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

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

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 surburb 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 2013

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Note	2012 US$	2011 US$
Interest income	15	37 806 670	26 621 440
Interest expense	15.1	(17 511 395)	(12 773 813)
Net interest income		**20 295 275**	**13 847 627**
Fee and commission income	16	20 605 148	20 430 481
Fee and commission expense	16.1	(27 318)	(20 067)
Net fee and commission income		**20 577 830**	**20 410 414**
Revenue	17	53 613 611	56 292 235
Cost of sales	17.1	(37 504 472)	(39 054 161)
Gross profit		**16 109 139**	**17 238 074**
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
Total income		**74 215 025**	**62 159 384**
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)
Profit before income tax		**16 892 650**	**15 674 998**
Income tax expense	21	(1 255 798)	(3 168 488)
Profit for the year		**15 636 852**	**12 506 510**
Other comprehensive income			
Gains on property revaluation		-	3 844 017
Tax relating to other comprehensive income		-	(714 285)
Other comprehensive income, net income tax		**-**	**3 129 732**
Total comprehensive income for the year		**15 636 852**	**15 636 242**
Profit attributable to:			
Equity holders of the parent		12 987 368	9 705 377
Non - controlling interest		2 649 484	2 801 133
Profit for the year		**15 636 852**	**12 506 510**
Total comprehensive income attributable to:			
Equity holders of the parent		12 987 368	11 798 046
Non - controlling interest		2 649 484	3 838 196
Total comprehensive income for the year		**15 636 852**	**15 636 242**
Earnings per share (US cents)			
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 US$	2011 US$
ASSETS			
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
Total assets		**392 054 851**	**279 592 710**
EQUITY AND LIABILITIES			
Liabilities			
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
Total liabilities		**303 902 218**	**205 373 878**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
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
Total equity		**88 152 633**	**74 218 832**
Total equity and liabilities		**392 054 851**	**279 592 710**

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

	Share capital US$	Share premium US$	Retained profits US$	Share option reserve US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Regulatory reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2011	**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
Other comprehensive income;												
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)	-	-	-	-
Total other comprehensive income	**-**	**-**	**18 573**	**-**	**-**	**-**	**2 092 669**	**(18 573)**	**-**	**2 092 669**	**1 037 063**	**3 129 732**
Total comprehensive income	**-**	**-**	**9 723 950**	**-**	**-**	**-**	**2 092 669**	**(18 573)**	**-**	**11 798 046**	**3 838 196**	**15 636 242**
Transaction with owners:												
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)
Balance as at 31 December 2011	**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**
Balance as at 1 January 2012	**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
Other comprehensive income:												
Regulatory impairment allowance	-	-	63 060	-	-	-	-	(63 060)	-	-	-	-
Total other comprehensive income	**-**	**-**	**63 060**	**-**	**-**	**-**	**-**	**(63 060)**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**13 050 428**	**-**	**-**	**-**	**-**	**(63 060)**	**-**	**12 987 368**	**2 649 484**	**15 636 852**
Transaction with owners:												
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
Balance as at 31 December 2012	**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**

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

	Note	2012 US$	2011 US$
Cash flow from operating activities			
Profit before income tax		16 892 650	15 674 998
Adjustments for:			
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)
Net cash generated before changes in operating assets and liabilities		**24 345 924**	**23 298 193**
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)
Net cash generated/(used) in operating activities		**42 252 445**	**(22 232 751)**
Cash flows from investing activities			
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
Net cash used in investing activities		**(4 718 848)**	**(6 594 636)**
Cash flows from financing activities			
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)
Net cash generated from financing activities		**3 294 731**	**9 681 316**
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
Cash and cash equivalents at the end of year	4.1	**81 920 185**	**41 091 857**

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, stockbrocking, 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.

