# Annual Report

NMBZ Holdings Limited

NMBZ HOLDINGS LIMITED




2022

www.nmbz.co.zw

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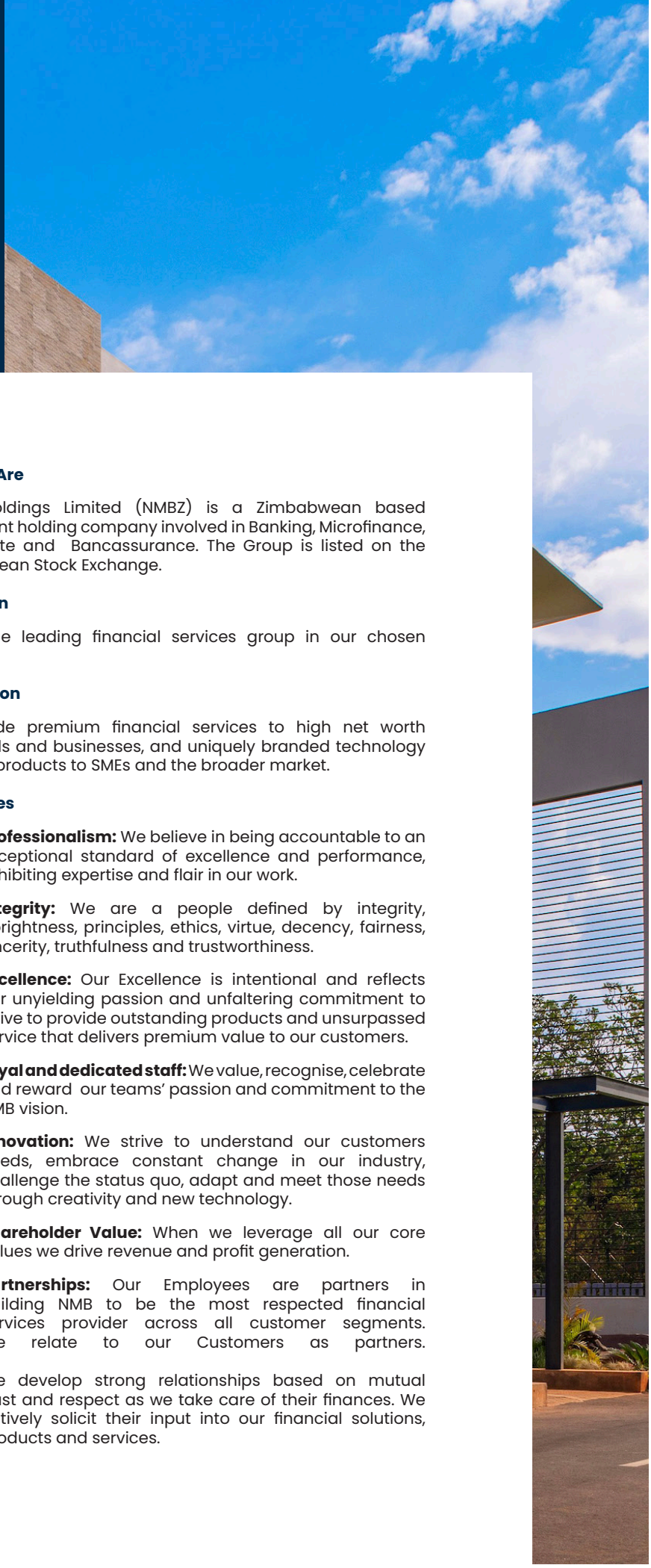
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# About NMBZ Holdings



## Who We Are

NMBZ Holdings Limited (NMBZ) is a Zimbabwean based investment holding company involved in Banking, Microfinance, Real Estate and Bancassurance. The Group is listed on the Zimbabwean Stock Exchange.

## Our Vision

To be the leading financial services group in our chosen markets.

## Our Mission

To provide premium financial services to high net worth individuals and businesses, and uniquely branded technology enabled products to SMEs and the broader market.

## Our Values

- **Professionalism:** We believe in being accountable to an exceptional standard of excellence and performance, exhibiting expertise and flair in our work.
- **Integrity:** We are a people defined by integrity, uprightness, principles, ethics, virtue, decency, fairness, sincerity, truthfulness and trustworthiness.
- **Excellence:** Our Excellence is intentional and reflects our unyielding passion and unfaltering commitment to strive to provide outstanding products and unsurpassed service that delivers premium value to our customers.
- **Loyal and dedicated staff:** We value, recognise, celebrate and reward our teams' passion and commitment to the NMB vision.
- **Innovation:** We strive to understand our customers needs, embrace constant change in our industry, challenge the status quo, adapt and meet those needs through creativity and new technology.
- **Shareholder Value:** When we leverage all our core values we drive revenue and profit generation.
- **Partnerships:** Our Employees are partners in building NMB to be the most respected financial services provider across all customer segments. We relate to our Customers as partners.

  We develop strong relationships based on mutual trust and respect as we take care of their finances. We actively solicit their input into our financial solutions, products and services.

# Our History

**NMBZ Holdings Limited (NMBZ) is a Zimbabwean based investment holding company involved in Banking, Microfinance, Real Estate and Bancassurance. The Group is listed on the Zimbabwean Stock Exchange. Its operations began with the incorporation of National Merchant Bank of Zimbabwe in 1993.**

## Below are the key milestones over the past 30 years:

### 1993

National Merchant Bank of Zimbabwe is born.

### 1997

The Group had a dual listing on the Zimbabwe Stock Exchange and the London Stock Exchange. It was listed on the Zimbabwe Stock Exchange (ZSE) in 1997 and simultaneously admitted to the Official List of the London Stock Exchange.

### 2000

Became NMB Bank.

### 2010

African Century Financial Services Investments, an investment partnership based in the United Kingdom, becomes a shareholder in the bank.

### 2013

In 2013 Norfund; a Norwegian development finance institution, FMO; a Dutch development bank, and AfricInvest, a Mauritian domiciled company became investors.

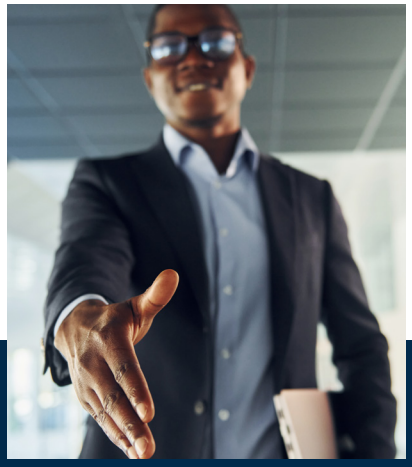
### 2020

#### Transition into the True Digital Bank

- NMBConnect
- NMBConnect Online
- *241#
- Virtual Branch Services
- Self Services Portal
- Sera the Facebook Chatbot
- Loan Automation

# Our Products & Services

**NMBZ through its subsidiaries, offers a wide array of products to individuals, companies, non-governmental organisations and other institutional clients.**





### Business Banking

- Overdrafts
- Acceptance Credits
- Short-Term Loans
- Commodity Financing
- Bank Guarantees
- Trade Finance
- Leasing Products
- Project Finance
- Order Finance
- Bill Discounting
- Structured Finance.

### Bancassurance

- Home insurance
- Travel Insurance
- Funeral Cover
- Business Insurance
- Buildings Insurance
- Plant, Machinery and Content Insurance
- Stock Insurance
- Money insurance
- All Risk Insurance
- Business Interruption Insurance
- Accounts Receivable Insurance
- Glass insurance
- Electronic equipment Insurance
- Fidelity Insurance
- Personal Accident Insurance
- Goods in transit Insurance
- Crop Insurance
- Motor Traders Insurance
- Motor Traders insurance

### Consumer Banking

- Personal Current Accounts
- Personal Savings Accounts
- Business Current Accounts
- Business Savings Accounts
- Safe Custody
- DSTV payments
- Staff loan schemes
- Equity Release Loans
- MTA Services

### Real Estate Services

- Valuation Services
- Land Development
- Property Construction
- Property Management

### Microfinance

- Working capital loans
- Order Financing

### Treasury and International Banking

- Money Market Investments
- Letters of Credit
- Exchange control services.
- Offshore trade finance

## Our Products & Services (continued)

# NMB Connect Online Digital Bank




- Simplified self-registration
- Instant digital password reset
- Digital One-Time-Password (OTP) on every login for enhanced security
- Bulk Payments Processing
- Integrated Customer Dashboard displaying linked accounts, balances and recent activity
- Funds transfer through Own Transfer, Internal transfer, RTGS and ZIPIT [ ZWL]
- Nostro Internal and RTGS transfers
- RTGS reference numbers received on email in 3 minutes
- Pay ZIMRA obligations
- Bill payments to registered billers
- School fees payments to registered schools
- View your current loans with the Bank
- Access Virtual Branch for paperless cash withdrawals and deposits
- View, print, send and download digitally stamped proof of payment
- Get IMT Tax exemptions after being vetted and automatic exemption for similar future transactions
- Airtime purchase for Netone, Telecel, Econet
- Add, edit or delete beneficiary
- Download full statement

# Our Branch and Agency Network

NMB Bank Limited has branches 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** - NMB Head Office, 19207 Liberation Legacy Way, Borrowdale, Harare

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

**Chinhoyi** - 469 Magamba Way, Chinhoyi

**Gweru** - 36 Robert Mugabe Road, Gweru

**Head Office** - NMB Head Office, 19207 Liberation Legacy Way Borrowdale, Harare

**Joina City** - Shop 105A, First floor, Joina City Corner Jason Moyo / Innez Terrace, Harare

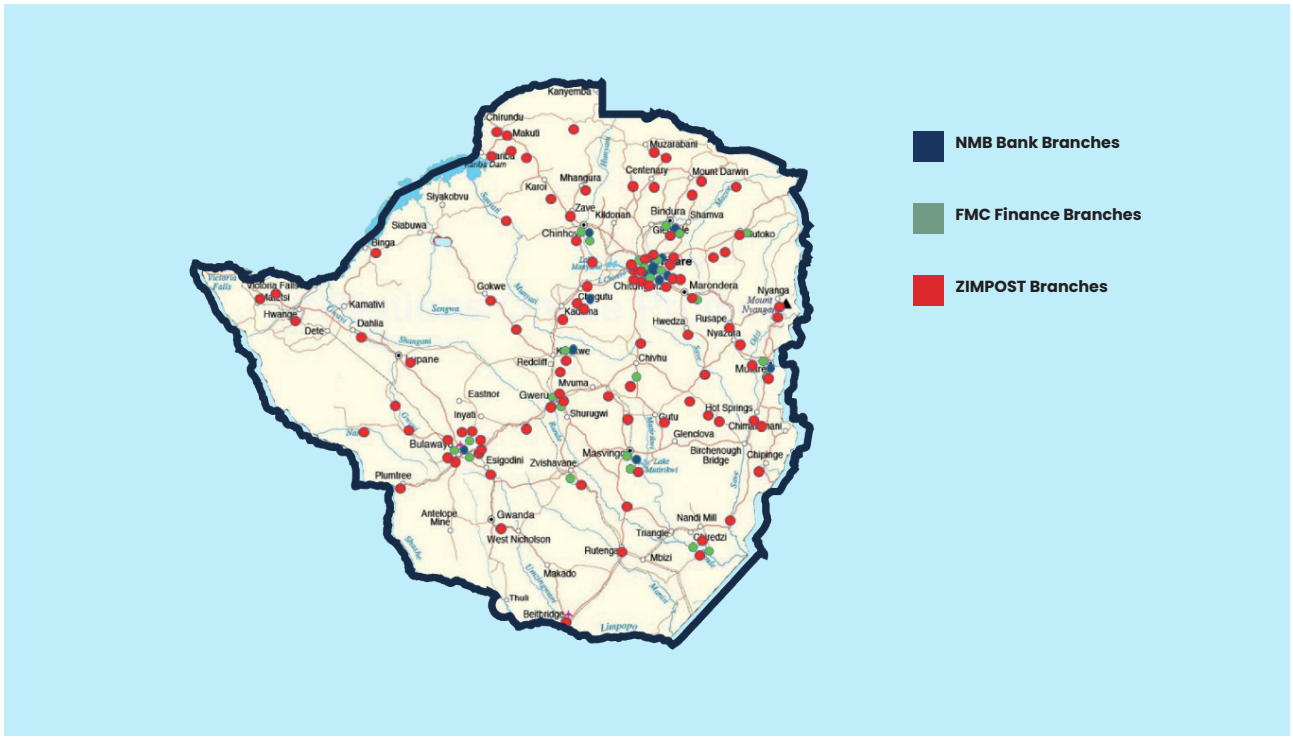
**Masvingo** - Stand no. 377 Robert Mugabe Way, Masvingo

**Msasa** - 77 Amby Drive, Harare

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

**Southerton** - 7 - 9 Plymouth Road, Harare

**The bank has entered into agency relationships with Zimpost & FMC where customers can access selected services across over 100 branches countrywide. Below is the branch and agency network across the country:**



# Chairman's Statement

for the year ended 31 December 2022

**INTRODUCTION**

The year 2022 started with the relaxation of Covid 19 restrictions and the opening up of borders and air spaces, resulting in steady recovery of the local economy. Despite the drought experienced in 2021, the local economy was estimated to grow by 4% in 2022 on the back of improved performance in agriculture and mining sectors. The global economy experienced sharper than expected slowdown as inflation, tightening financial conditions in most developed regions, the Russia Ukraine Conflict and the lingering Covid-19 effects weighed heavily on the outlook.

**Operating Environment**

The economy continued to show signs of resilience and recovery in spite of the challenges experienced especially during the first half of the year which saw month-on-month inflation reach a peak of 30.7%. However, timely intervention by the authorities through the mid-term Monetary Policy Statement in July, resulted in an improved macroeconomic environment. The measures included the hiking of interest rates to curtail speculative borrowing and issuance of gold coins as an investment option which both resulted in inflation dissipating as well as general stability in prices and the exchange rate. Following the implementation of various measures, month-on-month inflation significantly dropped to 2.4% and exchange rate premiums averaged 20% as of December 2022

Notwithstanding the economic headwinds, foreign currency receipts reached a record high of USD 11.6 billion as of December 2022 compared to USD 9.8 billion recorded the previous year. Exports accounted for 64% of foreign currency receipts with international remittances contributing 25%, loans 9%, income receipts 1% and foreign direct investments (FDI) 1%.

**Global Economic Developments**

The global economy is projected to grow by 2.3% in 2023, compared to 3.3% in 2022, weighed down by elevated inflationary pressures, high cost of capital, ongoing geopolitical tensions in Europe coupled with the resurgence of the Covid 19 pandemic in Asia. The slowdown in economic activities in Asia and Europe will have profound implications for emerging and developing economies.

**GROUP RESULTS**

**Financial Performance**

The Group delivered strong operational and financial performance in 2022, driven by the implementation of our growth strategy.

