CONTENTS

HIGHLIGHTS

	2010 US$	2009 US$
Attributable profit	692 234	2 278 287
Basic earnings per share (US cents)	0.03	0.14
Total deposits	79 849 387	28 720 120
Total equity	18 833 125	8 568 005

Enquiries:

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Benefit Peter Washaya, Managing Director, NMB Bank Limited — **benefitw@nmbz.co.zw**

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CHAIRMAN'S STATEMENT

for the year ended 31 December 2010

INTRODUCTION

The year witnessed a relatively stable economic environment which is attributable to the adoption of the multi – currency regime by the two year old inclusive government. The relative political stability and the re-engagement of the international community resulted in some growth in business activity in the period under review with some lines of credit trickling into the country.

GROUP RESULTS

Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared in compliance with the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

Commentary on results

The profit before taxation was US$942 556 during the period under review. An attributable profit of US$692 234 was recorded for the period. Net interest income was US$6 871 468 for the period. Non-interest income amounted to US$9 374 796 and this was mainly as a result of commissions and fee income (US$9 691 069) which was partly offset by an unfavourable fair value adjustment on investment properties (US$784 600).

Operating expenses amounted to US$15 365 768 and were driven largely by administration, staff related expenditure and an impairment loss on land and buildings. Staff related expenditure includes an amount of US$3.1 million for the retrenchment exercise which was concluded in August 2010. The retrenchment of staff was necessary in order to streamline the Bank's operations in line with business volumes in the dollarised environment.

Impairment losses on loans and advances amounted to US$971 803 for the current period. This is commensurate with the loans and advances which amounted to US$57 913 589 at 31 December 2010.

The second half of the year recorded an after tax profit of US$2.6 million which offset the loss recorded in the first half of the year. The result for the first half was affected adversely by the provision for retrenchment costs (US$2.6 million), the fair value adjustment on investment properties (US$584 600) and the impairment loss on land and buildings (US$585 000).

Dividend

In view of the need to retain cash in the business and to buttress the statutory capital requirements for the Bank, the Board has proposed not to declare a dividend.

STATEMENT OF FINANCIAL POSITION

The Group's total assets grew by 159% from US$39 707 931 as at 31 December 2009 to US$102 839 504 as at 31 December 2010 and comprised mainly loans, advances and other accounts (US$60 315 397), financial assets at fair value through profit and loss (US$17 299 592), cash and short term funds (US$18 346 939), investment properties (US$2 615 000) and property and equipment (US$3 697 893). Gross loans and advances increased by 363% from US$12 509 344 as at 31 December 2009 to US$57 913 589 at 31December 2010 as a result of the improved underwriting capacity from new capital raised during the period, an increase in onshore deposits and lines of credit of US$12 million availed to the Bank.

Capital

The banking subsidiary's capital adequacy ratio at 31 December 2010 calculated in accordance with the guidelines of the Reserve Bank of Zimbabwe (RBZ) was 17.49% (31 December 2009 – 26.03%). The minimum required by the RBZ is 10%.

The Group's equity increased by 120% from US$8 568 005 as at 31 December 2009 to US$18 833 125 as at 31 December 2010 as a result of new capital raised and retained earnings.

The rights issue exercise which was undertaken during the year in order to meet the banking subsidiary's statutory minimum paid up capital of US$12.5 million raised gross proceeds of US$10.28 million. The amount raised has been used to recapitalise the Banking subsidiary and the Holding company. In late 2010, the Holding company acquired an associate interest in a leasing business.

OUTLOOK AND STRATEGY

The Group will continue to underwrite more business and explore value adding opportunities in the market. The quest for lines of credit would be an imperative in the outlook period in order to meet the growing funding requirements of our clients.

DIRECTORATE

Mr James Andrew Mushore was appointed the Group Chief Executive Officer on 23 April 2010. Messrs Jonathan Chenevix – Trench and James de la Fargue were appointed to the Board on 16 June 2010. I welcome Messrs Mushore, Chenevix – Trench and de la Fargue to the board and wish them a successful tenure in office.

Dr G M Mandishona and Mr C Chipato resigned from the board effective 17 August 2010. Mr B P Washaya resigned from the Holding Company Board with effect from 16 June 2010. I would like to thank them all for their invaluable contribution to the Board over the years. In particular, I would like to pay special tribute to Dr. Gibson Mandishona, my predecessor as Chairman, who led the Bank through its most difficult and challenging days in a most exemplary manner. We shall miss his wise counsel in the board room. I was appointed Chairman of the Board on 17 August 2010.

APPRECIATION

I would like to express my utmost appreciation to our clients, shareholders and Regulatory Authorities for their continued support. I would also like to thank my fellow Board members, management and staff for their steadfast commitment and dedication.

T N MUNDAWARARA
CHAIRMAN

15 March 2011

REPORT OF THE DIRECTORS

for the year ended 31 December 2010

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2010.

1. SHARE CAPITAL

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

1.1 Authorised: 3 500 000 000 ordinary shares of US$0.000028 each.

1.2 Issued and fully paid: 2 807 107 289 ordinary shares of US$0.000028 each.

A total of 3 087 000 share options were exercised by directors and managerial staff during the year.

2. GROUP ACTIVITIES AND RESULTS

After providing for depreciation and taxation, the Group posted an attributable profit of US$692 234 for the year ended 31 December 2010 (2009 – US$2 278 287).

3. CAPITAL ADEQUACY

As at 31 December 2010, the Bank's capital adequacy ratio computed under Bank for International Settlements (BIS) rules was 17.49% (2009 – 26.03%).

4. DIRECTORATE

4.1 Board of Directors

T N Mundawarara	(Chairman and Independent Non-executive Director)
A M T Mutsonziwa	(Independent Non-executive Director)
J A Mushore*	(Group Chief Executive Officer)
B Ndachena*	(Chief Financial Officer)
J T Makoni	(Non-Executive Director)
J de la Fargue	(Non-Executive Director)
J Chenevix-Trench	(Non-Executive Director)
B W Madzivire	(Independent Non-Executive Director)
M Mudukuti	(Independent Non-Executive Director)
L Majonga (Ms)	(Independent Non-Executive Director)
J Chigwedere	(Independent Non-Executive Director)

*Executive

In accordance with the Articles of Association, Mr. M. Mudukuti, Mr. B. W. Madzivire and Ms. L. Majonga will retire by rotation at the forthcoming Annual General Meeting (AGM). All retiring directors being eligible offer themselves for re-election.

REPORT OF THE DIRECTORS (Cont'd)

for the year ended 31 December 2010

4.2 Directors' Interests

As at 31 December 2010 the Directors held the following direct and indirect beneficial interests in the shares of the Company:-

	31 December 2010 Shares	31 December 2009 Shares
T N Mundawarara	39 901	5 824
A M T Mutsonziwa	55 691	32 760
B Ndachena	797 842	5 048 174
J A Mushore**	1 646 969	-
J T Makoni**	6 447 904	6 447 904
B W Madzivire	-	-
M Mudukuti	-	-
L Majonga (Ms)	-	-
J. Chigwedere	-	-
J de la Fargue	-	-
J Chenevix-Trench***	2 806 866	-
B P Washaya*	4 020 692	6 506 819
F S Mangozho*	-	-
L Chinyamutangira*	1 303 321	-
	17 119 186	18 041 481

*B. P. Washaya, F.S. Mangozho and L. Chinyamutangira are NMB Bank Limited Executive Directors.

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

***J Chenevix-Trench holds interests in African Century Financial Services LLP.

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

	Share Options 31 December 2010	Share Options 31 December 2009
F S Mangozho	-	3 000 000
	-	3 000 000

REPORT OF THE DIRECTORS (Cont'd)

for the year ended 31 December 2010

4.4 Directors' attendance at meetings

4.4.1 Board of Directors

Name	Meetings	Attended
Dr G M Mandishona*	3	3
A M T Mutsonziwa	4	4
B P Washaya**	2	2
B Ndachena	4	4
J A Mushore	4	4
C Chipato*	3	2
B W Madzivire	4	4
M Mudukuti	4	4
L Majonga (Ms)	4	3
Dr J T Makoni	4	3
T N Mundawarara	4	4
J Chigwedere	4	4
J de la Fargue***	2	2
J Chenevix-Trench***	2	2
L Chinyamutangira****	nil	nil
F S Mangozho****	nil	nil

*Dr. G. M. Mandishona and Mr. C. Chipato resigned from the NMBZ Holdings Limited and NMB Bank Limited boards with effect from 17 August 2010.

**B. P. Washaya resigned from the NMBZ Holdings Limited board with effect from 16 June 2010.

***Mr. J. de la Fargue and Mr. J. Chenevix –Trench joined the NMBZ Holdings Limited and the NMB Bank Limited boards on 16 June 2010.

****L Chinyamutangira and F S Mangozho are directors of NMB Bank Limited only.

4.4.2 Audit Committee

Name	Meetings	Attended
Mr B W Madzivire	5	5
Mr A M T Mutsonziwa	5	3
Ms L Majonga	5	3
Mr J de la Fargue*	1	1

*Mr. J. de la Fargue joined the Audit Committee with effect from 15 September 2010.

REPORT OF THE DIRECTORS (Cont'd)

for the year ended 31 December 2010

4.4.3 Risk Management Committee

Name	Meetings	Attended
Mr T N Mundawarara	4	4
Mr J Chigwedere	4	4
Ms L Majonga	4	1
Mr B P Washaya	4	4
Mr J de la Fargue*	1	nil
Mr J Mushore*	1	nil
Mr F Mangozho	4	4

*Mr. J. de la Fargue and Mr. J. Mushore joined the Risk Management Committee with effect from 15 September 2010.

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

Name	Meetings	Attended
Mr C Chipato*	3	3
Mr T N Mundawarara	4	4
Mr B P Washaya	4	4
Mr B Ndachena	4	3
Mr J Mushore**	1	1
Mr J Chenevix-Trench (alternate J de la Fargue)**	1	1
Mr J Chigwedere**	1	1
Mr F S Mangozho	4	4
Mr L Chinyamutangira	4	4

*Mr. C. Chipato resigned from the Committee with effect from 17 August 2010.

** Mr. J. Mushore, Mr. J. Chenevix-Trench and Mr. J. Chigwedere became members of the Committee with effect from 15 September 2010.

4.4.5 Loans Review Committee

Name	Meetings	Attended
Mr A M T Mutsonziwa	4	3
Mr M Mudukuti	4	4
Mr C Chipato*	3	3
Mr J de la Fargue**	1	1

*Mr. C. Chipato resigned from the Committee with effect from 17 August 2010.

** Mr. J. de la Fargue became a member of the Committee with effect from 15 September 2010.

REPORT OF THE DIRECTORS (Cont'd)
for the year ended 31 December 2010

4.4.6 Human Resources & Remuneration Committee

Name	Meetings	Attended
Mr M Mudukuti	4	4
Dr G M Mandishona*	3	2
Mr B Madzivire	4	4
Mr T N Mundawarara**	1	1
Mr J Chenevix-Trench**	1	1
Dr J T Makoni**	1	nil
Mr J Mushore***	3	3
Mr A M T Mutsonziwa**	1	nil

*Dr. G. M. Mandishona resigned from the Committee with effect from 17 August 2010.