	2012 US$	2011 US$
4 BALANCES WITH BANKS AND CASH		
Balances with Reserve Bank of Zimbabwe ("RBZ")		
Statutory reserves	-	9 035 745
Current account balances	50 701 657	12 654 910
	50 701 657	**21 690 655**
Balances with other banks and cash		
Notes and coins	23 907 633	16 086 163
Other bank balances	7 805 800	12 582 236
	31 713 433	28 668 399
Balances with banks and cash	**82 415 090**	**50 359 054**
Current	82 415 090	50 359 054
Non-current	-	-
Total	**82 415 090**	**50 359 054**

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;

	2012 US$	2011 US$
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)
	81 920 185	41 091 857

	2012 US$	2011 US$
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	**200 380 911**	**125 363 153**
Impairment allowance	(9 788 364)	(4 030 127)
	190 592 547	121 333 026
Current	135 315 806	99 236 924
Non-current	55 276 741	22 096 102
Total	**190 592 547**	**121 333 026**
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	**26 610 571**	**23 498 504**
Impairment allowance	(27 765)	(324 795)
	26 582 806	23 173 709
Current	26 582 806	23 173 709
Non-current		-
Total	**26 582 806**	**23 173 709**

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	**4 030 127**	**324 795**	**4 354 922**
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	**9 788 364**	**27 765**	**9 816 129**

FBC Holdings Limited

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Audited Financial Results For The Year Ended 31 December 2012

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 US$	2011 US$
Listed securities at market value	2 932 818	2 123 239
Current	2 932 818	2 123 239
Non-current	-	-
Total	**2 932 818**	**2 123 239**

7 INVENTORY

	2012 US$	2011 US$
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
	22 152 528	**17 290 873**

8 PREPAYMENTS AND OTHER ASSETS

	2012 US$	2011 US$
Prepayments	2 385 095	1 011 507
Deferred aqcuisition 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
	6 921 582	**5 708 773**
Current	6 921 582	5 708 773
Non-current	-	-
Total	**6 921 582**	**5 708 773**

9 INTANGIBLE ASSETS

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

10 PROPERTY AND EQUIPMENT

	Freehold premises US$	Plant and machinery US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
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)
Closing net book amount	**28 545 237**	**22 758 317**	**1 274 448**	**2 973 783**	**1 316 380**	**56 868 165**
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)
Net book amount	**28 545 237**	**22 758 317**	**1 274 448**	**2 973 783**	**1 316 380**	**56 868 165**
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)
Closing net book amount	**28 083 296**	**23 394 626**	**1 213 594**	**3 362 664**	**1 256 087**	**57 310 267**
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)
Net book amount	**28 083 296**	**23 394 626**	**1 213 594**	**3 362 664**	**1 256 087**	**57 310 267**

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.

11 DEPOSITS FROM OTHER BANKS AND CUSTOMERS

11.1 DEPOSITS FROM OTHER CUSTOMERS

	2012 US$	2011 US$
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
	127 287 724	**70 790 291**
Current	127 287 724	70 790 291
Non-current	-	-
Total	**127 287 724**	**70 790 291**

11.2 DEPOSITS FROM OTHER BANKS

	2012 US$	2011 US$
Money market deposits	84 389 794	54 114 334
Bank borrowings and lines of credit	41 566 592	36 504 626
	125 956 386	**90 618 960**
Current	106 839 547	90 618 960
Non-current	19 116 839	-
Total	**125 956 386**	**90 618 960**
Total deposits	**253 244 110**	**161 409 251**

11.3 Deposit concentration

	2012 US$	%	2011 US$	%
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%
	253 244 110	**100%**	**161 409 251**	**100%**

12 INSURANCE LIABILITIES

	2012 US$	2011 US$
Gross outstanding claims	7 336 142	5 918 568
Provision for unearned premium	3 640 589	2 461 840
	10 976 731	**8 380 408**
Current	10 976 731	8 380 408
Non-current	-	-
Total	**10 976 731**	**8 380 408**

13 TRADE AND OTHER PAYABLES

	2012 US$	2011 US$
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
	30 699 218	**21 866 385**
Current	30 699 218	21 866 385
Non-current	-	-
Total	**30 699 218**	**21 866 385**

14 SHARE CAPITAL AND SHARE PREMIUM

14.1 Authorised

	2012	2011
Number of ordinary shares	800 000 000	800 000 000
Par value of shares US$	0.00001	0.00001

14.2 Issued and fully paid

	2012	2011
Number of ordinary shares	591 850 127	591 850 127

14.3 Share capital movement

	Number of Shares	Share Capital US$	Share Premium US$	Total US$
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**

