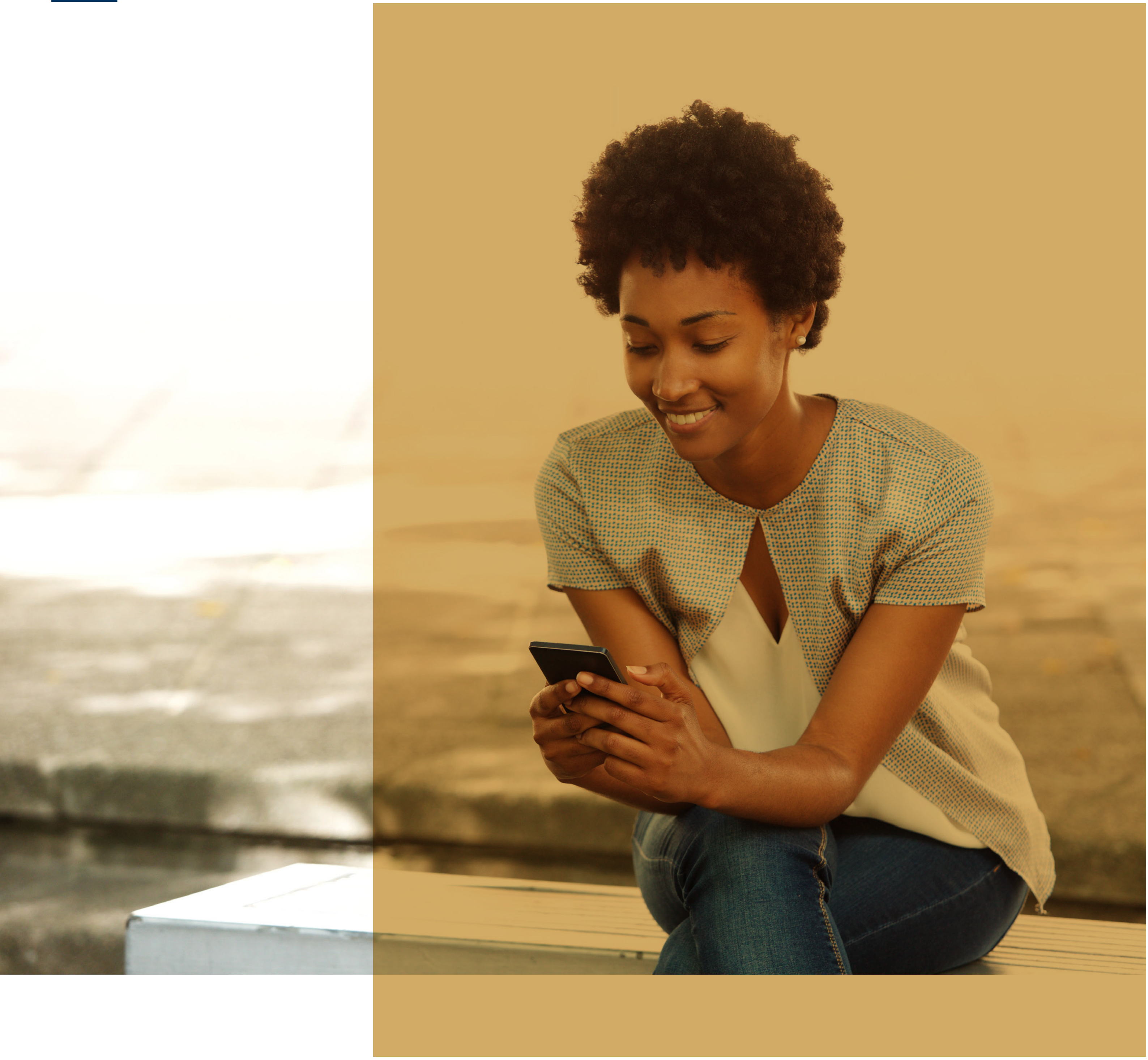
NMBZ Holdings Limited

Annual Report 2016



NMBZ HOLDINGS LIMITED

Contents

Financial Summary

	31 December 2016	31 December 2015
Total income (US$)	51 520 403	59 396 619
Operating profit before impairment charge (US$)	14 268 630	17 405 739
Total comprehensive income (US$)	5 055 196	5 490 068
Basic earnings per share (US cents)	1.32	1.43
Total deposits (US$)	260 550 383	277 216 769
Total gross loans and advances (US$)	205 858 392	243 241 018
Total shareholders' funds (US$)	55 600 406	50 543 864

Enquiries:

NMBZ HOLDINGS LIMITED

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Group Profile

The NMBZ Holdings Limited Group (the Group) comprises the company (NMBZ Holdings Limited) and the wholly owned banking subsidiary, NMB Bank Limited (the Bank) and equities holding company, Stewart Holdings Limited.

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

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

Chinhoyi - 469 Magamba Way, Chinhoyi

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 105A, First 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:

- Avondale - Harare
- Borrowdale - Harare
- Bulawayo
- Card Centre - Harare
- Chinhoyi
- Eastgate - Harare
- Fruit & Veg - Greendale, Harare
- Gweru
- Joina City - Harare
- Kwekwe
- Masvingo
- Msasa - Harare
- Mutare
- Southerton - Harare

Chairman's Statement
for the year ended 31 December 2016

B. A. Chikwanha
Chairman

INTRODUCTION
The Group has continued to make some progress towards attaining its short and medium term goals despite an increasingly challenging operating environment. The economy has continued to be dogged by nostro funding challenges, cash shortages, job losses, deflationary pressures and company closures and these have continued to worsen default risk. The operating results were largely underpinned by the banking subsidiary's decision to broaden its target market, stricter credit underwriting standards and concerted efforts to contain non-performing loans and operating costs.

The key financial highlights of the Group's only operating banking subsidiary as at 31 December 2016, achieved under an exceedingly challenging operating environment are:

- Shareholder's funds stood at US$54.7 million;
- Capital adequacy ratio of 23.32% against the RBZ's minimum requirement of 12%; and
- Liquidity ratio of 40.06% versus RBZ's minimum requirement of 30%.

GROUP RESULTS
Financial performance
The profit before taxation was US$6 208 904 during the period under review and this gave rise to total comprehensive income of US$5 055 196. The Group achieved an earnings per share of 1.32 cents (2015 - 1.43 cents).

Operating expenses amounted to US$26 176 706 and these were down 3% from a prior year amount of US$26 872 649 as a net result of cost cutting and containment measures.

Impairment losses on loans and advances amounted to US$8 059 726 for the current period from a prior year amount of US$9 496 601 and the decrease was mainly due to stricter credit underwriting on the back of a deteriorating economic environment. The Board took a decision to write off loans and advances amounting to US$8 337 245 during the year under review after recovery efforts had not yielded the desired results.

Financial position
The Group's total assets decreased by 4% from US$333 831 107 as at 31 December 2015 to US$320 984 926 as at 31 December 2016 mainly due to a decrease of 15% in loans, advances and other assets and this was partly offset by an increase of 9% in cash and cash equivalents, 70% in investments securities and 75% in investment properties.

Gross loans and advances decreased by 15% from US$243 241 018 as at 31 December 2015 to US$205 858 392 as at 31 December 2016 mainly due to constrained lending as a result of the challenging operating environment. The Bank's non-performing loans ratio reduced to 10.72% as at 31 December 2016 from 13.19% as at 31 December 2015. The Bank surrendered loans amounting to US$12 667 259 to ZAMCO since its inception and up to 31 December 2016, ZAMCO had acquired loans from the market amounting to US$812.52 million.
Investment securities (Treasury Bills and Bonds) increased by 70% from US$14 547 992 as at 31 December 2015 to US$24 744 752 as at 31 December 2016 mainly due to Bills received from ZAMCO for loans surrendered during the year.

The deposits decreased by 6% from US$277 216 769 as at 31 December 2015 to US$260 550 383 as at 31 December 2016 as a result of restricted funding opportunities.

The Bank's liquidity ratio closed the period at 40.06% and this was above the statutory requirement of 30%.

Capital
The banking subsidiary's capital adequacy ratio at 31 December 2016 calculated in accordance with the guidelines of the Reserve Bank of Zimbabwe (RBZ) was 23.32% (31 December 2015 - 19.26%). The minimum required by the RBZ is 12%. We consider the level of our capitalisation to be adequate to support our underwriting pipeline business.

The Group's shareholders' funds have increased by 10% from US$50 543 864 as at 31 December 2015 to US$55 600 406 as at 31 December 2016 as a result of the current year's attributable profit.

The Bank's regulatory capital as at 31 December 2016 was US$50 150 888 and is above the minimum regulatory capital of US$25 million.

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.

DIRECTORATE
Mr Jonathan Chenevix - Trench resigned as a director of NMBZ Holdings Limited and NMB Bank Limited with effect from 21 March 2016. Mr Khalid Qurashi and Ms Maureen R Svova resigned from both the boards of NMBZ Holdings Limited and NMB Bank Limited with effect from 20 May 2016. Mr Cheikh I F Ndiaye resigned from the NMBZ Holdings Limited and the NMB Bank Limited boards on 17 November 2016. I would like to thank the four former board members for their invaluable contributions to both NMBZ Holdings Limited and NMB Bank Limited during their tenure.

Mr James de la Fargue was appointed to both boards of NMBZ Holdings Limited and NMB Bank Limited with effect from 4 May 2016. Ms. Sabinah N Chitehwe and Mr Benson Ndachena were appointed to the boards of NMBZ Holdings Limited and NMB Bank Limited with effect from 19 September 2016. I would like to wish the new board members a fruitful tenure on the Board.

Subsequent to year end, Mr Benardus A M Zwinkels, who represented AfricInvest, resigned from the Board and was replaced by Mr Julius Tichelaar effective 1 January 2017. I would like to thank Mr Zwinkels for his fruitful tenure on the Board and welcome Mr Tichelaar to the Board.

OUTLOOK AND STRATEGY

The Group has continued to broaden the market catchment for the banking subsidiary by tapping into some segments of the mass market and this saw the launch in August 2016 of the NMBLite product offering which is targeted at the low income segment. The uptake of the mass market products has been encouraging and this has contributed to the financial inclusion agenda.

The Bank has accelerated the deployment of POS machines throughout the country and has enhanced all the e-channels for the convenience of our transacting customers in the current environment which is characterised by cash shortages.

CORPORATE SOCIAL INVESTMENTS

We remain 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 Tinokwirira Special School, Deaf Zimbabwe Trust, Birdlife Zimbabwe, Hockey Association of Zimbabwe, Kwekwe and Sanyati Districts Better Schools Programme initiatives and many other charity golf tournaments.

CORPORATE DEVELOPMENTS

The low cost NMBLite account, which is targeted at the low income sector, was launched in August 2016. The Bank relaunched the mobile banking platform which now incorporates Android and Apple applications.

APPRECIATION

I would like to express my appreciation to our clients, shareholders and regulatory authorities for their continued support. I would also like to thank my fellow Board members, management and staff for their steadfast commitment, dedication and passion which has seen the achievement of these results in the face of an increasingly challenging operating environment.

MR. B. A. CHIKWANHA
CHAIRMAN
15 March 2017

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

The Group's total comprehensive income was US$5 055 196 for the year ended 31 December 2016 (2015 - US$5 490 068).

3. CAPITAL ADEQUACY

As at 31 December 2016, the Bank's regulatory capital adequacy ratio was 23.32% (2015 - 19.26%).

4. DIRECTORATE

4.1 Board of Directors

During the year ended 31 December 2016, Messrs J. Chenevix - Trench, K. Qurashi and Ms. M. R. Svova retired from the boards of NMBZ Holdings Limited and NMB Bank Limited and Ms S. Chitehwe and Messrs B. Ndachena were appointed to the Board.

Mr. B. A. Chikwanha	(Chairman and Independent Non-executive Director)
Mr. B. P. Washaya	(Chief Executive Officer)
Mr. J. Chenevix-Trench*	(Non-Executive Director)
Ms. M. R. Svova**	(Independent Non-Executive Director)
Mr. K. Qurashi**	(Non-Executive Director)
Mr. B. A. M. Zwinkels	(Non-Executive Director)
Ms. J. Maguranyanga	(Independent Non-Executive Director)
Mr. E. Sandersen	(Non-Executive Director)
Mr. C.I.F Ndiaiye*****	(Non-Executive Director)
Mr. C. Chikaura	(Independent Non-Executive Director)
Mr. J. de la Fargue***	(Non - Executive Director)
Ms. S. Chitehwe****	(Independent Non - Executive Director)
Mr. B. Ndachena****	(Chief Finance Officer)

*Resigned on 21 March 2016.
**Resigned on 20 May 2016.
***Appointed on 4 May 2016.
****Appointed on 19 September 2016.
*****Resigned on 17 November 2016

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.

