NMBZ HOLDINGS LIMITED
GROUP

ANNUAL REPORT

31 DECEMBER 2009

CONTENTS

HIGHLIGHTS

	2009
Attributable profit (US$)	2 278 287
Basic earnings per share (US cents)	0.14
Total deposits (US$)	28 720 120
Shareholdersô funds (US$)	8 363 889

Enquiries:

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NMBZ HOLDINGS LIMITED

GROUP PROFILE
year ended 31 December 2009

The NMBZ Holdings Group comprises the company plus the operating subsidiaries, NMB Bank Limited (the Bank) and Stewart Holdings Limited (equity holdings).

The Bank was established in 1993 as a bank incorporated under the Companies Act (Chapter 24:03) and is registered as a commercial bank in terms of the Banking Act (Chapter 24:20). It operates through a branch network in Harare, Bulawayo, Mutare and Gweru. The Bankôs branch network is constantly growing to service customers and meet demands in suitable and convenient locations. Set out below are the Bankôs locations:

Head Office ï Unity Court, Corner Kwame Nkrumah Avenue/First Street, Harare

Angwa City - Corner Kwame Nkrumah Avenue/Angwa Street, Harare

Borrowdale ï Shops 37 & 38, Sam Levyôs Village, Harare

Eastgate ï Shop 24, Eastgate Mall, Corner Sam Nujoma Street/Robert Mugabe Road, Harare

Msasa ï 77 Amby Drive, Harare

Southerton ï 7 - 9 Plymouth Road, Harare

Bulawayo Corporate Banking ï First Mutual Life Building, Corner Ninth Avenue/Main Street, Bulawayo

Bulawayo Retail ï NMB Centre, Corner George Silundika Street/Leopold Takawira Street, Bulawayo

Mutare ï Embassy Building, Corner Aerodrome Road/Second Street, Mutare

Gweru ï 36 Robert Mugabe Road, Gweru

The Bankôs ATM network, which accepts VISA cards, covers the following locations:

- Angwa City ï Harare
- Borrowdale ï Harare
- Card Centre ï Harare
- Eastgate ï Harare
- NMB Centre ï Bulawayo
- Msasa - Harare
- Mutare
- Gweru

CHAIRMAN'S STATEMENT

INTRODUCTION

In the first month of the year under review, the economic environment was characterised by hyperinflation, political uncertainty and a multiple exchange and interest rate regime. When the country adopted the multicurrency monetary system, the company changed its functional and reporting currency from the Zimbabwe dollar to the United States of America dollar with effect from 1 January 2009.

In view of the historical exigencies in respect of the economic, political and social environment prior to the multi currency regime and in light of the guidance provided by the Public Accountants and Auditors Board (PAAB), the Zimbabwe Accounting Practices Board (ZAPB) and the Institute of Chartered Accountants of Zimbabwe (ICAZ), prior year comparative information has not been provided as this would be misleading.

GROUP RESULTS

Compliance with International Financial Reporting Standards

The financial statements have not been prepared in accordance with International Financial Reporting Standards (IFRS) in that the requirements of IAS I, ñ*Presentation of Financial Statements*ò, IAS 21, ñ*The Effects of Changes in Foreign Exchange Rates*ò, and IAS 29, ñ*Financial Reporting in Hyperinflationary Economies*ò have not been complied with. The financial statements have been prepared in compliance with the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

An adverse audit opinion has been issued on the statements of comprehensive income, statement of cashflows and the statements of changes in equity due to the non - compliance referred to above. An unqualified opinion has been issued on the statement of financial position as this has been prepared in accordance with IFRS.

Commentary on results

The profit before taxation was US$941 182 during the period under review. A attributable profit of US$2 278 287 was recorded for the year. Net interest income was US$803 096. Non-interest income amounted to US$7 236 949 and this was mainly as a result of fair value adjustments on investment properties, commissions and fee income and the debt write back as RBZ Forex Bond.

Operating expenses amounted to US$7 385 212 largely driven by administration, staff related expenditure and the impairment loss on land and buildings.

While a conservative approach has been taken with respect to impairment losses on loans and advances, the charge amounted to US$92 887 for the current year. This is reflective of the loans and advances which amounted to US$12 509 344 at 31 December 2009, as well as a prudent lending policy in a fairly uncertain environment.

Dividend

In light of the need to conserve cash in the business, the Board has proposed not to declare a dividend.

BALANCE SHEET

The Groupôs total asset base was US$39 433 027 and comprised mainly of financial assets at fair value through profit and loss (US$7 135 023), cash and short term funds (US$12 203 181), investment properties (US$3 219 600), property and equipment (US$3 582 387) and advances and other accounts (US$12 729 195).

Capital

The banking subsidiaryôs capital adequacy ratio at 31 December 2009 calculated on the historical cost basis in accordance with the guidelines of the Reserve Bank of Zimbabwe (RBZ) was 26.24% as per note 34.12 (31 December 2008 ï 62%). The minimum required by the RBZ is 10%.

The Group will be undertaking a recapitalisation initiative in order to meet the statutory minimum paid up capital of US$12.5 million required by 31 March 2010.

OUTLOOK AND STRATEGY

The current economic landscape has ushered in a reasonably stable environment for business. The company will continually review the emerging business opportunities and reconfigure itself accordingly.

DIRECTORATE

There were no changes to the Companyôs directorate during the period.

CAUTIONARY STATEMENT

Negotiations regarding a strategic transaction referred to in a notice to shareholders dated 17 March 2010 are still in progress and updates on the developments will be provided to shareholders at regular intervals as required by the Zimbabwe Stock Exchange.

APPRECIATION

I would like to thank our clients for their continued support. I would also like to thank my fellow Board members, management and staff for their commitment and dedication in the period under review.

GIBSON MANYOWA MANDISHONA
CHAIRMAN

16 March 2010

NMBZ HOLDINGS LIMITED

REPORT OF THE DIRECTORS
as at 31 December 2009

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2009.

1. LIMITATONS OF FINANCIAL REPORTING

The uncertainties in the adverse Zimbabwean economic environment during the year have resulted in limitations in financial reporting.

The inflation indices applicable to the Zimbabwe Dollar were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because the rate of change of inflation on a daily basis was extremely high. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

The authorization of the use of multiple foreign currencies for trading on 29 January 2009 by the Monetary and Fiscal authorities resulted in a change in the functional currency for most entities reporting in Zimbabwe. In accordance with the requirements of International Financial Reporting Standards, entities are required to convert their financial statements into the new functional currency at the date of changeover. The Company has not been able to convert its Zimbabwe Dollar transactions into the new functional currency for reasons explained in Note 37.

As a result of these uncertainties and inherent limitations, the directors advise caution on the use of all comparative information, the statements of comprehensive income, statements of cash flows and statements of changes in equity for decision making purposes. The Directors believe that the statement of financial position that has been presented is a fair reflection of the assets and liabilities of the Company and therefore a fair reflection of the shareholderõs equity.

2. SHARE CAPITAL

The authorised and issued share capital of the Company are as follows:-

1.1 Authorised: 2 250 000 000 ordinary shares of Z$0.00025 each.

1.2 Issued and fully paid: 1 648 175 229 ordinary shares of Z$0.00025 each.

A total of 6 917 000 share options were exercised by directors and managerial staff during the year.

3. GROUP ACTIVITIES AND RESULTS

After providing for depreciation and taxation, the Group posted an attributable profit of US$2 278 287 for the year ended 31 December 2009.

4. CAPITAL ADEQUACY

As at 31 December 2009, the Bank's capital adequacy ratio computed under Bank for International Settlements (BIS) rules was 26.24% (2008 ï 62%).

5. DIRECTORATE

5.1 Board of Directors

G M Mandishona	(Chairman and Independent Non-executive director)
A M T Mutsonziwa	(Independent Non-executive director)
B P Washaya*	(Chief Executive Officer)
B Ndachena*	(Chief Financial Officer)
J A Mushore	(Non-executive director)
J T Makoni	(Non-executive director)
C Chipato	(Independent Non-executive director)
B W Madzivire	(Independent Non-executive director)
M Mudukuti	(Independent Non-executive director)
L Majonga (Ms)	(Independent Non-executive director)
T N Mundawarara	(Independent Non-executive director)
J Chigwedere	(Independent Non-executive director)

*Executive

In accordance with the Articles of Association, Dr J T Makoni, Mr J A Mushore, Mr B P Washaya and Mr C Chipato will retire by rotation at the forthcoming Annual General Meeting (AGM). All retiring directors being eligible, offer themselves for re-election.

5.2 Directors' Interests

As at 31 December 2009 the Directors held the following direct and indirect beneficial interests in the shares of the Company:-

	31 December 2009 Shares	31 December 2008 Shares
G M Mandishona	-	-
A M T Mutsonziwa	32 760	70 560
B P Washaya	6 506 819	20 692
B Ndachena	5 048 174	4 982 717
J A Mushore*	-	-
J T Makoni*	6 447 904	6 447 904
C Chipato	-	-
B W Madzivire	-	-
M Mudukuti	-	-
L Majonga (Ms)	-	-
T N Mundawarara	5 824	5 824
J. Chigwedere	-	-
	18 041 481	11 527 697

*Dr J T Makoni and Mr J A Mushore hold non-beneficial interests in Cornerstone Trust and Alsace Trust respectively.

5.3 Total share options granted to executive directors of the Holding Company and NMB Bank Limited

	Share Options 31 December 2009	Share Options 31 December 2008
B P Washaya	-	6 000 000
F S Mangozho	3 000 000	3 000 000
	3 000 000	9 000 000

5.4 Directors' attendance at meetings

5.4.1 Board of Directors

Name	Meetings	Attended
Dr G M Mandishona	5	5
A M T Mutsonziwa	5	5
B P Washaya	5	5
B Ndachena	5	5
J A Mushore	5	nil
C Chipato	5	4
B W Madzivire	5	5
M Mudukuti	5	4
L Majonga (Ms)	5	4
Dr J T Makoni	5	nil
T N Mundawarara	5	5
J Chigwedere	5	4

5.4.2 Audit Committee

Name	Meetings	Attended
Mr B N Madzivire	4	3
Ms L Majonga	4	3
Mr A M T Mutsonziwa	4	3

5.4.3 Risk Management Committee

Name	Meetings	Attended
Mr T N Mundawarara	5	5
Mr J Chigwedere	5	5
Ms L Majonga	5	5
Mr B P Washaya	5	5

5.4.4 Asset and Liability Management Committee (ALCO), Finance & Strategy Committe

Name	Meetings	Attended
Mr C Chipato	4	4
Mr T N Mundawara	4	4
Mr B P Washaya	4	4
Mr B Ndachena	4	3

5.4.5 Loans Review Committee

Name	Meetings	Attended
Mr A M T Mutsonziwa	4	4
Mr M Mudukuti	4	4
Mr C Chipato	4	3

5.4.6 Human Resources & Remuneration Committee

Name	Meetings	Attended
Mr M Mudukuti	5	5
Dr G M Mandishona	5	5
Mr B P Washaya	5	5
Mr B Ndachena	5	5
Mr B Madzivire	5	5

6. CORPORATE GOVERNANCE

The Group follows international best practice with regards to corporate governance. In particular, the group emulates corporate governance principles prescribed in the Combined Code of the United Kingdom, the King II report of South Africa and the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline. To assist the board in the discharge of its duties and responsibilities, the Board has set up the Audit Committee, Human Resources and Remuneration Committee, Asset and Liability Management Committee (ALCO), Finance and Strategy Committee, Credit Committee, Loans Review Committee and the Risk Management Committee.

6.1 The Board of Directors

The Group has twelve directors, comprised of ten non-executive directors, eight of whom are independent and two executive directors. The Chairpersons of the board and all the board committees are independent non-executive directors. The board and the board committees meet at least four times a year.

6.2 Audit Committee

The committee oversees the Group's financial reporting process, monitoring the integrity and appropriateness of the Group's financial statements; evaluating the adequacy of the Group's financial, operational and compliance internal controls and risk management processes and the selection, compensation, independence and performance of the Group's external and internal auditors. The Committee meets at least four times a year. The Committee meets regularly with the companyȏs internal and external auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and objectivity.

Membership:	Mr B N Madzivire	(Chairperson - Independent Non-Executive Director)
	Ms L Majonga	(Independent Non-Executive Director)
	Mr A M T Mutsonziwa	(Independent Non-Executive Director)

6.3 Human Resources & Remuneration Committee

The committee is responsible for setting the groupȏs remuneration philosophy and reviews the overall remuneration structures of the group, including all material remuneration proposals and packages for Executive Directors and senior personnel.

Membership:	Mr M Mudukuti	(Chairman - Independent Non-Executive Director)
	Dr G M Mandishona	(Independent Non-Executive Director)
	Mr B W Madzivire	(Independent Non-Executive Director)
	Mr B P Washaya	(Chief Executive Officer)
	Mr B Ndachena	(Chief Financial Officer)

6.4 Loans Review Committee

The Loans Review Committee assists the board to discharge its responsibility with regards to the quality of the loan portfolio, and assesses compliance of the loan book with the lending policy and the Banking Regulations. The committee conducts loan reviews independent of any person or committee responsible for sanctioning credit.