Operating income increased from ZWL 23.9 billion to ZWL 41.9 billion for the year ended 31 December 2022, largely driven by continued growth in transaction volumes and values during the period under review. Comprehensive income for the period amounted to ZWL 12.5 billion (Dec 2021 ZWL 7.7 billion).

The Group achieved profit after tax amounting to ZWL 12 billion compared to ZWL 6.4 billion for the previous year representing a growth of 69%. Basic earnings per share amounted to 3014 cents (Dec 2021 –1592 cents).

Inflation pressures as well as the deteriorating exchange rate continued to pause a challenge on operating costs. This led to an increase in costs by 57% from ZWL 12.1 billion for the year ended 31 December 2021 to ZWL 19 billion for the current period. The Group continues to focus on revamping its process to increase efficiencies with the use of robotic process automation being key among other various initiatives.

**Financial Position**

The Group closed the year with total assets of ZWL 135.3 billion, up 34% from ZWL 100.9 billion as at 31 December 2021, funded by strong growth in customer deposits and new credit lines signed during the year. Customer deposits increased by 48% reflecting the banking subsidiary's efforts in deepening existing liability relationships while acquiring new relationships.

The Group's investment property portfolio was valued at ZWL 22.6 billion as at 31 December 2022 while property and equipment stood at ZWL 17.6 billion. The revaluation gains largely reflect the changes in the macro-economic environment and a deliberate strategy by the bank to preserve value for shareholders.

Loans and advances stood at ZWL 46.3 billion as at 31 December 2022. The banking subsidiary maintained a high-quality loan book, closing the year with an NPL ratio of 1.09%

The Bank maintained a sound liquidity position with a liquidity ratio of 50% and this was above the statutory minimum of 30%.

**Capital**

The capital adequacy ratio of the banking subsidiary remained strong at 25.29% compared to a regulatory minimum of 12%. The subsidiary maintained adequate capital levels to cover all risks and was compliant with the minimum capital of the equivalent of USD 30 million.

**DIVIDEND AND SHARE BUYBACK**

An interim dividend of 45 cents a share was declared as at 30 June 2022 and paid out subsequent to that. For the second half of 2022, the company is declaring a final dividend of 284 cents per share to bring the total dividend for the year 2022 to ZWL 1.33 billion.

During the year, the Bank successfully completed a ZWL 206 million off-market share buy-back following approval by shareholders in May 2022. Overall, we have returned above ZWL 1.5 billion to our shareholders over the past 12 months through buy-backs and dividends. A separate detailed notice to shareholders will be issued in this regard.

**BLOCKED FUNDS**

The banking subsidiary owed USD 13,840,412 to various line of credit providers as at 31 December 2022. In line with section 52 of the Finance Act no 7 of 2021, the Bank received Government-backed zero-coupon Treasury Bills amounting to USD 9,644,148 by 31 December 2022. The rest of Treasury Bills amounting to USD 4,196,264 were received subsequent to year end.

**DIRECTORATE**

Mr. Charles Chikaura and Ms. Sabinah Chitewe retired as directors of the Company effective 24 June 2022. I thank them for their sterling work during their tenure. The two outgoing directors were ably replaced by Mrs. Emilia Chisango who was appointed to the Board on 26 May 2022 and Mr. Dzingira Matenga who was appointed to the Board on 19 July 2022. We look forward to their contribution.

**OUTLOOK**

The Group will focus on disciplined execution of its strategy which is anchored on broadening the Group structure and diversifying sources of income. The Group will leverage on technology to deliver robust digital platforms and effectively deliver convenient financial solutions to its customers. Raising of credit lines remains a key focus area as we continue to fund export oriented productive sectors of the economy as part of our drive to support the growth of the Zimbabwean economy.

**APPRECIATION**

I thank our valued clients, depositors, shareholders, regulatory authorities and other key stakeholders for their continued support. To my fellow board members, management and staff, I extend my heartfelt gratitude for their continued diligence, dedication and relentless efforts which have culminated in the achievement of these commendable results.



**MR. B. A. CHIKWANHA**
**CHAIRMAN**
**22 MARCH 2023**

# Chief Executive Officer's Report

for the year ended 31 December 2022

**INTRODUCTION**

In my first year in office, we rolled out a bold growth strategy with Group diversification taking centre stage. The Bank, which was the only functional subsidiary, is now complemented by other operations namely a Property Development Company and Microfinance Division. A broadened group structure, gives us a vantage position to participate in multiple sectors and maximize on pockets of opportunities that exist in the different spaces. The Bank continued to pursue a digital bank model with a number of innovation and enhancements on our platforms. We complimented our Digital thrust by launching an Agency Network after partnering with Zimpost. This means NMB Bank services can now be accessed in over 100 of Zimpost branches. The bank's growth trajectory was recognised in the market with NMB being awarded the Overall Best Performing Bank in the year 2022.

During the first half of the year, the macro-economic environment was characterized by increasing inflation and a deteriorating exchange rate. These were however reigned in after the authorities put in place a raft of measures to contain money supply and curb speculative behavior in the economy. Consequently, year-on-year inflation closed the year on 243.7%, while month-on-month inflation averaged 2.4%. The exchange rate ended the year at USD / ZWL 684.3339.

**PERFORMANCE REVIEW**

The year 2022 presented great opportunities which the Group took advantage of to deliver strong operational and financial performance. The Group achieved total comprehensive income of ZWL 12.5 billion, which was a 62% increase compared to ZWL 7.7 billion for the previous year. There continues to be pressure on operating costs which have increased by 57% from ZWL 12.1 billion for the year ended 31 December 2021 to ZWL 19 billion for the current year.

The banking subsidiary had two new off shore funding opportunities in which it signed two credit lines during the year, European Investment Bank EUR12.5 million and Trade and Development Bank line of USD 10 million. This saw the Bank's loan book increasing by 40% to end the year at ZWL 46.3 billion compared to ZWL 42.5 billion in 2021.

**BUSINESS REVIEW**

The banking subsidiary continued to make inroads into new markets and cement relationships with existing clients through the following main business units.

**Digital Banking**

NMB Bank Limited continues to focus on extending its leadership in technology and innovation, building trusted relationships, and developing differentiated products and services to create more value for customers. Our entire customer journey is fully digitized, from account opening, transacting and even cash operations.

Our digitized banking process have enabled us to offer unparalleled convenience to our customers. In 2022, we handled transactions worth over ZWL 400 billion, compared to ZWL 170 billion the previous year. Our mobile banking platform saw 216% growth in volumes from 4.6 million transactions in 2021 to 14.7 million transactions in 2022. The Digital banking division continues to be seized with developing solutions to address customer pain points. The division contributed gross income amounting to ZWL 7.3 billion in 2022.

**Consumer Banking**

Through the Consumer Banking and Value-Added Services (CBVAS) unit, the Bank continues to focus on delighting and serving our customers by providing simple, convenient and affordable banking, insurance and payments services. CBVAS also includes the digital banking services offered through the use of our USSD (*241#) and NMBConnect platform, to enable our personal and Excellence customers to help them manage their everyday banking needs. CBVAS contributed gross income amounting to ZWL 9.6 billion for the year ended 31 December 2022.

**Geographical Representation**

To complement our physical reach through our branches, the bank entered into an agency banking relationship with Zimpost. This has seen the bank increase its geographical reach to have one of the most expansive networks in the country, from 13 branches to 119 branches and agencies. We believe such partnerships are key for us to deliver services that require a physical touch point. The agency arrangement has also assisted in decongesting our branches, complemented by our efficient digital service delivery platforms.

**Business Banking**

Our Business Banking division continued to be strongly focused on supporting export growth, agricultural production, infrastructure development and productive sector operations. We delivered several highs as we saw impressive contributions on deposits and loans from new business underwritten. The exporters' book continues to grow through various partnerships created during the financial period in particular the foreign credit lines. We deployed part of our lines of credit funding to support the horticulture sector. We are also leveraging the strength in Food and Agriculture of one of our indirect shareholders, Rabobank (part of Arise B V) to support our farming and agriculture customers. Our lending growth was above set targets and our focus on responsible practices ensures that both the Bank and its customers achieve sustainable growth.

**STRATEGIC PRIORITIES**

In pursuit of our exponential growth aspiration, the Group's diversification thrust gathered momentum. The Group now has a new subsidiary to add to the bank, namely the Property Development Company. The banking division also diversified its operations as we setup a Microfinance division with the aim of providing more focused services to individuals and micro businesses. A Technology Services division was also set up and is in various discussions with a number of banks in the region where we will become their technology partner to drive their digital transformation agenda. This will be an additional source of foreign currency earnings for the Group. The new subsidiary and divisions have opened up new markets for the Group and have a clear vision on how to establish themselves as formidable players in their domains. Capital allocation was key and the new businesses were capitalised organically. All the Group's subsidiaries are adequately capitalised and capacitated to pursue their strategic goals.

Strengthening our core banking business, geographical representation were some the areas that received due attention. The banking business continued to leverage on technology to deliver service more efficiently as we on-boarded more billers, introduced payment services like airtime/data purchase and rolled out an agency banking system. The innovation on agency banking enabled us to seamlessly on-board the Zimpost agency partnership. The banking subsidiary also increased it digital workforce as we deployed more robots largely in the accounts reconciliation space via our Robotic process Automation section. The banking subsidiary is now focused on ensuring a comprehensive package of products is offered through the agency network for the convenience of customers.

The main drivers for setting up these particular subsidiaries are income diversification, maximum utilisation of skills and capacity within the Group, efficient use of capital and value preservation. All the subsidiaries will leverage the Group's digital capabilities and superior customer services.

**CORPORATE SOCIAL INVESTMENTS AND SUSTAINABILITY**

The Corporate Social Investment thrust of NMB Bank Limited during the period under review was directed towards the development of children, women in business and vulnerable members of society. In 2022, the Bank introduced the Skills for Success program that aims to bridge the soft skills gap and better prepare the country's future workforce. The program partners local high schools and institutions dealing with the betterment of children and youth to offer relevant career guidance.

The bank's support for KidsCan Zimbabwe continued this year. Further, a luncheon was held for vulnerable children in conjunction with Friends of Dzikwa Trust where various items were donated. Friends of Dzikwa Society (FODS) is a sister organization to Dzikwa Trust Fund and is responsible for fundraising for Dzikwa Trust activities. The Trust Fund supports gifted orphans and vulnerable children in Dzivarasekwa and also feeds the vulnerable with their kitchen serving up to 650 mouths on average per day.

**OUTLOOK AND STRATEGY**

The operating environment is expected to remain challenging but also with some pockets of growth opportunities. Running an efficient and cost effective business will be key in this environment and agility to move and close in on the opportunities remains key. The Group has capabilities to take advantage of the opportunities presented by the environment and manage the attendant risks. The Bank was successful in raising lines of credit in the previous year and we are looking forward to draw on more lines. The Group diversification drive will gather momentum in the coming year as we fully operationalize the new subsidiaries.

**APPRECIATION**

I thank the NMB Bank team, Board and shareholders for their immense support during my first year in office. I am sincerely grateful to our valued clients, funding partners, shareholders, stakeholders and regulatory authorities for their various contributions in our pursuit of delivering on our vision.



**MR. G. GORE**
**CHIEF EXECUTIVE OFFICER**
**22 March 2023**

# Report of the Directors

for the year ended 31 December 2022

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2022.

## 1. SHARE CAPITAL

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

1. Authorised: 600 000 000 ordinary shares of ZWL0,00028 each.
2. Issued and fully paid: 404,397,333 ordinary shares of ZWL0,00028 each. 302 424 share options were exercised during the year.

## 2. GROUP ACTIVITIES AND RESULTS

The Group's total comprehensive income was ZWL 12.5 billion for the year ended 31 December 2022 (2021 – ZWL 7.7 billion).

## 3. CAPITAL ADEQUACY

As at 31 December 2022, the Bank's regulatory capital adequacy ratio was 24.88% (Historical – 24.83%) (2021 – 34.58% in inflation adjusted terms).

## 4. DIRECTORATE

### 4.1. Board of Directors

As at 31 December 2022, the following were the Directors of the Company.

| | |
|---|---|
| Mr. B. A. Chikwanha | Independent Non-Executive Director (Chairman) |
| Mr. G.Gore* | Chief Executive Officer |
| Mrs. M. Chipunza* | Chief Finance Officer |
| Mr. J. de la Fargue | Non-Executive Director (representing African Century) |
| Ms. C. Glover | Non-Executive Director (representing Arise) |
| Mr. J. Tichelaar | Non-Executive Director (representing AfricInvest) |
| Ms. J. Maguranyanga | Independent Non-Executive Director |
| Mr. G. Taputaira | Independent Non-Executive Director |
| Mrs. E. Chisango | Independent Non-Executive Director |
| Mr. D. Matenga | Independent Non-Executive Director |

### 4.2. Directors' Interests

As at 31 December 2022, 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:-

| | 31/12/2022 Shares | 31/12/2021 Shares |
|---|---|---|
| Mr. B. A. Chikwanha | 20 800 | 20 800 |
| Ms. J. Maguranyanga | 600 | 600 |
| Mrs. M. Chipunza* | - | - |
| Mr. J. de la Fargue | - | - |
| Ms. C. Glover | - | - |
| Mr. J. Tichelaar | - | - |
| Ms. J. Maguranyanga | - | - |
| Mr. G. Taputaira | 4 540 | 4 540 |
| Mrs. E. Chisango | - | - |
| Mr. D. Matenga | - | - |
| | 25 940 | 25 940 |

*Mr. J. de la Fargue represents African Century Financial Investments Limited which holds (78 247 632 shares), Ms. C. Glover represents Arise which holds (73 338 528 shares) and Mr J. Tichelaar represents AfricInvest which holds (37 576 870 shares) in NMBZ Holdings Limited.

## 5. CORPORATE GOVERNANCE APPROACH

The Board of NMBZ Holdings Limited continues to align its internal governance practices to local and international best practice including the National Code of Corporate Governance in Zimbabwe (ZIMCODE) and the King IV Report. The Board has adopted the National Code of Corporate Governance in Zimbabwe as its primary code of governance. The Board is committed to the principles of accountability, integrity, transparency, sound ethical practices and professionalism. As such the Board continues to actively work towards balancing the interests of all its stakeholders, including its shareholders, customers, employees, regulators, suppliers and the communities in which we work in.

Our management approach remains that of ensuring prudence, compliance with international best practice and sustainability are key considerations for management as they work to deliver value to our shareholders and all other stakeholders.

### 5.1. Stakeholder Communication

The Board of Directors and Executive Management of the Group communicate with the Company's stakeholders through various platforms including the Annual General Meeting, press announcements of interim and final results as well as of key developments within to shareholders, investor and analyst briefings were possible and Annual Reports. Through online platforms including the Company website, the Group disseminates financial and operational information to its stakeholders.