4.2 Directors' Interests

As at 31 December 2016 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 Dec 2016 Shares	31 Dec 2015 Shares
Mr. B. A. Chikwanha*	10 000	10 000
Ms. J. Maguranyanga	600	600
Mr. B. P. Washaya**	2 070	2 070
Mr. J. de la Fargue***	-	-
Mr B .A .M. Zwinkels****	-	-
Mr.E. Sandersen****	-	-
Mr. B. Ndachena	77 642	77 642
Mr. C. Chikaura	-	-
Ms. S. Chitehwe	-	-
	90 312	90 312

*Mr. B. A. Chikwanha is the Chairman of the board of directors of NMBZ Holdings Limited and NMB Bank Limited.
**Mr. B. P. Washaya is the CEO of NMBZ Holdings Limited and NMB Bank Limited.
***Mr. J. de la Fargue represents African Century Financial Investments Limited (71 207 639 shares) on the board of directors of NMBZ Holdings Limited and NMB Bank Limited.
****Mr.B. Zwinkels and Mr. E Sandersen represent AfricInvest (34 571 429 shares), and Norfund (34 571 429 shares) respectively on the board of directors of NMBZ Holdings Limited and NMB Bank Limited.

NMBZ HOLDINGS LIMITED

4. DIRECTORATE (cont'd)

4.3 Total share options granted to executive directors

	31 Dec 2016 Share options	31 Dec 2015 Share options
Mr. B. P. Washaya	275 873	275 873
Mr. B. Ndachena	193 111	193 111
	468 984	468 984

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. J. Chenevix Trench*	1	1
Ms. M. R. Svova**	2	2
Mr. K. Qurashi**	2	2
Mr. B. Ndachena***	1	1
Ms. S. Chitehwe***	1	1
Mr. J. de la Fargue****	3	3
Mr. B. A. M. Zwinkels	4	4
Mr. C. I. F. Ndiaye*****	4	4
Mr. E. Sandersen	4	4
Ms. J. Maguranyanga	4	4
Mr. C. Chikaura	4	4

*Mr. J. Chenevix Trench resigned from the NMBZ Holdings Limited and NMB Bank Limited boards with effect from 21 March 2016.
**Ms. M.R. Svova and Mr K. Qurashi resigned from the NMBZ Holdings Limited and NMB Bank Limited boards with effect from 20 May 2016.
***Mr. B. Ndachena and Ms. S. Chitehwe were appointed to the NMBZ Holdings Limited and NMB Bank Limited boards on 19 September 2016.
****Mr. J. de la Fargue was appointed to the NMBZ Holdings Limited and NMB Bank Limited boards on 4 May 2016.
*****Mr. C.I. F. Ndiaye resigned from the NMBZ Holdings Limited and NMB Bank Limited boards with effect from 17 November 2016.

4.4.2 Audit Committee

Name	Meetings held	Meetings attended
Ms. M. R. Svova*	2	2
Mr. K. Qurashi*	2	2
Mr. C. Chikaura	4	4
Ms. J. Maguranyanga**	2	2
Ms. S. Chitehwe***	1	1

*Ms. M.R. Svova and Mr. K. Qurashi resigned with effect from 20 May 2016.
**Ms. J. Maguranyanga became a member of the committee with effect from 16 August 2016.
***Ms. S. Chitehwe was appointed with effect from 19 September 2016.

4. DIRECTORATE (cont'd)

4.4.3 Risk Management Committee

Name	Meetings held	Meetings attended
Mr. K. Qurashi*	2	2
Mr. C. Chikaura	4	3
Mr. C. I. F. Ndiaye**	4	3
Mr. E. Sandersen	4	3
Mr. B. A. Chikwanha	4	4

*Mr. K. Qurashi resigned with effect from 20 May 2016.
**Mr. C. I. F Ndiaye reigned with effect from 17 November 2016.

4.4.4 Asset and Liability Management (ALCO) & Finance Committee

Name	Meetings held	Meetings attended
Ms. M. R. Svova**	2	2
Mr. J. Chenevix-Trench*	1	1
Mr. B. A. M. Zwinkels	4	4
Mr. E. Sandersen	4	4
Mr. B. P. Washaya	4	4
Mr. J. de la Fargue***	3	3
Mr. C. Chikaura****	2	2
Mr. B. Ndachena*****	1	1
Ms. S. Chitehwe******	1	1

*Mr.J. Chevenix - Trench resigned with effect from 21 March 2016.
**Mr. M.R. Svova resigned with effect from 20 May 2016.
***Mr. J. de la Fargue was appointed with effect from 4 May 2016.
****Mr. C. Chikaura became a member of the committee with effect from 16 August 2016.
***** Mr. B. Ndachena was appointed with effect from 19 September 2016.
******Ms. S. Chitehwe was appointed with effect from 19 September 2016.

4.4.5 Loans Review Committee

Name	Meetings held	Meeting attended
Ms. J. Maguranyanga	4	4
Mr.C. I. F. Ndiaye***	4	4
Mr. B. A. M. Zwinkels	4	4
Mr. E. Sandersen	4	4
Mr. J. Chenevix-Trench*	1	1
Ms. S. Chitehwe**	1	1

*Mr. J. Chenevix - Trench resigned with effect from 21 March 2016.
**Ms. S. Chitehwe was appointed with effect from 19 September 2016.
***Mr. C. I. F. Ndiaye resigned with effect from 17 November 2016.

4. DIRECTORATE (cont'd)

4.4.6 Human Resources, Remuneration and Nominations Committee

Name	Meetings held	Meetings attended
Ms. J. Maguranyanga	4	4
Mr. B. A. Chikwanha	4	4
Mr. C. I. F. Ndiaye***	4	4
Mr. J. Chenevix-Trench*	1	1
Mr. B. A. M. Zwinkels	4	4
Mr. C. Chikaura	4	4
Mr. J. de la Fargue**	2	2

*Mr. J. Chenevix - Trench resigned with effect from 21 March 2016.
**Mr. J. de la Fargue became a member of the committee with effect from 16 August 2016.
***Mr. C. I. F. Ndiaye resigned with effect from 17 November 2016.

4.4.7 Credit Committee

Name	Meetings held	Meetings attended
Mr. B. A. Chikwanha	4	4
Ms. M. R. Svova*	2	2
Mr. K. Qurashi *	2	2
Mr. B. P. Washaya	4	4
Mr. J. de la Fargue**	3	3
Mr. C. Chikaura***	2	2

*Ms. M. R. Svova and Mr. K. Qurashi resigned with effect from 20 May 2016.
**Mr. J. de la Fargue was appointed with effect from 4 May 2016.
***Mr. C. Chikaura became a member of the committee with effect from 15 August 2016.

5. CORPORATE GOVERNANCE

The Group 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, the National Code on Corporate Governance and the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline No. 01-2004/BSD. 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

The NMBZ Holdings Limited and NMB Bank Limited boards comprise of nine directors each. The boards of the holding company and the Bank are identical. The Group obtained regulatory approval to have one board for NMBZ Holdings Limited and the banking subsidiary. The boards comprise, of two executive and nine non-executive directors. Of the seven non-executive directors, four 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 internal and external auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and objectivity.

Membership:	Mr. C. Chikaura	Chairperson-Independent Non-Executive Director
	Ms. J. Maguranyanga	Independent Non-Executive Director
	Ms. S. Chitehwe	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. de la Fargue	Non-Executive Director
	Mr. B. A. M. Zwinkels	Non-Executive Director
	Mr. C. Chikaura	Independent 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
	Ms. S. Chitehwe	Independent 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	Chairperson - Independent Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer
	Mr. J. de la Fargue	Non-Executive Director
	Mr. C. Chikaura	Independent Non-Executive Director

5. CORPORATE GOVERNANCE (Cont'd)

5.6 Asset and Liability Management & Finance Committee (ALCO & 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:	Mr. C. Chikaura	Chairperson-Independent Non-Executive Director
	Mr. J de la Fargue	Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director
	Mr. B. A. M. Zwinkels	Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer
	Mr. B. Ndachena	Finance Director

5.7 Risk Management Committee

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

Membership:	Mr. C. Chikaura	Chairperson-Independent Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director
	Mr. B. Chikwanha	Independent Non-Executive Director

5.8 Professional Advice

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

6. AUDITORS

At the forthcoming Annual General Meeting shareholders will be asked to authorise the directors to approve the auditors' remuneration for the year ended 31 December 2016 and to appoint auditors of the Group for the ensuing year.

By order of the Board

MISS S PASHAPA
COMPANY SECRETARY
HARARE

15 March 2017

Statement of Directors' Responsibility

for the year ended 31 December 2016

1. RESPONSIBILITY

The Directors of the Group are mandated by the Companies Act (Chapter 24:03) of Zimbabwe to maintain adequate accounting records and to prepare consolidated and separate financial statements that present a true and fair view of the state of affairs of the Group and Company at the end of each financial year. The information contained in these consolidated and separate financial statements has been prepared on a going concern basis and is in accordance with the provisions of the Companies Act (Chapter 24:03) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe, 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 of South Africa, the National Code on Corporate Governance, the United Kingdom Combined Code and the Reserve Bank of Zimbabwe Corporate Governance Guideline No. 01-2004/BSD. 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 and internal auditors of the Group reviews and assesses the internal control systems of the Group in key risk areas.

5. GOING CONCERN

The Directors have assessed the ability of the 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 Group'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.

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

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

Preparation of the Group financial statements

These Group financial statements have been prepared under the supervision of Mr Benson Ndachena, a Chartered Accountant (Zimbabwe), PAAB registration number 00327.

Approval of the Group financial statements

The consolidated and separate financial statements of the Group appearing on pages 18 to 77 were approved by the board of directors on 15 March 2017 and are signed on their behalf by:

Mr B. A. Chikwanha
Chairman
15 March 2017

Mr B. P. Washaya
Group Chief Executive Officer
15 March 2017

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Independent Auditors' Report

To the members of NMBZ Holdings Limited

Opinion

We have audited the consolidated and separate financial statements of NMBZ Holdings Limited (the Group and Company) set out on pages 18 to 77, which comprise the statements of financial position as at 31 December 2016, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of NMBZ Holdings Limited as at 31 December 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe and the Banking Act (Chapter 24:20).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the investment in NMB Bank Limited

Refer to the significant accounting policy in respect of accounting for investment in subsidiaries included in the business combination accounting policy and note 25.1 in respect of the investment in NMB Bank Limited.

This key audit matter is applicable to the separate financial statements

Key audit matter	How the matter was addressed in the audit
The Company has a 100% shareholding in NMB Bank Limited ("the banking subsidiary") which is measured at cost. The banking subsidiary's profitability has been significantly affected by the effects of a depressed economy and increasing credit risk. This has worsened by the current challenges in respect of the banking subsidiary's ability to process foreign currency payments and price controls which have resulted in reduced profitability. Due to the impairment indicators above, the Directors have applied significant judgement in their impairment testing. This was considered to be a key audit matter due to the significant assumptions and judgments applied by the Directors in testing for impairment.	Our audit procedures included: - critically evaluating assumptions made by the Directors' in considering impairment indicators against our understanding of the banking subsidiary's profitability and liquidity; - considering possibility of adverse effects that have taken place or that are likely to take place that may impact the viability of the Bank in challenging the Directors' assessment; and - Inspecting internal reports for indications of adverse conditions affecting the banking subsidiary.

Valuation of loans and advances

Refer to note 2.3.6 regarding the use of estimates, judgments and assumptions in respect of impairment losses on loans and advances, significant accounting policy in respect of identification and measurement of impairment, note 21 on loans and advances and note 41.1 on credit risk disclosures.

This key audit matter is applicable to the consolidated financial statements

Key audit matter	How the matter was addressed in the audit
The main component of the Group's total assets comprises loans and advances to customers (62%). The impairment allowance relating to loans and advances to customers represent the Directors' best estimate of the losses incurred within the loan portfolios at year end. Impairments are calculated on a specific basis for non-performing loans and on a collective portfolio basis for loans with similar credit risk characteristics. We focused on this area because: - The Group has generally experienced a high non-performing loans ("NPL") ratio over the years; and - Directors make subjective assumptions and judgements in determining the impairment allowance on a specific basis for non-performing loans and on a collective portfolio basis. Key assumptions and judgments are applied over the following: - timing of recognition of impairment; and - estimation of the size of any such impairment. Due to the high credit risk during the year, the significance of loans and advances to the financial statements, and the significant estimation and judgment involved by Directors, this was considered to be a key audit matter.	Our audit procedures included: **For both the specific and collective portfolio impairment allowances:** - testing the design, implementation and operating effectiveness of key controls over loan origination, credit grading, and monitoring of loans and advances; and - testing that the credit risk grades allocated to counterparties were appropriate and processes were in place with regard to the timely identification of loans that are impaired. **For the specific impairment allowance:** - testing the reasonableness of forecasted estimated recoverable cash flows to be realised from sale of properties pledged as collateral. We challenged the values assigned to the estimated recoverable collateral by comparing them against externally derived evidence in determining the appropriateness of the specific impairment allowance; and - challenging and corroborating assumptions applied by the Directors around the estimated recoverable amount by benchmarking against the Group's actual loss history and other adjustments. **For the collective portfolio impairment allowance:** - assessing the reasonability of the impairment assumptions for the collective portfolio impairment allowance by challenging the Directors' judgements in determining inputs into the impairment calculation; and - assessing the Directors' estimates in determining the collective impairment allowance through testing for reasonability by comparing against the Group's actual loss history.