Membership:	Mr A M T Mutsonziwa	(Chairman ï Independent Non-Executive Director)
	Mr M Mudukuti	(Independent Non-executive director)
	Mr C Chipato	(Independent Non- executive director)

6.5 Credit Committee

The credit committeeõs main responsibilities are to consider loan applications beyond the discretionary limits of management and to direct the formulation of, review and monitor the credit principles and policies of the group.

Membership:	Mr T N Mundawarara	(Chairman Independent Non-Executive Director)
	Dr G Mandishona	(Independent Non-Executive Director)
	B P Washaya	(Chief Executive Officer)
	B Ndachena	(Chief Financial Officer)

6.6 ALCO, Finance and Strategy Committee

This Committee is responsible for deriving the most appropriate strategy for the group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest-rate movements, liquidity constraints, foreign exchange exposure and capital adequacy. The committee also ensures that such strategy is in line with the groupõs risk appetite. In addition, the committee monitors the business and financial strategies of the Company.

Membership:	Mr C Chipato	(Chairman - Independent Non-executive Director)
	Mr T N Mundawarara	(Independent Non-Executive director)
	Mr B P Washaya	(Chief Executive Officer)
	Mr B Ndachena	(Chief Financial Officer)

6.7 Risk Management Committee

The Risk Management Committee oversees the quality, integrity and reliability of the groupõs risk management systems and reviews all group-wide risks confronting the company.

Membership:	Mr T N Mundawarara	(Chairman ï Independent Non-Executive Director)
	Mr L Majonga	(Independent Non-executive director)
	Mr J Chigwedere	(Independent Non-executive director)
	Mr B P Washaya	(Chief Executive Officer)

6.8 Professional Advice

The non-executive directors have access to independent professional advice at the Bank's expense.

7. AUDITORS

At the forthcoming Annual General Meeting shareholders will be asked to authorise the directors to fix the auditorœs remuneration for the year ended 31 December 2009 and to appoint auditors of the Company for the ensuing year.

By order of the Board

V Mutandwa
Company Secretary

Harare

16 March 2010

NMBZ HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2009

1. RESPONSIBILITY

The Directors of the Company are mandated by the Companies Act to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company at the end of each financial year. The information contained in these financial statements has been prepared on the going concern basis and is in accordance with the provisions of the Companies Act [Chapter 24:03]; the Banking Act [Chapter 24:20].

2. CORPORATE GOVERNANCE

In its operations, the Group is guided by principles of corporate governance derived from the King II Report, the United Kingdom Combined Code and the Reserve Bank of Zimbabwe Corporate Governance Guideline. The directors of the Group are cognisant of their responsibility to exercise the duty of care and act in good faith in order to safeguard all stakeholdersô interests.

3. BOARD OF DIRECTORS

Board appointments are made in a manner that ensures an adequate mix of skills and expertise on the board. The majority of the groupôs non-executive directors are independent and thus provide the necessary checks and balances on the board and ensure that the interests of all stakeholders are taken into account in the decision making process. The Chairman of the board is an independent non-executive director. The board is assisted by various committees in executing its responsibilities. The board meets at least quarterly to assess risk, review financial performance, and provide guidance to management on operational and policy issues.

The board conducts an annual evaluation to assess its effectiveness and develop remedial action plans to address weaknesses noted from the evaluation. The evaluation involves an assessment of collective board performance, the chairpersonôs performance and individual directorsô performance.

4. INTERNAL FINANCIAL CONTROL

The board is responsible for ensuring that effective internal control systems are implemented within the group. The group maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of its records, safeguard the assets of group and prevent and detect fraud and errors. The Audit Committee in conjunction with the internal auditors of the group reviews and assesses the internal control systems of the group in key risk areas.

5. GOING CONCERN

The Directors have assessed the ability of the company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

6. INTERNAL AUDIT

The internal audit function has formally defined objectives, authority, and responsibilities enshrined in the Audit Charter, which principles are consistent with those of the Institute of Internal Auditors. The function is guided by the Internal Audit Manual in conducting its activities. The internal audit function is independent of business lines and has unrestricted access to the Audit Committee. The internal audit functions include evaluating the effectiveness of the risk management systems, reviewing the systems of internal controls including internal financial controls and the conduct of the groupôs operations.

7. REMUNERATION

The Remuneration Committee determines the remuneration policy for the group. The remuneration policy is designed to reward performance and retain highly skilled individuals. Accordingly, a discretionary performance related bonus is offered in addition to a basic salary package whilst a discretionary share option scheme is available to facilitate retention of senior executives.

8. EMPLOYEE PARTICIPATION AND DEVELOPMENT

The group encourages active participation by its employees in its ownership. In line with this commitment, managerial employees participate in the Companyôs share option scheme. The group is also committed to enhancing the skills of staff and sponsors attendance at courses at reputable local and international institutions.
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9. SOCIAL RESPONSIBILITY

The group recognises its responsibility in the society within which it operates. Pursuant to this, the group sponsors the arts and sports and also donates to deserving charities from time to time.

10. REGULATION

The banking subsidiary of the group is subject to regulation and supervision by the Reserve Bank of Zimbabwe, which conducts the functions of the Registrar of Banking Institutions and is also the supervisor of banking institutions. Where appropriate, the group participates in industry-consultative meetings and discussion groups aimed at enhancing the business environment.

11. ETHICS

As a Group, we aim to ensure that we adhere to the highest standards of responsible business practice. The Group is committed to excellence and pursues outstanding performance in every activity. Underlying and supporting this at the Group is the personal intergrity of each of our employees and the highest standards in their personal and professional conduct. In this connection the Group ensured, through its anti-money laundering policies that it did not conduct business with entities whose activities are harmful to the environment.

NMBZ HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY (Contôd)
for the year ended 31 December 2009

12. FINANCIAL STATEMENTS

The companyøs directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and statement of cashflows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and legislative and regulatory requirements.

The directorsô responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Approval of the financial statements

The financial statements of the company and Group, appearing on pages 19 to 85, were approved by the board of directors on 16 March 2010 and are signed on their behalf by:

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G M Mandishona
Chairman

Date: 16 March 2010

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B P Washaya
Chief Executive Officer

Date: 16 March 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NMBZ HOLDINGS LIMITED

We have audited the accompanying company and group financial statements of NMBZ Holdings Limited as set out on pages 19 to 85, which comprise the company and group statements of financial position at 31 December 2009, and the group statement of comprehensive income, the company and group statements of changes in equity and group statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24.20). This responsibility also includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directorsô have elected to comply with the guidance in the Joint Media Statement On The Impact On Financial Reporting As A Consequence Of The Change In Functional Currency (óthe Financial Reporting Guidanceô) issued jointly by the Public Accountants and Auditors Board (ñPAABò), the Zimbabwe Accounting Practices Board (ñZAPBò) and the Zimbabwe Stock Exchange (ñZSEò) in July 2009 (ñthe Financial Reporting Guidanceò).

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. International Auditing Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditorôs judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entityôs preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entityôs internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit report has been modified in a manner in which we report on the compliance of the financial statements with provisions of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96), as set out in the guidance and recommendations on audit reports issued jointly by the Public Accountants and Auditors Board, the Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board in July 2009 (ñthe Guidance on Audit Reportsò).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for adverse opinion on all monetary comparative information; the statement of comprehensive income; statement of cash flows and the statement of changes in equity

<u>Non-compliance with International Accounting Standard (óIASô) 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard (óIASô) 21 (The Effects of Changes in Foreign Exchange Rates)</u>

For purposes of financial reporting, the group operated under a hyperinflationary economy in the prior year. The entity changed its functional currency to United States Dollars with effect from 1 January 2009. All monetary comparative information, the statement of comprehensive income; the statement of cash flows and the statement of changes in equity have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with in converting the financial information during the period of hyperinflation into an applicable measurement base at the date of reporting for the following reasons:

- the inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment as explained in note 35 and
- the inability to adjust items that were recorded in Zimbabwe Dollars into United States Dollars at the date of change of functional currency as more fully explained in note 37.2.

The impact of the above on the current year financial statements is more fully explained in Note 37.

<u>Non-compliance with IAS 1: Presentation of financial statements</u>

The Directors have not presented any comparative information for the statement of comprehensive income as required by IAS 1 because they believe the information will be misleading for reasons stated in note 37.3.

Basis for qualified opinion on the statements of financial position

The directors were unable to present the composition of equity on the statement of financial position, as required by IAS 1. The non-distributable reserve balance was recognised as the residual of the group's net assets as recommended in the "Financial Reporting Guidance". The reasons for the non-compliance with IAS 1 are more fully explained in Note 37.3.

Adverse opinion on non-compliance with International Financial Reporting Standards on all monetary comparative information, the statement of comprehensive income, the statement of cash flows and statement of changes in equity

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, all the comparative information, the statement of comprehensive income; the statements of cash flows and the statement of changes in equity do not give a true and fair view of the results of the group's operations and cash flows for the year ended 31 December 2009 in accordance with International Financial Reporting Standards.

Qualified opinion on the statements of financial position

In our opinion, except for the possible effects of the matter relating to the presentation of the composition of group equity, the company and group statements of financial position, in all material respects, gives a true and fair view of the financial position of NMBZ Holdings Limited and its subsidiaries at 31 December 2009 in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the company and group financial statements have not been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and Statutory Instruments (SI 33/99 and SI 62/96) due to the inability to comply with IAS 1 and IAS 21.

In our opinion, the group has complied, in all material respects with the Financial Reporting Guidance. This guidance was issued jointly by the Public Accountants and Auditors Board, the Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board to assist preparers of financial statements in converting their financial statements from Zimbabwe Dollars into their new functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of functional currency.

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
Harare

16 April 2010

NMBZ HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Note	GROUP 2009 US$
Interest income	3	1 347 193
Interest expense		(544 097)
Net interest income		803 096
Net foreign exchange gains		379 236
Non-interest income	4	7 236 949
Net operating income		8 419 281
Operating expenditure	5	(7 385 212)
Impairment losses on loans and advances		(92 887)
Profit before taxation		941 182
Taxation	6	1 381 766
Financial institutions levy	6	(44 661)
Profit for the year		2 278 287
Other comprehensive income/(loss):		
Additional impairment losses on loans and advances per RBZ grading	7	(274 904)
Tax relating to components of other comprehensive income	8	70 788
Other comprehensive (loss) for the year net of tax		(204 116)
Total comprehensive income for the year		2 074 171
Earnings per share (US cents)		
- Basic	9	0.14
- Diluted basic	9	0.14

NMBZ HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 31 December 2009

		GROUP	COMPANY
	Note	2009	2009
SHAREHOLDERS' FUNDS		US$	US$
Share capital	10	-	-
Capital reserves	11	6 289 718	6 297 943
Retained earnings/ (accumulated loss)	12	2 074 171	(18 796)
Total shareholdersô funds		8 363 889	6 279 147
LIABILITIES			
Deposits and other accounts	13	23 649 725	-
Financial liabilities at fair value through profit and loss	14	6 444 932	-
Provision for current taxation	6.4	299 162	-
Deferred taxation	15	675 319	-
		39 433 027	6 279 147
ASSETS			
Cash and cash equivalents	16	12 203 181	-
Financial assets at fair value through profit & loss	14	7 135 023	-
Advances and other accounts	17	12 729 195	79 034
Investments:-			
Trade investment	18	108 003	31 495
Group companies	19	-	6 154 577
Quoted and other investments	20	455 638	12 289
Investment properties	21	3 219 600	-
Property and equipment	22	3 582 387	-
Deferred taxation	15	-	1 752
		39 433 027	6 279 147

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G M MANDISHONA
) Directors

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B P WASHAYA

16 March 2010

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V Mutandwa
Company Secretary

16 March 2010

NMBZ HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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for the year ended 31 December 2009

GROUP

			← **Capital Reserve**		→		
	Share Capital	Share Premium	Treasury Shares	Share Option Reserve	Non-distributable Reserve	Retained Earnings	Total
	US$	US$	US$	US$	US$	US$	US$
Deemed balances at 1 January 2009*	-	-	-	96 034	6 201 909	-	6 297 943
Total comprehensive income for the year	-	-	-	-	-	2 074 171	2 074 171
Own equity instruments (note10.3)	-	-	(8 225)	-	-	-	(8 225)
Shares issued ï share options exercised	-	34 822	-	(34 822)	-	-	-
	-	34 822	(8 225)	61 212	6 201 909	2 074 171	8 363 889

COMPANY

			← **Capital Reserve**	→		
	Share Capital	Share Premium	Share Option Reserve	Non-distributable Reserve	Accumulated Loss	Total
	US$	US$	US$	US$	US$	US$
Deemed balances at 1 January 2009*	-	-	96 034	6 201 909	-	6 297 943
Total comprehensive income for the year	-	-	-	-	(18 796)	(18 796)
Shares issued ï share options exercised	-	34 822	(34 822)	-	-	-
	-	34 822	61 212	6 201 909	(18 796)	6 279 147

*Deemed balances were derived using the principles outlined in note 2.1.1

NMBZ HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

CASH FLOWS FROM OPERATING ACTIVITIES	2009 US$
Profit before taxation	941 182
Non-cash items	
-Impairment losses on loans and advances	92 887
-Investment properties fair value adjustment	(579 600)
-Profit on disposal of property and equipment	(2 066)
-Quoted and other investments fair value adjustment	(172 978)
-Loss on disposal of investment property	460 000
-Profit on disposal of quoted and other investments	(45 256)
-Impairment loss on land and buildings	1 050 000
-Loss on derecognition of investments	10 404
-Depreciation	209 680
-Fair value adjustment on financial instruments	(32 371)
Operating cash flows before changes in operating assets and liabilities	1 931 882
Changes in operating assets and liabilities	
Financial liabilities at fair value through profit and loss	6 444 932
Deposits and other accounts	19 715 785
Advances and other accounts	(12 736 106)
Financial assets at fair value through profit and loss	(7 135 023)
	8 221 470
Taxation	
Corporate tax paid (note 6.4)	(10 520)
Capital gains tax paid	(152 000)
Net cash inflow from operating activities	8 058 950
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds on disposal of investment property	3 040 000
Purchase of property and equipment	(160 322)
Purchase of quoted investments	(60 134)
Purchase of unquoted investments	(74 542)
Proceeds from disposal of quoted and other investments	109 788
Net cash outflow from investing activities	2 854 790
Net increase in cash and cash equivalents	10 913 740
Cash and cash equivalents at beginning of the year	1 289 441
Cash and cash equivalents at the end of the year (note 16)	12 203 181
Operational cash flows from interest and dividends	
Interest paid	(544 097)
Interest received	1 347 193

The following paragraphs describe the main accounting policies applied consistently by the Group.

