2018 NMBZ HOLDINGS LIMITED Annual Report

Holding Company of NMB BANK LIMITED

CONTENTS

Financial Summary	3
Group Profile	4
Chairman’s Statement	5 - 7
Dividend Announcement	8
Report of the Directors	9 - 13
Statement of Directors’ Responsibility	14 - 15
Report of the Independent Auditors	16 - 18
Statements of Comprehensive Income	19
Statements of Financial Position	20
Statements of Changes in Equity	21
Statements of Cash Flows	22
Significant Accounting Policies	23 - 35
Notes to the Financial Statements	36 - 77
Historical Five Year Financial Summary	78 - 80
Notice to Members	81
Explanations regarding the Notice of the Annual General Meeting	82
Shareholders’ Analysis	83 - 84
Shareholders’ Information	85
Secretary and Registered Office	86
Annual General Meeting Form of Proxy	87

FINANCIAL SUMMARY

	31 December 2018	31 December 2017
Total income (US$)	74 740 671	53 606 281
Operating profit before impairment charge (US$)	31 155 227	16 870 839
Total comprehensive income (US$)	21 267 632	10 029 136
Basic earnings per share (US cents)	5.43	2.58
Dividend per share (US cents)	0.96	0.36
Total deposits (US$)	434 957 949	348 956 385
Total gross loans and advances (US$)	262 335 026	211 005 418
Total shareholders' funds and shareholders' liabilities (US$)	79 962 313	65 651 843

Enquiries:

NMBZ HOLDINGS LIMITED

Benefit Peter Washaya, Chief Executive Officer, NMBZ Holdings Limited **benefitw@nmbz.co.zw**

Benson Ndachena, Chief Finance Officer, NMBZ Holdings Limited **bensonn@nmbz.co.zw**

Website: **http://www.nmbz.co.zw**

Email: **enquiries@nmbz.co.zw**

Telephone: **Tel: +263-242-759 651/9**

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).

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, Bindura, Chitungwiza 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

Bindura – Mwatuka Complex, Bindura

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

Chitungwiza – Chitungwiza Town Centre

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

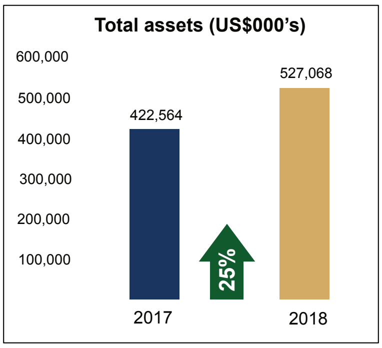
The Bank's Automated Teller Machine (ATM) network, covers the following locations:

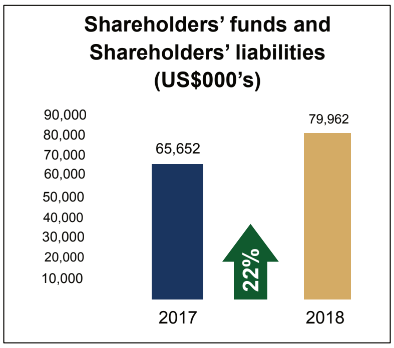
- Avondale - Harare
- Borrowdale - Harare
- Bulawayo
- Card Centre - Harare
- Chinhoyi
- Chitungwiza Town Centre
- Eastgate - Harare
- Fruit & Veg - Greendale, Harare
- Gweru
- Joina City - Harare
- Kwekwe
- Masvingo
- Msasa - Harare
- Mutare
- Southerton - Harare

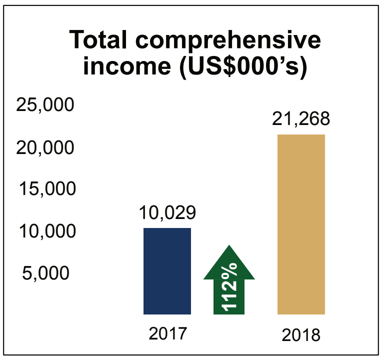
INTRODUCTION

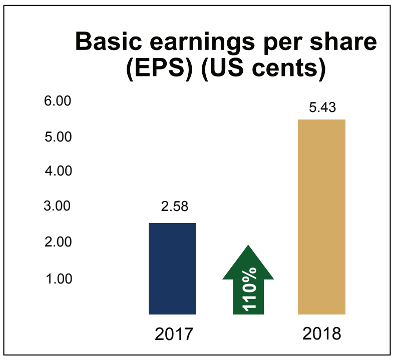
The Group has continued in the pursuit of its short and medium term goals and the accompanying results are testimony to the considerable progress towards our stated strategy. The financial results continue to be largely driven by the Bank's continued diversification into the broader market segments, enhanced use of the bank's digital offerings, stricter credit underwriting standards and containment of non-performing loans. The bank witnessed a slowdown in business activity during the last quarter of 2018 as businesses adjusted to the new policy measures outlined in the Transitional Stabilisation Programme presented in August 2018 soon after the national elections. Notwithstanding the slowdown, the group's financial performance was well above prior year.

The key financial highlights of the Group as at 31 December 2018 are depicted below:









GROUP RESULTS

Financial performance

The profit before taxation was US$27 143 275 (2017 – US$13 017 690) during the period under review and this gave rise to total comprehensive income of US$21 267 632 (2017 – US$10 029 136). The Group achieved a basic earnings per share of 5.43 cents (2017 - 2.58 cents).

Operating expenses amounted to US$34 720 428 and these were up 26% from a prior year amount of US$27 578 347. The increase in operating expenses was due to increased transaction processing and operational costs arising from the Bank's digital drive, continued expansion into the broader market segments and general inflationary pressures largely driven by foreign currency shortages.

Impairment losses on financial assets measured at amortised cost amounted to US$4 011 952 for the current period from a prior year amount of US$3 853 149 and the increase was mainly due to the adoption of IFRS 9 with effect from 1 January 2018. The bank has continued with its drive to reduce non-performing loans (NPLs) and the ratio stood at 7.43% as at 31 December 2018. This was lower than the 31 December 2017 ratio of 7.98%. The decrease in the NPL ratio was largely due to aggressive collections and stricter credit underwriting standards.

Financial position

The Group's total assets increased by 25% from US$422 564 352 as at 31 December 2017 to US$527 067 596 as at 31 December 2018 mainly due to a 27% increase in investment securities, a 21% increase in loans, advances and other assets, a 10% increase in investment properties, an increase of 26% in cash and cash equivalents and a 143% increase in property and equipment.

The bank continued with its intermediation role and support for the productive sectors as reflected by a 24% increase in gross loans and advances from US$211 005 418 as at 31 December 2017 to US$262 335 026 as at 31 December 2018.

Investment securities (Treasury Bills and Bonds) increased by 27% from US$92 245 425 as at 31 December 2017 to US$117 249 434 as at 31 December 2018 mainly due to some purchases from both the primary and secondary bond markets. The bank has set maximum limits for investment securities to ensure most of our funds are channeled towards loans and advances.

Total deposits increased by 25% from US$348 956 385 as at 31 December 2017 to US$434 957 949 as at 31 December 2018 as a result of strong deposit mobilisation strategies coupled with a significant improvement in market liquidity.

The Bank's liquidity ratio closed the period at 41.62% (2017 – 47.53%) and this was above the statutory requirement of 30%.

Capital

The banking subsidiary's capital adequacy ratio stood at 23.25% as at 31 December 2018 (31 December 2017 - 24.26%). The ratio was well above the statutory minimum of 12%. Our capitalisation level is adequate to cover all risks and supports the underwriting of new business.

The Group's shareholders' funds and shareholders' liabilities have increased by 22% from US$65 651 843 as at 31 December 2017 to US$79 962 313 as at 31 December 2018 as a result of the current year's total comprehensive income.

The Bank's regulatory capital as at 31 December 2018 was US$74 927 487 and is above the minimum required regulatory capital of US$25 million. Furthermore, the bank is on course to meet the required US$100 million capitalisation by 2020.

FUNCTIONAL CURRENCY AND AUDIT OPINION

Between 2014 and 2016, the Zimbabwean economy experienced a massive liquidity crisis which eventually

FUNCTIONAL CURRENCY AND AUDIT OPINION (continued)

prompted the Monetary Authorities to introduce the bond notes in November 2016 whilst encouraging the public to continue using the other currencies in the multi-currency basket. The bond notes were introduced at an official fixed exchange rate of 1:1 with the USD and the Monetary Authorities specifically directed financial institutions not to open separate vault and cash accounts for the USD and the bond notes.

In October 2018, the Monetary Authorities instructed financial institutions to separate bond notes and USD accounts and indicated that corporates and individuals could proceed to open Nostro Foreign Currency Accounts (FCA), for foreign currency holdings, which were now being exclusively distinguished from the existing RTGS based accounts. However, it should be noted that at the time of this policy pronouncement, the Monetary Authorities did not state that they had introduced a new currency for Zimbabwe, which actually meant that the USD remained as the currency of reference. By 31 December 2018, there had been no pronouncement by the Monetary Authorities to the effect that there had been a new currency introduced, which could be considered as the country's functional currency. On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation as RTGS Dollars. Initial trades on 22 February 2019 were at USD1: RTGS$2.5. On the same date, Statutory Instrument 33 (SI 33) of 2019 was also issued and it specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February 2019 were deemed to have been valued in RTGS Dollars at a rate of US$1: RTGS$1.

The fixed exchange rate of US$1: RTGS$1 for the period prior to the effective date of 22 February 2019 is not in compliance with IAS 21. In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The Group used a fixed exchange rate of US$1: RTGS$1 for the year ended 31 December 2018 and thus did not comply with the requirements of International Accounting Standard 21 (IAS 21) "The Effects of Changes in Foreign Exchange Rates", as doing so would have been in contravention of SI 33 of 2019. However, the Directors performed a sensitivity analysis on note 23.1 to illustrate the impact on the Group's statement of financial position as at 31 December 2018 had the financial statements been restated using the first available interbank mid-rate on 22 February 2019 of USD1:RTGS$2.5. A further analysis of the impact on the statement of financial position has also been performed using the rates of USD1:RTGS$3 and USD1:RTGS$4.

In light of the failure to fully comply with the requirements of IAS 21, the Group's independent auditors, Ernst & Young, have issued an adverse opinion on the financial statements for the year ended 31 December 2018.

DIVIDEND

In view of the significantly improved financial performance recorded by the Group in the year under review and the sound capital ratio, the Board proposes to declare a final scrip dividend alternative to the cash dividend of 0.96 RTGS cents per share. The scrip dividend option was arrived at after taking into account shareholders' expectations, value preservation and the need to ensure sustainable organic growth in view of the banking subsidiary's regulatory capitalisation requirements.

DIRECTORATE

There were no changes to the directorate during the period under review. The directors of both NMBZ Holdings Limited and NMB Bank Limited boards remain as follows: Mr Benedict A. Chikwanha (Board Chairman), Mr Benefit P. Washaya (Chief Executive Officer), Mr Benson Ndachena (Chief Finance Officer), Mr Charles Chikaura (Independent Non-Executive Director), Mr Erik Sandersen (Non-Executive Director), Mr James de la Fargue (Non-Executive Director), Ms Jean Maguranyanga (Independent Non-Executive Director), Mr Julius Ticheelar (Non-Executive Director) and Ms Sabinah Chitehwe (Independent Non-Executive Director).

Subsequent to year end, Mr Erik Sandersen resigned from the Board of NMBZ Holdings Limited and NMB Bank Limited on 24 January 2019. I would like to thank Erik for his contributions to NMBZ Holdings Limited, NMB Bank Limited and the Board over the years and wish him success in his new endeavours.

CORPORATE SOCIAL INVESTMENTS

During the period under review, the Group channeled its social investments efforts into the country's educational system, enhancement of youth entrepreneurial skills through partnerships, support for the disadvantaged and vulnerable groups as well as environmental protection and conservation causes.

The Group donated to the Glen View community following an outbreak of the cholera epidemic in September 2018. In addition to donations to social causes, donations were made to the Albino Trust of Zimbabwe, commemorations of World Kidney Day and to Friends of Dzikwa, a charity organisation which operates in the Dzivarasekwa community.

In line with promotion of sports, the group partnered several schools in their sporting activities and the highlight of these were the ZiMwana Trust Street Athletics and Friends of Dzikwa Trust 16th Annual Sports Day for Orphans whose thrust was the promotion of an inclusive society through sports. Partnerships with groups and organisations that promote the conservation of the environment and wildlife were maintained during the period under review, with BirdLife Zimbabwe and Friends of Hwange being some of the partner organisations.

CORPORATE DEVELOPMENTS

In line with our strategy to reach the broader market segments, the Bank opened two service centres in Bindura and Chitungwiza in May 2018 and December 2018 respectively. We continue to establish representation in areas where the Bank is currently not represented and plans to open a service centre in Victoria Falls are at an advanced stage.

The Group undertook the construction of its new Head Office along Borrowdale Road in April 2018 and the new building should be ready for occupation in the last quarter of 2019. The new Head Office reinforces the Group's commitment to the country and its foreseeable future.

OUTLOOK AND STRATEGY

In line with the Bank's financial inclusion drive, we have intensified efforts to open low cost accounts. Further investment is continuously being directed towards the digital channels to enhance service delivery as well as accommodate the increased transactional volumes created by the broadened customer base as the Bank continues to increase its footprint. The Bank has intensified its efforts in rolling out the low-cost Point of Sale devices (mPOS) in order to support our growing SMEs and sole traders' clientele base.

The year 2019 is likely to be a period in which inflation, currency fluctuations and a shortage of foreign currency play a pivotal role in determining the impact on revenue generation and operating costs. The combination will require a steady guiding hand from the relevant authorities as well as management and Board focus. Early indications point to a tough operating environment for the banking sector.

APPRECIATION

I would like to express my profound appreciation to our valued clients, shareholders, regulatory authorities and other valued stakeholders for their continued support in this difficult operating environment. To my fellow Board members, management and staff, I extend my sincere gratitude for their hard work, diligence, commitment and resilience which has underpinned the achievement of the commendable results.

MR. B. A. CHIKWANHA

CHAIRMAN

17 April 2019

DIVIDEND ANNOUNCEMENT

Notice is hereby given that the board declared a scrip dividend alternative to the cash dividend of 0.96 RTGS cents per share for the year ended 31 December 2018 payable in respect of all the ordinary shares of the Company. The ratio of allotment for the scrip dividend shall be one (1) for every twenty five (25) shares held. The conversion price of the scrip dividend is 24 RTGS cents which was the market price as at 17th April 2019, being the date the directors approved the dividend. This dividend will be payable in full to all Shareholders of the Company registered at the close of business on 10 May 2019.

The payment of the dividend will take place on or about 11 June 2019. The applicable shareholders' tax will be deducted from the Gross dividends.

The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 7 May 2019 and ex-dividend as from 8 May 2019.

The forms of election with the full details and terms of the scrip/cash dividend offer will be mailed to shareholders on 17 May 2019 and the last date of receiving the forms of election is 7 June 2019.

Shareholders are requested to submit/update their mailing and banking details to the Transfer Secretaries and also immediately contact the Transfer Secretary should they not have received their dividend election forms by 24 May 2019 on the following contacts.

First Transfer Secretaries (Pvt) Ltd
1 Armagh Avenue
Eastlea
Harare

Telephone: +263 4 782869/72 or 776628/49/59/69/74

Email: info@fts-net.com

By order of the Board

S. PASHAPA
Company Secretary

17 April 2019

NMBZ HOLDINGS LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2018

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2018.

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: 392 955 196 ordinary shares of US$0,00028 each.

No share options were exercised during the year.

2. GROUP ACTIVITIES AND RESULTS

The Group's total comprehensive income was US$21 267 632 for the year ended 31 December 2018 (2017 - US$10 029 136).

3. CAPITAL ADEQUACY

As at 31 December 2018, the Bank's regulatory capital adequacy ratio was 23.25% (2017 – 24.26%).

4. DIRECTORATE

4.1 Board of Directors

Mr. B. A. Chikwanha	Independent Non-Executive Director (Chairman)
Mr. B. P. Washaya	Chief Executive Officer
Mr. B. Ndachena	Chief Finance Officer
Mr. J. de la Fargue	Non-Executive Director (representing African Century)
Mr. E. Sandersen	Non-Executive Director (representing ARISE BV)
Mr. J. Tichelaar	Non-Executive Director (representing AfricInvest)
	(alternate Mr B. Zwinkels)
Ms. J. Maguranyanga	Independent Non-Executive Director
Mr. C. Chikaura	Independent Non-Executive Director
Ms. S. Chitehwe	Independent Non-Executive Director

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

4.2 Directors' Interests

As at 31 December 2018, the Directors of the Group (NMBZ Holdings Limited and the Bank) held the following direct and indirect beneficial interests in the shares of the Company:-

	31 December 2018	31 December 2017
Mr. B. A. Chikwanha*	20 800	10 000
Ms. J. Maguranyanga	600	600
Mr. B. P. Washaya**	9 931	277 943
Mr. J. de la Fargue***	-	-
Mr. E. Sandersen ****	-	-
Mr. J. Tichelaar *****	-	-
Mr. B. Ndachena******	80 448	77 642
Mr. C. Chikaura	-	-
Ms. S. Chitehwe	-	-
	111 779	366 185

* 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 Investmnents Limited (73 771 114 shares) on the board of Directors of NMBZ Holdings Limited and NMB Bank Limited.

