NMBZ HOLDINGS LIMITED

2012 ANNUAL REPORT

CONTENTS

HIGHLIGHTS

	2012 US$	2011 US$
Attributable profit	7 570 502	4 538 456
Basic earnings per share (US cents)	0.27	0.16
Total deposits	191 422 066	139 226 144
Total equity	30 942 083	23 371 581

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GROUP PROFILE

for the year ended 31 December 2012

The NMBZ Holdings Group (the Group) comprises the company (NMBZ Holdings Limited) and its subsidiaries, NMB Bank Limited (the Bank), Stewart Holdings Limited (equity holdings) and a 24.79% shareholding in African Century Limited (leasing).

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

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

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

Borrowdale - Shops 37 & 38, Sam Levy's Village, Harare

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

Joina City - Corner Jason Moyo / Innez Terrace, Harare

Msasa - 77 Amby Drive, Harare

Southerton - 7 - 9 Plymouth Road, Harare

Avondale - 20 King George Road, Avondale, Harare

Bulawayo Corporate and Retail Banking - NMB Centre, Corner George Silundika Street/Leopold Takawira Street, Bulawayo

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

Gweru - 36 Robert Mugabe Road, Gweru

The Bank's ATM network, which accepts VISA cards, covers the following locations:

- **Angwa City – Harare**
- **Borrowdale – Harare**
- **Card Centre – Harare**
- **Eastgate – Harare**
- **Joina City – Harare**
- **Avondale - Harare**
- **NMB Centre - Bulawayo**
- **Msasa - Harare**
- **Mutare**
- **Gweru**
- **Southerton – Harare**

CHAIRMAN'S STATEMENT

for the year ended 31 December 2012

INTRODUCTION

Capital raising initiatives occupied a greater part of the year under review in a bid to meet the Reserve Bank of Zimbabwe prescribed minimum capital requirement of US$25 million by 31 December 2012 and increases of US$25 million per each half year to 30 June 2014. Subsequent to year end, three strategic foreign investors will invest equity capital amounting to US$14.8 million and this will bring your Bank into the top tier banks in terms of capitalisation.

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 operating results

The profit before taxation was US$10 002 224 during the period under review and this gave rise to an attributable profit of US$7 570 502. Net interest income was US$17 493 781 for the period. Non-interest income amounted to US$15 609 630 and this was mainly as a result of net commissions and fee income (US$13 016 115).

Operating expenses amounted to US$21 452 714 and these were 26% up on prior year and were driven largely by administration, depreciation and staff related expenditure.

Impairment losses on loans and advances amounted to US$3 985 062 for the current period from a prior year of US$2 296 111. This is commensurate with the loans and advances which amounted to US$152 417 375 at 31 December 2012 compared to US$119 596 646 as at 31 December 2011.

On 31 January 2013, the Reserve Bank of Zimbabwe and participating members of the Bankers Association of Zimbabwe (BAZ) signed a Memorandum of Understanding (MoU) which seeks to establish an understanding on:

1. Bank charges on accounts whose monthly deposits are less than US$800.
2. Interest rates on lending to a maximum of the Bank's weighted average cost of funds plus a margin of 12.5%.

These measures took effect from 1 February 2013 and going forward these would have a pronounced effect on the Bank's profitability.

Dividend

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

Statement of financial position

The Group's total assets grew by 35% from US$167 287 333 as at 31 December 2011 to US$226 533 682 as at 31 December 2012. The assets comprised mainly loans, advances and other assets (US$146 599 994), investment securities held to maturity (US$5 501 963), cash and short term funds (US$58 171 045), investment properties (US$3 115 300), non-current assets held for sale (US$2 225 300) and property and equipment (US$8 187 459). Gross loans and advances increased by 27% from US$119 596 646 as at 31 December 2011 to US$152 417 375 as at 31 December 2012. The Bank's liquidity ratio closed the period at 42% and this was above the statutory requirement of 30% at 31 December 2012.

Capital

The banking subsidiary's capital adequacy ratio at 31 December 2012 calculated in accordance with the guidelines of the Reserve Bank of Zimbabwe (RBZ) was 15.50% (31 December 2011 – 14.37%). The minimum required by the RBZ is 12%.

The Group's equity increased by 32% from US$23 371 581 as at 31 December 2011 to US$ 30 942 083 as at 31 December 2012 as a result of growth in retained earnings.

CORPORATE SOCIAL INVESTMENTS

The Group is committed to playing an active role in the communities it serves. Our community investments are channelled into education, the disadvantaged, vulnerable groups, protection of the environment, wild life conservation, the arts and various sporting disciplines. During the year the Group invested US$100 000 in cash and practical resources for various deserving projects.

CORPORATE DEVELOPMENTS

In line with our corporate strategic thrust of enhancing service delivery and banking convenience to our valued high net worth individuals and businesses, we successfully launched the Visa International Debit Card, SMS Alerts, E-Statements, DSTV Payments Real-Time Integration and Real-Time Interface for ZIMRA obligation payments.

OUTLOOK AND STRATEGY

The Group secured lines of credit amounting to US$26 million in the year and these have allowed the Bank to underwrite more lending business for our clients.

DIRECTORATE

Mr Mainos Mudukuti resigned from the Board on 22 May 2012. I would like to thank Mr Mudukuti for his invaluable contributions to the Board over the years. There were no other changes to the composition of the Board during the year under review.

APPRECIATION

I would like to express my gratitude to our valued clients, existing and new shareholders and the Regulatory Authorities for their support during the period under review. I would also like to record my appreciation to my fellow Board members, management and staff for their unwavering commitment and sterling dedication which gave rise to the attainment of these results.

T N MUNDAWARARA
CHAIRMAN

27 March 2013

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2012.

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.

No share options were exercised either by directors or managerial staff during the year.

2. GROUP ACTIVITIES AND RESULTS

After providing for depreciation and taxation, the Group posted an attributable profit of US$7 570 502 for the year ended 31 December 2012 (2011 – US$4 538 456).

3. CAPITAL ADEQUACY

As at 31 December 2012, the Bank's capital adequacy ratio computed under Bank for International Settlements (BIS) rules was 15.50% (2011 – 14.37 %).

4. DIRECTORATE

4.1 Board of Directors

Holding Company

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

*Executive

Mr. M. Mudukuti resigned from the board with effect from 22 May 2012.

In accordance with the Articles of Association, Mr B Ndachena, Mr J de la Fargue and Mr J Chenevix-Trench will retire by rotation at the forthcoming Annual General Meeting (AGM). All retiring directors, being eligible, offer themselves for re-election.

The NMBZ Holdings Limited board comprises of eleven directors while the NMB Bank Limited board comprises of thirteen directors. The boards of the Holding company and the Bank are almost identical as they share ten 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 following directors sit on the Bank's Board only:

B P Washaya
F S Mangozho
L Chinyamutangira

4.2 Directors' interests

As at 31 December 2012 the Directors of the Group (NMBZ Holdings Limited and the Bank) held the following direct and indirect beneficial interests in the shares of the Company:

	31 December 2012 Shares	31 December 2011 Shares
T N Mundawarara	39 901	39 901
A M T Mutsonziwa	55 691	55 691
B Ndachena	350 000	350 000
J A Mushore**	1 646 969	1 646 969
J T Makoni**	6 447 904	6 447 904
F Zimuto**	-	-
B W Madzivire	-	-
L Majonga (Ms)	-	-
J Chigwedere	-	-
J de la Fargue***	-	5 294 005
J Chenevix-Trench***	-	2 806 866
B P Washaya*	20 692	20 692
F S Mangozho*	-	-
L Chinyamutangira*	170 334	152 482
	8 731 491	16 814 510

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

**Dr. J Makoni, Mr J Mushore and Mr F Zimuto hold non-beneficial interests in Cornerstone Trust, Alsace Trust and Wamambo Investments Trust, respectively.

***Mr J Chenevix-Trench and Mr J de la Fargue represent interests in African Century Financial Services Investments.

4.4 Directors' attendance at meetings

4.4.1 Board of Directors

Name	Meetings held	Meetings attended
Mr T N Mundawarara	4	4
Mr A M T Mutsonziwa	4	3
Mr J A Mushore	4	4
Mr F Zimuto	4	4
Mr B Ndachena	4	4
Mr B W Madzivire	4	4
Mr L Majonga (Ms)	4	4
Dr J T Makoni	4	3
Mr J Chigwedere	4	4
Mr J de la Fargue	4	4
Mr J Chenevix-Trench	4	4

4.4.2 Audit Committee

Name	Meetings held	Meetings attended
Mr B W Madzivire	4	4
Mr A M T Mutsonziwa	4	3
Ms L Majonga	4	4

4.4.3 Risk Management Committee

Name	Meetings held	Meetings attended
Mr J Chigwedere	4	4
Ms L Majonga	4	4
Mr B P Washaya	4	4
Mr J de la Fargue	4	3
Mr J A Mushore	4	3
Mr F Zimuto	4	4
Mr F Mangozho	4	4

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

Name	Meetings held	Meetings attended
Mr T N Mundawarara	4	4
Mr B P Washaya	4	4
Mr B Ndachena	4	4
Mr J Mushore	4	3
Mr J Chenevix-Trench (alternate J de la Fargue)	4	4
Mr J Chigwedere	4	3
Mr F Zimuto	4	4
Mr F S Mangozho	4	4
Mr L Chinyamutangira	4	4

4.4.5 Loans Review Committee

Name	Meetings held	Meetings attended
Mr A M T Mutsonziwa	4	3
Ms L Majonga*	4	2
Mr B Ndachena	4	4

*Ms. L Majonga became a member of the committee with effect from 7 August 2012 and attended the two meetings left in the year subsequent to her appointment.

4.4.6 Human Resources, Remuneration and Nominations Committee

Name	Meetings held	Meetings attended
Mr A M T Mutsonziwa	4	3
Mr T N Mundawarara	4	4
Mr J Chenevix – Trench	4	3
Mr J A Mushore	4	4
Mr B Madzivire	4	4
Mr B P Washaya	4	4
Mr F Zimuto	4	4

4.4.7 Credit Committee

Name	Meetings held	Meetings attended
Mr T N Mundawarara	5	4
Mr J de la Fargue	5	5
Mr J Mushore	5	3
Mr F Zimuto	5	5
B P Washaya	5	5
Mr L Chinyamutangira	5	5

5. CORPORATE GOVERNANCE

NMBZ Holdings Limited adheres to international best practice with regards to corporate governance. In particular, the Group emulates corporate governance principles set out 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, 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 three executive and eight non-executive directors while the NMB Bank board comprises of four executive and nine 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 and operational processes, 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	Chairperson - Independent Non-Executive Director
	Ms L Majonga	Independent Non-Executive Director
	Mr A M T Mutsonziwa	Independent Non-Executive Director

5.3 Human Resources, Remuneration and Nominations 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 A M T Mutsonziwa	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 F Zimuto	Deputy Group Chief Executive Officer
	Mr J Chenevix –Trench	Non-Executive Director
	Dr J T Makoni	Non-Executive Director
	Mr B P Washaya	Managing 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
	Ms L Majonga	Independent Non-Executive Director
	Mr B Ndachena	Chief Finance Officer

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
	Mr F Zimuto	Deputy Group Chief Executive Officer
	Mr J de la Fargue	Non-Executive Director
	Mr B P Washaya	Managing Director
	Mr L Chinyamutangira	Executive Director - Banking

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

The 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 Group.

Membership:	Mr T N Mundawarara	Chairman-Independent Non-Executive Director
	Mr J Chigwedere	Independent Non-Executive Director
	Mr J A Mushore	Group Chief Executive Officer
	Mr F Zimuto	Deputy Group Chief Executive Officer
	Mr B P Washaya	Managing Director
	Mr B Ndachena	Chief Finance Officer
	Mr F S Mangozho	Executive Director -Treasury
	Mr L Chinyamutangira	Executive Director - Banking
	Mr J Chenevix-Trench (alternate J de la Fargue)	Non - Executive Director
	Dr. J T Makoni	Non - Executive Director

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-Executive Director
	Ms L Majonga	Independent Non-Executive Director
	Mr J A Mushore	Chief Executive Officer
	Mr F Zimuto	Deputy Chief Executive Officer
	Mr B P Washaya	Managing Director
	Mr F Mangozho	Executive Director - Treasury

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 approve the auditor's remuneration for the year ended 31 December 2012 and to appoint auditors of the Company for the ensuing year.

