NMBZ HOLDINGS LIMITED

ANNUAL REPORT 2015

www.nmbz.co.zw

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Financial Summary

	31 December 2015	31 December 2014
Total income (US$)	59 396 619	48 078 454
Operating profit before impairment charge (US$)	17 405 739	7 442 884
Attributable profit (US$)	5 490 068	1 667 247
Basic earnings per share (US cents)	1.43	0.43
Total deposits (US$)	277 216 769	235 362 677
Total gross loans and advances (US$)	243 241 018	217 463 319
Total shareholders' funds (US$)	50 543 864	45 047 616

Enquiries:

NMBZ HOLDINGS LIMITED

Benefit Peter Washaya, Group Chief Executive Officer, NMBZ Holdings Limited	benefitw@nmbz.co.zw
Benson Ndachena, Chief Finance Officer, NMBZ Holdings Limited	bensonn@nmbz.co.zw
Website:	http://www.nmbz.co.zw
Email:	enquiries@nmbz.co.zw
Telephone:	Tel: +263-4-759 651/9

Group Profile

The NMBZ Holdings Group (the Group) comprises the company (NMBZ Holdings Limited) and the wholly owned banking subsidiary, NMB Bank Limited (the Bank), an equities holding company, Stewart Holdings Limited and dormant entities namely Brixton (Private) Limited, NMB Fund Management (Private) Limited, Invariant (Private) Limited and Darksan (Private) Limited.

The Bank was established in 1993 as a merchant bank incorporated under the Companies Act (Chapter 24:03) and is now registered as a commercial bank in terms of the Banking Act (Chapter 24:20). It operates through a branch network in Harare, Bulawayo, Masvingo, Kwekwe, 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 branch locations:-

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

Avondale - 20 King George Road, Avondale, Harare

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

Borrowdale Excellence Centre - Block 3 Suite F, Sam Levy Village, Borrowdale, Harare

Bulawayo - NMB Centre, Corner George Silundika Street/Leopold Takawira Street, Bulawayo

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

Gweru - 36 Robert Mugabe Road, Gweru

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

Joina City - Shop 15, Upper Ground floor, Joina City Corner Jason Moyo / Innez Terrace, Harare

Kwekwe - 57A Robert Mugabe way, Kwekwe

Masvingo - Stand no. 377 Robert Mugabe Way, Masvingo

Msasa -77 Amby Drive, Harare

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

Southerton - 7 - 9 Plymouth Road, Harare

The Bank's Automated Teller Machine (ATM) network, which accepts VISA cards, covers the following locations:

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

Chairman's Statement
For the year ended 31 December 2015

B. A. CHIKWANHA
CHAIRMAN

INTRODUCTION
The Group has continued to make significant progress towards attaining its short and medium term goals and recorded an attributable profit of US$5 490 068 in 2015 which was a material improvement from an attributable profit of US$1 667 247 recorded in 2014. The significant improvement in the operating results was largely underpinned by the bank's decision to broaden its target market, stricter credit underwriting standards and concerted efforts to contain non-performing loans.

The deflationary pressures and the fall in aggregate demand, which accelerated in the last quarter of 2014, persisted into 2015. The economy has continued to be characterised by shortage of liquidity, retrenchments and company closures and these have further worsened default risk.

STRATEGIC FOCUS
In line with our mission to provide premium financial services to high networth individuals, businesses and uniquely branded technology enabled products to SMEs and the broader market segments, the Board has periodically reviewed this strategic focus in response to changes in the global, regional and local operating environments. The Board is confident that based on a number of probable scenarios considered, the Group is firmly on course to attaining its short and medium term strategic targets.

GROUP RESULTS
Financial performance
The profit before taxation was US$7 909 138 during the period under review and this gave rise to an attributable profit of US$5 490 068 which translates to earnings per share of 1.43 cents (2014 – 0.43 cents).

Operating expenses amounted to US$26 872 649 and these were down 4% from a prior year of US$27 984 051 as a net result of cost cutting and containment measures.

Impairment losses on loans and advances amounted to US$9 496 601 for the current period from a prior year of US$5 017 362 and the increase was mainly due to increased provisioning as the economic environment continues to deteriorate. The Board took a decision to write off loans and advances amounting to US$11 704 157 during the year under review after recovery efforts had not yielded the desired results.

Financial position
The Group's total assets grew by 17% from US$286 049 034 as at 31 December 2014 to US$333 831 107 as at 31 December 2015.

Gross loans and advances increased by 12% from US$217 463 319 as at 31 December 2014 to US$243 241 018 as at 31 December 2015 mainly due to an increase in loans advanced to the broader market segments. The Bank's non-performing loans ratio reduced to 13.19% at 31 December 2015 from 17.74% at 31 December 2014.

The deposits increased by 18% from US$235 362 677 as at 31 December 2014 to US$277 216 769 as at 31 December 2015 as a result of a 22% increase in current and deposit accounts.

The Bank's liquidity ratio closed the period at 30.37% and this was above the statutory requirement of 30%.

Capital
The banking subsidiary's capital adequacy ratio at 31 December 2015 calculated in accordance with the guidelines of the Reserve Bank of Zimbabwe (RBZ) was 19.26% (31 December 2014 – 19.32%). The minimum required by the RBZ is 12%. We consider the level of our capitalisation to be adequate to support our underwriting pipeline business.

Capital (Cont'd)

The Group's shareholders' funds have increased by 12% from US$45 047 616 as at 31 December 2014 to US$50 543 864 as at 31 December 2015 as a result of the current year's attributable profit.

The Bank's regulatory capital as at 31 December 2015 was US$42.1 million and is in line with our target to meet the required minimum regulatory capital of US$100 million for a Tier 1 bank by 31 December 2020 subject to the projected improvement in the operating environment in the forecast period.

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.

CORPORATE SOCIAL INVESTMENTS

We are committed to playing an active role in the communities we serve. Our social investments during the year were channelled into the country's educational system, the disadvantaged, vulnerable groups, protection of the environment, wildlife conservation, the arts and various sporting disciplines. The activities and charities supported during the year included Ruvarashe Trust, Nhaka Yevana Trust, Birdlife Zimbabwe, Island Hospice, Manicaland Tennis tournament, Harare International Festival of the Arts (HIFA), the Nomads Golf tournament and other charity golf tournaments. In addition, we sponsored signage for 20 schools in Harare, Bulawayo and Concession as our way of supporting the country's educational system.

CORPORATE DEVELOPMENTS

Three new branches were opened in Kwekwe, Masvingo and Borrowdale (Harare). The Borrowdale Excellence Centre caters for the bank's high networth customers and this service is also available at all our branches in the major cities and towns.

DIRECTORATE

Mr. T. N. Mundawarara resigned as a director of NMBZ Holdings Limited and NMB Bank Limited with effect from 19 March 2015. Mr. A.M.T. Mutsonziwa and Mr. J. Chigwedere retired and did not seek re-election at the Annual General Meeting held on 21 May 2015. Mr. R. Keighley resigned as a director of the NMBZ Holdings Limited and NMB Bank Limited boards with effect from 3 July 2015. Mr. B. W. Madzivire resigned as a director of both NMBZ Holdings Limited and NMB Bank Limited boards with effect from 31 December 2015. I would like to thank them all for the immense and invaluable contributions they made to the boards over the years.

Ms. J. Maguranyanga, Mr. E. Sanderson, Mr. K. Qurashi and Mr. C. Chikaura were appointed to the boards of NMBZ Holdings Limited and NMB Bank Limited with effect from 10 July 2015, 13 August 2015, 19 August 2015 and 24 December 2015 respectively. I would like to welcome the new board members and wish them a successful tenure.

OUTLOOK AND STRATEGY

As initiated in September 2014, the Group continued to broaden the market catchment segment for the banking subsidiary by tapping into some segments of the mass market. The uptake of the mass market products has been phenomenal and the Group will continue to focus on growth opportunities available in this sector without compromising the service excellence which is synonymous with our flagship bank. Our key differentiators in the financial services sector will continue to be service excellence, technology leadership, agility and quick response times and all these will be buttressed by our experienced and diversified human capital.

POST YEAR END DEVELOPMENTS

Following the decision by Commerzbank to cease the USD clearing business for Zimbabwean banks by 31 March 2016, we changed our correspondent bank. Consequently, our customers can now receive USDs from offshore sources using our new accounts with Ecobank International, France or Bank of China, South Africa. We are committed to a smooth transition and sincerely apologise for any inconveniences caused to our valued customers. Given the swift action taken by management, the impact on the Bank's operations has been minimal.

APPRECIATION

I would like to express my sincere gratitude and appreciation to our valued clients who have continued to support us during this transition to become a mass market bank, our shareholders and the regulatory authorities for their valuable support during the period under review. My appreciation also goes to my fellow board members, management and staff for their continued dedication and commitment which has underpinned the achievement of these results in the face of an increasingly difficult operating environment.

B. A. CHIKWANHA
CHAIRMAN
15 March 2016

Report Of The Directors

For the year ended 31 December 2015

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2015.

1. **SHARE CAPITAL**

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

1.1 Authorised: 600 000 000 ordinary shares of US$0.00028 each.

1.2 Issued and fully paid: 384 427 351 ordinary shares of US$0.00028 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$5 490 068 for the year ended 31 December 2015 (2014 -US$1 667 247).

3. **CAPITAL ADEQUACY**

As at 31 December 2015, the Bank's capital adequacy ratio computed under the Bank for International Settlements (BIS) rules was 19.26% (2014 - 19.32%).

4. **DIRECTORATE**

4.1 During the year ended 31 December 2015, Messrs T. N. Mundawarara, A.M. T. Mutsonziwa, J. Chigwedere, R. Keighley and B. W. Madzivire retired from the boards of NMBZ Holdings Limited and NMB Bank Limited.

4.2 **BOARD OF DIRECTORS**

Mr. B. A. Chikwanha	Independent Non-Executive Director (Chairman)
Mr. K. Qurashi*	Independent Non-Executive Director
Mr. B. P. Washaya	Chief Executive Officer
Ms. J. Maguranyanga**	Independent Non-Executive Director
Ms. M. Svova	Independent Non-Executive Director
Mr. C. Chikaura***	Independent Non-Executive Director
Mr. J. Chenevix-Trench	Non-Executive Director - (representing African Century)
Mr. B. Zwinkels	Non-Executive Director - (representing AfricInvest)
Mr. C. Ndiaye	Non-Executive Director - (representing FMO)
Mr. E. Sandersen****	Non-Executive Director - (representing Norfund)

**Mr. K. Qurashi was appointed as a director of NMBZ Holdings Limited and NMB Bank Limited on 19 August 2015.*

***Ms. J. Maguranyanga was appointed as a director of NMBZ Holdings Limited and NMB Bank Limited on 10 July 2015.*

****Mr. C. Chikaura was appointed as a director of NMBZ Holdings Limited and NMB Bank Limited on 24 December 2015.*

*****Mr. E. Sandersen was appointed as a director of NMBZ Holdings Limited and NMB Bank Limited on 13 August 2015.*

In accordance with the Articles of Association, all directors will retire by rotation at the forthcoming Annual General Meeting (AGM). All retiring directors, being eligible, offer themselves for re-election.

4. DIRECTORATE (Cont'd)

4.2 Directors' Interests

As at 31 December 2015 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 2015 Shares	31 December 2014 Shares
Mr. B. A. Chikwanha*	10 000	-
Mr. K. Qurashi	-	-
Ms. J. Maguranyanga	600	600
Mr. J. Chenevix-Trench**	71 207 639	71 207 639
Mr B. P. Washaya***	2 070	2 070
Mr.B.A.M Zwinkels****	-	-
Mr.E. Sandersen****	-	-
Mr. C. I. F Ndiaye****	-	-
Mr. C. Chikaura	-	-
Ms. M. Svova	-	-
	71 220 309	71 210 309

**Mr. B. A. Chikwanha is the Chairman of the board of directors of NMBZ Holdings Limited and NMB Bank Limited.*

***Mr. J. Chenevix-Trench represents African Century Financial Investments Limited.*

****Mr. B. P. Washaya is the CEO of NMBZ Holdings Limited and NMB Bank Limited.*

*****Mr.B. Zwinkels, Mr. C. Ndiaye and Mr. E Sandersen represent AfricInvest (34 571 429 shares), FMO (34 571 429 shares) and Norfund (34 571 429 shares) respectively on the board of directors of NMBZ Holdings Limited and NMB Bank Limited.*

4.3 Total share options granted to executive directors

	31 December 2015 Share options	31 December 2014 Share options
Mr. B. P. Washaya	275 873	275 873
	275 873	275 873

4. DIRECTORATE (Cont'd)

4.4 Directors' attendance at meetings

4.4.1 Board of Directors

Name	Meetings held	Meetings attended
Mr. B. P. Washaya	4	4
Mr. B. A. Chikwanha	4	4
Mr. T. N. Mundawarara*	1	1
Mr. A. M. T. Mutsonziwa**	2	2
Mr. B. W. Madzivire*******	4	4
Mr. J. Chigwedere**	2	1
Mr. J. Chenevix Trench	4	4
Ms. M. R. Svova	4	4
Mr. R. Keighley***	2	2
Mr. B. A. M. Zwinkels	4	4
Mr. C. I. F. Ndiaye	4	4
Mr. E. Sandersen****	2	1
Ms. J. Maguranyanga*****	2	1
Mr. K. Qurashi******	1	1
Mr. C. Chikaura*******	-	-

**Mr. T. N. Mundawarara resigned from the NMBZ Limited board with effect from 19 March 2015.*
***Mr. A. M. T. Mutsonziwa and Mr. J. Chigwedere retired at the Annual General Meeting held on 21 May 2015.*
****Mr. R. Keighley resigned from the NMBZ Holdings Limited board with effect from 3 July 2015.*
*****Mr. E. Sandersen was appointed to the NMBZ Holdings Limited board on 13 August 2015.*
******Ms. J. Maguranyanga was appointed to the NMBZ Holdings Limited board on 10 July 2015.*
*******Mr. K. Qurashi was appointed to the NMBZ Holdings Limited board on 19 August 2015.*
********Mr. B. W. Madzivire resigned from the NMBZ Holdings Limited board with effect from 31 December 2015.*
*********Mr. C. Chikaura became a member of the Committee with effect from 24 December 2015.*

4.4.2 Audit Committee

Name	Meetings held	Meetings attended
Ms. M. R. Svova	4	4
Mr. B. W. Madzivire***	4	4
Mr. A. M. T. Mutsonziwa*	2	1
Mr. K. Qurashi**	2	2
Mr. C. Chikaura****	-	-

**Mr A. M. T. Mutsonziwa retired by rotation at the Annual General Meeting held on 21 May 2015.*
***Mr. K. Qurashi became a member of the Committee with effect from 19 August 2015.*
****Mr. B. W. Madzivire resigned from the Committee with effect from 31 December 2015.*
*****Mr. C. Chikaura became a member of the Committee with effect from 24 December 2015.*

4. DIRECTORATE (Cont'd)

4.4.3 Risk Management Committee

Name	Meetings held	Meetings attended
Mr. B. W. Madzivire*	3	3
Mr. B. P. Washaya	4	4
Mr. C. Ndiaye	4	4
Mr. R. Keighley**	2	2
Mr. E. Sandersen***	2	2
Ms. J. Maguranyanga****	2	2
Mr. K. Qurashi*****	1	1
Mr. B. A. Chikwanha******	1	-
Mr. C. Chikaura*******	-	-

**Mr. B. W. Madzivire stepped down from the Committee with effect from 19 August 2015.*
***Mr. R. Keighley resigned from the NMBZ Holdings Limited board with effect from 3 July 2015.*
****Mr. E. Sandersen became a member of the Committee with effect from 13 August 2015.*
*****Ms. J. Maguranyanga became a member of the Committee with effect from 10 July 2015.*
******Mr. K. Qurashi became a member of the Committee with effect from 19 August 2015.*
*******Mr. B. A. Chikwanha became a member of the Committee with effect from 19 August 2015.*
********Mr. C. Chikaura became a member of the Committee with effect from 24 December 2015.*

4.4.4 Asset and Liability Management (ALCO) & Finance Committee

Name	Meetings held	Meetings attended
Mr. J. Chigwedere*	1	1
Mr. T. N. Mundawarara**	1	1
Mr. J. Chenevix-Trench	4	4
Mr. R. Keighley***	2	2
Mr. B. A. M. Zwinkels	4	4
Ms. M. R. Svova****	2	2
Mr. E. Sandersen*****	2	2
Mr. B. P. Washaya	4	4
Mr. B. A. Chikwanha******	3	3

**Mr.J. Chigwedere retired by rotation at the Annual General Meeting held on 21 May 2015.*
***Mr. T. N. Mundawarara resigned from the NMBZ Holdings Limited board with effect from 19 March 2015.*
****Mr. R. Keighley resigned from the NMBZ Holdings Limited board with effect from 3 July 2015.*
*****Ms. M. R. Svova became a member of the Committee with effect from 16 August 2015.*
****** E. Sandersen became a member of the Committee with effect from 13 August 2015.*
*******Mr. B. A. Chikwanha became a member of the Committee with effect form 17 March 2015, he stepped down from the committee with effect from 19 August 2015.*