4. DIRECTORATE (continued)

**** Mr. E Sandersen represents ARISE BV (69 142 858 shares) on the board of Directors of NMBZ Holdings Limited and NMB Bank Limited.
***** Mr J. Tichelaar represents AfricInvest (35 427 111 shares) on the board of Directors of NMBZ Holdings Limited and NMB Bank Limited.
****** Mr. B. Ndachena is the Chief Finance Officer of NMBZ Holdings Limited and NMB Bank Limited.

4.3 Directors' attendance at meetings

4.3.1 Board of Directors

Name	Meetings Held	Meetings attended
Mr. B. A. Chikwanha	4	3
Mr B.P. Washaya	4	4
Mr. B. Ndachena	4	4
Ms. S. Chitehwe	4	4
Mr. J. de la Fargue	4	4
Mr. E. Sandersen	4	4
Ms. J. Maguranyanga	4	4
Mr. C. Chikaura	4	4
Mr. J. Tichelaar	4	4

4.3.2 Audit Committee

Name	Meetings held	Meetings attended
Ms. S. Chitehwe	10	10
Mr. C. Chikaura	10	10
Ms. J. Maguranyanga	10	9

4.3.3 Risk and Compliance Management Committee

Name	Meetings Held	Meetings Attended
Mr. C. Chikaura	4	4
Mr. J. de la Fargue	4	4
Mr. E. Sandersen	4	4
Mr. B. A. Chikwanha	4	3

4.3.4 Asset and Liability Management (ALCO) & Finance Committee

Name	Meetings held	Meetings attended
Mr. C. Chikaura	4	4
Mr. J. de la Fargue	4	4
Mr. J. Tichelaar	4	4
Mr. E. Sandersen	4	4
Mr. B. P. Washaya	4	4
Mr. B. Ndachena	4	4
Ms. S. Chitehwe	4	4
Mr. G. Gore	4	4

4.3.5 Loans Review Committee

Name	Meetings Held	Meeting attended
Ms. J. Maguranyanga	4	4
Mr. E. Sandersen	4	4
Ms. S. Chitehwe	4	4
Mr. J. Tichelaar	4	4

4.3.6 Human Resources, Remuneration and Nominations Committee

Name	Meetings held	Meetings attended
Ms. J. Maguranyanga	4	4
Mr. B. A. Chikwanha	4	3
Mr. J. Tichelaar	4	4
Mr. C. Chikaura	4	4
Mr. J. de la Fargue	4	4

4.3.7 Credit Committee

Name	Meetings held	Meetings attended
Mr. B. A. Chikwanha	4	3
Mr. B. P. Washaya	4	4
Mr. J. de la Fargue	4	4
Mr. C. Chikaura	4	4

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 IV report of South Africa, the National Code on Corporate Governance Zimbabwe 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 & Compliance Management Committee to assist in the discharge of its duties and responsibilities. Board and Director evaluations are carried out an annual basis, wherein the effectiveness of the Board is reviewed, including its gender and skills mix. The Board also adheres to the Bank's Code of Ethics and Environmental and Social Risk Management Framework.

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 seven 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. Furthermore, the independence of the independent non-executive Directors is reviewed on an annual basis. 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 also provides independent oversight of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements. 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:	Ms. S. Chitehwe	Chairperson-Independent Non-Executive Director
	Ms. J. Maguranyanga	Independent Non-Executive Director
	Mr. C. Chikaura	Independent Non-Executive Director

5. CORPORATE GOVERNANCE (continued)

5.2 Audit Committee (continued)

The external auditors, Chief Finance Officer and the Head of Internal Audit are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

5.3 Human Resources, Remuneration and Nominations Committee

Membership:	Ms. J. Maguranyanga	Chairperson - Independent Non-Executive Director
	Mr. J. de la Fargue	Non-Executive Director
	Mr. J. Tichelaar	Non-Executive Director
	Mr. C. Chikaura	Independent Non-Executive Director
	Mr. B. A. Chikwanha	Independent Non-Executive Director

The Chief Executive Officer and Head of Human Capital are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

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. J. Tichelaar	Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director

The Chief Operating Officer and Head of Risk Management are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

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

The Chief Banking Officer and Head of Credit Management are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

5.6 Asset and Liability Management (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. J. Tichelaar	Non-Executive Director
	Ms. S. Chitehwe	Independent Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer
	Mr. B. Ndachena	Chief Finance Officer
	Mr. G. Gore	Chief Operating Officer

5. CORPORATE GOVERNANCE (continued)

5.6 Asset and Liability Management (ALCO) & Finance Committee (continued)

The Heads of Treasury, Finance and Risk Management are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

5.7 Risk and Compliance Management Committee

The Risk and Compliance 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
	Mr. J. de la Fargue	Non-Executive Director

The Chief Operating Officer and Heads of Risk Management and Compliance Management are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

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, the shareholder will be asked to authorise the Directors to approve the auditors' remuneration for the year ended 31 December 2018 and to appoint auditors of the Group for the ensuing year.

By order of the Board

Miss S I Pashapa
Company Secretary
Harare

17 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2018

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. STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared with the aim of complying fully 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 financial statements show the impact of the first time adoption of IFRS 9 which was adopted by the Group effective 1 January 2018. The detailed impact of this adoption is disclosed in the section on significant accounting policies (Changes in accounting policy – page 24).

The Directors have been able to achieve full compliance with IFRSs in previous reporting periods. However, the 31 December 2018 financial reporting could only achieve partial compliance to the IFRS reporting framework due to developments detailed below.

The IFRS Conceptual Framework states that to achieve fair presentation to the financial statements, companies should consider the underlying economic substance of the transaction over and above the legal form. International Accounting Standard (IAS 21) *"The Effects of Changes in Foreign Exchange Rates"* requires the Directors to determine the functional currency of the reporting entity in preparing the entity's financial statements. In arriving at this conclusion, the entity is required to apply certain parameters which the Directors duly applied in their judgement. Furthermore, IAS 21 also requires the reporting entity to make certain judgements in determining the appropriate exchange rates to apply for certain transactions conducted in currencies other than the functional currency of the reporting entity.

As explained in Note 2.4.7, *"Determination of the functional currency"*, it is our opinion that following the Monetary Policy pronouncements of 1 October 2018 and 20 February 2019, as well as the issuance of Exchange Control Directive RU 28 of 2019 on 22 February 2019, the country's functional currency appeared to have changed from the United States Dollar in terms of the IAS 21 considerations. However, the Government of Zimbabwe issued Statutory Instrument (SI 33) of 2019 on 22 February 2019, which prescribes the rate of USD1:RTGS$1 in accounting for all transactions and events before the effective date of the statutory instrument.

Furthermore, it is our interpretation that the SI 33 of 2019 issued in terms of the Presidential Powers Temporary Measures Act *[Chapter 10:20]*, ranks supreme to any contrary legislation including quasi-legislations, which therefore implies that in preparing the financial statements, we sought to comply with the provisions of SI 33 of 2019 ahead of the IAS 21 requirements.

This, in our opinion resulted in non-compliance with IAS 21 and that non-compliance had a significant impact on the true and fair presentation of the Group's financial position and would therefore urge users of the financial statements to exercise due caution. To provide users with additional information, note 40 of the Consolidated Financial Statements provides a detailed analysis of the impact on the Group's Statement of Financial Position had the aforementioned events after the reporting period been treated as adjusting events at reporting date.

The consolidated financial statements were approved by the Board of Directors on 17 April 2019.

5. GOING CONCERN

The Directors have assessed the ability of the Group and its subsidiary 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

6. INTERNAL AUDIT (continued)

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 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.

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 financial statements of the Group appearing on pages 19 to 77 were approved by the Board of Directors on 17 April 2019 and are signed on their behalf by:

....	....
Mr. B. A. Chikwanha	Mr. B. P. Washaya
Chairman	Group Chief Executive Officer
Date: 17 April 2019	Date: 17 April 2019

Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare

Tel: +263 4 750905 / 750979
Fax: +263 4 750707 / 773842
E-mail: admin@zw.ey.com

Building a better working world

Independent Auditor's Report

To the Shareholders of NMBZ Holdings Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Adverse Opinion

We have audited the consolidated and separate financial statements of NMBZ Holdings Limited and its subsidiaries (the Group), set out on pages 19 - 77 which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements do not present fairly the consolidated and separate financial position of the Group as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 2.4.7 the functional currency applied by management is the United States Dollar (US$) and the financial statements are presented in US$ on the basis that the official exchange rate as at 31 December 2018 between the RTGS Dollar (RTGS$) and the United States Dollar (US$) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019 The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro USD Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the USD amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and the 1:1 RTGS$:US$ exchange rate as at and prior to the 31 December 2018 year end.

Based on International Financial Reporting Standards IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."* International Accounting Standard 10 *Events after the Reporting Period* ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and subsequent promulgation of the RTGS$ as a formal currency supports that there was a change in functional currency from US$ to RTGS$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS$:US$ exchange rate and that this occurred prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October and 31 December 2018, the valuation of assets and liabilities at yearend as well as the accounting for foreign exchange differences. We believe that the consolidated and separate financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the group include balances and transactions denominated in RTGS$ that were not converted to US$ at a RTGS$:US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. Management have provided more information on their approach in Note 2.4.7 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had RTGS$ been designated as the functional currency and a different RTGS$: USD$ currency rate been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

Specifically, the line items impacted in Statement of Financial Position include all assets and liabilities (except Unquoted and other investments, Revaluation reserve and Subordinated term loan,) and all line items on the Statement of Profit or Loss and Other Comprehensive Income.

The effects of the above departure from IFRS are therefore pervasive to the financial statements, however the effects have not been quantified.

Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare

Tel: +263 4 750905 / 750979
Fax: +263 4 750707 / 773842
E-mail: admin@zw.ey.com

Building a better working world

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group 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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, report of the directors, statement of director's responsibility, financial summary, group profile, dividend announcement, historical five-year summary, notice to members, shareholders analysis and shareholders information and was obtained prior to the date of this 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. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

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), 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 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 or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the group 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

Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare

Tel: +263 4 750905 / 750979
Fax: +263 4 750707 / 773842
E-mail: admin@zw.ey.com

Building a better working world

to express an opinion on the consolidated and separate 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 auditor's 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.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is David Marange (PAAB Practising Certificate Number 0436).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit

Harare
23 April 2019

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	NOTE	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
Interest income	4	39 333 178	32 061 931	-	-
Interest expense	5	(8 865 016)	(9 157 095)	-	-
Net interest income		**30 468 162**	**22 904 836**	**-**	**-**
Fee and commission income	6.1	28 539 376	18 832 185	-	-
Net foreign exchange gains		1 899 670	1 583 164	-	-
Revenue		**60 907 208**	**43 320 185**	**-**	**-**
Other income	6.2	4 968 447	1 129 001	739 175	21 760
Operating income		**65 875 655**	**44 449 186**	**739 175**	**21 760**
Operating expenditure	7	(34 720 428)	(27 578 347)	(7 717)	-
Net operating income before impairment charge		**31 155 227**	**16 870 839**	**731 458**	**21 760**
Impairment losses on financial assets measured at amortised cost	20.3	(4 011 952)	-		-
Impairment losses on loans and advances	20.3	-	(3 853 149)	-	-
Profit before taxation		**27 143 275**	**13 017 690**	**731 458**	**21 760**
Taxation (charge)/credit	8	(5 922 074)	(3 078 864)	1 311	(285)
Profit for the year		**21 221 201**	**9 938 826**	**732 769**	**21 475**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluations, net of tax	6.3	46 431	90 310	-	-
Total comprehensive income for the year		**21 267 632**	**10 029 136**	**732 769**	**21 475**
Earnings per share (US cents)					
-Basic	9.3	5.43	2.58		
-Diluted	9.3	5.09	2.43		

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

	NOTE	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	80 975	78 751	80 975	78 751
Capital reserves	11	16 526 297	18 119 337	16 526 297	15 821 845
Retained earnings	12	47 377 400	31 612 288	110 370	763 511
Revaluation reserve		136 741	90 310	-	-
Total equity		**64 121 413**	**49 900 686**	**16 717 642**	**16 664 107**
Redeemable ordinary shares	13	14 335 253	14 335 253	14 335 253	14 335 253
Subordinated loan	14	1 505 647	1 415 904	-	-
Total shareholders' funds and shareholders' liabilities	15	**79 962 313**	**65 651 843**	**31 052 895**	**30 999 360**
LIABILITIES					
Deposits and other liabilities	16.1	447 105 283	356 912 509	532 478	697 528
Total shareholders' funds and liabilities		**527 067 596**	**422 564 352**	**31 585 373**	**31 696 888**
ASSETS					
Cash and cash equivalents	19	112 440 912	89 553 202	13 635	110 929
Current tax assets	8.4	285 822	231 007	75 518	75 518
Loans, advances and other assets	20	254 202 945	210 483 221	860	860
Investment securities	17.1	117 249 434	92 245 425	-	-
Non-current assets held for sale	21	36 000	36 000	-	-
Investments:-					
Trade investments	22	112 501	102 347	-	-
Group companies	23	-	-	31 491 009	31 491 009
Quoted and other investments	24	-	15 533	-	15 533
Investment properties	25	20 950 606	18 977 000	-	-
Intangible assets	26	2 036 775	2 380 180	-	-
Property and equipment	27	17 844 069	7 335 988	-	-
Deferred tax assets	18	1 908 532	1 204 449	4 351	3 039
Total assets		**527 067 596**	**422 564 352**	**31 585 373**	**31 696 888**

MR. B. A. CHIKWANHA

MR. B. P. WASHAYA

17 April 2019

Directors

MISS. S. PASHAPA
Company Secretary

17 April 2019

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

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 2017	78 598	15 737 548	62 563	1 785 136	-	22 185 818	39 849 663
Share based payments – share options exercised	153	21 734	-	-	-	-	21 887
Profit for the year	-	-	-	-	-	9 938 826	9 938 826
Other comprehensive income	-	-	-	-	90 310	-	90 310
Transfer to regulatory reserve	-	-	-	512 356	-	(512 356)	-
Balances at 31 December 2017	**78 751**	**15 759 282**	**62 563**	**2 297 492**	**90 310**	**31 612 288**	**49 900 686**
IFRS 9 adjustments – 1 January 2018							
Transfer from regulatory reserve	-	-	-	(2 297 492)	-	2 297 492	-
Expected Credit Loss (ECL) adjustment -1 January 2018	-	-	-	-		(8 575 988)	(8 575 988)
Deferred tax on ECL adjustment -1 January 2018	-	-	-	-		2 208 317	2 208 317
Restated balances at 1 January 2018	**78 751**	**15 759 282**	**62 563**	-	**90 310**	**27 542 109**	**43 533 015**
Share issue - scrip dividend	2 224	704 452	-	-	-	-	706 676
Profit for the year	-	-	-	-	-	21 221 201	21 221 201
Other comprehensive income	-	-	-	-	46 431	-	46 431
Dividend paid	-	-	-	-	-	(1 385 910)	(1 385 910)
Balances at 31 December 2018	**80 975**	**16 463 734**	**62 563**	-	**136 741**	**47 377 400**	**64 121 413**

COMPANY

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Retained Earnings US$	Total US$
Balances at 1 January 2017	78 598	15 737 548	62 563	742 036	16 620 745
Profit for the year	-	-	-	21 475	21 475
Share – based payments – share options exercised	153	21 734	-	-	21 887
Balances at 31 December 2017	**78 751**	**15 759 282**	**62 563**	**763 511**	**16 664 107**
Profit for the year	-	-	-	732 769	732 769
Share issue – scrip dividend	2 224	704 452	-	-	706 676
Dividends paid	-	-	-	(1 385 910)	(1 385 910)
Balances at 31 December 2018	**80 975**	**16 463 734**	**62 563**	**110 370**	**16 717 642**

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2018

	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	27 143 275	13 017 690	731 458	21 760
Non-cash items				
- Impairment losses on financial assets measured at amortised cost	4 011 952	3 853 149	-	-
- Investment properties fair value adjustment	(2 551 436)	(302 255)	-	-
- Unrealised foreign exchange loss/(gain)	20 689	(16 555)		-
- (Profit)/loss on disposal of property and equipment	(22 396)	56 637	-	-
- Profit on disposal of investment properties	(567 032)	(12 951)	-	-
- Quoted and other investments fair value adjustment	-	(35 176)	-	(21 760)
- Trade investments fair value adjustment	(10 154)			
- Impairment reversal on land and buildings	(76 661)	(89 660)	-	-
- Depreciation	1 370 312	1 136 810		
- Loss on disposal of quoted investments	15 074	-	15 074	-
- Interest capitalised on subordinated loan	171 483	165 345	-	-
- Amortisation of intangible asset	879 376	832 567		
- Loss on disposal of non-current asset held for sale	-	75 300	-	-
- Dividends received	-	-	(747 724)	-
Operating cash flows before changes in operating assets and liabilities	30 384 482	18 680 901	(1 192)	-
Changes in operating assets and liabilities				
Increase/ (decrease) in deposits and other liabilities	90 105 608	91 525 302	(165 051)	16 000
Increase in loans, advances and other assets	(56 133 883)	(14 719 275)	-	-
Net cash generated from operations	64 356 207	95 486 928	(166 243)	16 000
Taxation				
Corporate tax paid	(4 488 757)	(1 757 028)	-	-
Capital gains tax paid	-	(155 265)	-	-
Withholding tax on dividends paid	(97 294)	-	(97 294)	-
Net cash from operating activities	59 770 156	93 574 635	(263 537)	16 000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	22 396	1 076	-	-
Purchase of intangible assets	(535 971)	(1 565 713)	-	-
Acquisition of investment properties	(6 082 924)	(4 792 476)	-	-
Acquisition of property and equipment	(9 490 840)	(2 038 933)	-	-
Acquisition (net) of investment securities	(25 004 005)	(67 500 670)	-	-
Proceeds on disposal of investment properties	4 801 846	332 951	-	-
Proceeds on disposal of quoted investments	458	94 877	458	94 876
Proceeds on disposal of non-current asset held for sale	-	2 150 000	-	-
Dividends received	-	-	747 724	-
Net cash (used in)/generated from investing activities	(36 289 040)	(73 318 888)	748 182	94 876
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on subordinated loan	(81 740)	(164 931)	-	-
Proceeds from share based payments – share options exercised	-	21 887	-	-
Dividends paid	(573 719)	-	(573 719)	-
Share issue costs capitalised – scrip dividend	(8 221)	-	(8 221)	-
Net cash used in financing activities	(663 680)	(143 044)	(581 940)	-
Net increase in cash and cash equivalents	22 817 436	20 112 703	(97 294)	110 876
Net foreign exchange differences on cash and cash equivalents	70 274	19 242	-	-
Cash and cash equivalents at the beginning of the year	89 553 202	69 421 257	110 929	53
Cash and cash equivalents at the end of the year (note 19)	112 440 912	89 553 202	13 635	110 929

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.

