading income                     |      | 1 391 380         | 1 016 385         |
| Fees and commission                            |      | 16 578 794        | 16 555 153        |
| Other operating income                         |      | 461 405           | 497 760           |
| <b>Total income</b>                            |      | <b>36 165 772</b> | <b>31 042 463</b> |
| Impairment loss on loans and advances          | 2.2  | (2 031 685)       | (3 006 895)       |
| Administrative expenses                        | 12   | (27 442 536)      | (21 554 054)      |
| <b>Profit before income tax</b>                |      | <b>6 691 551</b>  | <b>6 481 514</b>  |
| Income tax credit /(expense)                   |      | 285 985           | (1 713 684)       |
| <b>Profit for the year</b>                     |      | <b>6 977 536</b>  | <b>4 767 830</b>  |
| <b>Other comprehensive income</b>              |      |                   |                   |
| Gains on revaluation of property and equipment |      | -                 | 828 541           |
| Tax relating to other comprehensive income     |      | -                 | (213 349)         |
| <b>Other comprehensive income</b>              |      | <b>-</b>          | <b>615 192</b>    |
| <b>Total comprehensive income for the year</b> |      | <b>6 977 536</b>  | <b>5 383 022</b>  |

### Statement of Changes In Equity For the year ended 31 December 2012

|  | Ordinary<br>shares<br>US\$ | Retained<br>profits<br>US\$ | Share<br>premium<br>US\$ | Non<br>distributable<br>reserve<br>US\$ | General<br>reserve<br>US\$ | Total<br>US\$     |
|--|----------------------------|-----------------------------|--------------------------|---|----------------------------|-------------------|
| Balance at 1 January 2011                            | 18 500 000                 | 3 977 761                   | -                        | 364 878                                 | 660 244                    | 23 502 883        |
| Profit for the year                                  | -                          | 4 767 830                   | -                        | -                                       | -                          | 4 767 830         |
| <b>Other comprehensive income:</b>                   |                            |                             |                          |   |                            |                   |
| Gain on revaluation of property, plant and equipment | -                          | -                           | -                        | 615 192                                 | -                          | 615 192           |
|  | 18 500 000                 | 8 745 591                   | -                        | 980 070                                 | 660 244                    | 28 885 905        |
| <b>Transaction with owners:</b>                      |                            |                             |                          |   |                            |                   |
| Dividend declared and paid                           | -                          | (687 148)                   | -                        | -                                       | -                          | (687 148)         |
| <b>Balance as at 31 December 2011</b>                | <b>18 500 000</b>          | <b>8 058 443</b>            | <b>-</b>                 | <b>980 070</b>                          | <b>660 244</b>             | <b>28 198 757</b> |
| Balance at 1 January 2012                            | 18 500 000                 | 8 058 443                   | -                        | 980 070                                 | 660 244                    | 28 198 757        |
| Profit for the year                                  | -                          | 6 977 536                   | -                        | -                                       | -                          | 6 977 536         |
| <b>Other comprehensive income:</b>                   |                            |                             |                          |   |                            |                   |
|  | 18 500 000                 | 15 035 979                  | -                        | 980 070                                 | 660 244                    | 35 176 293        |
| <b>Transaction with owners:</b>                      |                            |                             |                          |   |                            |                   |
| Dividend declared and paid                           | -                          | (743 200)                   | -                        | -                                       | -                          | (743 200)         |
| <b>Balance as at 31 December 2012</b>                | <b>18 500 000</b>          | <b>14 292 779</b>           | <b>-</b>                 | <b>980 070</b>                          | <b>660 244</b>             | <b>34 433 093</b> |

### Statement of Cash Flows For the year ended 31 December 2012

|  | Note | 2012<br>US\$       | 2011<br>US\$        |
|--|------|--------------------|---------------------|
| <b>Cash flow from operating activities</b>                                     |      |                    |                     |
| Profit for the year  |      | 6 691 551          | 6 481 514           |
| <b>Adjustments for:</b>  |      |                    |                     |
| Depreciation   | 5    | 1 013 614          | 975 070             |
| Amortisation   |      | 553 825            | 468 042             |
| Impairment loss on loans and advances  | 2.2  | 2 031 685          | 3 006 895           |
| Profit on disposal of property and equipment                                   |      | (30 981)           | (13 604)            |
| Fair value adjustment on financial assets at fair value through profit or loss |      | (228 174)          | (290 167)           |
| <b>Net cash generated before changes in operating assets and liabilities</b>   |      | <b>10 031 520</b>  | <b>10 627 750</b>   |
| Increase in loans and advances to customers                                    |      | (54 218 525)       | (36 108 846)        |
| Decrease in statutory reserves   |      | 9 036 274          | 105 519             |
| (Increase)/decrease in prepayments and other assets                            |      | (2 416 928)        | 123 443             |
| Increase in amounts due from group companies                                   |      | (3 294 699)        | (1 870 244)         |
| Increase/(decrease) in deposits from customers                                 |      | 40 706 549         | (32 173 382)        |
| Increase in deposits from other banks  |      | 42 434 753         | 42 990 760          |
| Increase in trade and other payables   |      | 2 737 415          | 1 449 400           |
| Income tax paid  |      | 45 016 359         | (14 855 600)        |
|  |      | (4 639 673)        | (674 166)           |
| <b>Net cash generated/(used) in operating activities</b>                       |      | <b>40 376 686</b>  | <b>(15 529 766)</b> |
| <b>Cash flows from investing activities</b>                                    |      |                    |                     |
| Sale of financial assets   |      | 152 010            | -                   |
| Purchase of financial assets   |      | (382 526)          | 497 787             |
| Purchase of intangible assets  |      | (330 654)          | (708 915)           |
| Purchase of property and equipment   |      | (1 413 686)        | (722 827)           |
| Proceeds from sale of property and equipment                                   |      | 83 700             | 69 553              |
| <b>Net cash used in investing activities</b>                                   |      | <b>(1 891 156)</b> | <b>(864 402)</b>    |
| <b>Cash flows from financing activities</b>                                    |      |                    |                     |
| Proceeds from lines of credit  |      | 5 309 790          | 3 034 780           |
| Dividend declared and paid   |      | (743 200)          | (687 148)           |
| <b>Net cash generated from financing activities</b>                            |      | <b>4 566 590</b>   | <b>2 347 632</b>    |
| Net increase/(decrease) in cash and cash equivalents                           |      | 43 052 120         | (14 046 536)        |
| Cash and cash equivalents at beginning of year                                 |      | 40 386 653         | 54 433 189          |
| <b>Cash and cash equivalents at the end of year</b>                            |      | <b>83 438 773</b>  | <b>40 386 653</b>   |