Fair value disclosure of investment securities

Refer to note 2.3.5 regarding the use of estimates, judgments and assumptions in respect of investment securities, significant accounting policy disclosures in respect of fair value measurement on financial instruments, note 17.1 on investment securities and note 17.4 on fair values of financial instruments.

This key audit matter is applicable to the consolidated financial statements

Key audit matter	How the matter was addressed in the audit
The Group holds open market treasury bills and government bonds amounting to US$24.7 million which are classified as held to maturity and loans and receivables. There is a risk that the fair value of investment securities may not be appropriately determined for disclosure purposes as there is currently no observable active market to establish an appropriate market yield curve or a reliable fair value proxy. Fair value disclosure of investment securities was considered a key audit matter because the Directors exercise significant estimation and judgment in determining the fair value of these instruments for disclosure purposes.	Our audit procedures included: - critically assessing assumptions used in the valuation of the investment securities using comparable market evidence within the Zimbabwean economy to confirm the Group's assertion of the unavailability of an active market on which to determine fair value for disclosure purposes; - considering alternative valuation methods to challenge the approach and method used by the Directors in concluding that the fair value approximates the carrying amount; and - considering proxies within similar economies in order to determine availability of similar instruments being issued in other economies to evaluate management's assumption in the determination of fair value for disclosure purposes.

Valuation of properties

Refer to notes 2.3.2 to 2.3.4 in respect of the use of estimates, judgements and assumptions regarding property valuation and notes 22, 27 and 29 relating to non-current assets held for sale, investment property and property and equipment.

This key audit matter is applicable to the consolidated financial statements

Key audit matter	How the matter was addressed in the audit
The Group holds properties which are classified as investment property, property and equipment and non-current assets held for sale which are measured at fair value. The current liquidity crisis has resulted in a lack of comparable sales transactions to draw reference to for market evidence in determining the fair value of properties. The external property valuer used by the Group applied valuation models which are complex, subjective and require consideration of the existing market conditions including yields and estimates regarding rental income, occupancy and property management costs. Due to the current market conditions and the complexity and judgement applied by Directors and the valuation expert, this was considered a key audit matter.	Our audit procedures included: - assessing the competency of the external valuers by confirming their membership with the professional body for property valuers and evaluating corporate credentials against generally expected standards; - assessing the independence and objectivity of the independent valuer through inspecting minutes and other documents for other business interests and/or relationships that could create a threat to their independence and objectivity; - evaluating and challenging assumptions used by the external valuer by comparing against our own range of expectations, based on externally available market metrics and wider economic and commercial factors; and - testing the accuracy of key valuation assumptions applied in determining the property values by corroborating with market evidence through a performing a sensitivity check and .recalculation where appropriate.

Other Information

The Directors are responsible for the other information. The other information comprises all information included in the Annual Report. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe and Banking Act (Chapter 24:20) of Zimbabwe, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Themba Mudidi
Partner
Registered Public Auditor

PAAB Practising Certificate Number 0437

15 March 2017

For and on behalf of **KPMG Chartered Accountants (Zimbabwe), Reporting Auditors**

Mutual Gardens
100 The Chase (West)
Emerald Hill, Harare
Zimbabwe

Statements of Comprehensive Income
for the year ended 31 December 2016

	Note	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
Interest income	4	33 860 139	35 761 355	-	-
Interest expense	5	(11 075 067)	(15 118 231)	-	-
Net interest income		**22 785 072**	**20 643 124**	**-**	**-**
Fee and commission income	6.1	15 179 149	20 984 694	-	-
Net foreign exchange gains		743 255	1 416 445	-	-
Revenue		**38 707 476**	**43 044 263**	**-**	**-**
Other income	6.2	1 737 860	1 234 125	(819)	(5 735)
Share of profit of associate	24	-	-	-	-
Operating income /(loss)		40 445 336	44 278 388	(819)	(5 735)
Operating expenditure	7	(26 176 706)	(26 872 649)	-	-
Impairment losses on loans and advances	21.3	(8 059 726)	(9 496 601)	-	-
Profit/(loss) before taxation		**6 208 904**	**7 909 138**	**(819)**	**(5 735)**
Taxation (charge)/credit	8	(1 150 738)	(2 422 040)	41	289
Profit/(loss) for the year		**5 058 166**	**5 487 098**	**(778)**	**(5 446)**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation, net of tax		(2 970)	2 970	-	-
Total comprehensive income/(loss) for the year		**5 055 196**	**5 490 068**	**(778)**	**(5 446)**
Earnings per share (US cents)					
-Basic	9.3	1.32	1.43		
-Diluted	9.3	1.23	1.33		

NMBZ HOLDINGS LIMITED

Statements of Financial Position
as at 31 December 2016

	Note	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	78 598	78 598	78 598	78 598
Capital reserves	11	17 585 247	19 549 810	15 800 111	15 800 111
Retained earnings	12	22 185 818	15 166 059	742 036	742 814
Total equity		**39 849 663**	**34 794 467**	**16 620 745**	**16 621 523**
Redeemable ordinary shares	13	14 335 253	14 335 253	14 335 253	14 335 253
Subordinated loan	14	1 415 490	1 414 144	-	-
Total shareholders' funds	**15**	**55 600 406**	**50 543 864**	**30 955 998**	**30 956 776**
LIABILITIES					
Deposits and other liabilities	16.1	265 384 520	283 287 243	656 568	656 568
Total shareholders' funds and liabilities		**320 984 926**	**333 831 107**	**31 612 566**	**31 613 344**
ASSETS					
Cash and cash equivalents	20	69 421 257	63 439 347	53	53
Current tax assets	8.4	368 445	23 075	85 752	85 752
Investment securities	17.1	24 744 752	14 547 992	-	-
Loans, advances and other assets	21	199 617 095	235 088 981	7 385	7 385
Investment in debentures	18	-	-	-	-
Non-current assets held for sale	22	2 261 300	2 264 300	-	-
Investments:-					
Trade investments	23	88 930	77 805	-	-
Associates	24	-	-	-	-
Group companies	25	-	-	31 505 686	31 505 686
Quoted and other investments	26	88 650	68 220	9 831	10 650
Investment properties	27	14 202 270	8 125 800	-	-
Intangible assets	28	1 647 034	1 689 385	-	-
Property and equipment	29	6 280 286	6 601 086	-	-
Deferred tax assets	19	2 264 907	1 905 116	3 859	3 818
Total assets		**320 984 926**	**333 831 107**	**31 612 566**	**31 613 344**

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MR B. A. CHIKWANHA
Directors
……………………………………..)
MR B. P. WASHAYA
15 March 2017

……………………………
MISS S. PASHAPA
COMPANY SECRETARY
15 March 2017

Statement of Changes in Equity
for the year ended 31 December 2016

GROUP

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Regulatory Reserve US$	Revaluation Reserve US$	Retained Earnings US$	Total US$
Balances at 1 January 2015	78 598	15 737 548	62 563	3 293 699	-	10 131 991	29 304 399
Profit for the year	-	-	-	-	-	5 487 098	5 487 098
Other comprehensive income	-	-	-	-	2 970	-	2 970
Transfer to regulatory reserve	-	-	-	453 030	-	(453 030)	-
Balances at 31 December 2015	78 598	15 737 548	62 563	3 746 729	2 970	15 166 059	34 794 467
Profit for the year	-	-	-	-	-	5 058 166	5 058 166
Other comprehensive income	-	-	-	-	(2 970)	-	(2 970)
Transfer from regulatory reserve	-	-	-	(1 961 593)	-	1 961 593	-
Balances at 31 December 2016	78 598	15 737 548	62 563	1 785 136	-	22 185 818	39 849 663

COMPANY

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Retained Earnings US$	Total US$
Balances at 1 January 2015	78 598	15 737 548	62 563	748 260	16 626 969
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
Loss for the year	-	-	-	(778)	(778)
Balances at 31 December 2016	78 598	15 737 548	62 563	742 036	16 620 745

Statement of Cashflows
for the year ended 31 December 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	6 208 904	7 909 138	(819)	(5 735)
Non-cash items				
-Impairment losses on loans and advances	8 059 726	9 496 601	-	-
-Investment properties fair value adjustment	(412 006)	(118 278)	-	-
-(Profit)/loss on disposal of property and equipment	(368 206)	46 924	-	-
-Profit on disposal of investment properties	(50 000)	(635 500)	-	-
-Loss on disposal of property and equipment (included in staff costs)	-	68 470	-	-
-Quoted and other investments fair value adjustment	(31 554)	62 654	819	5 735
-Impairment on land and buildings	51 600	44 200	-	-
-Depreciation	1 319 396	1 690 902	-	-
-Non-current assets held for sale fair value adjustment	3 000	3 000	-	-
-Interest capitalised on subordinated loan	158 599	134 676	-	-
-Amortisation of intangible asset	532 768	509 687	-	-
Operating cash flows before changes in operating assets and liabilities	15 472 227	19 212 474	-	-
Changes in operating assets and liabilities				
(Decrease)/increase in deposits and other liabilities	(17 902 723)	42 285 825	-	(4)
Decrease/(increase) in loans, advances and other assets	27 412 159	(41 222 530)	-	4
Increase Investment in debentures	-	4 614 047	-	-
Net cash generated from operations	24 981 663	24 889 816	-	-
Taxation				
Corporate tax paid	(1 842 635)	(37 843)	-	-
Capital gains tax paid	(12 234)	(91 850)	-	-
Net cash from operating activities	23 126 794	24 760 123	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	581 414	101 767	-	-
Purchase of property and equipment	(1 267 404)	(2 271 943)	-	-
Acquisition of investment property	(5 794 464)	(8 230 860)	-	-
Acquisition of intangible asset	(490 417)	(248 339)	-	-
Increase in investment securities	(10 196 760)	(10 673 466)	-	-
Proceeds on disposal of investment properties	180 000	5 380 000	-	-
Net cash used in investing activities	(16 987 631)	(15 942 841)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on subordinated loan	(157 253)	(128 496)	-	-
Net cash used in financing activities	(157 253)	(128 496)	-	-
Net increase in cash and cash equivalents	5 981 910	8 688 786	-	-
Cash and cash equivalents at the beginning of the year	63 439 347	54 750 561	53	53
Cash and cash equivalents at the end of the year (note 20)	69 421 257	63 439 347	53	53

Significant Accounting Policies
for the year ended 31 December 2016

BASIS OF CONSOLIDATION

The consolidated and separate financial statements comprise of the financial statements of the Group and company. 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

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 contingent 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.

Interests in equity accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. 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.

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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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 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 and deferred tax. Income tax 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 tax

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.

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 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; and
- 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'.

(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 profit or loss. 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 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; and
- 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 effective interest rate (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. Impairment losses are recognised in profit or loss under '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).

FINANCIAL INSTRUMENTS (cont'd)

Financial instruments - initial recognition and subsequent measurement (cont'd)

(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. These investments are held for trading and are measured at fair value through profit and loss.The fair value is determined using quoted market prices in active markets.

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

(ix) Reclassification of financial assets

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.

FINANCIAL INSTRUMENTS (cont'd)

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 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.

FINANCIAL INSTRUMENTS (cont'd)

Identification and measurement of impairment (cont'd)

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.
- 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, Statutory Instrument, 205 of 2000 issued by the Reserve Bank of Zimbabwe (RBZ) gives guidance on allowance for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

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. The suspended interest is recognised as a provision in the statement of financial position. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations, Statutory Instrument, 205 of 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 credit 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 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 the central bank 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 recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. The previous remaining carrying amount is derecognised. 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 performed 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 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 and Equipment	20%
Buildings	2%
Land and capital work-in-progress are not depreciated.	

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

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%

LEASES

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

As a lessee

Leases which do not transfer to the Group substantially all the risks and 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.

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 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 amount.

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. Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. 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 at the end of each year by a registered independent 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.

FEES AND COMMISSION INCOME

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the EIR.