### 5.2. Share Dealings

The Company has a share dealing policy which precludes directors and staff from dealing in the shares of the Company, whether directly or indirectly, during the closed period being the period one month before the half year or financial year end up to the publication of the half year or full year financial year end results. Directors and staff are also precluded from dealing in the shares of the Company whenever they are aware of negotiations, discussions or information which may have a bearing on the share price. In line with the ZSE Listing rules, share dealings by Directors and Executive / Senior Management are declared to the Zimbabwe Stock Exchange.

### 5.3. Declarations of Interest

All Directors are required to declare any actual, potential or perceived conflict of interest that may compromise their judgment, decision or actions. Declaration of interests is a standing agenda item at all board meetings. It is also a requirement of the Banking Act that Directors complete and file with the Company a Declaration of Interest form. During the year under review all Directors submitted their Conflict of Interest Declaration forms in line with the Banking Act. Directors shareholding interests in NMBZ Holdings Limited are disclosed in the Report of Directors on page 7.

### 5.4. Directors' Remuneration

The remuneration packages for Executive Directors are determined by the Human Resources, Remuneration & Nominations Committee. The salary packages primarily consist of a basic salary, performance based bonus and share options which are meant to be a retention mechanism.

The remuneration of Non-Executive Directors is subject to the approval of shareholders. The non-executive directors' remuneration for the year under review will be presented to the shareholders for their approval.

### 5.5. Governance Framework

The board has developed a Corporate Governance Manual which forms the backbone of the group's governance structures. The manual provides the guidance for promoting the very highest standards of corporate governance within the group. It sets out our practices for implementing the corporate governance provisions required by law, regulation and best practice. As part of its corporate governance structures, the group has board committees including the Audit, Risk Management & Compliance, Credit, Loans Review, Asset & Liability, Information Technology and Human Capital, Remuneration & Nominations Committees, which are standing committees that assist the board in the discharge of its duties. The board also has a Board Charter details of which are discussed below. The Corporate Governance Manual also clearly defines the roles and responsibilities of the Board Chairman, the Board of Directors and those of the Chief Executive Officer, creating a balance of power and authority and ensuring that no one individual or group of individuals has unfettered decision making powers.

### 5.6. The Board's role

The Board is responsible to all its stakeholders for creating and delivering sustainable value through the management of the group's business. It is responsible for determining the strategic direction of the group and for approving the relevant policies to deliver such long-term value. The board provides overall strategic direction within a framework of rewards, incentives and controls. The Board ensures that management strikes an appropriate

# Report of the Directors (continued)

for the year ended 31 December 2022

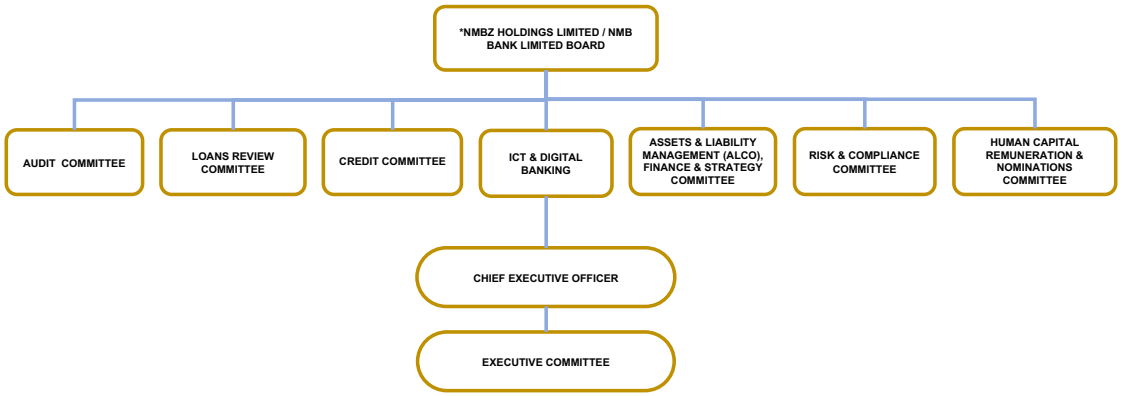
balance between promoting long-term growth and delivering short-term objectives. The Board demonstrates ethical leadership and promotes the company's collective vision of the company's purpose, values, culture and behaviours. The Directors lead by example and ensure that good standards of behaviour permeate throughout all levels of the group.

### 5.7. The Board's Key focus areas

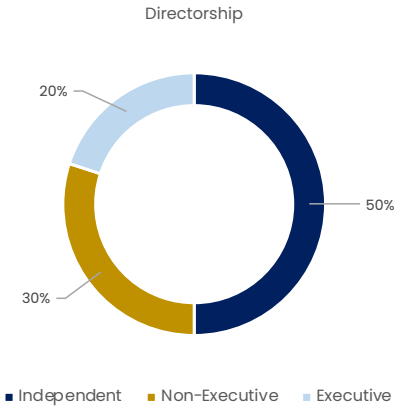
The Board meets quarterly to monitor the performance of the group and its management as well as to discuss the strategic direction of the group. The Board retains the responsibility to ensure good governance practices are applied throughout the group. It retains some matters for its determination and has delegated specific responsibilities to Board Committees which operate within well-defined terms of reference as summarised below.

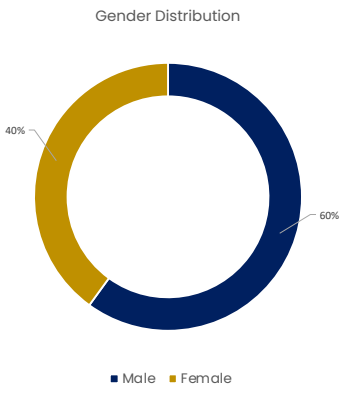
The Board of Directors is responsible for setting the strategic direction of the Company. Further, the Board is responsible for proactively engaging with the Company's Executive Management to test, challenge, improve and monitor the implementation of the Company's strategy, to oversee the performance of Executive Management, to provide challenge, counsel and support to Executive Management, to receive reports from Executive Management on the performance of the Company and to provide challenge to action taken by Executive Management. The board is also responsible for the implementation of enterprise risk management through ensuring the implementation of adequate controls, processes and policies which enable risk to be appropriately identified and managed.

## 6. BOARD STRUCTURE




*As NMB Bank Limited is the only operating subsidiary of NMBZ Holdings Limited, the Group obtained regulatory approval to have one Board for the two entities.




**Diversity**

The NMBZ Holdings Board endeavors to maintain an appropriate balance of diversity in terms of race, gender, age, geographical location, educational knowledge, skills and experience to ensure robust input, governance and decision making. The NMBZ Holdings board is diverse being comprised of five independent non-executive directors, three non-executive directors and two executive directors. Female directors make up 40% of the Board. The board is chaired by an independent non-executive director. The directors ages range from 40 to 80 years of age. Three of the directors are based outside Zimbabwe while seven of the directors are locally based. The directors educational background, skills and experience include banking, law, accounting, information technology, risk management, marketing, corporate finance, real estate and project management among other areas. It is the Board's view that the board size and the skills mix is appropriate for the size and nature of business the Company is involved in.

There were no changes at executive management level during the course of the year under review. Two independent non-executive directors retired at the 2022 Annual General Meeting and they were replaced by two independent non-executive directors who were appointed during the course of the year.

**Board Chairman**

The Board Chairman provides leadership to the Board and manages the business of the Board through setting its agenda and taking full account of issues and concerns of the Board. He actively works to establish and develop an effective working relationship with the Chief Executive Officer and Executive directors and to drive improvements in the performance of the Board and its committees through feedback derived from the annual board evaluation process which is communicated to directors and is used to develop an action plan to improve board performance. The Chairman's other roles include to assist in the identification and recruitment of talent to the Board and to proactively manage regulatory relationships in conjunction with Executive Management where appropriate.

**Chief Executive Officer**

# Report of the Directors (continued)

for the year ended 31 December 2022

The Chief Executive Officer is responsible for providing strategic and operational leadership in all areas of the Company. His responsibilities include but are B532not limited to driving the transformation agenda of the group to reach its strategic aspirations, providing credible and agile leadership to the Executive and Senior Management team, setting long term and short-term business goals and holding individual executive and senior management team members to account. The Chief Executive officer is also responsible for ensuring high employee engagement levels and a culture which enables customer focus and optimum performance, ensuring delivery of effective people processes including talent management, succession planning, performance management and reward, ensuring that the Board is fully informed on all relevant matters, ensuring the Group maintains good relationships with regulatory and government agencies and effective relationships with its customers and ensuring that the Group maintains sound and adequate risk management structures and adequate internal controls and is compliant with all relevant regulatory and internal compliance requirements.

**Board Charter**

The Board Charter sets out the roles and responsibilities of the Board, its scope of authority, and the structures through which the Board operates. The Board Charter is reviewed on an annual basis to ensure that the Board remains aligned to its requirements and to allow Directors an opportunity to refresh their memories on its provisions. The Board is responsible for providing entrepreneurial leadership, to set strategy, to ensure that human and financial resources are available to achieve set objectives, to review management performance, to set the company's values and standards and to ensure that obligations to shareholders and other stakeholders are understood and met. The Board Charter clearly defines the role of the Board Chairman which is separate and distinct from that of the Chief Executive Officer as well as the responsibilities of Directors.

| Committee | Members | Summary Roles & Responsibilities |
|---|---|---|
| Audit Committee | E. Chisango (Chairperson)<br>J. Maguranyanga<br>G. Taputaira | 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. The Committee is responsible for the selection, compensation, and performance review 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. The external auditors, Chief Finance Officer and Internal Auditor 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. |
| Credit Committee | E. Chisango (Chairperson)<br>B.A. Chikwanha<br>J. de la Fargue<br>G. Gore | The Credit Committee's main responsibilities are to consider loan applications beyond the discretionary limits of the Executive Credit Committee and to direct the formulation of, review and monitor the credit principles and policies of the Group.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. |
| ALCO & Finance | D. Matenga (Chairperson)<br>J. de la Fargue<br>C. Glover<br>J. Tichelaar<br>G. Gore<br>E. Chisango<br>M. Chipunza | 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. The Chief Risk Officer and Head of Treasury 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. |
| Loans Review | J. Maguranyanga (Chairperson)<br>G. Taputaira<br>D. Matenga<br>J. Tichelaar | 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. The Chief Banking Officer and Chief Risk Officer 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. |
| Human Capital, Remuneration & Nominations Committee | J. Maguranyanga (Chairperson)<br>E. Chisango<br>B. A. Chikwanha<br>J. de la Fargue<br>J. Tichelaar<br>C. Glover | The committee is responsible for setting the Group's remuneration philosophy and reviews the overall remuneration structures of the Group, including all material remuneration proposals and packages for Executive Directors and senior personnel. The committee is also responsible for the nomination, election and appointment of board members. The group's remuneration policy is to provide remuneration packages that attract and retain high performing individuals. The group's remuneration package is primarily made up of basic salaries, share options and performance related bonuses. 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. |
| Risk & Compliance Committee | D. Matenga (Chairperson)<br>G. Taputaira<br>J. de la Fargue<br>C. Glover<br>J. Maguranyanga | The Risk and Compliance Management Committee oversees the quality, integrity and reliability of the Group's enterprise risk management systems and reviews all group-wide risks. The Chief Executive Officer, Chief Risk Officer and Head of Compliance 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. |
| ICT & Digital Banking Committee | G. Taputaira (Chairperson)<br>B.A. Chikwanha<br>D. Matenga<br>C. Glover<br>J. Tichelaar<br>G. Gore | The IT & Digital Banking Committee provides governance and oversight on the technology-related investments, operations and strategies and their alignment with the Bank's overall strategy. It also oversees the Bank's technology risk management and security framework and its effectiveness (in conjunction with the Risk & Compliance Committee). The Chief Technology Officer, Chief Risk Officer and Head Digital Banking 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. |
| Executive Committee | Executive & Heads of Departments | The role of the Executive Committee is to assist the Chief Executive Officer in the performance of his duties and in dealing with the day to day activities of the Group's business including development and implementation of the strategy, business plans and annual budget as approved by the Board, development, implementation and monitoring of policies and procedures as approved by the Board, assessment and management of risk, prioritisation and allocation of resources and management and development of talent. |

# Report of the Directors (continued)

for the year ended 31 December 2022

**Directors Attendance Register**

| NAME OF DIRECTOR | | MAIN BOARD | AUDIT | CREDIT | ALCO & FINANCE | LOANS REVIEW | HUMAN CAPITAL, REMUNERATION & NOMINATIONS | RISK & COMPLIANCE | ICT & DIGITAL |
|---|---|---|---|---|---|---|---|---|---|
| No. of Meetings Held | | 6 | 6 | 4 | 4 | 4 | 4 | 4 | 4 |
| B A Chikwanha | I | 6 | N | 4 | N | N | 4 | N | 4 |
| C Chikaura* | I | 2 | 4 | 2 | 1 | N | 2 | 2 | N |
| S Chitehwe* | I | 3 | 4 | N | 2 | 2 | N | N | 2 |
| D Matenga** | I | 2 | N | N | 2 | 2 | N | 2 | 2 |
| E Chisango*** | I | 3 | 2 | 2 | 2 | N | 2 | N | N |
| G Taputaira | I | 6 | 6 | N | N | 4 | N | 4 | 4 |
| J Maguranyanga | I | 6 | 5 | N | N | 4 | 4 | 4 | N |
| C Glover**** | NE | 6 | N | N | 4 | 2 | 2 | 4 | 4 |
| J Tichelaar | NE | 5 | N | N | 4 | 3 | 3 | N | 2 |
| J de la Fargue | NE | 6 | N | 4 | 4 | N | 4 | 3 | N |
| G Gore | E | 6 | N | 4 | 4 | 4 | 4 | 4 | 4 |
| M Chipunza | E | 6 | N | N | 4 | N | N | N | N |

**KEY**

| | | | |
|---|---|---|---|
| N = Not a Member | I = Independent Non-Executive Director | NE = Non-Executive Director | E = Executive Director |
| * = Executive Director | | | |

* C. Chikaura and S. Chitehwe retired from the Company with effect from 24 June 2022

** D Matenga joined the board with effect from 19 July 2022.

*** E. Chisango joined the board with effect from 26 May 2022.

**** C. Glover stepped down from the Loans Review Committee and became a member of the Human Capital, Remuneration & Nominations Committee in July 2022.

**Continuous Professional Development**

Continuous professional development remains a key focus area for the Board, meant to support Directors to meet the continually evolvingdemands of our regulatory, economic and business environment and to ensure that the Directors are equipped with the relevant knowledge and skills to oversee the implementation of the Company's strategic objectives. During the year under review, two of the bank's independent non-executive directors were enrolled on the Oxford Leading Sustainable Corporations Programme, a six week programme focused on business sustainability beyond traditional views of measuring and reporting on performance, to integrate environmental, social, and corporate governance (ESG) factors into our business practice.