15 INTEREST INCOME

	2012 US$	2011 US$
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
	37 806 670	**26 621 440**

15.1 INTEREST EXPENSE

	2012 US$	2011 US$
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
	17 511 395	**12 773 813**

16 FEE AND COMMISSION INCOME

	2012 US$	2011 US$
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
	20 605 148	**20 430 481**

16.1 FEE AND COMMISSION EXPENSE

	2012 US$	2011 US$
Brokerage	27 318	20 067
	27 318	**20 067**

17 REVENUE

	2012 US$	2011 US$
Local sales	52 621 719	54 633 712
Export sales	991 892	1 658 523
	53 613 611	**56 292 235**

17.1 COST OF SALES

	2012 US$	2011 US$
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
	37 504 472	**39 054 161**

18 NET EARNED INSURANCE PREMIUM

	2012 US$	2011 US$
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)
	14 577 433	**8 741 064**

19 OTHER OPERATING INCOME

	2012 US$	2011 US$
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
	875 739	**760 314**

		2012 US$	2011 US$
20	**ADMINISTRATIVE EXPENSES**		
	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
		44 894 036	**37 487 980**
21	**INCOME TAX EXPENSE:**		
21.1	**Charge for the year**		
	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
	Income tax expense	**1 255 798**	**3 168 488**
22	**CAPITAL COMMITMENTS**		
	Capital expenditure authorised but not yet contracted	7 687 961	7 845 445
	Capital commitments will be funded from the Group's own resources		
23	**CONTINGENT LIABILITIES**		
	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 contigent liabilities, the Group has no indication of the timing of any outflow "if any" on guarantees extended.

		2012 US$	2011 US$
24	**EARNINGS PER SHARE**		
24.1	**Basic earnings per share**		
	Profit attributable to equity holders	12 987 368	9 705 377

Weighted average number of ordinary shares Year ended 31 December 2011	Shares issued	Treasury shares	Shares 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)
Weighted average number of ordinary shares as at 31 December	**591 850 127**	**53 379 734**	**538 470 393**	**545 723 151**
Basic earnings per share for the year ended 31 December 2011 (US cents)				**1.78**
Weighted average number of ordinary shares Year ended 31 December 2012				
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)
Weighted average number of ordinary shares as at 31 December	**591 850 127**	**56 291 799**	**535 558 328**	**536 286 344**
Basic earnings per share for the year ended 31 December 2012 (US cents)				**2.42**

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

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	2011
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
Headline earnings	**12 812 259**	**10 037 251**
Weighted average number of ordinary shares at 31 December	**536 286 344**	**545 723 151**
Headline earnings per share (US cents)	**2.39**	**1.84**

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	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment revenue								
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)
Net interest income	17 734 193	1 512 132	3 615 151	-	43 680	104 291	(3 114 517)	20 295 275
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
	36 165 772	1 948 279	11 783 509	12 137 872	5 497 473	172 817	9 513 753	74 215 025
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
Revenue from external customers	**37 015 909**	**2 220 712**	**11 168 602**	**11 101 248**	**4 872 078**	**133 051**	**10 707 876**	**74 215 025**
Segment profit before income tax	**6 691 551**	**881 412**	**5 478 729**	**2 094 406**	**739 551**	**(301 364)**	**1 209 889**	**16 892 650**
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
Segment assets	**281 171 886**	**8 507 481**	**56 461 813**	**19 243 995**	**6 586 222**	**1 606 752**	**67 485 937**	**392 054 851**
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	-	-	-	-
Segment liabilities	**246 738 794**	**7 294 013**	**37 101 703**	**12 216 923**	**4 550 136**	**1 353 932**	**37 950 537**	**303 902 218**

31 December 2011	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment revenue								
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)
Net interest income	12 973 165	758 134	2 277 646	-	-	68 118	(2 229 437)	13 847 627
Turnover	-	-	4 426 975	-	-	-	51 865 260	56 292 235
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
	31 042 463	892 904	7 646 289	7 458 179	2 764 240	294 362	13 370 311	62 159 384
Intersegment revenue	(1 034 909)	-	(950 526)	(28 085)	-	(9 150)	-	(2 022 670)
Intersegment interest expense and commission	950 526	-	342 877	-	731	-	728 536	2 022 670
Revenue from external customers	**30 958 080**	**892 904**	**7 038 640**	**7 430 094**	**2 764 971**	**285 212**	**14 098 847**	**62 159 384**
Segment profit before income tax	**6 481 514**	**571 736**	**2 945 341**	**1 401 383**	**424 790**	**(147 360)**	**5 122 280**	**15 674 998**
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
Segment assets	**187 820 474**	**3 705 112**	**33 060 182**	**14 891 043**	**4 650 430**	**1 537 183**	**66 448 609**	**279 592 710**
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	-	-	-	-
Segment liabilities	**159 621 719**	**3 275 600**	**18 644 128**	**8 999 781**	**2 966 712**	**1 227 590**	**35 634 853**	**230 370 383**