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# FBC Bank Limited

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## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 16 FBC BANK CONTRACTUAL GAP MATURITY PROFILE AS AT 31 DECEMBER 2012

|                                     | 0-30 days          | 31-90 days        | 91-180 days       | 181-365 days      | Over 365 days     | Total              |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|                                     | US\$               | US\$              | US\$              | US\$              | US\$              | US\$               |
| <b>ASSETS</b>                       |                    |                   |                   |                   |                   |                    |
| Balances with banks and cash        | 23 483 635         | -                 | -                 | -                 | -                 | 23 483 635         |
| Balances with banks abroad          | 9 305 426          | -                 | -                 | -                 | -                 | 9 305 426          |
| Balances with central bank          | 50 649 712         | -                 | -                 | -                 | -                 | 50 649 712         |
| Financial assets at fair value      | 857 673            | -                 | -                 | -                 | -                 | 857 673            |
| Financial assets available for sale | 12 988 606         | -                 | -                 | -                 | -                 | 12 988 606         |
| Advances to customers               | 57 526 255         | 33 784 835        | 14 274 683        | 28 505 999        | 25 434 239        | 159 526 011        |
| Prepayments and other assets        | 427 864            | 1 069 660         | 1 782 767         | 3 850 777         | -                 | 7 131 068          |
| Intangible assets                   | -                  | -                 | -                 | -                 | 1 195 622         | 1 195 622          |
| Deferred income tax asset           | -                  | -                 | -                 | -                 | 854 228           | 854 228            |
| Property and equipment              | -                  | -                 | -                 | -                 | 15 179 907        | 15 179 907         |
| <b>TOTAL ASSETS</b>                 | <b>155 239 172</b> | <b>34 854 495</b> | <b>16 057 450</b> | <b>32 356 776</b> | <b>42 663 996</b> | <b>281 171 888</b> |
| <b>LIABILITIES</b>                  |                    |                   |                   |                   |                   |                    |
| Deposits from banks                 | 52 188 925         | 19 936 798        | 8 670 650         | 14 119 639        | -                 | 94 916 012         |
| Deposits from customers             | 101 982 964        | 9 371 441         | 6 766 289         | 610 000           | -                 | 118 730 694        |
| Lines of credit                     | -                  | -                 | -                 | 19 273 360        | 6 220 362         | 25 493 722         |
| Current tax liabilities             | -                  | -                 | -                 | 83 855            | -                 | 83 855             |
| Deferred tax liabilities            | -                  | -                 | -                 | -                 | -                 | -                  |
| Trade and other payables            | 283 655            | 701 694           | 994 066           | 2 982 198         | 2 552 899         | 7 514 512          |
| Capital and reserves                | -                  | -                 | -                 | -                 | 34 433 093        | 34 433 093         |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>154 455 544</b> | <b>30 009 933</b> | <b>16 431 005</b> | <b>37 069 052</b> | <b>43 206 354</b> | <b>281 171 888</b> |
| Mismatch/funding gap                | 783 627            | 4 844 562         | (373 555)         | (4 712 276)       | (542 358)         | -                  |
| Cumulative mismatch                 | 783 627            | 5 628 189         | 5 254 634         | 542 358           | -                 | -                  |