Other fees and commission – including retail banking customer fees, corporate banking and credit related fees, fees from financial guarantee contracts, commission from international banking activities and fees from corporate finance – are recognised as the related services are performed. If a loan commitment is not expected to be drawn down of a loan, then the related commitment fees are recognised on a straight line basis over the commitment period.

Other fees and commitment expense relate mainly transaction and service fees, which are expensed as the services are received.

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 and borrowings. The expense is recognised in profit or loss as it accrues, taking into account the effective interest cost of the liability.

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 measured at the 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. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

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.

Such assets are generally measured at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property and equipment are no longer amortised or depreciated.

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 consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and have been prepared in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe.

The consolisated and separate financial statements were approved by the Board of Directors on 15 March 2017.

2.1 Basis of preparation

The consolidated and separate 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 the revalued carrying amount. These consolidated financial statements are reported in United States dollars and rounded to the nearest dollar.

2.2 Comparative financial information

The Group financial statements comprise the consolidated and separate statements of financial position, comprehensive income, changes in equity and cash flows. The comparative information covers a period of twelve months.

2.3 Use of estimates, judgements and assumptions

In preparation of the consolidated and separate financial statements, Directors have made 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 estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

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. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.3.2 Land and buildings

The properties were valued by an independent professional valuer. The determined fair value of land and buildings is most sensitive to significant unobservable inputs. In addition, the property market is currently not stable due to liquidity constraints and hence comparable values are also not readily available.

2.3.3 Investment properties

Investment properties were valued by an independent professional valuer. In addition, the properties market is currently not stable due to liquidity constraints and hence comparable values are also not readily available.

2.3.4 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.

NMBZ HOLDINGS LIMITED

2. ACCOUNTING CONVENTION (cont'd)

2.3 Use of estimates, judgements and assumptions (cont'd)

2.3.5 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.

2.3.6 Going concern

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

2. 4 Standards issued and not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these financial statements.

2.4.1 Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group will assess the potential impact on these financial statements resulting from these new amendments and possibly present reconciliation between the opening and closing balances for liabilities with changes arising from financing activities in the financials for the year ending 31 December 2017.

2.4.2 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

2.4.3 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is still in the process of its initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements. This focused on a review of fees and commission income. The Group earns fee and commission income (other than fees included in the calculation of the effective interest rate) on provision of the following services:

- Retail banking;
- Corporate banking;
- Corporate finance;
- International banking; and
- Treasury services.

The initial review indicates that IFRS 15 will not have a material impact on the timing of recognition or measurement of fees and commission income. The Group is currently performing a detailed impact assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2. 4 Standards issued and not yet adopted (cont'd)

2.4.4 IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018. The actual impact of adopting IFRS 9 on the Group's financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. The Group is in the process of implementing these changes.

The Group has performed a preliminary assessment of the potential impact on the following areas of adoption of IFRS 9 based on its positions at 31 December 2016:

(a) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for, loans and advances already measured at amortised cost, Investment securities and trade and other investments measured at armotised cost. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard.

(b) Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group has not completed its preliminary assessment that would indicate the likely movement of the impairment losses. The Group is still to finalise the impairment methodologies that it will apply under IFRS 9. Additional information will be disclosed before the adoption of the standard.

(c) Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2. 4 Standards issued and not yet adopted (cont'd)

(d) Disclosures

IFRS 9 will require extensive new disclosures, in particular about, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(e) Transition

The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings at 1 January 2018.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

2.4.5 Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The International Accounting Standards Board (IASB) has responded by publishing amendments to IFRS 2 Share-based payment.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings –The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled –. The amendments clarify the approach that companies are to apply.The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards.

The amendments are effective for annual periods commencing on or after 1 January 2018 and the Group does not expect a material impact with the application of this standard.

2.4.6 IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases,* and related Interpretations. IFRS 16 has 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 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. The transitional requirements are different for lessees and lessors. The Group have begun assessing the potential impact on the financial statements resulting from the application of IFRS 16.

2.4.7 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2. 4 Standards issued and not yet adopted (cont'd)

2.4.8 Other new standards or amendments for 2016 and forthcoming requirements

The following new or amended standards are not expected to have a significant impact on the Group's financial statements:

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

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 Group's total revenue in 2016 or 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 2016

	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Corporate Finance US$	Other US$	Total US$
Third party income	29 011 529	14 595 988	4 813 944	451 117	660 345	1 987 517	51 520 440
Impairment losses on loans and advances	(4 527 156)	(3 496 994)	-	-	(35 576)	-	(8 059 726)
Net operating income	**24 484 373**	**11 098 994**	**4 813 944**	**451 117**	**624 769**	**1 987 517**	**43 460 714**
Interest income	15 724 296	13 336 078	4 070 689	-	479 424	249 652	33 860 139
Interest expense	(5 021 782)	(4 580 004)	(1 417 555)	-	(55 726)	-	(11 075 067)
Net interest income	**10 702 514**	**8 756 074**	**2 653 134**	**-**	**423 698**	**249 652**	**22 785 072**
Fee and commission income	13 287 237	1 259 874	-	451 117	180 921	-	15 179 149
Depreciation of property and equipment	1 002 084	48 765	31 329	26 261	22 665	188 292	1 319 396
Amortisation of intangible assets	-	-	-	-	-	532 768	532 768
Segment profit/(loss) before tax	**466 829**	**1 197 279**	**3 182 690**	**(800 014)**	**174 604**	**1 987 516**	**6 208 904**
Income tax expense	-	-	-	-	-	(1 150 738)	(1 150 738)
Other comprehensive income for the year net of tax	-	-	-	-	-	(2 970)	(2 970)
Profit/(loss) for the year	**466 829**	**1 197 279**	**3 182 690**	**(800 014)**	**174 604**	**833 808**	**5 055 196**
As at 31 December 2016							
Assets and liabilities							
Capital expenditure	997 785	36 759	-	236	-	723 041	1 757 821
Total assets	**84 579 341**	**125 687 660**	**87 613 797**	**10 137**	**240 957**	**22 853 035**	**320 984 927**
Total liabilities	**61 017 973**	**101 048 104**	**97 437 938**	**-**	**-**	**7 295 995**	**266 800 010**

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$	Other 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**
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**	**333 831 107**
Total liabilities	**76 966 500**	**83 704 208**	**117 254 881**	**-**	**-**	**6 775 798**	**284 701 387**

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4. INTEREST INCOME

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Loans and advances to banks	1 245 664	2 226 621	-	-
Loans and advances to customers	29 789 449	32 271 843	-	-
Investment securities	2 825 026	1 262 891	-	-
	33 860 139	35 761 355	-	-

5. INTEREST EXPENSE

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Due to banks	3 903 230	4 443 681	-	-
Due to customers	6 833 176	10 378 937	-	-
Other borrowed funds	338 661	295 613	-	-
	11 075 067	15 118 231	-	-

6. NON INTEREST INCOME

6.1 Fee and commission income

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Retail banking customer fees	13 287 237	17 057 135	-	-
Corporate banking credit related fees	1 029 037	1 567 808	-	-
Financial guarantee fees	230 837	206 420	-	-
International banking commissions	451 117	1 597 671	-	-
Corporate finance fees	180 921	555 660	-	-
	15 179 149	20 984 694	-	-

6.2 Other income

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Quoted and other investments fair value adjustments	31 554	(62 654)	(819)	(5 735)
Profit/(loss) on disposal of property and equipment	368 205	(46 924)	-	-
Fair value adjustment on investment properties	412 006	118 278	-	-
Profit on disposal on investment properties	50 000	635 500	-	-
Fair value adjustment on non-current assets held for sale	(3 000)	(3 000)	-	-
Rental income	142 400	49 523	-	-
Bad debts recovered	675 006	430 851	-	-
Other operating income	61 689	112 551	-	-
	1 737 860	1 234 125	(819)	(5 735)

7. OPERATING EXPENDITURE

	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
The operating profit is after charging the following:-				
Administration costs	12 098 932	12 702 704	-	-
Audit fees:				
Current year	61 468	85 557	-	-
Prior year	84 892	109 325	-	-
Impairment on land and buildings	51 600	44 200	-	-
Amortisation of intangible assets	532 768	509 687	-	-
Depreciation	1 319 396	1 690 902	-	-
Directors' remuneration	620 616	499 024	-	-
- Fees for services as directors	311 431	232 705	-	-
- Other emoluments	309 185	266 319	-	-
Staff costs -salaries, allowances and related costs	11 407 034	10 362 780	-	-
-termination benefits	-	868 470	-	-
	26 176 706	26 872 649	-	-

8. TAXATION

8.1 Income tax expense/(credit)

	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
Current tax	1 497 265	1 381 742	-	-
Capital gains tax	12 234	161 850	-	-
Deferred tax (note 19)	(358 761)	878 448	(41)	(289)
	1 150 738	2 422 040	(41)	(289)

8.2 Reconciliation of income tax charge/(credit)

	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
Based on results for the period at a rate of 25.75%	1 598 793	2 036 603	(211)	(1 477)
Tax effect of:				
-Income not subject to tax	(730 316)	(155 208)	-	-
-Non-deductible expenses	274 266	392 950	211	3 398
-Tax rate differential on capital gains	(4 239)	(14 155)	(41)	(2 210)
-Capital gains tax	12 234	161 850	-	-
	1 150 738	2 422 040	(41)	(289)

8.3 Total taxation charge/(credit) analysed by company

	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
Stewart Holdings (Private) Limited	1 010	(2 720)	-	-
NMB Bank Limited	1 149 769	2 425 049	-	-
NMBZ Holdings Limited	(41)	(289)	(41)	(289)
	1 150 738	2 422 040	(41)	(289)

8.4 Current tax assets

	GROUP 2016 US$	GROUP 2015 US$	COMPANY 2016 US$	COMPANY 2015 US$
At 1 January	(23 075)	(1 436 974)	(85 752)	(85 752)
Charge for the year	1 509 499	1 543 592	-	-
Payments during the year	(1 854 869)	(129 693)	-	-
	(368 445)	(23 075)	(85 752)	(85 752)

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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 dilutive potential ordinary shares; and

(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.

	2016 US$	2015 US$
Profit for the year	5 058 166	5 487 098

9.2 Number of shares

	2016	2015
Weighted average shares in issue	384 427 351	384 427 351
Diluted weighted average number of shares	412 498 424	412 498 424
Weighted average number of shares	384 427 351	384 427 351
Effect of dilution:		
Share options granted but not issued	4 128 434	4 128 434
Share options approved but not granted	23 942 639	23 942 639
Diluted weighted average number of shares	412 498 424	412 498 424

9.3 Earnings per share

	2016	2015
Basic earnings per share (US cents)	1.32	1.43
Diluted earnings per share (US cents)	1.23	1.33

10. SHARE CAPITAL

10.1 Authorised

	GROUP and COMPANY			
	2016 Shares million	2015 Shares million	2016 US$	2015 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 Dec 2016 Shares million	31 Dec 2015 Shares million	31 Dec 2016 US$	31 Dec 2015 US$
Ordinary shares	281	281	78 598	78 598
	281	281	78 598	78 598

10.2.2 Redeemable ordinary shares

	31 December 2016 Shares million	31 December 2015 Shares million	31 December 2016 US$	31 December 2015 US$
At 1 January	104	104	29 040	29 040
	104	104	29 040	29 040

Of the unissued ordinary shares of 215 million shares (2015 - 215 million), options which may be granted in terms of the 2012 ESOS amount to 28 071 073 (2015 - 28 071 073). As at 31 December 2016; 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	
	2016 US$	2015 US$	2016 US$	2015 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
Revaluation reserve	-	2 970	-	-
Regulatory	1 785 136	3 746 729	-	-
Total capital reserve	17 585 247	19 549 810	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 regulatory provision when compared to the IAS 39 impairment allowance on loan and advances.

11.1.4 Revaluation reserve
The Reserve represent gains on the revaluation of property and equipment.

12. RETAINED EARNINGS

Analysis of retained profit by company

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
NMBZ Holdings Limited	742 036	742 814	742 036	742 814
NMB Bank Limited	21 437 257	14 436 753	-	-
Stewart Holdings (Private) Limited	6 525	(13 508)	-	-
Total	22 185 818	15 166 059	742 036	742 814

13. REDEEMABLE ORDINARY SHARES

	GROUP	
	2016	2015
	US$	US$
Nominal value (note 10.2.2)	29 040	29 040
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 Ontiwikkelingslanden 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	
	2016	2015
	US$	US$
Balance at 1 January	1 414 144	1 407 964
Interest capitalised	158 599	134 676
Interest paid	(157 253)	(128 496)
	1 415 490	1 414 144

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 2016.