ACCOUNTING CONVENTION

As the banking subsidiary, NMB Bank Limited, constitutes the major part of the Group, the financial statements have been presented in a form applicable to a Commercial Bank registered in terms of the Banking Act (Chapter 24:20). The financial statements are based on accounting records maintained under the historical cost convention except for securities held for trading, land, buildings and investment properties which are stated at fair value. The Group's financial statements are presented at least annually.

The accounting policies outlined below have been consistently applied by the Group.

BUSINESS COMBINATIONS

Business combinations are accounted for in accordance with the Purchase Method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries. All companies in the Group have a December year end. Inter-group transactions and balances are eliminated on consolidation.

Subsidiaries

Subsidiaries are those enterprises controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements, using the Purchase Method, from the date that control effectively commences until the date that control effectively ceases.

Goodwill

Goodwill acquired in a business combination is recognised as an asset and is measured initially at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. Subsequently, the goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicated that it might be impaired. Impairment losses on goodwill are not reversed. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in profit or loss in the year of acquisition.

FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are presented in United States Dollars, which is also the parent company's functional currency.

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated at the closing rate at the reporting date. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated at the exchange rates ruling at the transaction date. Foreign exchange differences arising on translation are recognised in profit or loss.

TAXATION

Current taxation
Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in equity or other comprehensive income, in which case the related tax.

Current tax is expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxation
Provision for deferred taxation is made using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial institutions levy
Financial institutions levy is accrued at the prescribed rate, which is currently 5% on profit before taxation from the banking subsidiary.

DIVIDEND DISTRIBUTION
Dividend distribution to the Companyȯs shareholders is recognised as a liability in the period in which the dividends are approved by the Companyȯs shareholders.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairment

A provision for loan impairment is established if there is objective evidence as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ñloss eventò) that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision 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.

The loan loss provision also covers losses where there is objective evidence that incurred losses are present in components of the loan portfolio at the reporting date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the income statement.

If there is objective evidence that an impairment loss has been incurred, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited in profit or loss.

Regulatory Guidelines And International Financial Reporting Standards Requirements In Respect Of The Group's Banking Activities

The Banking Regulations 2000 issued by the RBZ give guidance on provisioning for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

International Accounting Standard 39 (IAS 39), *Financial Instruments: Recognition and Measurement* (IAS39) prescribes the provisioning for impairment losses based on the actual loan losses incurred in the past applied to the sectoral analysis of book debts and the discounting of expected cash flows on specific problem accounts.

The two prescriptions are likely to give different results. The Board has taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is charged against other comprehensive income and where it is more, the full amount will be charged to profit or loss.

Non-Performing Loans

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its recoverbility, thereafter and until all or part of the loan is written off, interest continues to accrue on customerôs accounts but is not included in income. Such suspended interest is deducted from loans and advances in the balance sheet. This policy meets the requirements of the Banking Regulations, 2000.

Renegotiated Loans and Advances

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been re-negotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously renews re-negotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans original EIR.

FINANCIAL INSTRUMENTS

Classification

Financial assets and financial liabilities at fair value through profit and loss include financial assets and liabilities held for trading i.e. those that the Group principally holds for the purpose of short-term profit taking as well as those that were, upon initial recognition, are designated by the entity as *financial assets or liabilities at fair value through profit and loss*. There is no reclassification into or out of this category as per IAS 39. Management only designate an instrument at fair value through profit and loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management or investment strategy; or
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Financial assets available-for-sale are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Equity investments classified as available ï for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as available ï for ï sale.

Own equity instruments

Reacquired own instruments are measured at cost and are presented in the statement of financial position as a deduction from equity. No gain or loss is recognised in the income statement on the sale, issuance or cancellation of these instruments. Consideration received is presented in the financial statements as a change in equity.

Recognition

The Group recognises *financial assets and financial liabilities at fair value through profit and loss* and *available for sale assets* on the date it becomes a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognised in profit or loss and other comprehensive income respectively.

Held-to-maturity investments and *loans and receivables* are recognised at cost which is the fair value of the consideration given plus transaction costs on the day that they are transferred to the Group.

Measurement

Financial assets and financial liabilities are measured initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit and loss and available for sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less impairment losses.

Held-to-maturity investments and loans and receivables are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Effective interest rate method
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost measurement principles
Amortised cost is computed using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest.

Fair value measurement principles
The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on managementǒs best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Gains and losses on subsequent measurement
Gains and losses arising from a change in the fair value of available for sale assets are recognised directly in other comprehensive income. When the financial assets are sold, collected or otherwise disposed of the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss.

Gains and losses arising from a change in the fair value of financial assets and liabilities through profit and loss are recognised in profit or loss.

Derecognition
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ǒpass-throughô arrangement; and either:
  - the Bank has transferred substantially all the risks and rewards of the asset, or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bankǒs continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ñloss eventò) and that the loss event has an impact on the estimated future cash flows from the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest and principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

SHARE - BASED PAYMENTS

The Group issues share options to certain employees in terms of the Employee Share Option Scheme which is an equity settled share-based payment scheme. Share options are measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the options is expensed on a straight-line basis over the vesting period, based on the Groupôs estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on managementôs best estimate, for the effects of non-transferability, exercise restrictions and other behavioural considerations.

PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. The previous remaining carrying amount is derecognized. All other repair and maintenance costs are recognized in the income statement as incurred.

Land and buildings are measured at revalued amount less accumulated depreciation on buildings and impairment losses recognized after the date of the revaluation. Revaluation of property is done half yearly and at the end of each reporting period, by a registered professional valuer.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Residual values and the useful life of assets are reviewed at least at each financial year end. Where the residual value of an asset increases to an amount that is equal to or exceeds its carrying amount, then the depreciation of the asset ceases. Depreciation will resume only when the residual value decreases to an amount below the assetôs carrying amount.

Owned Assets

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of attributable overheads which are directly attributable to the assets.

Depreciation

Depreciable amount is the cost of an asset or other amount substituted for cost less its residual value. Depreciation is provided to write off the depreciable amount of property and equipment over their estimated useful lives to their estimated residual values at the following rates per annum, on a straight-line basis.

Computers	20%
Motor Vehicles	25%
Furniture and Equipment	20%
Buildings	2%

Land and capital work-in-progress are not depreciated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

Leasing

The determination of whether an arrangement is a lease, or it contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group Company as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rentals payable are recognised as an expense in the period in which they are incurred.

Group Company as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Impairment of non – financial assets

The carrying amounts of the Group's non- financial assets other than consumables and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the functions of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised. A reversal of an impairment loss is charged to profit or loss.

INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property. The previous remaining carrying amount is derecognised. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

FINANCIAL GUARANTEES

In the ordinary course of business, the Group companies give financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Groupøs liability under each guarantee is measured at the higher of the amount initially recognised less, where appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recognised in the income statement. The premium received is recognised in profit or loss on a straight line basis over the life of the guarantee, or in full, depending on the conditions attached to the guarantee.

INTEREST INCOME

Interest income includes income arising out of the banking activities of lending and investing. Interest income is recognised in profit or loss as it accrues taking into account the effective yield on the asset and where appropriate, premiums/discounts on debt securities are amortised using the effective interest rate method.

INTEREST EXPENSE

Interest expense arises from deposit taking. The expense is recognised in profit or loss as it accrues, taking into account the effective interest cost of the liability.

NON-INTEREST INCOME

Other income comprises of income such as revenue derived from service fees, commission, facility arrangement fees bad debts recoveries, profit/losses on disposals of property and equipment and foreign exchange differences arising on translation of foreign denominated balances. Commission income is brought to account on an accrual basis and bad debts recoveries on a receipt basis. Fee income is recognised on settlement date, or where determinable, by stage of completion.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances, and short term highly liquid investments with maturities of three months or less when purchased. These are stated at amortised cost.

EMPLOYEE BENEFITS

Retirement benefits are provided for the Groupøs employees through a defined contribution plan and the National Social Security Authority Scheme.

Defined Contribution Plan

Obligations for contribution to the defined contribution pension plan are recognised as an expense in profit or loss as they are incurred.

National Social Security Authority Scheme

The cost of retirement benefits applicable to the National Social Security Authority, which commenced operations on 1 October 1994 is determined by the systematic recognition of legislated contributions.

FUEL

Fuel is accounted for at acquisition cost.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursements.

NMBZ HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

1. REPORTING ENTITY

NMBZ Holdings Limited is an investment holding company domiciled in Zimbabwe, whose registered office is 64 Kwame Nkrumah Avenue, Harare. The consolidated financial statements of the Group as at and for the year ended 31 December 2009 comprise the company and its subsidiaries. The Group primarily is involved in corporate and retail banking and investment.

2. ACCOUNTING MATTERS

2.1 MATTERS OF EMPHASIS

2.1.1 Functional and reporting currency

The company changed its functional and reporting currency from the Zimbabwe dollar to the United States dollar with effect from 1 January 2009. These financial statements are reported in United States of America dollars and rounded to the nearest dollar.

Following the guidance issued jointly by the PAAB, ZAPB and ZSE the balances as at 1 January 2009 were taken on in United States of America dollars as follows:

- Land, buildings and investment properties valuations were based on the foreign currency valuation done by the directors for the 2008 year end.
- Motor vehicles, office equipment, furniture and fittings valuation was done by the directors based on market values obtained from the market taking into account the relative ages of the assets.
- Loans and advances were re-established by reference to the foreign currency amount where the repayment was due and payable in foreign currency.
- Quoted investments were based on the equity prices ruling on 1 January 2009, and in the case of shares traded on the Zimbabwe Stock Exchange (ZSE), the 30 day average prices from 19 February 2009 (the first date of active trading in foreign currency on the Zimbabwe Stock Exchange (ZSE)) were used.
- Liabilities were re-established on the basis of the obligations which were due and payable in foreign currency, or by reference to payments which were made after 1 January 2009 for an accrual at 31 December 2008.
- Other assets and liabilities were taken on by reference to the foreign currency amounts at 1 January 2009, or at the first available foreign currency pricing subsequent to the change in functional currency
- The share option reserve was established using the Black-Scholes valuation model based on retrospective application of the model with reference to parameters established subsequent to 19 February 2009, the first date of active trading in foreign currency on the Zimbabwe Stock Exchange (ZSE).
- The net effect of the re-establishment of the Group's assets and liabilities at 1 January 2009 resulted in a functional currency reserve, the amount of which was credited to a non-distributable reserve. The non-distributable reserve will be used, after the necessary statutory and shareholders approvals, for the re-denomination of the capital of the Group's subsidiaries.

The re-established amounts for the Group's assets and liabilities at 1 January 2009 were taken as the deemed costs/values at the date of change of the functional currency.

2.1.2 Inflation Indices

It is a requirement in terms of the International Financial Reporting Standards that inflation adjusted financial statements should be prepared and converted to the new currency in accordance with IAS21, "*The Effects of Changes in Foreign Exchange Rates*" and IAS29, "*Financial Reporting in Hyperinflationary Economies*".

The company was unable to prepare inflation adjusted financial statements for the comparative period as a result of the unavailability of inflation indices which were last published in July 2008.

2.1.3 Comparative information

Following the guidance issued by the Public Accountants and Auditors Board (PAAB), the Institute of Chartered Accountants of Zimbabwe (ICAZ) and the Zimbabwe Accounting Practices Board (ZAPB), the company did not include prior year comparatives as these would be misleading.