### 17 FBC BANK INTEREST REPRICING GAP AS AT 31 DECEMBER 2012

|                                     | 0-30 days          | 31-90 days        | 91-180 days       | 181-365 days      | Over 365 days     | Non-Interest Bearing | Total              |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|----------------------|--------------------|
|                                     | US\$               | US\$              | US\$              | US\$              | US\$              | US\$                 | US\$               |
| <b>ASSETS</b>                       |                    |                   |                   |                   |                   |                      |                    |
| Balances with banks and cash        | -                  | -                 | -                 | -                 | -                 | 23 483 635           | 23 483 635         |
| Balances with banks abroad          | 9 305 426          | -                 | -                 | -                 | -                 | -                    | 9 305 426          |
| Balances with Central Bank          | -                  | -                 | -                 | -                 | -                 | 50 649 712           | 50 649 712         |
| Financial assets at fair value      | -                  | -                 | -                 | -                 | -                 | 857 673              | 857 673            |
| Financial assets available for sale | -                  | -                 | -                 | -                 | -                 | 12 988 606           | 12 988 606         |
| Advances to customers               | 57 526 255         | 33 784 835        | 14 274 683        | 28 505 999        | 25 434 239        | -                    | 159 526 011        |
| Prepayments and other assets        | -                  | -                 | -                 | -                 | -                 | 7 131 068            | 7 131 068          |
| Deferred income tax asset           | -                  | -                 | -                 | -                 | -                 | 854 228              | 854 228            |
| Intangible assets                   | -                  | -                 | -                 | -                 | -                 | 1 195 622            | 1 195 622          |
| Property and equipment              | -                  | -                 | -                 | -                 | -                 | 15 179 907           | 15 179 907         |
| <b>TOTAL ASSETS</b>                 | <b>66 831 681</b>  | <b>33 784 835</b> | <b>14 274 683</b> | <b>28 505 999</b> | <b>25 434 239</b> | <b>112 340 451</b>   | <b>281 171 888</b> |
| <b>LIABILITIES</b>                  |                    |                   |                   |                   |                   |                      |                    |
| Deposits from banks                 | 52 188 925         | 19 936 798        | 8 670 650         | 14 119 639        | -                 | -                    | 94 916 012         |
| Deposits from foreign banks         | -                  | -                 | -                 | 19 273 360        | 6 220 362         | -                    | 25 493 722         |
| Deposits from customers             | 101 982 964        | 9 371 441         | 6 766 289         | 610 000           | -                 | -                    | 118 730 694        |
| Current tax liabilities             | -                  | -                 | -                 | 83 855            | -                 | -                    | 83 855             |
| Deferred tax liabilities            | -                  | -                 | -                 | -                 | -                 | -                    | -                  |
| Trade and other payables            | 283 655            | 701 694           | 994 066           | 2 982 198         | -                 | 2 552 899            | 7 514 512          |
| Capital and reserves                | -                  | -                 | -                 | -                 | -                 | 34 433 093           | 34 433 093         |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>154 455 544</b> | <b>30 009 933</b> | <b>16 431 005</b> | <b>37 069 052</b> | <b>6 220 362</b>  | <b>36 985 992</b>    | <b>281 171 888</b> |
| Funding gap cumulative              | (87 623 863)       | 3 774 902         | (2 156 322)       | (8 563 053)       | (11 551 752)      | (168 831 437)        | -                  |
| Mismatch                            | (87 623 863)       | (83 848 961)      | (86 005 283)      | (94 568 336)      | (106 120 089)     | (274 951 525)        | -                  |

### 18 FBC BANK FOREIGN EXCHANGE GAP AS AT 31 DECEMBER 2012

| 31-Dec-12                     | ZAR              | EUR            | BWP            | GBP            | TOTAL            |
|-------------------------------|------------------|----------------|----------------|----------------|------------------|
| Assets                        | USD Equivalent   | USD Equivalent | USD Equivalent | USD Equivalent | USD Equivalent   |
| Cash                          | 1 138 959        | 64 552         | 50 379         | 31 797         | 1 285 687        |
| Correspondent Nostro Balances | 541 122          | 208 807        | 729 226        | 73 470         | 1 552 625        |
| Investments                   | -                | -              | -              | -              | -                |
| Loans and Overdrafts          | 459 552.47       | 732.04         | 1 545.16       | 320.86         | 462 151          |
| Other                         | 109 969          | 85             | 20             | 49             | 110 122          |
| <b>Total Assets</b>           | <b>2 249 603</b> | <b>274 176</b> | <b>781 169</b> | <b>105 636</b> | <b>3 410 584</b> |
| <b>Liabilities</b>            |                  |                |                |                |                  |
| Foreign Currency Accounts     | 1 399 122        | 198 199        | 154 822        | 49 414         | 1 801 557        |
| Other                         | 309 912          | 1              | 40.73          | 104            | 310 058          |
| <b>Total Liabilities</b>      | <b>1 709 034</b> | <b>198 201</b> | <b>154 862</b> | <b>49 518</b>  | <b>2 111 615</b> |
| <b>Net Currency Positions</b> | <b>540 569</b>   | <b>75 975</b>  | <b>626 307</b> | <b>56 118</b>  | <b>1 298 969</b> |

### Value at Risk

Value at Risk is a statistical estimate of the maximum loss expected from the Bank's trading book with a given degree of confidence over a given holding period. The Bank's system uses the Exponentially Weighted Moving Average (EWMA) method to compile VaR. This method attaches more weighting to the most recent data on market risk factors- the weights decaying exponentially as we go further into the past. The VaR parameters used are a 95% confidence level, one day holding period and 5 day holding period.

| Asset Class          | Asset Class | Type of Risk  | Present Value    | Portfolio Weight | Value at Risk (95% Confidence level) |                      |
|----------------------|-------------|---------------|------------------|------------------|--------------------------------------|----------------------|
|                      |             |               |                  |                  | 1-day Holding Period                 | 5-day Holding Period |
| Currency             | Currency    | Exchange Rate | 1,298,969        | 100%             | 7,552                                | 16,886               |
| <b>Total</b>         |             |               | <b>1,298,969</b> | <b>100%</b>      | <b>7,552</b>                         | <b>16,886</b>        |
| <b>Portfolio VaR</b> |             |               |                  |                  | <b>7,552</b>                         | <b>16,886</b>        |

### 19 BOARD ATTENDANCE

| NAME              | 2012 MAIN BOARD |           |           |           |
|-------------------|-----------------|-----------|-----------|-----------|
|                   | QUARTER 1       | QUARTER 2 | QUARTER 3 | QUARTER 4 |
| Taka Mutunhu      | √               | √         | √         | √         |
| John Mushayavanhu | √               | √         | √         | √         |
| Garikai Bera      | x               | √         | √         | √         |
| Paul Chimedza     | √               | x         | √         | √         |
| Trynos Kufazvinei | √               | x         | √         | √         |
| Martin Makonese   | √               | √         | √         | √         |
| Susan Mutangadura | x               | √         | √         | √         |
| Webster Rusere    | √               | √         | √         | √         |
| Mercy Ngoro       | √               | √         | √         | √         |
| Theresa Mazoyo    | √               | √         | √         | x         |
| Patrick Takawira  | √               | √         | x         | x         |
| Agrippa Mugwagwa  | √               | √         | √         | √         |
| David Birch       | √               | x         | √         | √         |