4. **DIRECTORATE (Cont'd)**

4.4.5 Loans Review Committee

Name	Meetings held	Meeting attended
Mr. J. Chigwedere*	2	2
Mr.C. Ndiaye	4	4
Mr. B. A. M. Zwinkels	4	2
Mr. E. Sandersen**	2	2
Ms. J. Maguranyanga***	2	2
Mr. B. A. Chikwanha****	1	1
Mr.J.Chenevix-Trench	4	-

**Mr. J. Chigwedere retired by rotation at the Annual General Meeting held on 21 May 2015.*

***Mr. E. Sandersen became member of the Committee with effect from 13 August 2015.*

****Ms. J. Maguranyanga become member of the Committee with effect from 10 July 2015.*

*****Mr. B. A. Chikwanha stepped down from the Committee with effect from 18 March 2015.*

4.4.6 Human Resources, Remuneration and Nominations Committee

Name	Meetings held	Meetings attended
Mr. A. M. T. Mutsonziwa*	2	2
Mr. T. N. Mundawarara**	1	1
Mr. B. A. Chikwanha***	4	4
Mr. B. W. Madzivire****	3	3
Ms. J. Maguranyanga*****	3	3
Mr. C. Ndiaye	5	5
Mr. J. Chenevix-Trench	5	5
Mr. B. A. M. Zwinkels	5	5

**Mr. A. M. T. Mutsonziwa retired by rotation at the Annual General Meeting held on 21 May 2015.*

***Mr. T. N. Mundawarara resigned from the NMBZ Holdings Limited board with effect from 19 March 2015.*

****Mr. B. A. Chikwanha became a member of the Committee with effect from 19 March 2015.*

*****Mr. B. W. Madzivire became a member with effect from 19 August 2015, he then resigned from the committee with effect from 31 December 2015.*

*****Ms. J. Maguranyanga became a member of the Committee with effect from 10 July 2015.*

4.4.7 Credit Committee

Name	Meetings held	Meetings attended
Mr. T. N. Mundawarara*	2	2
Mr. B. A. Chikwanha**	9	8
Ms. M. R. Svova	11	11
Mr. R. Keighley ***	5	5
Mr. A. M. T. Mutsonziwa****	3	3
Mr. K. Qurashi *****	4	4
Mr. B. P. Washaya	11	11

**Mr. T. N. Mundawarara resigned from the NMBZ Holdings Limited board with effect from 19 March 2015.*

***Mr. B. A. Chikwanha became a member of the Committee with effect from 19 March 2015.*

****Mr. R. Keighley resigned from the NMBZ Holdings Limited board with effect from 3 July 2015.*

*****Mr. A. M. T. Mutsonziwa retired by rotation at Annual General Meeting held on 21 May 2015.*

******Mr. K. Qurashi became a member of the Committee with effect from 19 August 2015.*

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. More recently, the National Code on Corporate Governance was launched and the Group is working on adopting principles enunciated in this code as well. The Board has set up the Audit Committee, Human Resources and Remuneration Committee, ALCO & Finance 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

Following the re-organisation of the Board, the NMBZ Holdings Limited and NMB Bank Limited boards comprise of ten directors each. The boards of the holding company and the Bank are identical as the group obtained regulatory approval to have one board for the Group and the banking subsidiary as the Bank is the group's only operating subsidiary. The NMBZ Holdings and NMB Bank board comprises, of one executive and nine non-executive directors. Of the nine non-executive directors, five are independent 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:	Ms. M. Svova	Chairperson - Independent Non-Executive Director
	Mr. K. Qurashi	Independent Non-Executive Director
	Mr. C. Chikaura	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:	Ms. J. Maguranyanga	Chairperson - Independent Non-Executive Director
	Mr. J. Chenevix - Trench	Non-Executive Director
	Mr. B. A. M. Zwinkels	Non-Executive Director
	Mr. C. Chikaura	Independent Non-Executive Director
	Mr. C. Ndiaye	Non-Executive Director
	Mr. B. A. Chikwanha	Independent Non-Executive Director

5.4 Loans Review Committee

The Loans Review Committee assesses compliance of the loan book with the lending policy and the Banking Regulations. The Committee conducts loan reviews independent of any person or Committee responsible for sanctioning credit.

Membership:	Ms. J. Maguranyanga	Chairperson - Independent Non-Executive Director
	Mr. J. Chevenix-Trench	Non-Executive Director
	Mr. C. Ndiaye	Non - Executive Director
	Mr. B. A. M. Zwinkels	Non - Executive Director
	Mr. E. Sandersen	Non-Executive Director

5.5 **Credit Committee**

The Credit Committee's main responsibilities are to consider loan applications beyond the discretionary limits of the Management Credit Committee and to direct the formulation of, review and monitor the credit principles and policies of the Group.

Membership:	Mr. B. A. Chikwanha	Chairman - Independent Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer
	Ms. M. Svova	Independent Non-Executive Director
	Mr. K. Qurashi	Independent Non-Executive Director

5.6 **Asset and Liability Management & Finance Committee**

The ALCO & Finance 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. In addition, the Committee monitors the business and financial strategies of the Company and keeps track of financial performance vis a vis the budget.

Membership:	Ms. M. Svova	Chairperson-Independent Non-Executive Director
	Mr. J. Chenevix - Trench	Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director
	Mr. B. A. M. Zwinkels	Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer

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. K. Qurashi	Chairman-Independent Non-Executive Director
	Ms. J. Maguranyanga	Independent Non-Executive Director
	Mr. C. Ndiaye	Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director
	Mr. C.Chikaura	Independent Non-Executive Director
	Mr. B. A. Chikwanha	Independent Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer

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 2015 and to appoint auditors of the Company for the ensuing year.

By order of the Board

Mutandwa

V MUTANDWA
COMPANY SECRETARY
Harare
15 March 2016

Statement Of Directors' Responsibility
For the year ended 31 December 2015

1. **RESPONSIBILITY**

   The Directors of the Company are mandated by the Companies Act (Chapter 24:03) 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 National Code on Corporate Governance, the United Kingdom Combined Code and the Reserve Bank of Zimbabwe Corporate Governance Guideline. The directors of the Group are cognisant of their responsibility to exercise the duty of care and act in good faith in order to safeguard all stakeholders' interests.

3. **BOARD OF DIRECTORS**

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

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

4. **INTERNAL FINANCIAL CONTROLS**

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

5. **GOING CONCERN**

   The Directors have assessed the ability of the Group and its subsidiaries 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 Internal 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 control including internal financial controls and the conduct of the Group's operations.

7. **REMUNERATION**

   The Human Resources, Remuneration and Nominations 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 operationalising 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.

Statement Of Directors' Responsibility (Cont'd)

For the year ended 31 December 2015

9. **SOCIAL RESPONSIBILITY**

The Group recognises its responsibility in the society within which it operates. The Group's social investments were channelled into the country's educational system, the disadvantaged, vulnerable groups, protection of the environment, wildlife conservation, the arts and various sporting disciplines.

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.

12. **FINANCIAL STATEMENTS**

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity and the statement of cash flows as at 31 December 2015, together with the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and legislative and regulatory requirements.

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

Approval of the financial statements

The financial statements of the Company and Group appearing on pages 17 to 86 were approved by the board of directors on 15 March 2016 and are signed on their behalf by:

B. A. CHIKWANHA
CHAIRMAN

Date: 15 March 2016

B. P. WASHAYA
GROUP CHIEF EXECUTIVE OFFICER

Date: 15 March 2016

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe

Telephone +263 (4) 303700
+263 (4) 302600
Fax +263 (4) 303699

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NMBZ HOLDINGS LIMITED

Report on the Financial Statements

We have audited the consolidated and separate financial statements of NMBZ Holdings Limited, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages17 to 86.

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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of NMBZ Holdings Limited as at 31 December 2015, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

KPMG

KPMG CHARTERED ACCOUNTANTS (Zimbabwe)
HARARE

15 March 2016

Statements Of Comprehensive Income

For the year ended 31 December 2015

	Note	GROUP 2015 US$	GROUP 2014 US$	COMPANY 2015 US$	COMPANY 2014 US$
Interest income	4	35 761 355	31 072 461	-	1
Interest expense	5	(15 118 231)	(12 651 519)	-	-
Net interest income		20 643 124	18 420 942	-	1
Net foreign exchange gains	6.3	1 416 445	1 822 432	-	-
Fee and commission income	6.1	20 984 694	15 121 536	-	-
Revenue		43 044 263	35 364 910	-	1
Non-interest income	6.2	1 234 125	62 025	(5 735)	430 690
Share of profit of associate	24	-	-	-	-
Operating expenditure	7	(26 872 649)	(27 984 051)	-	(433 080)
Impairment losses on loans and advances	21.3	(9 496 601)	(5 017 362)	-	-
Profit/(loss) before taxation		7 909 138	2 425 522	(5 735)	(2 389)
Taxation (charge)/credit	8	(2 422 040)	(768 455)	289	(2 345)
Profit/(loss) for the year		5 487 098	1 657 067	(5 446)	(4 734)
Other comprehensive income for the year, net of tax	6.4	2 970	10 180	-	-
Total comprehensive income/(loss) for the year		5 490 068	1 667 247	(5 446)	(4 734)
Attributable to:					
Owners of the parent		5 490 068	1 667 247	(5 446)	(4 734)
		5 490 068	1 667 247	(5 446)	(4 734)
Earnings per share (US cents)					
-Basic	9.3	1.43	0.43		
-Diluted basic	9.3	1.33	0.40		

Statements Of Financial Position

As at 31 December 2015

	Note	GROUP 2015 US$	GROUP 2014 US$	COMPANY 2015 US$	COMPANY 2014 US$
SHAREHOLDERS' FUNDS					
Share capital	10	78 598	78 598	78 598	78 598
Capital reserves	11	19 546 840	19 093 810	15 800 111	15 800 111
Retained earnings	12	15 169 029	10 131 991	742 814	748 260
Total equity		**34 794 467**	**29 304 399**	**16 621 523**	**16 626 969**
Redeemable ordinary shares	13	14 335 253	14 335 253	14 335 253	14 335 253
Subordinated loan	14	1 414 144	1 407 964	-	-
Total shareholders' funds	15	**50 543 864**	**45 047 616**	**30 956 776**	**30 962 222**
LIABILITIES					
Deposits and other liabilities	16	283 287 243	241 001 418	656 568	656 572
Total shareholders' funds and liabilities		**333 831 107**	**286 049 034**	**31 613 344**	**31 618 794**
ASSETS					
Cash and cash equivalents	20	63 439 347	54 750 561	53	53
Current tax assets	8.4	23 075	1 436 974	85 752	85 752
Investment securities	17.1	14 547 992	3 874 525	-	-
Loans, advances and other assets	21	235 088 981	203 363 052	7 385	7 389
Investment in debentures	18	-	4 614 047	-	-
Non-current assets held for sale	22	2 264 300	2 267 300	-	-
Investments:-					
Trade investments	23	77 805	81 390	-	-
Associates	24	-	-	-	-
Group companies	25	-	-	31 505 686	31 505 686
Quoted and other investments	26	68 220	127 291	10 650	16 385
Investment properties	27	8 125 800	4 453 300	-	-
Intangible assets	28	1 689 385	1 950 733	-	-
Property and equipment	29	6 601 086	6 345 267	-	-
Deferred tax assets	19	1 905 116	2 784 594	3 818	3 529
Total assets		**333 831 107**	**286 049 034**	**31 613 344**	**31 618 794**

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B. A. CHIKWANHA

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B. P. WASHAYA
15 March 2016

DIRECTORS

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V. MUTANDWA
COMPANY SECRETARY
15 March 2016

Statement Of Changes In Equity

For the year ended 31 December 2015

GROUP

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Regulatory Reserve US$	Retained Earnings US$	Total US$
Balances at 1 January 2014	78 598	15 737 548	45 671	2 154 252	9 604 191	27 620 260
Total comprehensive income for the year	-	-	-	-	1 667 247	1 667 247
Transfer to regulatory reserve	-	-	-	1 139 447	(1 139 447)	-
Share options issues	-	-	16 892	-	-	16 892
Balances at 31 December 2014	78 598	15 737 548	62 563	3 293 699	10 131 991	29 304 399
Total comprehensive income for the year	-	-	-	-	5 490 068	5 490 068
Transfer to regulatory reserve	-	-	-	453 030	(453 030)	-
Balances at 31 December 2015	78 598	15 737 548	62 563	3 746 729	15 169 029	34 794 467

COMPANY

	Share capital US$	Share premium US$	Share option reserve US$	Retained earnings US$	Total US$
Balances at 1 January 2014	78 598	15 737 548	45 671	752 994	16 614 811
Total loss for the year	-	-	-	(4 734)	(4 734)
Share options issued	-	-	16 892	-	16 892
Balances at 31 December 2014	78 598	15 737 548	62 563	748 260	16 626 969
Total loss for the year	-	-	-	(5 446)	(5 446)
Balances at 31 December 2015	78 598	15 737 548	62 563	742 814	16 621 523

Statements Of Cash Flows

For the year ended 31 December 2015

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	7 909 138	2 425 522	(5 735)	(2 389)
Non-cash items				
-Impairment losses on loans and advances	9 496 601	5 017 362	-	-
-Investment properties fair value adjustment	(118 278)	(37 800)	-	-
-Profit on disposal of property and equipment	46 924	(6 274)	-	-
- Profit on disposal of investment properties	(635 500)	-	-	-
-Loss on disposal of property and equipment (included in staff costs)	68 470	177 413	-	-
-Quoted and other investments fair value adjustment	62 654	13 372	5 735	6 559
-Impairment/(impairment reversal) on land and buildings	44 200	(46 900)	-	-
-Depreciation	1 690 902	1 899 047	-	-
-Non-current assets held for sale fair value adjustment	3 000	(3 000)	-	-
-Amortisation of intangible asset	509 687	337 118	-	-
Operating cash flows before changes in operating assets and liabilities	19 077 798	9 775 860	-	4 170
Changes in operating assets and liabilities				
Deposits and other liabilities	42 285 825	24 959 709	(4)	(128 250)
Loans, advances and other assets	(41 222 530)	(27 064 142)	4	(4)
Investment in debentures	4 614 047	(629 324)	-	-
Net cash inflow/(outflow) generated from operations	24 755 140	7 042 103	-	(124 084)
Taxation				
Corporate tax paid	(37 843)	(422 299)	-	-
Capital gains tax paid	(91 850)	(8 500)	-	(6 750)
Net cash inflow/(outflow) from operating activities	24 625 447	6 611 304	-	(130 834)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	101 767	10 177	-	-
Purchase of property and equipment	(2 271 943)	(992 076)	-	-
Acquisition of investment property	(8 230 860)	(30 200)	-	-
Proceeds on disposal of non-current assets held for sale	-	39 000	-	-
Acquisition of intangible asset	(248 339)	(623 482)	-	-
Increase in investment securities	(10 673 466)	810 946	-	-
Proceeds on disposal of investments propertites	5 380 000	-	-	-
Net cash outflow from investing activities	(15 942 841)	(785 635)	-	(130 834)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from subordinated loan	-	-	-	-
Interest capitalised on subordinated loan	134 676	140 487	-	-
Payment of interest on subordinated loan	(128 496)	(218 413)	-	-
Proceeds on disposal of unquoted investment	-	130 835	-	130 835
Net increase in cash and cash equivalents	8 688 786	5 878 578	-	1
Cash and cash equivalents at the beginning of the year	54 750 561	48 871 983	53	52
Cash and cash equivalents at the end of the year (note 20)	63 439 347	54 750 561	53	53

Significant Accounting Policies
For the year ended 31 December 2015

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.

BUSINESS COMBINATIONS
Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Subsidiaries
Subsidiaries are those investees controlled by the Group. The Group controls an investee if it is exposed to/or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiary. 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.

In the holding company's separate financial statements investment in subsidiaries are accounted for at cost.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contigent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Associates
An associate is an entity over which the Group has significant influence, as evidenced by the Group holding directly or indirectly 20% or more of the voting power of the investee representation on the Board and direct involvement with the policy making processes of the investee. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is measured in the statement of financial position at cost plus post acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate until the date on which significant influences ceases. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Unrealised gains resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is evidence of impairment. The financial statements of the associate are prepared for the same reporting period as the Group.