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 losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGH 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 (continued)

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.

CHANGES IN ACCOUNTING POLICY

The Bank has adopted IFRS 9 as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures.

Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Bank's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement Category	**Carrying Amount US$**	**Measurement Category**	**Carrying Amount US$**
Financial Assets				
Cash and cash equivalents	Amortised cost (Loans and advances)	89,553,202	Amortised cost	89,526,431
Loans and advances	Amortised cost (Loans and advances)	210,483,221	Amortised cost	202,308,086
Investment securities	Amortised cost (Loans and advances)	92,245,425	Amortised cost	91,871,343
Unquoted and other investments	FVPL (Held for trading)	117,880	FVPL	117,880
Total		**392,399,728**		**383,823, 740**
Financial Liabilities				
Total deposits and other liabilities	**Amortised cost**	**356,912,509**	**Amortised cost**	**356,912,509**

NMBZ HOLDINGS LIMITED

CHANGES IN ACCOUNTING POLICY (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and an analysis of their cash flow characteristics to determine how the instruments shall be measured.

The following table reconciles the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Amortised cost	**Carrying Amount 1 January 2018 US$**
Cash and cash equivalents	
Opening balance - IAS 39	89,553,202
Additional IFRS 9 impairment allowance - Expected Credit Loss (ECL)	(26,771)
Closing balance - IFRS 9	**89,526,431**
Loans and advances	
Opening balance - IAS 39	210,483,221
Additional IFRS 9 impairment allowance (ECL)	(8,175,135)
Less reclassifications	-
Closing balance - IFRS 9	**202 308 086**
Investment securities	
Opening balance - IAS 39	92,245,425
Less reclassifications	-
Additional IFRS 9 impairment allowance	(374,082)
Closing balance - IFRS 9	**91,871,343**
Total financial assets measured at amortised cost	383,705,860
Fair value through profit or loss	
Unquoted investments	117,880
Total financial assets	**383,823,740**

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new expected credit loss allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement Category	**IAS 39 Impairment loss allowance balance US$**	**Remeasurement US$**	**IFRS 9 Impairment loss allowance balance US$**
Interbank placements	-	26 771	26 771
Investment securities	-	374 082	374 082
	5 445 968	8 175 135	13 621 103
Loans and advances	5 445 968	6 162 469	11 608 437
Loan commitments	-	1 551 975	1 551 975
Financial guarantees	-	460 691	460 691
Total	**5 445 968**	**8 575 988**	**14 021 956**

CHANGES IN ACCOUNTING POLICY (continued)

Measurement Methods

Amortised cost and effective interest rates

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, an adjustment for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss; transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset or financial liability respectively, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial Assets

(i) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of

CHANGES IN ACCOUNTING POLICY (continued)

Debt instruments (continued)

these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in interest and similar income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principle and interest and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net Investment Income'. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net Trading Income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net Investment Income'. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the "SPPI" test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Other Income' line in the statement of profit or loss.

(ii) Impairment

The Bank recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value through Profit or Loss (FVPL):

- loans and advances to banks;
- loans and advances to customers;
- debt investment securities;
- lease receivables;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.
With the exception of POCI financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

CHANGES IN ACCOUNTING POLICY (continued)

Expected Credit Losses

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Purchased or originated credit-impaired (POCI) financial assets

For POCI the Bank only recognises the cumulative changes in lifetime expected credit losses since initial recognition. At each reporting date, the Bank recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Bank recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. The Bank keeps track of the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and the Bank does not separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment is recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses is recognised as a provision.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank or;
- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, undrawn loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase

CHANGES IN ACCOUNTING POLICY (continued)

(ii) Impairment **(continued)**

Significant increase in credit risk (continued)

in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, undrawn loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's lenders operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For the retail portfolio, forward looking information includes the same economic forecasts as the corporate portfolio with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately additional qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on the Bank's 'watch list' and for the retail portfolio the Bank considers the expectation of forbearance and payment holidays, credit scores and any other changes in the borrower's circumstances which are likely to adversely affect one's ability to meet contractual obligations.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

The Bank assumes that when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty. Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.
- If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates the new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- the Bank transfers substantially all the risks and rewards of ownership, or
- the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows to other entities and transfers substantially all of the

CHANGES IN ACCOUNTING POLICY (continued)

(iv) Derecognition other than on a modification **(continued)**

risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Financial Liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

Note 2.4 *(Use of estimates and judgements)* provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

CHANGES IN ACCOUNTING POLICY (continued)

Measurement of the expected credit loss allowance (continued)

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Bank evaluates ECLs for 7 portfolios of audited corporates with overdraft limits, audited corporates without overdraft limits, unaudited corporates with overdraft limits, unaudited corporates without overdraft limits, SMEs with limits, SMEs without limits and Retail loans.

The guiding principle of the Expected Credit Loss evaluation is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments and allocate commensurate loss provisions. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1 ECLs) that is evaluated for all financial instruments with no significant deterioration in credit quality since initial recognition.
- Lifetime ECLs (Stages 2 and 3 ECLs) that is evaluated for financial instruments for which significant increase in credit risk or default has occurred on an individual or collective basis.

Probability of Default (PD)

The Bank defines Probability of Default as the likelihood that a borrower will fail to meet their contractual obligations in the future. The Bank's PD models have been built using historical credit default experience, present credit information as well as forward looking factors which affect the capacity of borrowers to meet their contractual obligations. The Bank used the logistic regression approach to construct PD models for Corporate, SME, Retail and Treasury Bills portfolios while the Merton model was adopted for Interbank Placements. The PD models are used at entity level to evaluate 12-month PDs for Day 1 losses and for financial instruments with no significant deterioration in credit risk since initial recognition, whilst lifetime PD is used for financial instruments for which significant increase in credit risk or default has occurred. 12-month PDs are derived using borrower present risk characteristics while lifetime PDs are derived using a combination of 12-month PDs, present borrower behaviour and forward looking macroeconomic factors.

Exposure at Default (EAD)

The Bank defines Exposure at Default as an estimation of the extent to which the Bank will be exposed to a counterparty in the event of a default. The Bank's EAD models have been built using historical experience of debt instruments that defaulted. The Bank used the linear regression approach to construct EAD models for Corporate, SME and Retail portfolios. For TBs and Interbank Placements, the Bank took a conservative approach of considering the full outstanding balance as the EAD at any given point in the lifetime of an instrument. The Bank's EAD models that use Credit Conversion Factors (CCFs) are applied on fully drawn down instruments while models that use Loan Equivalents (LEQs) are applied on partly drawn instruments. The EAD models are used at entity level to evaluate the proportion of the exposure that will be outstanding at the point of default.

Loss Given Default (LGD)

The Bank defines Loss Given Default as an estimate of the ultimate credit loss in the event of a default. The Bank's LGD models were built using historical experience of defaulted debt instruments and observed recoveries. The Bank used the linear regression approach to construct LGD models for Corporate, SME and Retail portfolios. For Treasury Bills and Interbank Placements, the Bank took a conservative approach of taking a fixed 100% as the LGD at any given point in the lifetime of an instrument. The LGD models are used at portfolio level to evaluate 12-month LGDs for financial instruments with no significant increase in credit risk since initial recognition and lifetime is applied LGDs for financial instruments for which significant increase in credit risk has occurred. 12-month LGDs were derived as historical loss rates while lifetime LGDs were derived using a combination of 12-month LGDs and forward looking macroeconomic factors such as GDP and Inflation.

The Bank's ECL model combines the output of the PD, EAD and LGD and computes an Expected Credit Loss that takes into account the time value of money using the Effective Interest Rates (EIR) and time to maturity of the debt instruments.

The final ECL is a probability-weighted amount that is determined by evaluating three (3) possible outcomes of Best Case ECL, Baseline Case ECL and Worst Case ECL. The Bank has modelled these three cases in such a way that the Best Case represents scenario of lower than market average default rates, the Base Case represents scenarios of comparable market average default rates and the Worst Case represents scenarios of higher than

market average default rates.

Forward looking information

In its ECL models, NMB Bank relies on a broad range of forward looking information as macroeconomic inputs, such as:

Inflation Rate

This is the inflation of the country of Zimbabwe. The Bank approximates the impact of inflation on the future quality of the credit portfolio by measuring the variation between the inflation rate at reporting date and the highest forecasted inflation rate for the period 2019-2023. Current inflation data is collected from the Reserve Bank of Zimbabwe (RBZ) and Zimbabwe National Statistics Agency (ZIMSTAT) websites while inflation forecast data is collected from the World Bank websites.

Unemployment Rates

The Bank defines this as the unemployed proportion of the country's population. The Bank approximates the impact of unemployment on the future quality of the credit portfolio by assessing the direction of the rate. Increasing unemployment rate tends to indicate economic downsizing in the future while an improving unemployment rate ordinarily indicates economic growth.

CHANGES IN ACCOUNTING POLICY (continued)

Forward looking information (continued)

Market Non-Performing Loans Rate

The Bank assesses the variance between its non-performing loans rate and the market average NPL rate as at reporting date. The variance approximates the performance of the Bank against the market with respect to the ability of the Bank to underwrite low credit loans.

Producer Price Index (PPI)

The Bank assesses this as the cost of production for companies. The Bank approximates the impact of PPI on the future quality of the credit portfolio by assessing the direction of the index. Increasing PPI tend to indicate economic downsizing in the future while decreasing PPI ordinarily promotes economic growth in the future. PPI data is collected from the RBZ and ZIMSTAT websites.

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 risk 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 39.1.4 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.

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with 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 derecognized. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Land and buildings are measured at revalued amount less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Revaluation of property is 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.

PROPERTY AND EQUIPMENT (continued)

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

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

Owned assets

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

Depreciation

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

Computers	20%
Motor Vehicles	25%
Furniture 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.

As lessor

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

IMPAIRMENT OF NON FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets other than consumables 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.

WRITE-OFFS

Financial assets are written off where the recovery efforts have been pursued actively over one year without success or when it is uneconomical and inefficient to keep carrying the debt in the books as the chances of recovery become slim. Such accounts become subjects of write-backs in the event of recovery.

Partial write-offs may be possible in cases where collateral security held is inadequate to expunge the debt in full.

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.

EMPLOYEE BENEFITS (continued)

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.

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 AND SHAREHOLDERS' LIABILITIES

Shareholders' funds and shareholders' liabilities refers to the total investment made by the shareholders in 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 address is 64 Kwame Nkrumah Avenue, Harare. Its principal operating subsidiary is engaged in commercial and retail banking. NMB Bank Limited is a registered commercial bank and was incorporated in Zimbabwe on 16 October 1992 and commenced trading on 1 June 1993. The Bank operated as an Accepting House until 6 December 1999 when the licence was converted to that of a Commercial Bank. The Bank is exposed to the following risks in its operations: liquidity risk, credit risk, market risk, operational risk, foreign currency exchange rate risk and interest rate risk.

2. ACCOUNTING CONVENTION

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 Functional and presentation currency

For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in United States dollars which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

2.3 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.

2.4 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 2018 is included in the following notes.

2.4.1 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.

2.4.2 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. The property market is currently not stable due to liquidity constraints.

2.4.3 Investment properties

Investment properties were valued by an independent professional valuer. The properties market is currently not stable due to liquidity constraints.

2.4.4 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. The property market is currently not stable due to liquidity constraints.

2.4.5 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.

2.4.6 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.

2.4.7 Determination of the functional currency

The Government of Zimbabwe adopted a multi-currency regime in 2009. The British Pound, Euro, United States Dollar (USD), South African Rand (ZAR) and Botswana Pula were adopted as the multi-currency basket in February 2009. In January 2014, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which added the Chinese Yuan, Australian Dollar, Indian Rupee, Japanese Yen into the basket of multi-currencies. At the onset, the USD and the ZAR were the commonly used currencies, with the USD eventually gaining prominence resulting in it being designated as the functional and presentation currency by the transacting public and the Monetary Authorities, including the Group.

Between 2014 and 2016, the Zimbabwean economy experienced a massive liquidity crisis which eventually prompted the Monetary Authorities to introduce the bond notes in November 2016 whilst encouraging the public to continue using the other currencies in the multi-currency basket. The bond notes were introduced at an official fixed exchange rate of 1:1 with the USD and the Monetary Authorities specifically directed financial institutions not to open separate vault and cash accounts for the USD and the bond notes. The introduction of the bond notes gave rise to a three (3) tier pricing system wherein sellers and service providers would quote three (3) separate prices (USD, bond notes and RTGS/electronic transfers) for their merchandise and services respectively. Significant discounts were being offered for USD payments whilst a premium would be added for prices quoted in bond notes or electronic settlement via the Real Time Gross Settlement System (RTGS). These developments triggered a debate around the functional currency of Zimbabwe. It should be noted that the group never participated in the three tier pricing and none of its products had multiple prices during the same period.

In October 2018, the Monetary Authorities instructed financial institutions to separate bond notes and USD accounts and indicated that corporates and individuals could proceed to open Nostro Foreign Currency Accounts (FCA), for foreign currency holdings, which were now being exclusively distinguished from the existing RTGS based accounts. However, it should be noted that at the time of this policy pronouncement, the Monetary Authorities did not state that they had introduced a new currency for Zimbabwe, which actually meant that the USD remained as the currency of reference. By 31 December 2018, there had been no pronouncement by the Monetary Authorities to the effect that there had been a new currency introduced, which could be considered as the country's functional currency.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation as RTGS Dollars. Initial trades on 22 February 2019 were at USD1: RTGS$2.5.

On the same date, Statutory Instrument 33 of 2019 was also issued and it specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February 2019 were deemed to have been valued in RTGS Dollars at a rate of 1:1.

In light of the developments summarised above, the directors are of the opinion that the USD was the Group's functional and presentation currency due to the following factors:

- There was no alternative currency at reporting date as the Monetary Authorities only introduced the RTGS Dollars on 22 February 2019; and
- SI 33 of 2019 specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February 2019 were deemed to have been valued in RTGS Dollars at a rate of 1:1.
- Furthermore, the official rate between the USD and bond notes as well as RTGS/electronic balances was pegged at 1:1 on 31 December 2018 and no reliance could be placed on the unofficial rates which were being quoted i.e. the parallel market rate and the Old Mutual Implied Rate, both of which have significant legal limitations.
- Neither the Group nor its subsidiary ever had a three tier pricing system on any of its products and services during the period under review.
- Furthermore, neither the Group nor its subsidiary ever sourced foreign currency using either of the two unofficial rates from the time the rates emerged until the introduction of the official interbank foreign exchange market by the Monetary Authorities on 22 February 2019.