**Board Meetings**

The Board holds meetings on a quarterly basis and as and when necessary to do so. The Board Meetings Calendar is set and approved in advance. During the year under review the Board held 6 meetings, four set meetings in each quarter and two ad hoc meetings. As the world recovered from the Covid-19 pandemic and returned to 'normalcy' the meetings were held physically and where directors could not attend the meetings in person they had the option to attend the meetings virtually. The focus areas for the Board during the year included strategy, businesscontinuity, financial performance, risk management and governance. The Board Chair aims to ensure that adequate time is allocated to each agenda item to allow for thorough debate and challenge during meetings. It is a tenet of the Board that all Directors be allowed to independently exercise their judgment and to actively participate during meetings. To assist the Board in the discharge of its duties, management prepare comprehensive reports for Board and Committee meetings which are circulated in advance of the meetings to allow Directors to have timely and up to date information which they use in their decision making. Further, Executive and Senior management attend meetings by invitation and attest to the adequacy and accuracy of information submitted to the Board.

**Annual Board Evaluation**

Board and Director evaluations are useful in that they assist the Board and Senior management to identify potential opportunities and areas for improvement, provide a platform to remind Directors of their role and responsibilities, provide Directors an opportunity to confidentially raise any concerns or feedback they may have and provide the Chairperson with an opportunity to address any performance shortfalls / weaknesses in the board or any of its committees. In line with the RBZ Corporate Governance Guideline the Board undertakes an annual performance evaluation. The assessment involves a review of the performance of the Board, the Board Chairperson and Individual Director Performance. A report summarising the evaluation process, the outcome and the action plan arising out of the evaluation is submitted to the Reserve Bank of Zimbabweby the 31st of March each year. The Board conducted its evaluation during the year under review and the evaluation concluded that Board performance was Strong.

**Company Secretary**

The Directors have access to the Company Secretary whose role includes the provision of professional guidance and advice to individual directors and to the Board as a whole. In addition, the Company Secretary is responsible for ensuring that the Board adheres to applicable rules, regulations and procedures and ensures the effective functioning of the Board through a seamless flow of information between the Board and Management. The Company Secretary also reminds the Board of their roles and responsibility to the Company and all its stakeholders.

**Access to Information by Directors**

The Board is entitled to seek information concerning the Company from any Group employee or from any other source. Directors have the right to attend any meeting of any Board Committee, provided that they first seek the permission of the Chairperson of the Committee concerned (which permission shall not be unreasonably withheld) and that the board member so concerned, not being a member of the Committee shall not have a right to vote during such meeting. A board member who attends a Committee meeting of which they are not a member is not entitled to a fee for such attendance.

# Report of the Directors (continued)

for the year ended 31 December 2022

**Professional Advice**

In the discharge of their duties, the Group's Directors are entitled to have access to independent professional advice at the Group's expense where necessary.

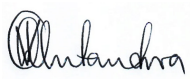
**7. Auditors**

At the forthcoming Annual General Meeting, the shareholders will be asked to authorise the Directors to approve the auditors' remuneration for the year ended 31 December 2022. The Group's external auditors, Ernst & Young served their 5-year term and the Group sought an extensionof the term by a further 2 years which extension was granted by the regulatory authorities and the shareholders during the 2022 Annual General Meeting. The extended term expires at the conclusion of the 2024 Annual General Meeting. The board therefore proposes the appointment of Ernst and Young as the auditors of the Group for the ensuing year until the conclusion of the next Annual General Meeting.

**8. Statement of Compliance**

The Group continues to review and align its governance practices in line with the Companies and Other Business Entities Act [Chapter 24:31] and the Zimbabwe Stock Exchange Listing Requirements Rules SI 34 of 2019 which were both enacted in 2019 and whose implementation is ongoing. In addition to the above, the Group also ensured it complied with the Banking Act [Chapter 24:20], the Banking Regulations SI 205 of 2000, the National Payment Systems Act [Chapter 24:23], the Bank Use Promotion & Suppression of Money Laundering Act [Chapter 24:24] and the Exchange Control Act [Chapter 22:05] as its key regulations. The Board advises that it complied with all relevant regulatory provisions throughout the year ended 31 December 2022.

**By order of the Board**



**Mrs. V. T. Mutandwa**
**Company Secretary**
**Harare**

**22 March 2023**

# Board of Directors



**Benedict Chikwanha – Independent Non-Executive Director (Chairman)**

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



**Gerald Gore – Chief Executive Officer**

Gerald Gore has over 18 years banking experience that spans over digital transformation, risk management, corporate banking, treasury and retail banking. Prior to his appointment as Chief Executive Officer on 1 January 2022, Gerald served as the Deputy CEO since September 2019 as well as Chief Operating Officer since 2015 supporting the CEO in strategy execution and responsible for the Bank's digital transformation. He also served as Chief Risk Officer of NMB Bank. Prior to joining NMB in 2008, he worked for a number of financial institutions in corporate banking, treasury & risk management. Gerald holds a Master in Business Leadership (MBL) from Unisa, MSc in Finance & Investments from NUST, BComm Banking from NUST and an Executive Development Program from Wits Business School. He is also an Alumnus of the USA International Leadership Development Program (IVLP) under emerging African leaders.



**Margret Chipunza – Chief Finance Officer**

Margret is a Chartered Accountant having trained with Deloitte. She is a holder of a Bachelor of Accounting Science degree from the University of South Africa, and a Certified Microfinance Expert with Frankfurt School of Finance and Management. She has over 20 years of experience in the financial services sector, having held senior positions in various financial institutions. She is an alumnus of the Boulder Institute of Microfinance, the School of African Microfinance and the HBS Accion program on Strategic Leadership in Inclusive Finance which is offered by Harvard Business School – Executive Education. Prior to joining NMB Bank, Margret was the Chief Finance Officer of African Century Limited.



**Emilia Chisango – Independent Non-Executive Director**

Emilia Chisango is an independent non-executive director appointed to the board on 26 May 2022. Emilia is a Chartered Accountant with more than 25 years working experience. Emilia spent 21 of those years working in an accounting firm and 6 years working as a Chief Finance Officer / Finance Director in the Telecommunications sector. She holds a Bachelor of Accountancy Honors Degree and a Certificate of Theory in Accounting. Emilia has recorded several firsts in her career, having been the first black female partner in any accounting firm in Zimbabwe and the first female president of the Institute of Chartered Accountants in Zimbabwe. She was selected to represent Zimbabwe in the Fortune /US State Department Global Women's Mentoring Partnership in 2016. Emilia is the founder and currently the Chairperson of Hempac Trading Private Limited.



**Givemore Taputaira – Independent Non-Executive Director**

Givemore Taputaira is an independent non-executive director who was appointed to the NMBZ Holdings Limited and NMB Bank Limited boards on 2 January 2020. Givemore holds a Bachelor of Science General degree and a Masters in Business Administration degree from the University of Zimbabwe. He is both a Certified International Professional Leader (CIPL) and Certified International Professional Strategist (CIPS). Certification is obtained from Cambridge Global Learning in the United Kingdom. Givemore has over 18 years' experience in ICT and Business Development in 7 different countries within Africa. He previously was a board member of CBZ Holdings Limited, wherein he had the opportunity to chair the Risk and Compliance Committee, as well as the Strategy and Innovation Committee at different times during his tenure on that Board. Givemore is currently the Managing Director at Digital Edge Solutions.



**James de la Fargue – Non-Executive Director**

James de la Fargue represents African Century on the Board. He was appointed to the Board on 4 May 2016. 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.

# Board of Directors (continued)



**Christine Glover – Non-Executive Director**

Christine Glover represents Arise B.V. on the Board, having been appointed as a director on 26 June 2019. She has over thirty years of strategic and operational experience in financial services, with a strong focus on low-cost housing and development finance. She recently retired from Old Mutual Investment Group (South Africa), where she was employed as Head of Development Impact Funds for ten years. She has also held several international consulting and executive management roles throughout her career, where she has made an immense contribution to the development of financial services for low-income households. Christine is a qualified town planner and holds a Master's degree in City and Regional Planning as well as an Honours degree in Architectural History.



**Jean Maguranyanga – Independent Non-Executive Director**

Jean Maguranyanga is a lawyer by profession with over 20 years' experience. She was appointed to the Board on 10 July 2015. Jean commenced her career as a Prosecutor in the Ministry of Justice Legal and Parliamentary affairs and moved after one year to Parliament. She worked as a Legal Advisor at the Parliament of Zimbabwe for three years after which she left to study for her Master's Degree in Corporate and Commercial Law. Following the completion of her Master's degree Jean took up a lectureship post with the University of Zimbabwe a position she held for two years. Thereafter, Jean joined the Reserve Bank of Zimbabwe where she served as Legal Counsel and later as Division Chief Corporate Affairs / Bank Secretary for a total period of seventeen years. Currently Jean is a partner at Chinamasa Mudimu and Maguranyanga Legal Practitioners.



**Dzingira Matenga – Independent Non-Executive Director**

Dzingira Matenga is an independent non-executive director who was appointed to the board on 19 July 2022. Dzingira is the founder of Zamlim Investments, a pan-African company with interests in Intelligent Automation and Artificial Intelligence (via its partnership with New York based Workfusion Inc.) as well as a focus on management consulting for clients in South Africa. He is a Managing Director in Accenture SA's Strategy & Consulting Division and is a former Executive Director of Ernst & Young's Africa Consulting practice. Dzingira is a Chartered Management Accountant, a Prince2 Certified Project Management practitioner and holds a BA (Hons) in Accounting and Finance. He has worked extensively across the globe, including 12 years spent working in Europe (UK, Spain, Greece, France, Germany), Asia (Kazakhstan, China) and North America and has spent the past 13 years working across sub-Saharan Africa on mining, power, logistics and financial services engagements. Dzingira was a special advisor to the Rwandan Development Board (2017 – 2018) and has worked closely with many of Africa's Development Finance Institutions as well as major State Owned Enterprises.



**Julius Tim Tichelaar – Non Executive Director**

Julius Tichelaar is a Partner at AfricInvest and represents AfricInvest on the Board. He was appointed to the Board on 31 October 2016. Julius leads investments across Africa in disruptors and traditional financial institutions, with a focus on strategic expansion and digital transformation. Julius has 12 years' experience in private equity with sourcing, structuring and execution of transactions in Africa. Previously, he worked on a predecessor fund for financial services at AfricInvest and on a wide range of transactions in other industries. Julius serves as board member for institutions across East and Southern Africa.Julius holds a Master in Science of Management (Msc) with a specialization in Finance from the Erasmus University in Rotterdam, the Netherlands, and graduated with honors.

# Financial Summary

as at 31 December 2022

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Operating profit before impairment charge and loss on net monetary position | 22 927 602 | 11 860 115 | 30 169 029 | 4 102 729 |
| Total comprehensive income | 12 539 883 | 7 729 056 | 31 302 191 | 3 790 756 |
| Basic earnings per share (cents) | 3 014 | 1 592 | 6 396 | 728 |
| Diluted earnings per share (cents) | 2 939 | 1 574 | 6 237 | 720 |
| Deposits from customers | 53 215 217 | 35 840 230 | 53 215 217 | 10 425 947 |
| Total gross loans and advances | 46 285 257 | 32 948 046 | 46 285 257 | 9 584 609 |
| Total shareholders' funds and shareholders' liabilities | 43 589 169 | 31 026 146 | 39 155 091 | 7 297 154 |

**Enquiries:**

**NMBZ HOLDINGS LIMITED**

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**Margret Chipunza, Chief Finance Officer, NMBZ Holdings Limited** **margretc@nmbz.co.zw**

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NMBAgri

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## Independent Auditor's Report

To the Shareholders of NMBZ Holdings Limited

### Report on the Audit of the inflation adjusted Consolidated and Separate Financial Statements

### Qualified Opinion

We have audited the accompanying inflation adjusted consolidated financial statements of NMBZ Holdings Limited and its subsidiaries (the Group)', as set out on pages 25 to 96, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2022 and the related inflation adjusted consolidated statement of comprehensive income, the inflation adjusted consolidated statement of changes in equity and the inflation adjusted consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the accompanying financial statements present fairly, in all material respects the financial positions of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the manner required by the Companies and Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24:20).

### Basis for qualified opinion

**Matter 1: Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates, IFRS 13 - Fair Valuation Measurement and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors.**

### Impact of the prior year modification on the current year audit opinion and opening balances

*Historical date of change in functional currency*
The Group changed its functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

On date of change in functional currency, management translated elements on the consolidated financial statements using different exchange rates which resulted in a misbalance which was recorded directly in equity as a functional currency translation reserve. This is not in line with the requirements of IFRS.

Management has not restated the prior year amounts in line with the requirements of IAS8, consequently, the corresponding functional currency translation reserve on the inflation adjusted consolidated statement of changes in equity remains misstated statements. Our audit report on the current period's inflation adjusted consolidated financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

***Valuation of investment properties, freehold land and buildings***

In the prior year, the Group valued Investment property and freehold land and buildings using USD denominated inputs and converted to ZWL at the closing auction rate. We believe that applying a conversion rate to a USD valuation to calculate ZWL property values would not accurately reflect market dynamics, as risks associated with currency trading do not reflect the risks associated with the properties.

Management has not made retrospective adjustments to correct this matter, therefore opening balances are incorrect. As opening balances enter into the determination of financial performance, the following elements are impacted on the current year financial statements:

- Revaluation gain (P/L) ZWL537 534 000 (2021: ZWL1 296 512 000)
- Other Income (P/L) ZWL8 075 039 000 (2021: ZWL3 206 818 000)
- Tax expense (P/L) ZWL 4 068 542 000 (2021: ZWL3 074 588 000)

Furthermore, our audit report is modified due to impact of the matter on the following corresponding amounts:

Statement of financial position (prior year amounts)

- Investment properties
- Freehold land and buildings
- Revaluation reserve
- Retained earnings
- Deferred tax

Our audit report on the current period's inflation adjusted consolidated financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

**Matter 2: Inappropriate accounting for blocked funds**

Included in other assets of ZWL 8 842 631 445 (December 2021: ZWL 9 567 644 000) on Note 23 to the consolidated inflation adjusted financial statements for the year ended 31 December 2022 are local balances denominated in the Group's functional currency. Of this, local balances of ZWL2 996 645 017 (December 2021: ZWL 1 507 838 292) which are held with the central bank have been treated as foreign currency and translated at the foreign auction exchange rate as at 31 December 2022 in contravention of IAS 21 which defines 'foreign currency' as a currency other than the functional currency of the entity resulting in an overstatement of the balance.

The current year balance constitutes the remaining local deposit for which the central bank had not issued Treasury bills for as at 31 December 2022. We therefore believe the subsequent receipt in March 2023 of the treasury bills in relation to this balance is not an adjusting event as it is not reflective of conditions that existed as at 31 December 2022 therefore it remains misstated.