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

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

Non-controlling interests
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGN CURRENCY TRANSACTIONS
Transactions in foreign currencies are translated into United States Dollars (US$), which is the respective functional currency of Group entities at the

FOREIGN CURRENCY TRANSACTIONS (cont'd)

spot exchange rates at the date of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

TAXATION

Income tax

Income tax expenses comprise current, capital gains, deferred tax and AIDS levy. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively 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

Deferred tax is recognised 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 is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

FINANCIAL INSTRUMENTS

Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and financial liabilities are initially recognised on the trade date, i.e., the date that the Group 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 management's intention in acquiring them. All financial instruments are measured initially at fair

FINANCIAL INSTRUMENTS (Cont'd)

value plus transaction costs, except in the case of financial assets and financial liabilities recognised 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 recognised 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, 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 recognised in the statement of financial position at fair value. Changes in fair value are recognised 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.

(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 profit or loss 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 Group, 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 profit or loss. The losses arising from impairment are recognised in the profit or loss 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 method.

(viii) 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.

FINANCIAL INSTRUMENTS (Cont'd)

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.

(ix)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 recognised 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 recognised in equity is recycled to the profit and loss.

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 Group 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.

FAIR VALUE MEASUREMENT

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial

FINANCIAL INSTRUMENTS (Cont'd)

recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.

Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

FINANCIAL INSTRUMENTS (Cont'd)

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank Credit Committee and the Board of Directors determines that there is no realistic prospect of recovery.

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 allowance 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 allowance 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 recognised in profit or loss.

Non-performing loans

Interest on loans and advances is accrued as 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.

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 41.1.4 for further analysis of collateral).

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

FINANCIAL INSTRUMENTS (Cont'd)

agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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 recognised in the profit or loss as incurred.

Land and buildings are measured at revalued amount less accumulated depreciation on buildings and impairment losses recognised 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 recognised in other comprehensive income and accumulated in the 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 recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised 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 derecognised 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 derecognised.

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 & Equipment 20%
- Buildings 2%

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

Amortisation of intangible assets:

The depreciable amount of an intangible asset with a finite useful life is allocated on a straight line basis over its useful life. The amortisation rate is as follows:

- Computer software 20%

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 qualifying 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

PROPERTY AND EQUIPMENT (Cont'd)

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 rewards 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 rewards 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.

IMPAIRMENT OF NON FINANCIAL ASSETS

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the functions of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist, or may have decreased. If such an indication exists the bank estimates the assets or CGU's recoverable.

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

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

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 banking subsidiary 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 or 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. Arrangement fee income is deferred and recognised over the tenure of the facility.

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.

Short term employee benefits/and share based payments

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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.

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.

SHAREHOLDERS' FUNDS

Shareholders' funds refers to the total investment made by the shareholders to the Group and it consists of share capital, share premium, share options reserve, retained earnings, redeemable ordinary shares and subordinated loans.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These are measured at the lower of the carrying amount and fair value less costs to sell and they are not depreciated. If the non-current asset or disposal group is scoped out of IFRS 5: Non-current assets held for sale and discontinued operations then the measurement principles of the relevant standard apply. Non-current assets are valued by independent professional valuers.

INVESTMENT SECURITIES

The Bank currently holds Reserve Bank of Zimbabwe Bonds and Treasury Bills which were valued at amortised cost as there is currently no market information to facilitate application of the fair value principles.

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 commercial and retail banking.

2. ACCOUNTING CONVENTION

Statement of compliance

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

The financial statements were approved by the Board of Directors on 15 March 2016.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention except for quoted and other investments, investment properties, non-current assets held for sale and financial instruments which are carried at fair value and land and 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 Comparative financial information

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

2.3 Use of estimates, judgements and assumptions

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

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

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

2.3.1 Deferred tax

Deferred taxation is recognised 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. Differed 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 for assets purchased (in ZWD) prior to 1 January 2009 the directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced methods to be used 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. ACCOUNTING CONVENTION (Cont'd)

2.3.2 Land and buildings

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

2.3.3 Intangible assets

Intangible assets are initially recognised at cost. Subsequently the assets are measured at cost less accumulated amortisation and any accumulated impairment loss.

2.3.4 Investment properties

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

The directors exercised their judgement in determining the residual values of the other property and equipment which have been determined as nil.

2.3.5 Non-current assets held for sale

Non-current assets were valued by an independent professional valuer. All non-current assets held for sale are measured at their fair values. The valuer applied the rental yield method to assess fair value of non-current assets held for sale. The determined fair value of non-current assets held for sale 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.

2.3.6 Investment securities

2.3.6.1 Investment securities held to maturity

This relates to the RBZ Bond that was valued at amortised cost as there is no market information to facilitate the application of fair value principles (refer to Note 17.1). There is currently no active market for these bonds.

2.3.6.2 Investment securities - loans and receivables

This relates to Treasury Bills which the Group currently holds which are valued at amortised cost (refer to Note 17.3) as there is currently no market information to facilitate application of the fair value principles.

2.3.7 Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the 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 *Significant Accounting Policies – identification measurement of impairment.*

2.3.8 Fair value adjustments on unquoted investments

Fair value adjustment of unquoted investments is established with reference to the net asset value and the earnings capacity of the business.

2. ACCOUNTING CONVENTION (Cont'd)

2.3.8 Fair value adjustments on unquoted investments (Cont'd)

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.

2.3.9 Going concern

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

2. 4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.4.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS, EFFECTIVE ON OR AFTER 1 JANUARY 2016

The following standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2016 and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set below. The Group has no plan to adopt these early but will adopt them as and when they become mandatory.

Standard/Interpretation		**Effective date Periods beginning on or after**
IAS 27	*Equity Method in Separate Financial Statements*	1 January 2016
IAS 1	*Disclosure Initiative*	1 January 2016
IFRS 15	*Revenue from contracts with customers*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
IFRS 16	*Leases*	1 January 2019

(i) IAS 27 Equity Method in Separate Financial Statements

The amendments in IAS 27 will allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The amendments are not anticipated to have a material impact on the financial statements of the Group.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and the Group has decided not to early adopt the amendments.

(ii) IAS 1 Disclosure Initiative

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments are not anticipated to have a material impact on the financial statements of the Group.

The amendments apply for annual periods beginning on or after 1 January 2016.

(iii) IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11; *Construction Contracts,* IAS 18; *Revenue,* IFRIC 13; *Customer Loyalty Programmes,* IFRIC 15; *Agreements for the Construction of Real Estate,* IFRIC 18; *Transfer of Assets from Customers* and SIC-31; *Revenue – Barter of Transactions Involving Advertising Services.*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The new standard is not anticipated to have a material impact on the financial statements of the Group.

STANDARDS, AMENDMENTS AND INTERPRETATIONS, EFFECTIVE ON OR AFTER 1 JANUARY 2016 (Cont'd)

(iv) IFRS 9 Financial Instruments

The IASB issued the final IFRS 9 Financial Instruments Standard which replaces earlier version of IFRS 9. This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018.

(v) IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 Property Plant and Equipment states that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendment to IAS 38 Intangible assets introduces a rebuttable presumption that the use of revenue - based amortisation methods for intangible assets is inappropriate. The presumption can only be overcome when revenue and consumption of economic benefits of the intangible asset are highly correlated.

The amendments will not have an impact on the Group's financial statements since the Group does not employ revenue-based methods of depreciation or amortisation for its property and equity and intangible assets.

The amendment apply prospectively for annual periods beginning on or after 1 January 2016.

(vi) IFRS 16 Leases

IFRS 16 is replacing the previous standard IAS 17 leases and it set out the principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. IFRS 16 offers one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors.

The new requirement will result in an increase of the Group's lease assets and financial liabilities.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

3. SEGMENT INFORMATION

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

Retail banking - Individual customers deposits and consumer loans, overdrafts, credit card facilities and funds transfer facilities.

Corporate banking - Loans and other credit facilities and deposit and current accounts for corporate and institutional customers.

Treasury - Money market investment, securities trading, accepting and discounting of instruments and foreign currency trading.

International banking - Handles the Group's foreign currency denominated banking business and manages relationships with correspondent banks.

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in 2015 or 2014.

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 2015

	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Corporate Finance US$	Unallocated US$	Total US$
Third party income	30 779 845	19 942 424	5 108 349	1 597 671	992 446	975 884	59 396 619
Impairment losses on loans and advances	(2 551 763)	(6 944 838)	-	-	-	-	(9 496 601)
Net operating income	**28 228 082**	**12 997 586**	**5 108 349**	**1 597 671**	**992 446**	**975 884**	**49 900 018**
Results							
Interest income	13 722 707	18 168 196	3 254 024	-	436 786	179 642	35 761 355
Interest expense	(5 246 473)	(7 523 511)	(2 059 002)	-	(289 245)	-	(15 118 231)
Net interest income	**8 476 234**	**10 644 685**	**1 195 022**	**-**	**147 541**	**179 642**	**20 643 124**
Fee and commission income	17 057 135	1 774 228	-	1 597 671	555 660	-	20 984 694
Depreciation of property and equipment	1 211 150	138 300	55 011	61 312	34 234	190 895	1 690 902
Amortisation of intangible assets	-	-	-	-	-	509 687	509 687
Segment profit/(loss) before tax	**5 904 945**	**(243 837)**	**1 189 656**	**(193 878)**	**276 368**	**975 884**	**7 909 138**
Income tax expense	-	-	-	-	-	(2 422 040)	(2 422 040)
Other comprehensive income for the year net of tax	-	-	-	-	-	2 970	2 970
Profit/(loss) for the year	**5 904 945**	**(243 837)**	**1 189 656**	**(193 878)**	**276 368**	**(1 443 186)**	**5 490 068**
As at 31 December 2015							
Assets and liabilities							
Capital expenditure	1 251 784	45 811	1 178	2 200	-	1 219 309	2 520 282
Total assets	**126 097 301**	**120 542 673**	**66 724 913**	**95 275**	**3 183 641**	**17 187 304**	**333 381 107**
Total liabilities	**76 966 500**	**83 704 208**	**117 254 881**	**-**	**-**	**6 775 798**	**284 701 387**

Notes To The Financial Statements (Cont'd)

For the year ended 31 December 2015

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 2014

	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Corporate Finance US$	Unallocated US$	Total US$
Third party income	21 813 485	19 173 640	3 940 624	1 755 909	986 037	408 758	48 078 453
Impairment losses on loans and advances	(1 062 257)	(3 955 105)	-	-	-	-	(5 017 362)
Net operating income	**20 751 228**	**15 218 535**	**3 940 624**	**1 755 909**	**986 037**	**408 758**	**43 061 091**
Results							
Interest income	9 645 130	18 806 056	2 118 193	-	156 389	346 693	31 072 461
Interest expense	(2 766 971)	(8 817 799)	(1 066 749)	-	-	-	(12 651 519)
Net interest income	**6 878 159**	**9 988 257**	**1 051 444**	**-**	**156 389**	**346 693**	**18 420 942**
Fee and commission income	12 168 355	367 584	-	1 755 909	829 688	-	15 121 536
Depreciation of property and equipment	874 507	150 236	51 713	49 100	28 152	745 339	1 899 047
Amortisation of intangible assets	-	-	-	-	-	337 118	337 118
Segment profit/ (loss) before tax	**2 265 727**	**(2 944 200)**	**2 030 053**	**167 485**	**514 387**	**392 070**	**2 425 522**
Income tax expense	-	-	-	-	-	(768 455)	(768 455)
Other comprehensive income for the year net of tax	-	-	-	-	-	10 180	10 180
Profit/(loss) for the year	**2 265 727**	**(2 944 200)**	**2 030 053**	**167 485**	**514 387**	**(366 205)**	**1 667 247**
As at 31 December 2014							
Assets and liabilities							
Capital expenditure	536 358	2 636	4 957	13 306	-	1 058 301	1 615 558
Total assets	**73 534 753**	**148 614 532**	**46 786 313**	**95 275**	**1 526 165**	**15 491 996**	**286 049 034**
Total liabilities	**71 428 790**	**73 143 586**	**90 995 763**	**-**	**-**	**6 841 243**	**242 409 382**

Notes To The Financial Statements (Cont'd)

For the year ended 31 December 2015

4. INTEREST INCOME

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Loans and advances to banks	2 226 621	1 908 075	-	-
Loans and advances to customers	32 271 843	28 879 078	-	-
Investment securities	1 262 891	210 321	-	-
Other	-	74 987	-	1
	35 761 355	31 072 461	-	1

5. INTEREST EXPENSE

	GROUP	
	2015 US$	2014 US$
Due to banks	4 443 681	4 144 427
Due to customers	10 378 937	8 029 421
Other borrowed funds	295 613	477 671
	15 118 231	12 651 519

6. FEE AND COMMISSION INCOME, NON-INTEREST INCOME, NET FOREIGN EXCHANGE GAINS AND OTHER COMPREHENSIVE INCOME

6.1 Fee and commission income

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Retail banking customer fees	17 057 135	12 168 355	-	-
Corporate banking credit related fees	1 567 808	227 064	-	-
Financial guarantee income	206 420	140 520	-	-
International banking commissions	1 597 671	1 755 909	-	-
Corporate finance fees	555 660	829 688	-	-
	20 984 694	15 121 536	-	-

6. FEE AND COMMISSION INCOME, NON-INTEREST INCOME, NET FOREIGN EXCHANGE GAINS AND OTHER COMPREHENSIVE INCOME (Cont'd)

6.2 Non - interest income

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Quoted and other investments fair value adjustments	(62 654)	(13 372)	(5 735)	(6 559)
(Loss)/profit on disposal of property and equipment	(46 924)	6 274	-	-
Fair value adjustment on investment properties	118 278	37 800	-	-
Profit on disposal on investment property	635 500	-	-	-
Fair value adjustment on non-current assets held for sale	(3 000)	3 000	-	-
Rental income	49 523	36 160	-	-
Bad debts recovered	430 851	1 502	-	-
Other operating income	112 551	(9 339)	-	437 249
	1 234 125	62 025	(5 735)	430 690

6.3 Net foreign exchange gains

	GROUP	
	2015 US$	2014 US$
Net foreign exchange gains	1 416 445	1 822 432

Net foreign exchange income includes gains and losses from spot and forward contracts.

6.4 Other comprehensive income

	2015 US$	**2014 US$**
Gross revaluation adjustment on land and buildings	4 000	13 710
Tax effect	(1 030)	(3 530)
Net revaluation adjustment	2 970	10 180

7. OPERATING EXPENDITURE

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
The operating profit is after charging the following:-				
Administration costs	12 702 704	11 798 556	-	-
Audit fees:				
Current year	85 557	74 014	-	-
Prior year	109 325	140 433	-	-
Impairment/(impairment reversal) on land and buildings	44 200	(46 900)	-	-
Amortisation of intangible assets	509 687	337 118	-	-
Depreciation	1 690 902	1 899 047	-	-
Directors' remuneration	499 024	996 571	-	-
- Fees for services as directors	232 705	316 255	-	-
- Other emoluments	266 319	680 316	-	-
Staff costs -salaries, allowances and related costs	10 362 780	11 699 514	-	433 080
-termination benefits	868 470	1 085 698	-	-
	26 872 649	27 984 051	-	433 080

8. TAXATION

8.1 Income tax expense/(credit)

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Current tax	1 341 497	703 432	-	5 796
Aids levy	40 245	21 103	-	174
Capital gains tax	161 850	8 500	-	6 750
Deferred tax	878 448	35 420	(289)	(10 375)
	2 422 040	768 455	(289)	2 345

8.2 Reconciliation of income tax charge/(credit)

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Based on results for the period at a rate of 25.75%	2 036 603	624 572	(1 477)	(615)
Arising due to:				
Income not subject to tax	(155 208)	(28 871)	-	(3 734)
Non-deductible expenses	392 950	213 715	3 398	3 678
Tax rate differential on capital gains	(14 155)	(49 461)	(2 210)	(3 734)
Capital gains tax	161 850	8 500	-	6 750
	2 422 040	768 455	(289)	2 345

8. TAXATION (Cont'd)

8.3 Total taxation charge/(credit) analysed by company

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Stewart Holdings (Private) Limited	(2 720)	(1 112)	-	-
NMB Bank Limited	2 425 049	767 222	-	-
NMBZ Holdings Limited	(289)	2 345	(289)	2 345
	2 422 040	768 455	(289)	2 345

8.4 Current tax assets (income tax and aids levy)

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
At 1 January	(1 436 974)	(1 739 210)	(85 752)	(91 722)
Charge for the year	1 543 592	733 035	-	12 720
Payments during the year	(129 693)	(430 799)	-	(6 750)
	(23 075)	(1 436 974)	(85 752)	(85 752)

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.