By order of the Board

V Mutandwa
Company Secretary

Harare

27 March 2013

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 December 2012

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.

During the current year under review the evaluation of the performance of the collective board, the chairperson's and the individual directors' was done.

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.

The key procedures which the Board considers essential to provide effective control include:

i) An organisation structure with strong management, working within defined limits of responsibility and authority;
ii) An annual budgeting process with re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities; and
iii) Detailed monthly management accounts with comparisons against budgets through comprehensive variance analyses.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

5. 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 is still appropriate.

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 and the Reserve Bank of Zimbabwe's Guideline on Minimum Internal Audit Standards in Banking Institutions, 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.

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 have in the past participated in the Company's share option scheme. The Group is working on operationalizing a new share option scheme for staff members approved in the 2012 Annual General Meeting. The Group is also committed to enhancing the skills of staff and sponsors attendance of 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 2012 included special education needs, health and social services, the environment and the arts.

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 that regard, the Group's values include integrity and excellence. 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 ensures through its anti money-laundering policies that it does not conduct business with entities whose activities are unethical.

STATEMENT OF DIRECTORS' RESPONSIBILITY (Cont'd)

for the year ended 31 December 2012

12. FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these 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 other relevant regulations made thereunder 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.

The directors have satisfied themselves that the Group 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 Group on a going concern basis.

Approval of the financial statements

The financial statements of the Company and Group appearing on pages 19 to 80 were approved by the board of directors on 27 March 2013 and are signed on their behalf by:

....

T N Mundawarara
Chairman

27 March 2013

....

J A Mushore
Group Chief Executive Officer

27 March 2013

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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 financial statements of NMBZ Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 23 to 36 and 37 to 80 respectively.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and other relevant regulations made thereunder 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 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 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.

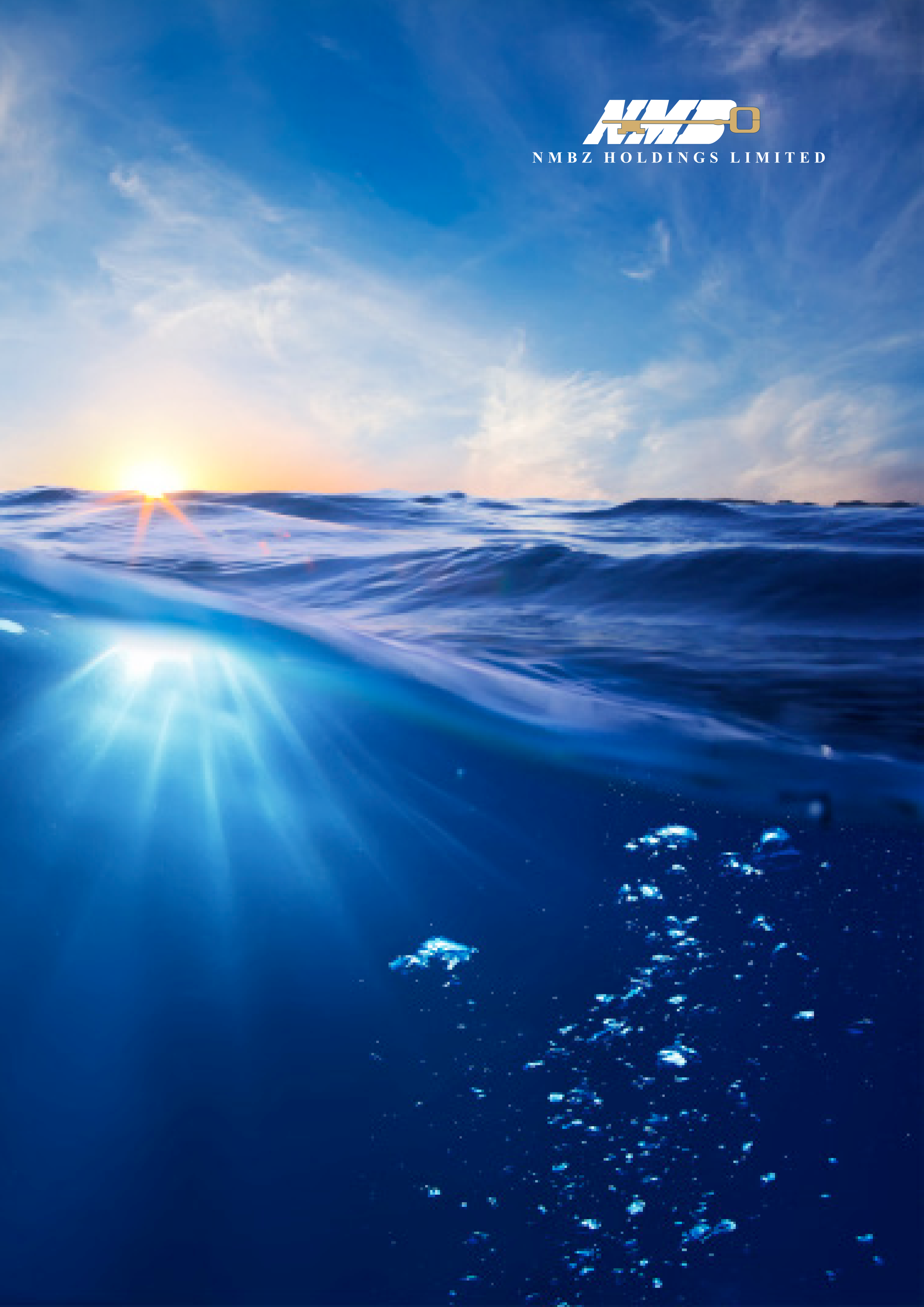
Opinion

In our opinion, the financial statements present a true and fair view of the financial position of the Group and Company as at 31 December 2012, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and relevant regulations made thereunder.

KPMG

KPMG
CHARTERED ACCOUNTANTS (ZIMBABWE)

27 March 2013


NMBZ HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Note	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
Interest income	4	27 543 784	22 517 188	240 740	168 416
Interest expense	5	(10 050 003)	(8 257 254)	–	–
Net interest income		17 493 781	14 259 934	240 740	168 416
Net foreign exchange gains	6	1 902 337	1 289 729	–	–
Non-interest income	6	15 609 630	9 830 798	13 260	77 162
Net operating income		35 005 748	25 380 461	254 000	245 578
Operating expenditure	7	(21 452 714)	(17 004 270)	(797 333)	–
Impairment losses on loans and advances		(3 985 062)	(2 296 111)	–	–
Share of profit of associate	20	434 252	113 573	–	–
Profit before taxation		10 002 224	6 193 653	(543 333)	245 578
Taxation	8	(2 431 722)	(1 655 197)	21 199	(47 306)
Profit for the year		7 570 502	4 538 456	(522 134)	198 272
Other comprehensive income for the year, net of tax		–	–	–	–
Total comprehensive income for the year		7 570 502	4 538 456	(522 134)	198 272
Attributable to:					
Owners of the parent		7 570 502	4 538 456	(522 134)	198 272
Non – controlling interests		–	–	–	–
		7 570 502	4 538 456	(522 134)	198 272
Earnings per share (US cents)					
-Basic	9	0.27	0.16		
-Diluted basic	9	0.27	0.16		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December 2012

		GROUP		COMPANY	
	Note	2012 US$	2011 US$	2012 US$	2011 US$
EQUITY					
Share capital	10	78 598	78 598	78 598	78 598
Capital reserves	11	18 084 902	16 806 650	15 783 219	15 783 219
Retained earnings	12	12 778 583	6 486 333	(228 618)	293 516
Total equity		**30 942 083**	**23 371 581**	**15 633 199**	**16 155 333**
LIABILITIES					
Deposits and other liabilities	13	195 002 633	142 757 778	993 958	129
Current tax liabilities	8.4	588 966	1 157 974	–	44 798
Deferred tax liabilities	15	–	–	–	7 042
Total liabilities		**195 591 599**	**143 915 752**	**993 958**	**51 969**
Total equity and liabilities		**226 533 682**	**167 287 333**	**16 627 157**	**16 207 302**
ASSETS					
Cash and cash equivalents	16	58 171 045	32 265 953	51	95 631
Current tax asset	8.4	–	–	179 129	–
Investment securities held to maturity	14	5 501 963	2 126 657	–	–
Loans, advances and other assets	17	146 599 994	122 260 663	177 486	1 749 172
Non-current assets held for sale	18	2 225 300	–	–	–
Investments:-					
Trade investment	19	195 790	190 980	113 277	109 702
Associate	20	1 025 919	591 667	499 538	499 538
Subsidiaries	21	–	–	15 609 111	13 722 112
Quoted and other investments	22	130 316	118 048	34 408	31 147
Investment properties	23	3 115 300	2 510 000	–	–
Property and equipment	24	8 187 459	6 801 982	–	–
Deferred tax asset	15	1 380 596	421 383	14 157	–
Total assets		**226 533 682**	**167 287 333**	**16 627 157**	**16 207 302**

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T N MUNDAWARARA

) **Directors**

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J A MUSHORE

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V MUTANDWA

Company Secretary

27 March 2013

27 March 2013

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2012

GROUP

		Capital reserves				
	Share Capital US$	Share Premium US$	Share Option Reserve US$	Regulatory Reserve US$	Retained Earnings US$	Total US$
Balances at 1 January 2011	78 598	15 737 548	45 671	883 414	2 087 894	18 833 125
Total comprehensive income for the year	–	–	–	–	4 538 456	4 538 456
Impairment allowance for loans and advances	–	–	–	140 017	(140 017)	–
Balances at 31 December 2011	78 598	15 737 548	45 671	1 023 431	6 486 333	23 371 581
Total comprehensive income for the year	–	–	–	–	7 570 502	7 570 502
Impairment allowance for loans and advances	–	–	–	1 278 252	(1 278 252)	–
Balances at 31 December 2012	78 598	15 737 548	45 671	2 301 683	12 778 583	30 942 083

COMPANY

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Retained /(loss) Earnings US$	Total US$
Balances at 1 January 2011	78 598	15 737 548	45 671	95 244	15 957 061
Total comprehensive income for the year	–	–	–	198 272	198 272
Balances at 31 December 2011	78 598	15 737 548	45 671	293 516	16 155 333
Total comprehensive income for the year	–	–	–	(522 134)	(522 134)
Balances at 31 December 2012	78 598	15 737 548	45 671	(228 618)	15 633 199

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	GROUP		COMPANY	
	2012 US$	2011 US$	2012 US$	2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	10 002 224	6 193 653	(543 333)	245 578
Non-cash items				
-Impairment losses on loans and advances	3 985 062	2 296 111	–	–
-Investment properties fair value adjustment	(2 538 710)	40 000	–	–
-(Profit)/loss on disposal of property and equipment	(725)	18 046	–	–
-Quoted and other investments fair value adjustment	(17 078)	(5 689)	(6 837)	(22 989)
-Profit on disposal of quoted and other investments	–	(27 173)	–	(27 173)
-Impairment reversal on land and buildings	(77 472)	(250 000)	–	–
-Depreciation	1 430 956	756 191	–	–
-Share of associate's profit	(434 252)	(113 573)	–	–
Operating cash flows before changes in operating assets and liabilities	12 350 005	8 907 566	(550 170)	195 416
Changes in operating assets and liabilities				
Deposits and other liabilities	52 244 855	59 601 334	993 829	–
Loans, advances and other assets	(28 324 393)	(48 936 370)	1 571 687	93 190
Investment securities held to maturity	(3 375 306)	(132 072)	–	–
Net cash inflow generated from operations	32 895 161	19 440 458	2 015 346	288 606
Taxation				
Corporate tax paid (note 8.4)	(3 959 943)	(1 765 544)	(223 927)	(400)
Capital gains tax paid	–	(2 998)	–	(2 998)
Net cash inflow from operating activities	28 935 218	17 671 916	1 791 419	285 208
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	6 443	4 688	–	–
Purchase of property and equipment	(2 744 679)	(3 568 013)	–	–
Improvements to investment property	(291 890)	–	–	–
Increase in investment in subsidiary	–	–	(1 886 999)	–
Proceeds from disposal of quoted and other investments	–	59 961	–	59 961
Increase in investment in associate	–	(249 538)	–	(249 538)
Net cash outflow from investing activities	(3 030 126)	(3 752 902)	(1 886 999)	(189 577)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	25 905 092	13 919 014	(95 580)	95 631
Cash and cash equivalents at the beginning of the year	32 265 953	18 346 939	95 631	–
Cash and cash equivalents at the end of the year (note 16)	58 171 045	32 265 953	51	95 631

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. All intra –group balances, transactions, unrealised gains and losses resulting from intra – group transactions and dividends are eliminated in full. Losses within a subsidiary are attributed to the non – controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control is accounted for as an equity transaction. If the group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the fair value of the consideration received;
- Derecognises the cumulative transaction differences recorded in equity;
- Derecognises the fair value of any investment retained;
- Derecognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

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.