2.2 USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Groupôs consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Groupôs accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

2.2.1 Deferred tax liability

In determining the amounts used for taxation purposes the directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced provisional methods to account for the deferred tax arising on assets purchased in ZWD. These methods require the preparer to first estimate the equivalent USD value of those assets at the time of purchase. Since the measurement of transactions in Zimbabwe dollars in the prior periods is affected by several economic variables such as mode of payment and hyperinflation this is an area where the directors have had to apply their judgement and acknowledge there could be significant variations in the results achieved depending on assumptions made.

2.2.2 Land and buildings

The properties were valued by professional valuers. The valuer applied the rental yield method to assess fair value of land and buildings. The determined fair value of land and buildings is most sensitive to the estimated yield as well as the long term vacancy rate. In addition, the property market is currently not stable due to liquidity constraints and hence comparable values are also not stable.

2.2.3 Investment property and equipment

Investment property, motor vehicles, furniture and fittings were valued by the directors with assistance from professional valuers by reference to market values of similar assets.

The professional valuers considered comparable market evidence of recent sale transactions and those transactions where firm offers had been made but awaiting acceptance. In addition, the property market is currently not stable due to liquidity constraints and hence comparable values are also not stable

The directors adjusted market values for similar assets to take into account differences in ageing, size and location of the investment property, other property and equipment owned by the group. The directors exercised their judgement in determining the residual values of the other property and equipment which have been determined as nil.

2.2.4 RBZ Forex Bond

The RBZ Forex Bond was valued at cost as there is currently no market information to facilitate the application of fair value principles. There is currently no active market for these bonds.

2.2.5 Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrowerôs financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data.

The impairment loss on loans and advances is disclosed in more detail under *Significant Accounting Policies – Impairment losses on loans and advances.*

2.2.6 Going concern

The Directors have assessed the ability of the group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

2.2.7 Fair value determination for transactions, assets and liabilities

The determination of fair values presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values. The significant assumptions and the estimation uncertainties are disclosed under Note 2.2.1 to Note 2.2.4.

2.3 STATEMENT OF COMPLIANCE

The consolidated financial statements of the group have not been prepared in accordance with International Financial Reporting Standards (IFRS) in that the requirements of IAS 1, IAS 21 and IAS 29, have not been complied with.

The consolidated financial statements have been prepared in compliance with the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 23.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:
The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* effective 1 January 2009
- IFRS 3 *Business Combinations (Revised) and* IAS 27 *Consolidated and Separate Financial Statements (Amended) effective 1 July 2009* (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 *Financial Instruments: Disclosures* effective 1 January 2009
- IFRS 8 *Operating Segments* effective 1 January 2009
- IAS 1 *Presentation of Financial Statements* effective 1 January 2009
- IAS 23 *Borrowing Costs (Revised)* effective 1 January 2009
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* effective 1 January 2009
- IFRIC 9 *Remeasurement of Embedded Derivatives* and *IAS 39 Financial Instruments: Recognition and Measurement* effective for periods ending on or after 30 June 2009
- IFRIC 13 *Customer Loyalty Programmes* effective 1 July 2008
- IFRIC 16 *Hedges of a Net Investment in a Foreign* Operation effective 1 October 2008
- Improvements to IFRSs (May 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 2 *Share-based Payment (Revised)*
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The Group adopted the revised from 1 January 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 14.

IFRS 8 *Operating Segments*
IFRS 8 replaced IAS 14 *Segment Reporting* upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IAS 1 Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: It presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

IAS 32 *Financial Instruments: Presentation* and *IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*
The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives* and *IAS 39 Financial Instruments: Recognition and Measurement
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 13 *Customer Loyalty Programmes*
IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.

The Group does not maintain a loyalty points programme.

2.4 Changes in accounting policy and disclosures *continued*

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to IFRSs
In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.
- IAS 7 *Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- *IAS 16 Property, Plant and Equipment*: Replaces the term ñnet selling priceò with ñfair value less costs to sellò. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- IAS 18 *Revenue:* The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as no government ammitance has been received.

NMBZ HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

- *IAS 23 Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ðborrowing costsô into one ï the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

- *IAS 36 Impairment of Assets:* When discounted cash flows are used to estimate ófair value less cost to sellô additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate óvalue in useô. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using óvalue in useô.

  The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- IAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

  Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based Payment*
- IFRS *7 Financial Instruments: Disclosures*
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Error*
- IAS 10 *Events after the Reporting Period*
- IAS 19 *Employee Benefit*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 31 *Interest in Joint Ventures*
- *IAS 34 Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 40 *Investment Properties*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Groupôs consolidated financial statements are listed below.

Standard	Subject	Effective date*	Date issued
IFRS 3	Business combinations	1 July 2009	January 2008
IFRS 9	Financial instruments	1 January 2013	November 2009
IAS 24	Related party disclosures	1 January 2011	November 2009
IAS 27	Consolidated and separate financial statements	1 July 2009	January 2008
	Improvements to IFRS (April 2008)	Mostly 1 January 2010*	April 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009	November 2008
IFRIC 18	Transfer of assets from customers	1 July 2009	January 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010	November 2009
AC 504	IAS19 ï The Limit on a defined benefit, minimum funding requirements and their interaction in a south African pension fund environment	1April 2009	March 2009

The following accounting standards have been amended during the period:

Standard	Subject	Effective date*	Date issued
IFRS 2	Amendments to IFRS 2 ï Share ï based payments ï Group cash settled share based payment arrangements	1 January 2010	June 2009
IAS 32	Classification of rights issues ï Amendment to IAS 32	1 February 2010	August 2009
IAS 39	Amendment to IAS 39 Financial instruments: Recognition and measurement ï Eligible hedged items	1 July 2009	July 2008
IFRIC 14	Prepayments of a minimum funding requirement ï Amendments to IFRIC 14	1 January 2011	November 2009

These amendments are not expected to have a significant impact on the Group for the 31 December 2009 reporting period.

3. INTEREST INCOME

	2009
	US$
Cash and cash equivalents	293 210
Loans and advances to banks	16 158
Loans and advances to customers	456 580
Investment securities	581 181
Other	64
	1 347 193

4. NON-INTEREST INCOME

	2009
	US$
Quoted and other investments fair value adjustment	172 978
Commission and fee income	4 888 077
Loss on disposal of investment property	(460 000)
Profit on disposal of property and equipment	2 066
Fair value adjustment on investment properties	579 600
Fair value adjustment on financial instruments	32 371
Profit on disposal of quoted and other investments	45 256
Debt recovery write back as RBZ Forex Bond	1 789 836
Other net operating income	186 765
	7 236 949

5. OPERATING EXPENDITURE

	2009
	US$
The operating profit is after charging the following:-	
Administration costs	3 410 039
Loss on derecognition of investment	10 404
Audit fees	117 875
Impairment loss on land and buildings	1 050 000
Depreciation	209 680
Directors' remuneration	209 252
- Fees for services as directors	18 537
- Other emoluments	190 715
Staff costs	2 377 962
	7 385 212

6. TAXATION

6.1 Tax Charge

	2009 US$
Current taxation	257 302
Aids levy	7 719
Deferred tax origination and reversal of temporary differences (note 15)	(1 646 787)
	(1 381 766)
Financial institutions levy	44 661
Total taxation	(1 337 105)

6.2 Reconciliation of income tax charge

	2009 US$
Based on results for the period at a rate of 30%	282 355
Arising due to:	
Income not subject to tax	(263)
Non-deductible expenses	1 519
Effect of opening deemed values (note2.1.1)	(494 120)
	(210 509)
Aids levy	7 719
Tax adjustment due to change in tax rates	(1 178 976)
Taxation	(1 381 766)
Financial institutions levy	44 661
Total taxation	(1 337 105)

In 2009 the government enacted a change to the Capital Gains Tax rate from 20% to 5%. Proposed changes to the corporate income tax rate from 30% to 25% are effective from 1 January 2010 and the effect of the future rate has been applied in computing deferred tax as appropriate.

6. TAXATION (Contôd)

	2009
	US$
6.3 Total taxation charge/(credit) analysed by company	
Stewart Holdings (Private) Limited	15 970
NMB Bank Limited - Company	(1 350 517)
NMBZ Holdings Limited	(2 558)
	(1 337 105)

6.4 Provision for current taxation (income tax, aids levy and financial institutions levy)

At 1 January	-
Charge for the year	309 682
Payments during the year	(10 520)
	299 162

7. Components of other comprehensive income

	2009
	US$
Additional impairment losses on loans and advances as per RBZ grading	(274 904)
Income tax relating to components of other comprehensive(loss)/ income	70 788
Other comprehensive income for the period	(204 116)

TAXATION (Contôd)

8. Tax effects relating to components of other comprehensive income

	2009		
	Before tax amount US$	Tax benefit US$	Net of tax amount US$
Additional impairment losses on loans and advances as per RBZ grading	(274 904)	70 788	(204 116)
Other comprehensive (loss) /income	(274 904)	70 788	(204 116)

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of NMBZ Holdings Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of NMBZ Holdings Limited adjusted for the after tax effect of: (a) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity; (b) any interest recognised in the period related to dilute potential ordinary shares; (c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Headline earnings per share is calculated by dividing the profit attributable to ordinary equity holders of NMBZ Holdings Limited (excluding separately identifiable re-measurements, relating to any change in the carrying amount of an asset or liability, net of related tax (both current and deferred), other than re-measurements specifically included in headline earnings) by the weighted average number of ordinary shares outstanding during the year.

9.1 Earnings

	2009 US$
Basic and Diluted	2 278 287
Headline (note 9.4)	2 735 051

9.2 Number of shares

	2009
Weighted average shares in issue*	1 641 270 307
Diluted weighted average number of shares*	1 655 100 176
Weighted average shares in issue	1 641 270 307
Effects of dilution:	
Share options granted but not exercised	12 159 000
Share options approved but not yet granted	1 670 869
Diluted weighted average number of shares	1 655 100 176

* excludes own equity instruments amounting to 1 028 172 shares.

9.3 Earnings per share (US$ cents)

	2009
Basic	0.14
Headline	0.17
Diluted basic	0.14
Diluted headline	0.17

9.4 Headline earnings

	2009 US$
Profit attributable to shareholders	2 278 287
Add/(deduct) remeasurements:	
- Fair value adjustment on investment properties	(579 600)
- Loss on derecognition of investment	10 404
- Impairment loss on land and buildings	1 050 000
- Tax effect	(24 040)
Headline earnings	2 735 051

10. SHARE CAPITAL

GROUP AND COMPANY

10.1 Authorised	2009 Shares million	2008 Shares million
Ordinary shares of Z$0.00025 each	2 250	2 250

10.2 Issued and fully paid	2009 Shares million	2008 Shares million
At 1 January	1 641	1 608
Shares issued ï share options	7	33
At 31 December	1 648	1 641

Of the unissued ordinary shares of 601 824 771 (2008 ï 608 741 771), options which may be granted in terms of the NMBZ 2005 Employee Share Option Scheme (ESOS) amounted to 85 360 962 (2008 ï 85 360 962) and out of these 1 670 869 (2008 ï 1 670 869) had not been issued. As at 31 December 2009, 12 159 000 (2008 ï 19 076 000) share options out of the issued had not been exercised.

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03), the unissued shares are under the control of the directors.

As at 31 December 2009, the nominal value of the shares has been reflected as nil in US$ whilst the Group awaits professional guidance on the matter. The share capital will be redenominated in US$ through resolutions to be presented to a General Meeting of shareholders, which will authorise the transfer from the non-distributable reserve to the respective components of capital.

10.3 Own equity instruments

Own equity instruments amounting to 1 028 172 shares at a cost of US$8 225 were held by the Companyôs subsidiary, Stewart Holdings (Private) Limited.

11. CAPITAL RESERVES

	GROUP 2009 US$	COMPANY 2009 US$
Share premium	34 822	34 822
Treasury shares	(8 225)	-
Share option reserve	61 212	61 212
Non-distributable reserve	6 201 909	6 201 909
Total capital reserves	6 289 718	6 297 943

Nature and purpose of reserves

Other capital reserves

Share premium

This reserve represents the increase in share capital attributable to the shares issued upon exercise of share options by officers and key management personnel of the group.

Share option reserve

The share option reserve is used to recognise the value of equity ï settled share based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to note 31.3 for further details of these plans.

Treasury shares

This reserve represents the reduction in equity arising from the shareholding in the group company held by a subsidiary. Refer to note 10.3 for further details of these own equity instruments.

Non – distributable reserve

The non-distributable reserve resulted from the net effect of the re-establishment of the Groupô s assets and liabilities at 1 January 2009. Refer to note 2.1.1 for further details of this reserve.

12. REVENUE RESERVE

Analysis of retained profit/(accumulated loss) by company	GROUP	COMPANY
	2009	2009
	US$	US$
NMBZ Holdings Limited	(18 796)	(18 796)
NMB Bank Limited	2 039 625	-
Stewart Holdings (Private) Limited	53 342	-
	2 074 171	(18 796)

13. DEPOSITS AND OTHER ACCOUNTS

13.1 Deposits and other accounts by type

	2009 US$
Deposits from other banks and other financial institutions	3 009 704
Other money market deposits	6 444 932
Current and deposit accounts	19 265 484
Total deposits	28 720 120
Trade and other payables	1 374 537
	30 094 657
Less: Financial liabilities disclosed in note 14.1	(6 444 932)
	23 649 725

The above are all financial liabilities at fair value through profit and loss. They are payable on demand, have variable interest rates and varying security. The fair value of the above is the same as the cost.