√ Present  
X Absent

By order of the Board

**Tichaona K. Mabeza**  
GROUP COMPANY SECRETARY  
21 March 2013

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# FBC Building Society

(Registered Building Society)

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Statement of Financial Position As at 31 December 2012

|                                     | Notes | 2012<br>US\$      | 2011<br>US\$      |
|-------------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                       |       |                   |                   |
| Cash and cash equivalents           | 1     | 18 961 069        | 10 744 349        |
| Loans and advances to customers     | 2     | 29 176 730        | 15 084 997        |
| Inventory                           | 3     | 3 395 415         | 2 478 512         |
| Other assets                        | 4     | 201 485           | 251 107           |
| Investment property                 | 5     | 25 000            | 25 000            |
| Property and equipment              | 6     | 4 439 861         | 4 476 218         |
| Intangible assets                   | 7     | 262 253           | -                 |
| <b>Total assets</b>                 |       | <b>56 461 813</b> | <b>33 060 183</b> |
| <b>Liabilities</b>                  |       |                   |                   |
| Deposits from banks                 | 8.1   | 8 570 593         | 1 633 075         |
| Deposits from customers             | 8.2   | 19 985 707        | 9 675 916         |
| Borrowings                          | 8.3   | 5 251 293         | 4 837 193         |
| Other liabilities                   | 8.4   | 3 294 110         | 2 497 944         |
| <b>Total liabilities</b>            |       | <b>37 101 703</b> | <b>18 644 128</b> |
| <b>Equity</b>                       |       |                   |                   |
| Share capital                       |       | 156 125           | 156 125           |
| Share premium                       |       | 9 985 434         | 9 985 434         |
| Non distributable reserves          |       | 839 778           | 839 778           |
| Revaluation reserves                |       | 309 385           | 309 385           |
| General reserves                    |       | -                 | 63 060            |
| Accumulated surplus                 |       | 8 069 388         | 3 062 273         |
| <b>Total equity</b>                 |       | <b>19 360 110</b> | <b>14 416 055</b> |
| <b>Total equity and liabilities</b> |       | <b>56 461 813</b> | <b>33 060 183</b> |

### Statement of Comprehensive Income For the year ended 31 December 2012

|  | Notes | 2012<br>US\$       | 2011<br>US\$       |
|--|-------|--------------------|--------------------|
| Interest income                                | 9     | 5 653 513          | 3 375 276          |
| Interest expense                               | 10    | (2 038 362)        | (1 097 630)        |
| <b>Net interest income</b>                     |       | <b>3 615 151</b>   | <b>2 277 646</b>   |
| Revenue property sales                         |       | 11 105 170         | 4 426 975          |
| Cost of sales                                  |       | (7 370 540)        | (2 788 649)        |
| <b>Gross profit from property sales</b>        |       | <b>3 734 630</b>   | <b>1 638 326</b>   |
| Fees and commission income                     |       | 4 404 944          | 3 615 241          |
| Fees and commission expense                    |       | (79 943)           | (53 342)           |
| <b>Net fees and commission income</b>          |       | <b>4 325 001</b>   | <b>3 561 899</b>   |
| Fair value gain on investment property         | 5     | -                  | 55 000             |
| Other income                                   | 11    | 108 727            | 113 418            |
| <b>Total income</b>                            |       | <b>11 783 509</b>  | <b>7 646 289</b>   |
| Impairment loss on financial assets            | 2.2   | (390 877)          | (257 828)          |
| Operating expenses                             | 12    | (5 913 903)        | (4 443 120)        |
| <b>Total operating expenses</b>                |       | <b>(6 304 780)</b> | <b>(4 700 948)</b> |
| <b>Surplus for the year</b>                    |       | <b>5 478 729</b>   | <b>2 945 341</b>   |
| <b>Other comprehensive income</b>              |       |                    |                    |
| Revaluation gain on properties                 | 6     | -                  | 156 123            |
| <b>Total comprehensive income for the year</b> |       | <b>5 478 729</b>   | <b>3 101 464</b>   |