Associates (Cont'd)

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.

IAS 28 "Investment in associates" states that investments in associates by venture capital organisations, mutual funds, unit trusts and similar organisations that are classified as available for sale and accounted for in accordance with IAS 39 "Financial instruments: Recognition and Measurement" are exempt from equity accounting. The Group measures such investments at cost.

Quoted and trade investments

Quoted investments comprise interests in equities listed on a public exchange and are accounted for at fair value. The fair value is determined using quoted market prices in active markets.

Trade investments comprise interests in unquoted equities and are accounted for at fair value. The fair value is determined using valuation techniques or pricing models.

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. Current 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 in the country where the Group operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

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.

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.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

Dividend distribution

Dividend distribution on ordinary shares are recognised in equity in the period in which they are declared by the Company's directors.

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.

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

The Banking Regulations 2000 issued by the Reserve Bank of Zimbabwe (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

Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

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.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. 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.

(iii) Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Non-interest income'. Interest and dividend income or expense is recorded in 'Interest income or expense' and "Non-interest income" respectively according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

(iv) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- 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 a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Non-interest income' when the right to the payment has been established.

FINANCIAL INSTRUMENTS (Cont'd)

Financial instruments – initial recognition and subsequent measurement (Cont'd)

(v) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(vi) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the bank, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Group, upon initial recognition, designates as available for sale;
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the income statement. The losses arising from impairment are recognised in the income statement in 'Impairment losses on loans and advances'.

The Group may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held for trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

(vii) Deposits and other liabilities

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

Subsequent to initial measurement deposits and other liabilities are measured at amortised cost applying the effective interest rate method.

(viii) Reclassification of financial assets

Effective from 1 July 2008, the Group was permitted to reclassify, in certain circumstances, non–derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories. From this date, it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'available for sale' category and into the 'loans and receivables' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statement.

The Group may reclassify a non–derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

Derecognition of financial assets and financial liabilities

(i) 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;
- 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 of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the bank also recognises 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.

(ii) 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

Impairment of financial assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held to maturity investments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet 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 the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'interest income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. 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 to the 'Impairment losses on loans and advances expense.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

See Note 17.3 for details of impairment losses on financial assets carried at amortised cost.

(ii) 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.

(iii) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See note 34.1.4 for further analysis of collateral).

(iv) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their value at the repossession date in line with the Group's policy.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

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 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.

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 annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. 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.

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.

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.

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 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 Cash Generating Unit's (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 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. Revaluation is done half yearly and at the end of each reporting period by a registered professional valuer.

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.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

INTEREST INCOME

For all financial instruments measured at amortised cost and financial instruments designated at fair value through profit and loss, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income includes income arising out of the banking activities of lending and investing.

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.

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.

1. REPORTING ENTITY

The Holding Company is incorporated and domiciled in Zimbabwe and is an investment holding company. Its registered office is 64 Kwame Nkrumah Avenue, Harare. Its principal operating subsidiary is engaged in banking and other companies hold investments.

2. ACCOUNTING CONVENTION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

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

The consolidated financial statements were approved by the Board of Directors on 19 March 2013.

2.1 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for quoted and other investments, investment properties and financial instruments which are carried at fair value and land, buildings which are stated at revalued amount. These consolidated financial statements are reported in United States of America dollars and rounded to the nearest dollar.

2.2 Basis of consolidation

The Group financial results incorporate the financial results of the Company, its subsidiaries and associate company. Subsidiary undertakings are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights and is able to exercise control of the operations. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses; profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full.

2.3 Comparative financial information

The consolidated financial statements comprise a consolidated statement of financial position, a consolidated statement of comprehensive income, a consolidated statement of changes in equity and a consolidated statement of cash flows. The comparative consolidated statement of comprehensive income and the consolidated comparative statements of changes in equity and consolidated cash flows are for twelve months.

2.4 Use of estimates and judgements

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

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

In the process of applying the 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:

2.4.1 Deferred tax liability/(asset)

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. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised. 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.

In determining the amounts used for taxation purposes the directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced 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.

2.4.2 Land and buildings

The properties were valued by professional valuers. The valuer applied the rental yield method and comparable market evidence 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.

2.4.3 Investment properties and property and equipment

Investment properties were 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 judgment in determining the residual values of the other property and equipment which have been determined as nil.

2.4.4 RBZ Bond

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

2.4.5 Impairment losses on loans and advances

The Group reviews all 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 Group 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 note 17.3 below.

2.4.6 Fair value adjustments of unquoted investments

Subject to contractual provisions, the fair value of unquoted investments is established with reference to the net asset value and the earnings capacity of the business. Valuations on the earnings basis is calculated as the sustainable earnings for the entity multiplied by discounted Price Earnings Ratio of a quoted Company with similar operations in a similar environment.

The valuation of investment in unlisted companies has been carried in the statement of financial position of the Group based on the audited net asset values of the investee companies.

2.4.7 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 consolidated financial statements on a going concern basis is still appropriate.

2.5 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are stated out below. The Group does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009)(together IFRS 9)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirely as to whether it should be measured at amortised cost or fair value.

(i) IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)(Cont'd)

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

(ii) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

Based on management's initial assessment, the Group is not expecting a significant impact from the adoption of the amendments to IAS 32. However, the adoption of the amendments to IFRS 7 requires more extensive disclosures about rights of set-off.

(iii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of interest in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

IFRS 11 is not expected to have any impact on the Group because the Group does not have interests in joint ventures.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and risks and financial effects of these interests. The Group is currently assessing the disclosure requirement for interests in subsidiaries and unconsolidated structured entities in comparison with the existing disclosures.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(i) IFRS 13 Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies for determining fair values. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These includes fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(ii) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of accounting policy choice for recognition of actuarial gains and losses will not have any impact on the Group. However, the group may need to assess the impact of the change in measurement principles of the expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

2. 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 2012 or 2011.

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 2012

	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Investment in Associate US$	Unallocated US$	Total US$
Income							
Third party	17 420 843	20 054 690	2 806 291	1 441 235	–	3 766 943	45 490 003
Impairment losses on loans and advances	(631 814)	(3 353 248)	–	–	–	–	(3 985 062)
Net operating income	16 789 029	16 701 442	2 806 291	1 441 235	–	3 766 943	41 504 941
Results							
Interest income	6 178 887	19 669 296	1 695 601	–	–	–	27 543 784
Interest expense	(1 921 638)	(7 335 899)	(792 466)	–	–	–	(10 050 003)
Net interest income	4 257 249	12 333 397	903 135	–	–	–	17 493 781
Share of profit of associate	–	–	–	–	434 252	–	434 252
Fee and commission income	11 136 085	450 746	–	1 429 285	22 036	–	13 038 151
Depreciation of property and equipment	615 387	127 980	20 727	27 064	–	639 798	1 430 956
Segment profit/ (loss)	**4 885 798**	**7 907 300**	**2 431 151**	**416 494**	**434 252**	**(5 072 771)**	**10 002 224**
Income tax expense	–	–	–	–		(2 431 722)	(2 431 722)
Profit/(loss) for the year	**4 885 798**	**7 907 300**	**2 431 151**	**416 494**	**434 252**	**(7 504 493)**	**7 570 502**
Assets and liabilities							
Capital expenditure	974 520	107 131	450	160 829	–	1 501 749	2 744 679
Total assets	41 315 622	116 785 290	48 849 157	160 829	–	19 422 784	226 533 682
Total liabilities and equity	**75 893 282**	**76 327 413**	**40 146 035**	–	–	**34 166 957**	**226 533 682**

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 2011

	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Investment in Associate US$	Unallocated US$	Total US$
Income							
Third party	12 122 517	17 608 301	2 521 784	1 190 962	–	307 724	33 751 288
Impairment losses on loans and advances	(284 178)	(2 011 933)	–	–	–	–	(2 296 111)
Net operating income	11 838 339	15 596 368	2 521 784	1 190 962	–	307 724	31 455 177
Results							
Interest income	6 344 950	14 772 128	1 232 055	–	–	168 055	22 517 188
Interest expense	(1 496 919)	(6 078 341)	(681 994)	–	–	–	(8 257 254)
Net interest income	4 848 031	8 693 787	550 061	–	–	168 055	14 259 934
Share of profit of associate	–	–	–	–	113 573	–	113 573
Fee and commission income	5 777 114	3 040 821	–	1 190 962	–	(204 643)	9 804 254
Depreciation of property and equipment	323 115	63 296	7 075	11 582	–	351 123	756 191
Segment profit/ (loss)	**3 141 886**	**7 926 550**	**1 224 334**	**340 776**	**113 573**	**(6 553 466)**	**6 193 653**
Income tax expense	–	–	–	–	–	(1 655 197)	(1 655 197)
Profit/(loss) for the year	**3 141 886**	**7 926 550**	**1 224 334**	**340 776**	**113 573**	**(8 208 663)**	**4 538 456**
Assets and liabilities							
Capital expenditure	1 618 558	157 634	78 298	49 038	-	1 664 485	3 568 013
Total assets	37 333 931	99 879 097	14 815 783	49 038	591 667	14 617 817	167 287 333
Total liabilities and equity	**23 340 594**	**51 995 615**	**63 092 803**	**-**	**-**	**28 858 321**	**167 287 333**

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
4. INTEREST INCOME				
Loans and advances to banks	1 448 696	1 097 573	–	–
Loans and advances to customers	25 554 697	21 089 867	–	–
Investment securities	246 905	134 480	–	–
Other	293 486	195 268	240 740	168 416
	27 543 784	22 517 188	240 740	168 416
5. INTEREST AND SIMILAR EXPENSE				
Due to banks	3 168 308	2 750 670		
Due to customers	6 731 855	5 505 989		
Other borrowed funds	149 840	595		
	10 050 003	8 257 254		

6. NON-INTEREST INCOME AND NET FOREIGN EXCHANGE GAINS

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
6.1 Non – interest income				
Quoted and other investments fair value adjustments	17 078	5 689	6 837	22 989
Commission and fee income	13 016 115	9 804 254	–	–
Profit/(loss) on disposal of property and equipment	725	(18 046)	–	–
Fair value adjustment on investment properties	2 538 710	(40 000)	–	–
Profit on disposal of quoted and other investments	–	27 173	–	27 173
Other operating income	37 002	51 728	6 423	27 000
	15 609 630	9 830 798	13 260	77 162
6.2 Net foreign exchange gains				
Net foreign exchange gains	1 902 237	1 289 729		

Net foreign exchange income includes gains and losses from foreign currency switches.