13.2 Maturity analysis

	2009 US$
Less than one month	25 992 595
1 to three months	2 727 525
3 to 6 months	-
6 months to 1 year	-
1 to 5 years	-
Over 5 years	-
	28 720 120

13.3 Sectoral analysis of deposits

	2009 US$	%
Banks and other financial institutions	3 009 704	10
Transport and telecommunications companies	4 561 928	16
Mining companies	2 044 130	7
Industrial companies	6 790 495	24
Municipalities and parastatals	3 154 762	11
Individuals	4 379 292	15
Agriculture	2 268 211	8
Other deposits	2 511 598	9
	28 720 120	100

14. FINANCIAL INSTRUMENTS

14.1 Financial liabilities at fair value through profit and loss*

	Cost 2009 US$	Fair Value 2009 US$
Fixed term deposits	88 481	88 481
Negotiable Certificates of Deposits	6 356 451	6 356 451
Total financial liabilities at fair value through profit and loss	6 444 932	6 444 932

All changes in the period to the fair value of the financial liabilities are attributable to changes in the related credit risk.

*All financial liabilities at fair value through profit and loss were designated as such upon initial recognition.

14.2 Financial assets at fair value through profit and loss

	Cost 2009 US$	Fair Value 2009 US$
Government and public sector securities	1 789 836	1 789 836
Treasury bills	-	-
RBZ Forex Bond (1)	1 789 836	1 789 836
Mortgage bonds	-	-
Bills-own acceptances (2)	5 234 839	5 345 187
Total financial assets at fair value through profit and loss	7 024 675	7 135 023

(1) Financial asset at fair value through profit and loss was classified as held for trading in accordance with IAS 39.
(2) Financial asset at fair value through profit and loss was designated as such upon initial recognition.

The RBZ Forex Bond is valued at cost as there is no market information to facilitate application of fair value principles.

All changes in the period to the fair value of the financial assets are attributable to changes in related credit risk.

MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS

14.3 Financial liabilities at fair value through profit and loss

	2009 US$
Less than 1 month	3 717 408
1 to 3 months	2 727 524
3 to 6 months	-
6 months to 1 year	
1 to 5 years	-
Over 5 years	-
	6 444 932

14.4 Financial assets at fair value through profit and loss

	2009 US$
Less than one month	4 659 689
1 to 3 months	590 860
3 to 6 months	1 884 474
6 months to 1 year	-
1 year to 5 years	-
Over 5 years	-
	7 135 023

14.5 Other financial assets and financial liabilities summary

Fair value

Set out below is a comparison by class of the carrying amounts and fair value of the Groupôs financial instruments that are carried in the financial statements.

	Carrying amount 2009 US$	Fair value 2009 US$
Financial assets		
Cash and cash equivalents	12 203 181	12 203 181
Financial assets at fair value through profit and loss	7 024 675	7 135 023
Advances and other accounts	12 603 888	12 523 188
Trade investments	108 003	108 003
Quoted and other investments	455 638	455 638
Total	32 395 385	32 425 033
Financial liabilities		
Deposits and other accounts	23 652 448	23 649 725
Financial liabilities at fair value through profit and loss	6 444 932	6 444 932
Provision for taxation	299 162	299 162
	30 396 542	30 393 819

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, advances and other accounts, deposits and other accounts and provision for taxation approximate their carrying amounts largely due to the short ï term maturities of these instruments.
- Fair value of quoted and other investments is derived from quoted market prices in active markets if available.

- Fair value of trade investments is derived from the Groupó's proportionate share of the net asset value of associate investments.
- Fair value of financial assets and liabilities at fair value through profit and loss is derived from quoted market prices in active markets. If quoted market prices are not available the fair value is estimated using pricing models or discounted cash flow techniques.

Fair value hierarchy

As at 31 December 2009, the Group held following financial instruments measured at fair value:
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on deservable market data

Assets measured at fair value

	31 Dec 2009	Level 1	Level 2	Level 3
	US$	US$	US$	US$
Financial assets at fair value through profit and loss	7 135 023	-	7 135 023	-
Trade investments	108 003	-	108 003	-
Quoted and other investments	455 638	455 638	-	-

Liabilities measured at fair value

	31 Dec 2009	Level 1	Level 2	Level 3
	US$	US$	US$	US$
Financial liabilities of fair value through profit and loss	6 444 932	-	6 444 932	-

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

14.6 Fair value adjustment to profit and loss

	2009
	US$
Fair value gain	32 371
	=========

The fair value adjustment through profit and loss on financial instruments is calculated in accordance with the principles disclosed in *Significant Accounting Policies – Financial Instruments.*

15. TAXATION

Deferred Taxation	GROUP 2009 US$	COMPANY 2009 US$
Provision for general doubtful debts	(70 788)	-
Quoted and other investments	29 313	615
Investments:-trade investment	-	1 575
Investment properties	256 609	-
Property and equipment	363 183	-
Marking to market adjustments ï IAS 39	8 007	-
Unrealised foreign exchange gains	97 653	-
Deferred income	(4 717)	-
Loss to be assessed	(3 941)	(3 941)
Closing deferred tax liability/asset	675 319	(1 751)
Deferred tax liability at the beginning of the year	(2 021 098)	(807)
Deferred tax charged to other comprehensive income	70 788	-
Deferred tax on disposal of investment in subsidiary (note 19.2)	152 000	-
Effect of opening deemed values (note 2.1.1)	(523 797)	-
Current year credit (note 6.1)	(1 646 787)	(2 558)

16. CASH AND CASH EQUIVALENTS

		2009
16.1	**Balances with Reserve Bank of Zimbabwe**	US$
	Statutory reserve	2 746 957
16.2	**Balances with other banks and cash**	
	Current, nostro accounts and cash	9 456 224
	Total cash and cash equivalents	12 203 181

The statutory reserve balance with the Reserve Bank of Zimbabwe is non-interest bearing. The balance is determined on the basis of deposits held and is not available to the Bank for daily use.

17. ADVANCES AND OTHER ACCOUNTS

	GROUP	COMPANY
	2009	2009
17.1 Advances	US$	US$
Fixed term loans	8 596 463	-
Local loans and overdrafts	3 531 872	-
Other accounts	600 860	79 034
	12 729 195	79 034

17.1.1. Maturity analysis

	GROUP	COMPANY
Less than one month	11 560 300	-
1 to three months	298 366	-
3 to 6 months	147 925	-
6 months to 1 year	120 665	-
1 to 5 years	382 088	-
Over 5 years	-	-
Total advances	12 509 344	-
Provision for impairment losses on loans and advances	(381 009)	
	12 128 335	-
Other accounts	600 860	79 034
Total	12 729 195	79 034

17.2 Sectoral analysis of utilisations	2009 US$	%
Industrial	8 068 093	64
Agriculture and horticulture	691 914	6
Conglomerates	273 288	2
Services	2 072 971	17
Mining	1 272 873	10
Food & beverages	-	-
Other	130 205	1
	12 509 344	100

The material concentration of loans and advances are in the industrial sector at 64%.

17.3 Provisions for losses on loans and advances (including acceptances)

	2009		
	Specific US$	Portfolio US$	Total US$
At 1 January	13 218	-	13 218
Charge against profits	92 887	-	92 887
Charge against other comprehensive income	-	274 904	274 904
Bad debts written off	-	-	-
At 31 December	106 105	274 904	381 009

17.4 Non-performing loans and advances

	2009 US$
Total non-performing loans and advances	106 105
Provision for impairment loss on loans and advances	(106 105)
Interest in suspense	-
	-

The residue on these accounts, where applicable, represents recoverable portions covered by realisable security.

17.5 Other assets

	2009 US$
Service deposits	112 167
Accrued income	97 295
Prepayments and stocks	317 565
Other receivables	133 833
	660 860

17.6 Loans to officers

	2009
	US$
Included in advances and other accounts (note 17.1) are loans to officers:-	
At 1 January	-
Net additions during the year	335 953
Balance at 31 December	335 953
Of which housing loans comprised:-	-

Loans to officers are granted at a preferential rate of 6% per annum as part of their overall remuneration agreements.

17.7 The terms and conditions applicable to advances are as follows:

	Tenure	**Interest Rate**
Overdraft	Payable on demand	Minimum lending rate plus a margin on unauthorised facility
Loans	Loan payable over a maximum period of 24 months	Minimum lending rate plus a margin. Loans to employees and directors are at discounted interest rates.
Bankers Acceptances	Loan payable over a minimum period of 30 days	Average rate of 44% per annum.

18. TRADE INVESTMENT

	GROUP 2009	COMPANY 2009
Unlisted	US$	US$
Takura Ventures (Private) Limited	31 495	31 495
Other	76 508	-
	108 003	31 495
Directorsô valuation	108 003	31 495

The Takura Ventures (Private) Limited investment represents 3.1% shareholding in the company, whose principal activity is venture capital finance. Other investment represents equity investment in SWIFT. The trade investment was valued by directors at fair value at 31 December 2009.

19. INVESTMENTS IN GROUP COMPANIES

19.1 Subsidiaries

	COMPANY 2009
	US$
Investments in subsidiaries	6 154 577

19. INVESTMENTS IN GROUP COMPANIES (Contôd)

19.2 Shareholding

The subsidiaries, all of which are registered in Zimbabwe, and the extent of the group's beneficial interest therein and their principal business activities are listed below:-

	2009	2008
NMB Bank Limited	100% (Banking)	100% (Banking)
Brixtun (Private) Limited	100% (Dormant)	100% (Dormant)
NMB Fund Management (Private) Limited	100% (Dormant)	100% (Dormant)
Stewart Holdings (Private) Limited	100% (Equity holdings)	100% (Equity Holdings)
Invariant (Private) Limited	100% (Dormant)	100% (Dormant)
Darksan (Private) Limited	100% (Dormant)	100% (Dormant)
Carey Farm (Private) Limited	nil	100% (Property Holdings)

The consolidated financial statements include the financial statements of the subsidiaries listed above.

The Bank disposed off its equity holding in Carey Farm (Private) Limited on 17 August 2009.

20. QUOTED AND OTHER INVESTMENTS

	GROUP	COMPANY
	2009	2009
	US$	US$
Quoted investments	455 638	12 289
	455 638	12 289

The quoted investments comprise shares stated for year end purposes at the last trading date of 31 December 2009.

21. INVESTMENT PROPERTIES

	2009 US$
At 1 January	6 140 000
Sale of investment property	(3 500 000)
Fair value adjustments	579 600
At 31 December	3 219 600

No rental income was received and no operating expenses were incurred on the investment properties in the current year.

The investment properties comprise 2 sets of properties namely Borowdale Road and other investment properties. The Borrowdale Road which is also known Stand Number 19207 Harare Township of Stand 19206 measures 4.4506 hectares in extent. The property was valued for year end purposes by professional valuers and the open market value was US$2 450 000.

The other properties comprise residential stands and houses which were valued by the directors with the assistance of professional valuers for year end purposes at US$769 600.

22. PROPERTY AND EQUIPMENT

HISTORICAL COST/ REVALUED AMOUNT

	Computers	Motor Vehicles	Furniture & Equipment	Freehold Land & Building	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2009	447 772	116 830	911 127	3 760 000	5 235 729
Additions	55 553	31 685	71 375	1 709	160 322
Impairment loss	-	-	-	(1 050 000)	(1 050 000)
Disposals	-	-	-	-	-
At 31 December 2009	503 325	148 515	982 502	2 711 709	4 346 051
Accumulated depreciation					
At 1 January 2009	114 262	25 910	413 812	-	553 984
Charge for the year	89 930	23 995	95 744	11	209 680
Disposals	-	-	-	-	-
At 31 December 2009	204 192	49 905	509 556	11	763 664
Net book amount					
At 31 December 2009	299 133	98 610	472 946	2 711 698	3 582 387
Net book amount					
At 1 January 2009	333 510	90 920	497 315	3 760 000	4 681 745

The land and buildings were valued by professional valuers for year end purposes and the open market value was US$2.71 million. The deemed balances at 1January 2009 were derived using the principles outlined in note 2.1.1.

Land and buildingsô original costs were in Zimbabwe Dollars. Following the Zimbabwe Dollar Currency reforms and subsequent change in functional currency it is not practicable to determine the United States Dollars amounts for reasons given in note 37.