26 FINANCIAL RISK MANAGEMENT

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

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

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

	2012 US$	2011 US$
Loans and advances to customers		
Past due and impaired		
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
Gross amount, past due and impaired	**18 272 069**	**9 812 021**
Allowance for impairment	(7 633 643)	(2 895 075)
Carrying amount, past due and impaired	**10 638 426**	**6 916 946**
Neither past due nor impaired, Grade A:	**169 105 502**	**108 336 531**
Past due but not impaired, Grade B:	**13 003 340**	**7 214 601**
Gross amount, not impaired	**182 108 842**	**115 551 132**
Allowance for impairment	(2 154 721)	(1 135 052)
Carrying amount, not impaired	**179 954 121**	**114 416 080**
Total carrying amount	**190 592 547**	**121 333 026**

26 FINANCIAL RISK MANAGEMENT
Sectorial analysis of utilizations of loans and advances to customers
(net of impairment allowances)

	2012 US$	2012 %	2011 US$	2011 %
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%
	190 592 547	**100%**	**121 333 026**	**100%**

Reconciliation of allowance for impairment for loans and advances

Allowances for impairment	31 December 2012 Specific allowance US$	Collective allowance US$	Total US$	31 December 2011 Specific allowance US$	Collective allowance US$	Total 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	-	-	-
	7 633 643	**2 154 721**	**9 788 364**	**2 895 075**	**1 135 052**	**4 030 127**

26.1.2 Trade and other receivables including insurance receivables

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

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 specific business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management

To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Business Continuity Committee is responsible for ensuring that all units and branches conduct tests 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	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.

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 US$	2011 US$
ASSETS			
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
Total assets		**281 171 888**	**187 820 475**
EQUITY AND LIABILITIES			
Liabilities			
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
Equity			
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
Total equity		**34 433 093**	**28 198 757**
Total equity and liabilities		**281 171 888**	**187 820 475**

Statement of Comprehensive Income
For the year ended 31 December 2012

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

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

	Ordinary shares US$	Retained profits US$	Share premium US$	Non distributable reserve US$	General reserve US$	Total 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
Other comprehensive income:						
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
Transaction with owners:						
Dividend declared and paid	-	(687 148)	-	-	-	(687 148)
Balance as at 31 December 2011	**18 500 000**	**8 058 443**	**-**	**980 070**	**660 244**	**28 198 757**
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
Other comprehensive income:	-	-	-	-	-	-
	18 500 000	15 035 979	-	980 070	660 244	35 176 293
Transaction with owners:						
Dividend declared and paid	-	(743 200)	-	-	-	(743 200)
Balance as at 31 December 2012	**18 500 000**	**14 292 779**	**-**	**980 070**	**660 244**	**34 433 093**

Statement of Cash Flows
For the year ended 31 December 2012

	Note	2012 US$	2011 US$
Cash flow from operating activities			
Profit for the year		6 691 551	6 481 514
Adjustments for:			
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)
Net cash generated before changes in operating assets and liabilities		**10 031 520**	**10 627 750**
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
		45 016 359	(14 855 600)
Income tax paid		(4 639 673)	(674 166)
Net cash generated/(used) in operating activities		**40 376 686**	**(15 529 766)**
Cash flows from investing activities			
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
Net cash used in investing activities		**(1 891 156)**	**(864 402)**
Cash flows from financing activities			
Proceeds from lines of credit		5 309 790	3 034 780
Dividend declared and paid		(743 200)	(687 148)
Net cash generated from financing activities		**4 566 590**	**2 347 632**
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
Cash and cash equivalents at the end of year		**83 438 773**	**40 386 653**