### Statement of Changes in Equity For the year ended 31 December 2012

|   | Share<br>capital<br>US\$ | Share<br>premium<br>US\$ | Non<br>distributable<br>reserve<br>US\$ | Revaluation<br>reserve<br>US\$ | Statutory<br>reserve<br>US\$ | Accumulated<br>surplus<br>US\$ | Total<br>US\$     |
|---|--------------------------|--------------------------|---|--------------------------------|------------------------------|--------------------------------|-------------------|
| Opening balance at 1 January 2011                           | 156 125                  | 9 985 434                | 839 778                                 | 153 262                        | 81 633                       | 447 283                        | 11 663 515        |
| Surplus for the year  | -                        | -                        | -                                       | -                              | -                            | 2 945 341                      | 2 945 341         |
| <b>Other comprehensive income</b>                           |                          |                          |   |                                |                              |                                |                   |
| Revaluation adjustment                                      | -                        | -                        | -                                       | 156 123                        | -                            | -                              | 156 123           |
| Regulatory impairment allowance                             | -                        | -                        | -                                       | -                              | (18 573)                     | 18 573                         | -                 |
| <b>Total comprehensive income</b>                           | -                        | -                        | -                                       | 156 123                        | (18 573)                     | 2 963 914                      | 3 101 464         |
| <b>Transactions with owners recorded directly in equity</b> |                          |                          |   |                                |                              |                                |                   |
| Dividend paid   | -                        | -                        | -                                       | -                              | -                            | (348 924)                      | (348 924)         |
| <b>Shareholders equity as at 31 December 2011</b>           | <b>156 125</b>           | <b>9 985 434</b>         | <b>839 778</b>                          | <b>309 385</b>                 | <b>63 060</b>                | <b>3 062 273</b>               | <b>14 416 055</b> |
| Surplus for the year  | -                        | -                        | -                                       | -                              | -                            | 5 478 729                      | 5 478 729         |
| <b>Other comprehensive income</b>                           |                          |                          |   |                                |                              |                                |                   |
| Regulatory impairment allowance                             | -                        | -                        | -                                       | -                              | (63 060)                     | 63 060                         | -                 |
| <b>Total comprehensive income</b>                           | -                        | -                        | -                                       | -                              | (63 060)                     | 5 541 789                      | 5 478 729         |
| <b>Transactions with owners recorded directly in equity</b> |                          |                          |   |                                |                              |                                |                   |
| Dividend paid   | -                        | -                        | -                                       | -                              | -                            | (534 674)                      | (534 674)         |
| <b>Shareholders equity as at 31 December 2012</b>           | <b>156 125</b>           | <b>9 985 434</b>         | <b>839 778</b>                          | <b>309 385</b>                 | -                            | <b>8 069 388</b>               | <b>19 360 110</b> |

### Statement of Cash Flows For the year ended 31 December 2012

|  | Notes    | 2012<br>US\$      | 2011<br>US\$      |
|--|----------|-------------------|-------------------|
| <b>Cash flow from operating activities</b>                                   |          |                   |                   |
| Surplus for the year   |          | 5 478 729         | 2 945 341         |
| <b>Adjustments for:</b>  |          |                   |                   |
| Depreciation of property and equipment                                       | 6        | 167 377           | 172 450           |
| Amortisation of intangible assets  | 7        | 28 927            | -                 |
| Impairment of property   | 6        | -                 | 54 548            |
| Loss/(profit) on disposal of property and equipment                          |          | 1 328             | (4 745)           |
| Impairment on loans and advances   | 2.2      | 390 877           | 257 828           |
| Fair value gain investment property  | 5        | -                 | (55 000)          |
| <b>Net cash generated before changes in operating assets and liabilities</b> |          | <b>6 067 238</b>  | <b>3 370 422</b>  |
| Change in loans and advances to customers                                    |          | (14 482 610)      | (8 288 984)       |
| Change in inventory  |          | (916 903)         | (270 781)         |
| Change in other assets   |          | 49 622            | 135 279           |
| Change in deposits from banks  |          | 6 937 518         | (391 241)         |
| Change in deposits from customers  |          | 10 309 791        | 4 652 655         |
| Change in other liabilities  |          | 796 166           | (40 885)          |
| <b>Net cash flow from operating activities</b>                               |          | <b>8 760 822</b>  | <b>(833 535)</b>  |
| <b>Cash flow from investing activities</b>                                   |          |                   |                   |
| Purchase of property and equipment   | 6        | (134 045)         | (118 959)         |
| Purchase of intangible assets  | 7        | (291 180)         | -                 |
| Proceeds from disposal of property and equipment                             |          | 1 697             | 15 445            |
| <b>Net cash outflow from investing activities</b>                            |          | <b>(423 528)</b>  | <b>(103 514)</b>  |
| <b>Cash flow from financing activities</b>                                   |          |                   |                   |
| Net proceeds from borrowings   |          | 2 004 987         | 4 837 193         |
| Borrowings repayment   |          | (1 590 887)       | -                 |
| Dividend paid  |          | (534 674)         | (348 924)         |
| <b>Cash flow from financing activities</b>                                   |          | <b>(120 574)</b>  | <b>4 488 269</b>  |
| <b>Net increase in cash and cash equivalents</b>                             |          | <b>8 216 720</b>  | <b>3 551 220</b>  |
| Cash and cash equivalents at the beginning of the year                       |          | 10 744 349        | 7 193 129         |
| <b>Cash and cash equivalents at the end of the year</b>                      | <b>1</b> | <b>18 961 069</b> | <b>10 744 349</b> |

### Notes to the Financial Results For the year ended 31 December 2012

#### 1. CASH AND CASH EQUIVALENTS

|                                  | 2012<br>US\$ | 2011<br>US\$ |
|----------------------------------|--------------|--------------|
| Cash on hand                     | 717 754      | 779 968      |
| Cash at bank                     | 564 123      | 443 440      |
| Interbank short term investments | 17 679 192   | 9 520 941    |
|                                  | 18 961 069   | 10 744 349   |

#### 2. LOANS AND ADVANCES TO CUSTOMERS

|  | 2012<br>US\$      | 2011<br>US\$      |
|--|-------------------|-------------------|
| Short term loan advances                   | 12 489 001        | 8 161 956         |
| Mortgage loan advances                     | 17 339 398        | 7 183 833         |
| Gross loans and advances to customers      | 29 828 399        | 15 345 789        |
| Less: Impairment on loans and advances     | (651 669)         | (260 792)         |
| <b>Net loans and advances to customers</b> | <b>29 176 730</b> | <b>15 084 997</b> |