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
7. OPERATING EXPENDITURE				
The operating profit is after charging the following:-				
Administration costs	9 540 865	8 599 112	–	–
Audit fees:				
– Current year	51 885	31 290	–	–
– Prior year	199 356	120 225	–	–
Impairment reversal on land and buildings	(77 472)	(250 000)	–	–
Depreciation	1 430 956	756 191	–	–
Directors' remuneration	1 734 980	1 506 630	–	–
– Fees for services as directors	64 990	47 520	–	–
– Other emoluments	1 669 990	1 459 110	–	–
Staff costs – salaries, allowances and related costs	8 572 144	6 240 822	797 333	–
	21 452 714	17 004 270	797 333	–
8. TAXATION				
8.1 Income tax expense				
Current tax	3 292 170	2 215 095	–	43 495
Aids levy	98 765	66 453	–	1 304
Capital gains tax	–	2 998	–	2 998
Deferred tax (note 15)	(959 213)	(629 349)	(21 199)	(491)
	2 431 722	1 655 197	(21 199)	47 306
8.2 Reconciliation of income tax charge				
Based on results for the period at a rate of 25.75%	2 575 573	1 594 866	(139 908)	63 236
Arising due to:				
Income not subject to tax	–	(45)	–	(12 477)
Non-deductible expenses	385 258	65 811	118 760	1 982
Tax rate differential on capital gains	(529 110)	(5 435)	(51)	(5 435)
	2 431 722	1 655 197	(21 199)	47 306
8.3 Total taxation charge/ (credit) analysed by company				
Stewart Holdings (Private) Limited	598	(1 024)	–	–
NMB Bank Limited	2 452 323	1 574 148	–	–
NMBZ Holdings Limited	(21 199)	82 073	(21 199)	47 306
	2 431 722	1 655 197	(21 199)	47 306
8.4 Current tax liabilities (income tax and aids levy)				
At 1 January	1 157 974	641 969	44 798	400
Charge for the year	3 390 935	2 281 549	–	44 798
Payments during the year	(3 959 943)	(1 765 544)	(223 927)	(400)
	588 966	1 157 974	(179 129)	44 798

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.

	2012 US$	2011 US$
9.1 Earnings		
Attributable earnings	7 570 502	4 538 456
9.2 Number of shares		
Weighted average number of shares in issue	2 807 107 289	2 807 107 289
Diluted weighted average number of shares	2 817 850 158	2 817 850 158
Weighted average shares in issue	2 807 107 289	2 807 107 289
Effects of dilution:		
Share options granted but not exercised	9 072 000	9 072 000
Share options approved but not yet granted	1 670 869	1 670 869
Diluted weighted average number of shares	2 817 850 158	2 817 850 158
9.3 Earnings per share (US cents)		
Basic earnings per share	0.27	0.16
Diluted earnings per share	0.27	0.16

10. SHARE CAPITAL

	GROUP AND COMPANY			
	2012 Shares million	2011 Shares million	2012 US$	2011 US$
10.1 Authorised				
Ordinary shares of US$0.000028 each	3 500	3 500	98 000	98 000
10.2 Issued and fully paid				
At 1 January	2 807	2 807	78 598	78 598
Shares issued	–	–	–	–
At 31 December	2 807	2 807	78 598	78 598

10. SHARE CAPITAL (cont'd)

Of the unissued ordinary shares of 692 892 711 (2011– 692 892 711), options which may be granted in terms of the NMBZ 2005 Employee Share Option Scheme (ESOS) amounted to 85 360 962 (2011 – 85 360 962) and out of these 1 670 869 (2011 – 1 670 869) had not been issued. The unissued shares will expire and not be carried over to the new scheme. As at 31 December 2012, 9 072 000 (2011 – 9 072 000) share options out of the issued shares had not been exercised.

Share options which may be granted in terms of the 2012 ESOS amount to 280 710 729 and allocations in terms of the scheme will only commence in 2013.

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

11. CAPITAL RESERVES

	GROUP		COMPANY	
	2012 US$	2011 US$	2012 US$	2011 US$
Share premium	15 737 548	15 737 548	15 737 548	15 737 548
Share option reserve	45 671	45 671	45 671	45 671
Regulatory reserve	2 301 683	1 023 431	–	–
Total capital reserves	18 084 902	16 806 650	15 783 219	15 783 219

Nature and purpose of reserves

Share premium

This reserve represents the excess amount paid for the shares over and above the nominal value of the shares.

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 33.3 for further details of these plans.

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.

12. RETAINED EARNINGS

	GROUP		COMPANY	
	2012 US$	2011 US$	2012 US$	2011 US$
Analysis of retained profit by company				
NMBZ Holdings Limited	268 522	356 400	(228 618)	293 516
NMB Bank Limited	12 487 547	6 116 397	–	–
Stewart Holdings (Private) Limited	22 514	13 536	–	–
Total	12 778 583	6 486 333	(228 618)	293 516

13. DEPOSITS AND OTHER LIABILITIES

13.1 Deposits and other liabilities by type

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
Deposits from other banks and other financial institutions	38 969 071	43 009 970	–	–
Current and deposit accounts* from customers	152 452 995	96 216 174	–	–
Total deposits	191 422 066	139 226 144	–	–
Trade and other payables*	3 580 567	3 531 634	993 958	129
	195 002 633	142 757 778	993 958	129

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

13.2 Maturity analysis

	GROUP 2012 US$	GROUP 2011 US$
Less than one month	159 048 090	105 423 635
1 to three months	8 388 210	17 727 720
3 to 6 months	5 686 674	13 874 789
6 months to 1 year	1 675 259	2 200 000
1 to 5 years	16 623 833	–
Over 5 years	–	–
	191 422 066	139 226 144

13.3 Sectoral analysis of deposits

	GROUP 2012 US$	%	GROUP 2011 US$	%
Banks and other financial institutions	38 969 071	20	43 009 970	31
Transport and telecommunications	6 040 981	3	5 297 087	4
Agriculture	9 085 971	5	3 180 921	2
Mining	3 221 341	2	1 144 080	1
Manufacturing	23 888 559	12	16 811 439	12
Distribution	17 912 925	9	8 046 243	6
Services	28 199 595	15	13 678 483	10
Individuals	29 115 145	15	21 438 755	15
Municipalities and parastatals	18 768 175	10	19 879 203	14
Other deposits	16 220 303	9	6 739 963	5
	191 422 066	100	139 226 144	100

14. FINANCIAL INSTRUMENTS

14.1 Investment securities held to maturity

	GROUP			
	Carrying Amount 2012 US$	Fair Value 2012 US$	Carrying Amount 2011 US$	Fair Value 2011 US$
Government and public sector securities	5 501 963	5 501 963	2 126 657	2 126 657
RBZ Bond (1)	5 501 963	5 501 963	2 126 657	2 126 657
Investment securities held to maturity	5 501 963	5 501 963	2 126 657	2 126 657

(1) Investment securities held to maturity were classified as such in accordance with IAS 39.

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

14.2 Maturity analysis of investment securities held to maturity

	GROUP	
	2012 US$	2011 US$
Less than one month	–	–
1 to 3 months	–	–
3 to 6 months	2 271 949	–
6 months to 1 year	969 004	2 126 657
1 year to 5 years	2 261 010	–
Over 5 years	–	–
	5 501 963	2 126 657

14.3 Other financial assets and financial liabilities summary

Fair value

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

	GROUP			
	Carrying Amount 2012 US$	Fair value 2012 US$	Fair value 2011 US$	Carrying amount 2011 US$
Financial assets				
Cash and cash equivalents	58 171 045	58 171 043	32 265 953	32 265 953
Investment securities held to maturity	5 501 963	5 501 963	2 126 657	2 126 657
Advances and other assets	146 599 994	146 599 994	122 260 663	122 260 663
Trade investments	195 790	195 790	190 980	190 980
Quoted and other investments	130 316	130 316	118 048	118 048
Total	210 599 108	210 599 108	156 962 301	156 962 301
Financial liabilities				
Deposits and other liabilities	195 002 633	195 002 633	142 757 778	142 757 778
	195 002 633	195 002 633	142 757 778	142 757 77

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 assets, deposits and other liabilities approximate their carrying amounts largely due to the short – term maturities of these instruments.
- Fair value of quoted 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 2012, 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 observable market data.

14.3 Other financial assets and financial liabilities summary (cont'd)

Assets measured at fair value

	GROUP			
	31 Dec 2012 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	195 790	–	–	195 790
Quoted investments	130 316	130 316	–	–

During the reporting year ended 31 December 2012, 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.

	GROUP			
	31 Dec 2011 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	190 980	–	–	190 980
Quoted investments	118 048	118 048	–	–

During the year ended 31 December 2011, 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.

15. DEFERRED TAX

	GROUP		COMPANY	
	2012 US$	2011 US$	2012 US$	2011 US$
Allowance for impairment losses on loans and advances	(1 871 973)	(863 678)	–	–
Quoted and other investments	10 640	7 014	1 720	1 557
Investments:-Trade investments	5 664	5 485	5 664	5 485
Non-current assets held for sale	111 265	–	–	–
Investment properties	142 387	129 493	–	–
Property and equipment	424 649	412 667	–	–
Marking to market adjustments	(45 583)	33 514	–	–
Unrealised foreign exchange gains	321 153	332 105	–	–
Suspended interest	(145 613)	(269 862)	–	–
Deferred income	(308 840)	(208 121)	–	–
Assessed losses	(24 345)	–	(21 541)	–
Closing deferred tax (asset)/liability	(1 380 596)	(421 383)	(14 157)	7 042
Deferred tax (asset)/liability at the beginning of the year	(421 383)	207 966	7 042	(7 533)
Current year credit (note 8.1)	(959 213)	(629 349)	(21 199)	(491)

16. CASH AND CASH EQUIVALENTS

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
16.1 Balances with Reserve Bank of Zimbabwe				
Balances with the Central Bank	22 671 712	12 255 166	–	–
16.2 Balances with other banks and cash				
Current, nostro accounts and cash	14 999 333	13 231 912	51	95 631
Interbank placements	20 500 000	6 778 875	–	–
	58 171 045	32 265 953	51	95 631

17. LOANS, ADVANCES AND OTHER ASSETS

17.1 Total loans, advances and other assets

17.1.1 Advances

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
Fixed term loans	57 124 283	36 116 550	–	–
Local loans and overdrafts	86 823 914	79 078 001	–	–
	143 948 197	115 194 551	–	–
Statutory reserves*	–	3 231 838	–	–
Other assets	2 651 797	3 834 274	177 486	1 749 172
	146 599 994	122 260 663	177 486	1 749 172

*The statutory reserves balance with the Reserve Bank of Zimbabwe was non-interest bearing. The balance was determined on the basis of deposits held and was not available to the bank for daily use. The balances owed to banks were converted to tradable interest bearing instruments on 16 February 2012. The amount was reclassified to Investment securities held to maturity (note 14).

17.1.2. Maturity analysis

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
Less than one month	92 386 313	75 306 517	–	–
1 to three months	19 352 134	20 829 309	–	–
3 to 6 months	3 271 119	2 423 418	–	–
6 months to 1 year	4 968 635	2 875 529	–	–
1 to 5 years	32 439 174	18 161 873	–	–
Over 5 years	–	–	–	–
Total advances	152 417 375	119 596 646	–	–
Allowance for impairment losses on loans and advances	(7 269 799)	(3 354 088)	–	–
Provision for suspended interest	(1 199 379)	(1 048 007)		
	143 948 197	115 194 551	–	–
Statutory reserves	–	3 231 838	–	–
Other assets (note 17.5)	2 651 797	3 834 274	177 486	1 749 172
	146 599 994	122 260 663	177 486	1 749 172

17.2 Sectoral analysis of utilisations

	GROUP			
	2012 US$	%	2011 US$	%
Manufacturing	29 008 475	19	26 977 166	23
Distribution	46 673 432	31	33 713 556	28
Agriculture and horticulture	9 894 729	6	9 121 606	8
Conglomerates	4 683 682	3	4 700 752	4
Services	30 216 258	20	17 076 201	14
Mining	1 347 402	1	3 856 637	3
Food & beverages	214 163	–	5 747 287	5
Individuals	30 379 234	20	18 403 441	15
	152 417 375	100	119 596 646	100

The material concentration of loans and advances are in the distribution sector at 31% (2011 – 28%).