23. INTEREST RATE REPRICING AND GAP ANALYSIS

The table below analyses the Bankôs interest rate risk exposure on assets and liabilities. The financial assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

23.1 Total position

At 31 December 2009

	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	12 203 181	-	-	-	-	12 203 181
Financial assets at fair value through profit and loss	4 659 689	590 860	1 884 474	-	-	7 135 023
Advances and other accounts	11 560 300	298 366	268 591	382 088	219 851	12 729 195
Quoted and other investments	-	-	-	-	563 641	563 641
Investment properties	-	-	-	-	3 219 600	3 219 600
Property and equipment	-	-	-	-	3 582 387	3 582 387
	28 423 170	889 226	2 153 065	382 088	7 585 479	39 433 027
Liabilities and shareholders' funds						
Financial liabilities at fair value through profit and loss	3 717 408	2 727 525	-	-	-	6 444 932
Deposits and other accounts	22 275 188	-	-	-	1 374 537	23 649 725
Provision for current taxation	-	-	-	-	299 162	299 162
Deferred taxation	-	-	-	-	675 319	675 319
Shareholdersô funds	-	-	-	-	8 363 889	8 363 889
	25 992 596	2 727 525	-	-	10 712 907	39 433 027
Interest rate repricing gap	2 430 574	(1 838 299)	2 153 065	382 088	(3 127 428)	-
Cumulative gap	2 430 574	592 275	2 745 340	3 127 428	-	-

24. INTEREST RATE REPRICING AND GAP ANALYSIS

The table below analyses the Bankǿs interest rate risk exposure on assets and liabilities denominated in United States Dollars only. The financial assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

24.1 United States dollar

At 31 December 2009

	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	8 353 567	-	-	-	-	8 353 567
Financial assets at fair value through profit and loss	4 659 689	590 860	1 884 474	-	-	7 135 023
Advances and other accounts	11 392 348	298 366	268 591	382 088	219 851	12 561 243
Quoted and other investments	-	-	-	-	487 133	487 133
Investment properties	-	-	-	-	3 219 600	3 219 600
Property and equipment	-	-	-	-	3 582 387	3 582 387
	24 405 604	889 226	2 153 065	382 088	7 508 971	35 338 953

Liabilities and shareholders' funds

	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years	Non-interest bearing US$	Total US$
Financial liabilities at fair value through profit and loss	3 275 040	2 727 525	-	-	-	6 002 564
Deposits and other accounts	19 074 551	-	-	-	1 374 537	20 449 088
Provision for current taxation	-	-	-	-	299 162	299 162
Deferred taxation	-	-	-	-	675 319	675 319
Shareholdersô funds	-	-	-	-	8 363 889	8 363 889
	22 349 591	2 727 525	-	-	10 712 907	35 790 022
Interest rate repricing gap	2 056 013	(1 838 299)	2 153 065	382 088	(3 203 936)	(451 069)
Cumulative gap	2 056 013	217 714	2 370 779	2 752 867	(451 069)	-

25. INTEREST RATE REPRICING AND GAP ANALYSIS

The table below analyses the Bankôs interest rate risk exposure on assets and liabilities denominated in currencies other than United States Dollars. The amounts are shown at the equivalent values in United States Dollars, the presentation currency. The financial assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

25.1 Other Foreign currencies

At 31 December 2009

	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	3 849 614	-	-	-	-	3 849 614
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Quoted and other investments	-	-	-	-	76 508	76 508
Advances and other accounts	167 952	-	-	-	-	167 952
Investment properties	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
	4 017 566	-	-	-	76 508	4 094 074

Liabilities and shareholders' funds

	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Financial liabilities at fair value through profit and loss	442 368	-	-	-	-	442 368
Deferred taxation	-	-	-	-	-	-
Deposits and other accounts	3 200 637	-	-	-	-	3 200 637
Provision for current taxation	-	-	-	-	-	-
Shareholdersô funds	-	-	-	-	-	-
	3 643 005	-	-	-	-	3 643 005
Interest rate repricing gap	374 561	-	-	-	76 508	451 069
Cumulative gap	374 561	374 561	374 561	374 561	451 069	451 069

26. FOREIGN EXCHANGE POSITIONS

The table below indicates the currencies to which the Group had significant exposure at 31 December on all its assets and liabilities. The analysis reflects the mismatch by currency. The amounts are shown at the equivalent values in United States Dollars, the presentation currency.

26.1 At 31 December 2009

	US$	RAND	GBP	EUR	BWP	TOTAL
Assets	US$	US$	US$	US$	US$	US$
Cash and cash equivalents	8 353 567	1 296 591	95 540	2 389 271	68 212	12 203 181
Financial assets at fair value through profit and loss	7 135 023	-	-	-	-	7 135 023
Advances and other accounts	12 561 243	167 716	128	88	21	12 729 195
Quoted and other investments	487 133	-	-	76 508	-	563 641
Investment properties	3 219 600	-	-	-	-	3 219 600
Property and equipment	3 582 387	-	-	-	-	3 582 387
	35 338 953	1 464 307	95 668	2 465 867	68 233	39 433 027

Liabilities and shareholders' funds

	US$	RAND	GBP	EUR	BWP	TOTAL
Financial liabilities at fair value through profit and loss	6 002 564	-	-	442 368	-	6 444 932
Deferred taxation	675 319	-	-	-	-	675 319
Deposits and other accounts	20 449 088	1 145 520	46 693	1 958 063	50 361	23 649 725
Provision for current taxation	299 162	-	-	-	-	299 162
Shareholdersô funds	8 363 889	-	-	-	-	8 363 889
	35 790 022	1 145 520	46 693	2 400 431	50 361	39 433 027
Net foreign exchange position	(451 069)	318 787	48 975	65 436	17 872	

27. CONTINGENT LIABILITIES

	2009 US$
Guarantees	3 150 324
Commitments to lend	6 638 259
	9 788 583

The Bank enters into various irrevocable commitments and contingent liabilities in its normal course of business in order to meet financial needs of customers. These obligations are not recognised on the statement of financial position, but contain credit risk and are therefore part of the overall risk of the bank.

Guarantees commit the Bank to make payments on behalf of clients in the event of a specified act. Guarantees carry the same credit risk as loans.

Commitments to lend represent contractual commitments to advance loans and revolving credits. Commitments have fixed expiry dates and may expire without being drawn upon, hence total contract amounts do not necessarily represent future cash requirements.

28. CAPITAL COMMITMENTS

	2009 US$
Capital expenditure contracted for	-
Capital expenditure authorised but not yet contracted for	998 400
	998 400

Capital commitments, when they arise, will be financed from the Group's own resources.

29. OPERATING LEASE COMMITMENTS

	2009 US$
Lease commitments	2 292 335
Up to 1 year	458 467
1 – 5 years	1 833 868

Lease commitments relate to future rental commitments up to the expiry of the lease agreements.

30. RELATED PARTIES

As required by IAS 24, *Related Parties Disclosures,* the Boardôs view is that non-executive and executive directors constitute the key management of the Bank. Accordingly, key management remuneration is disclosed below.

30.1 Compensation of key management personnel of the Bank

	2009
	US$
Short ï term employee benefits	209 252
	======

30.2 Key management interest in an employee share options

At 31 December 2009, key management held options to purchase ordinary shares of the Company as follows:

- 3 000 000 ordinary shares at a price of US$ nil exercisable between 12 March 2009 and 12 March 2013.

30.3 Balances of loans to directors, officers and others

Loans to directors and officers or their companies are included in advances and other accounts (note 17.1).

	2009
	US$
Non - executive directors	600
Executive directors	64 025
Officers (Note 18.6)	335 953
Directors' companies	-
Officersô companies	-
Intra group loans	-
	----------
	400 578
Provision for impairment losses on loans	-
	------------
	400 578
	=======

30.4 Other related party disclosures

Entities with significant influence over the Group	Interest from related parties US$	Interest to related parties US$	Amounts owed by related parties US$	Amounts owed to related parties US$
2009	-	-	400 578	-

30.5 BORROWING POWERS

Holding Company

In terms of the existing Articles of Association, Article 102, the directors may from time to time, at their discretion, borrow or secure the payment of any sum or sums of money for the purposes of the company without any limitation.

Banking subsidiary

In terms of the existing Articles of Association, Article 55, the directors may from time to time, at their discretion, borrow or secure the payment of any sum or sums of money for the purposes of the company without any limitation.

31. EMPLOYEE BENEFITS

31.1 Pension Fund

All eligible employees contribute to the NMB Bank Pension Fund, which is a defined contribution plan.

The assets of the Pension Fund are held separately from those of the Group in funds under the control of Trustees. The pension fund assets include 389 068 shares in NMBZ Holdings Limited as at 31 December 2009.

31. EMPLOYEE BENEFITS (Cont'd)

31.2 Expense recognised in profit or loss

	2009
	US$
Defined Contribution Plan	62 878
	========

The expense is recognised in profit or loss as part of staff costs under operating expenses (note 5).

31.3 Employee Share Option Scheme

In terms of the Employee Share Option Scheme, up to a maximum of 10% of the issued share capital may be granted by the directors to senior employees by way of options. Each set of options is exercisable at any time within a period of five years from the date the options are granted and the issue price is based on the higher of nominal value of the shares and the middle market price derived from the Zimbabwe Stock Exchange prices for the trading day immediately preceding the date of offer. The options vest immediately from date of issue and the fair value of the options is estimated at the grant date using the Black – Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in share options during the year.

GROUP and COMPANY

		2009
	No	WAEP$
	000's	
Outstanding as at 1 January	19 076	0.005
Lapsed	-	-
Issued	-	-
Exercised	(6 917)*	0.005
	------------	
	12 159	0.005
	=======	

*The weighted average share price at the date of exercise for the options exercised was $0.0082

31. EMPLOYEE BENEFITS (Cont'd)

Terms of options outstanding at 31 December 2009

GROUP & COMPANY		
		2009
Expiry date	Exercise price US$	Shares 000ߴs
5 September 2012	nil	9 159
7 January 2013	nil	-
12 March 2013	nil	3 000
		12 159

31.4 National Social Security Authority Scheme

All employees of the group are members of the National Social Security Authority Scheme, a defined contribution plan to which both the employer and the employees contribute.

Contributions by the employer are charged to the profit and loss account and during the period amounted to US$62 878.

31.5 Number of employees

The total number of employees of the Group at 31 December 2009 was 409 (2008 ï 470).

32. SEGMENT REPORT

No segmental information is presented in respect of the Group as there are no distinguishable business segments.

33. EXCHANGE RATES

The following exchange rates have been used to translate the foreign currency balances to United States dollars at year end:

		31 December 2009 Mid-rate US$
British Sterling	GBP	1.6076
South African Rand	ZAR	7.3975
European Euro	EUR	1.4371
Botswana Pula	BWP	6.6578

34. RISK MANAGEMENT

In the ordinary course of business the Group manages risks of all forms especially operational, market, liquidity and credit risks. These risks are identified and monitored through various channels and mechanisms.

The Board of Directors has overall responsibility for the establishment and oversight of the Groupôs risk management framework. The Board has established the Asset and Liability Management Committee (ALCO) and operational risk committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. The Group has a Risk Management department, which reports to the Chief Executive Officer and is responsible for the management of the overall risk profile.

The Group risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Group Risk Committee which is responsible for monitoring compliance with the Group risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group, is assisted in these functions by Internal Audit and Risk Management. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the Risk Committee.

The Group main objective is to contain the risk inherent within the financial services sector and to ensure that the Group various risk profiles are understood and appropriately managed to the benefit of customers, shareholders and other stakeholders.

34.1 Credit risk

Credit risk is the risk that a financial contract will not be honoured according to the original set of terms. The risk arises when borrowers or counterparties to a financial instrument fail to meet their contractual obligations. The Board has put in place sanctioning committees which operate according to the amount requested by an applicant. The Credit Risk Management department reviews all applications. This initial review allows only those applications that do not unduly expose the Group to credit risk to be considered by the sanctioning committees.

34.1.1Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Loans Review Committee. The Credit Risk Management department which also reports to the Loan review committee is responsible for oversight of the Group credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Facilities require authorization by Head of Credit Risk, executive directors, Loans Review Committee or the Board of Directors depending on amount as per set limits.

- The Credit Risk department assesses all credit exposures in excess of designated limits, prior to facilities being committed to clients by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counter parties and industry for loans and advances.
- Maintaining and monitoring the risk gradings as per the RBZ requirement in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The table below shows the maximum exposure to credit for the components of the balance sheet. The maximum exposure is shown as gross.

34.1.2 Maximum exposure to credit risk without taking account of any collateral

	Note	2009 US$
Cash and cash equivalents (excluding cash on hand)		9 052 698
Financial assets at fair value through profit & loss	14	7 135 023
Advances and other accounts	17	12 729 195
Total		28 916 916
Guarantees	27	3 150 324
Commitments to lend	27	6 638 259
Total		9 788 583
Total credit risk exposure		38 705 499

Where financial instruments are recorded at fair value the amounts shown above represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The effect of collateral and other risk mitigation techniques is shown below.

An industry sector analysis of the Groupôs financial assets, before and after taking into account collateral held or other credit enhancements is as follows:

34.1.3 Risk concentrations of maximum exposure to credit risk

At 31 December 2009

	Gross Maximum exposure US$	Net maximum exposure US$
Industrials	8 068 093	-
Agriculture and horticulture	691 914	-
Conglomerates	273 288	273 288
Services	2 072 971	-
Mining	1 272 873	-
Food and beverages	-	-
Other	130 205	-
	12 509 344	273 288

34.1.4 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. There are guidelines regarding the acceptability of types of collateral. The main types of collateral obtained are guarantees, cession of debtors, mortgages over residential properties, equities, subordination of shareholder loans and promissory notes. The fair value of all collateral held by the Group at the reporting date is US$22 567 686. The benefits on guarantees are not included in the above table.