2.5 Standards issued and not yet adopted

2.5.1 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 is currently assessing the potential impact on the financial statements resulting from the application of IFRS 16.

2.5.2 IFRC 23 Uncertainty over Tax treatments

The changes are applicable to annual reporting periods beginning on or after 1 January 2019. In June 2017, the IASB issued IFRIC Interpretation 23 which clarifies application of the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Group does not anticipate the changes to have a material impact on its financial statements.

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

2.5.3 Amendments to IFRS 9 - Prepayment features with Negative Compensation

The changes are effective for annual periods beginning on or after 1 January 2019. The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are “solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the termination of the contract. The Group does not anticipate the changes to have a material impact on its financial statements.

2.5.3 Amendments to IAS 28

These changes are applicable to annual reporting periods beginning on or after 1 January 2019. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The Group does not anticipate the changes to have a material impact on its financial statements.

2.5.4 Amendments to references to the Conceptual Framework in IFRS standards

These changes are applicable to annual periods beginning on or after 1 January 2020. In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of ‘material' across the standards and to clarify certain aspects of the definition. The new definition states that, ‘information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments are not expected to have a significant impact on the Group's financial statements.

2.5.5 Definition of a Business (Amendments to IFRS 3)

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. The Group does not anticipate the changes to have a material impact on its financial statements.

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.
Digital Banking	- Handles the Bank's Digital Banking products including Card and POS services.

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 2018 or 2017.

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 2018	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Digital Banking US$	Other US$	Total US$
Third party income	24 477 869	17 934 170	12 662 627	491 279	14 206 279	4 968 447	74 740 671
Interest and similar expense	(1 555 990)	(3 049 358)	(4 259 668)	-	-		(8 865 016)
Net operating income	**22 921 879**	**14 884 812**	**8 402 959**	**491 279**	**14 206 279**	**4 968 447**	**65 875 655**
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	1 263 783	2 637 704	110 465	-	-	-	4 011 952
Depreciation of property and equipment	404 593	38 933	2 842	4 471	413 438	506 035	1 370 312
Amortisation of intangible assets	-	-	-	-	-	879 376	879 376
Segment profit/(loss)	**10 610 669**	**6 478 395**	**7 135 831**	**(262 253)**	**9 658 564**	**(6 477 931)**	**27 143 275**
Income tax expense	-	-	-	-	-	(5 922 074)	(5 922 074)
Other comprehensive income, net of tax	-	-	-	-	-	46 431	46 431
Profit/(loss) for the year	**10 610 669**	**6 478 395**	**7 135 831**	**(262 253)**	**9 658 564**	**(12 353 574)**	**21 267 632**
As at 31 December 2018							
Assets and liabilities							
Capital expenditure	709 351	232 845	1 731	3 236	4 254 017	4 680 034	9 881 214
Total assets	**100 998 573**	**157 788 029**	**160 181 794**	**3 722 839**	**5 652 611**	**98 723 750**	**527 067 596**
Total liabilities	**123 421 353**	**159 912 290**	**135 168 359**	**15 654 293**	**-**	**14 454 635**	**448 610 930**

3. SEGMENT INFORMATION (continued)

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 2017	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Digital Banking US$	Other US$	Total US$
Third party income	18 806 390	14 362 374	7 658 528	546 651	10 914 710	1 317 628	53 606 281
Interest and similar expense	(1 950 582)	(3 392 090)	(3 814 423)	-	-	-	(9 157 095)
Net operating income	**16 855 808**	**10 970 284**	**3 844 105**	**546 651**	**10 914 710**	**1 317 628**	**44 449 186**
Other material non-cash items:							
Impairment losses on financial assets	1 599 035	2 254 114	-	-	-	-	3 853 149
Depreciation of property and equipment	476 499	15 069	9 566	6 127	486 916	142 633	1 136 810
Amortisation of intangible assets	-	-	-	-	-	832 567	832 567
Segment profit/(loss) before tax	**2 946 565**	**3 372 984**	**2 774 647**	**(91 733)**	**2 675 839**	**1 339 388**	**13 017 690**
Income tax expense	-	-	-	-	-	(3 078 864)	(3 078 864)
Other comprehensive income, net of tax	-	-	-	-	-	90 310	90 310
Profit/(loss) for the year	**2 946 565**	**3 372 984**	**2 774 647**	**(91 733)**	**2 675 839**	**(1 649 166)**	**10 029 136**
As at 31 December 2017							
Assets and liabilities							
Capital expenditure	325 455	2 388	1 958	2 873	1 060 815	2 211 157	3 604 646
Total assets	**103 344 445**	**152 311 200**	**118 870 271**	**3 612 619**	**5 312 423**	**39 113 394**	**422 564 352**
Total liabilities	**109 755 085**	**127 512 638**	**96 952 318**	**15 052 401**	**-**	**9 055 971**	**358 328 413**

4. INTEREST INCOME

	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
Loans and advances to banks	793 220	1 139 233	-	-
Loans and advances to customers	28 570 221	25 986 567	-	-
Investment securities	9 969 737	4 936 131	-	-
	39 333 178	32 061 931	-	-

5. INTEREST EXPENSE

	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
Due to banks	2 036 353	1 464 721	-	-
Due to customers	6 171 065	7 222 456	-	-
Other borrowed funds	657 598	469 918	-	-
	8 865 016	9 157 095	-	-

6. NON INTEREST INCOME AND OTHER COMPREHENSIVE INCOME

6.1 Fee and commission income

	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
Retail banking customer fees	11 107 290	5 718 711	-	-
Corporate banking credit related fees	2 621 449	1 463 126	-	-
Financial guarantee fees	148 518	222 187	-	-
International banking commissions	491 279	546 651	-	-
Digital banking fees	14 170 840	10 881 510	-	-
	28 539 376	18 832 185	-	-

NMBZ HOLDINGS LIMITED

6.2 OTHER INCOME

	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
Quoted and other investments fair value adjustments	-	35 176	-	21 760
Trade investments fair value adjustments	10 154	-	-	-
Profit on disposal of property and equipment	22 396	-	-	-
Fair value adjustment on investment properties	2 551 436	302 255	-	-
Profit on disposal of investment properties	567 032	12 951		-
Loss on disposal of quoted investments	(15 074)	-	(15 074)	-
Loss on disposal of non-current asset held for sale	-	(75 300)	-	-
Rental income	365 269	135 900	-	-
Bad debts recovered	1 295 428	580 295	-	-
Other operating income	171 806	137 724	754 249	-
	4 968 447	1 129 001	739 175	21 760
	========	========	=======	======

6.3 Other comprehensive income

	2018 US$	2017 US$	2018 US$	2017 US$
Revaluations of property and equipment	62 533	121 630	-	-
Tax effect (note 18)	(16 102)	(31 320)	-	-
	46 431	90 310	-	-
	======	======	======	======

7.OPERATING EXPENDITURE

	GROUP 2018 US$	GROUP 2017 US$	COMPANY 2018 US$	COMPANY 2017 US$
The net operating income is after charging the following:-				
Administration costs	15 963 308	11 866 111	7 717	-
Audit fees:				
Current year	98 991	35 938	-	-
Prior year	111 406	95 456	-	-
Impairment reversal on land and buildings*	(76 661)	(89 660)	-	-
Amortisation of intangible assets	879 376	832 567	-	-
Depreciation	1 370 312	1 136 810	-	-
Directors' remuneration	971 121	719 318	-	-
- Fees for services as Directors	219 246	233 102	-	-
- Services rendered	734 511	476 823	-	-
- Expenses	17 364	9 393	-	-
Staff costs - salaries, allowances and related costs	15 402 575	12 981 807	-	-
	34 720 428	27 578 347	7 717	-
	=========	=========	=======	=======

*The impairment reversal on land and buildings arose due to fair value changes on the Group's land and buildings measured using the Revaluation model.

8. TAXATION

8.1 Income tax charge/(credit)

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Current tax	4 433 942	1 930 812	-	-
Capital gains tax	-	118 919	-	-
Deferred tax (note 18)	1 488 132	1 029 133	(1 311)	285
	5 922 074	3 078 864	(1 311)	285

8.2 Reconciliation of income tax charge/(credit)

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Based on results for the period at a rate of 25.75%	6 989 393	3 352 055	186 670	5 603
Tax effect of:				
-Income not subject to tax	2 147 428	(1 677 198)	(187 981)	(5 603)
-Non-deductible expenses	(3 214 747)	1 285 088	-	-
-Tax rate differential on capital gains	-	-	-	285
-Capital gains tax	-	118 919	-	-
	5 922 074	3 078 864	(1 311)	285

8.3 Reconciliation of income tax charge/(credit)

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
NMB Bank Limited	5 923 385	3 078 579	-	-
NMBZ Holdings Limited	(1 311)	285	(1 311)	285
	5 922 074	3 078 864	(1 311)	285

8.4 Current tax (assets)/liabilities

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
At 1 January	(231 007)	(368 445)	(75 518)	(85 752)
Charge for the year (current and capital gains tax)	4 433 942	2 049 731	-	10 234
Payments during the year (current and capital gains tax)	(4 488 757)	(1 912 293)	-	-
	(285 822)	(231 007)	(75 518)	(75 518)

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.

9. EARNINGS PER SHARE (continued)

9.1 Earnings

	GROUP	
	2018	**2017**
	US$	**US$**
Profit for the year	21 221 201	9 938 826
	=========	========

	2018	**2017**
Weighted average shares in issue	390 959 988	384 746 646
9.2.2 Diluted earnings per share		
Number of shares at beginning of period	384 974 542	384 427 351
Effect of dilution:		
Share options exercised	-	547 191
Shares issued – scrip dividend	7 980 654	-
	392 955 196	384 974 542
Share options approved but not granted	23 942 639	23 942 639
Diluted weighted average number of shares	**416 897 835**	**408 917 181**
	========	========

9.3 Earnings per share (US cents)

	2018	**2017**
Basic	5.43	2.58
Diluted	5.09	2.43

10. SHARE CAPITAL

10.1 Authorised

	GROUP		COMPANY	
	2018 Shares million	**2017 Shares million**	**2018 US$**	**2017 US$**
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		COMPANY	
	31 December 2018 Shares million	**31 December 2017 Shares million**	**31 December 2018 US$**	**31 December 2017 US$**
At 1 January	282	282	78 751	78 751
Share issue – scrip dividend	8	-	2 224	-
	290	282	80 975	78 751
	======	======	======	======

10.2.2 Redeemable ordinary shares

	GROUP		COMPANY	
	31 December 2018 Shares million	**31 December 2017 Shares million**	**31 December 2018 US$**	**31 December 2017 US$**
At 1 January	104	104	29 040	29 040
	104	104	29 040	29 040
	======	======	======	======

A total of 7 980 654 ordinary shares were issued to existing shareholders in March 2018 as scrip dividend. Of the unissued ordinary shares of 206 million shares (2017 – 214 million), options which may be granted in terms of the 2012 Employee Share Option Scheme amount to 23 942 639 (2017 – 23 942 639). As at 31 December 2018, no share options were exercised 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	
	2018 US$	2017 US$	2018 US$	2017 US$
Share premium	16 463 734	15 759 282	16 463 734	15 759 282
Share option reserve	62 563	62 563	62 563	62 563
Regulatory	-	2 297 492	-	-
Total capital reserve	16 526 297	18 119 337	16 526 297	15 821 845
	=========	=========	=========	=========

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 37.3 for further details of these plans.

11.1.3 Regulatory reserve

This reserve represents the excess of the regulatory provision when compared to the IFRS 9 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	
	2018 US$	2017 US$	2018 US$	2017 US$
NMBZ Holdings Limited	110 370	763 511	110 370	763 511
NMB Bank Limited	47 267 030	30 848 777	-	-
Total	47 377 400	31 612 288	110 370	763 511
	=========	=========	=======	=======
Dividend per share (US cents)	-	-	0.96	0.36

13. REDEEMABLE ORDINARY SHARES

	GROUP & COMPANY	
	2018 US$	2017 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. FMO and Norfund combined together with Rabobank to form ARISE which is a development finance institution primarily focusing on investing in African financial institutions to support and enhance financial service delivery in Africa.

NMBZ Holdings Limited (NMBZ) entered into a share buy-back agreement with Norfund, FMO and AfricInvest, where these three strategic investors have a right at 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	
	2018 US$	2017 US$
Balance at 1 January	1 415 904	1 415 490
Interest capitalised	171 483	165 345
Interest paid	(81 740)	(164 931)
	1 505 647	1 415 904

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 interest with respect to this subordinated loan during the year ended 31 December 2018. However, due to the prevailing nostro funding challenges, the Group defaulted on a principal repayment which became due in the period under review. However, there were no defaults on interest payments. There was a breach to the financial covenant regarding to the aggregate large exposure ratio which stood at 25.12% instead of a maximum of 25%. The Group will apply for a waiver of the non-compliant ratio by 31 March 2019.

15. TOTAL SHAREHOLDERS' FUNDS AND SHAREHOLDERS' LIABILITIES

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Shareholders' funds and shareholders' liabilities	79 962 313	65 651 843	31 052 895	30 999 360
	79 962 313	65 651 843	31 052 895	30 999 360

Shareholders' funds and shareholders' liabilities 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 Note 12), 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	
	2018 US$	2017 US$	2018 US$	2017 US$
Deposits from banks and other financial institutions**	74 110 527	17 213 617	-	-
Current and deposit accounts from customers*	360 847 422	331 742 768		-
Total deposits	434 957 949	348 956 385	-	-
Trade and other payables*	12 147 334	7 956 124	532 478	697 528
	447 105 283	356 912 509	532 478	697 528

* 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 are loan balances of US$8 244 147, US$4 129 484 and US$1 043 957 due to Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden (FMO), Swedfund and Societie de Promotion de Paticipation Pour la Cooperation Economique SA (Proparco) respectively. The carrying amounts of deposits from banks and other financial institutions approximate the related fair values. The Group has not had any defaults on the principal and interest with respect to these loans during the period ended 31 December 2018. However, there were breaches to the financial covenants with respect to the following :-

- Non-performing loans ratio – 7.43% (instead of a maximum of 7%).
- Aggregate large exposure ratio – 25.12% (instead of a maximum of 25%).

16. DEPOSITS AND OTHER LIABILITIES (continued)

16.2 Maturity analysis

	GROUP 2018 US$	GROUP 2017 US$
Less than 1 month	374 121 777	279 698 410
1 to 3 months	25 835 037	37 746 638
3 to 6 months	7 515 300	2 472 911
6 months to 1 year	11 781 062	11 751 881
1 to 5 years	15 512 943	17 094 715
Over 5 years	191 830	191 830
	434 957 949	348 956 385
	==========	==========

16.3 Sectoral analysis of deposits

	GROUP 2018 US$	%	2017 US$	%
Agriculture	11 005 126	2	10 034 243	3
Banks and other financial institutions	74 110 527	17	17 213 617	5
Distribution	42 030 992	10	38 540 570	11
Individuals	27 742 789	6	29 133 379	8
Manufacturing	69 798 745	16	62 426 525	18
Mining companies	9 077 534	2	8 086 319	2
Municipalities and parastatals	28 945 864	7	25 633 695	7
Other deposits	59 781 285	14	57 598 053	17
Services	98 028 025	23	87 501 920	25
Transport and telecommunications companies	14 437 062	3	12 788 064	4
	434 957 949	100	348 956 385	100
	==========	===	==========	===

17. FINANCIAL INSTRUMENTS

17.1 Investment securities

	NOTE	GROUP 2018 US$	GROUP 2017 US$
Held to maturity		-	13 744 715
Loans and receivables		-	78 500 710
Armotised cost – Gross	20.3	117 693 824	-
Impairment loss allowance	20.3	(444 390)	-
- ECL at 1 January 2018		(374 082)	-
- ECL charged through profit or loss		(70 308)	-
		117 249 434	92 245 425
		=========	=========

The Group holds Treasury Bills and Government bonds amounting to US$117 693 825 with interest rates ranging from 2% to 10%. 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 of $117 693 825, a total of US$85 415 837 has been pledged as security on interbank borrowings.

NMBZ HOLDINGS LIMITED

17. FINANCIAL INSTRUMENTS (cont'd)

17.2 Maturity analysis of investment securities held to maturity

	2018 US$	2017 US$
Less than 1 month		
1 to 3 months	-	-
3 to 6 months	-	-
6 months to 1 year	-	2 424 461
1 year to 5 years	-	-
Over 5 years	-	11 320 254
	-	13 744 715
	=========	=========

17.3 Maturity analysis of investment securities – loans and receivables

	2018 US$	2017 US$
Less than 1 month	-	6 150 000
1 to 3 months	-	142 246
3 to 6 months	-	722 972
6 months to 1 year	-	6 138 889
1 year to 5 years	-	65 346 603
	-	78 500 710
	=========	=========

17.4 Maturity analysis of investment securities – amortised cost

	2018 US$	2017 US$
Less than 1 month	-	-
1 to 3 months	142 245	-
3 to 6 months	6 133 977	-
6 months to 1 year	43 004 020	-
1 year to 5 years	57 031 351	-
Over 5 years	11 382 231	-
	117 693 824	-
Expected credit loss	(444 390)	-
	117 249 434	-
	=========	=========

17.5 Fair values of financial instruments

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

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

Valuation models

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

- **Level 1**: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- **Level 2**: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; 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.