15. TOTAL SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Shareholders' funds	55 600 406	50 543 864	30 955 998	30 956 776
	55 600 406	50 543 864	30 955 998	30 956 776

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	
	2016	2015	2016	2015
	US$	US$	US$	US$
Deposits from banks and other financial institutions**	50 002 468	63 192 674	-	-
Current and deposit accounts from customers*	210 547 915	214 024 095	-	-
Total deposits	260 550 383	277 216 769	-	-
Trade and other payables*	4 834 137	6 070 474	656 568	656 568
	265 384 520	283 287 243	656 568	656 568

* The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature.
**Included in deposits from banks and other financial institutions is a loan balance of US$5 263 122 due to 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 2016. However, there were breaches to the financial covenants regarding the following ratios:

- Non-performing loans ratio - 11% (instead of a maximum of 10%); and
- Loans loss reserve ratio - 42% (instead of a maximum of 40%).

The Bank will apply for a waiver of the non-compliant ratios by 31 March 2017.
Refer to note 20 with respect to restrictions on cash and cash equivalents

16.2 Maturity analysis

	GROUP	
	2016	2015
	US$	US$
Less than 1 month	185 752 420	184 324 981
1 to 3 months	35 339 615	66 129 516
3 to 6 months	2 927 632	3 241 887
6 months to 1 year	6 358 137	14 969 876
1 to 5 years	29 980 749	8 550 509
Over 5 years	191 830	-
	260 550 383	277 216 769

16.3 Sectoral analysis of deposits

	GROUP			
	2016		2015	
	US$	%	US$	%
Agriculture	6 274 099	3	7 959 554	3
Banks and other financial institutions	50 002 468	19	63 192 674	23
Distribution	24 098 216	9	28 153 680	10
Individuals	21 782 045	8	30 782 718	11
Manufacturing	39 033 359	15	37 633 942	14
Mining companies	5 056 123	2	6 268 507	2
Municipalities and parastatals	16 027 950	6	11 833 310	4
Other deposits	36 014 266	14	34 054 452	12
Services	54 712 221	21	47 908 714	17
Transport and telecommunications companies	7 549 636	3	9 429 218	4
	260 550 383	100	277 216 769	100

17. FINANCIAL INSTRUMENTS

17.1 Investment securities

	2016 US$	2015 US$
Held to maturity	12 476 046	3 817 687
Loans and receivables	12 268 706	10 730 305
	24 744 752	14 547 992

The Group holds Treasury Bills and Government bonds amounting to US$24 744 752 with interest rates ranging from 2% 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 observable active market for the Treasury Bills, the instruments are measured at amortised cost. Of the total Treasury Bills balance, a total of US$22 156 958 has been pledged as security on interbank borrowings.

17.2 Maturity analysis of investment securities held to maturity

	2016 US$	2015 US$
Less than 1 month	-	-
1 to 3 months	-	1 314 802
3 to 6 months	-	2 502 885
6 months to 1 year	-	-
1 year to 5 years	2 424 461	-
Over 5 years	10 051 585	-
	12 476 046	3 817 687

17.3 Maturity analysis of investment securities - loans and receivables

	2016 US$	2015 US$
Less than 1 month	-	-
1 to 3 months	168 563	-
6 months to 1 year	48 341	6 329 114
1 year to 5 years	266 785	3 400 415
Over 5 years	11 785 017	1 000 776
	12 268 706	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.

17. FINANCIAL INSTRUMENTS (cont'd)

17.4 Fair values of financial instruments (cont'd)

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; and
- **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 the liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value – fair value hierarchy

	GROUP			
	31 Dec 2016 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	88 930	-	-	88 930
Quoted investments	88 650	88 650	-	-
	177 580	88 650	-	88 930
	31 Dec 2015 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	77 805	-	-	77 805
Quoted investments	68 220	68 220	-	-
	146 025	68 220	-	77 805

17. FINANCIAL INSTRUMENTS (cont'd)

17.4 Fair values of financial instruments (cont'd)

During the reporting periods ended 31 December 2015 and 31 December 2016, 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.

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 2016	GROUP			
Assets	Level 1 US$	Level 2 US$	Level 3 US$	Total carrying amount US$
Cash and cash equivalents	-	69 431 257	-	69 431 257
Loans, advances and other assets	-	-	199 617 095	199 617 095
Investment securities	-	-	24 744 752	24 744 752
	-	69 431 257	224 361 847	293 793 104
Liabilities				
Deposits and other liabilities	-	265 384 520	-	265 384 520
	-	265 384 520	-	265 384 520

31 December 2015				
Assets	Level 1 US$	Level 2 US$	Level 3 US$	Total carrying amount US$
Cash and cash equivalents	-	63 439 347	-	63 439 347
Loans, advances and other assets	-	-	235 088 981	235 088 981
Investment in debentures	-	-	-	-
Investment securities	-	-	14 547 992	14 547 992
	-	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

Cash and cash equivalents

Cash and cash equivalents consists of balances with the Central Bank, other banks and cash with original maturities of three months or less. These balances are subject to insignificant risk of change in their fair value. It is the Directors' assessment that the carrying amount of these balances approximates their fair value at any given time.

Loans, advances and other assets

The estimated fair value of loans, advances and other assets is estimated to approximate the carrying amount due to non-availability of benchmark interest rates to discount the expected future cash flows thereof. The Directors believe that current interest rates are market related and would re-issue the loans at the same interest rate if needed. It is from this assessment that Directors believe that the carrying amount of these balances reasonably approximate fair value as discounting the future cash flow using the current interest rates would not result in significant differences from the carrying amount.

Investment securities

These financial assets consist of open market treasury bills and government bonds. There is currently no observable active market for these instruments; or a reliable proxy to discount the expected future cash flows. Directors believe that the carrying amount approximates fair value on these instruments. In performing this assessment, Directors have determined that interest rates are consistent with the latest transactions that the Group entered into and the average tenor of the portfolio was short-term in nature.

Deposits and other liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits approximates the carrying amount as interest rates quoted are market related. It is the view of Directors that the carrying amounts of these assets and liabilities reasonably approximate fair values.

17. FINANCIAL INSTRUMENTS (cont'd)

17.4.2 RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

31 December 2016

	GROUP			
	Trade investments US$	Loans, advances and other assets US$	Investment securities US$	Total US$
Balance at 1 January	77 805	235 088 981	14 547 992	249 714 778
Net movement	11 125	(35 471 886)	10 196 760	(25 264 001)
Balance at 31 December	88 930	199 617 095	24 744 752	224 450 777

31 December 2015

	GROUP			
	Trade investments US$	Loans, 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
Net 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

18. INVESTMENT IN DEBENTURES

	GROUP	
	2016 US$	2015 US$
Debentures	-	4 787 074
Redemption of debentures	-	(4 787 074)
	-	-

The Group had convertible debentures with a carrying amount of US$4 787 074 with a maturity of 5 years from inception. The debentures were at an interest of 10% per annum. The Group had an option to convert the debentures to equity or redeem the debentures at par on or before the maturity date of 9 March 2018. The debentures were redeemed at par on 17 March 2015.

19. DEFERRED TAX

	GROUP		COMPANY	
	2016 US$	2015 US$	2016 US$	2015 US$
Allowance for impairment losses on loans and advances	(2 138 568)	(2 210 029)	-	-
Bad debts	(908 972)	(201 922)	-	-
Prepayments	336 274	166 012	-	-
Quoted and other investments	8 369	6 789	491	532
Non-current assets held for sale	113 065	113 215	-	-
Investment properties	441 701	283 451	-	-
Property and equipment	494 505	444 063	-	-
Staff loans	(98 336)	(75 544)	-	-
Unrealised foreign exchange gains	170 795	219 959	-	-
Suspended interest	(530 711)	(463 111)	-	-
Deferred income	(66 025)	(106 365)	-	-
Assessed losses	(11 743)	(8 150)	-	-
Provision for share based payments	(4 350)	(4 350)	-	-
Provision for leave pay	(70 911)	(69 134)	(4 350)	(4 350)
Closing deferred tax asset	(2 264 907)	(1 905 116)	(3 859)	(3 818)
Deferred tax asset at the beginning of the year	(1 905 116)	(2 784 594)	(3 818)	(3 529)
Current year (credit)/charge	(359 791)	879 478	(41)	(289)
Relating to profit or loss (note 8.1)	(358 761)	878 448	(41)	(289)
Relating to other comprehensive income	(1 030)	1 030	-	-

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20. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
Balances with Reserve Bank of Zimbabwe	US$	US$	US$	US$
Balances with the Central Bank	36 166 732	26 238 681	-	-
Balances with other banks and cash				
Current, nostro accounts and cash	8 754 525	11 700 666	53	53
Interbank placements	24 500 000	25 500 000	-	-
	69 421 257	63 439 347	53	53

Balances with the Central Bank, other banks and cash are used to facilitate customer transactions which include payments and cash withdrawals. During the year the Central Bank through Exchange Control Operational Guide 8 (ECOGAD8) introduced prioritisation criteria which has to be followed when making foreign payments on behalf of customers. After prioritisation, foreign payments are then made subject to availability of bank balances with our foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the Real Time Gross Settlement (RTGS) system.

Of the cash and cash equivalents balance an amount of US$526 316 was pledged to Proparco as collateral for offshore lines of credit.

21. LOANS, ADVANCES AND OTHER ASSETS

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Fixed term loans	16 889 687	25 138 443	-	-
Local loans and overdrafts	178 602 573	207 408 465	-	-
	195 492 260	232 546 908	-	-
Other assets	4 124 835	2 542 073	7 385	7 385
	199 617 095	235 088 981	7 385	7 385

21.1.1 Maturity analysis

	GROUP		COMPANY	
	2016	2015	2016	2015
	US$	US$	US$	US$
Less than 1 month	86 086 528	136 146 912	-	-
1 to 3 months	9 247 720	24 125 652	-	-
3 to 6 months	7 423 426	2 387 188	-	-
6 months to 1 year	16 327 018	15 686 184	-	-
1 to 5 years	86 773 700	64 895 082	-	-
Over 5 years	-	-	-	-
Total loans and advances	205 858 392	243 241 018	-	-
Allowance for impairment losses on loans and advances (note 21.3)	(8 305 117)	(8 582 636)	-	-
Provision for suspended interest	(2 061 015)	(2 111 474)	-	-
	195 492 260	232 546 908	-	-
Other assets (note 21.5)	4 124 835	2 542 073	7 385	7 385
	199 617 095	235 088 981	7 385	7 385

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

21.2 Sectoral analysis of utilisations

	GROUP			
	2016 US$	%	2015 US$	%
Agriculture and horticulture	22 172 296	11	13 907 259	6
Conglomerates	8 149 399	4	11 348 334	5
Distribution	22 957 893	11	37 364 138	16
Food & beverages	7 016 516	4	5 692 742	2
Individuals	90 381 441	44	101 585 312	42
Manufacturing	14 562 333	7	29 774 899	12
Mining	789 502	-	1 067 328	-
Services	39 829 012	19	42 501 006	17
	205 858 392	100	243 241 018	100

The material concentration of loans and advances are with individuals 44% (2015 - 42%) and services sector at 19% (2015 - 17%).

21.3 Allowances for impairment losses on loans, advances and debentures

	GROUP					
	2016			2015		
	Specific US$	Portfolio US$	Total US$	Specific US$	Portfolio US$	Total US$
At 1 January	7 574 789	1 007 847	8 582 636	10 626 997	163 195	10 790 192
Recognised in profit or loss	6 970 128	1 089 598	8 059 726	8 651 949	844 652	9 496 601
Bad debts written off	(8 337 245)	-	(8 337 245)	(11 704 157)	-	(11 704 157)
At 31 December	6 207 672	2 097 445	8 305 117	7 574 789	1 007 847	8 582 636

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

21.4 Non-performing loans and advances

	GROUP	
	2016 US$	2015 US$
Gross non-performing loans and advances	22 015 828	32 092 184
Allowance for impairment losses on loans and advances	(6 207 672)	(7 574 789)
Retail loans insurance	(1 577 628)	(1 682 840)
Interest in suspense	(1 748 031)	(1 798 490)
Net non-performing loans and advances	12 482 497	21 036 065

The net non-performing loans and advances represent 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$17 573 875 (2015 -US$22 797 088).

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

21.5 Other assets

	GROUP		COMPANY	
	2016 US$	2015 US$	2016 US$	2015 US$
Service deposits*	1 725 910	1 171 927	-	-
Prepayments and stocks	1 555 840	913 532	-	-
Other receivables	843 085	456 614	7 385	7 385
	4 124 835	2 542 073	7 385	7 385

*Service deposits relate to amounts pledged as collateral for VISA and the RTGS accounts.