34.1.5 Credit quality per sector

At 31 December 2009	Grade A Pass US$	Grade B Special Mention US$	Grade C Substandard US$	Grade D Doubtful US$	Grade E Loss US$	Total US$
Industrials	5 962 917	1 997 111	108 066	-	-	8 068 093
Agriculture and horticulture	178 727	510 766	2 420	-	-	691 914
Conglomerates	273 288	-	-	-	-	273 288
Services	1 069 565	986 933	16 473	-	-	2 072 971
Mining	1 167 506	105 367	-	-	-	1 272 873
Food and beverages	-	-	-	-	-	-
Other	-	63 053	49 644	1 582	15 926	130 205
Total	8 652 003	3 663 230	176 603	1 582	15 926	12 509 344

34.2 Market risk

This arises from adverse movements in the market place, which occur in the money market (interest rate risk), foreign exchange and equity markets in which the Group operates. The Group is currently developing VaR (Value at Risk) model which will be used to manage and monitor the market risk for the trading portfolio.

The Group has in place an Asset and Liability Management Committee (ALCO), which comprises the departmental heads of Risk, Treasury, Corporate and Retail banking and Finance, in addition to executive directors. The committee monitors these risks and recommends the appropriate levels to which the Bank should be exposed at any time. The approval of all dealing limits ultimately rests with this committee.

The market risk for the non - trading portfolio is managed by monitoring the sensitivity of Groupôs financial assets and liabilities to various interest rate scenarios. The bank monitors its net interest margin as a primary measure of interest rate conditions. On foreign exchange risk, the bank monitors currency mismatches and make adjustments depending on exchange rate movement forecasts. The mismatches are also contained within 10% of the bankôs capital position.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Bankôs statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the variable and fixed interest rate financial assets and liabilities held at 31 December.

Sensitivity of net interest income

At 31 December 2009

	Increase in interest rates %	0 to 1 months US$	1 to 3 months US$	3months to 1 year US$	1 year to 5 years US$	Total US$
USD	+5	104 203	(77 140)	53 006	33 433	113 502
USD	+3	62 522	(46 284)	31 831	20 060	68 129
USD	+1	20 841	(15 428)	10 610	6 687	22 710
USD	-1	(20 841)	15 428	(10 610)	(6 687)	(22 710)
USD	-3	(62 522)	46 284	(31 831)	(20 060)	(68 129)
USD	-5	(104 203)	77 140	(53 006)	(33 433)	(113 502)

34.3 Foreign currency exchange rate risk

The table below calculates the effect of a reasonable possible movement of the currency rate against the United States Dollar, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income or equity while a positive amount reflects a net potential increase.

At 31 December 2009

Currency	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
USD	+5	40 290	27 840
USD	+3	24 174	16 704
USD	+1	8 058	5 568
USD	-1	(8 058)	(5 568)
USD	-3	(24 174)	(16 704)
USD	-5	(40 290)	(27 840)

34.4 Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously. The risk arises when there is a maturity mismatch between assets and liabilities. The Group identifies this risk through maturity profiling of assets and liabilities and assessment of excepted cashflows and the availability of collateral which could be used additional funding if required.

The Group maintains a portfolio of marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank maintains a statutory deposit with the Central Bank at stipulated rates. As at 31 December 2009 these rates were 50% for time and demand liabilities. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Liquid assets consist of cash and cash equivalents, short term bank deposits and liquid investment securities available for immediate sale.

Maturity profile for contingent liabilities

The table below shows the contractual expiry by maturity of the Bankǿs contingent liabilities and commitments to lend:

At 31 December 2009

	On Demand US$	0 to 1 months US$	1 to 3 months US$	3 months to 1 year US$	1 year to to 5 years US$	Total US$
Guarantees	165 000	16 500	24 000	2 944 824	-	3 150 324
Commitments to lend	465 336	36 810	825 344	5 276 042	34 727	6 638 259
	630 336	53 310	849 344	8 220 866	34 727	9 788 583

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

34.5 Operational risk

This risk is inherent in all business activities and is the potential for loss arising from ineffective internal controls, poor operational procedures to support these controls, errors and deliberate acts of fraud. The mitigation of the risk and the cost incurred to reduce the risk is critical.. The bank utilises monthly Key Risk Indicators to monitor operational risk in all units. Further to this, the bank has an elaborate Incident Reporting Policy in which all incidents with a material impact on the well being of the bank are reported to Risk Management department. The Board has a Risk Committee whose function is to ensure that this risk is minimised. The Risk Committee through the internal audit and Risk Management functions assesses the adequacy of the internal controls and makes the necessary recommendations to the Board.

34.6 Legal and Compliance risk

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Legal risk may entail such issues as contract formation, capacity and contract frustration.

To manage this risk the Group employs a legal practitioner who is responsible for the drafting, monitoring and executing all contracts. Permanent relationships are also maintained with firms of legal practitioners and access to legal advice is readily available to all departments. The compliance function is also responsible for identifying and monitoring legal risks and ensuring that the Group remains in compliance with all regulatory requirements.

34.7 Reputational risk

Reputational risk is the risk of loss of business as a result of negative publicity or negative perceptions by the market with regards to the way the Bank conducts its business.

To manage this risk, the Group strictly monitors customersô complaints, continuously train staff at all levels, conducts market surveys and periodic reviews of business practices through its internal audit department.

The directors are satisfied with the risk management processes in the Group as these have contributed to the minimisation of losses arising from risky exposures.

34.8 Strategic risk

This refers to current and prospective impact on the bankọs earnings and capital arising from adverse business decisions or implementing strategies that are not consistent with the internal and external environment. To manage this risk, the bank is guided by a strategic plan that is set out by the board of directors. The attainment of strategic objectives by the various departments is monitored periodically at management level. There is an ALCO, Finance and Strategy Committee at board level responsible for monitoring overall progress towards attaining strategic objectives for the bank.

34.9 Risk Ratings

34.9.1 Camels* ratings

CAMELS Component	Latest RBS** Ratings 31/01/2008	Previous RBS Ratings 30/06/2007	Previous RBS Ratings 30/06/2006
Capital Adequacy	4	4	3
Asset Quality	2	3	4
Management	3	4	4
Earnings	3	3	4
Liquidity	3	3	4
Sensitivity to Market Risk	3	3	4
Composite Rating	3	4	4

*CAMELS is an acronym for **C**apital Adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity and **S**ensitivity to Market Risk. CAMELS rating system uses a rating scale of 1-5, where ó1ô is Strong, ó2ô is Satisfactory, ó3ô is Fair, ó4ô is Weak and ó5ô is Critical.

**RBS stands for Risk-Based Supervision

34.9.2 Summary of RAS ratings

RAS Component	Latest RAS*** Ratings 31/01/2008	Previous RBS Ratings 30/06/2007	Previous RBS Ratings 30/06/2006
Overall Inherent Risk	Moderate	High	High
Overall Risk Management Systems	Acceptable	Weak	Weak
Overall Composite Risk	Moderate	High	High
Direction of Overall Composite Risk	Stable	Increasing	Increasing

*** RAS stands for **R**isk **A**ssessment **S**ystem.

34.9.3 Summary Risk Matrix – 31 January 2008 on-site examination

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	Moderate	Weak	Moderate	Increasing
Liquidity	Moderate	Acceptable	Moderate	Stable
Interest Rate	Moderate	Acceptable	Moderate	Increasing
Foreign Exchange	High	Weak	Moderate	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Weak	High	Increasing
Legal & Compliance	High	Acceptable	Moderate	Stable
Reputation	Moderate	Acceptable	Moderate	Increasing
Overall	Moderate	Acceptable	Moderate	Stable

Level of Inherent Risk

Low ï reflects a lower than average probability of an adverse impact on a banking institutionôs capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institutionôs overall financial condition.

Moderate ï could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High ï reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of Risk Management Systems

Weak ï risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institutionôs risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable ï management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong ï management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bankôs risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low ï would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate ï risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High ï risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bankôs overall condition.

Direction of Overall Composite Risk

Increasing ï based on the current information, risk is expected to increase in the next 12 months.
Decreasing ï based on current information, risk is expected to decrease in the next 12 months.
Stable ï based on the current information, risk is expected to be stable in the next 12 months.

34.10 External Credit Ratings

The external credit ratings were given by Global Credit Rating (GCR), a credit rating agency accredited with the Reserve Bank of Zimbabwe.

Security class	**2006**	**2007**	**2008**
Short-term	A3	NR	NR
Long term	BBB-	BBB-*	BB+

* the rating was withdrawn after the discovery of the US$6.4 million forex fraud (refer to Note 36)

NR ï not rated.

34.11 Regulatory Compliance

The Corrective Order issued in 2007 relating to the matter covered in Note 36 was partially lifted in 2008 as the issue relating to the reimbursement of foreign currency accounts funds was still outstanding at the time. This issue has however since been resolved through the payment of all foreign currency account holders whose funds were misappropriated in the $6.4 million fraud. The bank shall engage the regulatory authorities with a view to having the Corrective Order uplifted, once the regulatory authorities are satisfied that all issues raised in the Corrective Order have been addressed.

A corrective order issued in December 2008 relating to managerial restructuring was lifted in February 2009. The Group remains committed to complying with and adhering to all regulatory requirements.

34.12 Capital Management

34.12.1 Holding Company

The capital allocation to the subsidiary units is in accordance with the regulatory requirements of the business undertaken by the subsidiary.

34.12.2 Banking Subsidiary

The primary objective of the Groupøs capital management is to ensure that the Group complies with the RBZ requirements. In implementing the current capital requirements, the RBZ requires the Banking subsidiary to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings (including current year profit), statutory reserve and other equity reserves.

The other component of regulatory capital is Tier 2 capital, which includes subordinated term debt, revaluation reserves and portfolio provisions.

Tier 3 capital relates to an allocation of capital to market and operational risk.

Various limits are applied to elements of the capital base. The core capital (Tier 1) shall compromise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets.

During the year, the Bank complied in full with the regulatory capital requirements of a minimum capital level of US$6.25 million.

The Bankös regulatory capital position at 31 December 2009 was as follows:

	2009 US$
Share capital	-
Share premium	-
Non-distributable reserve	6 139 898
Retained earnings	2 039 625
	8 179 523
Less: capital allocated for market and operational risk	(1 096 405)
Credit to insiders	-
Tier 1 capital	7 083 118
Tier 2 capital (subject to limit as per Banking Regulations)	274 904
Revaluation reserves	-
Subordinated debt	-
Portfolio provisions (limited to 1.25% of risk weighted assets)	274 904
Total Tier 1 & 2 capital	7 358 022
Tier 3 capital (sum of market and operational risk capital)	1 096 405
Total capital base	8 454 427
Total risk weighted assets	32 206 600
Tier 1 ratio	21.99%
Tier 2 ratio	0.85%
Tier 3 ratio	3.40%
Total capital adequacy ratio	26.24%
RBZ minimum required	10.00%

35. Limitations of financial reporting

The uncertainties in the adverse Zimbabwean economic environment during the year have resulted in limitations in financial reporting.

The inflation indices applicable to the Zimbabwe Dollar were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because of rate of change of inflation on a daily basis was extremely high.
Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

The authorization of the use of multiple foreign currencies for trading on 29 January 2009 by the Monetary and Fiscal authorities resulted in a change in the functional currency for most entities reporting in Zimbabwe. In accordance with the requirements of International Financial Reporting Standards, entities are required to convert their financial statements into the new functional currency at the date of changeover. The Company has not been able to convert its Zimbabwe Dollar transactions into the new functional currency for reasons explained in Note 37.

As a result of these uncertainties and inherent limitations, the directors advise caution on the use of all comparative information, the statements of comprehensive income, statements of cash flows and statements of changes in equity for decision making purposes. The Directors believe that the statement of financial position that has been presented is a fair reflection of the assets and liabilities of the Company and therefore a fair reflection of the shareholderŝ equity.

36. FOREIGN CURRENCY ACCOUNT BALANCES

Subsequent to the reporting date for the year ended 31 December 2006, a fraud involving about US$6.4 million was uncovered wherein foreign currency was disposed of by a bank official for Zimbabwe dollars at the then ruling official exchange rate, without authority. This subsequently resulted in the revocation of the bankŝ foreign currency dealership licence by the Reserve Bank of Zimbabwe with effect from 15 May 2007. The revocation did not affect the local currency banking operations. The foreign currency dealership licence was restored with effect from 1 June 2008.

An amount of US$2.6 million of the total funds defrauded belonged to the bankŝ clients and the balance was the bankŝ own funds. The fraud had no accounting effect on the financial statements for the year ended 31 December 2006 as value was received at the official exchange rate, the amount at which the asset was carried in the financial statements.

The US$2.6 million net liability was settled in the fourth quarter of 2009. The group realized the funds applied in settling the net liability from the realignment of its assets during the year.

37. NON COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

37.1 Non compliance with IAS 29 (Financial Reporting in Hyperinflationary Economies).

The financial statements have not been prepared in compliance with IAS 29, ñ*Financial Reporting in Hyperinflationary Economies*ò as the Consumer Price Indices for the months of August 2008 to January 2009 were not released by the Central Statistical Office. Accordingly, the Group has not been able to comply with the requirements of IAS 21, ñ*The Effects of Changes in Foreign Exchange Rates*ò. IAS 21 requires all transactions that are in the currency of a hyperinflationary economy to be adjusted to a unit of measure current at the measurement date, before conversion to an alternative currency.