17. FINANCIAL INSTRUMENTS (continued)

17.5 Fair values of financial instruments (continued)

Financial instruments measured at fair value – fair value hierarchy

	GROUP			
	31 Dec 2018 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	112 501	-	-	112 501
Quoted investments	-	-	-	-
	112 501	-	-	112 501
	======	=======	=======	=======

	31 Dec 2017 US$	Level 1 US$	Level 2 US$	Level 3 US$
Trade investments	102 347	-	-	102 347
Quoted investments	15 533	15 533	-	-
	117 880	15 533	-	102 347
	======	======	=======	=======

During the reporting periods ended 31 December 2018 and 31 December 2017, 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 market approach valuation method.

17.5.1 Financial instruments not measured at fair value

Below is a list of the Group's assets and liabilities not measured at fair value, but whose carrying amounts approximate fair value:

	GROUP			
31 December 2018				
Assets	Level 1 US$	Level 2 US$	Level 3 US$	Total carrying Amount US$
Cash and cash equivalents	-	112 440 912	-	112 440 912
Loans, advances and other assets	-	-	254 202 945	254 202 945
Investment securities	-	-	117 249 434	117 249 434
	-	112 440 912	371 452 379	483 893 291
	==========	==========	==========	==========
Liabilities				
Deposits and other liabilities	-	447 105 281	-	447 105 281
	-	447 105 281	-	447 105 281
	=========	==========	=========	==========
31 December 2017				
Cash and cash equivalents	-	89 553 202	-	89 553 202
Loans, advances and other assets	-	-	210 483 221	210 483 221
Investment securities	-	-	92 245 425	92 245 425
	-	89 553 202	302 728 646	392 281 848
	=========	=========	==========	==========
Liabilities				
Deposits and other liabilities	-	356 912 509	-	356 912 509
	-	356 912 509	-	356 912 509
	=========	=========	=========	==========

17. FINANCIAL INSTRUMENTS (continued)

17.5.1 Financial instruments not measured at fair value (continued)

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.

18. DEFERRED TAX

The following table shows deferred tax (assets)/liabilities recorded in the statement of financial position and changes recorded in the statement of financial position and changes recorded in the income tax expense:

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Allowance for impairment losses on financial assets	(3 556 592)	(1 402 337)	-	
Bad debts	(501 837)	(1 187 613)	-	-
Prepayments	-	232 241		-
Quoted and other investments	5 623	6 429		1 311
Non-current assets held for sale	1 800	1 800		-
Investment properties	2 627 773	971 758		-
Property and equipment	291 459	697 611		-
Staff loans	-	(71 249)		-
Unrealised foreign exchange gains	407 694	401 164		-
Suspended interest	(278 267)	(315 572)		-
Deferred income	(39 744)	(67 670)		-
Assessed losses	(15 926)	(12 386)		-
Provision for share based payments	(4 350)	(4 350)	(4 350)	(4 350)
Provision for leave pay	(846 165)	(454 275)	-	-
Closing deferred tax asset	(1 908 532)	(1 204 449)	(4 350)	(3 039)
Restated opening balance at 1 January 2018	(3 412 766)	(2 264 902)	-	-
Deferred tax asset at the beginning of the year	(1 204 449)	(2 264 902)	(3 039)	(3 859)
Deferred tax adjustment on adoption of IFRS 9 on 1 January 2018	(2 208 317)	-	-	-
Current year charge/(credit)	(1 504 234)	1 060 453	(1 311)	820
Relating to profit or loss (note 8.1)	1 488 132	1 029 133	(1 311)	285
Relating to other comprehensive income (note 6.3)	16 102	31 320	-	535

19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
Balances with Reserve Bank of Zimbabwe	**2018 US$**	**2017 US$**	**2018 US$**	**2017 US$**
Balances with the Central Bank*	89 081 480	79 876 937	-	-
Current, nostro accounts** and cash	13 426 360	6 676 265	13 635	110 929
Interbank placements	10 000 000	3 000 000	-	-
Expected credit loss allowance	(66 928)	-	-	-
	112 440 912	89 553 202	13 635	110 929
	=========	=========	=====	======

Interbank placement	**NOTE**	**2018 US$**	**2017 US$**
Interbank placements		10 000 000	3 000 000
Expected credit loss allowance	20.3	(66 928)	-
-ECL at 1 January 2018		(26 771)	-
-ECL charge through profit and loss		(40 157)	-
		9 933 072	3 000 000
		========	========

*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.

**Nostro accounts are foreign domiciled bank accounts operated by the Bank for the facilitation of offshore transactions on behalf of clients.

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

20. LOANS, ADVANCES AND OTHER ASSETS

	GROUP		COMPANY	
	2018 US$	**2017 US$**	**2018 US$**	**2017 US$**
Fixed term loans - Corporate	58 036 580	54 435 318	-	-
Fixed term loans – Retail	77 580 291	65 227 917	-	-
Mortgages	61 390 107	37 295 987	-	-
Overdrafts	50 946 710	47 374 705	-	-
	247 953 688	204 333 927	-	-
Other assets	6 249 257	6 149 294	860	860
	254 202 945	210 483 221	860	860
	==========	==========	====	====

NMBZ HOLDINGS LIMITED

20. LOANS, ADVANCES AND OTHER ASSETS (continued)

20.1.1 Maturity analysis

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Less than 1 month	67 413 196	71 137 746	-	-
1 to 3 months	19 263 549	10 680 845	-	-
3 to 6 months	6 828 594	2 954 340	-	-
6 months to 1 year	24 887 015	11 024 220	-	-
1 to 5 years	94 242 902	80 804 577	-	-
Over 5 years	49 699 770	34 403 690	-	-
Total loans and advances	262 335 026	211 005 418	-	-
Allowance for impairment losses on loans and advances	(13 300 688)	(5 445 968)	-	-
-IAS 39 impairment loss allowance at 1 January 2018	(5 445 968)	(8 305 117)	-	-
-ECL recognised through retained earnings	(8 175 135)	-	-	-
-ECL charged through profit and loss	(3 901 487)	-	-	-
-IAS 39 charge through profit and loss	-	(3 853 149)	-	-
Bad debts written off	4 221 902	6 712 298	-	-
Provision for suspended interest	(1 080 650)	(1 225 523)	-	-
	247 953 688	204 333 927	-	-
Other assets (note 20.5)	6 249 257	6 149 294	860	860
	254 202 945	210 483 221	860	860

20.2 Sectoral analysis of utilisations

	GROUP			
	2018 US$	%	2017 US$	%
Agriculture and horticulture	37 386 857	14	28 531 460	14
Conglomerates	10 692 402	4	9 210 926	4
Distribution	28 902 108	11	28 737 726	14
Food & beverages	6 304 863	3	10 417 745	5
Individuals	100 512 291	38	82 589 355	39
Manufacturing	8 731 095	3	8 565 178	4
Mining	703 294	-	736 466	-
Services	69 102 116	27	42 216 562	20
	262 335 026	100	211 005 418	100

20.3 Impairment analysis of financial assets measured at amortised cost

	GROUP			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount at 1 January 2018	307 212 628	19 328 471	16 848 747	343 389 846
Transfers	**(9 071 715)**	**(2 794 360)**	**11 866 075**	-
- to 12 month ECL	1 422 126	(1 096 550)	(325 576)	-
- to lifetime ECL not credited impaired	(9 561 225)	10 357 548	(796 323)	-
- to lifetime ECL credit impaired	(932 616)	(12 055 358)	12 987 974	-
Net movement financial assets	74 121 127	8 583 823	(9 235 272)	73 469 678
Balance as at 31 December 2018	**372 262 040**	**25 117 934**	**19 479 550**	**416 859 524**
Loss allowance analysis				
At 1 January 2018 (IAS 39 Provisions)	-	-	-	5 445 968
Adjustment on initial application of IFRS 9*	-	-	-	8 575 988
ECL on 1 January 2018	9 075 323	1 335 253	3 611 380	14 021 956
-ECL – loans and advances	8 674 470	1 335 253	3 611 380	-
-ECL – Investment securities	374 082	-	-	-
-ECL – Interbank placements	26 771	-	-	-
Transfers	**(445 983)**	**(3 253 424)**	**3 699 407**	**-**
- to 12 month ECL	30 024	(18 951)	(11 073)	-
- to lifetime ECL not credited impaired	(219 448)	356 161	(136 713)	-
- to lifetime ECL credit impaired	(256 559)	(3 590 634)	3 847 193	-
Net increase/(decrease) in ECL	(879 896)	2 771 543	2 120 305	4 011 952
Bad debts written off	-	-	(4 221 902)	(4 221 902)
	7 749 444	**853 372**	**5 209 190**	**13 812 006**
Balance as at 31 December 2018				
Loans and advances	7 238 126	853 372	5 209 190	13 300 688
Investment securities	444 390	-	-	444 390
Interbank placements	66 928	-	-	66 928
	7 749 444	**853 372**	**5 209 190**	**13 812 006**

*The Group adopted IFRS 9 effective 1 January 2018 and the resultant increase in impairment allowance on the effective date was recognized through retained earnings as the Group did not elect restrospective application of the Standard.

20.4 Allowances for impairment losses on loans and advances and financial assets measured at amortised cost

	GROUP		
		2017	
Interbank placement	**Specific US$**	**Portfolio US$**	**Total US$**
At 1 January	6 207 672	2 097 445	8 305 117
Recognised in profit or loss	3 334 133	519 016	3 853 149
Bad debts written off	(6 712 298)	-	(6 712 298)
At 31 December	2 829 507	2 616 461	5 445 968

20.5 Credit-impaired financial assets

	2018 US$	**2017 US$**
Total credit-impaired financial assets	19 479 550	16 848 747
Allowance for impairment losses on loans and advances	-	(2 829 507)
Expected Credit Losses on credit-impaired financial assets	(5 209 190)	-
Retail loans insurance	(499 057)	(1 457 059)
Suspended interest on credit-impaired financial assets	(1 080 650)	(1 225 523)
Net non-performing loans and advances	12 690 653	11 336 658

The net credit-impaired financial assets represent recoverable portions covered by realisable security, which includes guarantees, cessation of debtors, mortgages over properties, equities and promissory notes all fair valued at US$9 212 125 (2017 - US$15 483 847).

20. LOANS, ADVANCES AND OTHER ASSETS (continued)

20.6 Other assets

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Service deposits*	3 308 570	3 308 570	-	-
Prepayments and stocks	1 036 379	1 306 665	-	-
Other receivables	1 904 308	1 534 059	860	860
	6 249 257	6 149 294	860	860

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

20.7 Loans to officers

	GROUP	
	2018 US$	2017 US$
Included in advances and other accounts (note 20.1) are loans to officers:-		
At 1 January	7 299 138	7 011 331
Net additions during the year	4 816 350	555 338
	12 115 488	7 566 669
Fair value adjustment	-	(267 531)
Expected credit loss allowance on loans to officers - Stage 1	(159 656)	-
Balance at 31 December	11 955 832	7 299 138

Loans to officers amounting to US$1 306 190 were granted at a preferential rate of 6% per annum as part of their overall remuneration agreements, US$1 558 584 was granted at a commercial rate of 8.5% per annum and the balance amounting to US$9 250 714 being mortgage loans which were granted at a commercial rate of 12% per annum.

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 6% 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 10% per annum.

21. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
At 1 January	36 000	2 261 300	-	-
Fair value adjustment	-	-	-	-
Disposals	-	(2 225 300)		-
	36 000	36 000	-	-

21. NON-CURRENT ASSETS HELD FOR SALE (continued)

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$3 per square metre.

Level 2

The fair value of non-current assets held for sale of U$36 000 (2017 – US$36 000) has been categorised under level 2 in the fair value hierarchy based on the inputs used for the valuation technique highlighted above. (see note 2.4.4 use of judgement and estimates).

22. TRADE INVESTMENTS

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Unlisted	112 501	102 347	-	-
	======	======	=====	=====
Directors' valuation	112 501	102 347	-	-
	======	======	=====	=====

Unlisted trade investments represent an equity investment in SWIFT. The trade investments were valued using the market approach valuation method at 31 December 2018 (see note 17.5 on fair value measurement).

23. INVESTMENTS IN GROUP COMPANIES

23.1 Subsidiaries

	COMPANY	
	2018 US$	2017 US$
Investments in subsidiaries:		
-NMB Bank Limited	31 491 009	31 491 009
	31 491 009	31 491 009
	=========	=========

23.2 Shareholding

The subsidiary is registered in Zimbabwe, and the extent of the Group's beneficial interest therein and its principal business activities are listed below:-

	2018	2017
NMB Bank Limited	100% (Banking)	100% (Banking)

The consolidated financial statements include the financial information of the subsidiary listed above.

24. QUOTED AND OTHER INVESTMENTS

	GROUP		COMPANY	
	2018 US$	2017 US$	2018 US$	2017 US$
Quoted investments	-	15 533	-	15 533
	======	=====	======	======

NMBZ HOLDINGS LIMITED

25. INVESTMENT PROPERTIES

	GROUP	
	2018 US$	**2017 US$**
At 1 January	18 977 000	14 202 270
Acquisitions	6 082 924	4 792 475
Fair value adjustments	2 551 436	302 255
Disposal	(4 360 754)	(320 000)
Transfers to property and equipment	(2 300 000)	-
At 31 December	20 950 606	18 977 000
	=========	=========

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$365 269 (2017 - US$135 900) 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 properties are properties which were acquired as part of the foreclosure process with marketability restrictions measured at US$8 355 661 as at 31 December 2018. 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 2018 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$12 594 944 (2017 - US$8 722 000) 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 balance for level 2 fair values:

	2018 US$	**2017 US$**
At 1 January	8 722 000	7 382 270
Acquisitions	3 247 175	1 740 158
Disposals	-	(320 000)
Fair value adjustments	1 281 769	(80 428)
Transfers from Level 3	1 644 000	-
Transfers to property and equipment	(2 300 000)	-
Balance at 31 December	12 594 944	8 722 000
	=========	========

The values were arrived at by applying yield rates of 10% on rental values of between US$4 - US$7 per square metre. The properties are leased out under operating leases to various tenants.

Level 3

The fair value for investment properties of US$8 355 662 (2017 - US$10 255 000) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

25. INVESTMENT PROPERTIES (continued)

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

	2018 US$	2017 US$
At 1 January	10 255 000	6 820 000
Acquisitions	2 835 749	3 052 317
Disposals	(4 360 754)	-
Fair value adjustments	1 269 667	382 683
Transfers to Level 2	(1 644 000)	-
Balance at 31 December	8 355 662	10 255 000
	========	=========

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 (5%); • Void period (average 3 months after the end of each lease); • Occupancy rate (55%); and • Average market yield of 10%. • Marketability restrictions for level 3 items due to underlying contractual agreements with third parties.	• 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). • Below is an indication of the sensitivity analysis at different discount rates:-

Change in rate	Change in fair value
+5%	1 165 911
+3%	699 546
+1%	233 182
-1%	-233 182
-3%	-699 546
-5%	-1 165 911

26. INTANGIBLE ASSETS

	Work in progress US$	Computer software US$	Total US$
Cost			
Balance at 1 January 2017	228 595	3 045 126	3 273 721
Acquisitions	-	1 565 713	1 565 713
Balance at 1 January 2018	228 595	4 610 839	4 839 434
Acquisitions	-	535 971	535 971
Capitalisations	(228 595)	228 595	-
Balance at 31 December 2018	-	5 375 405	5 375 405
	=======	========	========
Accumulated amortisation			
Balance at 1 January 2017	-	1 626 687	1 626 687
Amortisation for the year	-	832 567	832 567
Balance at 1 January 2018	-	2 459 254	2 459 254
Amortisation for the year	-	879 376	879 376
Balance at 31 December 2018	-	3 338 630	3 338 630
	=======	========	========
Carrying amount			
At 31 December 2018	-	2 036 775	2 036 775
	=======	========	========
At 1 January 2018	228 595	2 151 585	2 380 180
	=======	========	========
At 1 January 2017	228 595	1 418 439	1 647 034
	=======	========	========

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

NMBZ HOLDINGS LIMITED

27. PROPERTY AND EQUIPMENT

	Capital work In progress US$	Computers US$	Motor vihicles US$	Furniture & equipment US$	Freehold Land & buildings* US$	Total US$
At 1 January 2017	188 947	3 677 901	1 283 448	3 913 914	3 498 454	12 562 664
Additions	268 310	1 598 813	52 454	115 296	4 060	2 038 933
Capitalisations	(163 541)	163 541		-	-	-
Revaluation gain	-	-	-	-	211 290	211 290
Disposals	-	(4 930)	(80 000)	-	-	(84 930)
At 31 December 2017	**293 716**	**5 435 325**	**1 255 902**	**4 029 210**	**3 713 804**	**14 727 957**
Additions	7 179 544	1 978 026	123 267	210 003	-	9 490 840
Capitalisations	(309 266)	-	-	257 626	-	(51 640)
Revaluation gain	-	-	-	-	139 194	139 194
Disposals	-	-	(109 399)	(18 616)	-	(128 015)
Reclassifications from investment properties	2 300 000	-	-	-	-	2 300 000
At 31 December 2018	**9 463 994**	**7 413 351**	**1 269 770**	**4 478 223**	**3 852 998**	**26 478 336**
Accumulated depreciation						
At 1 January 2017	-	2 203 125	772 201	3 044 870	262 183	6 282 378
Charge for the year	-	563 658	191 573	316 222	65 357	1 136 810
Disposals	-	(2 219)	(25 000)	-	-	(27 219)
At January 2018	**-**	**2 764 564**	**938 774**	**3 361 092**	**327 540**	**7 391 970**
Charge for the year	-	843 339	178 887	283 982	64 104	1 370 312
Disposals	-	-	(109 399)	(18 616)	-	(128 015)
At 31 December 2018	**-**	**3 607 903**	**1 008 262**	**3 626 458**	**391 644**	**8 634 267**
Carrying amount						
At 31 December 2018	9 463 994	3 805 448	261 509	851 764	3 461 354	17 844 069
At 1 January 2018	293 716	2 670 761	317 129	668 118	3 386 264	7 335 988
At 1 January 2017	188 947	1 474 776	511 248	896 044	3 236 271	6 280 286

*Assets measured using the revaluation model.