		2012 US$	2011 US$
1	**BALANCES WITH BANKS AND CASH**		
	Balances with Reserve Bank of Zimbabwe ('RBZ')		
	Statutory reserves	-	9 015 475
	Current account balances	50 649 712	12 632 632
		50 649 712	21 648 107
	Notes and coins	20 027 766	12 306 923
	Other bank balances	12 761 295	15 447 098
		32 789 061	27 754 021
	Balances with banks and cash	83 438 773	49 402 128
	For the purpose of cash flow statement cash and cash equivalents comprise the following balances:		
	Balances with other banks and cash	32 789 061	27 754 021
	Current account balance at RBZ	50 649 712	12 632 632
	Total	83 438 773	40 386 653
2	**LOANS AND ADVANCES TO CUSTOMERS**		
	Personal lending	31 126 823	23 560 313
	Wholesale and corporate loans and advances	136 332 374	89 680 359
	Gross value of loans and advances	167 459 197	113 240 672
	less allowance for impairment	(7 933 186)	(3 600 290)
	Net loans	159 526 011	109 640 382

2.1 Loans concentration by sector

Sector of the economy	gross total	percentage	gross total	percentage
Mining	13 932 492	8%	7 100 458	6%
Manufacturing	43 789 906	26%	28 156 130	25%
Wholesale	13 092 068	9%	13 056 909	12%
Distribution	20 554 276	12%	-	0%
Individuals	31 126 823	19%	23 560 314	21%
Agriculture	10 029 461	6%	13 516 785	12%
Communication	2 067 966	1%	1 378 945	1%
Construction	1 992 086	1%	5 097 699	4%
Local Authorities	2 153 248	1%	7 387 563	7%
Other services	28 720 871	17%	13 985 869	12%
Gross value of loans and advances	167 459 197	100%	113 240 672	100%
less allowance for impairment	(7 933 186)		(3 600 290)	
Net loans	159 526 011		109 640 382	

		2012 US$	2011 US$
2.2	**Movement in impairment allowance**		
	Balance at the beginning of the year	3 600 290	593 395
	Charge for the year – income statement	2 031 685	3 006 895
	Interest in suspense	2 301 211	-
	Balance at end year	7 933 186	3 600 290
2.3	**Maturity analysis of advances to customers**		
	Maturing within 1 year	124 785 651	90 433 795
	Maturing after 1 year but within 5 year	34 740 360	19 206 587
		159 526 011	109 640 382
3.1	**Financial assets at fair value through profit or loss**		
	Listed securities at market value	857 673	556 951
3.2	**Financial assets available for sale**		
	Listed securities at market value	12 988 606	-
	Investment securities are equities that had been pledged as security on a non-performing loan.		
4	**PREPAYMENTS AND OTHER ASSETS**		
	Prepayments	1 662 338	348 374
	Sundry assets	3 454 345	2 351 381
	Amounts due from group companies	2 014 385	9 269 913
		7 131 068	11 969 668
4.1	**Maturity analysis of other assets**		
	Maturing within 1 year	7 131 068	11 969 668
	Maturing after 1 year but within 5 years	-	-
		7 131 068	11 969 668
5	**PROPERTY AND EQUIPMENT**		
	Opening balance	14 832 554	14 312 205
	Additions	1 413 686	722 827
	Disposals	(52 719)	(55 949)
	Revaluation surplus	-	828 541
	Depreciation charge for the year	(1 013 614)	(975 070)
	Carrying amount as at 31 December 2012	15 179 907	14 832 554
6.1	**DEPOSITS FROM CUSTOMERS**		
	Amounts due to customers by type		
	Demand deposits	85 185 870	56 992 992
	Promissory notes	30 007 719	17 432 352
	Other Time deposits	3 537 105	3 598 801
		118 730 694	78 024 145
6.2	**Deposits from other banks**		
	Money market deposits	94 916 012	52 481 259
	Other	-	-
		94 916 012	52 481 259
6.3	**Lines of credit**		
	PTA Bank	-	5 000 000
	African Export-Import Bank	25 493 722	15 183 932
		25 493 722	20 183 932