Notes To The Financial Statements (Cont'd)

For the year ended 31 December 2015

9. EARNINGS PER SHARE (Cont'd)

9.1 Earnings

	2015 US$	2014 US$
Attributable earnings	5 490 068	1 667 247

9.2 Number of shares

	2015	2014
Weighted average shares in issue	384 427 351	384 427 351
Diluted weighted average number of shares	384 427 351	384 427 351
Number of shares at beginning of period		
Effect of dilution:	384 427 351	384 427 351
Share options granted but not issued	4 128 434	4 128 434
Share options approved but not granted	23 942 639	23 942 639
	412 498 424	412 498 424

9.3 Earnings per share (US cents)

	2015	2014
Basic earnings per share	1.43	0.43
Diluted earnings per share	1.33	0.40

10. SHARE CAPITAL

10.1 Authorised

	GROUP AND COMPANY			
	2015 Shares million	2014 Shares million	2015 US$	2014 US$
Ordinary shares of US$0.00028 each	600	600	168 000	168 000

10.2 Issued and fully paid

10.2.1 Ordinary shares

	GROUP AND COMPANY			
	31 December 2015 Shares million	31 December 2014 Shares million	31 December 2015 US$	31 December 2014 US$
Ordinary shares	281	281	78 598	78 598
	281	281	78 598	78 598

10.2.2 Redeemable ordinary shares

	31 December 2015 Shares million	31 December 2014 Shares million	31 December 2015 US$	31 December 2014 US$
At 1 January	104	104	29 040	29 040
Shares issued (note 13)	-	-	-	-
	104	104	29 040	29 040

Of the unissued ordinary shares of 215 million shares (2014 – 215 million), options which may be granted in terms of the NMBZ 2005 Employee Share Option Scheme (ESOS) amounted to nil (2014 – nil).

Share options which may be granted in terms of the 2012 ESOS amount to 28 071 073 and as at 31 December 2015; 4 128 434 share options had been allocated from the Scheme.

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	
	2015 US$	2014 US$	2015 US$	2014 US$
Share premium	15 737 548	15 737 548	15 737 548	15 737 548
Share option reserve	62 563	62 563	62 563	62 563
Regulatory	3 746 729	3 293 699	-	-
Total capital reserve	19 546 840	19 093 810	15 800 111	15 800 111

11.1 Nature and purpose of reserves

11.1.1 Share premium

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

11.1.2 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 39.3 for further details of these plans.

11.1.3 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

Analysis of retained profit by company

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
NMBZ Holdings Limited	742 814	748 260	742 814	748 260
NMB Bank Limited	14 439 723	9 346 447	-	-
Stewart Holdings (Private) Limited	(13 508)	37 284	-	-
Total	15 169 029	10 131 991	742 814	748 260

13. REDEEMABLE ORDINARY SHARES

	31 December 2015 US$	31 December 2014 US$
Nominal value (note 10.2.2)	29 040	29 040
Transfer from share premium	14 306 213	14 306 213
	14 335 253	14 335 253

On 30 June 2013 the Company received US$14 831 145 capital from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Norwegian Investment Fund for Developing Countries (Norfund) and AfricInvest Financial Sector Holdings (AfricInvest) who were allocated 34 571 429 shares each (total 103 714 287) for individually investing US$4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements set by the Reserve Bank of Zimbabwe of US$100 million by 31 December 2020.

NMBZ Holdings Limited (NMBZ) entered into a share buy-back agreement with Norfund, FMO and AfricInvest, where these three strategic investors have a right on their own discretion at any time after the 5th anniversary (30 June 2018) but before the 9th anniversary (30 June 2022) of its first subscription date, to request NMBZ to buy back all or part of its NMBZ shares at a price to be determined using the agreed terms as entailed in the share buy-back agreement. It is a condition precedent that at any point when the share buy-back is being considered, the proceeds used to finance the buy-back should come from the distributable reserves which are over and above the minimum regulatory capital requirements. Further, no buy-back option can be exercised by any investor after the 9th anniversary (30 June 2022) of the effective date.

The share buy-back agreement creates a potential obligation for NMBZ Holdings Limited to purchase its own instruments. The shares issued gave rise to a potential financial liability and are classified as redeemable ordinary shares.

14. SUBORDINATED LOAN

	GROUP	
	2015 US$	2014 US$
Balance at 1 January	1 407 964	1 485 890
Interest capitalised	134 676	140 487
Interest paid	(128 496)	(218 413)
	1 414 144	1 407 964

In 2013, the Bank received a subordinated term loan amounting to US$1.4 million from a Development Financial Institution which attracts an interest rate of LIBOR plus 10% and has a seven year maturity date (13 June 2020) from the first disbursement date.

The above liability would, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer. The Group has not had any defaults on the principal and interest with respect to this subordinated loan during the year ended 31 December 2015. However, there were breaches to the financial covenants regarding the open asset exposure ratio that stood at 41.5% instead of a maximum of 30% as well as the aggregate un-hedged open foreign currency positions ratio that stood at 12.6% instead of a cap of 10%. The Bank will apply for a waiver of the non-compliant ratios by 31 March 2016.

15. TOTAL SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Shareholders' funds	50 543 864	45 047 616	30 956 776	30 962 222
	50 543 864	45 047 616	30 956 776	30 962 222

Shareholders' funds refer to the total investments made by the shareholders into the Group and it consists of share capital (refer to Note 10), capital and reserves (refer to Note 11), retained earnings (refer to Note12), redeemable ordinary shares (refer to Note 13) and the subordinated loan (refer to Note 14).

16. DEPOSITS AND OTHER LIABILITIES

16.1 Deposits and other liabilities by type

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Deposits from banks and other financial institutions**	63 192 674	59 739 033	-	-
Current and deposit accounts from customers*	214 024 095	175 623 644	-	-
Total deposits	277 216 769	235 362 677	-	-
Trade and other payables*	6 070 474	5 638 741	656 568	656 572
	283 287 243	241 001 418	656 568	656 572

*The carrying amounts of Trade and other payables approximate the related fair value due to their short term nature.

**Included in deposits from banks and other financial institutions are loan balances of US$833 333 and US$7 368 421 due to Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden N.V. (FMO) and Societe de Promotion de Participation Pour la Cooperation Economique SA (Proparco) respectively. The Group has not had any defaults on the principal and interest with respect to these loans during the year ended 31 December 2015. However, there were breaches to the Proparco financial covenants regarding the following ratios:

- Open credit exposure – 41.5% (instead of a maximum of 25%)
- Non – performing loans ratio – 13.2% (instead of a maximum of 10%)

The Bank will apply for a waiver of the non-compliant ratios by 31 March 2016.

16. DEPOSITS AND OTHER LIABILITIES (Cont'd)

16.2 Maturity analysis

	GROUP 2015 US$	2014 US$
Less than 1 month	184 324 981	172 324 494
1 to 3 months	66 129 516	32 017 300
3 to 6 months	3 241 887	4 887 371
6 months to 1 year	14 969 876	8 890 799
1 to 5 years	8 550 509	17 242 713
Over 5 years	-	-
	277 216 769	235 362 677

16.3 Sectoral analysis of deposits

	GROUP 2015 US$	%	2014 US$	%
Agriculture	7 959 554	3	4 706 661	2
Banks and other financial institutions	63 192 674	23	59 739 033	25
Distribution	28 153 680	10	21 893 891	9
Individuals	30 782 718	11	31 127 616	13
Manufacturing	37 633 942	14	28 354 313	12
Mining companies	6 268 507	2	4 125 974	2
Municipalities and parastatals	11 833 310	4	10 367 121	5
Other deposits	34 054 452	12	30 124 932	13
Services	47 908 714	17	38 488 209	16
Transport and telecommunications companies	9 429 218	4	6 434 927	3
	277 216 769	100	235 362 677	100

17. FINANCIAL INSTRUMENTS

17.1 Investment securities

	Cost 2015 US$	Cost 2014 US$
Government and public sector securities - RBZ Bonds held to maturity	3 817 687	3 874 525
Treasury Bills - loans and receivables	10 730 305	-
	14 547 992	3 874 525

The Group holds Treasury Bills and Government bonds amounting to US$14 547 992 with interest rates ranging from 2.5% to 5%. Liquidity induced trades have occurred in the secondary market and there is industry consensus that these trades do not represent free market activity. In light of the absence of an active market for the Treasury Bills, the instruments are recorded at amortised cost. Of the total Treasury Bills balance, a total of US$6 136 716 has been pledged as security on interbank borrowings.

17. FINANCIAL INSTRUMENTS (Cont'd)

17.2 Maturity analysis of investment securities held to maturity

	2015 US$	2014 US$
Less than 1 month	-	-
1 to 3 months	1 314 802	-
3 to 6 months	2 502 885	2 582 519
6 months to 1 year	-	1 292 006
1 year to 5 years	-	-
Over 5 years	-	-
	3 817 687	3 874 525

17.3 Maturity analysis of investment securities - loans and receivables

	2015 US$	2014 US$
Less than 1 month	-	-
1 to 3 months	-	-
3 to 6 months	-	-
6 months to 1 year	6 329 114	-
1 year to 5 years	3 400 415	-
Over 5 years	1 000 776	-
	10 730 305	-

17.4 Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer vthe liability in an orderly transaction between market participants at the measurement date.

17. FINANCIAL INSTRUMENTS (Cont'd)

17.4 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Financial instruments measured at fair value – fair value hierarchy

	GROUP			
	31 Dec 2015 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	77 805	-	-	77 805
Quoted investments	68 280	68 280	-	-
	146 085	68 280	-	77 805

During the reporting period ended 31 December 2015, 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.The trade investments were valued using the net asset value method.

	GROUP			
	31 Dec 2014 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	81 390	-	-	81 390
Quoted investments	127 291	127 291	-	-
	208 681	127 291	-	81 390

During the reporting period ended 31 December 2014, 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.

17. FINANCIAL INSTRUMENTS (Cont'd)

17.4.1 Financial instruments not measured at fair value

The below table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2015	GROUP			
Assets	Level 1 US$	Level 2 US$	Level 3 US$	Total carrying amount US$
Cash and cash equivalents	-	63 439 347	-	63 439 347
Advances and other assets	-	-	235 088 981	235 088 981
Investment in debentures	-	-	-	-
Investment securities	-	-	14 547 992	14 547 992
Total	-	63 439 347	249 636 973	313 076 320
Liabilities				
Deposits and other liabilities	-	283 287 243	-	283 287 243
	-	283 287 243	-	283 287 243

31 December 2014	GROUP			
Assets	Level 1 US$	Level 2 US$	Level 3 US$	Total carrying amount US$
Cash and cash equivalents	-	54 750 561	-	54 750 561
Advances and other assets	-	-	203 363 052	203 363 052
Investment in debentures	-	4 614 047	-	4 614 047
Investment securities held to maturity	-	-	3 874 525	3 874 525
Total	-	59 364 608	207 237 577	266 602 185
Liabilities				
Deposits and other liabilities	-	241 001 418	-	241 001 418
	-	241 001 418	-	241 001 418

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:

- The fair values of cash and cash equivalents, advances and other assets and deposits and other liabilities carrying amounts approximate their fair values largely due to the short - term maturities of these instruments.
- Fair value of financial assets and liabilities at fair value through profit or 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.

17. FINANCIAL INSTRUMENTS (Cont'd)

17.4 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

17.4.2 RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

31 December 2015	GROUP			
	Trade investments US$	Advances and other assets US$	Investment securities US$	Total US$
Balance at 1 January	81 390	203 363 052	3 874 525	207 318 967
Movement	(3 585)	31 725 929	10 673 467	42 395 811
Balance at 31 December	77 805	235 088 981	14 547 992	249 714 778

31 December 2014	GROUP			
	Trade investments US$	Advances and other assets US$	Investment securities US$	Total US$
Balance at 1 January	190 148	181 316 271	4 685 781	186 192 200
Movement	(108 758)	22 046 781	(811 256)	21 126 767
Balance at 31 December	81 390	203 363 052	3 874 525	207 318 967

18. INVESTMENT IN DEBENTURES

	GROUP	
	2015 US$	2014 US$
Debentures	4 787 074	4 787 074
Allowance for impairment loss	-	(173 027)
Redemption of debentures	(4 787 074)	-
	-	4 614 047

During the period under review, the Group disposed its interest in debentures at face value.

19. DEFERRED TAX

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Allowance for impairment losses on loans and advances	(2 210 029)	(3 058 971)	-	821
Bad debts	(201 922)	-	-	-
Prepayments	166 012	-	-	-
Quoted and other investments	6 789	10 434	532	-
Investments:-Trade investments	-	-	-	-
Non-current assets held for sale	113 215	113 365	-	-
Investment properties	283 451	222 699	-	-
Property and equipment	444 063	534 901	-	-
Marking to market adjustments IAS 39	(75 544)	(46 451)	-	-
Unrealised foreign exchange gains	219 959	215 616	-	-
Suspended interest	(106 365)	(610 275)	-	-
Deferred income	(463 111)	(156 499)	-	-
Assessed losses	(8 150)	(5 063)	-	-
Provision for share based payments	(4 350)	(4 350)	-	(4 350)
Provision for leave pay	(69 134)	-	(4 350)	-
Closing deferred tax (asset)/liability	(1 905 116)	(2 784 594)	(3 818)	(3 529)
Deferred tax (asset)/liability at the beginning of the year	(2 784 594)	(2 823 544)	(3 529)	6 846
Current year charge/(credit)	879 478	38 950	(289)	(10 375)
Income tax (note 8.1)	878 448	35 420	(289)	(10 375)
Relating to other comprehensive income (note 6.4)	1 030	3 530	-	-

20. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2015	2014	2015	2014
20.1 Balances with Reserve Bank of Zimbabwe	US$	US$	US$	US$
Balances with the Central Bank	26 238 681	11 408 222	-	-
20.2 Balances with other banks and cash				
Current, nostro accounts and cash	11 700 666	15 842 339	53	53
Interbank placements	25 500 000	27 500 000	-	-
Interbank placements	63 439 347	54 750 561	53	53

Of the cash and cash equivalents balance an amount of US$1 214 932 was pledged to FMO and Proparco as collateral for offshore lines of credit.

21. LOANS, ADVANCES AND OTHER ASSETS

21.1 Total loans, advances and other assets

21.1.1 Advances

	GROUP		COMPANY	
	2015	2014	2015	2014
	US$	US$	US$	US$
Fixed term loans	25 138 443	21 889 534	-	-
Local loans and overdrafts	207 408 465	182 413 594	-	-
	232 546 908	204 303 128	-	-
Reclassification to debentures	-	(4 614 047)	-	-
Other assets	2 542 073	3 673 971	7 385	7 389
	235 088 981	203 363 052	7 385	7 389
21.1.2 Maturity analysis				
Less than 1 month	136 146 912	131 810 553	-	-
1 to 3 months	24 125 652	24 022 035	-	-
3 to 6 months	2 387 188	1 747 453	-	-
6 months to 1 year	15 686 184	3 881 236	-	-
1 to 5 years	64 895 082	56 002 042	-	-
Over 5 years	-	-	-	-
Total advances	243 241 018	217 463 319	-	-
Allowance for impairment losses				
on loans and advances (note 21.3)	(8 582 636)	(10 790 192)	-	-
Provision for suspended interest	(2 111 474)	(2 369 999)	-	-
	232 546 908	204 303 128	-	-
Reclassification to debentures	-	(4 614 047)	-	-
Other assets (note 21.5)	2 542 073	3 673 971	7 385	7 389
	235 088 981	203 363 052	7 385	7 389

21. LOANS, ADVANCES AND OTHER ASSETS (Cont'd)

21.2 Sectoral analysis of utilisations

	GROUP			
	2015 US$	%	2014 US$	%
Agriculture and horticulture	13 907 259	6	17 523 451	8
Conglomerates	11 348 334	5	10 030 909	5
Distribution	37 364 138	16	55 359 765	26
Food & beverages	5 692 742	2	442 295	-
Individuals	101 585 312	42	58 353 526	27
Manufacturing	29 774 899	12	29 100 980	13
Mining	1 067 328	-	5 0444 850	2
Services	42 501 006	17	41 607 543	19
	243 241 018	100	217 463 319	100

The material concentration of loans and advances are with individuals 42% (2014 - 27%) and services sector at 17% (2014 – 19%).

21.3 Allowances for impairment losses on loans, advances and debentures

	GROUP					
	2015			2014		
	Specific US$	Portfolio US$	Total US$	Specific US$	Portfolio US$	Total US$
At 1 January	10 626 997	163 195	10 790 192	11 427 356	257 845	11 685 201
Recognised in profit or loss	8 651 949	844 652	9 496 601	5 112 012	(94 650)	5 017 362
Bad debts written off	(11 704 157)	-	(11 704 157)	(5 912 371)	-	(5 912 371)
At 31 December	7 574 789	1 007 847	8 582 636	10 626 997	163 195	10 790 192

During the period under review, the Bank reviewed the basis and assumptions for recognising portfolio provision in view of the current macro and micro economic conditions prevailing in Zimbabwe. The review resulted in an increase in the level of portfolio provisions recognised by the Bank in proportion to its loan book size.

21.4 Non-performing loans and advances

	GROUP	
	2015 US$	**2014 US$**
Total non-performing loans and advances	32 092 184	38 581 699
Allowance for impairment losses on loans and advances	(7 574 789)	(10 626 997)
Allowance for impairment losses on debentures (note 18)	-	173 027
Retail loans insurance	(1 682 840)	-
Interest in suspense	(1 798 490)	(2 369 999)
Residue	21 036 065	25 757 730

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$22 797 088 (2014-US$23 465 162).