17.3 Allowance for impairment losses on loans and advances

	GROUP					
	2012			2011		
	Specific US$	Portfolio US$	Total US$	Specific US$	Portfolio US$	Total US$
At 1 January	3 354 088	–	3 354 088	1 057 977	–	1 057 977
Charge against profits	3 879 327	105 735	3 985 062	2 296 111	–	2 296 111
Bad debts written off	(69 351)	–	(69 351)	–	–	–
At 31 December	7 164 064	105 735	7 269 799	3 354 088	–	3 354 088

17.4 Non-performing loans and advances

	GROUP	
	2012 US$	2011 US$
Total non-performing loans and advances	23 996 312	10 294 437
Provision for impairment loss on loans and advances	(7 164 064)	(3 354 088)
Interest in suspense	(1 199 379)	(1 048 007)
Residue	15 632 869	5 892 342

The residue on these accounts represents recoverable portions covered by realisable security which includes guarantees, cessation of debtors, mortgages over residential properties, equities and promissory notes all fair valued at US$15 916 654 (2011– US$4 142 500).

17.5 Other assets

	GROUP		COMPANY	
	2012 US$	2011 US$	2012 US$	2011 US$
Service deposits	552 875	183 909	–	–
Prepayments and stocks	1 793 025	1 029 791	–	–
Other receivables	305 897	2 620 574	177 486	1 749 172
	2 651 797	3 834 274	177 486	1 749 172

17.6 Loans to officers

	GROUP 2012 US$	GROUP 2011 US$
Included in advances and other accounts (note 17.1) are loans to officers:		
At 1 January	1 055 223	786 221
Net additions during the year	1 001 278	355 154
	2 056 501	1 141 375
Fair value adjustment	(177 022)	(86 152)
Balance at 31 December	1 879 479	1 055 223
Of which housing loans comprised:	–	–

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

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

	Tenure	Interest rate
Overdraft	Payable on demand	Minimum lending rate plus a margin on unauthorised facility
Loans	Loan payable over a maximum period of 24 months	Minimum lending rate plus a margin. Loans to employees and directors are at discounted interest rates.
Bankers Acceptances	Loan payable over a minimum period of 30 days	Average rate of 19.5% per annum.

18. NON-CURRENT ASSETS HELD FOR SALE

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
Investment property	2 225 300	–	–	–

The Group is in possession of land with a fair value of US$2 225 300 at year end. During the last quarter of 2012 management decided to sell the property and have identified interested buyers. The disposal process is expected to be completed in May 2013. The disposal will improve the Group's cashflows. The fair value adjustment on recognition as non-current asset held for sale is included under non-interest income (note 6).

19. TRADE INVESTMENTS

	GROUP		COMPANY	
Unlisted	2012 US$	2011 US$	2012 US$	2011 US$
Other	195 790	190 980	113 277	109 702
	195 790	190 980	113 277	109 702
Directors' valuation	195 790	190 980	113 277	109 702

Other investments represents equity investments in SWIFT and Medical Investments (Private) Limited t/a Avenues Clinic. The trade investment was valued by directors at fair value at 31 December 2012.

20. INVESTMENT IN ASSOCIATE

The Group has a 24.79% 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 audited financial information of the Group's investment in African Century Limited.

Share of the associate's statement of financial position:

Current assets	5 036 603	2 831 891	–	–
Non-current assets	56 750	68 577	–	–
Current liabilities	(457 427)	(133 823)	–	–
Non – current liabilities	(3 610 007)	(2 174 978)	–	–
Equity	1 025 919	591 667	–	–
Share of the associate's revenue and profit				
Revenue	904 446	571 617	-	-
Profit	434 252	113 573	-	-
Carrying amount of the investment	1 025 919	591 667	499 538	499 538

Reconciliation of carrying amount of investment in Associate:

Balance at 1 January	591 667	228 556	499 538	250 000
Increase in investment	-	249 538	-	249 538
Share of profit in associate	434 252	113 573	-	-
Balance at 31 December	1 025 919	591 667	499 538	499 538

21. INVESTMENTS IN GROUP COMPANIES

21.1 Subsidiaries

	COMPANY 2012 US$	COMPANY 2011 US$
Investments in subsidiaries:		
NMB Bank Limited	15 594 431	13 707 432
Stewart Holdings Limited	14 680	14 680
	15 609 111	13 722 112

21.2 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:-

	2012	2011
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	24.79% (Leasing)	25% (Leasing)

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

22. QUOTED AND OTHER INVESTMENTS

	GROUP 2012 US$	GROUP 2011 US$	COMPANY 2012 US$	COMPANY 2011 US$
Quoted investments	130 316	118 048	34 408	31 147

The quoted investments comprise shares stated for year-end purposes at the last trading date of 31 December 2012.

23. INVESTMENT PROPERTIES

At 1 January	2 510 000	2 615 000
Improvements	291 890	–
Fair value adjustments	2 538 710	(40 000)
Net transfer to property and equipment	–	(65 000)
Transfer to Non-current assets held for sale	(2 225 300)	–
At 31 December	3 115 300	2 510 000

23. INVESTMENT PROPERTIES (cont'd)

The fair value of the Group's investment properties as at 31 December 2012 has been arrived at on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation.

The values were arrived at by applying yield rates of between 9% – 11% on rental levels of between $5 – $8 per square metre. The properties are leased out under operating lease to various tenants.

The Group has no restrictions on the realisability of all investment properties and no contractual obligations to purchase, construct or develop the investment properties or for repairs, maintenance and enhancements.

Rental income amounting to US$12 408 (2011 – US$6 600) was received and no operating expenses were incurred on the investment properties in the current year due to the net leasing arrangement on the properties.

24. PROPERTY AND EQUIPMENT

			GROUP		
	Computers US$	Motor Vehicles US$	Furniture & Equipment US$	Freehold Land & Building US$	Total U S $
Cost					
At 1 January 2011	717 599	220 119	1 389 505	2 415 000	4 742 223
Additions	818 939	1 564 286	1 176 536	8 252	3 568 013
Revaluation gain	–	–	–	250 000	250 000
Disposals	(27 930)	(17 890)	(71 677)	–	(117 497)
Reclassification	15 663	–	(15 663)	–	–
Transfer from Investment property	–	–	–	65 000	65 000
At 1 January 2012	1 524 271	1 766 515	2 478 701	2 738 252	8 507 739
Additions	920 559	1 556 092	268 028	–	2 744 679
Revaluation gain	–	–	–	77 472	77 472
Reclassifications	251 703	–	(251 703)	–	–
Disposals	–	(250)	(10 825)	–	(11 075)
At 31 December 2012	2 696 533	3 322 357	2 484 201	2 815 724	11 318 815
Accumulated depreciation					
At 1 January 2011	317 306	77 024	649 931	69	1 044 330
Charge for the year	178 694	256 817	320 456	224	756 191
Disposals	(29 157)	(10 640)	(54 967)	–	(94 764)
Reclassifications	3 133	–	(3 133)	–	–
At 1 January 2012	469 976	323 201	912 287	293	1 705 757
Charge for the year	310 381	662 445	412 700	45 430	1 430 956
Reclassifications	65 826	–	(65 826)	–	–
Disposals	–	(250)	(5 107)	–	(5 357)
At 31 December 2012	846 183	985 396	1 254 054	45 723	3 131 356
Net book amount					
At 31 December 2012	1 850 350	2 336 961	1 230 147	2 770 001	8 187 459
At 1 January 2012	1 054 295	1 443 314	1 566 414	2 737 959	6 801 982
At 1 January 2011	400 293	143 095	739 574	2 414 931	3 697 893

24. PROPERTY AND EQUIPMENT (cont'd)

Immovable properties were revalued as at 31 December 2012 on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section. All movable assets are carried at their carrying amounts which are arrived at by the application of a depreciation charge on their cost values over the useful lives of the assets.

The valuation of land and buildings was arrived by applying yield rates of between 9% - 11% on rental levels of between $5 – $8 per square metre.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS16: Property, Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties had revaluations not been performed. This information is not material in the context of the Group financial statements.

25. 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.

25.1 Total position

At 31 December 2012

GROUP

	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	58 171 045	–	–	–	–	58 171 045
Investment securities held to maturity	–	–	3 240 953	2 261 010	–	5 501 963
Investment in associate	–	–	–	–	1 025 919	1 025 919
Quoted and other investments	–	–	–	–	326 106	326 106
Loans, advances and other assets	83 917 136	19 352 134	8 239 754	32 439 173	2 651 797	146 599 994
Non-current assets held for sale	–	–	–	–	2 225 300	2 225 300
Property, plant and equipment	–	–	–	–	8 187 459	8 187 459
Investment properties	–	–	–	–	3 115 300	3 115 300
Deferred tax	–	–	–	–	1 380 596	1 380 596
	142 088 181	19 352 134	11 480 707	34 700 183	18 912 477	226 533 682
Liabilities and equity						
Deposits and other liabilities	159 048 090	8 388 210	7 361 933	16 623 833	3 580 567	195 002 633
Current tax liabilities	–	–	–	–	588 966	588 966
Equity	–	–	–	–	30 942 083	30 942 083
	159 048 090	8 388 210	7 361 933	16 623 833	35 111 616	226 533 682
Interest rate repricing gap	(16 959 909)	10 963 924	4 118 774	18 076 350	(16 199 130)	–
Cumulative gap	(16 959 909)	(5 995 985)	(1 877 211)	16 199 139	–	–

25.1 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 date.

At 31 December 2011

GROUP

	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	32 265 953	–	–	–	–	32 265 953
Investment securities held to maturity	–	–	2 126 657	–	–	2 126 657
Investment in associate	–	–	–	–	591 667	591 667
Quoted and other investments	–	–	–	–	309 028	309 028
Loans, advances and other assets	72 381 881	20 345 346	5 128 510	17 338 815	7 066 111	122 260 663
Property, plant and equipment	–	–	–	–	6 801 982	6 801 982
Investment properties	–	–	–	–	2 510 000	2 510 000
Deferred tax	–	–	–	–	421 383	421 383
	104 647 834	20 345 346	7 255 167	17 338 815	17 700 171	167 287 333
Liabilities and equity						
Deposits and other liabilities	105 423 635	17 727 720	16 074 789	–	3 531 634	142 757 778
Current tax liabilities	–	–	–	–	1 157 974	1 157 974
Equity	–	–	–	–	23 371 581	23 371 581
	105 423 635	17 727 720	16 074 789	–	28 061 189	167 287 333
Interest rate repricing gap	(775 801)	2 617 626	(8 819 622)	17 338 815	(10 361 018)	–
Cumulative gap	(775 801)	1 841 825	(6 977 797)	10 361 018	–	–

26. INTEREST RATE REPRICING AND GAP ANALYSIS

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.

26.1. United States dollar

At 31 December 2012

GROUP

	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	54 256 160	–	–	–	–	54 256 160
Investment securities held to maturity	–	–	3 240 953	2 261 010	–	5 501 963
Investment in associate	–	–	–	–	1 025 919	1 025 919
Quoted and other investments	–	–	–	–	243 593	243 593
Loans, advances and other assets	83 736 075	19 352 134	8 239 754	32 439 173	2 651 797	146 418 933
Non-current assets held for sale	–	–	–	–	2 225 300	2 225 300
Property, plant and equipment	–	–	–	–	8 187 459	8 187 459
Investment properties	–	–	–	–	3 115 300	3 115 300
Deferred tax	–	–	–	–	1 380 596	1 380 596
	137 992 235	19 352 134	11 480 707	34 700 183	18 329 964	222 355 223
Liabilities and equity						
Deposits and other liabilities	155 270 761	8 388 210	7 361 933	16 623 833	3 580 567	191 225 304
Current tax liabilities	–	–	–	–	588 966	588 966
Equity	–	–	–	–	30 942 083	30 942 083
	155 270 761	8 388 210	7 361 933	16 623 833	35 111 616	222 756 353
Interest rate repricing gap	(17 278 526)	10 963 924	4 118 774	18 076 350	(16 281 652)	(401 130)
Cumulative gap	(17 278 526)	(6 314 602)	(2 195 828)	15 880 522	(401 130)	–

26. INTEREST RATE REPRICING AND GAP ANALYSIS

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.