6.4 Deposits concentration (excluding lines of credit)

Sector of the economy	gross total	percentage	gross total	percentage
Agriculture	4 982 313	2%	2 427 028	2%
Construction	2 225 233	1%	1 735 667	1%
Wholesale and retail trade	31 663 276	15%	27 885 492	22%
Public sector	10 607 444	5%	15 154 770	12%
Manufacturing	10 116 713	5%	1 735 285	1%
Telecommunication	2 351 318	1%	546 209	0%
Transport	4 558 834	2%	7 134 496	5%
Individuals	32 928 031	16%	15 294 895	12%
Financial services	94 916 012	44%	52 481 259	41%
Mining	12 699 878	6%	3 051 222	2%
Other	6 597 654	3%	3 059 081	2%
	213 646 706	100%	130 505 404	100%

		2012 US$	2011 US$
7	**TRADE AND OTHER PAYABLES**		
	Provisions	512 047	671 216
	Accrued expenses	7 002 465	4 105 881
		7 514 512	**4 777 097**
8	**MATURITY ANALYSIS**		
	(Deposits and lines of credit)		
	Maturing within 1 year	234 435 428	145 984 337
	Maturing after 1 year but within 5 years	4 705 000	4 705 000
		239 140 428	**150 689 337**
9	**CAPITAL ADEQUACY**		
	Ordinary share capital	18 500 000	18 500 000
	Share premium	-	-
	Retained profits	14 292 779	8 058 443
	Capital allocated for market and operational risk	(2 254 511)	(2 807 954)
	Advances to insiders	(5 054 120)	(9 269 913)
	Tier 1 capital	**25 484 148**	**14 480 576**
	Other reserves	980 070	980 070
	General reserve	660 244	660 244
	Tier 1 and 2 capital	**27 124 462**	**16 120 890**
	Tier 3 capital allocated for Market and operational risk	2 254 511	2 807 954
		29 378 973	**18 928 844**
	Risk weighted assets	176 650 935	143 642 673
	Tier 1 Ratio (%)	15%	10%
	Tier 2 Ratio (%)	1%	1%
	Tier 3 Ratio (%)	1%	2%
	Capital adequacy (%)	17%	13%
10	**INTEREST INCOME**		
	Loans and advances to banks and other financial institutions	919 545	872 231
	Loans and advances to customers	25 880 771	16 249 643
	Loans and advances to banks	87 361	157 174
	Banker's acceptances and tradable bills	7 038 427	6 932 205
		33 926 104	**24 211 253**
11	**INTEREST EXPENSE**		
	Deposit from other banks	5 419 841	4 585 935
	Demand deposits	95 884	44 941
	Afreximbank and PTA Bank	2 827 652	1 970 254
	Time deposits	7 848 934	4 636 958
		16 191 911	**11 238 088**
12	**ADMINISTRATIVE EXPENSES**		
	Operating expenses	11 502 088	10 575 802
	Audit fees:		
	- Current year	85 437	193 913
	- Prior Year	151 525	(42 388)
	Personnel expenses	13 784 101	9 078 516
	Director's fees	351 947	305 097
	Depreciation and amortization	1 567 438	1 443 114
		27 442 536	**21 554 054**
13	**COMMITMENTS**		
	Capital expenditure authorized but not yet contracted for	6 687 961	3 491 245
14	**CONTINGENT LIABILITIES**		
	Bank's borrowing on behalf of specific customers - letter of credit	8 225 844	7 859 645
15	**CREDIT RISK**		
	Individually impaired		
	Grade C: impaired	10 290 420	4 438 997
	Grade D: impaired	2 193 251	1 649 666
	Grade E: impaired	2 194 725	711 195
	Gross amount	14 678 396	6 799 858
	Allowance for impairment	(6 132 806)	(2 748 682)
	Carrying amount	8 545 590	4 051 176
	Unimpaired		
	Grade A:	144 812 605	101 345 059
	Grade B:	7 968 195	5 095 755
	Gross amount	152 780 800	106 440 814
	Allowance for impairment	(1 800 379)	(851 608)
	Carrying amount	150 980 421	105 589 206
	Total carrying amount	**159 526 011**	**109 640 382**