Measurement of fair value

Fair value hierarchy

Immovable properties were revalued as at 31 December 2018 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$3 - US$7 per square metre.

The carrying cost less accumulated depreciation of the land and buildings had revaluations not been performed would be US$3 712 173 as at 31 December 2018 (2017 – US$3 801 958).

Level 3

The fair value of immovable properties of US$3 461 354 (2017 - US$3 386 264) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

27. PROPERTY AND EQUIPMENT (continued)

Measurement of fair value (continued)

Level 3 (continued)

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

	31 December 2018 US$	31 December 2017 US$
At 1 January	3 386 264	3 236 271
Additions	-	4 060
Transfers from work in progress	-	-
Revaluation gain	62 533	121 630
Impairment reversal	76 661	89 660
Depreciation	(64 104)	(65 357)
Balance at 31 December	3 461 354	3 386 264
	========	========

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.

<table>
<tr><th>Valuation technique</th><th>Significant unobservable inputs</th><th>inter-relationship between key unobservable inputs and fair value measurement</th></tr>
<tr><td>The Direct Comparison Method was applied on all residential properties</td><td>Weighted average expected market rental growth (5%);
Average market yield of 5%.
Marketability restrictions on a specific property with a fixed purchase consideration.
Occupancy rate (100%).</td><td>The estimated fair value would increase /(decrease) if:
expected market rental growth were higher/ (lower); and
the risk adjusted discount rates were lower/ (higher).
Below is an indication of the sensitivity analysis at different discount rates:-<table><tr><th>Change in rate</th><th>Change in fair value</th></tr><tr><td>+5%</td><td>139 000</td></tr><tr><td>+3%</td><td>83 400</td></tr><tr><td>+1%</td><td>27 800</td></tr><tr><td>-1%</td><td>-27 800</td></tr><tr><td>-3%</td><td>-83 400</td></tr><tr><td>-5%</td><td>-139 000</td></tr></table></td></tr>
</table>

28. 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.

28.1 Total position

GROUP

At 31 December 2018	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	112 440 912	-	-	-	-	112 440 912
Current tax assets	-	-	-	-	285 822	285 822
Investment securities	-	142 245	48 693 606	68 413 583	-	117 249 434
Quoted and other investments	-	-	-	-	112 501	112 501
Loans, advances and other assets	53 031 858	19 263 549	31 715 609	143 942 672	6 249 257	254 202 945
Deferred tax	-	-	-	-	1 908 532	1 908 532
Non-current assets held for sale	-	-	-	-	36 000	36 000
Intangible assets	-	-	-	-	2 036 775	2 036 775
Property and equipment	-	-	-	-	17 844 069	17 844 069
Investment properties	-	-	-	-	20 950 606	20 950 606
	165 472 770	19 405 794	80 409 215	212 356 255	49 423 562	527 067 596
Liabilities and equity						
Deposits and other liabilities	374 121 777	25 835 037	19 296 362	15 704 773	12 147 334	447 105 283
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	64 121 413	64 121 413
Subordinated loan	-	-	-	1 505 647	-	1 505 647
	374 121 777	25 835 037	19 296 362	17 210 420	90 604 000	527 067 596
Interest rate repricing gap	(208 649 007)	(6 429 243)	61 112 853	195 145 835	(41 180 438)	-
Cumulative gap	(208 649 007)	(215 078 250)	(153 965 397)	41 180 438	-	-

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.

At 31 December 2017

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	89 553 202	-	-	-	-	89 553 202
Current tax assets	-	-	-	-	231 007	231 007
Investment securities	6 150 000	142 246	9 286 322	76 666 857	-	92 245 425
Quoted and other investments	-	-	-	-	117 880	117 880
Loans, advances and other assets	64 466 255	10 680 845	13 978 560	115 208 267	6 149 294	210 483 221
Deferred tax	-	-	-	-	1 204 449	1 204 449
Non-current assets held for sale	-	-	-	-	36 000	36 000
Intangible assets	-	-	-	-	2 380 180	2 380 180
Property and equipment	-	-	-	-	7 335 988	7 335 988
Investment properties	-	-	-	-	18 977 000	18 977 000
	160 169 457	10 823 091	23 264 882	191 875 124	36 431 798	422 564 352
Liabilities and equity						
Deposits and other Liabilities	279 698 410	37 746 638	14 224 792	17 286 545	7 956 124	356 912 509
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	49 900 686	49 900 686
Subordinated loan	-	-	-	1 415 904	-	1 415 904
	279 698 410	37 746 638	14 224 792	18 702 449	72 192 063	422 564 352
Interest rate repricing gap	(119 528 953)	(26 923 547)	9 040 090	173 172 675	(35 760 265)	-
Cumulative gap	(119 528 953)	(146 452 500)	(137 412 410)	35 760 265	-	-

29. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)

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.

29.1. United States dollars

At 31 December 2018

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	111 524 024	-	-	-	-	111 524 024
Current tax assets	-	-	-	-	285 822	285 822
Investment securities	-	142 246	48 693 606	68 413 582	-	117 249 434
Quoted and other investments	-	-	-	-	-	-
Loans, advances and other assets	52 973 247	19 263 549	31 715 609	143 942 672	6 249 257	254 144 334
Deferred tax	-	-	-	-	1 908 532	1 908 532
Investment properties	-	-	-	-	20 950 606	20 950 606
Intangible assets	-	-	-	-	2 036 775	2 036 775
Property and equipment	-	-	-	-	17 844 069	17 844 069
Non-current assets held for sale	-	-	-	-	36 000	36 000
	164 497 271	19 405 795	80 409 215	212 356 254	49 311 061	525 979 596
Liabilities and equity						
Deposits and other liabilities	373 527 637	25 835 037	19 296 362	15 704 773	12 147 333	446 511 142
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	64 121 413	64 121 413
Subordinated loan	-	-	-	1 505 647	-	1 505 647
	373 527 637	25 835 037	19 296 362	17 210 420	90 603 999	526 473 455
Interest rate repricing gap	(209 030 366)	(6 429 242)	61 112 853	195 145 834	(41 292 938)	(493 859)
Cumulative gap	(209 030 366)	(215 459 608)	(154 346 755)	40 799 079	(493 859)	-

29. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)

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.

29.1. United States dollars

At 31 December 2017

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	88 167 319	-	-	-	-	88 167 319
Current tax assets	-	-	-	-	231 007	231 007
Investment securities	6 150 000	142 246	9 286 321	76 666 858	-	92 245 425
Quoted and other investments	-	-	-	-	15 533	15 533
Loans, advances and other assets	64 440 074	10 680 845	13 978 560	115 208 267	6 149 295	210 457 041
Deferred tax	-	-	-	-	1 204 449	1 204 449
Investment properties	-	-	-	-	18 977 000	18 977 000
Intangible assets	-	-	-	-	2 380 180	2 380 180
Property and equipment	-	-	-	-	7 335 988	7 335 988
Non-current assets held for sale	-	-	-	-	36 000	36 000
	158 757 393	10 823 091	23 264 881	191 875 125	36 329 452	421 049 942
Liabilities and equity						
Deposits and other liabilities	278 362 284	37 746 638	14 224 792	17 286 545	7 956 124	355 576 383
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	49 900 687	49 900 687
Subordinated loan	-	-	-	1 415 904	-	1 415 904
	278 362 284	37 746 638	14 224 792	18 702 449	72 192 064	421 228 227
Interest rate repricing gap	(119 604 891)	(26 923 547)	9 040 089	173 172 676	(35 862 612)	(178 285)
Cumulative gap	(119 604 891)	(146 528 438)	(137 488 349)	35 684 327	(178 285)	-

30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)

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.

30.1. Other foreign currencies

At 31 December 2018

	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	916 888	-	-	-	-	916 888
Quoted and other instruments	-	-	-	-	112 501	112 501
Loans, advances and other assets	58 611	-	-	-	-	58 611
	975 499	-	-	-	112 501	1 088 000
Liabilities and equity						
Deposits and other liabilities	594 141	-	-	-	-	594 141
	594 141	-	-	-	-	594 141
Interest rate repricing gap	381 358	-	-	-	112 501	493 859
Cumulative gap	381 358	381 358	381 358	381 358	493 859	-

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.

At 31 December 2017

	GROUP					
	Up to 1 month US$	**1 month To 3 months US$**	**3 months to 1 year US$**	**1 year to 5 years US$**	**Non- interest bearing US$**	**Total US$**
Assets						
Cash and cash equivalents	1 385 883	-	-	-	-	1 385 883
Quoted and other instruments	-	-	-	-	102 347	102 347
Loans, advances and other assets	26 181	-	-	-	-	26 181
	1 412 064	-	-	-	102 347	1 514 411
Liabilities and equity						
Deposits and other liabilities	1 336 126	-	-	-	-	1 336 126
	1 336 126	-	-	-	-	1 336 126
Interest rate repricing gap	75 938	-	-		102 347	178 285
Cumulative gap	75 938	75 938	75 938	75 938	178 285	-

NMBZ HOLDINGS LIMITED

31. 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.

At 31 December 2018

	GROUP					
	US$ US$	RAND US$	GBP US$	EUR US$	BWP US$	Total US$
Assets						
Cash and cash equivalents	111 524 024	571 721	33 012	285 249	26 906	112 440 912
Current tax assets	285 822	-	-	-	-	285 822
Investment securities	117 249 434	-	-	-	-	117 249 434
Quoted and other investments	-	-	-	112 501	-	112 501
Loans, advances and other assets	254 144 334	19 643	17	38 951		254 202 945
Non-current assets held for sale	36 000	-	-	-	-	36 000
Intangible assets	2 036 775	-	-	-	-	2 036 775
Property and equipment	17 844 069	-	-	-	-	17 844 069
Investment properties	20 950 606	-	-	-	-	20 950 606
Deferred tax	1 908 532	-	-	-	-	1 908 532
	525 979 596	591 364	33 029	436 701	26 906	527 067 596
Liabilities and equity						
Deposits and other liabilities	446 511 142	486 176	43 440	46 351	18 174	447 105 283
Subordinated term loan	1 505 647	-	-	-	-	1 505 647
Redeemable Ordinary shares	14 335 253	-	-	-	-	14 335 253
Equity	64 121 413	-	-	-	-	64 121 413
	526 473 455	486 176	43 440	46 351	18 174	527 067 596
Net foreign exchange Position	(493 859)	105 188	(10 411)	390 350	8 732	-

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.

At 31 December 2017

	GROUP					
	US$ US$	RAND US$	GBP US$	EUR US$	BWP US$	Total US$
Assets						
Cash and cash equivalents	88 167 319	1 234 938	29 201	35 963	85 781	89 553 202
Investment securities	92 245 425	-	-	-	-	92 245 425
Quoted and other investments	15 533	-	-	102 347	-	117 880
Loans, advances and other assets	210 457 041	25 637	79	235	229	210 483 221
Non-current assets held for sale	36 000	-	-	-	-	36 000
Property and equipment	7 335 988	-	-	-	-	7 335 988
Investment properties	18 977 000	-	-	-	-	18 977 000
Deferred tax	1 204 449	-	-	-	-	1 204 449
Current tax assets	231 007	-	-	-	-	231 007
Intangible assets	2 380 180	-	-	-	-	2 380 180
	421 049 942	1 260 575	29 280	138 545	86 010	422 564 352
Liabilities and equity						
Deposits and other liabilities	355 576 383	1 202 268	52 671	64 402	16 784	356 912 508
Subordinated term loan	1 415 904	-	-	-	-	1 415 904
Redeemable Ordinary shares	14 335 253	-	-	-	-	14 335 253
Equity	49 900 687	-	-	-	-	49 900 687
	421 228 227	1 202 268	52 671	64 402	16 784	422 564 352
Net foreign exchange Position	(178 285)	58 307	(23 391)	74 143	69 226	-

32. CONTINGENT LIABILITIES

	GROUP	
	2018 US$	2017 US$
Guarantees	6 159 566	8 195 056
Facilities approved but not drawn down	20 671 107	28 943 947
	26 830 673	37 139 003
Expected Credit losses on facilities approved but not drawn down	(1 520 945)	-
Expected Credit losses on guarantees	(553 538)	-
	24 756 190	37 139 003

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.

33. CAPITAL COMMITMENTS

	GROUP	
	2018 US$	2017 US$
Capital expenditure contracted for	2 931 385	607 736
Capital expenditure authorised but not yet contracted for	9 092 999	10 502 287
At 31 December	12 024 384	11 110 023

34. ASSETS UNDER CUSTODY

In 2014, the Group received Treasury Bills from the Reserve Bank of Zimbabwe amounting to US$343 058 on behalf of its Tobacco Retention Scheme customers. Half of the Treasury Bills matured in April 2018 and the other half will mature in April 2019. These Treasury Bills are currently held off balance sheet.

35. OPERATING LEASE COMMITMENTS

	GROUP	
	2018 US$	2017 US$
Lease commitments	6 718 577	4 677 890
Up to 1 year	1 343 715	917 578
1 – 5 years	5 374 862	3 760 312

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 US$1 036 349.

NMBZ HOLDINGS LIMITED

36. 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.

36.1 Compensation of key management personnel of the Group

	GROUP	
	2018 US$	2017 US$
Short term employee benefits	1 136 941	857 091
Post employment benefits	45 950	45 179
Termination benefits	130 000	416 637
	1 312 891	1 318 907

36.2 Balances of loans to Directors, officers and others

Loans to Directors and officers or their companies are included in advances and other accounts (note 20.1.1).

	GROUP	
	2018 US$	2017 US$
Non - executive Directors	-	-
Executive Directors	90 036	201 084
Officers (Note 20.6)	12 115 488	7 566 669
Directors' companies	-	-
Officers' companies	-	-
	12 205 524	7 767 753
Fair value adjustment	-	(276 695)
Expected credit loss allowance	(160 529)	-
	12 044 995	7 491 058

36.3 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.

37. EMPLOYEE BENEFITS

37.1 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 914 518 shares in NMBZ Holdings Limited as at 31 December 2018.

37.2 Expense recognised in profit or loss

	GROUP	
	2018 US$	2017 US$
Defined Contribution Plan - NSSA	209 659	196 169
Defined Contribution Plan - NMB Bank Limited Pension Fund	458 877	445 002
	668 536	641 171

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

37.3 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			
	2018		2017	
	No.	WAEPS	No.	WAEPS
Outstanding as at 1 January	-	-	4 128 434	0.036
Lapsed	-	-	(3 581 243)	-
Issued		-	(547 191)	-
Exercised				
Outstanding as at 31 December	-	-	-	0.036

Terms of options outstanding at 31 December 2018

GROUP and COMPANY		
Expiry date	Exercise price US$	2018 Shares
18 June 2022	0.04	-
		-

37.4 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$209 659 (2017 - US$196 169).