** Messrs. T. N. Mundawarara, J. Chenevix-Trench, J. T. Makoni and A. M. T. Mutsonziwa became members of the Committee with effect from 15 September 2010.

***Mr J Mushore became a member of the committee with effect from 25 March 2010.

5. CORPORATE GOVERNANCE

NMBZ Holdings Limited adheres to 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 III report of South Africa and the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline. 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 to assist in the discharge of its duties and responsibilities.

5.1 The Board of Directors

The NMBZ Holdings Limited board comprises of eleven directors while the NMB Bank board comprises of fourteen directors. The boards of the holding company and the bank are almost identical as they share eleven directors. The Group obtained regulatory approval to have similar boards for the Group and the banking subsidiary as the bank was the Group's only operating subsidiary. The NMBZ Holdings board comprises of two executive and nine non-executive directors while the NMB Bank board comprises of four executive and ten non-executive directors. The Chairpersons of the board and all the board committees are independent non-executive directors. The boards and the board committees meet at least four times a year.

5.2 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 Company's 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 W Madzivire	(Chairman - Independent Non-Executive Director)
	Ms L Majonga	(Independent Non-Executive Director)
	Mr A M T Mutsonziwa	(Independent Non-Executive Director)
	Mr J de la Fargue	(Non-Executive Director)

REPORT OF THE DIRECTORS (Cont'd)

for the year ended 31 December 2010

5.3 Human Resources & Remuneration Committee

The committee is responsible for setting the Group's 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)
	Mr T N Mundawarara	(Independent Non-Executive Director)
	Mr B W Madzivire	(Independent Non-Executive Director)
	Mr J A Mushore	(Group Chief Executive Officer)
	Mr J Chenevix-Trench	(Non-Executive Director)
	Dr J Makoni	(Non-Executive Director)
	Mr A M T Mutsonziwa	(Independent Non – Executive Director)

5.4 Loans Review Committee

The Loans Review Committee 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 – Independent Non-Executive Director)
	Mr M Mudukuti	(Independent Non-executive Director)
	Mr J de la Fargue	(Non- Executive Director)

5.5 Credit Committee

The credit committee's main responsibilities are to consider loan applications beyond the discretionary limits of the management Credit Committee 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)
	Mr J A Mushore	(Group Chief Executive Officer)
	B P Washaya	(Managing Director)
	B Ndachena	(Chief Financial Officer)

5.6 Asset and Liability Management Committee (ALCO), Finance and Strategy Committee

The Asset and Liability Management Committee (ALCO), Finance & Strategy 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 Group's risk appetite. In addition, the committee monitors the business and financial strategies of the Company.

Membership:	Mr T N Mundawarara	(Chairman - Independent Non-Executive Director)
	M r J Chigwedere	(Independent Non-Executive Director)
	Mr J A Mushore	(Group Chief Executive Officer)
	Mr B P Washaya	(Managing Director)
	Mr B Ndachena	(Chief Financial Officer)
	Mr F S Mangozho	(Executive Director-Treasury)
	Mr L Chinyamutangira	(Executive Director-Banking)
	Mr J Chenevix-Trench	(Non-Executive Director)

REPORT OF THE DIRECTORS (Cont'd)

for the year ended 31 December 2010

5.7 Risk Management Committee

The Risk Management Committee oversees the quality, integrity and reliability of the Group's risk management systems and reviews all Group-wide risks.

Membership:	Mr J Chigwedere	(Chairman – Independent Non-Executive Director)
	Mr J de la Fargue	(Non-Executve Director)
	Ms L Majonga	(Independent Non-executive Director)
	Mr J A Mushore	(Group Chief Executive Officer)
	Mr B P Washaya	(Managing Director)
	Mr F S Mangozho	(Executive Director - Treasury)
	Mr T N Mundawarara	(Independent Non – executive Director)

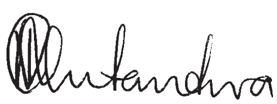
5.8 Professional Advice

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

6. AUDITORS

At the forthcoming Annual General Meeting shareholders will be asked to authorise the directors to fix the auditor's remuneration for the year ended 31 December 2010 and to appoint auditors of the Company for the ensuing year.

By order of the Board



V Mutandwa
Company Secretary
Harare

15 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 December 2010

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 a going concern basis and is in accordance with the provisions of the Companies Act [Chapter 24:03], the Banking Act [Chapter 24:20] and International Financial Reporting Standards (IFRSs).

2. CORPORATE GOVERNANCE

In its operations, the Group is guided by principles of corporate governance derived from the King III 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 stakeholders' 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 Group's 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 chairperson's performance and individual directors' performance.

4. INTERNAL FINANCIAL CONTROLS

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 the Group and prevent and detect fraud and errors. The Audit Committee in conjunction with the external 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 Group's operations.

STATEMENT OF DIRECTORS' RESPONSIBILITY (Cont'd)

for the year ended 31 December 2010

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.

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 Company's 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.

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. Activities and charities supported during the year ended 31 December 2010 included the Kidzcan Foundation, a cancer organisation for children, Verandah Art Gallery, Mayor's Christmas Cheer Fund dinner and the Good Shepherd Charity Ball.

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. In this regard, the Group's values include integrity and excellence. All of the Group's employees are thus expected to adhere to the highest standards of personal integrity and professional conduct. The Group monitors its staff conduct through the code of conduct and ensured through its anti money-laundering policies that it did not conduct business with entities whose activities are harmful to the environment.

12. FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity and the statement of cash flow as at 31 December 2010, together with 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 directors' responsibility includes designing, implementing and maintaining internal controls 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.

STATEMENT OF DIRECTORS' RESPONSIBILITY (Cont'd)

for the year ended 31 December 2010

The directors have satisfied themselves that the Company is in a sound financial position and that it has adequate resources to continue operating in the foreseeable future. Accordingly, they are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis.

Approval of the financial statements

The financial statements of the Company and Group appearing on pages 16 to 80 were approved by the board of directors on 15 March 2011 and are signed on their behalf by:

………………………………………………	………………………………………………
T. N. Mundawarara	**J. A. Mushore**
Chairman	**Group Chief Executive Officer**
Date: 15 March 2011	**Date: 15 March 2011**

ERNST & YOUNG

Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere Way/
Kwame Nkrumah Avenue
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NMBZ HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying consolidated financial statements of NMBZ Holdings Limited and its subsidiaries as set out on page 16 to 80 which comprise the Company and Group statements of financial position as at 31 December 2010, and the group statement of comprehensive income, the Company and Group statements of changes in equity and Group statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 16 to 80 and 4 to 10 respectively.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20)and the statutory instruments SI 33/99 and SI 62/96, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 entity's 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NMBZ Holdings Limited and its subsidiaries as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and the statutory instruments SI 33/99 and SI 62/96.

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)

16 May 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	2010 US$	2009 US$ Restated*
Interest income	4	10 014 636	1 526 722
Interest expense	5	(3 143 168)	(723 626)
Net interest income		6 871 468	803 096
Net foreign exchange gains		1 055 307	379 236
Share of loss of associate	19	(21 444)	-
Non-interest income	6	9 374 796	7 236 949
Net operating income		17 280 127	8 419 281
Operating expenditure	7	(15 365 768)	(7 385 212)
Impairment losses on loans and advances		(971 803)	(92 887)
Profit before taxation		942 556	941 182
Taxation	8	(250 322)	1 381 766
Financial institutions levy	8	-	(44 661)
Profit for the year		692 234	2 278 287
Other comprehensive income		-	-
Total comprehensive income for the year		692 234	2 278 287
Attributable to:			
Owners of the parent		692 234	2 278 287
Non – controlling interests		-	-
		692 234	2 278 287
Earnings per share (US cents)			
- Basic	9	0.03	0.14
- Diluted basic	9	0.03	0.14

*Certain amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in note 35.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

		GROUP		
				Opening
	Note	2010	2009	2009
EQUITY		US$	US$	US$
			Restated*	
Share capital	10	78 598	-	-
Capital reserves	11	16 666 633	6 564 622	6 297 943
Retained earnings	12	2 087 894	2 003 383	-
Total equity		18 833 125	8 568 005	6 297 943
LIABILITIES				
Deposits and other accounts	13	65 979 335	23 649 725	3 979 536
Financial liabilities at fair value through profit and loss	14	17 177 109	6 444 932	-
Current tax liabilities	8.4	641 969	299 162	-
Deferred tax liabilities	15	207 966	746 107	2 544 896
		102 839 504	39 707 931	12 822 375
ASSETS				
Cash and cash equivalents	16	18 346 939	12 203 181	1 289 441
Financial assets at fair value through profit and loss	14	17 299 592	7 135 023	-
Loans, advances and other accounts	17	60 315 397	13 004 099	372 285
Investments:-				
Trade investment	18	201 666	108 003	32 000
Associate	19	228 556	-	-
Group companies	20	-	-	-
Quoted and other investments	21	134 461	455 638	306 904
Investment properties	22	2 615 000	3 219 600	6 140 000
Property and equipment	23	3 697 893	3 582 387	4 681 745
		102 839 504	39 707 931	12 822 375

*Certain amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in note 35.

……………………………………..)
T N MUNDAWARARA
) Directors
……………………………………..)
J A MUSHORE

15 March 2011

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V MUTANDWA
Company Secretary

15 March 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

		COMPANY		
				Opening
	Note	2010	2009	2009
EQUITY		US$	US$	US$
Share capital	10	78 598	-	-
Capital reserves	11	15 783 219	6 297 943	6 297 943
Retained earnings/ (accumulated losses)	12	95 244	(18 796)	-
Total equity		15 957 061	6 279 147	6 297 943
LIABILITIES				
Deposits and other accounts		129	-	-
Financial liabilities at fair value through profit and loss		-	-	-
Current tax liabilities		400	-	-
Deferred tax liabilities	15	7 533	-	807
		15 965 123	6 279 147	6 298 750
ASSETS				
Cash and cash equivalents		-	-	-
Financial assets at fair value through profit and loss		-	-	-
Loans, advances and other accounts	17	1 842 363	79 034	96 034
Investments:-				
Trade investment	18	122 794	31 495	32 000
Associate	19	250 000	-	-
Group companies	20	13 722 112	6 154 577	6 154 577
Quoted and other investments	21	27 854	12 290	16 139
Investment properties		-	-	-
Property and equipment		-	-	-
Deferred tax assets	15	-	1 751	-
		15 965 123	6 279 147	6 298 750

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T N MUNDAWARARA
) Directors
……………………………………….)
J A MUSHORE