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
ASSETS	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
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
TOTAL ASSETS	155 239 172	34 854 495	16 057 450	32 356 776	42 663 996	281 171 888
LIABILITIES						
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
TOTAL EQUITY AND LIABILITIES	154 455 544	30 009 933	16 431 005	37 069 052	43 206 354	281 171 888
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
ASSETS	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
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
TOTAL ASSETS	66 831 681	33 784 835	14 274 683	28 505 999	25 434 239	112 340 451	281 171 888
LIABILITIES							
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
TOTAL EQUITY AND LIABILITIES	154 455 544	30 009 933	16 431 005	37 069 052	6 220 362	36 985 992	281 171 888
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
Total Assets	2 249 603	274 176	781 169	105 636	3 410 584
Liabilities					
Foreign Currency Accounts	1 399 122	198 199	154 822	49 414	1 801 557
Other	309 912	1	40.73	104	310 058
Total Liabilities	1 709 034	198 201	154 862	49 518	2 111 615
Net Currency Positions	540 569	75 975	626 307	56 118	1 298 969

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
		Total	1,298,969	100%	7,552	16,886
		Portfolio VaR			7,552	16,886

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 Ndoro	√	√	√	√
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

Directors: Taka Mutunhu (Chairman), Webster Rusere (Managing Director)*, Garikai Bera, David Birch, Trynos Kufazvinei*, Martin Makonese*, Theresa Mazoyo (Ms), Mercy Ndoro (Ms), Agrippa Mugwagwa*, Paul Chimedza, John Mushayavanhu*, Susan Mutangadura (Ms), Patrick Takawira. (*Executive)

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 US$	2011 US$
Assets			
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	-
Total assets		**56 461 813**	**33 060 183**
Liabilities			
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
Total liabilities		**37 101 703**	**18 644 128**
Equity			
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
Total equity		**19 360 110**	**14 416 055**
Total equity and liabilities		**56 461 813**	**33 060 183**

Statement of Comprehensive Income
For the year ended 31 December 2012

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

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

	Share capital US$	Share premium US$	Non distributable reserve US$	Revaluation reserve US$	Statutory reserve US$	Accumulated surplus US$	Total 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
Other comprehensive income							
Revaluation adjustment	-	-	-	156 123	-	-	156 123
Regulatory impairment allowance	-	-	-	-	(18 573)	18 573	-
Total comprehensive income	**-**	**-**	**-**	**156 123**	**(18 573)**	**2 963 914**	**3 101 464**
Transactions with owners recorded directly in equity							
Dividend paid	-	-	-	-		(348 924)	(348 924)
Shareholders equity as at 31 December 2011	**156 125**	**9 985 434**	**839 778**	**309 385**	**63 060**	**3 062 273**	**14 416 055**
Surplus for the year	-	-	-	-	-	5 478 729	5 478 729
Other comprehensive income							
Regulatory impairment allowance	-	-	-	-	(63 060)	63 060	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(63 060)**	**5 541 789**	**5 478 729**
Transactions with owners recorded directly in equity							
Dividend paid	-	-	-	-	-	(534 674)	(534 674)
Shareholders equity as at 31 December 2012	**156 125**	**9 985 434**	**839 778**	**309 385**	**-**	**8 069 388**	**19 360 110**

Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 US$	2011 US$
Cash flow from operating activities			
Surplus for the year		5 478 729	2 945 341
Adjustments for:			
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)
Net cash generated before changes in operating assets and liabilities		6 067 238	3 370 422
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)
Net cash flow from operating activities		**8 760 822**	**(833 535)**
Cash flow from investing activities			
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
Net cash outflow from investing activities		**(423 528)**	**(103 514)**
Cash flow from financing activities			
Net proceeds from borrowings		2 004 987	4 837 193
Borrowings repayment		(1 590 887)	-
Dividend paid		(534 674)	(348 924)
Cash flow from financing activities		**(120 574)**	**4 488 269**
Net increase in cash and cash equivalents		**8 216 720**	**3 551 220**
Cash and cash equivalents at the beginning of the year		10 744 349	7 193 129
Cash and cash equivalents at the end of the year	1	**18 961 069**	**10 744 349**

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

		2012 US$	2011 US$
1.	**CASH AND CASH EQUIVALENTS**		
	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**		
	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)
	Net loans and advances to customers	29 176 730	15 084 997
2.1	**Maturity analysis of loans and advances**		
	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**		
	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	29 176 730	15 084 997
	Past due and impaired		
	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)
	Carrying amount	894 796	294 781
	Neither past due nor impaired		
	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)
	Carrying amount	28 281 934	14 790 216
	Total carrying amount	29 176 730	15 084 997
3.	**INVENTORY**		
	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**		
	Intercompany balance	39 372	100 051
	Prepayments and other	162 113	151 056
		201 485	251 107
4.1	**Maturity analysis of other assets**		
	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