The misstatement also impacts the net foreign exchange gains in the inflation adjusted consolidated statement of comprehensive income of ZWL 3 819 011 000 (December 2021: ZWL 538 676 777). Our prior year audit report was also modified due to this matter.

Matter 3: Inappropriate valuation of treasury bills

Included in Investment securities are treasury bills received in current year from the central bank in lieu of the RBZ Deposit made in 2019 (discussed in matter two above) of amount ZWL 6 599 813 179 (USD 9  6 44 149) with maturity dates varying from three to twenty years. These have not been discounted to take into account the time value of money which is in contravention of IFRS 9 that requires financial assets measured at amortised cost to be discounted using effective interest method. Had the treasury bills been recognised at fair value that is the discounted future value balance would have been reduced by ZWL 3 260 789 866. Consequently, the operating expenses are understated and retained earnings overstated by the same amount.

Matter 4: Consequential impact on IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21, IAS 8, IFRS 9 and IFRS 13 as described above.

Consequently, Monetary loss of ZWL 6 524 512 948 (2021: ZWL 1 500 092 000)  would be impacted as a result of misstatements above.

Our opinion in the prior year was also modified for this mater.

The effects of the above departures from IFRS are material but not pervasive to the inflation adjusted consolidated financial statements.

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 Inflation adjusted financial statements section of our report of the Group. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter(s) described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below , provide the basis for our audit opinion on the accompanying financial statements.

| Key Audit Matter | How our audit addressed the matter |
|---|---|
| **Issue 1: Expected credit losses on financial assets** | |
| 34% of the Group's total assets comprises of loans and advances which are disclosed on note 22 to the financial statements. The loans are significant to the Group in value and comprise of a large volume of balances of varying magnitude. A significant amount of audit effort is therefore required to independently verify the existence of the loans.<br><br>The Group is exposed to credit risk on its portfolio. Significant judgement is exercised by Management in assessing the impairment of advances as disclosed on note 22.3 to the financial statements. Due to the size of the Group's loan book and the significant degree of estimate in determining the impairment of loans and advances, the issue was considered to be a key audit matter.<br><br>Management applied judgment on:<br>• Amount and timing of cash flows<br>• Evaluation of the borrower's financial situation and the net realisable value of collateral.<br><br>There is subjectivity involved in determination of the amounts of advances deemed uncollectable and requiring impairment by Management. The<br><br>determination of uncollectible amounts is based on a client-by-client basis.<br><br>We refer to Note 2.3.5 which details the methods, judgments and assumptions applied by management in estimating the impairment of loans and advances. The matter required significant interactions between the auditor and Management | In evaluating the adequacy of impairment of loans and advances we performed the following procedures:<br>• We obtained an understanding of the credit approval and loan on-boarding process to confirm appropriateness of the loan information in the IT system which is used as basis for the impairment loss allowance calculation.<br>• We obtained an understanding of the process followed in calculating the impairment allowance for the various financial instruments including the controls around the process.<br>• We performed tests on the accuracy and completeness of inputs in the ECL model, and special emphasis was put on days past due as a key input to the impairment loss allowance calculation.<br>• We reviewed the staging of the loans by analysing the factors affecting the staging, such as payment behaviour, financial ratios, and industry of the clients with the loans.<br>• We reviewed lawyers' letters and identified all loans under litigations and verified if those were allocated to the correct stage per the credit policy. All loans being handled by the lawyers were appropriately allocated to stage 3 as per our expectations.<br>• We reviewed the adequacy and valuation of security on loans and advances and assessed the implications thereof on the impairment assessment.<br>• We reviewed the impairment allowance calculation for arithmetical accuracy and confirmed the calculation is in line with requirements of the IFRS 9. We also reviewed the annual financial statements for appropriate disclosures for the allowances for impairment losses.<br><br>We engaged our EY specialist Quantitative Analysts Team (FAAS) to validate the IFRS 9 ECL model recalibration and back testing applied by the entity in the determination of impairment of financial assets as at 31 December 2022. |

| Key Audit Matter | How our audit addressed the matter |
|---|---|
| **Issue 2: Suspense accounts with long outstanding reconciling items** | |
| The Bank has experienced significant increase in volumes of transactions processed in its accounting systems arising from the extensive use of its digital platforms like mobile banking, POS and Zimswitch. Accordingly, due to the increase in transactions, there have been some delays in reconciling all accounts including the bank's suspense accounts | In validating the suspense accounts, we performed the following procedures:<br>• We updated our understanding of how the bank's suspense accounts operate. We obtained an understanding of the system of internal control with regards to the review and approval thereof and evaluate the precision and sensitivity of thresholds applied by management in the review process.<br>• We tested the suspense account reconciliations at year end to confirm that these have been appropriately performed and we followed up on reconciling items. |
| **Issue 3 : Presumed risk in revenue recognition** | |
| The banks income which comprises of Interest Income and Fees & Commission Income was an area of most significance for the audit in the current year due to Interest income is a significant component of the bank's financial statements, both streams of income are highly automated therefore completeness & accuracy is an area of audit focus and that the bank's operations are largely dependent on interest income generation. | In validating the recognition of revenue, we performed the following procedures:<br>• We updated our understanding of the revenue recognition process, performed a walkthrough to confirm our understanding and evaluated the design effectiveness of controls related to the significant risk identified.<br>• We compared results with those of prior periods and those expected for the current period and discussed significant variations with management for reasonability.<br>• Our Technology Risk team confirmed the automated aspects of the interest, fees and commission income calculations are configured correctly and have been operating effectively throughout the audit period and performed recalculations on automated revenue lines. |

| Key Audit Matter | How our audit addressed the matter |
|---|---|
| **Issue 3 : Presumed risk in revenue recognition** | |
| | • We performed year end cut off procedures for the revenue transactions.<br><br>• We reviewed the treatment of income on impaired financial instruments. Technology Risk Team also recalculated the income for suspended interest.<br><br>• We performed tests of details on non-automated revenue lines. We also obtained and inspected supporting documentation for manual journals made in fully automated accounts to confirm accuracy of these transactions.<br><br>• We involved EY internal experts to review the process followed by the independent valuators to confirm appropriateness of methodology and assumptions for property valuation purposes in the determination of fair value adjustments.<br><br>• We selected manual journal entries processed to all revenue accounts to confirm validity and business rationale as well as the appropriateness of manual adjustments processed.<br><br>• We also reviewed the compliance of the banking operations to the transaction fees in line with directives issued by the regulator.<br><br>We assessed the appropriateness of the Revenue recognition criteria used by management as per the IFRS 15 requirements. |

**Other information**

The directors are responsible for the other information. The other information comprises of the Chairman's Statement, Directors' Profiles and the Report of the Directors but does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the inflation adjusted 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 inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted 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 Qualified Opinion section above, the Group did not comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, we disagree with treatment of blocked funds as foreign currency in contravention with IAS 21 and we disagree with the inputs used in the valuation of properties as well as the application of IAS 29 - Financial Reporting in Hyperinflationary Economies on incorrect base numbers. We have concluded that the other information is materially misstated for the same reasons.

**Responsibilities of the Directors for the Inflation adjusted Financial Statements**

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter24;20), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Inflation adjusted Financial Statements**

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 based on these inflation adjusted 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 inflation adjusted financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is enough 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 Bank'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 Bank'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 inflation adjusted 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 Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated inflation adjusted 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr Walter Mupanguri (PAAB Number 367).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

31 March 2023

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

| | | GROUP | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| | Note | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Interest income | 4 | 21 070 430 | 10 798 064 | 15 800 168 | 2 568 881 |
| Interest expense | 5 | ( 6 377 309) | ( 3 058 604) | ( 4 591 382) | ( 751 921) |
| **Net interest income** | | **14 693 121** | **7 739 460** | **11 208 786** | **1 816 960** |
| Fee and commissions income | 6.1 | 15 343 491 | 12 449 215 | 10 705 516 | 2 927 160 |
| Net foreign exchange gains | | 3 819 011 | 538 676 | 4 048 384 | 76 799 |
| **Revenue** | | **33 855 623** | **20 727 351** | **25 962 686** | **4 820 919** |
| Other income | 6.2 | 8 075 039 | 3 206 818 | 17 940 335 | 2 107 419 |
| **Operating income** | | **41 930 662** | **23 934 169** | **43 903 021** | **6 928 338** |
| Operating expenditure | 7 | ( 19 003 060) | ( 12 074 054) | ( 13 733 992) | ( 2 825 609) |
| Operating income before impairment charge and loss on net monetary position | | 22 927 602 | 11 860 115 | 30 169 029 | 4 102 729 |
| Impairment losses on financial assets measured at amortised cost | 16.3.3 | ( 332 198) | ( 852 892) | ( 1 191 393) | ( 248 107) |
| Loss on net monetary position | | ( 6 524 513) | ( 1 500 092) | - | - |
| **Profit before tax** | | **16 070 891** | **9 507 131** | **28 977 636** | **3 854 622** |
| Taxation | 8 | ( 4 068 542) | ( 3 074 588) | ( 3 509 130) | ( 912 597) |
| **Profit for the period** | | **12 002 349** | **6 432 543** | **25 468 506** | **2 942 025** |
| **Other comprehensive income** | | | | | |
| Revaluation gains on land and buildings, net of tax** | 6.3 | 537 534 | 1 296 513 | 5 833 685 | 848 731 |
| **Total comprehensive income for the period** | | **12 539 883** | **7 729 056** | **31 302 191** | **3 790 756** |
| Earnings per share (ZWL cents) | | | | | |
| - Basic | 9.3 | 3 014 | 1 592 | 6 396 | 728 |
| - Diluted | 9.3 | 2 939 | 1 574 | 6 237 | 720 |
| - Headline | 9.3 | 1 456 | 1 035 | 2 952 | 343 |

* The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The Auditors have not expressed an opinion on the Historical Cost information.
** The revaluation gains on land and buildings will not be recycled into profit or loss in the subsequent reporting period. It will however be recycled through equity.

# Statement of Profit or Loss and Other Comprehensive Income (continued)

for the year ended 31 December 2022

| | | COMPANY | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| | Note | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| | Note | | | | |
| Other income | | 302 513 | - | 302 410 | - |
| Operating expenditure | | - | ( 113 606) | - | ( 27 768) |
| **Operating profit/(loss) before impairment charge and profit/(loss) on net monetary position** | | 302 513 | ( 113 606) | 302 410 | ( 27 768) |
| Gain on net monetary position | | 25 843 | 25 277 | - | - |
| **Profit/(Loss) before tax** | | **328 356** | **( 88 329)** | **302 410** | **( 27 768)** |
| Taxation | 8.1 | 60 | 28 | 14 | 8 |
| **Profit/(Loss) for the period** | | **328 416** | **( 88 301)** | **302 424** | **( 27 760)** |

** The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies. The Auditors have not expressed an opinion on the Historical Cost information.*



# Statement of Financial Position

as at 31 December 2022

| | | GROUP | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| **SHAREHOLDER'S FUNDS** | **NOTE** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Share capital | 10.2.1 | 19 800 | 19 752 | 115 | 84 |
| Share Premium | 11 | 4 350 648 | 4 180 167 | 172 496 | 19 122 |
| Treasury shares reserve | 11 | ( 426) | ( 29) | ( 394) | ( 7) |
| Functional currency translation reserve | 11 | 1 588 744 | 1 588 744 | 11 620 | 11 620 |
| Revaluation reserve | 11 | 5 525 808 | 4 988 274 | 7 749 682 | 1 915 997 |
| Share Option Reserve | 11 | 257 242 | 113 606 | 129 569 | 27 768 |
| Retained earnings | 12 | 30 921 029 | 19 319 374 | 30 165 681 | 5 085 120 |
| **Total equity** | | **42 662 846** | **30 209 888** | **38 228 768** | **7 059 704** |
| Redeemable ordinary shares | 13 | - | 49 279 | - | 14 335 |
| Subordinated term loan | 14 | 926 323 | 766 979 | 926 323 | 223 115 |
| **Total shareholders' funds and shareholders' liabilities** | | **43 589 169** | **31 026 146** | **39 155 091** | **7 297 154** |
| **LIABILITIES** | | | | | |
| Deposits | 16.1 | 53 215 217 | 35 840 230 | 53 215 217 | 10 425 947 |
| Other liabilities | 17 | 11 792 185 | 9 456 551 | 11 792 185 | 2 750 917 |
| Borrowings | 18 | 21 276 250 | 20 331 975 | 21 276 250 | 5 914 585 |
| Current tax liabilities | 8.3 | - | 811 441 | - | 236 049 |
| Deferred tax liabilities | 20 | 5 420 831 | 3 440 135 | 3 964 776 | 741 544 |
| **Total liabilities** | | **91 704 483** | **69 880 332** | **90 248 428** | **20 069 042** |
| **Total shareholder's funds and liabilities** | | **135 293 652** | **100 906 478** | **129 403 519** | **27 366 196** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 21 | 21 538 825 | 16 748 886 | 21 538 825 | 4 872 262 |
| Investment securities | 19 | 16 754 167 | 13 786 267 | 16 754 166 | 4 010 434 |
| Loans and advances | 22 | 46 285 257 | 32 948 046 | 46 285 257 | 9 584 609 |
| Other assets | 23 | 8 842 631 | 9 567 644 | 8 504 329 | 2 265 354 |
| Assets held for sale | 24 | 380 629 | - | 380 629 | - |
| Trade and other investments | 25 | 255 056 | 125 471 | 255 056 | 36 500 |
| Current tax assets | 8.3 | 44 047 | - | 44 048 | - |
| Investment properties | 27 | 22 618 160 | 12 093 934 | 22 618 160 | 3 518 134 |
| Intangible assets | 28 | 990 757 | 1 264 733 | 23 147 | 13 409 |
| Property and equipment | 29 | 17 584 123 | 14 371 497 | 12 999 902 | 3 065 495 |
| **Total assets** | | **135 293 652** | **100 906 478** | **129 403 519** | **27 366 196** |

* The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 Financial Reporting in Hyperinflationary Economies.

NMBZ HOLDINGS LIMITED

# Statement of Financial Position (continued)

as at 31 December 2022

| | | COMPANY | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| **SHAREHOLDER'S FUNDS** | **NOTE** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Share capital | 10.2.1 | 19 800 | 19 752 | 115 | 84 |
| Share Premium | | 4 350 648 | 4 180 167 | 172 496 | 19 122 |
| Treasury shares reserve | | ( 426) | ( 29) | ( 394) | ( 7) |
| Share Option Reserve | | 257 242 | 113 606 | 129 569 | 27 768 |
| Retained earnings | 12 | 2 799 699 | 2 763 612 | ( 88 343) | ( 27 598) |
| **Total equity** | | **7 426 963** | **7 077 108** | **213 442** | **19 369** |
| Redeemable ordinary shares | 13 | - | 49 279 | - | 14 335 |
| **Total shareholders' funds and shareholders' liabilities** | | **7 426 963** | **7 126 387** | **213 442** | **33 704** |
| **LIABILITIES** | | | | | |
| Other liabilities | 16.1 | 293 | 1 010 | 294 | 294 |
| **Total liabilities** | | **293** | **1 010** | **294** | **294** |
| **Total shareholder's funds and liabilities** | | **7 427 256** | **7 127 397** | **213 736** | **33 998** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 21 | 14 | 47 | 14 | 14 |
| Current tax assets | 8.3 | 76 | 260 | 77 | 76 |
| Other assets | 22 | 54 053 | 8 267 | 54 053 | 2 404 |
| Group companies | 26 | 7 373 127 | 7 118 777 | 159 564 | 31 490 |
| Deferred tax assets | 20 | ( 14) | 46 | 28 | 14 |
| **Total assets** | | **7 427 256** | **7 127 397** | **213 736** | **33 998** |

* The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 Financial Reporting in Hyperinflationary Economies.