15 March 2011

……………………………
V MUTANDWA
Company Secretary

15 March 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

GROUP

		←	Capital Reserve		→			
	Share Capital US$	Share Premium US$	Treasury Shares US$	Share Option Reserve US$	Regulatory Reserve US$	Non-distributable Reserve US$	Retained Earnings US$	Total US$
Deemed balances at 1 January 2009*	-	-	-	96 034	-	6 201 909	-	6 297 943
Total comprehensive income for the year – as restated	-	-	-	-	-	-	2 278 287	2 278 287
Impairment allowance for loans and advances**	-	-	-	-	274 904	-	(274 904)	-
Own equity instruments (note10.3)	-	-	(8 225)	-	-	-	-	(8 225)
Shares issued – share options exercised	-	34 822	-	(34 822)	-	-	-	-
Balances at 31 December 2009 restated	-	34 822	(8 225)	61 212	274 904	6 201 909	2 003 383	8 568 005
Total comprehensive income for the year	-	-	-	-	-	-	692 234	692 234
Impairment allowance for loans and advances	-	-	-	-	608 510	-	(608 510)	-
Disposal proceeds of own equity instruments (note10.3)	-	-	9 012	-	-	-	-	9 012
Surplus on treasury shares (note 10.3)	-	-	(787)	-	-	-	787	-
Redenomination of share capital (note 11)	46 147	6 155 762	-	-	-	(6 201 909)	-	-
Shares issued – share options exercised	87	15 454	-	(15 541)	-	-	-	-
Shares issued – rights issue	32 364	9 531 510	-	-	-	-	-	9 563 874
	78 598	15 737 548	-	45 671	883 414	-	2 087 894	18 833 125

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

**These were previously accounted for in the statement of comprehensive income but have now been recognized as a transfer from retained earnings to a regulatory reserve (note 35).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

COMPANY

		Capital Reserve				
	Share Capital US$	Share Premium US$	Share Option Reserve US$	Non-distributable Reserve US$	Retained (Loss)/ Earnings US$	Total 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 – share options exercised	-	34 822	(34 822)	-	-	-
Balances at 31 December 2009	-	34 822	61 212	6 201 909	(18 796)	6 279 147
Total comprehensive income for the year	-	-	-	-	114 040	114 040
Redenomination of share capital (note 11)	46 147	6 155 762	-	(6 201 909)	-	-
Shares issued – share options exercised	87	15 454	(15 541)	-	-	-
Share issued – rights issue	32 364	9 531 510	-	-	-	9 563 874
	78 598	15 737 548	45 671	-	95 244	15 957 061

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

CASH FLOWS FROM OPERATING ACTIVITIES

	2010 US$	2009 US$
Profit before taxation	942 556	941 182
Non-cash items		
-Impairment losses on loans and advances	971 803	92 887
-Investment properties fair value adjustment	784 600	(579 600)
-Profit on disposal of property and equipment	(64 527)	(2 066)
-Quoted and other investments fair value adjustment	(94 139)	(172 978)
-Loss on disposal of investment property	-	460 000
-Profit on disposal of quoted and other investments	(13 232)	(45 256)
-Impairment loss on land and buildings	298 811	1 050 000
-Loss on derecognition of investments	-	10 404
-Depreciation	297 532	209 680
-Fair value adjustment on financial instruments	-	(32 371)
-Share of associate’s loss	21 444	-
Operating cash flows before changes in operating assets and liabilities	3 144 848	1 931 882
Changes in operating assets and liabilities		
Financial liabilities at fair value through profit and loss	10 732 177	6 444 932
Deposits and other accounts	42 329 610	19 709 178
Loans, advances and other accounts	(48 283 101)	(12 729 499)
Financial assets at fair value through profit and loss	(10 164 569)	(7 135 023)
	(2 241 035)	8 221 470
Taxation		
Corporate tax paid (note 8.4)	(445 657)	(10 520)
Capital gains tax paid	-	(152 000)
Net cash (outflow)/inflow from operating activities	(2 686 692)	8 058 950
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of investment property	84 860	3 040 000
Purchase of property and equipment	(732 183)	(160 322)
Improvements to investment property	(180 000)	-
Purchase of quoted investments	-	(60 134)
Purchase of unquoted investments	(250 000)	(74 542)
Proceeds from disposal of quoted and other investments	343 899	109 788
Net cash (outflow)/inflow from investing activities	(733 424)	2 854 790
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from rights issue	9 563 874	-
Net increase in cash and cash equivalents	6 143 758	10 913 740
Cash and cash equivalents at beginning of the year	12 203 181	1 289 441
Cash and cash equivalents at the end of the year (note 16)	18 346 939	12 203 181
Operational cash flows from interest and dividends		
Interest paid	(3 143 168)	(723 626)
Interest received	10 014 636	1 526 722

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2010

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

Basis of preparation

The Group is resuming presentation of IFRS financial statements after early adoption of Revised IFRS1 *First-time adoption of International Financial Reporting Standards* issued on 20 December 2010. The Group failed to present IFRS financial statements for the financial year ended 31 December 2009 due to the effects of severe hyperinflation as defined in Revised IFRS1. The first amendment replaces reference to a fixed date of '1 January 2004 'with 'the date of transition to IFRS', which eliminates the requirement to reconstruct transactions that occurred before the date of transition to IFRS. These amendments provide guidance for entities emerging from severe hyperinflation to resume presenting IFRS financial statements. An entity can elect to measure assets and liabilities at fair value and to use the fair value as the deemed costs in its opening IFRS statement of financial position. The Group elected to use the severe hyper inflation exemption.

The effect of the application of this amendment is to render the opening statement of financial position, prepared on 1 January 2009 (date of transition to IFRS) IFRS compliant. The opening statement of financial position was reported in the prior year as not being compliant with International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates and IAS 29, Financial Reporting in Hyperinflationary Economies. The Group's previous functional currency, the Zimbabwe dollar (ZW$),was subjected to severe hyperinflation before the date of transition to IFRS because it had both of the following characteristics:

(a) a reliable general price index was not available to all entities with transactions and balances in the ZW$ and
(b) exchange ability between the ZW$ and a relatively stable foreign currency did not exist.

The Group changed its functional and presentation currency from the ZW$ to the United States dollar (US$) with effect from 1 January 2009.

Deemed cost exemption

The Group elected to measure certain items of property and equipment, loans and other receivables, inventories and deposits and other payables at fair value and to use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

Comparative financial information

The financial statements comprise three statements of financial position, two statements of comprehensive income, changes in equity and cash flows as a result of the retrospective application of the Amendments to IFRS 1. The comparative statements of comprehensive income, changes in equity and cash flows are for twelve months.

Reconciliation of previously prepared to IFRS compliant financial statements.

In preparing its opening IFRS statement of financial position, the Group had not adjusted amounts previously determined in accordance with the Guidance on Change in Functional Currency 2009. As amounts have not changed, reconciliations have not been presented.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

BUSINESS COMBINATIONS

Business combinations are accounted for in accordance with the Acquisition 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, balances, income and expenses 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 Acquisition Method, from the date that control effectively commences until the date that control effectively ceases. Losses within a subsidiary are attributed to the non – controlling interest even if that results in a deficit balance.

In the Holding Company's separate financial statements investments in subsidiaries are accounted for at cost.

Associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group.

Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement. Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Trade investments

Trade investments comprise interests in unquoted equities and are accounted for at fair value.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

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 consolidated financial statements are presented in United States Dollars (US$), 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.

Non – monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 is also recognised in equity or other comprehensive income.

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

Deferred taxation

Provision for deferred taxation is made using the 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.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

TAXATION (Cont'd)

Deferred taxation (Cont'd)

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 reporting 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 reporting 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 reporting 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 reporting 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.

Deferred 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 is also recognised in equity or other comprehensive income.

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 Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's 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 "loss event") 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 profit or loss.

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.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

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 recognised directly in equity as a transfer from retained earnings to a regulatory reserve 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 recoverability, thereafter and until all or part of the loan is written off, interest continues to accrue on customer's accounts but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position. 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

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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:

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

Classification (Cont'd)

- 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 –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 – for –sale.

Deposits and other payables are non-trading financial liabilities payable on demand at variable interest rates.

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 profit or loss on the sale, issuance or cancellation of these instruments. Consideration received is presented in the financial statements as a change in equity.

Measurement

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.

Deposits and other payables are measured at amortised cost applying the effective interest.

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.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting 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 management's 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 and accumulated in equity. When the financial assets are sold, collected or otherwise disposed of the cumulative gain or loss recognised in equity in recycled through other comprehensive income into 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 Group 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 'pass-through' arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in the asset. In that case, the Group 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 Group 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 Group 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

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

Impairment of financial assets (Cont'd)

or more events that has occurred after the initial recognition of the asset (an incurred "loss event") 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.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred , the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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 Group's 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 management's 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 profit or loss as incurred.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

PROPERTY AND EQUIPMENT (Cont'd)

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 recognized in other comprehensive income and accumulated in 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, the decrease in other comprehensive income reduces the amount accumulated in equity as the asset revaluation reserve, the decrease in other comprehensive income reduces the amount accumulated in equity as 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 asset's 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.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

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 reporting 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 other comprehensive income up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist, or may have decreased. If such an indication exists the bank estimates the assets or CGU's recoverable.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Impairment losses relating to goodwill cannot be reversed in future periods.

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. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

INVESTMENT PROPERTIES (Cont'd)

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 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 Group's 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 profit or loss. 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 and profit/losses on disposals of property and equipment. Commission income is brought to account on an accrual basis and bad debts recoveries on a receipt basis. Service fee income is recognised on settlement date, or where determinable, by stage of completion. Arrangement fee income is deferred and recognised over the tenure of the facility.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

for the year ended 31 December 2010

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.

EMPLOYEE BENEFITS

Retirement benefits are provided for the Group's 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.

INVENTORY

Inventory is accounted for at weighted average 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 2010 comprise the company and its subsidiaries. The Group primarily is involved in corporate and retail banking and investments.

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 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.

In the year under review the non-distributable reserve was utilised in the redenomination of share capital after the requisite shareholder approvals on 17 June 2010 and the subsequent regulatory approvals.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

2.2 USE OF ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 Group's 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 for assets purchased (in ZWD) prior to 1 January 2009 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 was valued by professional valuers.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

2.2.5 Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. 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 borrower's 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 RBZ Statutory reserves

The statutory reserves are stated at cost as IFRS principles of amortised cost could not be applied due to the significant uncertainty as to the expected receipt date.

2.3 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), and the International Financial Reporting Interpretations, (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment and investment property.

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

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting 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 profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

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 2010:

- IFRS 2 *Share-based Payment: Group cash – settled share-based Payments Arrangements effective 1 January 2010.*

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 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.

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

- IFRIC 17 *Distribution of Non-cash Assets to Owners*
- IFRIC 18 *Transfer of assets from customers*

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 2011. It clarified the definition of a related party to simplify the identification of such relationships an d to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government – related entities. The bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government – related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non – derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the bank after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the bank's financial assets. The Group is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Group at the date of adoption, it is practical to quantify the effect.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayments of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the bank.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at the fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRS (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below.