Directors: Benjamin Kumalo (Chairman), Felix Gwandekwande (Managing Director), Oliver Gwaze, Marah Hativagone, Agnes Kanhukamwe*, Patrick L. Mapani, Kennard C. Muranda, John Mushayavanhu, Christopher Y Muyeye, Pius Rateiwa*, Webster Rusere (Executive*)

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

	2012 US$	2011 US$
5. INVESTMENT PROPERTIES		
Opening balance	25 000	610 000
Fair value adjustments	-	55 000
Transfer to owner occupied properties	-	(640 000)
Closing balance	25 000	25 000
6. PROPERTY AND EQUIPMENT		
Cost		
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)
7. INTANGIBLE ASSETS		
Opening net book amount	-	-
Additions	291 180	-
Amortisation charge	(28 927)	-
Closing net book amount	262 253	-
8. DEPOSITS AND OTHER LIABILITIES		
8.1 Deposits from banks		
Money market deposits	8 570 593	1 633 075
	8 570 593	1 633 075
8.2 Deposits from customers		
Retail savings deposits	6 917 372	3 581 872
Money market deposits	13 068 335	6 094 044
	19 985 707	9 675 916
8.3 Borrowings		
PTA Bank and Shelter Afrique lines of credit	5 251 293	4 837 193
	5 251 293	4 837 193
8.4 Other liabilities		
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
Total deposits and other liabilities	**37 101 703**	**18 644 128**
8.5 Maturity analysis of deposits and other liabilities		
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
9. INTEREST INCOME		
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
10. INTEREST EXPENSE		
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
11. OTHER INCOME		
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
12. OPERATING EXPENSES		
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 armotisation	196 304	226 998
	5 913 903	4 443 120

13. LIQUIDITY RISK
Maturity profile of assets and liabilities

31 Dec 2012	0-90 days US$	91-180 days US$	181-365 days US$	1 to 5 years US$	Over 5 years US$	Total US$
Assets						
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
Total assets	**23 225 377**	**3 075 153**	**5 676 016**	**9 173 379**	**15 311 888**	**56 461 813**
Liabilities						
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
Total liabilities	**25 174 356**	**863 968**	**5 890 752**	**5 172 627**	**19 360 110**	**56 461 813**
Liquidity gap	**(1 948 979)**	**2 211 185**	**(214 736)**	**4 000 752**	**(4 048 222)**	**-**
Cumulative liquidity gap	**(1 948 979)**	**262 206**	**47 470**	**4 048 222**	**-**	**-**

14. INTEREST RATE RISK
Interest rate repricing gap

31 Dec 2012	Upto 30 days US$	31-90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non interest bearing US$	Total US$
Assets							
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
Total assets	**29 598 128**	**7 172 424**	**2 525 575**	**4 648 000**	**2 911 795**	**9 605 891**	**56 461 813**
Liabilities							
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
Total liabilities	**22 044 212**	**3 672 186**	**471 813**	**4 034 755**	**3 584 627**	**22 654 220**	**56 461 813**
Interest rate repricing gap	**7 553 916**	**3 500 238**	**2 053 762**	**613 245**	**(672 832)**	**(13 048 329)**	**-**
Cumulative interest rate repricing gap	**7 553 916**	**11 054 154**	**13 107 916**	**13 721 161**	**13 048 329**	**-**	**-**

	2012 US$	2011 US$
15. CAPITAL ADEQUACY RATIO		
Core Capital Tier 1		
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)
Total core capital	**16 746 790**	**12 209 088**
Supplementary Capital Tier 2		
Non distributable reserve	839 778	839 778
Revaluation reserves	309 385	309 385
General provisions for doubtful debts	-	63 060
Total supplementary capital	**1 149 163**	**1 212 223**
Tier 3		
Capital allocated for market and operational risk	1 083 182	641 239
Core capital plus supplementary capital	**18 979 135**	**14 062 550**
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%
16. CAPITAL COMMITMENTS		
Capital expenditure authorised not yet undertaken	1 000 000	900 000

17. BOARD ATTENDANCE

	Main Board			
Board member	**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 Muyeye	√	√	√	√
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