21.6 Loans to officers

	GROUP	
	2016 US$	2015 US$
Included in advances and other accounts (note 21.1) are loans to officers:-		
At 1 January	4 893 893	3 135 666
Net additions during the year	2 487 222	2 043 080
	7 381 115	5 178 746
Fair value adjustment	(369 784)	(284 853)
Balance at 31 December	7 011 331	4 893 893

Loans to officers amounting to US$3 723 737 were granted at a preferential rate of 6% per annum as part of their overall remuneration agreements, US$2 994 905 was granted at a commercial rate of 13% per annum and the balance amounting to US$662 473 being mortgage loans which were granted at a commercial rate of 12% per annum.

21.7 The terms and conditions applicable to loans and 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	
	2016	2015	2016	2015
	US$	US$	US$	US$
At 1 January 2015	2 264 300	2 267 300	-	-
Fair value adjustment	(3 000)	(3 000)	-	-
	2 261 300	2 264 300	-	-

The Group is in possession of land with a fair value of US$2 264 300 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 other income (note 6.2).

Measurement of fair value

Fair value hierarchy
The fair value of non-current assets held for sale was determined by an independent professional valuer, 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. Non-current assets held for sale are measured at fair value.

The values were arrived at by applying weighted average rate of US$7.50 per square metre.

Level 2
The fair value of non-current assets held for sale of U$2 261 300 (2015 – US$2 264 300) 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	
	2016	2015	2016	2015
	US$	US$	US$	US$
Unlisted	88 930	77 805	-	-
Directors' valuation	88 930	77 805	-	-

Unlisted trade investments represent an equity investment in SWIFT. The trade investments were valued using the net asset value method at 31 December 2016 (see note 17.4 on fair value measurement).

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24. INVESTMENTS IN ASSOCIATES

Investment in Altiwave Investments (Private) Limited

The Group 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 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	
	31 December 2016 US$	28 February 2015 US$
Current assets	-	12 798 956
Non-current assets	-	10 243 534
Current liabilities	-	(5 212 870)
Non-current liabilities	-	(30 857 918)
Equity	-	(13 028 298)
Share of associate's equity (25.5%)	-	(3 322 216)
Associate's revenue and profit		
Revenue	-	5 251 729
Profit	-	422 251
Share of associate's profit (25.5%)	-	107 674
Reconcilliation of carrying amount		
1 January	-	-
Share of profit in associate	-	107 674
Allowance for impairment	-	(107 674)
	-	-

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

25. INVESTMENTS IN GROUP COMPANIES

25.1 Subsidiaries

	COMPANY	
	2016 US$	2015 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:-

	2016	2015
NMB Bank Limited	100% (Banking)	100% (Banking)
Stewart Holdings (Private) Limited	100% (Equity holdings)	100% (Equity Holdings)

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

26. QUOTED AND OTHER INVESTMENTS

	GROUP		COMPANY	
	2016 US$	2015 US$	2016 US$	2015 US$
Quoted investments	88 650	68 220	9 831	10 650

The quoted investments comprise shares stated for year-end purposes at the last trading date of 31 December 2016. 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 2016 US$	GROUP 2015 US$
At 1 January	8 125 800	4 453 300
Improvements	5 794 464	8 230 860
Fair value adjustments	412 006	118 278
Transfer from property and equipment	-	67 862
Disposal	(130 000)	(4 744 500)
At 31 December	14 202 270	8 125 800

Investment properties comprise commercial and residential properties that are leased out to third parties and land held for future development. No properties were encumbered.

Rental income amounting to US$142 400 (2015 - US$49 523) 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.

Included in investment property is a property which was acquired as part of the foreclosure process with marketability restrictions measured at US$3 201 470 as at 31 December 2016. The Group has no restrictions on the realisability of all the remaining investment properties and no contractual obligations to purchase, construct or develop the investment properties or for repairs, maintenance and enhancements

Measurement of fair value

Fair value hierarchy

The fair value of the Group's investment properties as at 31 December 2016 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.

Level 2

The fair value for investment properties of US$7 382 270 (2015 - US$2 830 800) has been categorised under level 2 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 2 fair values:

	31 December 2016 US$	31 December 2015 US$
At 1 January	2 830 800	2 673 300
Improvements	3 988 019	3 200 000
Disposals	-	(3 200 000)
Fair value adjustments	563 451	157 500
Balance at 31 December	7 382 270	2 830 800

Level 3

The fair value for investment properties of US$6 820 000 (2015 - US$5 295 000) 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 2016 US$	31 December 2015 US$
At 1 January	5 295 000	1 780 000
Improvements	1 806 445	5 030 860
Transfer from Property and Equipment	-	67 862
Disposals	(130 000)	(1 544 500)
Fair value adjustments	(151 445)	(39 222)
Balance at 31 December	6 820 000	5 295 000

The values were arrived at by applying yield rates of 10% on rental values of between US$5 - US$10 per square metre. The properties are leased out under operating lease to various tenants.

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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 (Discounted cash flows) was used to value all income producing properties. The direct comparison method was applied on all residential properties	■ Weighted average expected market rental growth (20%); ■ Void period (average 3 months after the end of each lease); ■ Occupancy rate (55%); and ■ Average market yield of 8%.	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); and ■ 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 2015	208 673	2 326 292	2 534 965
Acquisitions	19 922	228 417	248 339
Balance at 1 January 2016	228 595	2 554 709	2 783 304
Acquisitions	-	490 417	490 417
Balance at 31 December 2016	228 595	3 045 126	3 273 721
Accumulated amortisation and impairment			
Balance at 1 January 2015	-	584 232	584 232
Amortisation for the year	-	509 687	509 687
Balance at 1 January 2016	-	1 093 919	1 093 919
Amortisation for the year	-	532 768	532 768
Balance at 31 December 2016	-	1 626 687	1 626 687
Carrying amount			
At 31 December 2016	228 595	1 418 439	1 647 034
At 1 January 2016	228 595	1 460 790	1 689 385
At 1 January 2015	208 673	1 742 060	1 950 733

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

29. PROPERTY AND EQUIPMENT

	Work in progress US$	Freehold Capital Computers US$	Motor vehicles US$	Furniture & equipment US$	Land & buildings US$	Total US$
Cost						
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
Capitalisation	(33 513)	33 513	-	-	-	-
Revaluation loss	-	-	-	-	(40 200)	(40 200)
Disposals	-	(11 220)	(869 083)	-	-	(880 303)
Reclassification to investment properties	(67 862)	-	-	-	-	(67 862)
At 1 January 2016	585 511	2 962 337	3 710 725	3 633 850	3 257 827	14 150 250
Additions	188 947	541 737	192 113	215 716	128 891	1 267 404
Capitalisations	(585 511)	173 827	180 000	64 348	167 336	-
Revaluation loss	-	-	-	-	(55 600)	(55 600)
Disposals	-	-	(2 799 390)	-	-	(2 799 390)
At 31 December 2016	188 947	3 677 901	1 283 448	3 913 914	3 498 454	12 562 664
Accumulated depreciation						
At 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 1 January 2016	-	1 775 459	2 987 999	2 586 039	199 667	7 549 164
Charge for the year	-	427 666	370 383	458 831	62 516	1 319 396
Disposals	-	-	(2 586 182)	-	-	(2 586 182)
At 31 December 2016	-	2 203 125	772 200	3 044 870	262 183	6 282 378
Carrying amount						
At 31 December 2016	188 947	1 474 776	511 248	869 044	3 236 271	6 280 286
At 1 January 2016	585 511	1 186 878	722 726	1 047 811	3 058 160	6 601 086
At 1 January 2015	101 375	1 219 651	1 288 861	972 494	2 762 886	6 345 267

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29. PROPERTY AND EQUIPMENT (cont'd)

Measurement of fair value

Fair value hierarchy

Immovable properties were revalued as at 31 December 2016 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 10% on rental levels of between US$5 - US$10 per square metre.

The carrying cost less accumulated depreciation of the land and buildings had revaluations not been performed would be US$3 887 520 as at 31 December 2016 (2015 - US$3 669 148).

Level 3

The fair value of immovable properties of US$3 236 271 (2015 - US$3 058 160) 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 2016 US$	31 December 2015 US$
At 1 January	3 058 160	2 762 886
Additions	128 891	393 509
Transfers from work in progress	167 336	-
Revaluation loss	(55 600)	(40 200)
Depreciation	(62 516)	(58 035)
Balance at 31 December	3 236 271	3 058 160

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 residential properties	■ Weighted average expected market rental growth (20%); ■ Average market yield of 6%. ■ Marketability restrictions on a specific property with a fixed purchase consideration.	The estimated fair value would increase / (decrease) if: ■ expected market rental growth were higher/ (lower); and ■ the risk adjusted discount rates were lower/ (higher).

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 2016

	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	69 421 257	-	-	-	-	69 421 257
Current tax assets	-	-	-	-	368 445	368 445
Investment securities	-	168 563	315 126	24 261 063	-	24 744 752
Quoted and other investments	-	-	-	-	177 580	177 580
Loans, advances and other assets	75 720 395	9 247 720	23 750 444	86 773 701	4 124 835	199 617 095
Deferred tax	-	-	-	-	2 264 907	2 264 907
Non-current assets held for sale	-	-	-	-	2 261 300	2 261 300
Intangible assets	-	-	-	-	1 647 034	1 647 034
Property and equipment	-	-	-	-	6 280 286	6 280 286
Investment properties	-	-	-	-	14 202 270	14 202 270
	145 141 652	9 416 283	24 065 570	111 034 764	31 326 657	320 984 926
Liabilities and equity						
Deposits and other liabilities	185 752 420	35 339 615	9 285 769	30 172 579	4 834 137	265 384 520
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	39 849 663	39 849 663
Subordinated loan	-	-	-	1 415 490	-	1 415 490
	185 752 420	35 339 615	9 285 769	31 588 069	59 019 053	320 984 926
Interest rate repricing gap	(40 610 768)	(25 923 332)	14 779 801	79 446 695	(27 692 396)	-
Cumulative gap	(40 610 768)	(66 534 100)	(51 754 299)	27 692 396	-	-

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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	-	-	-	-	-	-I
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 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	-	-

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 dollars

At 31 December 2016	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	60 109 588	-	-	-	-	60 109 588
Current tax assets	-	-	-	-	368 445	368 445
Investment securities	-	168 563	315 126	24 261 063	-	24 744 752
Quoted and other investments	-	-	-	-	88 650	88 650
Loans, advances and other assets	75 345 696	9 247 720	23 750 444	86 773 701	4 124 835	199 242 396
Deferred tax	-	-	-	-	2 264 907	2 264 907
Investment properties	-	-	-	-	2 261 300	2 261 300
Intangible assets	-	-	-	-	1 647 034	1 647 034
Property and equipment	-	-	-	-	6 280 286	6 280 286
Non-current assets held for sale	-	-	-	-	14 202 270	14 202 270
	135 455 284	9 416 283	24 065 570	111 034 764	31 237 727	311 209 628
Liabilities and equity						
Deposits and other liabilities	178 196 328	35 339 615	9 285 769	30 172 579	4 834 137	257 828 428
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	39 849 663	39 849 663
Subordinated loan	-	-	-	1 415 490	-	1 415 490
	178 196 328	35 339 615	9 285 769	31 588 069	59 019 053	313 428 834
Interest rate repricing gap	(42 741 044)	(25 923 332)	14 779 801	79 446 695	(27 781 326)	(2 219 206)
Cumulative gap	(42 741 044)	(68 664 376)	(53 884 575)	25 562 120	(2 219 206)	-

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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 dollars

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 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	-

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 2016	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	9 311 669	-	-	-	-	9 311 669
Quoted and other instruments	-	-	-	-	88 930	88 930
Loans, advances and other assets	374 699	-	-	-	-	374 699
	9 686 368	-	-	-	88 930	9 775 298
Liabilities and equity						
Deposits and other liabilities	7 556 092	-	-	-	-	7 556 092
Equity	-	-	-	-	-	-
	7 556 092	-	-	-	-	7 556 092
Interest rate repricing gap	2 130 276	-	-		88 930	2 219 206
Cumulative gap	2 130 276	2 130 276	2 130 276	2 130 276	2 219 206	-

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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
Equity	-	-	-	-	-	-
	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)	-

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 2016

	GROUP					
	US$	RAND	GBP	EUR	BWP	TOTAL
	US$	US$	US$	US$	US$	US$
Assets						
Cash and cash equivalents	60 109 588	8 357 416	103 746	234 004	616 503	69 421 257
Investment securities	24 744 752	-	-	-	-	24 744 752
Quoted and other investments	88 650	-	-	88 930	-	177 580
Loans, advances and other assets	199 242 396	374 614	51	6	28	199 617 095
Non-current assets held for sale	2 261 300	-	-	-	-	2 261 300
Property and equipment	6 280 286	-	-	-	-	6 280 286
Investment properties	14 202 270	-	-	-	-	14 202 270
Deferred tax	2 264 907	-	-	-	-	2 264 907
Current tax assets	368 445	-	-	-	-	368 445
Intangible assets	1 647 034	-	-	-	-	1 647 034
	311 209 628	8 732 030	103 797	322 940	616 531	320 984 926
Liabilities and equity						
Deposits and other liabilities	257 828 428	6 757 766	42 215	486 685	269 426	265 384 520
Subordinated term loan	1 415 490	-	-	-	-	1 415 490
Redeemable Ordinary shares	14 335 253	-	-	-	-	14 335 253
Equity	39 849 663	-	-	-	-	39 849 663
	313 428 834	6 757 766	42 215	486 685	269 426	320 984 926
Net foreign exchange position	(2 219 206)	1 974 264	61 582	(163 745)	347 105	-

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
Quoted and other investments	68 220	-	-	77 805	-	146 025
Loans, advances and other assets	234 585 469	501 307	1 353	852	-	235 088 981
Non-current assets held for sale	2 264 300	-	-	-	-	2 264 300
Property 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
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	-

34. CONTINGENT LIABILITIES

	GROUP 2016 US$	GROUP 2015 US$
Guarantees	2 159 937	5 305 263
Facilities approved but not drawn down	25 175 267	39 468 072
Irrevocable Letters of Credit	450 000	1 264 607
	27 785 204	46 037 942

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 and advances to customers.