# Statement of Changes in Equity

for the year ended 31 December 2022

| | INFLATION ADJUSTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Treasury Shares | Functional Currency Translation Reserve | Share Option Reserve | Revaluation Reserve | Retained Earnings | Total |
| **Balance as at 1 January 2021** | 19 752 | 4 180 167 | - | 1 588 744 | - | 3 691 761 | 12 886 831 | 22 367 255 |
| Profit for the year | - | - | - | - | - | - | 6 432 543 | 6 432 543 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 1 296 513 | - | 1 296 513 |
| Acquisition of treasury shares | - | - | ( 29) | - | - | - | - | ( 29) |
| Employee share schemes – value of employee services | - | - | - | - | 113 606 | - | - | 113 606 |
| **Balance at 31 December 2021** | **19 752** | **4 180 167** | **( 29)** | **1 588 744** | **113 606** | **4 988 274** | **19 319 374** | **30 209 888** |
| Profit for the year | - | - | - | - | - | - | 12 002 349 | 12 002 349 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 537 534 | - | 537 534 |
| Share options exercised | 0 | 8 992 | - | - | ( 2 349) | - | - | 6 644 |
| Share buy back | - | - | ( 397) | - | - | - | ( 210 923) | ( 211 320) |
| Scrip dividends paid | 2 | 139 024 | - | - | - | - | ( 139 027) | - |
| Dividend paid | - | - | - | - | - | - | ( 50 744) | ( 50 744) |
| Redeemable ordinary shares | 46 | 22 465 | - | - | - | - | - | 22 511 |
| Employee share schemes – value of employee services | - | - | - | - | 145 985 | - | - | 145 985 |
| **Balance at 31 December 2022** | **19 800** | **4 350 648** | **( 426)** | **1 588 744** | **257 242** | **5 525 808** | **30 921 029** | **42 662 846** |

| | HISTORICAL COST* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Treasury shares | Functional Currency Translation Reserve | Share Option Reserve | Revaluation Reserve | Retained Earnings | Total |
| **Balance as at 1 January 2021** | 84 | 19 122 | - | 11 620 | - | 1 067 266 | 2 143 096 | 3 241 188 |
| Profit for the year | - | - | - | - | - | - | 2 942 025 | 2 942 025 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 848 731 | - | 848 731 |
| Acquisition of treasury shares | - | - | ( 7) | - | - | - | - | ( 7) |
| Employee share schemes – value of employee services | - | - | - | - | 27 768 | - | - | 27 768 |
| **Balance at 31 December 2021** | **84** | **19 122** | **( 7)** | **11 620** | **27 768** | **1 915 997** | **5 085 121** | **7 059 705** |
| Profit for the year | - | - | - | - | - | - | 25 468 506 | 25 468 506 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 5 833 685 | - | 5 833 685 |
| Share options exercised | 0 | 5 727 | - | - | ( 1 496) | - | - | 4 231 |
| Share buy back | - | - | ( 387) | - | - | - | ( 205 933) | ( 206 320) |
| Scrip dividends paid | 2 | 133 341 | - | - | - | - | ( 133 343) | - |
| Dividend paid | - | - | - | - | - | - | ( 48 670) | ( 48 670) |
| Redeemable ordinary shares | 29 | 14 306 | - | - | - | - | - | 14 335 |
| Employee share schemes – value of employee services | - | - | - | - | 103 297 | - | - | 103 297 |
| **Balance at 31 December 2022** | **115** | **172 496** | **( 394)** | **11 620** | **129 569** | **7 749 682** | **30 165 681** | **38 228 768** |

** The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting" Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies.*

# Statement of Changes in Equity (continued)

for the year ended 31 December 2022

| | INFLATION ADJUSTED | | | | | | |
|---|---|---|---|---|---|---|---|
| **COMPANY** | **Share Capital** | **Share Premium** | **Functional Currency Translation Reserve** | **Revaluation Reserve** | **Share Option Reserve** | **Retained Earnings** | **Total** |
| **Balance as at 1 January 2021** | 4 013 | 7 114 764 | 1 588 744 | 3 691 761 | - | 10 035 178 | 22 434 460 |
| Profit for the period | - | - | - | - | - | 6 521 026 | 6 521 026 |
| Revaluation gains on land and buildings, net of tax** | - | - | - | 1 296 169 | - | - | 1 296 169 |
| **Balance at 31 December 2021** | 4 013 | 7 114 764 | 1 588 744 | 4 987 930 | - | 16 556 204 | 30 251 655 |
| Profit for the period | - | - | - | - | - | 11 527 302 | 11 527 302 |
| Dividends declared | - | - | - | - | - | ( 300 000) | ( 300 000) |
| Employee scheme - value of employee services | - | - | - | - | 254 350 | - | 254 350 |
| Revaluation gains on land and buildings, net of tax** | - | - | - | 537 391 | - | - | 537 391 |
| **Balance at 31 December 2022** | **4 013** | **7 114 764** | **1 588 744** | **5 525 321** | **254 350** | **27 783 506** | **42 270 698** |

| | HISTORICAL COST* | | | | | | |
|---|---|---|---|---|---|---|---|
| **COMPANY** | **Share Capital** | **Share Premium** | **Functional Currency Translation Reserve** | **Revaluation Reserve** | **Share Option Reserve** | **Retained Earnings** | **Total** |
| **Balance as at 1 January 2021** | 17 | 31 475 | 11 620 | 1 067 266 | - | 2 142 926 | 3 253 304 |
| Profit for the period | - | - | - | - | - | 2 969 793 | 2 969 793 |
| Revaluation gains on land and buildings, net of tax** | - | - | - | 848 731 | - | - | 848 731 |
| **Balance at 31 December 2021** | 17 | 31 475 | 11 620 | 1 915 997 | - | 5 112 719 | 7 071 828 |
| Profit for the period | - | - | - | - | - | 25 441 320 | 25 441 320 |
| Dividends declared | - | - | - | - | - | ( 300 000) | ( 300 000) |
| Employee scheme - value of employee services | - | - | - | - | 128 073 | - | 128 073 |
| Revaluation gains on land and buildings, net of tax** | - | - | - | 5 833 685 | - | - | 5 833 685 |
| **Balance at 31 December 2022** | **17** | **31 475** | **11 620** | **7 749 682** | **128 073** | **30 254 039** | **38 174 906** |

* The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies.

# Statement of Cash Flows

for the year ended 31 December 2022

| | | GROUP | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| CASH FLOWS FROM OPERATING ACTIVITIES | Note | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Profit before taxation | | 16 070 891 | 9 507 131 | 28 977 636 | 3 854 622 |
| Non - cash items: | | | | | |
| - Net monetary Gain | | 6 524 513 | 1 500 092 | - | - |
| - Depreciation (excluding right of use assets) | 7 | 608 925 | 290 370 | 222 437 | 65 922 |
| - Depreciation – Right of use assets | 7 | 262 154 | 170 109 | 71 926 | 38 606 |
| - Amortisation of intangible assets | 7 | 289 691 | 12 711 | 4 395 | 2 865 |
| - Impairment losses on financial assets measured at amortised costs | 20.3 | 332 198 | 852 892 | 1 191 393 | 248 107 |
| - Sundry income - non - cash | | ( 1 189 691) | - | ( 1 189 691) | - |
| - Investment properties fair value gains | 27 | ( 6 830 600) | ( 2 864 068) | ( 16 380 731) | ( 1 843 565) |
| - Trade and other investments fair value gains adjustment | 25 | ( 118 074) | ( 37 460) | ( 218 556) | ( 8 445) |
| - Profit on disposal of property and equipment | 6.2 | ( 1 415) | ( 2 002) | ( 1 803) | ( 462) |
| - Loss/(profit) on disposal of investment properties | 6.2 | 34 152 | ( 23 384) | ( 26 722) | ( 5 788) |
| - Dividend income classified as investing activities | | - | ( 87 022) | - | ( 17 177) |
| - Unrealised foreign exchange gain | | ( 4 689 059) | ( 378 387) | ( 4 689 059) | ( 110 073) |
| - Non-cash employee benefits expense – share - based payments | 7 | 145 985 | 113 606 | 103 297 | 27 768 |
| Operating cash flows before changes in operating assets and liabilities | | 11 439 670 | 9 054 587 | 8 064 521 | 2 252 380 |
| **Changes in operating assets and liabilities** | | | | | |
| Increase/(decrease) in customer deposits | | 17 374 987 | 11 124 816 | 42 789 270 | 5 952 974 |
| Increase/(decrease) in other liabilities | | 2 335 634 | 7 488 591 | 9 041 268 | 2 394 757 |
| (Increase)/decrease in loans and advances | | ( 18 978 681) | ( 19 198 480) | ( 42 196 512) | ( 7 302 019) |
| (Increase)/decrease in other assets | | ( 1 489 658) | ( 1 590 880) | ( 7 793 984) | ( 821 727) |
| Net cash generated from operations | | 10 681 952 | 6 878 634 | 9 904 563 | 2 476 365 |
| **Taxation** | | | | | |
| Corporate tax paid | | ( 2 965 639) | ( 1 847 201) | ( 2 472 504) | ( 505 915) |
| **Net cash inflow from operations** | | 7 716 313 | 5 031 433 | 7 432 059 | 1 970 450 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of intangible assets | 18 | ( 15 714) | ( 53 850) | ( 14 133) | ( 12 139) |
| Net Acquisition of investment securities | | ( 16 544 014) | ( 12 991 063) | ( 6 143 914) | ( 2 928 614) |
| Proceeds on disposal of property and equipment | | 2 016 | 35 038 | 1 515 | 582 |
| Dividend income from trade and other investments | | - | 87 022 | - | 17 177 |
| Acquisition of trade and other investments | | - | ( 87 022) | - | ( 17 177) |
| Acquisition of property and equipment | 19 | ( 2 512 079) | ( 536 591) | ( 2 162 776) | ( 123 319) |
| Proceeds on disposal of investment properties | | 155 843 | 144 995 | 134 369 | 34 553 |
| Acquisition of investment properties | 20 | ( 3 848 480) | ( 197 741) | ( 2 764 347) | ( 44 577) |
| Net cash used in investing activities | | ( 22 762 428) | ( 13 599 212) | ( 10 949 286) | ( 3 073 514) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Repayment of lease liabilities | | ( 66 271) | ( 206 672) | ( 70 173) | ( 46 591) |
| Cash dividend paid | | ( 50 744) | - | ( 48 670) | - |
| Issue of shares | | 6 644 | - | 4 231 | - |
| Repayments of borrowings | | ( 330 841) | - | ( 322 394) | - |
| Increase in borrowings | | 2 464 807 | 11 575 101 | 16 873 751 | 4 329 774 |
| Share buyback | | ( 211 349) | ( 29) | ( 206 320) | ( 7) |
| Net cash outflow from financing activities | | 1 812 246 | 11 368 400 | 16 230 425 | 4 283 176 |
| Net (decrease)/increase in cash and cash equivalents | | ( 13 233 869) | 2 800 621 | 12 713 198 | 3 180 112 |
| Net foreign exchange and monetary adjustments on cash and cash equivalents | | 18 023 808 | 3 092 661 | 3 953 365 | ( 272 487) |
| Cash and cash equivalents at beginning of the year | | 16 748 886 | 10 855 604 | 4 872 262 | 1 964 637 |
| Cash and cash equivalents at the end of the year | 15 | 21 538 825 | 16 748 886 | 21 538 825 | 4 872 262 |
| **ADDITIONAL INFORMATION ON OPERATING CASH FLOWS FROM INTEREST** | | | | | |
| Interest received | | 21 070 430 | 10 798 064 | 15 395 364 | 2 568 881 |
| Interest paid (including interest on lease liabilities) | | ( 6 377 309) | ( 3 058 604) | ( 4 591 382) | ( 751 921) |

# Statement of Cash Flows (continued)

for the year ended 31 December 2022

| | | COMPANY | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **Note** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Profit/(Loss) before taxation | | 328 356 | ( 88 329) | 302 410 | ( 27 768) |
| **Non - cash items:** | | | | | |
| - Net monetary Gain | | ( 25 843) | ( 25 277) | - | - |
| - Non - cash employee benefits expense – share - based payments | | - | 113 606 | - | 27 768 |
| Operating cash flows before changes in operating assets and liabilities | | 302 513 | - | 302 410 | - |
| **Changes in operating assets and liabilities** | | | | | |
| Decrease in other liabilities | | ( 717) | ( 1 279) | - | ( 120) |
| Decrease in loans and advances | | ( 45 786) | 5 719 | ( 51 649) | 128 |
| Net cash generated from operations | | 256 010 | 4 440 | 250 761 | 8 |
| **Taxation** | | | | | |
| Tax on dividends paid | | - | - | - | - |
| **Net cash inflow from operations** | | **256 010** | **4 440** | **250 761** | **8** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Cash dividend paid | | ( 50 744) | - | ( 48 671) | - |
| Issue of shares | | 6 644 | - | 4 231 | - |
| Share buy-back | | ( 211 320) | ( 29) | ( 206 320) | ( 8) |
| Net cash outflow from financing activities | | ( 255 420) | ( 29) | ( 250 760) | ( 8) |
| Net (decrease)/increase in cash and cash equivalents | | 590 | 4 411 | 1 | ( 0) |
| Net foreign exchange and monetary adjustments on cash and cash equivalents | | ( 623) | ( 4 439) | ( 1) | - |
| Cash and cash equivalents at beginning of the year | | 47 | 75 | 14 | 14 |
| Cash and cash equivalents at the end of the year | 19 | 14 | 47 | 14 | 14 |

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

## 1. GENERAL INFORMATION

The NMBZ Holdings Limited Group (the Group) comprises the company (NMBZ Holdings Limited), NMB Properties Limited, XPlug Solutions 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 and Other Business Entities Act (Chapter 24:31) 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 and agency network mainly in Harare, Bulawayo, Masvingo, Kwekwe, Mutare, Gweru, Bindura and Chinhoyi. Other agent locations are spread throughout the country for the convenience of users.