- IFRS 3 Business Combinations.
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into four operating segments based on products and services as follows:

Retail banking	-	Individual customers deposits and consumer loans, overdrafts, credit card facilities and funds transfer facilities.
Corporate banking	-	Loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Treasury	-	Money market investment, securities trading, accepting and discounting of instruments and foreign currency trading.
International banking	-	Handles the Group's foreign currency denominated banking business and manages relationships with correspondent banks

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in 2010 or 2009.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

3. SEGMENT INFORMATION (Cont'd)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments and service units:

for the year ended 31 December 2010	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Unallocated US$	Total US$
Income						
Third party	6 344 836	12 508 781	1 371 284	695 863	(497 470)	20 423 294
Inter - segment	-	-	-	-	-	-
Total operating income	6 344 836	12 508 781	1 371 284	695 863	(497 470)	20 423 294
Impairment losses on loans and advances	(87 941)	(883 862)	-	-	-	(971 803)
Net operating income	6 256 895	11 624 919	1 371 284	695 863	(497 470)	19 451 491
Results						
Interest and similar income	2 110 273	7 489 810	426 006	-	(11 453)	10 014 636
Interest and similar expense	(669 134)	(2 339 207)	(135 080)	-	253	(3 143 168)
Net interest income	1 441 139	5 150 603	290 926	-	(11 200)	6 871 468
Fee and commission income	4 234 563	4 929 796	-	695 863	(169 153)	9 691 069
Fee and commission expense	-	-	-	-	-	-
Net fees and commission income	4 234 563	4 929 796	-	695 863	(169 153)	9 691 069
Depreciation of property and equipment	139 376	18 583	5 807	16 261	117 505	297 532
Segment profit/ (loss)	**496 672**	**5 854 649**	**1 075 705**	**(150 877)**	**(6 333 593)**	**942 556**
Income tax expense	-	-	-	-	-	(250 322)
Profit/(loss) for the year	**496 672**	**5 854 649**	**1 075 705**	**(150 877)**	**(6 333 593)**	**692 234**
Assets and Liabilities						
Capital expenditure	368 979	49 197	15 374	43 048	255 585	732 183
Total assets	**12 396 655**	**56 968 230**	**27 600 964**	**-**	**5 873 655**	**102 839 504**
Total liabilities and equity	**14 158 924**	**35 278 465**	**32 344 518**	**-**	**21 057 597**	**102 839 504**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

3. SEGMENT INFORMATION (Cont'd)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments and service units:

for the year ended 31 December 2009

	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Unallocated US$	Total US$
Income						
Third party	588 726	3 951 232	1 071 179	1 345 897	2 185 873	9 142 907
Inter - segment	-	-	-	-	-	-
Total operating income	588 726	3 951 232	1 071 179	1 345 897	2 185 873	9 142 907
Impairment losses on loans and advances	(9 289)	(83 598)	-	-	-	(92 887)
Net operating income	579 437	3 867 634	1 071 179	1 345 897	2 185 873	9 050 020
Results						
Interest and similar income	-	1 414 934	102 804	-	8 984	1 526 722
Interest and similar expense	-	(723 800)	-	-	174	(723 626)
Net interest income	-	691 134	102 804	-	9 158	803 096
Fee and commission income	588 726	1 741 445	-	1 345 897	1 212 009	4 888 077
Fee and commission expense	-	-	-	-	-	-
Net fees and commission income	588 726	1 741 445	-	1 345 897	1 212 009	4 888 077
Depreciation of property and equipment	82 742	19 529	2 570	12 334	92 505	209 680
Segment profit/ (loss)	**(1 862 889)**	**2 354 787**	**989 360**	**984 340**	**(1 524 416)**	**941 182**
Income tax expense	-	-	-	-	-	1 337 105
(Loss)/profit for the year	**(1 862 889)**	**2 354 787**	**989 360**	**984 340**	**(1 524 416)**	**2 278 287**
Assets and Liabilities						
Capital expenditure	-	-	-	-	160 322	160 322
Total assets	**5 625 382**	**19 848 533**	**6 267 521**	**-**	**7 966 495**	**39 707 931**
Total liabilities and equity	**4 161 792**	**17 956 535**	**6 601 793**	**-**	**10 987 811**	**39 707 931**

3.1 GEOGRAPHICAL INFORMATION

The Group operates in one geographical market, Zimbabwe.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

4. INTEREST INCOME

	2010 US$	2009 US$
Loans and advances to banks	297 752	16 158
Loans and advances to customers	6 721 892	929 319
Investment securities	2 990 349	581 181
Other operating income	4 643	64
	10 014 636	1 526 722

5. INTEREST AND SIMILAR EXPENSE

	2010 US$	2009 US$
Due to banks	843 705	6
Due to customers	501 763	179 355
Other borrowed funds	561	4 199
	1 346 029	183 560
Interest expense on financial liabilities designated at fair value through profit or loss	1 797 139	540 066
	3 143 168	723 626

6. NON-INTEREST INCOME

	2010 US$	2009 US$
Quoted and other investments fair value adjustments	94 139	172 978
Commission and fee income	9 691 069	4 888 077
Loss on disposal of investment property	-	(460 000)
Profit on disposal of property and equipment	64 527	2 066
Fair value adjustment on investment properties	(784 600)	579 600
Fair value adjustment on financial instruments	54 404	32 371
Profit on disposal of quoted and other investments	13 232	45 256
Debt recovery write back as RBZ Forex Bond	-	1 789 836
Other operating income*	242 025	186 765
	9 374 796	7 236 949

*Mainly comprises insurance recoveries proceeds.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

7. OPERATING EXPENDITURE

	2010 US$	2009 US$
The operating profit is after charging the following:-		
Administration costs	5 924 296	3 410 039
Loss on derecognition of investment	-	10 404
Audit fees	153 864	117 875
Impairment loss on land and buildings	298 811	1 050 000
Depreciation	297 532	209 680
Directors' remuneration	587 612	209 252
- Fees for services as directors	45 625	18 537
- Other emoluments	541 987	190 715
Staff costs – salaries, allowances and related costs	5 014 041	2 377 962
– retrenchment	3 089 612	-
	15 365 768	7 385 212

8. TAXATION

	2010	2009
8.1 Income tax expense	US$	US$
Current tax	765 499	257 302
Aids levy	22 965	7 719
Deferred tax	(514 224)	(467 811)
Tax adjustment due to changes in tax law	(23 918)	-
Tax adjustment due to changes in tax rates	-	(1 178 976)
	250 322	(1 381 766)
Financial institutions levy	-	44 661
Tax expense	250 322	(1 337 105)

	2010	2009
8.2 Reconciliation of income tax charge	US$	US$
Based on results for the period at a rate of 25% (2009: 30%)	235 639	282 355
Arising due to:		
Income not subject to tax	(158)	(263)
Non-deductible expenses	1 924	1 519
Tax adjustments	(10 048)	-
Effect of opening deemed values (note 2.1.1)	-	(494 120)
	227 357	(210 509)
Aids levy	22 965	7 719
Tax adjustment due to change in tax rates	-	(1 178 976)
Taxation	250 322	(1 381 766)
Financial institutions levy	-	44 661
Tax expense	250 322	(1 337 105)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

8. TAXATION (Cont'd)

8.3 Total taxation charge/ (credit) analysed by company

	2010 US$	2009 US$	Opening 2009 US$
Stewart Holdings (Private) Limited	(4 079)	15 970	-
NMB Bank Limited	250 239	(1 350 517)	-
NMBZ Holdings Limited	4 162	(2 558)	-
	250 322	(1 337 105)	-

8.4 Current tax liabilities (income tax, aids levy and financial institutions levy)

	2010 US$	2009 US$	Opening 2009 US$
At 1 January	299 162	-	-
Charge for the year	788 464	309 682	-
Payments during the year	(445 657)	(10 520)	-
	641 969	299 162	-

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

	2010 $US	2009 $US
Basic and Diluted	692 234	2 278 287
Headline (note 9.4)	692 234	2 286 012

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

9.2 Number of shares

	2010	2009
Weighted average shares in issue	2 228 151 974	1 641 270 307*
Diluted weighted average number of shares	2 238 894 843	1 655 100 176*
Weighted average shares in issue	2 228 151 974	1 641 270 307
Effects of dilution:		
Share options granted but not exercised	9 072 000	12 159 000
Share options approved but not yet granted	1 670 869	1 670 869
Diluted weighted average number of shares	2 238 894 843	1 655 100 176

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

9.3 Earnings per share (US cents)

	2010	2009
Basic	0.03	0.14
Headline	0.03	0.14
Diluted basic	0.03	0.14
Diluted headline	0.03	0.14

9.4 Headline earnings

	2010 US$	2009 US$
Profit attributable to shareholders	692 234	2 278 287
Add/(deduct) non-recurring items:		
- Loss on derecognition of investment	-	10 404
- Tax effect	-	(2 679)
Headline earnings	692 234	2 286 012

10. SHARE CAPITAL

GROUP AND COMPANY

10.1 Authorised

	2010 Shares million	2010 Shares million	2010 US$	Cost 2009 US$	Opening Cost 2009 US$
Ordinary shares of US$0.000028 each	3 500	2 250	98 000	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

10.2 Issued and fully paid

	GROUP AND COMPANY				
	2010 Shares million	2009 Shares million	2010 US$	Cost 2009 US$	Opening Cost 2009 US$
At 1 January	1 648	1 641	-	-	-
Redenomination of share capital	-	-	46 147	-	-
Shares issued – rights issue	1 156	-	32 364	-	-
Shares issued – share options	3	7	87	-	-
At 31 December	2 807	1 648	78 598	-	-

Of the unissued ordinary shares of 692 892 711 (2009 – 601 824 771), options which may be granted in terms of the NMBZ 2005 Employee Share Option Scheme (ESOS) amounted to 85 360 962 (2009 – 85 360 962) and out of these 1 670 869 (2009 – 1 670 869) had not been issued. As at 31 December 2010, 9 072 000 (2009 – 12 159 000) 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.

The share capital was redenominated after the requisite shareholder approvals on 17 June 2010 and the subsequent regulatory approvals.

10.3 Own equity instruments

The own equity instruments amounting to 1 028 172 shares at a cost of US$8 225 which were held by the Company's subsidiary (Stewart Holdings (Private) Limited) in 2009 were disposed off in the year under review for a consideration of US$9 012.

11. CAPITAL RESERVES

	GROUP			COMPANY		
	2010 US$	2009 US$	Opening 2009 US$	2010 US$	2009 US$	Opening 2009 US$
Share premium	15 737 548	34 822	-	15 737 387	34 822	-
Treasury shares	-	(8 225)	-	-	-	-
Share option reserve	45 671	61 212	96 034	45 832	61 212	96 034
Regulatory reserve	883 414	274 904	-	-	-	-
Non – distributable reserve	-	6 201 909	6 201 909	-	6 201 909	6 201 909
Total capital reserves	16 666 633	6 564 622	6 297 943	15 783 219	6 297 943	6 297 943

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December 2010

Nature and purpose of reserves

Capital reserves

Share premium

This reserve represents the increase in share capital attributable to:
- the shares issued to shareholders in terms of a right issue exercise concluded in August 2010
- upon exercise of share options by officers and key management personnel of the group,
- the excess reserves above the stated nominal price per share in terms of the redenomination of share capital during the year.