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 2016 US$	GROUP 2015 US$
Capital expenditure contracted for	69 315	807 000
Capital expenditure authorised but not yet contracted for	5 379 915	3 516 220
At 31 December	5 449 230	4 323 220

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

36. ASSETS UNDER CUSTODY

In 2014, the Group 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 2016 US$	GROUP 2015 US$
Lease commitments	4 581 665	6 346 410
Up to 1 year	916 333	1 280 147
1 – 5 years	3 665 332	5 066 263

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$1 061 072.

38. RELATED PARTIES

As required by IAS 24 Related Party Disclosure, 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	
	2016 US$	2015 US$
Short term employee benefits	934 396	873 038
Post employment benefits	62 150	57 406
Termination benefits	-	868 470
	996 546	1 798 914

38.2 Key management interest in employee share options

At 31 December 2016, 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	
	2016 US$	2015 US$
Non - executive directors	-	-
Executive directors	240 705	136 276
Officers (Note 21.6)	7 381 115	5 178 746
Directors' companies	-	-
Officers' companies	-	-
	7 621 820	5 315 022
Fair value adjustment	(381 887)	(293 377)
	7 239 933	5 021 645

38.4 Other related party transactions

The Group outsourced services of a non-executive director in respect of consultancy services for Group employee contracts. This service was outsourced at arms length at an amount of US$4 500.

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.

39. EMPLOYEE BENEFITS

39.1 Pension Fund

All eligible employees of the Group 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 878 344 shares in NMBZ Holdings Limited as at 31 December 2016.

39. EMPLOYEE BENEFITS (cont'd)

39.2 Expense recognised in profit or loss

	GROUP	
	2016	2015
	US$	US$
Defined Contribution Plan - NSSA	191 221	182 568
Defined Contribution Plan - NMB Bank Pension Fund	558 670	659 921
	749 891	842 489

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			
	2016		2015	
	No.	**WAEP$**	**No.**	**WAEP$**
	000's		000's	
Outstanding as at 1 January	4 128 434	0.036	4 128 434	0.04
Lapsed	-	-	-	-
Issued	-	-	-	-
Exercised	-	-	-	-
Outstanding as at 31 December	4 128 434	0.036	4 128 434	0.04

Terms of options outstanding at 31 December 2016

	GROUP and COMPANY	
		2016
Expiry date	Exercise price	Shares
	US$	
18 June 2022	0.04	4 128 434
		4 128 434

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$191 221 (2015 - US$182 568).

40. EXCHANGE RATES

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

		31 Dec 2016 Mid - rate US$	31 Dec 2015 Mid - rate US$
British Sterling	GBP	1.2375	1.4800
South African Rand	ZAR	13.700	15.5039
European Euro	EUR	1.0570	1.0882
Botswana Pula	BWP	10.6838	11.1111

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'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 of loan loss provisions.

The Group has automated credit processes from loan origination, appraisal, monitoring and collections. The system has 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 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 maximises recoveries from Non-Performing Loans (NPLs) and loans and advances written off.

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 2016 US$	GROUP 2015 US$
Cash and cash equivalents (excluding cash on hand)		62 033 603	53 471 405
Investment securities held to maturity	17	24 744 752	14 547 992
Investment in debentures		-	-
Loans, advances and other accounts	21	195 492 260	232 546 908
Total		282 270 615	300 566 305
Guarantees	34	2 159 937	5 305 263
Facilities approved but not drawn down	34	25 175 267	39 468 072
Irrevocable lines of credit	34	450 000	1 264 607
Total		27 785 204	46 037 942
Total credit risk exposure		310 055 819	346 604 247

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 2016 Gross Maximum Exposure US$	31 December 2016 Net Maximum Exposure US$	31 December 2015 Gross Maximum Exposure US$	31 December 2015 Net Maximum Exposure US$
Agriculture and horticulture	22 172 296	12 801 701	13 907 259	-
Conglomerates	8 149 399	8 149 399	11 348 334	11 348 334
Distribution	22 957 893	9 201 073	37 364 138	-
Food and beverages	7 016 516	230 769	5 692 742	1 655 242
Individuals	90 381 441	83 825 012	101 585 312	97 343 706
Manufacturing	14 562 333	6 397 747	29 774 899	12 624 048
Mining	789 502	22 995	1 067 328	-
Services	39 829 012	6 462 626	42 501 006	-
	205 858 392	127 091 322	243 241 018	122 971 330
Allowance for impairment losses on loans and advances	(8 305 117)	(8 305 117)	(8 582 636)	(8 582 636)
Net exposure	197 553 275	118 786 205	234 658 382	114 388 694

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$78 767 070 (2015 - US$120 269 688).

41. RISK MANAGEMENT (cont'd)

41.1.5 Credit quality per sector

At 31 December 2016	Pass US$	Special Mention US$	Substandard US$	Doubtful US$	Loss US$	Total US$
Agriculture and horticulture	7 878 415	12 568 962	318 870	931 763	474 286	22 172 296
Conglomerates	-	8 149 399	-	-	-	8 149 399
Distribution	3 629 042	16 589 450	272 327	792 820	1 674 254	22 957 893
Food and Beverage	3 267 057	3 560 712	-	188 747	-	7 016 516
Individuals	75 582 031	8 112 552	4 318 380	2 247 293	121 185	90 381 441
Manufacturing	848 365	11 086 035	607 449	861 631	1 158 853	14 562 333
Mining	-	41 636	7 871	723 037	16 958	789 502
Services	8 720 002	23 808 906	1 085 105	5 303 873	911 126	39 829 012
Total	99 924 912	83 917 652	6 610 002	11 049 164	4 356 662	205 858 392

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

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 Dec 2016 US$	31 Dec 2015 US$
Carrying amount (note 21.1.1)	195 492 260	232 546 908
Assets at amortised cost		
Individually impaired		
Grade 8	6 610 003	14 164 649
Grade 9	11 049 164	12 665 919
Grade 10	4 356 662	5 261 616
Gross amount	**22 015 829**	**32 092 184**
Allowance for impairment		
Impairment allowance	(6 207 673)	(7 574 789)
Suspended interest	(1 748 031)	(1 798 490)
Carrying amount	**14 060 125**	**22 718 905**
Collectively impaired		
1 to 5 low to fair risk	155 770 677	182 512 639
6 to 7 watch list	28 071 887	28 636 195
Gross amount	**183 842 564**	**211 148 834**
Allowance for impairment		
Impairment allowance	(2 097 445)	(1 007 847)
Suspended interest	(312 984)	(312 984)
Carrying amount	**181 432 135**	**209 828 003**
Total carrying amount at amortised cost	**195 492 260**	**232 546 908**

NMBZ HOLDINGS LIMITED

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 per currency are contained within 5% 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 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 2016.

At 31 December 2016

		Sensitivity of net interest income				
Currency	Increase in interest rates	0 to 1 months US$	1 to 3 months US$	3months to 1 year US$	1 year to 5 years US$	Total US$
USD	5%	(2 137 050)	(1 296 165)	738 990	3 972 335	1 278 110
USD	3%	(1 282 230)	(777 699)	443 394	2 383 401	766 866
USD	1%	(427 410)	(259 233)	147 798	794 467	255 622
USD	-1%	427 410	259 233	(147 798)	(794 467)	(255 622)
USD	-3%	1 282 230	777 699	(443 394)	(2 383 401)	(766 866)
USD	-5%	2 137 050	1 296 165	(738 990)	(3 972 335)	(1 278 110)

At 31 December 2015

		Sensitivity of net interest income				
Currency	Increase in interest rates	0 to 1 months US$	1 to 3 months US$	3months to 1 year US$	1 year to 5 years US$	Total US$
USD	5%	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	(434 680)	(2 966 580)	(1 918 275)

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 2016

Currency	Change in currency rate	Effect on profit before tax US$	Effect on equity US$
ZAR	5%	98 715	73 294
ZAR	3%	59 229	43 977
ZAR	1%	19 743	14 659
ZAR	-1%	(19 743)	(14 659)
ZAR	-3%	(59 229)	(43 977)
ZAR	-5%	(98 715)	(73 295)

41. RISK MANAGEMENT (cont'd)

41.3 Foreign currency exchange rate risk (cont'd)

At 31 December 2015

	Change in currency rate	Effect on profit before tax US$	Effect on equity US$
Currency			
ZAR	5%	(334 300)	(248 215)
ZAR	3%	(200 580)	(148 929)
ZAR	1%	(66 860)	(49 643)
ZAR	-1%	66 860	49 643
ZAR	-3%	200 580	148 929
ZAR	-5%	334 300	248 215

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 2016

	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	-	1 087 357	268 580	804 000	-	2 159 937
Facilities approved but not drawn down	-	591 116	3 302 870	17 428 238	3 853 043	25 175 267
Irrevocable letters of credit	-	-	-	450 000	-	450 000
	-	1 678 473	3 571 450	18 682 238	3 853 043	27 785 204

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

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 minimised. 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 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. RISK MANAGEMENT (cont'd)

41.9 Risk ratings (cont'd)

41.9.1 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Group's banking subsidiary in the last quarter of 2016. The Results of the onsite are yet to be finalised. The last onsite before the 2016 one was 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 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*** Ratings 30/06/2013	Previous RAS Ratings 31/01/2008	Previous RAS 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.

NMBZ HOLDINGS LIMITED

41. RISK MANAGEMENT (cont'd)

41.9 Risk ratings (cont'd)

41.9.1.3 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.

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. RISK MANAGEMENT (cont'd)

41.9 Risk ratings (cont'd)

441.9.2 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	2016	2015
Long term	BB+	BB+

The current rating expires in August 2017.