37.2 Non-compliance with IAS 21 (The Effects of Changes in Exchange Rates) in respect of the measurement of the statement of comprehensive income, statement of cash flows and statement of changes in shareholders equity.

The Groupôs functional currency changed on 1 January 2009 from Zimbabwe Dollars to United States Dollars. The directors chose to report all transactions in United States Dollars because it is the functional currency applicable in all the Groupôs transactions.

IAS 21 requires that all the transactions that are in the currency of a hyperinflationary economy be adjusted to a unit of measure current at the date before conversion to an alternative presentation currency. The Group has not been able to adjust its Zimbabwe Dollar transactions to comply with IAS 21 and IAS 29.

37.3 Non-compliance with IAS 1 (Presentation of Financial Statements) in respect of comparative information

The Group could not present comparative information for the financial statements because these will be misleading. As a result of the unavailability of inflation indices, it was not possible to convert financial statements into United States Dollars in a manner consistent with the application of IAS 21 and IAS 29.

The Group could not present comparative information for the financial statements in compliance with IAS 1, ñ*Presentation of Financial Statements*ò. The Directors considered that in light of the prevailing economic conditions and the subsequent change in the functional and reporting currency, such inclusion would be misleading. As a result of the unavailability of inflation indices, it was not possible to convert financial statements into United States Dollars in a manner consistent with the application of IAS 21, ñ*The Effects of Changes in Foreign Exchange Rates*ò and IAS 29, ñ*Financial Reporting in Hyperinflationary Economies*ò.

38. POST – BALANCE SHEET EVENTS

As at the financial year end, the Group was in the process of undertaking a re-capitalisation exercise in order to meet the statutory paid-up capital for the banking subsidiary of US$12.5 million required by 31 March 2010. Subsequent to the year end, negotiations for a private placement of the holding companyôs shares were undertaken. If successful, the banking subsidiaryôs paid-up capital will meet the statutory requirements.

NMBZ HOLDINGS LIMITED

HISTORICAL FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008*	2007*	2006*	2005*
	US$	US$	US$	US$	US$
Interest from lending activities	472 738	-	-	-	-
Interest from investing activities	874 455	-	-	-	-
	1 347 193	-	-	-	-
Interest expense	(544 097)	-	-	-	-
Net interest income	803 096	-	-	-	-
Net foreign exchange gains	379 236	-	-	-	-
Non-interest income	7 335 974	-	-	-	-
Net operating income	8 518 306	-	-	-	-
Operating expenditure	(7 484 237)	-	-	-	-
Impairment losses on loans and advances	(92 887)	-	-	-	-
Profit before taxation	941 182	-	-	-	-
Financial institutions levy	(44 661)	-	-	-	-
Taxation	1 381 766	-	-	-	-
Profit after taxation	2 278 287	-	-	-	-
Other comprehensive income/(loss) for the year, net of tax	(204 116)	-	-	-	-
Total comprehensive income for the year	2 074 171	-	-	-	-

*Comparative information is not presented for the reasons discussed in note 37.3.

NMBZ HOLDINGS LIMITED

HISTORICAL FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2009 US$	2008* US$	2007* US$	2006* US$	2005* US$
Share capital	-	-	-	-	-
Reserves	8 363 889	-	-	-	-
Total shareholdersô funds	8 363 889	-	-	-	-
Deferred taxation	675 319	-	-	-	-
Deposits and other accounts	23 649 725	-	-	-	-
Provision for current taxation	299 162	-	-	-	-
Financial liabilities at fair value through profit and loss	6 444 932	-	-	-	-
Capital employed	39 433 027	-	-	-	-
ASSETS					
Cash and cash equivalents	12 203 181	-	-	-	-
Advances and other accounts	12 729 195	-	-	-	-
Financial assets at fair value through profit and loss	7 135 023	-	-	-	-
Quoted and other investments	455 638	-	-	-	-
Trade investments	108 003	-	-	-	-
Investment properties	3 219 600	-	-	-	-
Property and equipment	3 582 387	-	-	-	-
Employment of capital	39 433 027	-	-	-	-

*Comparative information is not presented for the reasons discussed in note 37.3.

NMBZ HOLDINGS LIMITED

HISTORICAL FIVE YEAR FINANCIAL SUMMARY (Cont'd)

	2009	2008	2007	2006	2005
CLOSING NUMBER OF SHARES*	1 647 147 057	1 641 225 424	1 608 159 059	1 569 339 001	853 609 624
Share Performance					
Net asset value per share (US cents)	0.51	-	-	-	-
Basic earnings per share (US cents)	0.14	-	-	-	-
Dividend per share (US cents)	-	-	-	-	-
Dividend cover (times)	-	-	-	-	-
Price/earnings ratio	5.71	-	-	-	-
Closing price per share (US cents)	0.80	-	-	-	-
Market capitalisation (US$)	13 185 402	-	-	-	-
Financial Performance					
Return on shareholdersô funds (%)[1]	25	-	-	-	-
Return on assets (%)	5	-	-	-	-
Cost/net income ratio (%)[2]	89	-	-	-	-
Non-interest income/total income (%)	86	-	-	-	-
Effective tax rate (%)	(142)	-	-	-	-

1. The return on shareholdersô funds is based on shareholdersô funds at the end of the year.

2. Includes charge for impairment of losses on loans and advances.

* excludes own equity instruments amounting to 1 028 172 shares.

Comparative financial information is not presented for the reasons discussed in note 37.3.

NOTICE TO MEMBERS

Notice is hereby given that the 15th Annual General Meeting of Members of NMBZ Holdings Limited will be held at the Registered Office of the Company at 4th Floor Unity Court, Cnr 1st Street/Kwame Nkrumah Avenue, Harare on **Thursday, 24 June 2010** at **14:30 hours** for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2009, together with the reports of the Directors and Auditors thereon.

2. To appoint Directors.

   In accordance with the Articles of Association, Dr J T Makoni, Mr J A Mushore, Mr B P Washaya and Mr C Chipato retire by rotation. Being eligible the retiring directors offer themselves for re-election.

3. To appoint Auditors for 2010 and to approve Messrs Ernst & Youngôs remuneration for the year ended 31 December 2009.

Note: *A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the office of the transfer secretaries at least 48 hours before the commencement of the meeting.*

By Order of the Board

V Mutandwa
Company Secretary

16 March 2010

NMBZ HOLDINGS LIMITED

SHAREHOLDERS' ANALYSIS

Size of Shareholding			2009 Number of Shareholders	%	2009 Issued Shares	%
1	-	5 000	2 529	57.94	4 367 033	0.26
5 001	-	10 000	671	15.37	4 887 841	0.30
10 001	-	50 000	725	16.61	15 760 736	0.96
50 001	-	100 000	154	3.53	11 116 881	0.67
100 001	-	500 000	194	4.44	43 038 449	2.61
500 001	-	1 000 000	32	0.73	22 671 868	1.38
1 000 001	-	10 000 000	40	0.92	134 160 960	8.14
10 000 001	-	And over	20	0.46	1 412 171 461	85.68
Total			4 365	100.00	1 648 175 229	100.00

Size of Shareholding			2008 Number of Shareholders	%	2008 Issued Shares	%
1	-	5 000	1 972	56.29	3 265 585	0.20
5 001	-	10 000	488	13.93	3 635 143	0.22
10 001	-	50 000	610	17.41	13 275 830	0.81
50 001	-	100 000	153	4.37	10 930 384	0.67
100 001	-	500 000	178	5.08	39 375 208	2.40
500 001	-	1 000 000	38	1.09	27 635 962	1.68
1 000 001	-	10 000 000	44	1.26	131 250 693	8.00
10 000 001	-	And over	20	0.57	1 411 889 424	86.02
Total			3 503	100.00	1 641 258 229	100.00

Industry	2009 Shareholders	%	2009 Shares	%
Banks and nominees	65	1.49	35 697 821	2.17
Employees	376	8.61	26 058 279	1.58
Deceased estates	5	0.11	11 173 353	0.68
External companies	3	0.07	63 993 151	3.88
Insurance companies	13	0.30	347 537 252	21.09
Investment, trusts and property companies	145	3.32	645 937 703	39.19
Non-resident individuals	20	0.46	4 277 622	0.26
Other corporate holdings	364	8.34	376 461 568	22.84
Pension funds	20	0.46	48 828 990	2.96
Resident individual/trusts	3 354	76.84	88 209 490	5.35
	4 365	100.00	1 648 175 229	100.00

SHAREHOLDERS' ANALYSIS

Industry	2008 Shareholders	%	2008 Shares	%
Banks and nominees	78	2.23	53 370 329	3.25
Employees	60	1.71	23 490 037	1.43
Deceased estates	5	0.14	11 173 353	0.68
External companies	4	0.11	64 066 761	3.90
Insurance companies	9	0.26	346 512 511	21.11
Investment, trusts and property companies	340	9.71	817 101 442	49.79
Non-resident individuals	16	0.46	2 096 864	0.13
Other corporate holdings	171	4.88	203 646 669	12.41
Pension funds	19	0.54	48 976 962	2.98
Resident individual/trusts	2 801	79.96	70 823 301	4.32
	3 503	100.00	1 641 258 229	100.00

TOP TEN SHAREHOLDERS

		2009 Shares	% of Total
1	Old Mutual Life Assurance Company of Zimbabwe	346 774 054	21.04
2	Cornerstone Trust	168 755 799	10.24
3	Alsace Trust	168 755 795	10.24
4	Wamambo Investments Trust	142 260 092	8.63
5	M Lynton Edwards Stockbrokers (Pvt) Ltd	119 217 935	7.23
6	Drakmore Investments (Pvt) Ltd	109 627 112	6.65
7	Elsha Investments (Pvt) Ltd	53 435 939	3.24
8	Martcap Investments (Pvt) Ltd	51 090 385	3.10
9	Rayvonne Trust	46 137 727	2.80
10	Palisades Limited	42 164 274	2.56

		2008 Shares	% of Total
1	Old Mutual Life Assurance Company of Zimbabwe	346 492 017	21.11
2	Cornerstone Trust	168 755 799	10.23
3	Alsace Trust	168 755 795	10.23
4	Wamambo Investments Trust	142 260 092	8.67
5	M Lynton Edwards Stockbrokers (Pvt) Ltd	123 424 919	7.52
6	Drakmore Investment (Pvt) Ltd	109 627 112	6.68
7	Elsha Investments (Pvt) Ltd	53 435 939	3.26
8	Martcap Investments (Pvt) Ltd	51 090 385	3.11
9	Rayyvonne Trust	46 137 727	2.81
10	Local Authorities Pension Fund	45 689 628	2.78

MEMBERS' DIARY

Financial year end	31 December 2009
Reports:-	
- Announcement of annual results	31 March 2010
- Annual financial statements	posted May 2009
- Annual General Meeting	24 June 2010
- Announcement of the 2010 half-year results	August 2010
Dividend payments:	n/a
- Interim	n/a
- Final	

SECRETARY AND REGISTERED OFFICE

Secretary

V Mutandwa

Registered Offices

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Zimbabwe

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Email: enquiries@nmbz.co.zw

Auditors

Ernst & Young Chartered Accountants (Zimbabwe)
Angwa City
J Nyerere Way/Kwame Nkrumah Avenue
Harare
Zimbabwe

Transfer Secretaries

In Zimbabwe
First Transfer Secretaries
4th Floor, Gold Bridge North
Eastgate Building
Cnr. Robert Mugabe/Sam Munjoma Street
P O Box 11
Harare
Zimbabwe

In UK
Computershare Services PLC
36 St Andrew Square
Edinburgh
EH2 2YB
UK

Legal Practitioners to the Company

Gill, Godlonton & Gerrans
7th Floor
Beverly Court
100 Nelson Mandela Avenue
Harare
Zimbabwe

In UK
Dechert
2 Serjeantsô Inn
London EC4Y 1LT
UK

NMBZ HOLDINGS LIMITED

ANNUAL GENERAL MEETING
FORM OF PROXY

I/We, é ....é é é é é é ..é é é é é é é é é é é é ...é .é .

of é é é é é é é é é é é é é é ..é .é é é é é ..

being a member of the above company and entitled to vote, hereby appoint

é ..é é é é é é é é é é

of é é é é é é é é é é é é é é é é é é .é ...é é é é ..

or failing him é ..é é é é é .

of é ..

or failing him, the Chairman of the meeting as my/our proxy to vote

for me/us on my/our behalf at the ANNUAL GENERAL MEETING of

the Company to be held on 24 June 2010 at 14.30 hours and at any adjournment thereof.

Signed this é é é é ..é é é é é é é é é é .. day of é .2010

Signature of member é ..

Note (i) In terms of Section 129 of the Companies Act (Chapter 24:03) a member of the company is entitled to appoint one or more proxies to act in the alternative to attend, vote and speak in his stead. A proxy need not be a member of the Company.

(ii) Sections 75 and 76 of the Companyøs Articles of Association provide that instruments of proxy must be signed and returned to reach the Registered Office of the Company not less than forty-eight hours before the time for holding the meeting.