Share option reserve

The share option reserve is used to recognise the value of equity – 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.

Regulatory reserve

This reserve represents the excess of the Banking Regulations allowance for impairment losses on loans and advances amount compared to the IAS 39 allowance for impairment losses on loan and advances.

Non – distributable reserve

The non-distributable reserve resulted from the net effect of the re-establishment of the Group's assets and liabilities at 1 January 2009. Refer to note 2.1.1 for further details of this reserve. This reserve was applied during the year to the redenomination of share capital and share premium reserve after the requisite shareholder approvals on 17 June 2010 and the subsequent regulatory approvals.

12. RETAINED EARNINGS / (ACCUMULATED LOSSES)

Analyses of retained profit/ (accumulated loss) by company

	GROUP			COMPANY		
			Opening			Opening
	2010	2009	2009	2010	2009	2009
	US$	US$	US$	US$	US$	US$
NMBZ Holdings Limited	79 322	(18 796)	-	95 244	(18 796)	-
NMB Bank Limited	1 976 437	1 968 837	-	-	-	-
Stewart Holdings (Private) Limited	32 135	53 342	-	-	-	-
Total	2 087 894	2 003 383	-	95 244	(18 796)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

13. DEPOSITS AND OTHER ACCOUNTS

13.1 Deposits and other accounts by type

	2010 US$	2009 US$	Opening 2009 US$
Deposits from other banks and other financial institutions	26 598 041	3 009 704	-
Other money market deposits	17 177 109	6 444 932	-
Current and deposit accounts**	36 074 237	19 265 484	2 950 017
Total deposits	79 849 387	28 720 120	2 950 017
Trade and other payables**	3 307 057	1 374 537	1 029 519
	83 156 444	30 094 657	3 979 536
Less: Financial liabilities disclosed* in note 14.1	(17 177 109)	(6 444 932)	-
	65 979 335	23 649 725	3 979 536

*The above are all financial liabilities at fair value through profit and loss designated as such upon initial recognition. The fair value of the above is the same as the cost. The deposits are payable on demand, have variable interest rates and varying security.

**Deposits and other payables approximate the related carrying amount due to their short term nature.

13.2 Maturity analysis

	2010 US$	2009 US$	Opening 2009 US$
Less than one month	54 179 210	25 992 595	2 950 017
1 to three months	15 575 677	2 727 525	-
3 to 6 months	10 090 000	-	-
6 months to 1 year	4 500	-	-
1 to 5 years	-	-	-
Over 5 years	-	-	-
	79 849 387	28 720 120	2 950 017

13.3 Sectoral analysis of deposits

	2010 US$	%	2009 US$	%	Opening 2009 US$	%
Banks and other financial institutions	26 983 081	34	3 009 704	10	-	-
Transport and telecommunications companies	5 875 820	7	4 561 928	16	-	-
Mining companies	1 200 512	1	2 044 130	7	-	-
Industrial companies	24 377 638	31	6 790 495	24	2 722 960	92
Municipalities and parastatals	692 909	1	3 154 762	11	-	-
Individuals	10 653 099	13	4 379 292	15	227 057	8
Agriculture	4 427 417	6	2 268 211	8	-	-
Other deposits	5 638 911	7	2 511 598	9	-	-
	79 849 387	100	28 720 120	100	2 950 017	100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December 2010

14. FINANCIAL INSTRUMENTS

14.1 Financial liabilities of fair value through profit and loss*

	Cost 2010 US$	Fair Value 2010 US$	Fair Value 2009 US$	Cost 2009 US$	Opening Fair value 2009 US$	Opening Cost 2009 US$
Fixed term deposits	3 469 068	3 469 068	88 481	88 481	-	-
Negotiable Certificates of Deposits	13 708 041	13 708 041	6 356 451	6 356 451	-	-
Total financial liabilities at fair value through profit and loss	17 177 109	17 177 109	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 2010 US$	Fair Value* 2010 US$	Fair Value 2009 US$	Cost 2009 US$	Opening Fair value 2009 US$	Opening Cost 2009 US$
Government and public sector securities	1 994 585	1 994 585	1 789 836	1 789 836	-	-
Treasury bills	-	-	-	-	-	-
RBZ Forex Bond (1)	1 994 585	1 994 585	1 789 36	1 789 836	-	-
Mortgage bonds	-	-	-	-	-	-
Bills-own acceptance (2)	14 769 753	14 805 628	5 345 187	5 234 839	-	-
Promissory Notes (2)	498 798	499 379	-	-	-	-
Total financial assets at fair value through profit and loss	17 263 136	17 299 592	7 135 023	7 024 675	-	-

(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December 2010

14. FINANCIAL INSTRUMENTS (Cont'd)

MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS

14.3 Financial liabilities at fair value through profit and loss

	2010	2009	Opening 2009
	US$	US$	US$
Less than 1 month	8 747 376	3 717 408	-
1 to 3 months	8 335 233	2 727 524	-
3 to 6 months	90 000	-	-
6 months to 1 year	4 500	-	-
1 to 5 years	-	-	-
Over 5 years	-	-	-
	17 177 109	6 444 932	-

14.4 Financial assets at fair value through profit and loss

	2010	2009	Opening 2009
US$	US$	US$	
Less than 1 month	7 707 188	4 659 689	-
1 to 3 months	6 884 042	590 860	-
3 to 6 months	2 708 362	1 884 474	-
6 months to 1 year	-	-	-
1 to 5 years	-	-	-
Over 5 years	-	-	-
	17 299 592	7 135 023	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

14.5 Other financial assets and financial liabilities summary (Cont'd)

Fair value

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

	Carrying amount 2010 US$	Fair Value 2010 US$	Fair Value 2009 US$	Carrying amount 2009 US$	Opening Fair value 2009 US$	Opening Carrying amount 2009 US$
Cash and cash equivalent	18 346 939	18 346 939	12 203 181	12 203 181	1 289 441	1 289 441
Financial assets at fair value through profit and loss	17 263 136	17 299 592	7 135 023	7 024 675	-	-
Advances and other accounts	59 474 284	59 492 813	12 500 534	12 581 234	19 781	19 781
Trade investments	201 666	201 666	108 333	108 003	32 000	32 000
Quoted and other investments	134 461	134 461	455 638	455 638	306 904	306 904
Total	95 420 486	95 475 471	32 402 709	32 372 731	1 648 126	1 648 126
Financial liabilities						
Deposits and other accounts	65 979 335	65 979 335	23 649 725	23 652 448	2 950 017	2 950 017
Financial liabilities at fair value through profit and loss	17 177 109	17 177 109	6 444 932	6 444 932	-	-
	83 156 444	83 156 444	30 094 657	30 097 380	2 950 017	2 950 017

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 – 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 Group'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 2010, the Group held the 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 desirable market data.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

14.5 Other financial assets and financial liabilities summary (Cont'd)

Assets measured at fair value

	31 Dec 2010 US$	Level 1 US$	Level 2 US$	Level 3 US$
Financial assets at fair value through profit and loss	17 299 592	-	17 299 592	-
Trade investments	201 666	-	201 666	-
Quoted and other investments	134 461	134 461	-	-

Liabilities measured at fair value

	31 Dec 2010 US$	Level 1 US$	Level 2 US$	Level 3 US$
Financial liabilities of fair value through profit and loss	17 177 109	-	17 177 109	-

During the reporting period ending 31 December 2010, 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.

Assets measured at fair value

	31 Dec 2009 US$	Level 1 US$	Level 2 US$	Level 3 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 US$	Level 1 US$	Level 2 US$	Level 3 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

	2010 US$	2009 US$
Fair value gain	54 404	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.*

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

15. DEFERRED TAX

	GROUP			COMPANY		
			Opening			Opening
	2010	2009	2009	2010	2009	2009
	US$	US$	US$	US$	US$	US$
Allowance for impairment losses on loans and advances	(272 429)	-	(52)	-	-	-
Quoted and other investments	16 806	29 313	56 681	1 393	615	807
Investments:-trade investments	-	-	-	6 140	1 575	-
Investment properties	134 743	256 609	1 585 000	-	-	-
Property and equipment	268 036	363 183	1 042 189	-	-	-
Marking to market adjustments IAS 39	17 408	8 007	-	-	-	-
Unrealised foreign exchange gains	271 742	97 653	-	-	-	-
Suspended interest	(161 703)	-	-	-	-	-
Deferred income	(58 601)	(4 717)	-	-	-	-
Assessed loss	(8 036)	(3 941)	(138 922)	-	(3 941)	-
Closing deferred tax liability/(asset)	207 966	746 107	2 544 896	7 533	(1 751)	807
Deferred tax liability at the beginning of the year	(746 107)	(2 544 896)	-	1 751	(807)	-
Deferred tax on disposal of investment in subsidiary	-	152 002	-	-	-	-
Current year credit (note 8.1)	(538 142)	(1 646 787)	-	9 284	(2 558)	-

16. CASH AND CASH EQUIVALENTS

16.1 Balances with Reserve Bank of Zimbabwe

			Opening
	2010	2009	2009
	US$	US$	US$
Statutory reserve	-	2 746 957	-

16.2 Balances with other banks and cash

Current, nostro accounts and cash	18 346 939	9 456 224	1 289 441
	18 346 939	12 203 181	1 289 441

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. The current year amount is shown under "other accounts" in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

17. LOANS, ADVANCES AND OTHER ACCOUNTS

17.1 Total loans, advances and other accounts

17.1.1 Advances

	GROUP			COMPANY		
			Opening			Opening
	2010	2009	2009	2009	2009	2009
	US$	US$	US$	US$	US$	US$
Fixed term loans	16 553 444	8 596 463	-	-	-	
Local loans and overdrafts	39 674 193	3 806 776	19 781	-	-	-
Other accounts	4 087 760	600 860	352 504	1 842 363	79 034	96 034
	60 315 397	13 004 099	372 285	1 842 363	79 034	96 034

17.1.2 Maturity analysis

Less than one month	45 997 447	11 560 300	32 999	-	-	-
1 to three months	3 554 191	298 366	-	-	-	-
3 to 6 months	2 511 409	147 925	-	-	-	-
6 months to 1 year	5 106 790	120 665	-	-	-	-
1 to 5 years	743 752	382 088	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total advances	57 913 589	12 509 344	32 999	-	-	-
Provision for impairment losses on loans and advances	(1 057 977)	(106 105)	(13 218)	-	-	-
Provision for suspended interest	(627 975)	-	-	-	-	-
	56 227 637	12 403 239	19 781	-	-	-
Other accounts	4 087 760	600 860	352 504	1 842 363	79 034	96 034
	60 315 397	13 004 099	372 285	1 842 363	79 034	96 034

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

17.2 Sectoral analysis of utilisations

	2010 US$	%	2009 US$	%	Opening 2009 US$	%
Industrials	34 198 907	59	8 068 093	64	-	-
Agriculture and horticulture	5 079 399	9	691 914	6	-	-
Conglomerates	3 151 309	6	273 288	2	-	-
Services	8 876 982	15	2 072 971	17	-	-
Mining	1 120 858	2	1 272 873	10	-	-
Food & beverages	-	-	-	-	-	-
Other	5 486 134	9	130 205	1	-	-
	57 913 589	100	12 509 344	100	-	-

The material concentration of loans and advances are in the industrial sector at 59% (2009 – 64%).