21. LOANS, ADVANCES AND OTHER ASSETS (Cont'd)

21.5 Other assets

	GROUP 2015 US$	GROUP 2014 US$	COMPANY 2015 US$	COMPANY 2014 US$
Service deposits	1 171 927	761 226	-	-
Prepayments and stocks	913 532	1 601 003	-	-
Other receivables	456 614	1 311 742	7 385	7 389
	2 542 073	3 673 971	7 385	7 389

21.6 Loans to officers

	GROUP 2015 US$	GROUP 2014 US$
Included in advances and other accounts (note 21.1) are loans to officers:-		
At 1 January	3 135 666	2 513 143
Net additions during the year	2 043 080	802 917
	5 178 746	3 316 060
Fair value adjustment	(284 853)	(180 394)
Balance at 31 December	4 893 893	3 135 666

Loans to officers amounting to US$2 697 065 were granted at a preferential rate of 6% per annum as part of their overall remuneration agreements, US$2 139 968 was granted at a commercial rate of 13% per annum and the balance amounting to US$341 731 being mortgage loans which were granted at a commercial rate of 12% per annum.

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

Product	Tenure	Interest rate
Overdraft	Payable on demand	Penalty interest rate of ten percentage points above loan rate up to a maximum penalty rate of 18% per annum.
Loan	Loan payable over a maximum period of 120 months (includes mortgage loans).	From 8% per annum up to a maximum of 18% per annum. Loans to employees and executive directors are at a discounted interest rate.
Bankers Acceptances	Loan payable over a minimum period of 30 days up to 90 days.	Average of 13% per annum.

22. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
At 1 January 2014	2 267 300	2 303 300	-	-
Disposals	-	(39 000)	-	-
Fair value adjustment	(3 000)	3 000	-	-
	2 264 300	2 267 300	-	-

The Group is in possession of land with a fair value of US$2 225 300 at year end. The Group entered into a sale agreement for a portion of the land in 2012 (at a price of US$2 150 000), however the execution and finalisation of the sale under this contract has been pending since then. The buyer has expressed commitment towards finalisation of the sale and the disposal process is now expected to be completed within the next twelve months. The disposal will improve the Group's cash flows. The fair value adjustment is included under non-interest income (note 6.2).

Measurement of fair value

Fair value hierarchy

The fair value of non-current assets held for sale was determined 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. All non-current assets held for sale are measured at their fair values.

The values were arrived at by applying weighted average rate of US$36.5 per square metre.

Level 2

The fair value of non-current assets held for sale of U$39 000 has been categorised under level 2 in the fair value hierarchy based on the inputs used for the valuation technique highlighted above. (see note 2.3.5 use of judgement and estimates).

23. TRADE INVESTMENTS

	GROUP		COMPANY	
Unlisted	2015 US$	2014 US$	2015 US$	2014 US$
Other	77 805	81 390	-	-
	-	81 390	-	-
Directors' valuation	77 805	81 390	-	-

Other investments represent equity investment in SWIFT. The trade investments were valued using the net asset value method at 31 December 2015 (see note 17.4 on fair value measurement).

24. INVESTMENTS IN ASSOCIATES

Investment in Altiwave Investments (Private) Limited

The Bank had a 25.5 % interest in Altiwave Investments (Private) Limited which is the holding company of Lobels (Private) Limited. The investment arose from a Scheme of Arrangement agreed to by Lobels Holdings (Private) Limited shareholders and creditors (banks, suppliers and employees). Lobels Holdings (Private) Limited is in the bread and confectionery business. The investment was disposed off on 17 March 2015.

Altiwave Investments (Private) Limited is a company that is not listed on any public exchange. The following table illustrates the summarised unaudited financial information of Altiwave (Private) Limited.

Summary of associate's statement of financial position	**GROUP**	
	28 February 2015	31 December 2014
Current assets	12 798 956	15 974 685
Non-current assets	10 243 534	14 361 606
Current liabilities	(5 212 870)	(12 993 517)
Non-current liabilities	(30 857 918)	(32 385 340)
Equity	**(13 028 298)**	**(15 042 566)**
Share of associate's equity (25.5%)	**(3 322 216)**	**(3 835 854)**
Associate's revenue and profit		
Revenue	5 251 729	87 153 020
Profit	422 251	5 348 411
Share of associate's profit (25.5%)	**107 674**	**1 363 845**
Reconcilliation of carrying amount		
1 January	-	-
Share of profit in associate	107 674	1 363 845
Allowance for impairment	(107 674)	(1 363 845)
	-	-

The investment in Altiwave Investments (Private) Limited has been fully impaired as the company had negative equity as at date of sale, 17 March 2015.

25. INVESTMENTS IN GROUP ENTITIES

25.1 Subsidiaries

	COMPANY	
	2015 US$	2014 US$
Investments in subsidiaries:		
-NMB Bank Limited	31 491 006	31 491 006
-Stewart Holdings Limited	14 680	14 680
	31 505 686	31 505 686

25.2 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:-

	2015	2014
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)
Altiwave Investments (Private) Limited	0% (Baking)	25.5% (Baking)

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

26. QUOTED AND OTHER INVESTMENTS

	GROUP		COMPANY	
	2015 US$	2014 US$	2015 US$	2014 US$
Quoted investments	68 220	127 291	10 650	16 385

The quoted investments comprise shares stated for year end purposes at the last trading date of 31 December 2015. As these investments are trading on an active market they have been classified as level 1 in the fair value hierarchy.

27. INVESTMENT PROPERTIES

	GROUP	
	2015 US$	2014 US$
At 1 January	4 453 300	4 385 300
Improvements	8 230 860	30 200
Fair value adjustments	118 278	37 800
Transfer from property and equipment	67 862	-
Disposal	(4 744 500)	-
At 31 December	8 125 800	4 453 300

Investment properties comprise a commercial property and residential properties that are leased out to third parties and land held for future development. All investment properties of the Group were not encumbered.

Measurement of fair value

Fair value hierarchy

The fair value of the Group's investment properties as at 31 December 2015 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 a weighted average market rate of US$36.5 per square metre. The commercial and residential properties are leased out under operating lease to various tenants.

The Bank 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$49 523 (2014 - US$36 160) 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.

Level 2

The fair value for investment properties of US$2 816 800 (2014 - US$2 659 300) has been categorised under level 2 in the fair value hierarchy based on the inputs used for the valuation technique described below.

27. INVESTMENT PROPERTIES (Cont'd)

The following shows reconciliation between the opening and closing balances for level 2 fair values:

	31 December 2015 US$	31 December 2014 US$
At 1 January	2 659 300	2 575 300
Improvements	3 200 000	10 200
Disposals	(3 200 000)	-
Fair value adjustments	157 500	73 800
Balance at 31 December	2 816 800	2 659 300

The values were arrived at by applying a market rate of US$36.50 per square metre.
Level 3

The fair value for investment properties of US$5 309 000 (2014 – US$1 794 000) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

The following shows reconciliation between the opening and closing balances for level fair values:

	31 December 2015 US$	31 December 2014 US$
At 1 January	1 794 000	1 810 000
Improvements	5 030 860	20 000
Transfer from Property and Equipment	67 862	-
Disposals	(1 544 500)	-
Fair value adjustments	(39 222)	(36 000)
Balance at 31 December	5 309 000	1 794 000

The values were arrived at by applying yield rates of 8% on rental values of between US$3 - US$7 per square metre. The properties are leased out under operating lease to various tenants.

27. INVESTMENT PROPERTIES (Cont'd)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	inter-relationship between key unobservable inputs and fair value measurement
• The Investment Method was applied on all income producing properties. Market capitalisation rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market. • The Direct Comparison Method was applied on all residential properties, after PMA Real Estate (Private) Limited identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total (MSE) of comparable areas was then used to determine the value per square metre of (MSE).	• Expected market rental growth (weighted average – negative 2%) • Void period (average 7 months after the end of each lease) • Occupancy rate (20-30%), weighted average 25% • Average market yield was 10.5%	The estimated fair value would increase / (decrease) if: • expected market rental growth were higher/ (lower); • void periods were shorter/(longer); • the occupancy rates were higher /(lower); • the risk adjusted discount rates were lower/ (higher).

28. INTANGIBLE ASSETS

	Work in Progress US$	Computer Software US$	Total US$
Cost			
Balance at 1 January 2014	-	1 911 483	1 911 483
Acquisitions	208 673	414 809	623 482
Balance at 1 January 2015	208 673	2 326 292	2 534 965
Acquisitions	19 922	228 417	248 339
Balance at 31 December 2015	228 595	2 554 709	2 783 304
Accumulated amortisation and impairment			
Balance at 1 January 2014	-	247 114	247 114
Amortisation for the year	-	337 118	337 118
Balance at 1 January 2015	-	584 232	584 232
Amortisation for the year	-	509 687	509 687
Balance at 31 December 2015	-	1 093 919	1 093 919
Carrying amount			
At 31 December 2015	228 595	1 460 790	1 689 385
At 1 January 2015	208 673	1 742 060	1 950 733
At 1 January 2014	-	1 664 369	1 664 369

The amortisation expense of intangible assets is included under operating expenditure (note 7).

29. PROPERTY AND EQUIPMENT

	Capital work in progress US$	Computers US$	Motor vehicles US$	Furniture & equipment US$	Freehold Land & buildings US$	Total US$
Cost						
At 1 January 2014	-	2 286 662	4 003 128	2 914 364	2 843 908	12 048 062
Additions	101 375	319 048	392 366	179 287	-	992 076
Revaluation gain	-	-	-	-	60 610	60 610
Disposals	-	(4)	(234 069)	(3)	-	(234 076)
At 1 January 2015	101 375	2 605 706	4 161 425	3 093 648	2 904 518	12 866 672
Additions	585 511	334 338	418 383	540 202	393 509	2 271 943
Capitalisations	(33 513)	33 513	-	-	-	-
Reclassification to intangible assets	(67 862)	-	-	-	-	(67 862)
Revaluation loss	-	-	-	-	(40 200)	(40 200)
Disposals	-	(11 220)	(869 083)	-	-	(880 303)
At 31 December 2015	**585 511**	**2 962 337**	**3 710 725**	**3 633 850**	**3 257 827**	**14 150 250**
Accumulated depreciation						
At 1 January 2014	-	1 029 312	1 894 424	1 664 551	86 832	4 675 119
Charge for the year	-	356 749	1 030 894	456 604	54 800	1 899 047
Disposals	-	(6)	(52 754)	(1)	-	(52 761)
1 January 2015	-	1 386 055	2 872 564	2 121 154	141 632	6 521 405
Charge for the year	-	392 601	775 381	464 885	58 035	1 690 902
Disposals	-	(3 197)	(659 946)	-	-	(663 143)
At 31 December 2015	**-**	**1 775 459**	**2 987 999**	**2 586 039**	**199 667**	**7 549 164**
Carrying amount						
At 31 December 2015	**585 511**	**1 186 878**	**722 726**	**1 047 811**	**3 058 161**	**6 601 086**
At 1 January 2015	**101 375**	**1 219 651**	**1 288 861**	**972 494**	**2 762 886**	**6 345 267**
At 1 January 2014	**-**	**1 257 350**	**2 108 704**	**1 249 813**	**2 757 076**	**7 372 943**

29. PROPERTY AND EQUIPMENT (Cont'd)

Measurement of fair value

Fair value hierarchy

Immovable properties were revalued as at 31 December 2015 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 measured 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 8% on rental levels of between US$3 - US$7 per square metre.

The carrying cost less accumulated depreciation of the land and buildings had revaluations not been performed would be US$3 669 148 as at 31 December 2015 (2014 - US$3 343 677).

Level 3

The fair value of immovable properties of US$3 058 160 (2014 – US$2 762 886) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

The following shows reconciliation between the opening and closing balances for level 3 fair values:

	31 December 2015 US$	31 December 2014 US$
At 1 January	2 762 886	2 757 076
Additions	393 509	-
Revaluation (loss)/gain	(40 200)	60 610
Depreciation	(58 035)	(54 800)
Balance at 31 December	3 058 160	2 762 886

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of freehold land and buildings, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
• The **Direct Comparison Method** was applied on all properties, after PMA Real Estate (Private) Limited identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total (MSE) of comparable areas was then used to determine the value per square metre of (MSE).	• Expected market rental growth (weighted average – negative 2%) • Average market yield was 10.5%	• The estimated fair value would increase/ (decrease) if the expected market rental growth were higher/ (lower).

30. 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 financial liabilities are categorised by the earlier of contractual repricing or maturity dates.

30.1 Total position

At 31 December 2015	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	63 439 347	-	-	-	-	63 439 347
Current tax assets	-	-	-	-	23 075	23 075
Investment securities	-	1 314 802	8 831 999	4 401 191	-	14 547 992
Investment in debentures	-	-	-	-	-	-
Investments in quoted and other investments	-	-	-	-	146 025	146 025
Loans, advances and other assets	125 452 802	24 125 652	18 073 372	64 895 082	2 542 073	235 088 981
Deferred tax	-	-	-	-	1 905 116	1 905 116
Non-current assets held for sale	-	-	-	-	2 264 300	2 264 300
Intangible assets	-	-	-	-	1 689 385	1 689 385
Property, plant and equipment	-	-	-	-	6 601 086	6 601 086
Investment properties	-	-	-	-	8 125 800	8 125 800
	188 892 149	25 440 454	26 905 371	69 296 273	23 296 860	333 831 107
Liabilities and equity						
Deposits and other liabilities	184 324 981	66 129 516	18 211 763	8 550 509	6 070 474	283 287 243
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	34 794 467	34 794 467
Subordinated loan	-	-	-	1 414 144	-	1 414 144
	184 324 981	66 129 516	18 211 763	9 964 653	55 200 194	333 831 107
Interest rate repricing gap	4 567 168	(40 689 062)	8 693 608	59 331 620	(31 903 334)	-
Cumulative gap	4 567 168	(36 121 894)	(27 428 286)	31 903 334	-	-

30. 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 financial liabilities are categorised by the earlier of contractual repricing or maturity dates.

30.1 Total position

At 31 December 2014

	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	54 750 561	-	-	-	-	54 750 561
Current tax assets	-	-	-	-	1 436 974	1 436 974
Investment securities held to maturity	-	-	3 874 525	-	-	3 874 525
Investment in debentures	-	-	-	4 614 047	-	4 614 047
Investments quoted and other investments	-	-	-	-	208 681	208 681
Loans, advances and other assets	118 823 390	19 234 961	5 628 688	56 002 042	3 673 971	203 363 052
Deferred tax	-	-	-	-	2 784 594	2 784 594
Non-current assets held for sale	-	-	-	-	2 267 300	2 267 300
Intangible assets	-	-	-	-	1 950 733	1 950 733
Property, plant and equipment	-	-	-	-	6 345 267	6 345 267
Investment properties	-	-	-	-	4 453 300	4 453 300
	173 573 951	19 234 961	9 503 213	60 616 089	23 120 820	286 049 034
Liabilities and equity						
Deposits and other liabilities	172 324 494	32 017 300	13 778 170	17 242 712	5 638 742	241 001 418
Redeemable ordinary shares -	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	29 304 399	29 304 399
Subordinated loan	-	-	-	1 407 964	-	1 407 964
	172 324 494	32 017 300	13 778 170	18 650 676	49 278 394	286 049 034
Interest rate repricing gap	1 249 457	(12 782 339)	(4 274 957)	41 965 413	(26 157 574)	-
Cumulative gap	1 249 457	(11 532 882)	(15 807 839)	26 157 574	-	-

31. 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.

31.1. United States dollar

At 31 December 2015			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	58 375 898	-	-	-	-	58 375 898
Current tax assets	-	-	-	-	23 075	23 075
Investment securities	-	1 314 802	8 831 999	4 401 191	-	14 547 992
Investment in debentures	-	-	-	-	-	-
Investments quoted and other investments	-	-	-	-	68 220	68 220
Loans, advances and other assets	124 949 290	24 125 652	18 073 372	64 895 082	2 542 073	234 585 469
Deferred tax	-	-	-	-	1 905 116	1 905 116
Non-current assets held for sale	-	-	-	-	2 264 300	2 264 300
Intangible assets	-	-	-	-	1 689 385	1 689 385
Property, plant and equipment	-	-	-	-	6 601 086	6 601 086
Investment properties	-	-	-	-	8 125 800	8 125 800
	183 325 188	25 440 454	26 905 371	69 296 273	23 219 055	328 186 341
Liabilities and equity						
Deposits and other liabilities	172 295 815	66 129 516	18 211 763	8 550 509	6 070 474	271 258 077
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	34 794 467	34 794 467
Subordinated loan	-	-	-	1 414 144	-	1 414 144
	172 295 815	66 129 516	18 211 763	9 964 653	55 200 194	321 801 941
Interest rate repricing gap	11 029 373	(40 689 062)	8 693 608	59 331 620	(31 981 139)	6 384 400
Cumulative gap	11 029 373	(29 659 689)	(20 966 081)	38 365 539	6 384 400	-

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For the year ended 31 December 2015

31. 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.