26.1 United States dollar

At 31 December 2011

GROUP

	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	28 035 809	–	–	–	–	28 035 809
Investment securities held to maturity	–	–	2 126 657	–	–	2 126 657
Investment in associate	–	–	–	–	591 667	591 667
Quoted and other investments	–	–	–	–	227 750	227 750
Loans, advances and other assets	71 944 721	20 345 346	5 128 510	17 338 815	7 066 111	121 823 503
Property, plant and equipment	–	–	–	–	6 801 982	6 801 982
Investment properties	–	-	-	–	2 510 000	2 510 000
Deferred tax	–	–	–	–	421 383	421 383
	99 980 530	20 345 346	7 255 167	17 338 815	17 618 893	162 538 751
Liabilities and equity						
Deposits and other liabilities	101 387 356	17 582 458	16 074 789	–	3 531 634	138 576 237
Current tax liabilities	–	–	–	–	1 157 974	1 157 974
Equity	–	–	–	–	23 371 581	23 371 581
	101 387 356	17 582 458	16 074 789	–	28 061 189	163 105 792
Interest rate repricing gap	(1 406 826)	2 762 888	(8 819 622)	17 338 815	(10 442 296)	(567 041)
Cumulative gap	(1 406 826)	1 356 062	(7 463 560)	9 875 255	(567 041)	–

27. INTEREST RATE REPRICING AND GAP ANALYSIS

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.

27.1. Other foreign currencies

At 31 December 2012

GROUP

	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	3 914 885	–	–	–	–	3 914 885
Investment securities held to maturity	–	–	–	–	–	–
Quoted and other investments	–	–	–	–	82 513	82 513
Loans, advances and other assets	181 061	–	–	–	–	181 061
	4 095 946	–	–	–	82 513	4 178 459
Liabilities and equity						
Deposits and other liabilities	3 777 329	–	–	–	–	3 777 329
	3 777 329	–	–	–	–	3 777 329
Interest rate repricing gap	318 617	–	–	–	82 513	401 130
Cumulative gap	318 617	318 617	318 617	318 617	401 130	–

28. INTEREST RATE REPRICING AND GAP ANALYSIS

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.

28.1 Other Foreign currencies

At 31 December 2011

GROUP

	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	4 230 144	–	–	–	–	4 230 144
Investment securities held to maturity	–	–	–	–	–	–
Investment in associate	–	–	–	–	–	–
Quoted and other investments	–	–	–	–	81 278	81 278
Loans, advances and other assets	437 160	–	–	–	–	437 160
	4 667 304	–	–	–	81 278	4 748 582
Liabilities and equity						
Financial liabilities at fair value through profit and loss	–	–	–	–	–	–
Deposits and other liabilities	4 036 279	145 262	–	–	–	4 181 541
	4 036 279	145 262	–	–	–	4 181 541
Interest rate repricing gap	631 025	–	(145 262)	–	81 278	567 041
Cumulative gap	631 025	485 763	485 763	485 763	567 041	–

28. 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.

28.1 At 31 December 2012

	GROUP					
	US$	RAND	GBP	EUR	BWP	TOTAL
Assets	US$	US$	US$	US$	US$	US$
Cash and cash equivalents	54 256 160	2 363 652	62 750	1 466 870	21 613	58 171 045
Investment securities held to maturity	5 501 963	–	–	–	–	5 501 963
Investment in associate	1 025 919	–	–	–	–	1 025 919
Quoted and other investments	243 593	–	–	82 513	–	326 106
Loans, advances and other assets	146 418 933	173 952	2 742	1 213	3 154	146 599 994
Non-current assets held for sale	2 225 300	–	–	–	–	2 225 300
Property, plant and equipment	8 187 459	–	–	–	–	8 187 459
Investment properties	3 115 300	–	–	–	–	3 115 300
Deferred tax	1 380 596	–	–	–	–	1 380 596
	222 355 223	2 537 604	65 492	1 550 596	24 967	226 533 682
Liabilities and equity						
Deposits and other liabilities	191 225 304	2 483 554	48 090	1 239 777	5 908	195 002 633
Current tax liabilities	588 966	–	–	–	–	588 966
Equity	30 942 083	–	–	–	–	30 942 083
	222 756 353	2 483 554	48 090	1 239 777	5 908	226 533 682
Net foreign exchange Position	(401 130)	54 050	17 402	310 819	18 859	–

28. 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.

28.1 At 31 December 2011

	GROUP					
Assets	**US$ US$**	**RAND US$**	**GBP US$**	**EUR US$**	**BWP US$**	**TOTAL US$**
Cash and cash equivalents	28 035 808	2 708 277	(5 017)	1 504 542	22 343	32 265 953
Investment securities held to maturity	2 126 657	–	–	–	–	2 126 657
Investment in associate	591 667	–	–	–	–	591 667
Quoted and other investments	227 750	–	–	81 278	–	309 028
Advances and other accounts	121 823 504	329 273	7 455	95 045	5 386	122 260 663
Property, plant and equipment	6 801 982	–	–	–	–	6 801 982
Investment properties	2 510 000	–	–	–	–	2 510 000
Deferred tax	421 383	–	–	–	–	421 383
	162 538 751	3 037 550	2 438	1 680 865	27 729	167 287 333
Liabilities and equity						
Deposits and other liabilities	138 576 237	2 371 994	17 830	1 774 704	17 013	142 757 778
Current tax liabilities	1 157 974	–	–	–	–	1 157 974
Equity	23 371 581	–	–	–	–	23 371 581
	163 105 792	2 371 994	17 830	1 774 704	17 013	167 287 333
Net foreign exchange position	(567 041)	665 556	(15 392)	(93 839)	10 716	–

29. CONTINGENT LIABILITIES

	GROUP	
	2012 US$	**2011 US$**
Guarantees	7 827 744	6 374 815
Commitments to lend	29 326 528	20 385 351
At 31 December	37 154 272	26 760 166

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.

30. CAPITAL COMMITMENTS

	GROUP 2012 US$	GROUP 2011 US$
Capital expenditure contracted for	-	45 107
Capital expenditure authorised but not yet contracted for	5 739 655	6 908 068
At 31 December	5 739 655	6 953 175

Capital commitments will be financed from the Group's own resources.

31. OPERATING LEASE COMMITMENTS

	2012 US$	2011 US$
Lease commitments	4 923 042	4 726 271
Up to 1 year	984 608	945 254
1 – 5 years	3 938 434	3 781 017

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

32. 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.

32.1 Compensation of key management personnel of the Group

	2012 US$	2011 US$
Short – term employee benefits	1 658 807	1 437 437
Contribution to pension funds	94 314	69 193
	1 753 121	1 506 630

32.2 Key management interest in an employee share options

At 31 December 2012, key management held no options to purchase ordinary shares of the Company.

32.3 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).

	2012 US$	2011 US$
Non - executive directors	28 497	26 848
Executive directors	471 352	176 832
Officers (Note 17.6)	2 056 501	1 141 375
Directors' companies	2 202 631	892 862
Officers' companies	-	-
	4 758 981	2 237 917
Fair value adjustment	(177 022)	(86 152)
	4 581 959	2 151 765

32.4 Other related party disclosures

Entities with significant influence over the Group	Amounts owed by related parties
	US$
2012	4 581 959
2011	2 151 765

32.5 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.

33. EMPLOYEE BENEFITS

33.1 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 2012.

33.2 Expense recognised in profit or loss

	GROUP	
	2012 US$	2011 US$
Defined Contribution Plan - NSSA	98 045	74 255
Defined Contribution Plan – NMB Bank Pension Fund	575 594	376 174
	673 639	450 429

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

33.3 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

33.3 Employee Share Option Scheme (cont'd)

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			
	2012 No. 000's	WAEP$	2011 No. 000's	WAEP$
Outstanding as at 1 January	9 072	0.005	9 072	0.005
Lapsed	–	–	–	–
Issued	–	–	–	–
Exercised	–	–	–	–
Outstanding as at 31 December	9 072	0.005	9 072	0.005

Terms of options outstanding at 31 December 2012

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

33.4 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$98 045 (2011 – US$74 255).

33.5 Number of employees

The total number of employees of the Group at 31 December 2012 was 303 (2011– 301).

34. EXCHANGE RATES

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

		31 December 2012 Mid - rate US$	31 December 2011 Mid - rate US$
British Sterling	GBP	1.6156	1.5416
South African Rand	ZAR	8.4776	8.1852
European Euro	EUR	1.3200	1.2944
Botswana Pula	BWP	7.7721	7.5301

35. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and Board Risk Committee, which are responsible for defining the Bank's risk universe, developing policies and monitoring implementation. The Bank has a Risk Management department, which reports to the Managing Director and is responsible for the management of the bank's overall risk universe. The Bank is working towards full implementation of Basel II requirements as set by the Reserve Bank of Zimbabwe.

Risk management is linked logically from the level of individual transactions to the Bank level. Risk management activities broadly take place simultaneously at the following different hierarchy levels:

a) Strategic Level: This involves risk management functions performed by senior management and the board of directors. It includes the definition of risk, ascertaining the Bank's risk appetite, formulating strategy and policy for managing risk and establishes adequate systems and controls to ensure overall risk remains within acceptable levels and is adequately compensated.

b) Macro Level: It encompasses risk management within a business area or across business lines. These risk management functions are performed by middle management.

c) Micro Level: This involves "On-the-line" risk management where risks are actually created. These are the risk management activities performed by individuals who assume risk on behalf of the organization such as Treasury Front Office, Corporate Banking, Retail banking etc. The risk management in these areas is confined to operational procedures set by management.

Risk management is premised on four (4) mutually reinforcing pillars, namely:

a) adequate board and senior management oversight;
b) adequate strategy, policies, procedures and limits;
c) adequate risk identification, measurement, monitoring and information systems; and
d) comprehensive internal controls and independent reviews.

35.1 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 with specific credit approval limits. The Credit Risk Management department does the initial review of all applications before passing them on to

35.1 Credit risk (cont'd)

the Executive Credit Committee and finally Board Credit Committee depending on the loan amount. The bank has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book.

The Credit Risk Management department is responsible for implementing the Group's credit risk policies and standards and this includes:

- 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 the Risk Management Committee, Executive Committee or the Board Credit Committee depending on amount as per set limits;
- The Credit Risk Management 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 grading as per the RBZ requirement in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

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

		GROUP	
	Note	2012 US$	2011 US$
Cash and cash equivalents (excluding cash on hand)		47 966 102	28 669 484
Investment securities held to maturity	14	5 501 963	2 126 657
Loans, advances and other accounts	17	143 948 197	115 194 551
Total		197 416 262	145 990 692
Guarantees	29	7 827 744	6 374 815
Commitments to lend	29	29 326 528	20 385 351
Total		37 154 272	26 760 166
Total credit risk exposure		234 570 534	172 750 858

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.

35.1.3 Risk concentrations of maximum exposure to credit risk

	31 December 2012 Gross Maximum Exposure US$	31 December 2012 Net Maximum Exposure US$	31 December 2011 Gross Maximum Exposure US$	31 December 2011 Net Maximum Exposure US$
Agriculture and horticulture	9 894 729	1 386 729	9 121 606	3 308 817
Conglomerates	4 683 682	4 683 682	4 700 752	4 700 752
Manufacturing	29 008475	4 581 975	26 977 166	1 267 557
Distribution	46 673 432	18 241 682	33 713 556	15 856 566
Services	30 216 258	4 869 704	17 076 201	5 151 471
Mining	1 347 402	297 402	3 856 637	1 870 743
Food and beverages	214 163	176 663	5 747 287	5 094 937
Individuals	30 379 234	26 021 587	18 403 441	14 425 810
	152 417 375	60 259 454	119 596 646	51 676 653
Provision for impairment losses on loans and advances	(7 269 799)	(7 269 799)	(3 354 088)	(3 354 088)
Net exposure	145 147 576	52 989 655	116 242 558	48 322 565

35.1.4 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 Bank at the reporting date is US$92 157 951 (2011 –US$67 919 993).