17.3 Allowance for impairment losses on loans and advances (including acceptances)

	2010			2009		
	Specific US$	Portfolio US$	Total US$	Specific US$	Portfolio US$	Total US$
At 1 January	106 105	-	106 105	13 218	-	13 218
Charge against profits	971 803	-	971 803	92 887	-	92 887
Bad debts written off	(19 931)	-	(19 931)	-	-	-
At 31 December	1 057 977	-	1 057 977	106 105	-	106 105

17.4 Non-performing loans and advances

	2010 US$	2009 US$	Opening 2009 US$
Total non-performing loans and advances	1 685 952	106 105	13 218
Provision for impairment loss on loans and advances	(1 057 977)	(106 105)	(13 218)
Interest in suspense	(627 975)	-	-
	-	-	-

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

17.5 Other assets

	2010 US$	2009 US$	Opening 2009 US$
Service deposits	117 772	112 167	101 992
Statutory reserve	3 265 176	-	-
Accrued income	-	97 295	-
Prepayments and stocks	589 026	317 565	209 602
Other receivables	115 786	73 833	40 910
	4 087 760	600 860	352 504

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

17.6 Loans to officers

	2010 US$	2009 US$	2009 US$
Included in advances and other accounts (note 17.1) are loans to officers:-			
At 1 January	335 953	-	-
Net additions during the year	511 891	335 953	-
Fair value adjustment	(61 623)	-	-
Balance at 31 December	786 221	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 on unauthorised facility	Minimum lending rate plus a margin
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 30% per annum.

18. TRADE INVESTMENT

	GROUP			COMPANY		
			Opening			Opening
Unlisted	2010	2009	2009	2010	2009	2009
	US$	US$	US$	US$	US$	US$
Takura Ventures (Private) Limited	32 788	31 495	32 000	32 788	31 495	32 000
Other	168 878	76 508	-	90 006	-	-
	201 666	108 003	32 000	122 794	31 495	32 000
Directors' valuation	201 666	108 003	32 000	122 794	31 495	32 000

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 and Medical Investments (Private) Limited t/a Avenues Clinic. The trade investment was valued by directors at fair value at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

19. INVESTMENT IN ASSOCIATE

The Group has a 25% interest in African Century Limited, which is involved in the provision of lease finance.

African Century Limited is a company that is not listed on any public exchange. The following table illustrates summarised unaudited financial information of the Group's investment in African Century Limited.

Share of the associate's statement of financial position:

	GROUP			COMPANY		
			Opening			Opening
	2010	2009	2009	2010	2009	2009
	US$	US$	US$	US$	US$	US$
Current assets	222 185	-	-	-	-	-
Non-current assets	26 058	-	-	-	-	-
Current liabilities	(19 687)	-	-	-	-	-
Non – current liabilities	-	-	-	-	-	-
Equity	228 556	-	-	-	-	-
Share of the associate's revenue and (loss)						
Revenue	676	-	-	-	-	-
Loss	(21 444)	-	-	-	-	-
Carrying amount of the investment	228 556	-	-	250 000	-	-

20. INVESTMENTS IN GROUP COMPANIES

20.1 Subsidiaries

	COMPANY		
			Opening
	2010	2009	2009
	US$	US$	US$
Investments in subsidiaries	13 722 112	6 154 577	6 154 577

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

20. INVESTMENTS IN GROUP COMPANIES (Cont'd)

20.2 Shareholding

The subsidiaries and associates, 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:-

	2010	**2009**
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)
African Century Limited	25% (Leasing)	nil

The consolidated financial statements include the financial statements and results of the subsidiaries and associates listed above.

The Group acquired a 25% shareholding in African Century Limited on 30 November 2010.

21. QUOTED AND OTHER INVESTMENTS

	GROUP			COMPANY		
			Opening			Opening
	2010	2009	2009	2010	2009	2009
	US$	US$	US$	US$	US$	US$
Quoted investments	134 461	455 638	306 904	27 854	12 290	16 139
	134 461	455 638	306 904	27 854	12 290	16 139

The quoted investments comprise shares stated for year end purposes at the last trading date of 31 December 2010.

22. INVESTMENT PROPERTIES

			Opening
	2010	2009	2009
	US$	US$	US$
At 1 January	3 219 600	6 140 000	-
Improvements	180 000	-	-
Sale of investment property	-	(3 500 000)	-
Fair value adjustments	(784 600)	579 600	6 140 000
At 31 December	2 615 000	3 219 600	6 140 000

Rental income amounting to US$3 855 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 Borrowdale 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$2 050 000.

The other properties comprise residential stands and houses which were valued by professional valuers for year end purposes at US$565 000.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

23. PROPERTY AND EQUIPMENT

	Computers US$	Motor Vehicles US$	Furniture & Equipment US$	Freehold Land & Building US$	Total US$
Cost					
Deemed 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
Additions	214 274	108 804	407 003	2 102	732 183
Impairment loss	-	-	-	(298 811)	(298 811)
Disposals	-	(37 200)	-	-	(37 200)
At 31 December 2010	717 599	220 119	1 389 505	2 415 000	4 742 223
Accumulated depreciation					
Deemed 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
Charge for the year	113 114	43 985	140 375	58	297 532
Disposals	-	(16 866)	-	-	(16 866)
At 31 December 2010	317 306	77 024	649 931	69	1 044 330
Net book amount					
At 1 January 2009	333 510	90 920	497 315	3 760 000	4 681 745
Net book amount					
At 31 December 2009	299 133	98 610	472 946	2 711 698	3 582 387
Net book amount					
At 31 December 2010	400 293	143 095	739 574	2 414 931	3 697 893

The land and buildings were valued by professional valuers as at 31December 2010 for year end purposes and the open market value was US$2.41 million. The deemed balances at 1January 2009 were derived using the principles outlined in note 2.1.1.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

24. INTEREST RATE REPRICING AND GAP ANALYSIS

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

24.1 Total position

At 31 December 2010

	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	18 346 939	-	-	-	-	18 346 939
Financial assets at fair value through profit and loss	7 707 188	6 884 042	2 708 362	-	-	17 299 592
Loans, advances and other accounts	44 658 392	3 450 723	7 396 422	722 100	4 087 760	60 315 397
Investment in associate	-	-	-	-	228 556	228 556
Quoted and other investments	-	-	-	-	336 127	336 127
Investment properties	-	-	-	-	2 615 000	2 615 000
Property and equipment	-	-	-	-	3 697 893	3 697 893
	70 712 519	10 334 765	10 104 784	722 100	10 965 336	102 839 504
Liabilities and equity						
Financial liabilities at fair value through profit and loss	8 747 376	8 335 233	94 500	-	-	17 177 109
Deposits and other accounts	45 431 834	7 240 444	10 000 000	-	3 307 057	65 979 335
Current tax liabilities	-	-	-	-	641 969	641 969
Deferred tax liabilities	-	-	-	-	207 966	207 966
Equity	-	-	-	-	18 833 125	18 833 125
	54 179 210	15 575 677	10 094 500	-	22 990 117	102 839 504
Interest rate repricing gap	16 533 309	(5 240 912)	10 284	722 100	(12 024 781)	-
Cumulative gap	16 533 309	11 292 397	11 302 681	12 024 781	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

24. INTEREST RATE REPRICING AND GAP ANALYSIS (Cont'd)

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

24.1 Total position (continued)

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
Loans, advances and other accounts	11 835 204	298 365	268 591	382 088	219 851	13 004 099
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
	28 698 074	889 225	2 153 065	382 088	7 585 479	39 707 931
Liabilities and equity						
Financial liabilities at fair value through profit and loss	3 717 408	2 727 524	-	-	-	6 444 932
Deposits and other accounts	22 275 188	-	-	-	1 374 537	23 649 725
Current tax liabilities	-	-	-	-	299 162	299 162
Deferred tax liabilities	-	-	-	-	746 107	746 107
Equity	-	-	-	-	8 568 005	8 568 005
	25 992 596	2 727 524	-	-	10 987 811	39 707 931
Interest rate repricing gap	2 705 478	(1 838 299)	2 153 065	382 088	(3 402 332)	-
Cumulative gap	2 705 478	867 179	3 020 244	3 402 332	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

25. INTEREST RATE REPRICING AND GAP ANALYSIS (Cont'd)

The table below analyses the Group's 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.

25.1. United States dollar

At 31 December 2010

	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	14 435 521	-	-	-	-	14 435 521
Financial assets at fair value through profit and loss	7 707 188	6 884 042	2 708 362	-	-	17 299 592
Loans, advances and other accounts	44 274 497	3 450 723	7 396 422	722 100	4 087 760	59 931 502
Investment in associate	-	-	-	-	228 556	228 556
Quoted and other investments	-	-	-	-	257 255	257 255
Investment properties	-	-	-	-	2 615 000	2 615 000
Property and equipment	-	-	-	-	3 697 893	3 697 893
	66 417 206	10 334 765	10 104 784	722 100	10 886 464	98 465 319
Liabilities and equity						
Financial liabilities at fair value through profit and loss	8 747 376	8 171 759	94 500	-	-	17 013 635
Deposits and other accounts	43 121 883	7 240 444	10 000 000	-	3 307 057	63 669 384
Current tax liabilities	-	-	-	-	641 969	641 969
Deferred tax liabilities	-	-	-	-	207 966	207 966
Equity	-	-	-	-	18 833 125	18 833 125
	51 869 259	15 412 203	10 094 500	-	22 990 117	100 366 079
Interest rate repricing gap	14 547 947	(5 077 438)	10 284	722 100	(12 103 653)	(1 900 760)
Cumulative gap	14 547 947	9 470 509	9 480 793	10 202 893	(1 900 760)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

25. INTEREST RATE REPRICING AND GAP ANALYSIS (Cont'd)

The table below analyses the Group's 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.

25.1 United States dollar (Cont'd)

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	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
Loans, advances and other accounts	11 667 252	298 365	268 591	382 088	219 851	12 836 147
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
	24 680 508	889 225	2 153 065	382 088	7 508 971	35 613 857
Liabilities and equity						
Financial liabilities at fair value through profit and loss	3 275 040	2 727 524	-	-	-	6 002 564
Deposits and other accounts	19 074 551	-	-	-	1 374 537	20 449 088
Current tax liabilities	-	-	-	-	299 162	299 162
Deferred tax liabilities	-	-	-	-	746 107	746 107
Equity	-	-	-	-	8 568 005	8 568 005
	22 349 591	2 727 524	-	-	10 987 811	36 064 926
Interest rate repricing gap	2 330 917	(1 838 299)	2 153 065	382 088	(3 478 840)	(451 069)
Cumulative gap	2 330 917	492 618	2 645 683	3 027 771	(451 069)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

26. INTEREST RATE REPRICING AND GAP ANALYSIS (Cont'd)

The table below analyses the Group's 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.