31.1. United States dollar

At 31 December 2014

	GROUP					
		Up to 1	1 month	3 months	1 year to	Non-interest
	month	to 3 months	to 1 year	5 years	bearing	Total
	US$	US$	US$	US$	US$	US$
Assets						
Cash and cash equivalents	53 208 157	-	-	-	-	53 208 157
Investment securities held to maturity	-	-	3 874 525	-	-	3 874 525
Investment in debentures	-	-	-	4 614 047	-	4 614 047
Quoted and other investments	-	-	-	-	127 291	127 291
Loans, advances and other assets	118 542 586	19 234 961	5 628 688	56 002 042	3 673 971	203 082 248
Non-current assets held for sale	-	-	-	-	2 267 300	2 267 300
Property, plant and equipment	-	-	-	-	6 345 267	6 345 267
Investment properties	-	-	-	-	4 453 300	4 453 300
Current tax assets	-	-	-	-	1 436 974	1 436 974
Deferred tax	-	-	-	-	2 784 594	2 784 594
Intangible assets	-	-	-	-	1 950 733	1 950 733
	171 750 743	19 234 961	9 503 213	60 616 089	23 039 430	284 144 436
Liabilities and equity						
Deposits and other liabilities	170 924 080	32 017 300	13 778 170	17 242 712	5 638 742	239 601 004
Subordinated term loan	-	-	-	1 407 964	-	1 407 964
Redeemable Ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	29 304 399	29 304 399
	170 924 080	32 017 300	13 778 170	18 650 676	49 278 394	284 648 620
Interest rate repricing gap	826 663	(12 782 339)	(4 274 957)	41 965 413	(26 238 964)	(504 184)
Cumulative gap	826 663	(11 955 676)	(16 230 633)	25 734 780	(504 184)	-

32. 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.

32.1. Other foreign currencies

At 31 December 2015

	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	5 063 449	-	-	-	-	5 063 449
Investment securities						
Quoted and other instruments	-	-	-	-	77 805	77 805
Loans, advances and other assets	503 512	-	-	-	-	503 512
	5 566 961	-	-	-	77 805	5 644 766
Liabilities and equity						
Deposits and other liabilities	12 029 166	-	-	-	-	12 029 166
	12 029 166	-	-	-	-	12 029 166
Interest rate repricing gap	(6 462 205)	-	-		77 805	(6 384 400)
Cumulative gap	(6 462 205)	(6 462 205)	(6 462 205)	(6 462 205)	(6 384 400)	-

32. 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.

32.1. Other foreign currencies

At 31 December 2014

	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	1 542 404	-	-	-	-	1 542 404
Investment securities held to maturity	-	-	-	-	81 390	81 390
Loans, advances and othe assets	280 804	-	-	-	-	280 804
	1 823 208	-	-	-	81 390	1 904 598
Liabilities and equity						
Deposits and other liabilities	1 400 414	-	-	-	-	1 400 414
	1 400 414	-	-	-	-	1 400 414
Interest rate repricing gap	422 794	-	-		81 390	504 184
Cumulative gap	422 794	422 794	422 794	422 794	504 184	-

33. 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.

33.1 At 31 December 2015

			GROUP			
	US$	RAND	GBP	EUR	BWP	TOTAL
	US$	US$	US$	US$	US$	US$
Assets						
Cash and cash equivalents	58 375 898	4 383 218	55 638	363 351	261 242	63 439 347
Investment securities	14 547 992	-	-	-	-	14 547 992
Investment in debentures	-	-	-	-	-	-
Quoted and other investments	68 220	-	-	77 805	-	146 025
Loans, advances and other assets	234 585 499	501 307	1 353	852	-	235 088 981
Non-current assets held for sale	2 264 300	-	-	-	-	2 264 300
Property, plant and equipment	6 601 086	-	-	-	-	6 601 086
Investment properties	8 125 800	-	-	-	-	8 125 800
Deferred tax	1 905 116	-	-	-	-	1 905 116
Current tax assets	23 075	-	-	-	-	23 075
Intangible assets	1 689 385	-	-	-	-	1 689 385
	328 186 341	4 884 525	56 991	442 008	261 242	333 831 107
Liabilities and equity						
Deposits and other liabilities	271 258 077	11 570 506	144 633	264 495	49 532	283 287 243
Subordinated term loan	1 414 144	-	-	-	-	1 414 144
Deferred tax liabilities	-	-	-	-	-	-
Redeemable Ordinary Shares	14 335 253	-	-	-	-	14 335 253
Equity	34 794 467	-	-	-	-	34 794 467
	321 801 941	11 570 506	144 633	264 495	49 532	333 831 107
Net foreign exchange Position	6 384 400	(6 685 981)	(87 642)	177 513	211 710	-

33. 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.

33.1 At 31 December 2014

	GROUP					
	US$	RAND	GBP	EUR	BWP	TOTAL
	US$	US$	US$	US$	US$	US$
Assets						
Cash and cash equivalents	53 208 157	679 043	73 501	769 628	20 232	54 750 561
Investment securities held to maturity	3 874 525	-	-	-	-	3 874 525
Investment in debentures	4 614 047	-	-	-	-	4 614 047
Quoted and other investments	127 291	-	-	81 390	-	208 681
Loans, advances and other assets	203 082 248	133 874	1 913	143 493	1 524	203 363 052
Non-current assets held for sale	2 267 300	-	-	-	-	2 267 300
Property, plant and equipment	6 345 267	-	-	-	-	6 345 267
Investment properties	4 453 300	-	-	-	-	4 453 300
Deferred tax	2 784 594	-	-	-	-	2 784 594
Current tax assets	1 436 974	-	-	-	-	1 436 974
Intangible assets	1 950 733	-	-	-	-	1 950 733
	284 144 436	812 917	75 414	994 511	21 756	286 049 034
Liabilities and equity						
Deposits and other liabilities	239 601 004	1 137 328	77 755	179 999	5 332	241 001 418
Subordinated term loan	1 407 964	-	-	-	-	1 407 964
Deferred tax liabilities	-	-	-	-	-	-
Redeemable Ordinary Shares	14 335 253	-	-	-	-	14 335 253
Equity	29 304 399	-	-	-	-	29 304 399
	284 648 620	1 137 328	77 755	179 999	5 332	286 049 034
Net foreign exchange Position	(504 184)	(324 411)	(2 341)	814 512	16 424	-

Notes To The Financial Statements (Cont'd)
For the year ended 31 December 2015

34. CONTINGENT LIABILITIES

	GROUP 2015 US$	GROUP 2014 US$
Guarantees	5 305 263	6 246 933
Facilities approved but not drawn down	39 468 072	33 341 817
Irrevocable Letters of Credit	1 264 607	900 000
	46 037 942	40 488 750

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.

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

35. CAPITAL COMMITMENTS

	GROUP 2015 US$	GROUP 2014 US$
Capital expenditure contracted for	807 000	190 000
Capital expenditure authorised but not yet contracted for	3 516 220	3 815 868
At 31 December	4 323 220	4 005 868

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

36. ASSETS UNDER CUSTODY

In 2014, the Bank received Treasury Bills from the Reserve Bank of Zimbabwe amounting to US$2 706 327 on behalf of its Tobacco Retention Scheme customers. A third of the Treasury Bills mature in April 2017, April 2018 and April 2019. These Treasury Bills are currently held off balance sheet.

37. OPERATING LEASE COMMITMENTS

	GROUP 2015 US$	GROUP 2014 US$
Lease commitments	6 346 410	6 054 886
Up to 1 year	1 280 147	1 210 977
1 – 5 years	5 066 263	4 843 909

Lease commitments relate to future rental commitments up to the expiry of the lease agreements. The amount of operating lease expenses recognised in profit or loss is USD$1 125 811.

Notes To The Financial Statements (Cont'd)

For the year ended 31 December 2015

38. RELATED PARTIES

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

38.1 Compensation of key management personnel of the Group

	GROUP	
	2015 US$	2014 US$
Short – term employee benefits	873 038	1 637 393
Post employment benefits	57 406	113 903
Termination benefits	868 470	1 085 698
	1 798 914	2 836 994

38.2 Key management interest in employee share options

At 31 December 2015, key management held options to purchase 793 125 ordinary shares of the Company.

38.3 Balances of loans to directors, officers and others

Loans to directors and officers or their companies are included in advances and other accounts (note 21.1)

	GROUP	
	2015 US$	2014 US$
Non - executive directors	-	-
Executive directors	136 276	51 610
Officers (Note 21.6)	5 178 746	3 316 060
Directors' companies	-	-
Officers' companies	-	10 169
	5 315 022	3 377 839
Fair value adjustment	(293 377)	(180 394)
	5 021 645	3 197 445

38.4 Other related party disclosures

Entities with significant influence over the Group	Amounts owed by related parties US$
2015	-
2014	-

38.5 BORROWING POWERS

Holding Company

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

Banking subsidiary

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

Notes To The Financial Statements (Cont'd)
For the year ended 31 December 2015

39. EMPLOYEE BENEFITS

39.1 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 included 661 416 shares in NMBZ Holdings Limited as at 31 December 2015.

39.2 Expense recognised in profit or loss

	GROUP	
	2015 US$	2014 US$
Defined Contribution Plan - NSSA	182 568	183 552
Defined Contribution Plan – NMB Bank Pension Fund	659 921	683 091
	842 489	866 643

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

39.3 Employee Share Option Scheme

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

Movements in the year

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

	GROUP and COMPANY			
	2015		2014	
	No. 000's	WAEP$	No. 000's	WAEP$
Outstanding as at 1 January	4 128 434	0.04	907 200	0.047
Lapsed	-	-	(907 200)	0.047
Issued	-	-	4 128 434	0.04
Exercised	-	-	-	-
Outstanding as at 31 December	4 128 434	0.04	4 128 434	0.047

Terms of options outstanding at 31 December 2015

GROUP & COMPANY		
Expiry date	Exercise price US$	2015 Shares
18 June 2022	0.04	4 128 434
		4 128 434

Notes To The Financial Statements (Cont'd)

For the year ended 31 December 2015

39. **EMPLOYEE BENEFITS (Cont'd)**

39.4 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 recognised in profit or loss account and during the period amounted to US$182 568 (2014 – US$183 552).

40. EXCHANGE RATES

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

		31 December 2015 Mid - rate US$	31 December 2014 Mid - rate US$
British Sterling	GBP	1.4800	1.5564
South African Rand	ZAR	15.5039	11.5764
European Euro	EUR	1.0882	1.2159
Botswana Pula	BWP	11.1111	9.5057

41. 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 Group's risk universe, developing policies and monitoring implementation. The Group has complied with Basel II implementation timelines set by the Reserve Bank of Zimbabwe.

Risk management is linked logically from the level of individual transactions to the Group 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 Group'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.

41. RISK MANAGEMENT (Cont'd)

41.1 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 Group reviewed its credit risk management structures aimed at enhancing credit risk and asset quality. The Group's general credit strategies centre on sound credit granting process, diligent credit monitoring and strong loan collection and recovery. There is a separation between loan collection and recovery. There is a separation between loan granting and credit monitoring to ensure independency and effective management of the loan portfolio. The Board has put in place sanctioning committees with specific credit approval limits. The Credit Management department does the initial review of all applications before recommending them to the Executive Credit Committee and finally the Board Credit Committee depending on the loan amount. The Group has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book and adequacy or loan loss provisions.

The Group finalised the implementation of an end to end credit risk management solution. The system automated the bank's credit process from loan origination, appraisal, monitoring and collections. The system comes with a robust loan monitoring and reporting module which is critical in managing credit risk. In view of the group's move into the mass market, retail credit has become a key area of focus. The group has put in place robust personal loan monitoring systems and structures to mitigate retail loan delinquencies. This includes a rigorous scheme assessment and a dedicated team pre-delinquency team and a separate recoveries team.

Credit Management

- Responsible for evaluating & approving credit proposals from the business units.
- Together with business units, has primary responsibility on the quality of the loan book.
- Reviewing credit policy for approval by the Board Credit Committee.
- Reviewing business unit level credit portfolios to ascertain changes in the credit quality of individual customers or other counterparties as well as the overall portfolio and detect unusual developments.
- Approve initial customer internal credit grades or recommend to the Credit Committees for approval.
- Setting the credit risk appetite parameters.
- Ensure the Group adheres to limits, mandates and its credit policy.
- Ensure adherence to facility covenants and conditions of sanction e.g. annual audits, gearing levels, management accounts.
- Manage trends in asset and portfolio composition, quality and growth and non-performing loans.
- Manage concentration risk both in terms of single borrowers or group as well as sector concentrations and the review of such limits.

Credit Monitoring and Financial Modelling

- Independent Credit Risk Management.
- Independent on-going monitoring of individual credit and portfolios.
- Triggers remedial actions to protect the interests of the Group, if appropriate (e.g. in relation to deteriorated credits).
- Monitors the on-going development and enhancement of credit risk management across the Group.
- Reviews the Internal Credit Rating System.
- On-going championing of the Basel II methodologies across the Group.
- Ensures consistency in the rating processes and performs independent review of credit grades to ensure they conform to the rating standards.
- Confirm the appropriateness of the credit risk strategy and policy or recommends necessary revisions in response to changes/trends identified.

Credit Administration

- Prepares and keeps custody of all facility letters.
- Security registration.
- Safe custody of security documents.
- Ensures all conditions of sanction are fulfilled before allowing drawdown or limit marking.
- Review of credit files for documentation compliance e.g. call reports, management accounts.

Recoveries

The recoveries unit is responsible for all collections and ensures that the Group maximizes recoveries from Non-Performing Loans (NPLs).

41. RISK MANAGEMENT (Cont'd

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

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

	Note	GROUP 2015 US$	GROUP 2014 US$
Cash and cash equivalents (excluding cash on hand)		53 471 405	42 784 235
Investment securities held to maturity	17	14 547 992	3 874 525
Investment in debentures		-	4 614 047
Loans, advances and other accounts	21	232 546 908	204 303 128
Total		**300 566 305**	**255 575 935**
Guarantees	34	5 305 263	6 246 933
Facilities approved but not drawn down	34	39 468 072	33 341 817
Total		**44 773 335**	**39 588 750**
Total credit risk exposure		**345 339 640**	**295 164 685**

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.

41.1.3 Risk concentrations of maximum exposure to credit risk

	31 December 2015 Gross Maximum Exposure US$	31 December 2015 Net Maximum Exposure S$	31 December 2014 Gross Maximum Exposure US$	31 December 2014 Net Maximum Exposure US$
Agriculture and horticulture	13 907 259	-	17 523 451	3 354 701
Conglomerates	11 348 334	11 348 334	10 030 909	8 330 909
Distribution	37 364 138	-	55 359 765	30 326 615
Food and beverages	5 692 742	1 655 242	442 295	367 295
Individuals	101 585 312	97 343 706	58 353 526	58 353 525
Manufacturing	29 774 899	12 624 048	29 100 980	9 883 681
Mining	1 067 328	-	5 044 850	824 850
Services	42 501 006	-	41 607 543	8 546 848
	243 241 018	122 971 330	217 463 319	119 988 424
Provision for impairment losses on loans and advances	(8 582 636)	(8 582 636)	(10 790 192)	(10 790 192)
Net exposure	234 658 382	114 388 694	206 673 127	109 198 232

41. RISK MANAGEMENT (Cont'd)

41.1.4 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. There are guidelines regarding the acceptability of types of collateral. The main types of collateral obtained are guarantees, cession of debtors, mortgages over residential properties, equities, subordination of shareholder loans and promissory notes. The fair value of all collateral held by the Group at the reporting date is US$118 433 389 (2014 –US$97 474 895).