#### 2.1 Maturity analysis of loans and advances

|                     | 2012<br>US\$ | 2011<br>US\$ |
|---------------------|--------------|--------------|
| Up to 1 month       | 592 072      | 702 062      |
| 1 month to 3 months | 1 966 315    | 1 404 124    |
| 3 months to 1 year  | 7 675 162    | 6 318 560    |
| 1 year to 5 years   | 7 700 751    | 2 675 952    |
| Over 5 years        | 11 242 430   | 3 984 299    |
|                     | 29 176 730   | 15 084 997   |

#### 2.2 Movement in impairment on loans and advances

|                                  | 2012<br>US\$ | 2011<br>US\$ |
|----------------------------------|--------------|--------------|
| Balance at beginning of the year | 260 792      | 2 964        |
| Specific impairment              | 390 877      | 257 828      |
|                                  | 651 669      | 260 792      |

#### 2.3 Exposure to credit risk

Carrying amount

|  | 2012<br>US\$ | 2011<br>US\$ |
|--|--------------|--------------|
|  | 29 176 730   | 15 084 997   |

#### Past due and impaired

|                          | 2012<br>US\$   | 2011<br>US\$   |
|--------------------------|----------------|----------------|
| Grade C: Impaired        | 936 451        | 157 223        |
| Grade D: Impaired        | 24 450         | 29 885         |
| Grade E: Impaired        | 275 516        | 254 066        |
| Gross amount             | 1 236 417      | 441 174        |
| Allowance for impairment | (341 621)      | (146 393)      |
| <b>Carrying amount</b>   | <b>894 796</b> | <b>294 781</b> |

#### Neither past due nor impaired

|                          | 2012<br>US\$      | 2011<br>US\$      |
|--------------------------|-------------------|-------------------|
| Grade A: low fair risk   | 23 831 951        | 12 785 769        |
| Grade B: watch list      | 4 760 031         | 2 118 846         |
| Gross amount             | 28 591 982        | 14 904 615        |
| Allowance for impairment | (310 048)         | (114 399)         |
| <b>Carrying amount</b>   | <b>28 281 934</b> | <b>14 790 216</b> |

Total carrying amount

|  | 2012<br>US\$ | 2011<br>US\$ |
|--|--------------|--------------|
|  | 29 176 730   | 15 084 997   |

#### 3. INVENTORY

|                  | 2012<br>US\$ | 2011<br>US\$ |
|------------------|--------------|--------------|
| Raw materials    | 1 598 616    | 1 551 195    |
| Work in progress | 1 796 799    | 927 317      |
|                  | 3 395 415    | 2 478 512    |

#### 4. OTHER ASSETS

|                       | 2012<br>US\$ | 2011<br>US\$ |
|-----------------------|--------------|--------------|
| Intercompany balance  | 39 372       | 100 051      |
| Prepayments and other | 162 113      | 151 056      |
|                       | 201 485      | 251 107      |

#### 4.1 Maturity analysis of other assets

|                     | 2012<br>US\$ | 2011<br>US\$ |
|---------------------|--------------|--------------|
| Up to 1 month       | 25 912       | 25 789       |
| 1 month to 3 months | 95 419       | 113 542      |
| 3 months to 1 year  | 40 782       | 38 747       |
| 1 year to 5 years   | 39 372       | 73 029       |
|                     | 201 485      | 251 107      |





# FBC Building Society

(Registered Building Society)

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Notes to the Financial Results (Continued) For the year ended 31 December 2012

|  | 2012<br>US\$      | 2011<br>US\$      |
|--|-------------------|-------------------|
| <b>5. INVESTMENT PROPERTIES</b>                                |                   |                   |
| Opening balance  | 25 000            | 610 000           |
| Fair value adjustments   | -                 | 55 000            |
| Transfer to owner occupied properties                          | -                 | (640 000)         |
| Closing balance  | 25 000            | 25 000            |
| <b>6. PROPERTY AND EQUIPMENT</b>                               |                   |                   |
| <b>Cost</b>  |                   |                   |
| Carrying amount at beginning of the year                       | 4 476 218         | 3 798 834         |
| Gross carrying amount  | 4 791 143         | 4 154 876         |
| Accumulated depreciation and impairment loss                   | (314 925)         | (356 042)         |
| Additions  | 134 045           | 118 959           |
| Transfer from investment properties                            | -                 | 640 000           |
| Revaluation gain on properties                                 | -                 | 156 123           |
| Disposals  | (3 025)           | (10 700)          |
| Current period depreciation charge                             | (167 377)         | (172 450)         |
| Impairment   | -                 | (54 548)          |
| Carrying amount at end of the year                             | 4 439 861         | 4 476 218         |
| Gross carrying amount  | 4 916 362         | 4 791 143         |
| Accumulated depreciation and impairment loss                   | (476 501)         | (314 925)         |
| <b>7. INTANGIBLE ASSETS</b>                                    |                   |                   |
| Opening net book amount  | -                 | -                 |
| Additions  | 291 180           | -                 |
| Amortisation charge  | (28 927)          | -                 |
| Closing net book amount  | 262 253           | -                 |
| <b>8. DEPOSITS AND OTHER LIABILITIES</b>                       |                   |                   |
| <b>8.1 Deposits from banks</b>                                 |                   |                   |
| Money market deposits  | 8 570 593         | 1 633 075         |
|  | 8 570 593         | 1 633 075         |
| <b>8.2 Deposits from customers</b>                             |                   |                   |
| Retail savings deposits  | 6 917 372         | 3 581 872         |
| Money market deposits  | 13 068 335        | 6 094 044         |
|  | 19 985 707        | 9 675 916         |
| <b>8.3 Borrowings</b>  |                   |                   |
| PTA Bank and Shelter Afrique lines of credit                   | 5 251 293         | 4 837 193         |
|  | 5 251 293         | 4 837 193         |
| <b>8.4 Other liabilities</b>                                   |                   |                   |
| Trade and other payables                                       | 1 510 021         | 460 414           |
| Deferred income  | 1 122 067         | 1 739 934         |
| Other liabilities  | 662 022           | 297 596           |
|  | 3 294 110         | 2 497 944         |
| <b>Total deposits and other liabilities</b>                    | <b>37 101 703</b> | <b>18 644 128</b> |
| <b>8.5 Maturity analysis of deposits and other liabilities</b> |                   |                   |
| Up to 1 month  | 19 935 041        | 8 191 577         |
| 1 month to 3 months  | 5 239 315         | 4 256 083         |
| 3 months to 1 year   | 6 754 720         | 1 359 275         |
| Over 1 year  | 5 172 627         | 4 837 193         |
|  | 37 101 703        | 18 644 128        |
| <b>9. INTEREST INCOME</b>                                      |                   |                   |
| Loans and advances to customers                                | 3 920 840         | 2 116 950         |
| Interbank money market investments                             | 1 732 673         | 1 258 326         |
|  | 5 653 513         | 3 375 276         |
| <b>10. INTEREST EXPENSE</b>                                    |                   |                   |
| Deposits from banks  | 465 748           | 210 051           |
| Demand deposits- retail savings                                | 122 444           | 40 639            |
| PTA Bank   | 529 231           | 188 858           |
| Time deposits  | 920 939           | 658 082           |
|  | 2 038 362         | 1 097 630         |
| <b>11. OTHER INCOME</b>  |                   |                   |
| Rent received  | 77 034            | 66 933            |
| (Loss)/profit on disposal of property and equipment            | (1 328)           | 4 745             |
| Other  | 33 021            | 41 740            |
|  | 108 727           | 113 418           |
| <b>12. OPERATING EXPENSES</b>                                  |                   |                   |
| Administration expenses  | 1 771 182         | 1 343 697         |
| Staff costs  | 3 715 981         | 2 617 145         |
| Audit fees   | 68 544            | 89 331            |
| Directors fees   | 161 892           | 165 949           |
| Depreciation and amortisation                                  | 196 304           | 226 998           |
|  | 5 913 903         | 4 443 120         |