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 2016 was as follows:

	2016 US$	2015 US$
Share capital	16 506	16 506
Share premium	31 474 502	31 474 502
Retained earnings	21 437 257	14 439 723
Fair value gain on investment properties	(1 797 022)	(3 112 902)
	51 131 243	42 817 829
Less: capital allocated for market and operational risk	(980 355)	(722 035)
Credit to insiders	-	-
Tier 1 capital	50 150 888	42 095 794
Tier 2 capital (subject to limit as per Banking Regulations)	5 691 960	7 812 084
Revaluation reserve	1 797 022	3 112 902
Subordinated debt	849 294	1 414 144
Regulatory reserve (limited to 1.25% of risk weighted assets)	1 785 136	2 277 191
Portfolio provisions (limited to 1.25% of risk weighted assets)	1 260 508	1 007 847
Total Tier 1 & 2 capital	55 842 848	49 907 878
Tier 3 capital (sum of market and operational risk capital)	980 355	722 035
Total capital base	56 823 203	50 629 913
Total risk weighted assets	243 651 546	262 803 080
Tier 1 ratio	20.58%	16.02%
Tier 2 ratio	2.34%	2.97%
Tier 3 ratio	0.40%	0.27%
Total capital adequacy ratio	23.32%	19.26%
RBZ minimum required	12%	12.00%

Historical Five Year Financial Summary

for the year ended 31 December 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2016 US$	2015 US$	2014 US$	2013 US$	2012 US$
Interest income	33 860 139	35 761 355	31 072 461	33 181 704	27 543 784
Interest expense	(11 075 067)	(15 118 231)	(12 651 519)	(13 006 505)	(10 050 003)
Net interest income	22 785 072	20 643 124	18 420 942	20 175 199	17 493 781
Net foreign exchange gains	743 255	1 416 445	1 822 432	1 502 044	1 902 337
Fee and commission income	15 179 149	20 984 694	15 121 536	14 673 834	13 016 115
Revenue	38 707 476	43 044 263	35 364 910	36 351 077	32 412 233
Share of profit/(loss) of associate	-	-	-	217 768	434 252
Other income	1 737 860	1 234 125	62 025	777 720	2 593 515
Profit on disposal of associate	-	-	-	580 136	-
Operating income	40 445 336	44 278 388	35 426 935	37 926 201	35 440 000
Operating expenditure	(26 176 706)	(26 872 649)	(27 984 051)	(25 232 756)	(21 452 714)
Impairment losses on loans and advances	(8 059 726)	(9 496 601)	(5 017 362)	(16 645 810)	(3 985 062)
Profit /(loss) before taxation	6 208 904	7 909 138	2 425 522	(3 951 865)	10 002 224
Taxation (charge)/credit	(1 150 738)	(2 422 040)	(768 455)	630 042	(2 431 722)
Profit/(loss) after taxation	5 058 166	5 487 098	1 657 067	(3 321 823)	7 570 502
Other comprehensive income for the year, net of tax	(2 970)	2 970	10 180	-	-
Total comprehensive income/(loss) for the year	5 055 196	5 490 068	1 667 247	(3 321 823)	7 570 502

NMBZ HOLDINGS LIMITED

Historical Five Year Financial Summary (Cont'd)

for the year ended 31 December 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2016 US$	2015 US$	2014 US$	2013 US$	2012 US$
SHAREHOLDERS' FUNDS					
Share capital	78 598	78 598	78 598	78 598	78 598
Reserves	39 771 065	34 715 869	29 225 801	27 541 662	30 863 485
Equity	39 849 663	34 794 467	29 304 399	27 620 260	30 942 083
Subordinated loan	1 415 490	1 414 144	1 407 964	1 485 890	-
Redeemable ordinary shares	14 335 253	14 335 253	14 335 253	14 335 253	-
Total shareholders' funds	55 600 406	50 543 864	45 047 616	43 441 403	30 942 083
LIABILITIES					
Deposits and other liabilities	265 384 520	283 287 243	241 001 418	216 041 709	195 002 633
Current tax liabilities	-	-	-	-	588 966
Capital employed	320 984 926	333 831 107	286 049 034	259 483 112	226 533 682
ASSETS					
Cash and cash equivalents	69 421 257	63 439 347	54 750 561	48 871 983	58 171 045
Investments securities	24 744 752	14 547 992	3 874 525	4 685 471	5 501 963
Investments in debentures	-	-	4 614 047	3 984 723	-
Deferred tax assets	2 264 907	1 905 116	2 784 594	2 823 544	1 380 596
Current tax assets	368 445	23 075	1 436 974	1 739 210	-
Loans, advances and other assets	199 617 095	235 088 981	203 363 052	181 316 271	146 599 994
Non-current assets held for sale	2 261 300	2 264 300	2 267 300	2 303 300	2 225 300
Quoted and other investments	88 650	68 220	127 291	145 850	130 316
Trade investments	88 930	77 805	81 390	190 148	195 790
Investment in associate	-	-	-	-	1 025 919
Investment properties	14 202 270	8 125 800	4 453 300	4 385 300	3 115 300
Property and equipment	6 280 286	6 601 086	6 345 267	7 372 943	8 187 459
Intangible assets	1 647 034	1 689 385	1 950 733	1 664 369	-
Employment of capital	320 984 926	333 831 107	286 049 034	259 483 112	226 533 682

Historical Five Year Financial Summary
for the year ended 31 December 2016

	2016	2015	2014	2013	2012
CLOSING NUMBER OF SHARES	384 427 351	384 427 351	384 427 351	384 427 351	384 427 351*
Share performance					
Net asset value per share (US cents)	14.46	12.78	11.72	11.30	1.12
Basic earnings per share (US cents)	1.32	1.43	0.43	(1.00)	0.29
Dividend per share (US cents)	-	-	-	-	-
Dividend cover (times)	-	-	-	-	-
Price/earnings ratio	2.97	2.5	10.47	(6.50)	2.24
Closing price per share (US cents)	3.9	3.5	4.5	6.50	0.65
Market capitalisation (US$)	14 992 667	13 454 952	17 299 224	24 987 781	18 246 197
Financial performance					
Return on shareholders' funds (%)[1]	9.1	10.9	3.7	(8)	26
Return on assets (%)	1.6	1.7	0.6	(1)	4
Cost/net income ratio (%)[2]	84.6	82.1	92.8	110	70
Non-interest income/total income (%)	43.7	53.8	35.4	47	34
Effective tax rate (%)	18.59	30	31.68	(16)	23

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
for the year ended 31 December 2016

Notice is hereby given that the 22nd 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 **Wednesday, 24 May 2017 at 1000 hours** for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2016, together with the reports of the Directors and Auditors thereon.
2. To appoint/re-appoint Directors.

a. In accordance with the Articles of Association, Mr. B.A Chikwanha, Mr. B.P. Washaya, Ms. J. Maguranyanga, Mr. E. Sandersen and Mr C. Chikaura retire by rotation. Being eligible, the directors offer themselves for re-election.

b. Mr. J. de la Fargue, Ms. S. Chitehwe and Mr. B. Ndachena were appointed as directors during the year and in accordance with the Articles of Association retire from office. Mr. J. Tichelaar, who was appointed subsequent to year end and in accordance with the Articles of Association retires from office. All retiring directors being eligible, they offer themselves for election.

3. To approve directors' fees for the year ended 31 December 2016.
4. To approve Messrs KPMG's remuneration for the year ended 31 December 2016.
5. To appoint new Company Auditors for the year ending 31 December 2017.

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 authorised 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."

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

That the Articles of Association of the Company be amended by the substitution of Articles 83 and 84 in their entirety by the following Articles:
"83.1 At each annual general meeting, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation, but so that, if there are fewer than three Directors who are subject to retirement by rotation, those eligible for retirement one shall retire from office.

83.2 Subject to Article 79, no Executive Director shall be subject to retirement by rotation, but shall remain a Director on such terms and for such period as determined by the terms of their employment agreement.

84.1 Subject to the provisions of the Statutes and of these Articles, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in the office since their last re-election or appointment, and so that as between persons who became or were last re-elected Directors on the same day those retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the board of Directors at the start of business on the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting."

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/her 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

MISS S. PASHAPA
COMPANY SECRETARY

15 March 2017

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.A Chikwanha, Mr. B.P Washaya, Ms. J. Maguranyanga, Mr. E. Sandersen, Mr. C. Chikaura, Mr. J. de la Fargue, Ms. S. Chitehwe, Mr. B. Ndachena and Mr. J. Tichelaar. 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. Benedict 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.

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.

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.

James de la Fargue - Non-Executive Director

James de la Fargue represents African Century on the Board. He is a holder of a BA Business Organisation (Herrit-Watt University), ACCA, Diplomas in Marketing & Marketing Research and a Certificate in General Agriculture. James worked for a number of international organizations including Deloitte & Touché Management Consultants, Unilever PLC and Chargeurs SA. He is a former president of the Zimbabwe Tobacco Association and worked at MBCA as a senior executive in charge of Corporate Finance. James was involved in business consultancy work and management of an integrated farm in Centenary from 1998 to 2008. Since 2009, James has been with African Century Limited where he initially consulted for the group and later took up a position as Business Development Director of African Century Financial Holdings and as Executive Chairman of Frango King.

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

Sabinah N. Chitehwe - Independent Non-Executive Director

Sabinah Chitehwe is a qualified and experienced Chartered Accountant and a Registered Public Auditor. She holds a Bachelor of Accounting Science. She has over ten years' experience in senior management and advisory in finance and accounting, auditing, tax planning, strategy development & implementation and transaction advisory. Sabinah worked for a number of international organisations including Deloitte & Touché Management Consultants. She is currently the Chief Operating Officer of Cure Chem Overseas (Pvt) Limited, a company with global representation in India, Zambia, Tanzania, Mozambique and South Africa.

Benson Ndachena - Finance Director

Benson Ndachena is a Chartered Accountant with over fifteen years working experience in the banking sector. Benson began his career with Deloitte & Touché from January 1990 up until April 1998. During that time he held management positions of Audit Manager and Senior Consultant – Management Consultancy. He left Deloitte & Touché to join OK Zimbabwe as Financial Controller and held that position until June 2001. On 1 July 2001, he joined NMB Bank as the Head Finance & Administration and progressed within the Bank to his current position of Finance Director. Benson Ndachena holds a Bachelor of Accountancy Degree from the University of Zimbabwe, a Master of Business Leadership Degree from the University of South Africa (UNISA) and is an associate of the Chartered Institute of Management Accountants (ACMA).

Julius Tichelaar - Non Executive Director

Julius Tichelaar represents AfricInvest on the board. Mr. Tichelaar is currently the Senior Manager - Financial Sector of AfricInvest Capital Partners. He has over 9 years of experience in Financial Sector Development in Africa, all of which have been spent in AfricInvest. Julius holds a Bachelor of Science and Business Economics, Bachelor (pre-master program) of Business Administration and a Master of Finance & Investments.

Resolution 3

Shareholders are requested to approve director's fees. The directors fees for 2016 amounted to $252 828.

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 2016, 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. KPMG, as the company's auditors, completed their five year term which ended 31 December 2016. As such a new company auditor must be appointed. This resolution therefore proposes the appointment of a new audit firm as the company's auditors in accordance with the Companies Act [Chapter 24:03] and the Banking Act [Chapter 24:20].

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.

Resolution 7 - Special Resolution

This resolution seeks to provide for the retirement by rotation of one-third of Directors at each annual general meeting. This therefore means that the tenure of directorship should run for at least three years before a Director is subject to retirement and eligible for re-election. Furthermore, the resolution provides that Executive Directors' employment contracts render them ineligible for retirement by rotation. 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

Size of shareholding	2016 Number of shareholders	% of Holders	2016 Issued Shares	% Shareholding
0 - 5000	3,533	91.71%	2, 119, 240	0.55%
5,001 - 10,000	96	2.49%	697,072	0.18%
10,001 - 50,000	141	3.66%	3,131,473	0.81%
50,001 - 100,000	29	0.75%	2,204,542	0.57%
100,001 - 500,000	21	0.55%	4,346,711	1.13%
500,001 - 1,000,000	6	0.16%	4,983,833	1.30%
1,000,001 - 10,000,000	15	0.39%	52,899,454	13.77%
10,000,001 and above	11	0.29%	314,045,026	81.69%
Total	**3,852**	**100.00%**	**384,427,351**	**100.00%**

Size of shareholding	2015 Number of shareholders	% of Holders	2015 Issued Shares	% Shareholding
0 - 5,000	3,531	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 and above	11	0.29%	313,404,752	81.53%
Total	**3,856**	**100.00%**	**384,427,351**	**100.00%**

Shareholders' Analysis (cont'd)

2016

Industry	Shareholders	% of shareholders	Shares	% of Shares
Bank	2	0.05%	19,190	0.00%
Local Companies	347	9.01%	51,607,869	13.42%
Employee	242	6.28%	817,410	0.21%
Deceased Estates	3	0.08%	2,221	0.00%
External Companies	6	0.16%	99,113,967	25.78%
Fund Managers	3	0.08%	2,510	0.00%
Insurance Companies	10	0.26%	59,656,157	15.53%
Investment Trusts And Property	36	0.93%	49,895,835	12.98%
Local Residents	3,090	80.21%	7,850,102	2.04%
Nominees Local	54	1.40%	434,145	0.11%
Non Residents	8	0.21%	108,291,249	28.18%
Non Resident Individuals	33	0.86%	701,716	0.18%
Other Corporate Holdings	3	0.08%	3,369	0.00%
Pension Fund	15	0.39%	6,031,611	1.57%
Total	**3,852**	**100%**	**384 427 351**	**100%**

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	3,091	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 (cont'd)

Rank	Shareholder	2016 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	32,769,985	8.52%
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	**303,082,314**	**78.82%**

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%**

Shareholders' Information

MEMBERS' DIARY

Financial year end	31 December 2016
Reports:-	
■ Announcement of annual results	March 2017
■ Annual financial statements posted to shareholders	April 2017
■ Annual General Meeting	24 May 2017
■ Announcement of the 2017 half-year results	August 2017
■ Dividend payments:	n/a
■ Interim	n/a
■ Final	

Secretary And Registered Office

COMPANY SECRETARY **S. PASHAPA**

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First Transfer Secretaries
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Zimbabwe

In UK
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United Kingdom

Legal Advisors
In Zimbabwe
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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 24 May 2017 at 10:00 hours and at any adjournment thereof.

Signed this ……………………………………….. day of ……………………………………………………………………2017

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.