41.1.5 Credit quality per sector

At 31 December 2015	Pass US$	Special Mention US$	Substandard US$	Doubtful US$	Loss US$	Total US$
Agriculture and horticulture	3 951 666	8 192 253	136 848	1 282 053	344 439	13 907 259
Conglomerates	-	11 348 334	-	-	-	11 348 334
Distribution	5 883 680	23 903 379	991 717	3 476 085	3 109 277	37 364 138
Food and Beverage	1 939 940	3 752 802	-	-	-	5 692 742
Individuals	66 686 290	27 506 267	5 184 962	1 207 793	1 000 000	101 585 312
Manufacturing	202 179	24 552 460	2 905 321	1 662 023	452 916	29 774 899
Mining	-	328 391	-	738 937	-	1 067 328
Services	8 404 584	24 496 609	4 945 801	4 299 028	354 984	42 501 006
Total	87 068 339	124 080 495	14 164 649	12 665 919	5 261 616	243 241 018

At 31 December 2014	Pass US$	Special Mention US$	Substandard US$	Doubtful US$	Loss US$	Total US$
horticulture	8 386 990	7 378 259	182 714	1 214 425	361 063	17 523 451
Conglomerates	6 980 006	3 050 903	-	-	-	10 030 909
Distribution	16 499 037	28 731 792	1 708 984	3 272 537	5 147 415	55 359 765
Food and Beverage	-	7 253	-	435 042	-	442 295
Individuals	42 770 892	9 988 130	4 534 247	886 466	173 791	58 353 526
Manufacturing	3 312 798	18 592 291	2 387 345	2 406 342	2 402 204	29 100 980
Mining	215 178	3 047 743	-	1 781 929	-	5 044 850
Services	16 221 472	13 698 876	2 246 246	8 505 001	935 948	41 607 543
Total	94 386 373	84 495 247	11 059 536	18 501 742	9 020 421	217 463 319

Pass: Refers to loans graded 1 to 3
Special Mention: Refers to loans graded 4 to 7
Substandard: Refers to loans graded 8
Doubtful: Refers to loans graded 9
Loss: Refers to loans graded 10

41. RISK MANAGEMENT (Cont'd)

41.1.6 Credit quality analysis per grade

Loans and advances to customers

	31 December 2015 US$	31 December 2014 US$
Carrying amount (note 21.1.1)	**232 546 908**	**204 303 128**
Assets at amortised cost		
Individually impaired		
Grade 8	14 164 469	11 059 536
Grade 9	12 665 919	18 501 742
Grade 10	5 261 616	9 020 421
Gross amount	**32 092 184**	**38 581 699**
Allowance for impairment		
Impairment	(7 574 789)	(10 453 970)
Suspended interest	(1 798 490)	(2 369 999)
Carrying amount	**22 718 905**	**25 757 730**
Collectively impaired		
1 to 5 low to fair risk	182 512 639	144 009 906
6 to 7 watch list	28 636 195	34 871 714
Gross amount	**211 148 834**	**178 881 620**
Allowance for impairment		
Impairment	(1 007 847)	(336 222)
Suspended interest	(312 984)	-
Carrying amount	**209 828 003**	**178 545 398**
Total carrying amount at amortised cost	**232 546 908**	**204 303 128**

41. RISK MANAGEMENT (Cont'd)

41.2 Market risk

This is the exposure of the Group'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 Group has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the Group should be exposed at any time. Net Interest Margin is the primary measure of interest rate risk, supported by periodic stress tests to assess the Group'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 Group'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 downward revision of interest rates and the volatility of the South African Rand were the major sources of market risk during the year under review.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group'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 2015

Currency	Increase 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	551 470	(2 034 455)	434 680	2 966 580	1 918 275
USD	3	330 882	(1 220 673)	260 808	1 779 948	1 150 965
USD	1	110 294	(406 891)	86 936	593 316	383 655
USD	-1	(110 294)	406 891	(86 936)	(593 316)	(383 655)
USD	-3	(330 882)	1 220 673	(260 808)	(1 779 948)	(1 150 965)
USD	-5	(551 470)	2 034 455	(430 680)	(2 966 580)	(1 918 275)

At 31 December 2014

Currency	Increase 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$
BUSD	5	(1 201 696)	(1 029 873)	(68 021)	2 963 418	663 828
USD	3	(721 018)	(617 924)	(40 813)	1 778 051	398 296
USD	1	(240 339)	(205 975)	(13 604)	592 684	132 766
USD	-1	240 339	205 975	13 604	(592 684)	(132 766)
USD	-3	721 018	617 924	40 813	(1 778 051)	(398 296)
USD	-5	1 201 696	1 029 873	68 021	(2 963 418)	(663 828)

41. RISK MANAGEMENT (Cont'd)

41.3 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 2015	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
Currency			
ZAR	5	(334 299)	(248 217)
ZAR	3	(200 579)	(148 930)
ZAR	1	(66 860)	(49 643)
ZAR	-1	66 860	49 643
ZAR	-3	200 579	148 930
ZAR	-5	334 299	248 217

At 31 December 2014	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
Currency			
ZAR	5	(20 181)	(14 985)
ZAR	3	(12 109)	(8 991)
ZAR	1	(4 036)	(2 997)
ZAR	-1	4 036	2 997
ZAR	-3	12 109	8 991
ZAR	-5	20 181	14 985

41.4 Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability of the Group to fund asset increases or meet obligations as they fall due without incurring unacceptable costs or losses. The Group 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 Group also actively monitors its loans to deposit ratio against a set threshold in a bid to monitor and limit funding risk. The group monitors funding concentration risk by reviewing the ratio of top 20 depositors to the total funding. Funding mix is also monitored by monitoring the contribution of wholesale and demand deposits to the total funding for the bank. Liquidity risk is monitored through a daily liquidity 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 30.1.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Group monitors its liquidity ratio in compliance with Banking Regulations to ensure that it is not less than 30% 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.

41. RISK MANAGEMENT (Cont'd)

41.4 LIQUIDITY RISK (Cont'd)

Maturity profile for contingent liabilities

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and facilities approved but not drawn down.

At 31 December 2015

	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	-	142 935	850 139	4 312 189	-	5 305 263
Facilities approved but not drawn down	-	667 004	5 559 624	23 170 136	10 071 308	39 468 072
Irrevocable letters of credit	-	689 607	575 000	-	-	1 264 607
	-	1 499 546	6 984 763	27 482 325	10 071 308	46 037 942

At 31 December 2014

	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	-	3 716 420	275 000	2 255 513	-	6 246 933
Facilities approved but not drawn down	-	944 901	5 605 940	23 291 114	3 499 862	33 341 817
Irrevocable letters of credit	-	-	500 000	400 000	-	900 000
	-	4 661 321	6 380 940	25 946 627	3 499 862	40 488 750

The Group expects that not all of the contingent liabilities or facilities approved but not drawn down will be drawn before expiry.

41.5 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 Group utilises monthly Key Risk Indicators to monitor operational risk in all units. Further to this, the Group has an elaborate Operational Loss reporting system in which all incidents with a material impact on the well-being of the Group are reported to risk management. The risk department conducts periodic risk assessments on all the units within the Group 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

41.6 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 Group has an independent compliance function which is responsible for identifying and monitoring all compliance issues and ensures the Group complies with all regulatory and statutory requirements.

41.7 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 Group conducts its business. To manage this risk, the Group strictly monitors customers' complaints, continuously train staff at all levels, conducts market surveys

41. **RISK MANAGEMENT (Cont'd)**

and periodic reviews of business practices through its Internal Audit department. The directors are satisfied with the risk management processes in the Group as these have contributed to the minimisation of losses arising from risky exposures.

41.8 Strategic risk

This refers to current and prospective impact on a Group's earnings and capital arising from adverse business decisions or implementing strategies that are not consistent with the internal and external environment. To manage this risk, the Group 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.

41.9 Risk ratings

41.9.1 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe did not undertake an onsite inspection on the Group's banking subsidiary. An onsite inspection was last conducted in 2013 and a review was done in 2014 during which the RBZ indicated that the bank had attended to their satisfaction all matters raised in the 2013 inspection.

41.9.1.1 CAMELS* ratings

CAMELS Component	Latest RBS** Ratings 30/06/2013	Previous RBS Ratings 31/01/2008	Previous RBS Ratings 30/06/2007
Capital Adequacy	2	4	4
Asset Quality	4	2	3
Management	3	3	3
Earnings	2	3	3
Liquidity	2	3	3
Sensitivity to Market Risk	2	3	3
Composite Rating	3	3	4

*CAMELS is an acronym for Capital Adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. CAMELS rating system uses a rating scale of 1-5, where '1' is Strong, '2' is Satisfactory, '3' is Fair, '4' is Weak and '5' is Critical.

**RBS stands for Risk-Based Supervision.

41.9.1.2 Summary RAS ratings

RAS Component	Latest RAS*** 30/06/2013	Ratings Previous RBS Ratings 31/01/2008	Previous RBS Ratings 30/06/2007
Overall Inherent Risk	Moderate	Moderate	High
Overall Risk Management Systems	Acceptable	Acceptable	Weak
Overall Composite Risk	Moderate	Moderate	High
Direction of Overall Composite Risk	Stable	Stable	Increasing

***RAS stands for Risk Assessment System.

41. RISK MANAGEMENT (Cont'd)

41.9 RISK RATINGS (Cont'd)

41.9.13 Summary risk matrix -30 June 2013 on – site examination

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

KEY

Level of Inherent Risk

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

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

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

Adequacy of Risk Management Systems

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

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

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

Overall Composite Risk

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

Moderate – risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment.

On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

41. RISK MANAGEMENT (Cont'd)

41.9 RISK RATINGS (Cont'd)

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

Direction of Overall Composite Risk

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

41.9.2 External credit ratings

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

Security class	2015	2014
Long term	BB+	BB+

The current rating expires in August 2016.

41.10 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.

41.11 Capital management

41.11.1 Holding company

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

41.11.2 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.

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.

41. RISK MANAGEMENT (Cont'd)

41.11 CAPITAL MANAGEMENT (Cont'd)

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 2015 was as follows

	2015 US$	2014 US$
Share capital	16 506	16 506
Share premium	31 474 502	31 474 502
Retained earnings	14 439 723	9 346 446
Fair value gain on investment properties	(3 112 902)	(2 964 628)
	42 817 829	37 872 826
Less: capital allocated for market and operational risk	(722 035)	(467 320)
Credit to insiders	-	(10 169)
Tier 1 capital	42 095 794	37 395 337
Tier 2 capital (subject to limit as per Banking Regulations)	7 812 084	7 294 677
Fair value gain on investment properties	3 112 902	2 964 628
Subordinated debt	1 414 144	1 407 964
Regulatory reserve (limited to 1.25% of risk weighted assets)	3 128 792	2 636 938
Portfolio provisions (limited to 1.25% of risk weighted assets)	156 246	285 147
Total Tier 1 & 2 capital	49 907 878	44 690 014
Tier 3 capital (sum of market and operational risk capital)	722 035	467 320
Total capital base	50 629 913	45 157 334
Total risk weighted assets	262 803 080	233 766 816
Tier 1 ratio	16.02%	16.00%
Tier 2 ratio	2.97%	3.12%
Tier 3 ratio	0.27%	0.20%
Total capital adequacy ratio	19.26%	19.32%
RBZ minimum required	12%	12.00%

42. EVENTS AFTER REPORTING DATE

Following the decision by Commerzbank AG to move out of the United States Dollars (USD) clearing business for Zimbabwean banks by 31 March 2016, the Bank changed its correspondent banks. The decision taken by Commerzbank AG does not only affect NMB Bank Limited but affects all other Banks who were using Commerzbank AG in Zimbabwe. Consequently, our customers can now receive USDs from offshore sources using our new accounts with Ecobank International, France or Bank of China, South Africa. Given the swift action taken by management, the impact on the Bank's operations has been minimal.

Historical Five Year Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2015 US$	2014 US$	2013 US$	2012 US$ Restated	2011 US$
Interest income	36 501 764	31 072 461	33 181 704	27 543 784	20 158 766
Interest expense	(15 118 231)	(12 651 519)	(13 006 505)	(10 050 003)	(8 257 254)
Net interest income	21 383 533	18 420 942	20 175 199	17 493 781	11 901 512
Net foreign exchange gains	1 416 445	1 822 432	1 502 044	1 902 337	1 289 729
Fee and commission income	20 244 285	15 121 536	14 673 834	13 016 115	11 958 029
Revenue	43 044 263	35 364 910	36 351 077	32 412 233	25 149 270
Share of profit/(loss) of associate	-	-	217 768	434 252	(113 573)
Non-interest income	1 234 125	62 025	777 720	2 593 515	(206 662)
Profit on disposal of associate	-	-	580 136	-	-
Operating expenditure	(26 872 649)	(27 984 051)	(25 232 756)	(21 452 714)	(16 979 741)
Impairment losses on loans and advances	(9 496 601)	(5 017 362)	(16 645 810)	(3 985 062)	(2 296 111)
Profit /(loss) before taxation	7 909 138	2 425 522	(3 951 865)	10 002 224	6 193 653
Taxation (charge)/credit	(2 422 040)	(768 455)	630 042	(2 431 722)	(1 655 197)
Profit/(loss) after taxation	5 487 098	1 657 067	(3 321 823)	7 570 502	4 538 456
Other comprehensive income for the year, net of tax	2 970	10 180	-	-	-
Total comprehensive income/(loss) for the year	5 490 068	1 667 247	(3 321 823)	7 570 502	4 538 456

Historical Five Year Financial Summary (Cont'd)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2015 US$	2014 US$	2013 US$	2012 US$ Restated	2011 US$
SHAREHOLDERS' FUNDS					
Share capital	78 598	78 598	78 598	78 598	78 598
Reserves	34 715 869	29 225 801	27 541 622	30 863 485	23 292 983
Equity	34 794 467	29 304 399	27 620 260	30 942 083	23 371 581
Subordinated loan	1 414 144	1 407 964	1 485 890	-	-
Redeemable ordinary shares	14 335 253	14 335 253	14 335 253	-	-
Total shareholders' funds	50 543 864	45 047 616	43 441 403	30 942 083	23 371 581
LIABILITIES					
Deposits and other liabilities	283 287 243	241 001 418	216 041 709	195 002 633	142 757 778
Current tax liabilities	-	-	-	588 966	1 157 974
Capital employed	333 831 107	286 049 034	259 483 112	226 533 682	167 287 333
ASSETS					
Cash and cash equivalents	63 439 347	54 750 561	48 871 983	58 171 045	32 265 953
Investments securities	14 547 992	3 874 525	4 685 471	5 501 963	2 126 657
Investments in debentures	-	4 614 047	3 984 723	-	-
Deferred tax assets	1 905 116	2 784 594	2 823 544	1 380 596	421 383
Current tax assets	23 075	1 436 974	1 739 210	-	-
Loans, advances and other assets	235 088 981	203 363 052	181 316 271	146 599 994	122 260 663
Non-current assets held for sale	2 264 300	2 267 300	2 303 300	2 225 300	-
Quoted and other investments	68 220	127 291	145 850	130 316	118 048
Trade investments	77 805	81 390	190 148	195 790	190 980
Investment in associate	-	-	-	1 025 919	591 667
Investment properties	8 125 800	4 453 300	4 385 300	3 115 300	2 510 000
Property and equipment	6 601 087	6 345 267	7 372 943	8 187 459	6 801 982
Intangible assets	1 689 385	1 950 733	1 664 369	-	-
Employment of capital	333 831 107	286 049 034	259 483 112	226 533 682	167 287 333

Historical Five Year Financial Summary (Cont'd)

	2015	2014	2013	2012	2011
CLOSING NUMBER OF SHARES	384 427 351	384 427 351	384 427 351*	2 807 107 289	2 807 107 289
Share performance					
Net asset value per share (US cents)	12.87	11.72	11.30	1.12	0.83
Basic earnings per share (US cents)	1.43	0.43	(1.00)	0.29	0.16
Dividend per share (US cents)	-	-	-	-	-
Dividend cover (times)	-	-	-	-	-
Price/earnings ratio	2.5	10.47	(6.50)2.24	7.19	
Closing price per share (US cents)	3.5	4.5	6.50	0.65	1.15
Market capitalisation (US$)	13 454 952	17 299 224	24 987 781	18 246 197	32 281 734
Financial performance					
Return on shareholders' funds (%)[1]	10.9	3.7	(8)	26	19
Return on assets (%)	1.7	0.6	(1)	4	3
Cost/net income ratio (%)[2]	82.1	92.8	110	70	76
Non-interest income/total income (%)	53.8	35.4	47	34	36
Effective tax rate (%)	30.6	31.68	(16)	23	27.1

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.

* At an Extraordinary General Meeting held on 19 February 2014, the Company approved a share consolidation exercise at a ratio of 10:1 and consolidated 3 500 000 000 (3.5 billion) shares with a nominal value of US$0.000028 per share to 350 000 000 (350 million) shares with a nominal value of US$0.00028 per share. The Company also approved an increase in the authorized share capital from 350 000 000 shares with a nominal value of US$0.00028 per share to 600 000 000 shares with a nominal value US$0.00028 per share.

Notice To Members

Notice is hereby given that the 21st 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 **Thursday, 19 May 2016 at 1000 hours** for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2015, together with the reports of the Directors and Auditors thereon.

2. To appoint/re-appoint Directors.
   In accordance with the Articles of Association, all the directors of the Company, being Mr. B. Chikwanha, Mr. B. Washaya, Ms. J. Maguranyanga, Ms. M. Svova, Mr. K. Qurashi, Mr. C. Ndiaye, Mr B. Zwinkels, Mr. E. Sandersen and Mr C. Chikaura retire by rotation. Being eligible, all the directors of the Company offer themselves for reelection.