26.1. Other Foreign currencies

At 31 December 2010

	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	3 911 418	-	-	-	-	3 911 418
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Quoted and other investments	-	-	-	-	78 872	78 872
Loans, advances and other accounts	383 895	-	-	-	-	383 895
Investment properties	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
	4 295 313	-	-	-	78 872	4 374 185
Liabilities and equity						
Financial liabilities at fair value through profit and loss	-	163 474	-	-	-	163 474
Deferred tax liabilities	-	-	-	-	-	-
Deposits and other accounts	2 309 951	-	-	-	-	2 309 951
Current tax liabilities	-	-	-	-	-	-
Equity	-	-	-	-	-	-
	2 309 951	163 474	-	-	-	2 473 425
Interest rate repricing gap	1 985 362	(163 474)	-	-	78 872	1 900 760
Cumulative gap	1 985 362	1 821 888	1 821 888	1 821 888	1 900 760	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

26. INTEREST RATE REPRICING AND GAP ANALYSIS (Cont'd)

The table below analyses the Group's 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.

26.1 Other Foreign currencies (continued)

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
Loans, advances and other accounts	167 952	-	-	-	-	167 952
Investment properties	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
	4 017 566	-	-	-	76 508	4 094 074
Liabilities and equity						
Financial liabilities at fair value through profit and loss	442 368	-	-	-	-	442 368
Deferred tax liabilities	-	-	-	-	-	-
Deposits and other accounts	3 200 637	-	-	-	-	3 200 637
Current tax liabilities	-	-	-	-	-	-
Equity	-	-	-	-	-	-
	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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

27. 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.

27.1 At 31 December 2010	US$	RAND	GBP	EUR	BWP	TOTAL
	US$	US$	US$	US$	US$	US$
Assets						
Cash and cash equivalents	14 435 521	2 573 026	125 456	1 136 318	76 618	18 346 939
Financial assets at fair value through profit and loss	17 299 592	-	-	-	-	17 299 592
Loans, advances and other accounts	59 931 502	381 402	697	525	1 271	60 315 397
Investment in associate	228 556	-	-	-	-	228 556
Quoted and other investments	257 255	-	-	78 872	-	336 127
Investment properties	2 615 000	-	-	-	-	2 615 000
Property and equipment	3 697 893	-	-	-	-	3 697 893
	98 465 319	2 954 428	126 153	1 215 715	77 889	102 839 504
Liabilities and equity						
Financial liabilities at fair value through profit and loss	17 013 635	163 474	-	-	-	17 177 109
Deferred tax liabilities	207 966	-	-	-	-	207 966
Deposits and other accounts	63 669 384	1 281 077	41 453	924 087	63 334	65 979 335
Current tax liabilities	641 969	-	-	-	-	641 969
Equity	18 833 125	-	-	-	-	18 833 125
	100 366 079	1 444 551	41 453	924 087	63 334	102 839 504
Net foreign exchange position	(1 900 760)	1 509 877	84 700	291 628	14 555	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

27. FOREIGN EXCHANGE POSITIONS (Cont'd)

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.

27.1 At 31 December 2009 (Cont'd)

	US$	RAND	GBP	EUR	BWP	TOTAL
	US$	US$	US$	US$	US$	US$
Assets						
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
Loans,advances and other accounts	12 836 147	167 716	128	88	20	13 004 099
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
	35 613 857	1 464 307	95 668	2 465 867	68 232	39 707 931
Liabilities and equity						
Financial liabilities at fair value through profit and loss	6 002 564	-	-	442 368	-	6 444 932
Deferred tax liabilities	746 107	-	-	-	-	746 107
Deposits and other accounts	20 449 088	1 145 520	46 693	1 958 063	50 361	23 649 725
Current tax liabilities	299 162	-	-	-	-	299 162
Equity	8 568 005	-	-	-	-	8 568 005
	36 064 926	1 145 520	46 693	2 400 431	50 361	39 707 931
Net foreign exchange position	(451 069)	318 787	48 975	65 436	17 871	-

28. CONTINGENT LIABILITIES

	2010	2009	Opening 2009
	US$	US$	US$
Guarantees	5 002 123	3 150 324	-
Commitments to lend	13 417 179	6 638 259	-
At 31 December	18 419 302	9 788 583	-

The Group 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 Group.

Guarantees commit the Group 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December 2010

29. CAPITAL COMMITMENTS

	2010 US$	2009 US$	Opening 2009 US$
Capital expenditure contracted for	-	-	-
Capital expenditure authorised but not yet contracted for	2 411 250	998 400	-
At 31 December	2 411 250	998 400	-

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

30. OPERATING LEASE COMMITMENTS

	2010 US$	2009 US$
Lease commitments	2 658 249	2 292 335
Up to 1 year	531 650	458 467
1 – 5 years	2 126 599	1 833 868

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

31. RELATED PARTIES

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

31.1 Compensation of key management personnel of the Group

	2010 US$	2009 US$
Short – term employee benefits	569 169	209 252
Contribution to pension funds	18 443	-
	587 612	209 252

31.2 Key management interest in an employee share options

At 31 December 2010, key management held no options to purchase ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

31.3 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).

	2010	2009	Opening 2009
	US$	US$	US$
Non - executive directors	-	600	-
Executive directors	140 683	64 025	-
Officers (Note 17.6)	786 221	335 953	-
Directors' companies	115 772	-	-
Officers' companies	-	-	-
Intra group loans	-	-	-
	1 042 676	400 578	-
Provision for impairment losses on loans	-	-	-
	1 042 676	400 578	-

31.4 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$
2010	-	-	1 042 676	-
2009	-	-	400 578	-
Opening 2009	-	-	-	-

31.5 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

32. EMPLOYEE BENEFITS

32.1 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 661 416 shares in NMBZ Holdings Limited as at 31 December 2010.

32.2 Expense recognised in profit or loss

	2010 US$	2009 US$
Defined Contribution Plan - NSSA	101 441	62 878
Defined Contribution Plan – NMB Bank Pension Fund	54 241	-
	155 682	62 878

The expense is recognised in profit or loss as part of staff costs under operating expenses (note 7).

32.3 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

		2010		2009		Opening
	No.	**WAEP$**	**No.**	**WAEP$**	**No.**	**2009**
	000's		000's		US$	WAEP$
Outstanding as at 1 January	12 159	0.005	19 076	0.005	19 076	-
Lapsed	-	-	-	-	-	-
Issued	-	-	-	-	-	-
Exercised	(3 087)*	0.005	(6 917)*	0.005	-	-
Outstanding as at 31 December	9 072	0.005	12 159	0.005	19 076	-

*The weighted average share price at the date of exercise for the options exercised was US$0.01 (2009: US$0.0082).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

32. EMPLOYEE BENEFITS (Cont'd)

Terms of options outstanding at 31 December 2010

GROUP & COMPANY		
		2010
Expiry date	Exercise price	Shares
	US$	000's
5 September 2012	nil	9 072
7 January 2013	nil	-
12 March 2013	nil	-
		9 072

32.4 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$101 441 (2009 – US$62 878).

32.5 Number of employees

The total number of employees of the Group at 31 December 2010 was 258 (2009 – 409).

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 2010	31 December 2009
		Mid - rate	Mid - rate
		US$	US$
British Sterling	GBP	1.5442	1.6076
South African Rand	ZAR	6.6249	7.3975
European Euro	EUR	1.3305	1.4371
Botswana Pula	BWP	6.4570	6.6578

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

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 Group's 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.

34.1.1 Management 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

The table below shows the maximum exposure to credit for the components of the statement of financial position. The maximum exposure is shown as gross.

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

	Note	2010 US$	2009 US$	Opening 2009 US$
Cash and cash equivalents (excluding cash on hand)		13 042 536	9 052 698	190 966
Financial assets at fair value through profit and loss	14	17 299 592	7 135 023	-
Loans, advances and other accounts	17	56 227 637	12 403 239	19 781
Total		86 569 765	28 590 960	210 747
Guarantees	28	5 002 123	3 150 324	-
Commitments to lend	28	13 417 179	6 638 259	-
Total		18 419 302	9 788 583	-
Total credit risk exposure		104 989 067	38 379 543	210 747

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 Group's 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

	31 December 2010 Gross Maximum Exposure US$	31 December 2010 Net Maximum Exposure US$	31 December 2009 Gross Maximum Exposure US$	31 December 2009 Net Maximum Exposure US$
Industrials	34 198 907	-	8 068 093	-
Agriculture and horticulture	5 079 399	-	691 914	-
Conglomerates	3 151 309	-	273 288	273 288
Services	8 876 982	-	2 072 971	-
Mining	1 120 858	-	1 272 873	-
Food and beverages	-	-	-	-
Other	5 486 134	-	130 205	-
	57 913 589	-	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$38 647 557 (2009: US$22 567 686). The benefits on guarantees are not included in the above table.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34.1.5 Credit quality per sector

At 31 December 2010	Grade A Pass	Grade B Special Mention	Grade C Substandard	Grade D Doubtful	Grade E Loss	Total
	US$	US$	US$	US$	US$	US$
Industrials	12 458 731	20 541 584	931 200	267 392	-	34 198 907
Agriculture and horticulture	2 278 313	2 801 086	-	-	-	5 079 399
Conglomerates	3 151 309	-	-	-	-	3 151 309
Services	1 442 980	2 928 403	903 470	3 444 849	157 280	8 876 982
Mining	-	1 102 811	-	18 047	-	1 120 858
Food and beverages	-	-	-	-	-	-
Other	60 000	5 209 112	87 189	122 729	7 104	5 486 134
Total	19 391 333	32 582 996	1 921 859	3 853 017	164 384	57 913 589

At 31 December 2009	Grade A Pass	Grade B Special Mention	Grade C Substandard	Grade D Doubtful	Grade E Loss	Total
	US$	US$	US$	US$	US$	US$
Industrials	5 962 916	1 997 111	108 066	-	-	8 068 093
Agriculture and horticulture	178 728	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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

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 Group 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 Group's 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 bank's capital position.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Bank's 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.

At 31 December 2010		**Sensitivity of net interest income**				
Currency	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	1 025 954	(265 046)	(4 758)	37 188	793 338
USD	+3	615 573	(159 028)	(2 855)	22 313	476 003
USD	+1	205 191	(53 009)	(952)	7 438	158 668
USD	-1	(205 191)	53 009	952	(7 438)	(158 668)
USD	-3	(615 573)	159 028	2 855	(22 313)	(476 003)
USD	-5	(1 025 954)	265 046	4 758	(37 188)	(793 338)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

At 31 December 2009

		Sensitivity of net interest income				
Currency	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)

For interest rate repricing and gap analysis refer note 24.1.