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. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The consolidated financial statements including comparatives, have been prepared under the inflation adjusted accounting basis to account for changes in the general purchasing power of the ZWL. The restatement is based on the Consumer Price Index at the statement of financial position date. The indices are derived from the monthly inflation rates which are issued by the Zimbabwe National Statistics Agency (ZIMSTAT). The indices used are shown below. These condensed consolidated financial statements are reported in Zimbabwean dollars and rounded to the nearest dollar.

| Dates | Indices | Conversion factor |
|---|---|---|
| 31-Dec-18 | 88.81 | 153.9569 |
| 31-Dec-19 | 551.63 | 24.7864 |
| 31-Dec-20 | 2474.52 | 5.5255 |
| 31-Dec-21 | 3977.46 | 3.4376 |
| 31-Dec-22 | 13672.91 | 1.0000 |

The indices have been applied to the historical costs of transactions and balances as follows:

- All comparative figures as of and for the periods ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 have been restated by applying the change in the index to 31 December 2022;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2022;
- Gains and losses arising from the monetary assets or liability positions have been included in the income statement;
- Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to 31 December 2022;
- Property and equipment and accumulated depreciation have been restated by applying the change in the index from the date of their purchase or re-assessment to 31 December 2022;
- Equity has been restated by applying the change in index from the date of issue to 31 December 2022;

The net impact of applying the procedures above is shown in the statement of comprehensive income as the gain or loss on net monetary position.

IAS 29 discourages the publication of historical results as a supplement to the inflation adjusted results. However, historical results have been published as additional information for the users of the Group's financial statements. The Auditors have not expressed an opinion on the historical results.

**Functional and presentation currency**

For the purposes of the condensed consolidated financial statements, the results and financial position of the Group are expressed in Zimbabwe dollars (ZWL ) which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

**Comparative financial information**

The interim 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 six months to 30 June 2021.

### 2.2. 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.

#### 2.2.1. 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**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.

**2.3. FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are translated into Zimbabwe Dollars (ZWL ), 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.

**2.4. TAXATION**

**Income tax**

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

**Current tax**

Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income and any adjustment to tax payable in respect of previous years. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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

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

**2.5. FINANCIAL INSTRUMENTS**

**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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**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 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 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 taking. These securities are classified in the 'other' business model and measured at FVPL. 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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

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 (FVTPL):

- 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.

**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 Effective Interest Rate (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 in other liabilities. 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 in other liabilities.

**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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

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 in other liabilities. 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 in other liabilities.

**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 2.20 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:

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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**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 a 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 2020-2023. 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.

***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.

**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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**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.

**2.6. 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.

**2.7. 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.

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.

**2.8. NON-CURRENT ASSETS HELD FOR SALE**

The bank receives collateral from counter-parties in form of immovable property and other approved qualifying collateral as security against loan advances in the normal course of the business. It is not the intention of the bank to recover loans advanced through collateral disposal, as the bank will always consider all the options available to recover loans advanced to customers, by considering the borrowers' changed circumstances and cash flows and to find out whether restructuring options will result in the customers settling their outstanding obligations to the bank.

However, in the unlikely event that the bank is left with no option, except to dispose the loan collateral security, and all the formalities have been completed by the borrower to have the collateral transferred to the bank, such collateral will not become part of the bank's asset portfolio. The Bank will initiate the process of disposal of the recovered collateral in order to clear the customer's outstanding obligations with the bank.

Such immovable properties and the other approved qualifying collateral will be accounted for under Non-current assets held for sale, given the timing differences between the dates the immovable asset is recovered by the bank and the time it will be finally disposed off.

Initial measurement is the fair value less cost to sell of which the fair values are through a professional valuer. Subsequently the bank will measure the carrying amount subject to changes in fair value less cost to sale of these assets.

**2.9. 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:

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

| | |
|---|---|
| Computer Software | 20% |

**2.10 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 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.

***As lessee***

In terms of IFRS 16, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

The Group has neither enjoyed nor extended any lease payment holidays in its capacity as either lessee or lessor respectively due to COVID-19. As such, there are no COVID-19 induced lease modifications applicable during the period under review.

**Measurement of right-of-use assets**

The associated right-of-use assets for property leases are measured on a prospective basis. The right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In circumstances where the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group revalues its land and buildings that are presented within property and equipment and it has elected not to do so for the right-of-use buildings held by the Group.

**2.11. 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.

**2.12. 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.

**2.13. 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.

**2.14. 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**2.15. 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 to transaction and service fees, which are expensed as the services are received.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

**2.16. 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.

**2.17. 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.

**2.18. 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.

The cost of retirement benefits applicable to the National Social Security Authority, which commenced operations on 1 October 1994 is determined by the systematic recognition of legislated contributions.

Short term employee benefits/and share based payments

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

**Share based payments**

The Group issues share options to certain employees in terms of the Employee Share Option Scheme which is an equity settled share-based payment scheme. Share options are measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the options is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and other behavioural considerations.

**2.19. 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.

**2.20. 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, functional currency translation 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.

***Treasury shares***
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

**2.21. 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 2021 is included in the following notes.

**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.

**Investment properties**

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**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.

**COVID-19**

The Directors fully acknowledge the unprecedented challenges and uncertainties posed by the COVID-19 pandemic. In that regard, significant judgments have generally been applied in light of the likely impacts of COVID-19 on the Group's activities.

**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.

**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 USD 1: 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 with the USD .

On 24 June 2019, the Monetary Authorities announced that the multi-currency regime, which the country was operating in since February 2009 had been discontinued and the country had adopted a mono-currency regime meaning that the sole legal tender would be the Zimbabwe Dollar (ZWL ).

On 26 March 2020, the Reserve Bank of Zimbabwe in a press statement announced various interventions in response to the financial vulnerabilities caused by the COVID-19 pandemic. One of the measures announced therein was the authorization of the use of free-funds in paying for goods and services, in terms of Statutory Instrument (SI) 85 of 2020. On 24 July 2020, the Government of Zimbabwe issued Statutory Instrument (SI) 185 of 2020, which granted permission to display, quote or offer prices for all goods and services in both Zimbabwe dollars and foreign currency at the interbank exchange rate.

On 23 June 2020, the Reserve Bank of Zimbabwe introduced the Foreign Exchange Auction System, effectively abandoning the fixed foreign currency exchange rate regime which had been prevailing for the greater part of 2020. Significant trades have been recorded on the platform and significant movements in the exchange rate have been resultantly recorded.

In February 2022, the authorities announced multi-currency regime where other basket of currency were acceptable for transaction purposes.

In light of the developments summarised above, the Directors concluded that the Group's functional currency remains the Zimbabwe dollar (ZWL ) following its change from USD with effect from 22 February 2019.

**Lease arrangements**

The Directors have exercised significant judgement on determining whether the various contractual relationships which the Group is party to, contain lease arrangements which fall into the scope of IFRS 16. Significant judgement was also exercised in determining whether the Group is reasonably certain that it will exercise extension options present in lease contracts as well.

**2.22. STANDARDS ISSUED AND EFFECTIVE**

**a) International Financial Reporting Standards and amendments effective for the first time for December 2022 year-end**

| Standard | Effective Date | Executive Summary |
|---|---|---|
| IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment | Annual periods beginning on or after 1 April 2021 (early adoption is permitted)<br><br>(Published March 2021) | The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

| Standard | Effective Date | Executive Summary |
|---|---|---|
| Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity | Annual periods beginning on or after 1 January 2022 | The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. |
| Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract | Annual periods beginning on or after 1 January 2022 | The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. |
| Annual improvements cycle 2018 -2020 | Annual periods beginning on or after 1 January 2022 | These amendments include minor changes to:<br>- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.<br>- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.<br>- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.<br>- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. |
| Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current | Annual periods beginning on or after 1 January 2022 | The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). |

**b) International Financial Reporting Standards, interpretations and amendments issued but not effective**

| Standard | Effective Date | Executive Summary |
|---|---|---|
| IFRS 17, 'Insurance contracts' | Annual periods beginning on or after 1 January 2023<br><br>Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. | The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.<br><br>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.<br><br>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.<br><br>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.<br><br>Given the Bancassurance arm of the Group systems are being set up to ensure implemtation is successful on the effective date. |
| IFRS 17, Insurance contracts Amendments | Annual periods beginning on or after 1 January 2023 | In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. |
| Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current | Annual periods beginning on or after 1 January 2023<br><br>(Published Jan 2020) | The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. |
| Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | Annual periods beginning on or after1 January 2023. Earlier application is permitted. (Published May 2021) | The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. |
| Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' | Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021) | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 3. SEGMENT INFORMATION

| | |
|---|---|
| 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 2021 or 2022.

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

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Consumer Banking & Value Added Services** | **Business Banking** | **Treasury Banking** | **International Banking** | **Digital Banking** | **Other** | **Total** |
| | **ZWL '000** | **ZWL '000** | **ZWL '000** | **ZWL '000** | **ZWL '000** | **ZWL '000** | **ZWL '000** |
| For the year ended 31 December 2022 | | | | | | | |
| **Income** | | | | | | | |
| Third party income | 9 584 292 | 15 354 372 | 3 198 911 | 633 582 | 7 279 726 | 12 257 091 | 48 307 974 |
| Interest and similar expense | ( 1 265 257) | ( 2 026 986) | ( 422 300) | ( 83 641) | - | ( 2 579 128) | ( 6 377 312) |
| | 8 319 035 | 13 327 386 | 2 776 612 | 549 940 | 7 279 726 | 9 678 831 | 41 930 662 |
| **Net operating income** | | | | | | | |
| **Other material non-cash items** | | | | | | | |
| Impairment losses on financial assets measured at amortised cost | ( 203 536) | ( 128 422) | ( 239) | - | - | 1 697 892 | 1 365 694 |
| Depreciation of property and equipment | ( 78 542) | ( 1 722) | ( 42) | ( 351) | ( 43 013) | ( 94 680) | ( 218 350) |
| Depreciation of right of use assets | - | - | - | - | - | ( 71 925) | ( 71 925) |
| Amortisation of intangible assets | - | - | - | - | - | ( 289 691) | ( 289 691) |
| **Segment profit/(loss)** | **3 188 396** | **5 107 922** | **1 064 178** | **228 563** | **2 790 065** | **3 691 516** | **16 070 891** |
| Income tax charge | - | - | - | - | - | ( 4 068 542) | ( 4 068 542) |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | - | 537 534 |
| **Total comprehensive income for the year** | **3 188 396** | **5 107 922** | **1 064 178** | **228 563** | **2 790 065** | **( 377 026)** | **12 539 883** |
| As at 31 December 2022 | | | | | | | |
| **Assets and liabilities** | | | | | | | |
| Capital expenditure (property and equipment and intangible assets) | - | - | - | - | - | - | - |
| **Total assets** | **21 553 869** | **34 053 990** | **19 582 797** | **6 635 472** | **720 413** | **52 747 112** | **135 293 652** |
| **Total liabilities** | **37 799 907** | **26 756 481** | **17 178 293** | **2 530 306** | **-** | **7 439 496** | **91 704 483** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**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:

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Consumer Banking & Value Added Services | Business Banking | Treasury Banking | International Banking | Digital Banking | Other | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| For the year ended 31 December 2021 | | | | | | | |
| Income | | | | | | | |
| Third party income | 4 256 817 | 6 355 799 | 1 239 094 | 470 664 | 3 683 905 | ( 3 440 546) | 12 565 733 |
| Interest and similar expense | ( 675 672) | ( 1 009 865) | ( 153 427) | ( 287 074) | - | ( 932 566) | ( 3 058 604) |
| | 3 581 145 | 5 345 934 | 1 085 667 | 183 590 | 3 683 905 | ( 4 373 112) | 9 507 129 |
| **Net operating income** | | | | | | | |
| **Other material non-cash items** | | | | | | | |
| Impairment losses on financial assets measured at amortised cost | ( 471 586) | ( 360 101) | ( 21 205) | - | - | - | ( 852 892) |
| Depreciation of property and equipment | ( 22 869) | ( 141) | ( 103) | ( 65) | -684 | ( 92 778) | ( 116 640) |
| Depreciation of right of use assets | - | - | - | - | - | ( 9 891) | ( 9 891) |
| Amortisation of intangible assets | - | - | - | - | - | ( 12 712) | ( 12 712) |
| Segment profit/(loss) | 3 220 673 | 4 808 746 | 1 085 667 | 183 525 | 1 501 987 | ( 1 293 467) | 9 507 131 |
| Income tax charge | - | - | - | - | - | ( 3 074 588) | ( 3 074 588) |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 1 296 513 | 1 296 513 |
| Total comprehensive income for the year | 3 220 673 | 4 808 746 | 1 085 667 | 183 525 | 1 501 987 | ( 3 071 542) | 7 729 056 |
| As at 31 December 2021 | | | | | | | |
| **Assets and liabilities** | | | | | | | |
| Capital expenditure (property and equipment and intangible assets) | 351 394 | 23 503 | - | 3 143 | 50 991 | 283 547 | 712 578 |
| **Total assets** | **16 075 588** | **25 398 591** | **14 605 497** | **4 948 954** | **537 308** | **39 340 539** | **100 906 477** |
| **Total liabilities** | **28 804 154** | **20 388 881** | **13 090 143** | **1 928 135** | **-** | **5 669 019** | **69 880 332** |

**4. INTEREST INCOME**

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Loans and advances to banks | 1 032 565 | 101 620 | 959 558 | 23 027 |
| Loans and advances to customers | 17 456 080 | 8 926 654 | 13 085 358 | 2 124 634 |
| Investment securities | 2 581 785 | 1 769 790 | 1 755 252 | 421 220 |
| | **21 070 430** | **10 798 064** | **15 800 168** | **2 568 881** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 5. INTEREST EXPENSE

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Due to banks | 4 736 698 | 2 511 764 | 3 578 448 | 615 311 |
| Due to customers | 1 324 489 | 382 573 | 742 178 | 39 112 |
| Other borrowed funds | 123 193 | 115 686 | 157 325 | 84 648 |
| | 6 184 380 | 3 010 023 | 4 477 951 | 739 071 |
| Lease liability finance costs* | 192 929 | 48 580 | 113 430 | 12 850 |
| | **6 377 309** | **3 058 602** | **4 591 381** | **751 920** |

* Finance costs related to the lease liability do not represent the cost of funding asset creation that is the Loan book. The prior year amounts were previously included in administration costs as part of operating expenditure of the group.