38. EXCHANGE RATES

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

		31 December 2018 Mid - rate	31 December 2017 Mid -rate
British Sterling	GBP	1. 2785	1.3525
South African Rand	ZAR	14.2254	12.3250
European Euro	EUR	1.1490	1.1994
Botswana Pula	BWP	10.7296	9.8232

39. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and the Board Risk and Compliance Committee, which are responsible for defining the Group's risk universe, developing policies and monitoring implementation. The Board also has the Board Credit Committee (BCC) which is responsible for sanctioning credits and the Board Loans Review Committee (LRC), which is responsible for monitoring asset quality and adherence to the credit risk management policy.

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

- Strategic Level: This involves risk management functions performed by senior management and the board of directors. It includes the definition of risk, ascertaining the Group's risk appetite, formulating strategy and policy for managing risk and establishes adequate systems and controls to ensure overall risk remains within acceptable levels and is adequately compensated.
- Macro Level: It encompasses risk management within a business area or across business lines. These risk management functions are performed by middle management.
- Micro Level: This involves "On-the-line" risk management where risks are actually created. These are the risk management activities performed by individuals who assume risk on behalf of the organisation such as Treasury Front Office, Corporate Banking, Retail banking etc. The risk management in these areas is confined to operational procedures set by management.

Risk management is premised on four (4) mutually reinforcing pillars, namely:
a) adequate board and senior management oversight;
b) adequate strategy, policies, procedures and limits;
c) adequate risk identification, measurement, monitoring and information systems; and
d) comprehensive internal controls and independent reviews.

39.1 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 an 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.

39. RISK MANAGEMENT (continued)

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.

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

	Note	GROUP 2018 US$	GROUP 2017 US$
Cash and cash equivalents (excluding cash on hand)		107 840 805	86 729 957
Investment securities	17	117 249 434	92 245 425
Loans and advances	20	247 953 688	217 154 713
Total		473 043 927	396 130 095
Guarantees	32	6 159 566	8 195 056
Facilities approved but not drawn down	32	20 671 107	28 943 947
Total		26 830 673	37 139 003
Total credit risk exposure		499 874 600	433 269 098

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 in the Net Maximum Exposure column below.

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 in the Net Maximum Exposure column below.

39.1.3 Risk concentrations of maximum exposure to credit risk

	31 December 2018 Gross Maximum Exposure US$	31 December 2018 Net Maximum Exposure US$	31 December 2017 Gross Maximum Exposure US$	31 December 2017 Net Maximum Exposure US$
Agriculture and horticulture	37 386 857	16 803 048	28 531 460	11 444 742
Conglomerates	10 692 402	10 692 402	9 210 926	9 210 926
Distribution	28 902 108	3 354 895	28 737 726	11 484 364
Food and beverages	6 304 863	144 087	10 417 745	1 803 969
Individuals	100 512 291	83 361 199	82 589 355	71 150 975
Manufacturing	8 731 095	1 216 383	8 565 178	2 548 024
Mining	703 294	565 260	736 466	29 465
Services	69 102 116	20 852 957	42 216 562	13 727 221
	262 335 026	136 990 231	211 005 418	121 399 686
Provision for impairment losses on loans and advances	-	-	(5 445 968)	(5 445 968)
Expected credit loss on loans and advances	(13 300 688)	(13 300 688)	-	-
Net exposure	249 034 338	123 689 543	205 559 450	115 953 718

39.1.4 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 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$168 243 694 (2017 - US$158 339 808)

39. RISK MANAGEMENT (continued)

39.1.5 Credit quality per sector

At 31 December 2018

	Grade A Pass US$	Grade B Special Mention US$	Grade C Substandard US$	Grade D Doubtful US$	Grade E Loss US$	Total US$
Agriculture and horticulture	28 763 761	8 478 994	108 575	-	35 527	37 386 857
Conglomerates	-	-	10 692 402	-	-	10 692 402
Distribution	26 246 884	1 442 867	316 760	624 958	270 639	28 902 108
Food and Beverages	5 957 250	347 613	-	-	-	6 304 863
Individuals	94 544 138	3 457 816	2 372 861	137 476	-	100 512 291
Manufacturing	8 324 392	347 740	4 482	11 562	42 919	8 731 095
Mining	693 496		-	-	9 798	703 294
Services	63 421 046	829 479	1 809 390	2 723 459	318 742	69 102 116
Total	227 950 967	14 904 509	15 304 470	3 497 455	677 625	262 335 026

At 31 December 2017

	Grade A Pass US$	Grade B Special Mention US$	Grade C Substandard US$	Grade D Doubtful US$	Grade E Loss US$	Total US$
Agriculture and Horticulture	26 565 020	422 835	87 337	1 167 963	288 305	28 531 460
Conglomerates	-	9 210 926	-		-	9 210 926
Distribution	24 361 189	2 404 622	224 759	1 319 397	427 759	28 737 726
Food and Beverage	10 386 968	5 745	-	25 032	-	10 417 745
Individuals	74 698 442	4 575 770	1 794 176	1 520 967	-	82 589 355
Manufacturing	4 905 931	1 183 057	5 376	1 255 417	1 215 397	8 565 178
Mining	159 466	-	-	565 000	12 000	736 466
Services	33 639 650	1 637 050	2 017 826	4 079 308	842 728	42 216 562
Total	174 716 666	19 440 005	4 129 474	9 933 084	2 786 189	211 005 418

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

39.1.6 Rating scale maping to IFRS 9 stages

Below is a mapping table showing the link between IFRS stages and the Bank's Rating scale:

NMB Bank Rating Scale	Supervisory Rating Scale	IFRS 9
NMBR1	1	
NMBR2	2	
NMBR3	3	Stage 1
NMBR4	4	
NMBR5	5	
NMBR6	6	Stage 2
NMBR7	7	
NMBR8	8	
NMBR9	9	Stage 3
NMBR10	10	

39. RISK MANAGEMENT (continued)

39.1.7 Credit quality analysis per grade

Loans and advances to customers

	31 December 2018 US$	31 December 2017 US$
Carrying amount (note 20.1.1)	247 953 688	204 333 92
Assets at amortised cost		
Individually impaired		
Grade 8	15 304 470	4 129 474
Grade 9	3 497 455	9 933 084
Grade 10	677 625	2 786 189
Gross amount	**19 479 550**	**16 848 747**
Allowance for impairment		
Impairment	(2 032 473)	(2 829 507)
Suspended interest	(1 080 650)	(1 225 523)
Carrying amount	**16 366 427**	**12 793 717**
Collectively impaired		
1 to 5 low to fair risk	227 950 967	174 716 666
6 to 7 watch list	14 904 509	19 440 005
Gross amount	**242 855 476**	**194 156 671**
Allowance for impairment		
Impairment	(11 268 215)	(2 616 461)
Suspended interest	-	-
Carrying amount	**231 587 261**	**191 540 210**
Total carrying amount at amortised cost	**247 953 688**	**204 333 927**

39.2 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.

Management 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 2018.

At 31 December 2018

		Sensitivity of net interest income				
Currency	% change in interest rates %	0 to 1 months US$	1 to 3 months US$	3 Months to 1 year US$	1 year 5 years US$	Total US$
USD	5	(10 451 518)	(321 462)	3 055 643	9 757 292	2 039 955
USD	3	(6 270 911)	(192 877)	1 833 386	5 854 375	1 223 973
USD	1	(2 090 304)	(64 292)	611 129	1 951 458	407 991
USD	-1	2 090 304	64 292	(611 129)	(1 951 458)	(407 991)
USD	-3	6 270 911	192 877	(1 833 386)	(5 854 375)	(1 223 973)
USD	-5	10 451 518	321 462	(3 055 643)	(9 757 292)	(2 039 955)

NMBZ HOLDINGS LIMITED

39. RISK MANAGEMENT (continued)

39.2 Market risk (continued)

At 31 December 2017

Currency	Increase in interest rates %	Sensitivity of net interest income: 0 to 1 months US$	1 to 3 months US$	3 Months to 1 year US$	1 year 5 years US$	Total US$
USD	5	(5 980 245)	(1 346 177)	452 004	8 658 634	1 784 216
USD	3	(3 588 147)	(807 706)	271 203	5 195 180	1 070 530
USD	1	(1 196 049)	(269 235)	90 401	1 731 727	356 844
USD	-1	1 196 049	269 235	(90 401)	(1 731 727)	(356 844)
USD	-3	3 588 147	807 706	(271 203)	(5 195 180)	(1 070 530)
USD	-5	5 980 245	1 346 177	(452 004)	(8 658 634)	(1 784 216)

39.3 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 2018

	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
ZAR	5	(5 259)	(3 905)
ZAR	3	(3 156)	(2 343)
ZAR	1	(1 052)	(781)
ZAR	-1	1 052	781
ZAR	-3	3 156	2 343
ZAR	-5	5 259	3 905

At 31 December 2017

Currency	% Change in currency rate	Effect on profit before tax US$	Effect on equity US$
ZAR	5	2 915	2 165
ZAR	3	1 749	1 299
ZAR	1	583	433
ZAR	-1	(583)	(433)
ZAR	-3	(1 749)	(1 299)
ZAR	-5	(2 915)	(2 165)

39. RISK MANAGEMENT (continued)

39.4 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 reports produced by the Risk Management department. This is augmented by a monthly management ALCO and a quarterly board ALCO meetings.

The contractual maturities of undiscounted cash flows of financial assets and liabilities are disclosed in note 28.1.

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

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 2018

	On Demand US$	0 to 1 months US$	1 to 3 months US$	3 Months to 1 year US$	1 year 5 years US$	Total US$
Guarantees	-	315 250	1 250 594	4 051 889	541 832	6 159 565
Commitments to lend	-	493 836	875 579	19 301 692	-	20 671 107
Irrevocable letters of credit	-	-	-	-	-	-
	-	809 086	2 126 173	23 353 581	541 832	26 830 673

At 31 December 2017

	On Demand US$	0 to 1 months US$	1 to 3 months US$	3 Months to 1 year US$	1 year 5 years US$	Total US$
Guarantees	-	3 372 969	184 622	3 856 022	781 443	8 195 056
Facilities approved but not drawn down	-	65 602	418 861	23 789 966	4 669 518	28 943 947
Irrevocable letters of credit	-	-	-	-	-	-
	-	3 438 571	603 483	27 645 988	5 450 961	37 139 003

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

39. RISK MANAGEMENT (continued)

39.5 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 and Compliance 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.

39.6 Legal and compliance risk

Legal risk is the 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.

39.7 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.

39.8 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.

39.9.1 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Group's banking subsidiary on 24 November 2016. Below are the final ratings from the onsite examination.

39.9.1 CAMELS* Ratings

CAMELS Component	Latest RBS** Ratings 24/11/2016	Previous RBS Ratings 30/06/2013	Previous RBS Ratings 31/01/2008
Capital Adequacy	2	2	4
Asset Quality	3	4	2
Management	3	3	3
Earnings	2	2	3
Liquidity	3	2	3
Sensitivity to Market Risk	2	2	3
Composite Rating	**3**	**3**	**3**

39. RISK MANAGEMENT (continued)

39.9.1 Reserve Bank of Zimbabwe Ratings (continued)

*CAMELS is an acronym for **C**apital Adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity and **S**ensitivity to Market Risk. CAMELS rating system uses a rating scale of 1-5, where '1' is Strong, '2' is Satisfactory, '3' is Fair, '4' is Weak and '5' is Critical.

**RBS stands for Risk-Based Supervision.

39.9.1.2 Summary RAS ratings

RAS Component	Latest RAS*** Ratings 24/11/2016	Previous RAS Ratings 30/06/2013	Previous RAS Ratings 31/01/2008
Overall Inherent Risk	High	Moderate	Moderate
Overall Risk Management Systems	Acceptable	Acceptable	Acceptable
Overall Composite Risk	Moderate	Moderate	Moderate
Direction of Overall Composite Risk	**Stable**	**Stable**	**Stable**

***RAS stands for Risk Assesment System**

39.9.1.3 Summary risk matrix – 24 November 2016 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	Acceptable	High	Stable
Liquidity	High	Acceptable	High	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	Acceptable	Moderate	Stable
Reputation	High	Acceptable	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.

39. RISK MANAGEMENT (continued)

39.9.1 Reserve Bank of Zimbabwe Ratings (continued)

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.

39.9.2 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	2018	2017
Long term	BBB-	BB+

The current rating expires in August 2019.

39.10 Regulatory Compliance

There was no regulatory breach resulting in penalties during the period under review. The Bank is committed to comply with and adhere to all regulatory requirements.

39.11 Capital management

39.11.1 Holding company

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

39.11.2 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.

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.

39. RISK MANAGEMENT (continued)

The Bank's regulatory capital position at 31 December 2018 was as follows:

	2018 US$	2017 US$
Share capital	16 506	16 506
Share premium	31 474 502	31 474 502
Retained earnings	47 267 030	30 842 252
Fair value gain on investment properties	(3 257 631)	(1 197 871)
	75 500 407	61 135 389
Less: capital allocated for market and operational risk	(3 886 799)	(2 918 935)
Credit to insiders	-	-
Tier 1 capital	71 613 608	58 216 454
Tier 2 capital (subject to limit as per Banking Regulations)	8 197 298	5 183 773
Revaluation reserve	3 257 631	1 197 871
Revaluation of Property and Equipment	136 741	90 310
Subordinated debt	302 152	477 782
Regulatory reserve (limited to 1.25% of risk weighted assets)	-	2 297 492
Stage 1 & 2 ECL provisions – (limited to 1.25% of risk weighted assets)	4 500 774	-
Portfolio provisions (limited to 1.25% of risk weighted assets)	-	1 120 318
Tier 1 & 2 capital	79 810 906	63 400 227
Tier 3 capital (sum of market and operational risk capital)	3 886 799	2 918 935
Total capital base	83 697 705	66 319 162
	=========	=========
Total risk weighted assets	360 061 931	273 424 840
Tier 1 ratio	19.89%	21.29%
Tier 2 ratio	2.28%	1.90%
Tier 3 ratio	1.08%	1.07%
Total capital adequacy ratio	23.25%	24.26%
RBZ minimum required	12%	12.00%

40. EVENTS AFTER THE REPORTING PERIOD

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) announced in its Monetary Policy Statement (MPS) that the Monetary Authorities had established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. The Monetary Policy statement was followed by the issuance of Statutory Instrument 33 of 2019 (SI 33) on 22 February 2019.

The Statutory Instrument introduced RTGS dollars as a legal tender in Zimbabwe and advised that the RTGS dollars at a rate of 1:1 to the USD would be used by all entities and individuals in Zimbabwe for the purposes of pricing goods and services, record debts, accounting and settlement of domestic transactions with effect from 20 February 2019. All foreign liabilities or legacy debts due to suppliers and service providers, declared dividends e.t.c shall be treated separately after registering such debts with the RBZ Exchange Control Department for the purposes of providing the Reserve Bank of Zimbabwe with sufficient information to determine an orderly expunging of these legacy debts.

The Directors, based on their analysis of IFRSs, had considered the MPS of 20 February 2019 and the subsequent emergence of the USD interbank exchange rate to be an adjusting post balance sheet event in terms of International Accounting Standard 10 (IAS 10) "*Events After the Reporting Period*" as the developments were reflective of underlying conditions that existed at reporting date. The introduction of the RTGS$ as a currency and initial trades on 22 February 2019 at USD1: RTGS$2.5, was in the opinion of the Directors, a confirmation of a market wide practice which had recognised and accepted RTGS$ as a form of currency which was different from the United States Dollars. However, due to the limitations provided by SI 33 of 2019, these events after the reporting period have not been adjusted for as doing so would result in non-compliance with local laws and regulations.

The Directors performed a sensitivity analysis on note 23.1 to illustrate the impact on the Group's statement of financial position as at 31 December 2018 had the financial statements been restated using the first available interbank mid-rate on 22 February 2019 of USD1:RTGS$2.5. A further analysis of the impact on the statement of financial position has also been performed using the rates of USD1:RTGS$3 and USD1:RTGS$4.

Assumptions

In coming up with the sensitivity analysis of the Group's Statement of Financial Position as at 31 December 2018, the Directors based the analysis on the assumptions of parity and interchangebility between the USD and RTGS balances. Furthermore, the figures on the sensitivity analysis are not reflective of the opening balances for future periods.

Foreign liabilities or legacy debts, which are being registered with the RBZ for them to determine an orderly expunging of the debts, have been restated at the assumed interbank mid-rates above pending a determination by the Reserve Bank of Zimbabwe.