34.3 Foreign currency exchange rate risk

The table below calculates the effect of a reasonable possible movement of the significant 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 2010

	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
Currency			
ZAR	+5	91 094	67 638
ZAR	+3	54 657	40 583
ZAR	+1	18 219	13 528
ZAR	-1	(18 219)	(13 528)
ZAR	-3	(54 657)	(40 583)
ZAR	-5	(91 094)	(67 638)

At 31 December 2009

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

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 Group maintains a statutory deposit with the Central Bank which was accumulated since dollarisation at stipulated rates. During 2010, the Reserve Bank of Zimbabwe discontinued the payment of statutory reserves and the amounts accumulated to date had not been refunded by 31 December 2010. 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 contractual maturities of undiscounted cash flows of financial assets and liabilities are disclosed in note 24.1.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Group monitors its liquidity ratio in compliance with Banking Regulations to ensure that it is not less than 20% of the liabilities to the public 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 Group's contingent liabilities and commitments to lend:

At 31 December 2010

	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	321 236	592 918	943 907	3 144 062	-	5 002 123
Commitments to lend	3 957 730	1 641 889	7 817 560	-	-	13 417 179
	4 278 966	2 234 807	8 761 467	3 144 062	-	18 419 302

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

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 Group conducts its business.

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

34.8 Strategic risk

This refers to current and prospective impact on the Group's 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 Group 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 Group.

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.

34.9 Regulatory Compliance

The Corrective Order issued on 15 May 2007 was lifted on 8 September 2010.

The Group remains committed to complying with and adhering to all regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

34.10 Capital Management

34.10.1 Holding Company

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

34.10.2 Banking Subsidiary

The primary objective of the Group's 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$12.5 million.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

34. RISK MANAGEMENT (Cont'd)

34.10.2 Banking Subsidiary (Cont'd)

The Bank's regulatory capital position at 31 December 2010 was as follows:

	2010 US$	2009 US$	Opening 2009 US$
Share capital	16 501	-	-
Share premium	13 690 931	-	-
Non-distributable reserve	-	6 139 898	-
Retained earnings	1 976 437	1 968 837	-
Total equity	15 683 869	8 108 735	-
Less: capital allocated for market and operational risk	(1 580 551)	(1 096 405)	-
Credit to insiders	(115 772)	-	-
Tier 1 capital	13 987 546	7 012 330	-
Tier 2 capital (subject to limit as per Banking Regulation)	883 414	274 904	-
Revaluation reserves	-	-	-
Subordinated debt	-	-	-
Regulatory reserve (limited to 1.25 of risk weighted assets)	883 414	274 904	-
Total Tier 1 & 2 capital	14 870 960	7 287 234	-
Tier 3 capital (sum of market and operational risk capital)	1 580 551	1 096 405	-
Total capital base	16 451 511	8 383 639	-
Total risk weighted assets	94 154 367	32 206 600	-
Tier 1 ratio	14.86%	21.77%	-
Tier 2 ratio	0.94%	0.85%	-
Tier 3 ratio	1.69%	3.41%	-
Total capital adequacy ratio	17.49%	26.03%	-
RBZ minimum required	10.00%	10.00%	10.00%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the year ended 31 December 2010

35. PRIOR PERIOD RESTATEMENT

The restatement arose as a result of the treatment of the excess allowance for impairment on loans and advances resulting from the difference between the IAS 39 and the Regulatory allowance for impairment on loans and advances. In 2009, these were accounted for under other comprehensive income and in 2010, these were recognised directly in equity as a transfer from retained earnings to a regulatory reserve. The effect of this change on the 2009 results is summarized below (There is no effect in 2010).

Consolidated Statement of Comprehensive Income

	2009 US$
Increase in other comprehensive income	274 904
Decrease in tax credit relating to other comprehensive income	(70 788)
Increase in total comprehensive income for the year	204 116

Consolidated Statement Of Financial Position

	2009 US$
Decrease in allowance for impairment of loans and advances	274 904
Increase in deferred tax liabilities	(70 788)
Increase in total equity	204 116

HISTORICAL FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2010	2009	2008	2007	2006
	US$	US$	US$	US$	US$
		Restated			
Interest from lending activities	7 024 287	652 267	-	-	-
Interest from investing activities	2 990 349	874 455	-	-	-
	10 014 636	1 526 722	-	-	-
Interest expense	(3 143 168)	(723 626)	-	-	-
Net interest income	6 871 468	803 096	-	-	-
Net foreign exchange gains	1 055 307	379 236	-	-	-
Share of loss associate	(21 444)	-	-	-	-
Non-interest income	9 374 796	7 236 949	-	-	-
Net operating income	17 280 127	8 419 281	-	-	-
Operating expenditure	(15 365 768)	(7 385 212)	-	-	-
Impairment losses on loans and advances	(971 803)	(92 887)	-	-	-
Profit before taxation	942 556	941 182	-	-	-
Financial institutions levy	-	(44 661)	-	-	-
Taxation	(250 322)	1 381 766	-	-	-
Profit after taxation	692 234	2 278 287	-	-	-
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	692 234	2 278 287	-	-	-

HISTORICAL FIVE YEAR FINANCIAL SUMMARY (Cont'd)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2010 US$	2009 US$ Restated	2008 US$	2007 US$	2006 US$
EQUITY					
Share capital	78 598	-	-	-	-
Reserves	18 754 527	8 568 005	-	-	-
Equity	18 833 125	8 568 005	-	-	-
LIABILITIES					
Deposits and other accounts	65 979 335	23 649 725	-	-	-
Financial liabilities at fair value through profit and loss	17 177 109	6 444 932	-	-	-
Current tax liabilities	641 969	299 162	-	-	-
Deferred tax liabilities	207 966	746 107	-	-	-
Capital employed	102 839 504	39 707 931	-	-	-
ASSETS					
Cash and cash equivalents	18 346 939	12 203 181	-	-	-
Financial assets at fair value through profit and loss	17 299 592	7 135 023	-	-	-
Quoted and other investments	134 461	455 638	-	-	-
Loans, advances and other accounts	60 315 397	13 004 099	-	-	-
Trade investments	201 666	108 003	-	-	-
Investment in associate	228 556	-	-	-	-
Investment properties	2 615 000	3 219 600	-	-	-
Property and equipment	3 697 893	3 582 387	-	-	-
Employment of capital	102 839 504	39 707 931	-	-	-

HISTORICAL FIVE YEAR FINANCIAL SUMMARY (Cont'd)

	2010	2009	2008	2007	2006
CLOSING NUMBER OF SHARES	2 807 107 289	1 647 147 057*	1 641 225 424*	1 608 159 059	1 569 339 001
Share Performance					
Net asset value per share (US cents)	0.67	0.52	-	-	-
Basic earnings per share (US cents)	0.02	0.14	-	-	-
Dividend per share (US cents)	-	-	-	-	-
Dividend cover (times)	-	-	-	-	-
Price/earnings ratio	55	5.71	-	-	-
Closing price per share (US cents)	1.1	0.80	-	-	-
Market capitalisation (US$)	30 878 180	13 185 402	-	-	-
Financial Performance					
Return on shareholders' funds (%)[1]	3.7	26	-	-	-
Return on assets (%)	0.70	6	-	-	-
Cost/net income ratio (%)[2]	95	89	-	-	-
Non-interest income/total income (%)	46	79	-	-	-
Effective tax rate (%)	26.6	(142)	-	-	-

1. The return on shareholders' funds is based on shareholders' 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.

NOTICE TO MEMBERS

Notice is hereby given that the 16th 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 **Tuesday, 14 June 2011** at **10:00 hours** for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2010 , together with the reports of the Directors and Auditors thereon.

2. To appoint Directors.

   In accordance with the Articles of Association, Mr M Mudukuti, Mr B W Madzivire and Ms L Majonga retire by rotation. Being eligible, the retiring directors offer themselves for re-election.

3. To appoint Auditors for 2011 and to approve Messrs Ernst & Young's remuneration for the year ended 31 December 2010.

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

15 March 2011

SHAREHOLDERS' ANALYSIS

Size of Shareholding			2010 Number of Shareholders	%	2010 Issued Shares	%
1	-	5 000	2 485	56.97	4 165 305	0.15
5 001	-	10 000	671	15.38	4 949 637	0.18
10 001	-	50 000	792	18.16	16 915 928	0.6
50 001	-	100 000	124	2.84	8 932 710	0.32
100 001	-	500 000	191	4.38	41 453 298	1.48
500 001	-	1 000 000	40	0.92	28 090 750	1
1 000 001	-	10 000 000	35	0.8	107 274 399	3.82
10 000 001	-	And over	24	0.55	2 595 325 262	92.45
Total			**4 362**	**100**	**2 807 107 289**	**100**

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**

Industry	2010 Shareholders	%	2010 Shares	%
Banks and nominees	16	0.37	382 837	0.01
Employees	378	8.67	41 569 622	1.48
Deceased estates	5	0.11	11 173 353	0.4
External companies	5	0.11	1 070 977 401	38.15
Insurance companies	15	0.34	591 197 852	21.06
Investment, trusts and property companies	127	2.91	765 447 275	27.27
Non-resident individuals	29	0.66	4 539 116	0.16
Other corporate holdings	397	9.10	199 636 360	7.11
Pension funds	20	0.46	50 051 105	1.78
Resident individual/trusts	3 370	77.27	72 132 368	2.58
	4 362	**100**	**2 807 107 289**	**100**

SHAREHOLDERS' ANALYSIS (Cont'd)

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

TOP TEN SHAREHOLDERS

		2010 Shares	% of Total
1	African Century Financial Services Investment LLP	791 915 548	28.21
2	Old Mutual Life Assurance Co Zim Ltd	589 521 823	21.00
3	Lalibela Limited	215 266 942	7.67
4	Alsace Trust	168 853 795	6.01
5	Cornerstone Trust	168 755 799	6.01
6	Wamambo Investments Trust	142 260 092	5.06
7	Drakmore Investments (Pvt) Ltd	109 627 112	3.90
8	Martcap Investments (Pvt) Ltd	77 282 178	2.75
9	Elsha Investments (Pvt) Ltd	53 435 939	1.90
10	Local Authorities Pension Fund	43 686 048	1.55

		2010 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 Investment (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

SHAREHOLDERS' INFORMATION

MEMBERS' DIARY

Financial year end	31 December 2010
Reports:-	
- Announcement of annual results	31 March 2011
- Annual financial statements	posted May 2011
- Annual General Meeting	14 June 2011
- Announcement of the 2011 half-year results	August 2011
Dividend payments:	n/a
- Interim	n/a
- Final	

SECRETARY AND REGISTERED OFFICE

Secretary
V Mutandwa

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Transfer Secretaries

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Legal Practitioners to the Company

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Beverly Court
100 Nelson Mandela Avenue
Harare
Zimbabwe

In UK
Dechert
2 Serjeants' Inn
London EC4Y 1LT
UK

ANNUAL GENERAL MEETING
FORM OF PROXY

I/We, ………

of ……

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

………

of ……

or failing him ………

of ……

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 14 June 2011 at 10.00 hours and at any adjournment thereof.

Signed this …………………………………………… **day of** …………………………………………………………**2011**

Signature of member ………………………………………………………………………………………………

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 Company's 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.