| 31 Dec 2012                     | 0-90 days<br>US\$  | 91-180 days<br>US\$ | 181-365 days<br>US\$ | 1 to 5 years<br>US\$ | Over 5 years<br>US\$ | Total<br>US\$     |
|---------------------------------|--------------------|---------------------|----------------------|----------------------|----------------------|-------------------|
| <b>Assets</b>                   |                    |                     |                      |                      |                      |                   |
| Cash and cash equivalents       | 18 759 494         | 201 575             | -                    | -                    | -                    | 18 961 069        |
| Loans and advances to customers | 2 558 387          | 2 558 388           | 5 116 774            | 7 700 751            | 11 242 430           | 29 176 730        |
| Inventory                       | 1 786 165          | 301 596             | 532 054              | 775 600              | -                    | 3 395 415         |
| Other assets                    | 121 331            | 13 594              | 27 188               | 39 372               | -                    | 201 485           |
| Investment properties           | -                  | -                   | -                    | -                    | 25 000               | 25 000            |
| Property and equipment          | -                  | -                   | -                    | 395 403              | 4 044 458            | 4 439 861         |
| Intangible assets               | -                  | -                   | -                    | 262 253              | -                    | 262 253           |
| <b>Total assets</b>             | <b>23 225 377</b>  | <b>3 075 153</b>    | <b>5 676 016</b>     | <b>9 173 379</b>     | <b>15 311 888</b>    | <b>56 461 813</b> |
| <b>Liabilities</b>              |                    |                     |                      |                      |                      |                   |
| Deposits from banks             | 5 369 171          | -                   | 3 201 422            | -                    | -                    | 8 570 593         |
| Deposits from customers         | 17 010 714         | 471 813             | 915 180              | 1 588 000            | -                    | 19 985 707        |
| Borrowings                      | 833 333            | -                   | 833 333              | 3 584 627            | -                    | 5 251 293         |
| Other liabilities               | 1 961 138          | 392 155             | 940 817              | -                    | -                    | 3 294 110         |
| Equity                          | -                  | -                   | -                    | -                    | 19 360 110           | 19 360 110        |
| <b>Total liabilities</b>        | <b>25 174 356</b>  | <b>863 968</b>      | <b>5 890 752</b>     | <b>5 172 627</b>     | <b>19 360 110</b>    | <b>56 461 813</b> |
| <b>Liquidity gap</b>            | <b>(1 948 979)</b> | <b>2 211 185</b>    | <b>(214 736)</b>     | <b>4 000 752</b>     | <b>(4 048 222)</b>   | <b>-</b>          |
| <b>Cumulative liquidity gap</b> | <b>(1 948 979)</b> | <b>262 206</b>      | <b>47 470</b>        | <b>4 048 222</b>     | <b>-</b>             | <b>-</b>          |