NMBZ HOLDINGS LIMITED

40.1 SENSITIVITY ANALYSIS FOR EVENTS AFTER REPORTING PERIOD

	Components of reported amounts				Sensitivity Analysis			
	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities RTGS$	Non Monetary Assets/ Liabilities USD	Non Monetary Assets/ Liabilities RTGS$	Total USD @1:1	Total RTGS$ @1:2.5	Total RTGS$ @1:3	Total RTGS$ @1:4
Shareholders' funds								
Share capital	-	80 975	-	-	80 975	80 975	80 975	80 975
Capital reserves	-	16 526 297	-	-	16 526 297	16 526 297	16 526 297	16 526 297
Revaluation reserve	-	-	136 741	-	136 741	341 853	410 223	546 964
Foreign currency translation reserve	-	-	-	-	-	9 019 802	12 026 402	18 039 603
Retained earnings	-	47 377 400	-	-	47 377 400	47 377 400	47 377 400	47 377 400
Total equity	**-**	**63 984 672**	**136 741**	-	**64 121 413**	**73 346 327**	**76 421 297**	**82 571 239**
Redeemable ordinary shares	-	14 335 253	-	-	14 335 253	14 335 253	14 335 253	14 335 253
Subordinated term loan	1 505 647	-	-	-	1 505 647	3 764 118	4 516 941	6 022 588
Total shareholders' funds and shareholders' liabilities	**1 505 647**	**78 319 925**	**136 741**	**-**	**79 962 313**	**91 445 698**	**95 273 491**	**102 929 080**
Liabilities								
Deposits and other accounts	28 953 975	418 151 308	-	-	447 105 283	490 536 246	505 013 233	533 967 208
Deferred taxation	-	-	-	-	-	1 219 546	2 262 240	4 347 626
Total liabilities	**28 953 975**	**418 151 308**	**-**	**-**	**447 105 283**	**491 755 792**	**507 275 473**	**538 314 834**
Total shareholder's funds and liabilities	**30 459 622**	**496 471 233**	**136 741**	**-**	**527 067 596**	**583 201 490**	**602 548 964**	**641 243 914**
Assets								
Cash and cash equivalents	12 692 524	99 748 388	-	-	112 440 912	131 479 698	137 825 960	150 518 484
Current tax assets	-	285 822	-	-	285 822	285 822	285 822	285 822
Investment securities	-	117 249 434	-	-	117 249 434	117 249 434	117 249 434	117 249 434
Loans, advances and other accounts	4 081	254 198 864	-	-	254 202 945	254 209 067	254 211 107	254 215 188
Non-current assets held for sale	-	-	36 000	-	36 000	90 000	108 000	144 000
Trade and other investments	112 501	-	-	-	112 501	281 253	337 503	450 004
Investment properties	-	-	13 838 490	7 112 116	20 950 606	41 708 341	48 627 586	62 466 076
Intangible assets	-	-	-	2 036 775	2 036 775	2 036 775	2 036 775	2 036 775
Property and equipment	-	-	12 011 354	5 832 715	17 844 069	35 861 100	41 866 777	53 878 131
Deferred taxation	-	1 908 532	-	-	1 908 532	-	-	-
Total assets	**12 809 106**	**473 391 040**	**25 885 844**	**14 981 606**	**527 067 596**	**583 201 490**	**602 548 964**	**641 243 914**

HISTORICAL FIVE YEAR FINANCIAL SUMMARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2018 US$	2017 US$	2016 US$	2015 US$	2014 US$
Interest income	39 333 178	32 061 931	33 860 139	35 761 355	31 072 461
Interest expense	(8 865 016)	(9 157 095)	(11 075 067)	(15 118 231)	(12 651 519)
Net interest income	**30 468 162**	**22 904 836**	**22 785 072**	**20 643 124**	**18 420 942**
Net foreign exchange gains	1 899 670	1 583 164	743 255	1 416 445	1 822 432
Fee and commission income	28 539 376	18 832 185	15 179 149	20 984 694	15 121 536
Revenue	**60 907 208**	**43 320 185**	**38 707 476**	**43 044 263**	**35 364 910**
Other income	4 968 447	1 129 001	1 737 860	1 234 125	62 025
Operating income	**65 875 655**	**44 449 186**	**40 445 336**	**44 278 388**	**35 426 935**
Operating expenditure	(34 720 428)	(27 578 347)	(26 176 706)	(26 872 649)	(27 984 051)
Impairment losses on financial assets measured at amortised cost	(4 011 952)	-	-	-	-
Impairment losses on loans and advances	-	(3 853 149)	(8 059 726)	(9 496 601)	(5 017 362)
Profit before taxation	**27 143 275**	**13 017 690**	**6 208 904**	**7 909 138**	**2 425 522**
Taxation charge	(5 922 074)	(3 078 864)	(1 150 738)	(2 422 040)	(768 455)
Profit after taxation	21 221 201	9 938 826	5 058 166	5 487 098	1 657 067
Other comprehensive income, net of tax	46 431	90 310	(2 970)	2 970	10 180
Total comprehensive income for the year	**21 267 632**	**10 029 136**	**5 055 196**	**5 490 068**	**1 667 247**

NMBZ HOLDINGS LIMITED

HISTORICAL FIVE YEAR FINANCIAL SUMMARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2018 US$	2017 US$	2016 US$	2015 US$	2014 US$
Share capital	80 975	78 751	78 598	78 598	78 598
Reserves	64 040 438	49 821 935	39 771 065	34 715 869	29 225 801
Total equity	64 121 413	49 900 686	39 849 663	34 794 467	29 304 399
Subordinated loan	1 505 647	1 415 904	1 415 490	1 414 144	1 407 964
Redeemable ordinary shares	14 335 253	14 335 253	14 335 253	14 335 253	14 335 253
Total shareholders' funds and shareholders' liabilities	**79 962 313**	**65 651 843**	**55 600 406**	**50 543 253**	**45 047 616**
LIABILITIES					
Deposits and other liabilities	447 105 283	356 912 509	265 384 520	283 287 243	241 001 418
Capital employed	**527 067 596**	**422 564 352**	**320 984 926**	**333 831 107**	**286 049 034**
ASSETS					
Cash and cash equivalents	112 440 912	89 553 202	69 421 257	63 439 347	54 750 561
Investments securities	117 249 434	92 245 425	24 744 752	14 547 992	3 874 525
Investments in debentures	-	-	-	-	4 614 047
Deferred tax assets	1 908 532	1 204 449	2 264 907	1 905 116	2 784 594
Current tax assets	285 822	231 007	368 445	23 075	1 436 974
Loans, advances and other assets	254 202 945	210 483 221	199 617 095	235 088 981	203 363 052
Non-current assets held for sale	36 000	36 000	2 261 300	2 264 300	2 267 300
Quoted and other investments	-	15 533	88 650	68 220	127 291
Trade investments	112 501	102 347	88 930	77 805	81 390
Investment properties	20 950 606	18 977 000	14 202 270	8 125 800	4 453 300
Property and equipment	17 844 069	7 335 988	6 280 286	6 601 086	6 345 267
Intangible assets	2 036 775	2 380 180	1 647 034	1 689 385	1 950 733
Employment of capital	**527 067 596**	**422 564 352**	**320 984 926**	**333 831 107**	**286 049 034**

HISTORICAL FIVE YEAR FINANCIAL SUMMARY

	2018	2017	2016	2015	2014 US$
CLOSING NUMBER OF SHARES	392 955 196*	384 974 542	384 427 351	384 427 351	384 427 351
Share performance					
Net asset value per share (US cents)	19.98	16.69	14.46	12.78	11.72
Basic earnings per share (US cents)	5.43	2.58	1.32	1.43	0.43
Dividend per share (US cents)	0.96	0.36	-	-	-
Dividend cover (times)	5.65	7.17	-		-
Price/earnings ratio	4.42	3.49	2.97	2.5	10.47
Closing price per share (US cents)	24	9	3.9	3.5	4.5
Market capitalisation (US$)	94 309 247	34 647 709	14 992 667	13 454 952	17 299 224
Financial performance					
Return on shareholders' funds (%)	27.03	15.28	9.1	10.9	3
Return on assets (%)	4.03	2.37	1.6	1.7	0.6
Cost/net income ratio (%)	58.8	70.7	84.6	82.1	92.8
Non-interest income/total income (%)	47.37	40.1	43.7	53.8	35.4
Effective tax rate (%)	21.85	23.7	18	30	31.68

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.

* The number of shares in issue increased by 7 980 654 shares from the ordinary shares issued to existing shareholders in March 2018 as scrip dividend.

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

NOTICE TO MEMBERS

Notice is hereby given that the 24th Annual General Meeting of Members of NMBZ Holdings Limited will be held at the Registered Office of the Company at 4th Floor, Unity Court, Corner 1st Street/ Kwame Nkrumah Avenue, Harare on **Thursday, 23 May 2019** at **1500 hours** for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2018, together with the reports of the Directors and Auditors thereon.
2. To re-appoint Directors.
   In accordance with the Articles of Association, Messrs. C. Chikaura and J. de la Fargue retire by rotation. Being eligible, the Directors offer themselves for re-election.
3. To approve Directors' fees for the year ended 31 December 2018.
4. To approve Messrs Ernst & Young's remuneration for the year ended 31 December 2018.
5. To appoint Ernst & Young as the Company's Auditors for the year ending 31 December 2019.

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 Article 2.10 in its entirety by the following Article:

   "2.10 "**in writing**" and "**written**" means communication transmitted by letter, by telecopier, by e-mail or by any other means of electronic communication provided the relevant message or document is legible and reproducible"

TAKING NOTE OF THE RESIGNATION OF MR ERIK SANDERSEN AS DIRECTOR

Mr. Erik Sandersen, appointed as a Director on 13th August 2015 resigned as Director with effect from 24 January 2019.

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. Please be advised that the Annual Report can be accessed on the company's website: www.nmbz.co.zw

By Order of the Board

MISS. S. I. PASHAPA
COMPANY SECRETARY

26 April 2019

EXPLANATIONS REGARDING THE NOTICE OF THE ANNUAL GENERAL MEETING

NMBZ HOLDINGS LIMITED

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 one third of the Directors to stand down at each Annual General Meeting and if they are eligible, they may offer themselves for re-election. The Directors standing down are Messrs C. Chikaura and J. de la Fargue. Both retiring Directors, being eligible, offer themselves for re-election. Information about these Directors is shown below:

Charles Chikaura – Independent Non-Executive Director (Deputy Chairman)
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. Charles is retired and is a full time farmer.

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. He currently is the Chief Executive Officer of Lake Harvest, the largest tilapia farming operation in Africa.

Resolution 3

Shareholders are requested to approve Director's fees. The Directors' fees for 2018 amounted to $219,246.

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 Messrs Ernst & Young for the year ended 31 December 2018, 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]. This resolution therefore proposes the appointment of auditors in accordance with usual practice and the Banking Act [Chapter 24:20].

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.

Special Resolution 2

The proposed amendment to the Articles of Association will consider electronic communication with shareholders as acceptable under written notice. This will authorize the Company to communicate with its shareholders using any electronic means.

Note of Resignation of Mr Erik Sandersen

In terms of Section 187(7) of the Companies Act [24:03] and Article 82 of the Articles of Association of the Company, Members of the Company must be advised of the resignation of a director.

NMBZ HOLDINGS LIMITED

SHAREHOLDERS' ANALYSIS

Size of shareholding	2018 Number of shareholders	% of Holders	2018 Issued Shares	% Shareholding
0 - 5000	3,548	90.72%	2,080,774	0.53 %
5,001 - 10,000	96	2.45%	688,250	0.18 %
10,001 - 50,000	135	3.45%	3,016,655	0.77 %
50,001 - 100,000	37	0.95%	2,656,213	0.68 %
100,001 - 500,000	51	1.30%	12,397,260	3.15 %
500,001 - 1,000,000	14	0.36%	9,519,354	2.42 %
1,000,001 - 10,000,000	20	0.51%	59,391,130	15.11 %
10,000,001 and above	10	0.26%	303,205,560	77.16%
Total	**3,911**	**100%**	**392,955 196**	**100%**

Size of shareholding	2017 Number of shareholders	% of Holders	2017 Issued Shares	% Shareholding
0 - 5000	3,519	91%	2,107,243	0.55 %
5,001 - 10,000	101	2.63%	729,794	0.19 %
10,001 - 50,000	128	3.33%	2,841,009	0.74 %
50,001 - 100,000	29	0.75%	2,192,721	0.57 %
100,001 - 500,000	35	0.91%	7,939,960	2.06 %
500,001 - 1,000,000	7	0.18%	5,170,377	1.34 %
1,000,001 - 10,000,000	17	0.44%	54,044,324	14.04 %
10,000,001 and above	11	0.29%	309,949,114	80.51%
Total	**3,847**	**100%**	**384,974,542**	**100%**

Industry	2018 Shareholders	% of shareholders	Shares	% of Shares
Bank	2	0.05%	19,190	0.00%
Local Companies	317	8.11%	45,257,473	11.52%
Employee	241	6.16%	763,073	0.19%
Deceased Estates	3	0.08%	2,229	0.00%
External Companies	7	0.18%	102,731,670	26.14 %
Fund Managers	3	0.08%	2,510	0.00%
Insurance Companies	10	0.26%	57,862,905	14.73%
Investment Trusts And Property	36	0.92%	38,947,458	9.91%
Local Residents	3,105	79.39%	8,108,774	2.06%
Nominees Local	52	1.33%	2,885,497	0.73%
Non Residents	6	0.15%	108,333,243	27.57%
Non Resident Individuals	52	1.33%	1,749,643	0.45%
Other Corporate Holdings	3	0.08%	3,369	0.00%
Pension Fund	74	1.89%	26,288,162	6.69%
Total	**3,911**	**100%**	**392,955,196**	**100%**

SHAREHOLDERS' ANALYSIS

Industry	2017 Shareholders	% of shareholders	Shares	% of Shares
Bank	2	0.05%	19,190	0.00%
Local Companies	330	8.58%	47,641,337	12.38%
Employee	245	6.37%	1,157,690	0.30%
Deceased Estates	3	0.08%	2,221	0.00%
External Companies	7	0.18%	99,123,436	25.75%
Fund Managers	5	0.13%	4,710	0.00%
Insurance Companies	10	0.26%	55,622,266	14.45%
Investment Trusts And Property	33	0.86%	49,870,592	12.95%
Local Residents	3,085	80.19%	7,885,162	2.05%
Nominees Local	54	1.40%	1,409,361	0.37%
Non Residents	7	0.18%	108,290,425	28.13%
Non Resident Individuals	39	1.01%	1,075,414	0.28%
Other Corporate Holdings	3	0.08%	3,369	0.00%
Pension Fund	24	0.62%	12,869,369	3.34%
Total	**3,847**	**100%**	**384,974,542**	**100%**

Rank	Shareholder	2018 Number of Shares	% Shareholding
1	African Century Financial Investments Ltd	73,771,114	18.77%
2	ARISE BV	69,142,858	17.60%
3	Africinvest Financial Sector Holding	35,427,111	9.02%
4	Old Mutual Life Assurance Company of Zimbabwe Limited	30,219,348	7.69%
5	Old Mutual Zimbabwe Limited	27,619,798	7.03%
6	Lalibela Limited	22,301,656	5.68%
7	Alsace Trust	16,885,381	4.30%
8	Cornerstone Trust	16,875,582	4.29%
9	Drakmore Investments (Private) Limited	10,962,712	2.79%
10	Martcap Investments (Private) Limited	7,728,231	1.97 %
	TOTAL	**310,933,791**	**79.13%**

Rank	Shareholder	2017 Number of Shares	% Shareholding
1	African Century Financial Investments Ltd	71,207,639	18.50%
2	ARISE BV	69,142,858	17.96%
3	Africinvest Financial Sector Holding	34,571,429	8.98%
4	Old Mutual Life Assurance Company of Zimbabwe Limited	28,674,073	7.45%
5	Old Mutual Zimbabwe Limited	26,557,498	6.90%
6	Lalibela Limited	21,526,695	5.59%
7	Alsace Trust	16,885,381	4.39%
8	Cornerstone Trust	16,875,582	4.38%
9	Wamambo Investments Trust	13,545,247	3.52%
10	Drakmore Investments (Private) Limited	10,962,712	2.85%
	TOTAL	**309,949,114**	**80.51%**

SHAREHOLDERS' INFORMATION

MEMBERS' DIARY

Financial year end	**31 December 2018**
Reports:-	
- Announcement of annual results	April 2019
- Annual financial statements posted to shareholders	April 2019
- Annual General Meeting	23 May 2019
- Announcement of the 2019 half-year results	August 2019

SECRETARY AND REGISTERED OFFICE

Company Secretary S. I. PASHAPA

Registered Offices

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

Telephone: +263 242 759651-9 / 759601-6
Facsimile +263 242 759648
Website: **http://www.nmbz.co.zw**
Email: enquiries@nmbz.co.zw

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

+263 29 270169
+263 29 268535

Auditors

Ernst & Young Chartered Accountants (Zimbabwe)
1st floor, Angwa City
Corner Angwa Street / Kwame Nkrumah Avenue
Harare
Zimbabwe

Transfer Secretaries

In Zimbabwe
First Transfer Secretaries
1 Armagh Avenue
Eastlea
Harare
Zimbabwe

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

Legal Advisors

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

In UK
Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ
United Kingdom

Annual General Meeting Form Of Proxy

NMBZ HOLDINGS LIMITED

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 23 May 2019 at 1500 hours and at any adjournment thereof.

Signed this ………..……….....................……………….….. day of ……………......................…………………………………….2019

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.