3. To approve directors' fees for the year ended 31 December 2015.

4. To approve Messrs KPMG's remuneration for the year ended 31 December 2015.

5. To appoint KPMG as the Company's Auditors for the year ending 31 December 2016.

SPECIAL BUSINESS

SPECIAL RESOLUTION

1. To consider, and if deemed fit, to pass, with or without modification, the resolution set out below:

   "That the Company, being duly authorised thereto by Article 10 of its Articles of Association, may undertake general repurchases by way of open market transactions on the Zimbabwe Stock Exchange ("ZSE") of any of its own ordinary shares in such manner or on such terms as the directors may from time to time determine provided that:

a. the maximum number of shares authorized to be acquired is no more than 10% of the Company's ordinary issued share capital.

b. for each share, the minimum price shall not be lower than the nominal value of the Company's shares and the maximum price that may be paid is 5% above the weighted average market price for the ordinary shares in the Company as derived from the Zimbabwe Stock Exchange (ZSE) Daily Price Sheet for the five business days immediately preceding the date on which such ordinary shares are contracted to be purchased.

c. the authority in terms of this special resolution shall unless renewed prior to such time, expire on the first anniversary of this resolution or at the conclusion of the next Annual General Meeting of the Company, whichever is later, save that the Company, may before such expiry, enter into a contract or contracts to purchase its ordinary shares which would or might be completed wholly or partly after the expiry and may purchase its ordinary shares in pursuance of such contract or contracts."

Notes:

1. **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.**
2. **A Special Resolution is required to be passed by a majority of seventy five per cent of those present and voting (including proxy votes), representing not less than twenty five per cent of the total number of votes in the Company.**
3. **In terms of special resolution 1, the directors are seeking authority to allow the use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE. The directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the directors will duly take into account following such repurchase for the next 12 months, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital.**

By Order of the Board

Mutandwa

V. MUTANDWA
COMPANY SECRETARY
15 March 2016

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 all 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 Mr. B. Chikwanha, Mr. J. Chenevix-Trench, Mr. B. Washaya, Ms. J. Maguranyanga, Ms. M. Svova, Mr. K. Qurashi, Mr. C. Ndiaye, Mr B. Zwinkels, Mr. E. Sandersen and Mr C. Chikaura. All the retiring directors being eligible offer themselves for re-election. Information about these directors is shown below:

Benedict Chikwanha – Independent Non-Executive Director (Chairman)

Benedict Chikwanha was appointed as a non-executive director of NMB Bank Limited and NMBZ Holdings Limited on 31 January 2014. Mr. Chikwanha is an experienced banker, with over forty years working experience in the banking sector, 32 of which were spent at Barclays Zimbabwe. Ben Chikwanha has held various positions in Risk Management, Retail Banking, Human Resources, Corporate Banking and Corporate Finance. He has held various management roles in the banking sector including being a Director Risk Management and Managing Director. Currently Ben Chikwanha is an Executive Director of the Leonard Cheshire Disability Zimbabwe Trust.

Benefit P. Washaya - Chief Executive Officer

Benefit Washaya commenced his banking career with Barclays Bank in 1978 where he held general management positions including Director's Assistant, Risk Management and Business Centre Director. He left Barclays Bank in 1997 to join NMB Bank where he became Divisional Director, Risk Management and was responsible for setting up the Risk Management systems in the bank. Benefit Washaya moved to Metropolitan Bank of Zimbabwe Limited in March 2004 as Chief Executive Officer. He re-joined NMB Bank as Managing Director on 7 January 2008 during a very difficult period in the history of the bank. He successfully presided over the change-over period from the ZWD to the multi-currency regime in 2009 when most bank balance sheets started from a near zero base. In 2010, he was part of the team that successfully raised $10 million through a rights issue which broadened the bank's shareholder profile and again in 2013 he was part of the team that was involved in a private placement which raised close to $15 million and brought on board three strategic institutional investors. Benefit Washaya is a Certified Member of the Institute of Bankers of South Africa ACIB (SA) and a Chartered Secretary (ACIS). He holds a Masters' Degree in Business Administration, specialising in Finance, from the University of Wales.

Ben Zwinkels – Non Executive Director

Ben Zwinkels represents AfricInvest on the board. He is currently the Executive Chairman of AfricInvest Capital Partners. He has over 35 years of experience in Financial Sector Development in Africa of which 30 years were spent working for FMO (the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. from the Netherlands) where he retired as of July 1st 2012. Mr. Zwinkels commenced his working career as an Assistant Auditor and held the positions of Assistant Financial Controller, Branch Manager and Technical Advisor before joining FMO in 1982 as a Project Controller. Ben held several positions with FMO including Senior Investment Officer- North and West Africa Division and Senior Investment Officer- Private Equity, until his retirement.

Cheikh Ndiaye – Non-Executive Director

Cheikh Ndiaye represents the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) on the board. He has over 30 years of commercial banking experience of which 28 years were spent with Citibank. Mr. Ndiaye rose from a Credit Analyst position to Regional Director of Operations and Technology for 12 countries in Africa and Middle East managing over 1500 people. At Ecobank, Cheikh Ndiaye managed Operations and Technology in 30 countries with over 7 000 staff members. Cheikh Ndiaye has experience in various banking areas, including Financial Control, IT, Risk Management, Financial Analysis and Operations. Currently Cheikh Ndiaye is an independent bank consultant.

Maureen Svova – Independent Non-Executive Director

Maureen Svova is one of the pioneer black female Chartered Accountants with over 25 years' experience in Finance and Accounting. Maureen trained for her articled clerkship with Coopers & Lybrand from 1982 to 1986 after graduating with a Bachelor of Accountancy and was promoted to Senior Audit Manager a position she held until she left in 1990. She joined Trinidad Industries where she worked as a Finance Director from 1990 to 2000. Maureen joined Deloitte & Touche Malawi as a Senior Audit Manager between the years 2000 and 2003. She left Deloitte to join Cottco as the Group Finance Manager where she was employed between 2003 and 2005 after which she left to join Integrity Asset Management for a short period. Currently Ms. Svova is managing a business consultancy company.

Explanations Regarding The Notice Of The Annual General Meeting (Cont'd)

Jean Maguranyanga – Independent Non-Executive Director

Jean Maguranyanga is a lawyer by profession with over 20 years' experience. Jean commenced her career as a Prosecutor in the Ministry of Justice Legal and Parliamentary affairs and moved after one year to Parliament. She worked as a Legal Advisor at the Parliament of Zimbabwe for three years after which she left to study for her Master's Degree in Corporate and Commercial Law. Following the completion of her Master's degree Jean took up a lectureship post with the University of Zimbabwe a position she held for two years. Thereafter, Jean joined the Reserve Bank of Zimbabwe where she served as Legal Counsel and later as Division Chief Corporate Affairs / Bank Secretary for a total period of seventeen years. Currently Jean is a partner at Chinamasa Mudimu and Maguranyanga Legal Practitioners.

Erik Sandersen – Non-Executive Director

Mr. Erik Sandersen represents Norfund on the board. Erik is a holder of an MSc in Engineering as well as a Master's in Business Administration. Erik has 9 years' experience in management and IT consultancy which he acquired at Anderson Consulting and Boston Consulting Group. Erik has an additional five years' experience in operational management. Of the five years that Erik was in operational management, two of these were served as CEO at Circle Innovation AS and Hands ASA. From 2004 to 2014, Erik was involved in investments management, having co-founded a venture capital company called Incitia Ventures AS. Currently Erik is an Investments Director with Norfund.

Khalid Qurashi – Independent Non-Executive Director

Khalid Qurashi is a recently retired banker with considerable international banking experience. He has worked for 38 years with a major US international bank, where his area of expertise was in corporate risk management and profit centre/ franchise management. He was responsible for risk management throughout the Middle East, Africa and Turkey. Key responsibilities included establishing overall risk appetite in the region and approving credit and country/ cross border limits. Mr. Qurashi has been a board member at 2 affiliated large bank subsidiaries. He was Vice Chairman at one, and a board member as well as Chairman of the credit committee, at the other local African subsidiary. His interests include international finance, private equity, the SME business sector and alternative energy. Mr. Qurashi has a Master's Degree in Administration and a Bachelor's Degree in Bio Chemistry.

Charles Chikaura – Independent Non-Executive Director

Charles Chikaura is an independent non-executive director who was appointed to the NMBZ Holdings and NMB Bank Limited boards on 24 December 2015. Charles holds a Bachelor of Arts Honours degree and a Masters in Business Administration degree from the University of Zimbabwe as well as an Institute of Bankers diploma. Charles has 35 years of banking experience, of which 23 of these were with the Reserve Bank of Zimbabwe where he held several positions including Manager Exchange Control, General Manager Operations, Senior General Manager and Deputy Governor. Charles was thereafter appointed Chief Executive Officer of the Infrastructure Development Bank of Zimbabwe a position he held for 12 years, until August 2015 when he retired. Currently Charles is a full time farmer and holds several directorships.

Resolution 3

Shareholders are requested to approve director's fees. The directors fees for 2015 amounted to $232 705.

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 2015, which audit fee has been disclosed in the Annual Report.

Resolution 5

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]. In addition section 41 of the Banking Act [Chapter 24:20] provides that the term of external auditors is limited to five years within any eight year period. This resolution therefore proposes the appointment of KPMG as the company's auditors in accordance with the Companies Act [Chapter 24:03] and the Banking Act [Chapter 24:20]. KPMG have audited the company for four years since the December 2012 year end audit and it is proposed that they be appointed as the company's auditors for the fifth year ending 31 December 2016.

Explanations Regarding The Notice Of The Annual General Meeting (Cont'd)

Resolution 6 - Special Resolution

This resolution seeks to empower the Company to buy back its shares. The Company is authorised in terms of Article 10 of its Articles of Association to buy back its shares. The Zimbabwe Stock Exchange has limited such buy backs to 10% of the Company's issued share capital. The directors are seeking authority to allow the use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE. The directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the directors will duly take into account following such repurchase for the next 12 months, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital. This resolution is required to be passed by a majority of seventy five percent of those present and voting (including proxy votes) representing not less than twenty five per cent of the total number of votes in the Company.

Shareholders' Analysis Shareholders' Analysis

Size of shareholding	2015 Number of shareholders	% of Holders	2015 Issued Shares	% Shareholding
0 - 5,000	3531	91.58%	2,120,835	0.55%
5,001 - 10,000	100	2.59%	735,115	0.19%
10,001 - 50,000	139	3.60%	3,120,692	0.81%
50,001 - 100,000	27	0.70%	2,037,869	0.52%
100,001 - 500,000	24	0.62%	5,023,164	1.31%
500,001 - 1,000,000	10	0.26%	7,943,954	2.07%
1,000,001 - 10,000,000	14	0.36%	50,040,970	13.02%
10,000,001 -	11	0.29%	313,404,752	81.53%
Total	**3,856**	**100.00%**	**384,427,351**	100.00%

Size of shareholding	2014 Number of shareholders	% of Holders	2014 Issued Shares	% Shareholding
0 - 5000	3538	91.30%	2, 143, 687	0.55%
5,001 - 10,000	104	2.68%	759,384	0.20%
10,001 - 50,000	149	3.84%	3,376,416	0.88%
50,001 - 100,000	26	0.67%	1,921,650	0.50%
100,001 - 500,000	25	0.64%	5,067,526	1.32%
500,001 - 1,000,000	6	0.15%	4,637,569	1.21%
1,000,001 - 10,000,000	17	0.44%	53,118,630	13.82%
10,000,001 and above	11	0.28%	313,402,489	81.52%
Total	**3,876**	**100.00%**	**384,427,351**	**100.00%**

2015 **Industry**	**Holders**	**% of Holders**	**Shares**	**% of Shares**
Bank	1	0.03%	4,290	0.00%
Bank And Nominees	1	0.03%	14,900	0.00%
Local Companies	351	9.10%	47,620,446	12.39%
Employee	243	6.30%	820,410	0.21%
Deceased Estates	3	0.08%	2,221	0.00%
External Companies	11	0.28%	104,004,827	27.05%
Fund Managers	3	0.08%	2,510	0.00%
Insurance Companies	8	0.21%	32,135,746	8.36%
Investment Trusts and Property	33	0.86%	49,884,095	12.98%
Local Residents	3091	80.15%	10,185,891	2.65%
Nominees Local	47	1.22%	424,061	0.11%
Non Residents	6	0.16%	106,442,385	27.69%
Non Resident Individuals	31	0.80%	682,622	0.18%
Other Corporate Holdings	11	0.29%	26,615,992	6.93%
Pension Fund	16	0.41%	5,586,955	1.45%
Total	**3,856**	**100%**	**384,427,351**	**100%**

Shareholders' Analysis Shareholders' Analysis (Cont'd)

2014

Industry	Shareholders	% of shareholders	Shares	% of Shares
Bank	2	0.05%	19,190	0.00%
Local companies	350	9.03%	46,122,695	12.00%
Employee	247	6.37%	966,863	0.25%
Deceased Estates	3	0.08%	2,221	0.00%
External Companies	7	0.18%	99,114,867	25.78%
Fund Managers	4	0.10%	2,700	0.00%
Insurance Companies	10	0.26%	58,693,244	15.27%
Investment Trusts and Property	34	0.88%	50,751,589	13.20%
Local Residents	3107	80.15%	11,737,545	3.05%
Nominees Local	58	1.50%	549,868	0.14%
Non Residents	8	0.21%	108,660,745	28.27%
Non Resident Individuals	28	0.72%	2,134,883	0.56%
Other Corporate Holdings	3	0.08%	3,369	0.01%
Pension Fund	15	0.39%	5,667,572	1.47%
Total	3,876	100.00%	384,427,351	100.00%

Shareholders’ Analysis Shareholders’ Analysis (Cont’d)

Top Ten Shareholders

Rank	Shareholder	2015 Number of Shares	% Shareholding
1	African Century Financial Investments Ltd	71,207,639	18.52%
2	Africinvest Financial Sector Holding	34,571,429	8.99%
	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N V (Fmo)	34,571,429	8.99%
4	Norwegian Investment Fund For Developing Countries	34,571,429	8.99%
5	Old Mutual Life Assurance Company Of Zimbabwe Limited	32,128,043	8.36%
6	Old Mutual Zimbabwe Limited	26,557,498	6.91%
7	Lalibela Limited	21,526,695	5.60%
8	Alsace Trust	16,885,381	4.39%
9	Cornerstone Trust	16,875,582	4.39%
10	Wamambo Investments Trust	13,545,247	3.52%
	TOTAL	**302,440,372**	**78.66%**

Rank	Shareholder	2014 Number of Shares	% Shareholding
1	African Century Financial Investments Ltd	71,207,639	18.52%
2	Africinvest Financial Sector Holding	34,571,429	8.99%
3	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N V	34,571,429	8.99%
4	Norwegian Investment Fund For Developing Countries (Norfund)	34,571,429	8.99%
5	Old Mutual Life Assurance Company of Zimbabwe Limited	32,128,043	8.36%
6	Old Mutual Zimbabwe Limited	26,557,498	6.91%
7	Lalibela Limited	21,526,695	5.60%
8	Alsace Trust	16,885,381	4.39%
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10	Wamambo Investments Trust	13,545,247	3.52%
	TOTAL	**302,440,372**	**78.66%**

Shareholders' Information

MEMBERS' DIARY

Financial year end	31 December 2015
Reports:-	
• Announcement of annual results	21 March 2016
• Annual financial statements posted to shareholders	April 2016
• Annual General Meeting	19 May 2016
• Announcement of the 2016 half-year results	August 2016
Dividend payments:	n/a
• Interim	n/a
• Final	

Secretary and Registered Office

COMPANY SECRETARY **V. MUTANDWA**

Registered Offices
4th Floor
Unity Court
Corner 1st/ Kwame Nkrumah Avenue
Harare
Zimbabwe

Telephone: +263 4 759651-9 / 759601-6
Facsimile +263 4 759648
Website: http://www.nmbz.co.zw
Email:enquiries@nmbz.co.zw

NMB Centre
Corner George Silundika Avenue/
Leopold Takawira Street
Bulawayo
Zimbabwe

+263 9 70169
+263 9 68535

Auditors
KPMG Charted Accountants (Zimbabwe)
Mutual Gardens
100 The Chase (West)
Emerald Hill
Harare
Zimbabwe

Transfer Secretaries
In Zimbabwe
First Transfer Secretaries
1 Armagh Avenue, Eastlea
Harare
Zimbabwe

In UK
Computershare Investor Services PLC
The Pavilion
Bridgewater Road
Bristol
BS599 6ZZ
United Kingdom

Legal Advisors
In Zimbabwe
Gill, Godlonton & Gerrans
7th Floor, Beverley Court
100 Nelson Mandela Avenue
Harare
Zimbabwe

In UK
Dechert
160 Queen Victoria Street
London
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 19 May 2016 at 10:00 hours and at any adjournment thereof.

Signed this .... day of 2016

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.