### 14. INTEREST RATE RISK Interest rate repricing gap

| 31 Dec 2012                                   | Upto 30 days<br>US\$ | 31-90 days<br>US\$ | 91-180 days<br>US\$ | 181-365 days<br>US\$ | Over 365 days<br>US\$ | Non interest bearing<br>US\$ | Total<br>US\$     |
|---|----------------------|--------------------|---------------------|----------------------|-----------------------|------------------------------|-------------------|
| <b>Assets</b>                                 |                      |                    |                     |                      |                       |                              |                   |
| Cash and cash equivalents                     | 12 121 193           | 5 356 424          | 201 575             | -                    | -                     | 1 281 877                    | 18 961 069        |
| Loans and advances to customers               | 17 476 935           | 1 816 000          | 2 324 000           | 4 648 000            | 2 911 795             | -                            | 29 176 730        |
| Inventory                                     | -                    | -                  | -                   | -                    | -                     | 3 395 415                    | 3 395 415         |
| Other assets                                  | -                    | -                  | -                   | -                    | -                     | 201 485                      | 201 485           |
| Investment properties                         | -                    | -                  | -                   | -                    | -                     | 25 000                       | 25 000            |
| Property and equipment                        | -                    | -                  | -                   | -                    | -                     | 4 439 861                    | 4 439 861         |
| Intangible assets                             | -                    | -                  | -                   | -                    | -                     | 262 253                      | 262 253           |
| <b>Total assets</b>                           | <b>29 598 128</b>    | <b>7 172 424</b>   | <b>2 525 575</b>    | <b>4 648 000</b>     | <b>2 911 795</b>      | <b>9 605 891</b>             | <b>56 461 813</b> |
| <b>Liabilities</b>                            |                      |                    |                     |                      |                       |                              |                   |
| Deposits from banks                           | 4 864 477            | 504 694            | -                   | 3 201 422            | -                     | -                            | 8 570 593         |
| Deposits from customers                       | 17 179 735           | 2 334 159          | 471 813             | -                    | -                     | -                            | 19 985 707        |
| Borrowings                                    | -                    | 833 333            | -                   | 833 333              | 3 584 627             | -                            | 5 251 293         |
| Other liabilities                             | -                    | -                  | -                   | -                    | -                     | 3 294 110                    | 3 294 110         |
| Equity  | -                    | -                  | -                   | -                    | -                     | 19 360 110                   | 19 360 110        |
| <b>Total liabilities</b>                      | <b>22 044 212</b>    | <b>3 672 186</b>   | <b>471 813</b>      | <b>4 034 755</b>     | <b>3 584 627</b>      | <b>22 654 220</b>            | <b>56 461 813</b> |
| <b>Interest rate repricing gap</b>            | <b>7 553 916</b>     | <b>3 500 238</b>   | <b>2 053 762</b>    | <b>613 245</b>       | <b>(672 832)</b>      | <b>(13 048 329)</b>          | <b>-</b>          |
| <b>Cumulative interest rate repricing gap</b> | <b>7 553 916</b>     | <b>11 054 154</b>  | <b>13 107 916</b>   | <b>13 721 161</b>    | <b>13 048 329</b>     | <b>-</b>                     | <b>-</b>          |

### 15. CAPITAL ADEQUACY RATIO

|   | 2012<br>US\$      | 2011<br>US\$      |
|---|-------------------|-------------------|
| <b>Core Capital Tier 1</b>                        |                   |                   |
| Issued and fully paid up ordinary share capital   | 10 141 559        | 10 141 559        |
| Accumulated surplus                               | 8 069 388         | 3 062 273         |
| Capital allocated for market and operational risk | (1 083 182)       | (641 239)         |
| Advances to insiders                              | (380 975)         | (353 505)         |
| <b>Total core capital</b>                         | <b>16 746 790</b> | <b>12 209 088</b> |
| <b>Supplementary Capital Tier 2</b>               |                   |                   |
| Non distributable reserve                         | 839 778           | 839 778           |
| Revaluation reserves                              | 309 385           | 309 385           |
| General provisions for doubtful debts             | -                 | 63 060            |
| <b>Total supplementary capital</b>                | <b>1 149 163</b>  | <b>1 212 223</b>  |
| <b>Tier 3</b>                                     |                   |                   |
| Capital allocated for market and operational risk | 1 083 182         | 641 239           |
| <b>Core capital plus supplementary capital</b>    | <b>18 979 135</b> | <b>14 062 550</b> |
| Total risk weighted assets                        | 37 948 332        | 28 682 079        |
| Tier 1 capital ratio                              | 44%               | 43%               |
| Tier 2 capital ratio                              | 3%                | 4%                |
| Tier 3 capital ratio                              | 3%                | 2%                |
| Capital adequacy ratio                            | 50%               | 49%               |
| <b>16. CAPITAL COMMITMENTS</b>                    |                   |                   |
| Capital expenditure authorised not yet undertaken | 1 000 000         | 900 000           |

### 17. BOARD ATTENDANCE

| Board member         | Main Board |           |           |           |
|----------------------|------------|-----------|-----------|-----------|
|                      | Quarter 1  | Quarter 2 | Quarter 3 | Quarter 4 |
| Benjamin Kumalo      | ✓          | ✓         | ✓         | ✓         |
| Felix Gwandekwande   | ✓          | ✓         | ✓         | ✓         |
| Oliver Gwaze         | ✓          | ✓         | ✓         | ✓         |
| Marah Hativagone     | ✓          | ✓         | ✓         | ✓         |
| Agnes Kanhukamwe     | N/A        | ✓         | ✓         | x         |
| Patrick L. Mapani    | ✓          | ✓         | ✓         | ✓         |
| Kennard C. Muranda   | ✓          | ✓         | ✓         | ✓         |
| John Mushayavanhu    | ✓          | ✓         | ✓         | ✓         |
| Christopher Y Muyeve | ✓          | ✓         | ✓         | ✓         |
| Pius Rateiwa         | N/A        | ✓         | ✓         | ✓         |
| Webster Rusere       | ✓          | ✓         | ✓         | ✓         |

Legend: ✓ - Attended x - Apologies N/A - Not a member

By order of the Board

T. Mabeza  
Group Company Secretary  
21 March 2013

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Cluster Homes Project  
Helping Zimbabweans achieve their dream homes.

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