35.1.5 Credit quality per sector

At 31 December 2012	Grade A Pass US$	Grade B Special Mention US$	Grade C Substandard US$	Grade D Doubtful US$	Grade E Loss US$	Total US$
Manufacturing	20 664 326	5 514 298	137 621	–	2 692 230	29 008 475
Distribution	26 955 454	5 231 224	7 074 318	1 044 287	6 368 149	46 673 432
Agriculture and horticulture	6 886 323	–	37 510	–	2 970 896	9 864 729
Conglomerates	4 683 682	–	–	–	–	4 683 682
Services	24 389 591	2 729 470	748 973	398 709	1 949 515	30 216 258
Mining	170 590	1 157 915	–	–	18 897	1 347 402
Food and beverages	214 163	–	–	–	–	214 163
Individuals	29 780 934	43 094	327 284	181 449	46 473	30 379 234
Total	113 745 063	14 676 001	8 325 706	1 624 445	14 046 160	152 417 375

At 31 December 2011	Grade A Pass US$	Grade B Special Mention US$	Grade C Substandard US$	Grade D Doubtful US$	Grade E Loss US$	Total US$
Manufacturing	22 097 295	1 884 589	602 211	1 932 421	460 650	26 977 166
Distribution	25 745 875	4 360 000	507 000	901 396	2 199 285	33 713 556
Agriculture and horticulture	6 153 611	–	–	2 967 995	–	9 121 606
Conglomerates	4 700 752	–	–	-	–	4 700 752
Services	3 837 870	2 097 675	143 821	282 572	7 335	17 076 201
Mining	3 130 446	–	–	18 767	–	3 856 637
Food and beverages	1 395 821	4 332 908	–	18 558	–	5 747 287
Individuals	17 925 638	225 376	51 495	191 721	9 211	18 403 441
Total	96 401 660	12 900 548	1 304 527	6 313 430	2 676 481	119 596 646

35.2 Market risk

This is the exposure of the Bank's on and off balance sheet positions to adverse movement in market prices resulting in a loss in earnings and capital. The market prices will range from money market (interest rate risk), foreign exchange and equity markets in which the bank operates. The Bank has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the bank should be exposed at any time. Net Interest Margin is the primary measure of interest rate risk,

35.2 Market risk (cont'd)

supported by periodic stress tests to assess the bank's ability to withstand stressed market conditions. On foreign exchange risk, the bank monitors currency mismatches and make adjustments depending on exchange rate movement forecast. The mismatches are also contained within 10% of the Bank's capital position

ALCO meets on a monthly basis and operates within the prudential guidelines and policies established by the Board ALCO. The board ALCO is responsible for setting exposure thresholds and limits, and meets on a quarterly basis.

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 2012

Currency	Increase/ (decrease) in interest rates %	Sensitivity of net interest income: 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	(3 226 334)	548 196	322 010	1 695 009	(661 119)
USD	3	(1 935 800)	328 918	193 206	1 017 006	(396 670)
USD	1	(645 267)	109 639	64 402	339 002	(132 224)
USD	(1)	645 267	(109 639)	(64 402)	(339 002)	132 224
USD	(3)	1 935 800	(328 918)	(193 206)	(1 017 006)	396 670
USD	(5)	3 226 334	(548 196)	(322 010)	(1 695 009)	661 119

For interest rate repricing and gap analysis refer note 24.1.

At 31 December 2011

Currency	Increase/ (decrease) in interest rates %	Sensitivity of net interest income: 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	1 164 136	155 079	(432 006)	908 094	1 795 303
USD	3	(698 481)	93 048	(259 203)	544 857	(319 779)
USD	1	(232 827)	31 016	(86 401)	181 619	(106 593)
USD	(1)	232 827	(31 016)	86 401	(181 619)	106 593
USD	(3)	698 481	(93 048)	259 203	(544 857)	319 779
USD	(5)	(1 164 136)	(155 079)	432 006	(908 094)	(1 795 303)

35.3 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 2012

Currency	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
ZAR	5	17 183	5 728
ZAR	3	10 310	3 437
ZAR	1	3 437	1 146
ZAR	(1)	(3 437)	(1 146)
ZAR	(3)	(10 310)	(3 437)
ZAR	(5)	(17 183)	(5 728)

At 31 December 2011

Currency	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
ZAR	5	(33 278)	(24 709)
ZAR	3	(19 967)	(14 825)
ZAR	1	(6 656)	(4 942)
ZAR	(1)	6 656	4 942
ZAR	(3)	19 967	14 825
ZAR	(5)	33 278	24 709

34.4 Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability of the Bank to fund asset increases or meet obligations as they fall due without incurring unacceptable costs or losses. The bank identifies this risk through maturity profiling of assets and liabilities and assessment of expected cash flows and the availability of collateral which could be used if additional funding is required.

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 the Board ALCO.

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits to customers. The bank also actively monitors its loans to deposit ratio against a set threshold in a bid to monitor and limit funding risk. Liquidity risk is monitored through a daily treasury strategy meeting. This is augmented by a monthly management ALCO and a quarterly board ALCO.

The contractual maturities of undiscounted cash flows of financial assets and liabilities are disclosed in note 24.1.

34.4 Liquidity risk (cont'd)

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Bank monitors its liquidity ratio in compliance with Banking Regulations to ensure that it is not less than 25% 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 2012

	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	–	4 001 505	–	3 826 239	–	7 827 744
Commitments to lend	–	–	–	15 526 528	13 800 000	29 326 528
	–	4 001 505	–	19 352 767	13 800 000	37 154 272

At 31 December 2011

	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	804 213	222 811	443 734	4 904 057	–	6 374 815
Commitments to lend	–	17 489 137	2 141 902	754 312	–	20 385 351
	804 213	17 711 948	2 585 636	5 658 369	–	26 760 166

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

35.5 Operational risk

This risk is inherent in all business activities and is the risk of loss arising from inadequate or failed internal processes, people, systems or from external events. The Bank utilises monthly Key Risk Indicators to monitor operational risk in all units. Further to this, the Bank has an elaborate Operational Loss reporting system in which all incidents with a material impact on the well-being of the Bank are reported to risk management. The risk department conducts periodic risk assessments on all the units within the Bank aimed at identifying the top risks and ways to minimise their impact. There is a Board Risk Committee whose function is to ensure that this risk is minimized. The Risk Committee with the assistance of the internal audit function and the Risk Management department assesses the adequacy of the internal controls and makes the necessary recommendations to the Board.

35.6 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. Compliance risk is the risk arising from non – compliance with laws and regulations. To manage this risk permanent relationships are maintained with firms of legal practitioners and access to legal advice is readily available to all departments. The Bank has an independent compliance function which is responsible for identifying and monitoring all compliance issues and ensures the Bank complies with all regulatory and statutory requirements.

35.7 Reputational risk

Reputation risk is the risk of loss of business as a result of negative publicity or negative perceptions by the market with regards to the way the Bank conducts its business. To manage this risk, the Bank strictly monitors customers' complaints, continuously train staff at all levels, conducts market surveys and periodic reviews of business practices through its internal audit department. The directors are satisfied with the risk management processes in the bank as these have contributed to the minimization of losses arising from risky exposures.

35.8 Strategic risk

This refers to current and prospective impact on a Bank'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 Bank always has a strategic plan that is adopted by the board of directors. Further, attainment of strategic objectives by the various departments is monitored periodically at management level. Further, there is an ALCO, Finance and Strategy Committee at board level responsible for monitoring overall progress towards attaining strategic objectives for the Bank.

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

35.9 External credit ratings

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

Security class	**2012**
Long term	BBB-

35.10 Regulatory Compliance

There were no instances of regulatory non – compliance in the period under review. The Bank remains committed to complying with and adhering to all regulatory requirements.

35.11 Capital Management

35.11.1 Holding Company

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

35.11.2 Banking Subsidiary

The primary objective of the Bank's capital management is to ensure that the Bank 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.

35.11.2 Banking Subsidiary (cont'd)

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.

The Bank's regulatory capital position at 31 December 2012 was as follows:-

	2012 US$	2011 US$
Share capital	16 502	16 501
Share premium	15 577 932	13 690 931
Retained earnings	12 487 547	6 116 397
Fair value gain on investment properties	(2 411 775)	–
	25 670 206	19 823 829
Less: capital allocated for market and operational risk	(1 198 520)	(571 954)
Credit to insiders	(2 231 128)	(892 862)
Tier 1 capital	22 240 558	18 359 013
Tier 2 capital (subject to limit as per Banking Regulations)	4 819 193	1 023 431
Revaluation reserve	2 411 775	–
Subordinated debt	–	–
Regulatory reserve (limited to 1.25% of risk weighted assets)	2 301 683	1 023 431
Portfolio provisions (limited to 1.25% of risk weighted assets)	105 735	–
Total Tier 1 & 2 capital	27 059 751	19 382 444
Tier 3 capital (sum of market and operational risk capital)	1 198 520	571 954
Total capital base	28 258 271	19 954 398
Total risk weighted assets	182 361 802	138 868 906
Tier 1 ratio	12.20%	13.22%
Tier 2 ratio	2.64%	0.74%
Tier 3 ratio	0.66%	0.41%
Total capital adequacy ratio	15.50%	14.37%
RBZ minimum required	12.00%	10.00%

35. EVENTS AFTER REPORTING DATE

35.1 Memorandum of understanding

On 31 January 2013, the Reserve Bank of Zimbabwe and participating members of the Bankers Association of Zimbabwe (BAZ) signed a Memorandum of Understanding (MoU) which seeks to establish an understanding on:

1. Bank charges on accounts whose monthly deposits are less than US$800.
2. Interest rates on lending to a maximum of the Bank's weighted average cost of funds plus a margin of12.5%.

These measures took effect from 1 February 2013 and going forward these would have a pronounced effect on the Bank's profitability.

35.2 Recapitalisation

The shareholders of NMBZ Holdings Limited approved at an Extraordinary General Meeting held on 19 February 2013 an investment of US$14.8 million equity capital by three (3) strategic foreign investors. In addition, one of the strategic foreign investors will provide a 7 year subordinated debt of US$1.4 million to the Bank. The US$14.8 million equity will be invested as equity capital in the Bank by the holding company.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2012 US$	2011 US$	2010 US$	2009 US$ Restated	2008 US$
Interest from lending activities	27 003 393	14 222 680	7 024 287	652 267	–
Interest from investing activities	540 391	5 936 086	2 990 349	874 455	–
	27 543 784	20 158 766	10 014 636	1 526 722	–
Interest expense	(10 050 003)	(8 257 254)	(3 143 168)	(723 626)	–
Net interest income	17 493 781	11 901 512	6 871 468	803 096	–
Net foreign exchange gains	1 902 337	1 289 729	1 055 307	379 236	–
Non-interest income	15 609 630	12 164 691	9 374 796	7 236 949	–
Net operating income	35 005 748	25 355 932	17 301 571	8 419 281	–
Operating expenditure	(21 452 714)	(16 979 741)	(15 365 768)	(7 385 212)	–
Impairment losses on loans and advances	(3 985 062)	(2 296 111)	(971 803)	(92 887)	–
Share of profit/(loss) associate	434 252	113 573	(21 444)	–	–
Profit before taxation	10 002 224	6 193 653	942 556	941 182	–
Financial institutions levy	–	–	–	(44 661)	–
Taxation	(2 431 722)	(1 655 197)	(250 322)	1 381 766	–
Profit after taxation	7 570 502	4 538 456	692 234	2 278 287	–
Other comprehensive income /(loss) for the year, net of tax	–	–	–	–	–
Total comprehensive income for the year	**7 570 502**	**4 538 456**	**692 234**	**2 278 287**	–

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2012 US$	2011 US$	2010 US$	2009 US$ Restated	2008 US$
EQUITY					
Share capital	78 598	78 598	78 598	–	–
Reserves	30 863 485	23 292 983	18 754 527	8 568 005	–
Equity	30 942 083	23 371 581	18 833 125	8 568 005	–
LIABILITIES					
Deposits and other liabilities	195 002 633	142 757 778	83 156 444	30 094 657	–
Current tax liabilities	588 966	1 157 974	641 969	299 162	–
Deferred tax liabilities	–	–	207 966	746 107	–
Capital employed	226 533 682	167 287 333	102 839 504	39 707 931	–
ASSETS					
Cash and cash equivalents	58 171 045	32 265 953	18 346 939	12 203 181	–
Loans, advances and other assets	146 599 994	122 260 663	75 620 404	18 349 286	–
Investments securities held to maturity	5 501 963	2 126 657	1 994 585	1 789 836	–
Non-current assets held for sale	2 225 300	–	–	–	–
Quoted and other investments	130 316	118 048	134 461	455 638	–
Trade investments	195 790	190 980	201 666	108 003	–
Investment in associate	1 025 919	591 667	228 556	–	–
Investment properties	3 115 300	2 510 000	2 615 000	3 219 600	–
Property and equipment	8 187 459	6 801 982	3 697 893	3 582 387	–
Deferred tax assets	1 380 596	421 383	–	–	–
Employment of capital	226 533 682	167 287 333	102 839 504	39 707 931	–

	2012	2011	2010	2009	2008
CLOSING NUMBER OF SHARES	2 807 107 289	2 807 107 289	2 807 107 289	1 641 225 424*	1 608 159 059
Share Performance					
Net asset value per share (US cents)	1.12	0.83	0.67	0.52	–
Basic earnings per share (US cents)	0.29	0.16	0.03	0.14	–
Dividend per share (US cents)	–	–	–	–	–
Dividend cover (times)	–	–	–	–	–
Price/earnings ratio	2.24	7.19	37	5.71	–
Closing price per share (US cents)	0.65	1.15	1.1	0.80	–
Market capitalisation (US$)	18 246 197	32 281 734	30 878 180	13 185 402	–
Financial Performance					
Return on shareholders' funds (%)[1]	26	19	3.7	26	–
Return on assets (%)	4	4	3	0.70	6
Cost/net income ratio (%)[2]	70	76	95	89	–
Non-interest income/total income (%)	34	36	46	79	–
Effective tax rate (%)	23	27.1	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 18th Annual General Meeting of Members of NMBZ Holdings Limited will be held at the Registered Office of the Company at 4th Floor, Unity Court, Corner 1st Street/ Kwame Nkrumah Avenue, Harare on Tuesday 18 June 2013 at 1000 hours for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2012, together with the reports of the Directors and Auditors thereon.

2. To appoint Directors. In accordance with the Articles of Association, Mr. B. Ndachena, Mr. J. Chenevix-Trench, and Mr. J. de la Fargue retire by rotation. Being eligible, the retiring directors offer themselves for re-election.

3. To appoint Auditors for 2013.

4. To approve Messrs KPMG's remuneration for the year ended 31 December 2012.

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 the Registered Office of the company at least 48 hours before the commencement of the meeting.

By Order of the Board

V Mutandwa
Company Secretary

28 March 2013

EXPLANATIONS REGARDING THE NOTICE OF THE ANNUAL GENERAL MEETING

Resolution 1

The Directors of the Company are obliged to present their Report and Accounts to shareholders of the Company at an Annual General Meeting. This is a standard form of resolution common to all Annual General Meetings.

Resolution 2

The Company's Articles of Association require a third of the Directors to stand down at each Annual General Meeting and if they are eligible, they may offer themselves for re-election. The Directors standing down are Messrs B. Ndachena, J. Chenevix-Trench, and J. de la Fargue. All the retiring directors being eligible offer themselves for re-election. Information about these directors is shown below:

Benson Ndachena - B. Acc (Hons) (UZ), CA(Z), ACMA, CGMA, MBL (Unisa).

Benson Ndachena, a Chartered Accountant by profession, joined the Group as the Senior Manager of Finance and Administration on 1 July 2001. Prior to joining the Group, he held the position of Financial Controller of OK Zimbabwe where he managed the Division's Accounting Department. Benson commenced his career with Deloitte & Touche Chartered Accountants (Zimbabwe) where he rose through the ranks to become an Audit Manager and Senior Consultant and gained extensive experience in auditing, accounting, consultancy and taxation, over a period of eight years. Benson is a Director of several private companies. He is the current Treasurer of the Mashonaland District Society of Chartered Accountants.

Jonathan Chenevix-Trench - Literae Humaniores

Jonathan Chenevix-Trench graduated from Oxford University in 1984 with a degree in Classics (Classical History and Philosophy), and joined the Investment banking Division of Morgan Stanley in London. After two years as an analyst in Corporate Finance, he moved into the fixed income division, and spent the next 19 years in various trading and management roles. From 2000 until 2005, Jonathan was responsible for the global Government, Interest Rate Derivative and Foreign Exchange Trading Group, and in 2005 he became Chief Executive Officer of Morgan Stanley's European business, covering Fixed Income, Equities, Investment Banking, Asset Management and Wealth Management. In this capacity, he also chaired the boards of Morgan Stanley's regulated banks in the UK and in Russia. In August 2007, Jonathan took on the role of Chief Operating Officer for the global Institutional Securities Group, and continued in this position until resigning in December 2007. Jonathan now serves as Chairman of Ashdown Funding Ltd, and Chairman of Elgeti Ashdown Advisers Ltd, both concerned with the real estate business in the UK and Germany. Jonathan is also co-founder of African Century, which is building an agri-business across sub-Saharan East Africa. Jonathan has served on the boards of both ISDA (International Swaps and Derivatives Association) and ICMA (International Capital Markets Association), and is currently on the boards of the Royal Academy and of the Royal Ballet School in London, as well as being a Trustee of the Chelsea Physics Garden.

James de la Fargue - BA Business Organisation (Herrit-Watt University), ACCA, Diplomas in Marketing & Marketing Research, Certificate in General Agriculture

James de la Fargue is an accountant by profession. James has worked for a number of international organizations including Touche Ross Management Consultants, Unilever PLC and Chargeurs SA. He is the former president of the Zimbabwe Tobacco Association and worked at MBCA as a senior executive in charge of Corporate Finance. James was a non- executive director of Tetrad Holdings Limited. From 1998 to date, James has been involved in business consultancy work and management of an integrated farm in Centenary.

Resolution 3

All public companies are required to appoint Auditors at each Annual General Meeting at which financial statements are presented, to hold office until the next such meeting in terms of section 150 (2) of the Companies Act [Chapter 24:03]. This resolution therefore proposes the appointment of auditors in accordance with usual practice and the Banking Act [Chapter 24:20]. The current auditors of the Group are KPMG Chartered Accountants and it is proposed that KPMG be re-appointed as auditors of the Group.

Resolution 4

The remuneration of the auditors is required to be fixed by the Company in a General Meeting in terms of section 150 (6) of the Companies Act [Chapter 24:20]. Accordingly, Members will be requested to approve the remuneration paid to the external auditors of the Group, KPMG for the year ended 31 December 2012.

Size of Shareholding	2012 Number of shareholders	% of Holders	2012 Issued shares	% shareholding
0 - 5 000	2 324	58.96	3 822 178	0.14
5 001 - 10 000	593	15.05	4 372 488	0.15
10 001 - 50 000	684	17.36	14 474 231	0.51
50 001 - 100 000	108	2.74	7 822 368	0.28
100 001 - 500 000	157	3.98	34 563 027	1.23
500 001 - 1 000 000	25	0.63	18 986 040	0.68
1 000 001 - 10 000 000	24	0.61	70 714 057	2.52
10 000 001 and above	26	0.66	2 652 352 900	94.49
Total	**3 941**	**100.00**	**2 807 107 289**	**100.00**

Size of Shareholding	2011 Number of shareholders	% of Holders	2011 Issued shares	% shareholding
0 - 5 000	2 328	58.31	3 865 246	0.14
5 001 - 10 000	606	15.18	4 470 512	0.16
10 001 - 50 000	708	17.74	14 930 904	0.53
50 001 - 100 000	117	2.93	8 413 516	0.30
100 001 - 500 000	155	3.88	33 874 789	1.21
500 001 - 1 000 000	29	0.73	21 143 052	0.75
1 000 001 - 10 000 000	24	0.60	83 774 024	2.98
10 000 001 and above	25	0.63	2 636 635 246	93.93
Total	**3 992**	**100.00**	**2 807 107 289**	**100.00**

Industry	2012 Holders	% of Holders	2012 shares	% Shareholding
Bank	1	0.03	42 900	0.00
Corporates	357	9.06	456 312 527	16.26
Employees	487	12.36	40 528 741	1.44
Deceased Estates	4	0.10	10 521 350	0.38
External Companies	7	0.18	982 315 941	34.99
Fund Managers	5	0.13	40 053	0.00
Insurance Companies	12	0.30	586 943 544	20.91
Investment Trusts and property	38	0.96	533 713 511	19.01
Local Residents	2 925	74.22	60 046 945	2.14
Local Nominees	58	1.47	4 749 183	0.17
Non Residents	31	0.78	78 680 392	2.80
Other Corporate Holdings	3	0.08	8 440	0.00
Pension Funds	13	0.33	53 203 762	1.90
Total	**3 941**	**100.00**	**2 807 107 289**	**100.00**

Industry	2011 Holders	% of Holders	2011 Shares	% Shareholding
Bank	1	0.03	42 900	0.00
Corporates	361	9.04	430 472 797	15.29
Employees	518	12.98	41 247 975	1.46
Deceased Estates	3	0.08	10 506 424	0.37
External Companies	5	0.13	559 772 582	19.88
Fund Managers	6	0.15	34 297	0.00
Insurance Companies	10	0.25	589 581 677	20.94
Investment Trusts and property	37	0.93	531 949 711	18.89
Local Residents	2 948	73.85	57 707 863	2.05
Local Nominees	61	2	438 663 405	16
Non Residents	28	0.7	96 684 281	3.43
Other Corporate Holdings	2	0.05	8 082	0.00
Pension Funds	12	0.3	50 435 295	1.79
Total	**3 992**	**100.00**	**2 807 107 289**	**100.00**

TOP TEN SHAREHOLDERS

		2012 Number of shares	% Shareholding
1	African Century Financial Investments Limited	703 243 692	24.98
2	Old Mutual Zimbabwe Limited	586 855 157	20.84
3	Lalibela Limited	215 266 942	7.65
4	Alsace Trust	168 853 795	6.02
5	Cornerstone Trust	168 755 799	6.01
6	Wamambo Investments Trust	142 260 092	5.07
7	Drakmore Investments (Private) Limited	109 627 112	3.89
8	Martcap Investments (Private) Limited	77 282 178	2.74
9	Stanbic Nominees (Private) Limited	76 834 507	2.72
10	Tamlidge Investments (Private) Limited	70 534 276	2.51

		2011 Number of shares	% Shareholding
1	Old Mutual Zimbabwe Limited	589 521 823	20.93
2	Les Nominees (Private) Limited	414 601 550	14.72
3	African Century Financial Investments Limited LLP*	280 710 729	9.97
4	Lalibela Limited	215 266 942	7.65
5	Alsace Trust	168 853 795	6.02
6	Cornerstone Trust	168 755 799	6.01
7	Wamambo Investments Trust	142 260 092	5.07
8	Drakmore Investments (Private) Limited	109 627 112	3.89
9	Stanbic Nominees (Private) Limited	84 710 850	3.01
10	Martcap Investments (Private) Limited	77 282 178	2.74

* African Century Financial Investments Limited LLP also held its shareholding through Les Nominees (Private) Limited

MEMBERS' DIARY

Financial year end	31 December 2012
Reports:-	
• Announcement of annual results	28 March 2013
• Annual financial statements posted to shareholders	May 2013
• Annual General Meeting	18 June 2013
• Announcement of the 2013 half-year results	August 2013
Dividend payments:	n/a
– Interim	n/a
– Final	

SECRETARY AND REGISTERED OFFICE

Company Secretary **V. Mutandwa**

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In UK
Dechert
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EC4 V4 QQ
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 18 June 2013 at 10:00 hours and at any adjournment thereof.

Signed this ………………………………………….. day of …………………………………………………….2013

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.

NMBZ HOLDINGS LIMITED

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