## 6. NON-INTEREST INCOME AND OTHER COMPREHENSIVE INCOME

### 6.1. Fees and commission income

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Retail banking customer fees | 5 339 810 | 2 664 586 | 4 053 093 | 634 061 |
| Corporate banking credit related fees | 606 606 | 590 317 | 420 603 | 136 990 |
| Financial guarantee fees | 1 101 117 | 497 453 | 828 010 | 114 700 |
| International banking commissions | 676 912 | 742 423 | 370 983 | 171 405 |
| Digital banking fees | 7 619 047 | 7 954 437 | 5 032 826 | 1 870 004 |
| | **15 343 491** | **12 449 215** | **10 705 516** | **2 927 160** |

### 6.2. Other Income

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Trade and other investments fair value gains | 59 037 | 37 460 | 218 556 | 8 445 |
| Fair value gains on investment properties | 6 830 600 | 2 864 068 | 16 380 730 | 2 029 063 |
| Profit on disposal of property and equipment | 1 415 | 2 002 | 1 803 | 462 |
| (Loss)/ profit on disposal of investment properties | ( 34 152) | 23 384 | 26 722 | 5 788 |
| Rental income | 92 529 | 59 062 | 95 645 | 13 972 |
| Recoveries | 8 482 | 43 474 | 5 894 | 10 812 |
| Other operating income | 1 117 128 | 177 368 | 1 210 985 | 38 877 |
| | **8 075 039** | **3 206 818** | **17 940 335** | **2 107 419** |

### 6.3. Other comprehensive income

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Revaluations of land and buildings | 714 046 | 1 722 254 | 7 749 051 | 1 408 660 |
| Tax effect | ( 176 512) | ( 425 741) | ( 1 915 366) | ( 559 929) |
| | **537 534** | **1 296 513** | **5 833 685** | **848 731** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 7. OPERATING EXPENDITURE

The net operating income is after charging the following:

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Administration costs | 6 761 843 | 5 672 706 | 4 826 405 | 1 310 682 |
| Audit fees: | | | | |
| - Current year | 159 128 | 83 006 | 114 704 | 20 774 |
| - Prior year | - | - | - | - |
| Amortisation of intangible assets | 289 691 | 12 711 | 4 395 | 2 865 |
| Depreciation (excluding right of use assets) | 608 925 | 290 370 | 222 437 | 65 922 |
| Depreciation – right of use assets | 262 154 | 170 109 | 71 926 | 38 606 |
| Directors' remuneration | 175 916 | 100 355 | 129 973 | 22 665 |
| - Fees for services as directors | 165 060 | 96 363 | 122 188 | 21 688 |
| - Services rendered | - | - | - | - |
| - Expenses | 10 856 | 3 992 | 7 785 | 977 |
| Staff costs – salaries, allowances and related costs* | 10 745 403 | 5 744 797 | 8 364 152 | 1 364 095 |
| | **19 003 060** | **12 074 054** | **13 733 992** | **2 825 609** |

**Included in Staff costs - salaries, allowances and related costs are employee benefit costs relating share based payments amounting to ZWL 254 354 000 (2021: ZWL nil).

## 8. TAXATION

| Income Tax Charge | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Current tax | 2 225 576 | 2 353 927 | 2 225 576 | 684 759 |
| Deferred tax | 1 842 965 | 720 661 | 1 283 553 | 227 838 |
| | **4 068 542** | **3 074 588** | **3 509 130** | **912 597** |

### 8.1. Reconciliation of income tax charge

| Income Tax Expense | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Based on results for the period at a rate of 24.72% (2021:24.72%) | 3 972 724 | 2 350 163 | 7 163 272 | 952 863 |
| Tax effect of: | | | | |
| - Income not subject to tax* | ( 2 147 150) | ( 1 722 391) | ( 979 237) | ( 388 284) |
| - Non-deductible expenses** | 8 627 351 | 2 446 816 | 3 709 480 | 348 018 |
| - Change in tax bases*** | ( 6 384 384) | - | ( 6 384 384) | - |
| | **4 068 541** | **3 074 588** | **3 509 130** | **912 597** |

*Income not subject to tax includes coupon interest from Treasury Bills and income from mortgages for the Group as well as non-deductible income attributable to the unwinding of share based payments for the company.

** Non-deductible expenses include provisions, disallowable pension deductions and depreciation.

***The change in tax bases arose from the legislative pronouncement in the Finance (No.2 ) Act of 2020 which resulted in the rebasing of unredeemed foreign currency capital balances on assets ranking for capital allowances using the USD /ZWL official exchange rate prevailing on 1 January 2020.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 8.2. Current tax liabilities / (assets)

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| At 1 January | 811 441 | 316 087 | 236 049 | 57 205 |
| Monetary adjustment | ( 289 447) | ( 11 372) | - | - |
| Effect of exchange rate movement | 174 022 | - | ( 33 170) | - |
| Charge for the year | 2 225 576 | 2 353 927 | 2 225 576 | 684 759 |
| Payments during the year | ( 2 965 639) | ( 1 847 201) | ( 2 472 504) | ( 505 915) |
| | ( 44 047 ) | 811 441 | ( 44 049 ) | 236 049 |

| COMPANY | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| At 1 January | ( 260) | ( 418) | ( 77) | ( 76) |
| Monetary adjustment | 184 | 158 | - | - |
| | ( 76) | ( 260) | ( 77) | ( 76) |

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of NMBZ Holdings Limited by the weighted average number of ordinary shares outstanding during the period.

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.

### 9.1. Earnings

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Profit for the period | 12 002 349 | 6 432 543 | 25 468 506 | 2 942 025 |
| Headline earnings for the period | 5 944 875 | 4 229 162 | 12 055 490 | 1 403 484 |

### 9.2. Number of shares

#### 9.2.1. Basic earnings per share

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of ordinary shares for basic earnings per share | | | | |
| Number of shares at beginning of period | 404 157 689 | 404 171 689 | 404 157 689 | 404 171 689 |
| Share options exercised | 176 402 | - | 176 402 | - |
| Shares issued - scrip dividend | 1 999 625 | - | 1 999 625 | - |
| Share buy back | ( 8 138 535) | ( 14 000) | ( 8 138 535) | ( 14 000) |
| | **398 195 181** | **404 157 689** | **398 195 181** | **404 157 689** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 9.2.2. Diluted earnings per share

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Number of shares for basic earnings | 398 195 181 | 404 157 689 | 398 195 181 | 404 157 689 |
| **Effect of dilution:** | | | | |
| Share options approved but not granted (ESOS) | 10 141 568 | 4 614 841 | 10 141 568 | 4 614 841 |
| | **408 336 749** | **408 772 530** | **408 336 749** | **408 772 530** |

### 9.2.3. Headline earnings

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Profit for the period | 12 002 349 | 6 432 543 | 25 468 506 | 2 942 025 |
| **Add/(deduct) non-recurring items** | | | | |
| Trade and other investments fair value gains | ( 59 037) | ( 37 460) | ( 218 556) | ( 8 445) |
| Fair value gains on investment property | ( 6 830 600) | ( 2 864 068) | ( 16 380 730) | ( 2 029 063) |
| Profit on disposal of property and equipment | ( 1 415) | ( 2 002) | ( 1 803) | ( 462) |
| Non - recurring sundry income | ( 1 189 691) | - | ( 1 189 691) | - |
| Loss/(profit) on disposal of investment properties | 34 152 | ( 23 384) | ( 26 722) | ( 5 788) |
| Tax effect thereon | 1 989 118 | 723 533 | 4 404 487 | 505 217 |
| | **5 944 875** | **4 229 162** | **12 055 490** | **1 403 484** |

### 9.3. Earnings per share (ZWL cents)

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 (ZWL cents) | 2021 (ZWL cents) | 2022 (ZWL cents) | 2021 (ZWL cents) |
| Basic | 3 014 | 1 592 | 6 396 | 728 |
| Diluted | 2 939 | 1 574 | 6 237 | 720 |
| Headline | 1 456 | 1 035 | 2 952 | 343 |

## 10. SHARE CAPITAL

### 10.1. Authorised

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Ordinary shares of ZWL 0.00028 each | 600 | 600 | 168 | 168 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**10.2. Issues and fully paid**

**10.2.1. Ordinary shares**

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Balance at 01 January | 300 | 300 | 19 752 | 19 752 |
| Share options exercised | 0 | - | 0 | - |
| Share buy back | ( 8) | ( 0) | - | - |
| Redeemable ordinary shares | 104 | - | 46 | - |
| Shares issued - scrip dividend | 8 | - | 2 | - |
| **Balance at 31 December** | **404** | **300** | **19 800** | **19 752** |

| | Historical Cost* | | | |
|---|---|---|---|---|
| | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Balance at 01 January | 300 | 300 | 84 | 84 |
| Share options exercised | 0 | - | 0 | - |
| Share buy back | ( 8) | ( 0) | - | - |
| Redeemable ordinary shares | 104 | - | 29 | - |
| Shares issued – scrip dividend | 8 | - | 2 | - |
| **Balance at 31 December** | **404** | **300** | **115** | **84** |

**10.2.2. Redeemable ordinary shares**

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Balance at 01 January | 104 | 104 | 100 | 100 |
| Conversion to ordinary shares | ( 104) | - | ( 100) | - |
| **Balance at 31 December** | **-** | **104** | **-** | **100** |

| | Historical Cost* | | | |
|---|---|---|---|---|
| | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Balance at 01 January | 104 | 104 | 29 | 29 |
| Conversion to ordinary shares | ( 104) | - | ( 29) | - |
| **Balance at 31 December** | **-** | **104** | **-** | **29** |

Of the unissued ordinary shares of 92 million shares (2021 - 196 million), options which may be granted in terms of the 2023 and 2024 ESOS amount to 10 141 568 (2021 – 4 614 8419). During the year 302 424 options were exercised at a price of $13.99.

Subject to the provisions of section 214 of the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, the unissued shares are under the control of the directors.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 11. CAPITAL RESERVES

| GROUP | Historical Cost* | | | |
|---|---|---|---|---|
| | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Share premium | 4 350 648 | 4 180 167 | 172 496 | 19 122 |
| Treasury shares | ( 426) | ( 29) | ( 394) | ( 7) |
| Share option reserve | 257 242 | 113 606 | 129 569 | 27 768 |
| Revaluation reserve | 5 525 808 | 4 988 274 | 7 749 682 | 1 915 997 |
| | 10 133 272 | 9 282 018 | 8 051 352 | 1 962 880 |
| Functional currency translation reserve | 1 588 744 | 1 588 744 | 11 620 | 11 620 |
| **Total capital reserve** | **11 722 016** | **10 870 762** | **8 062 972** | **1 974 500** |

### 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 32.3 for further details of these plans.

#### 11.1.3. Functional currency translation reserve

The reserve arose out of translation gains on the Group's land and buildings recorded on the change in the Group's functional currency during the period under review.

#### 11.1.4. Revaluation reserve

The Reserve represent gains on the revaluation of land and buildings.

#### 11.1.5. Treasury shares reserve

This reserve records ordinary shares held by the holding company and its subsidiaries. The shares are recorded at the cost at which they were acquired. As at 31 December 2022 the Group held 8 152 534 (2021: 14 000) of its own shares.

## 12. RETAINED EARNINGS

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| GROUP | 31-Dec 2022 Shares million | 31-Dec 2021 Shares million | 31-Dec 2022 ZWL '000 | 31-Dec 2021 ZWL '000 |
| Analysis of retained profit by company (excluding effects of consolidation) | | | | |
| NMBZ Holdings Limited | 3 137 523 | 2 763 170 | ( 88 359) | ( 27 599) |
| NMB Bank Limited | 27 783 506 | 16 556 204 | 30 254 039 | 5 112 719 |
| Total retained earnings | 30 921 029 | 19 319 374 | 30 165 681 | 5 085 120 |
| Dividend per share (ZWL cents) | 0.45 | 0.00 | 0.45 | 0.00 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **COMPANY** | **31-Dec 2022 Shares million** | **31-Dec 2021 Shares million** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Analysis of retained profit by company | | | | |
| NMBZ Holdings Limited | 3 137 523 | 2 763 170 | ( 88 359) | 169 661 |
| Total retained earnings | 3 137 523 | 2 763 170 | ( 88 359) | 169 661 |
| Dividend per share (ZWL cents) | 0.49 | 0.00 | 0.49 | 0.00 |

## 13. REDEEMABLE ORDINARY SHARES

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **31-Dec 2022 Shares million** | **31-Dec 2021 Shares million** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Nominal value (note 10.2.2) | 29 | 100 | 29 | 29 |
| Share premium | 14 306 | 49 179 | 14 306 | 14 306 |
| Conversion to ordinary shares | ( 14 335) | - | ( 14 335) | - |
| | - | 49 279 | - | 14 335 |

On 30 June 2013, the Group received USD14 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 USD4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements previously set by the Reserve Bank of Zimbabwe of ZWL200 million by 31 December 2020. FMO and Norfund came 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. As at 30 June 2022, none of the parties had given notice to the company for the redemption of these shares. The shares have therefore reverted to ordinary share status.

## 14. SUBORDINATED TERM LOAN

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| **GROUP** | | | | |
| At 1 January | 766 979 | 732 862 | 223 115 | 132 633 |
| Monetary adjustment | ( 1 117 749) | ( 367 253) | - | - |
| Exchange revaluation | 1 277 093 | 401 371 | 703 208 | 90 482 |
| | **926 323** | **766 979** | **926 323** | **223 115** |

In 2013, the Bank received a subordinated term loan amounting to USD 1.4 million from a Development Financial Institution which attracts an interest rate of 3 months USD LIBOR plus 10% and has a seven year maturity date (13 June 2020) from the first disbursement date. The average 3 months USD LIBOR Rate stood at 2.405% (2021 - 0.161%).

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 defaulted on principal repayments with respect to this subordinated loan during the year ended 31 December 2019 as a result of the prevailing nostro funding challenges affecting the economy. There was a breach on the Aggregate Unhedged Open Foreign Currency Positions Ratio covenant which stood at 19.05% (instead of a maximum 10%) between the Group and the Development Financial Institution at the reporting date of 31 December 2022. However, there were no defaults on interest payments.

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. The RBZ pegged the initial trades at USD /RTGS$1:2.5. In order to manage the transition, the RBZ also advised on the same date that all foreign liabilities or legacy debts due to suppliers and service providers, declared dividends e.t.c would be treated separately after registering such debts with the RBZ Exchange Control Department for an orderly expunging of these debts.

Consequently, the Group registered its legacy debts, which included the subordinated term loan and offshore lines of credit and transferred the ZWL equivalent of these debts at a rate of USD /ZWL 1:1 to the RBZ in terms of the RBZ directive. During the year USD 1 400 000 Treasury Bills were received by the Bank at 0% coupon rate with a three year maturity profile.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

As at 31 December 2022, there was communication to the effect that the USD Libor will cease to be a reference rate for the offshore borrowings with effect from 30 June 2023. As such, the Group's creditors have chosen to move to the Secured Overnight Accommodation Rate (SOFR) as the reference rate on borrowings by the Group effective 01 July 2023. Accordingly all agreements between the Group and the creditors shall be amended to accommodate the new reference rate terms, which date shall be on or before 30 June 2023.

## 15. TOTAL SHAREHOLDERS' FUNDS AND SHAREHOLDERS' LIABILITIES

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **GROUP** | **31-Dec 2022 Shares million** | **31-Dec 2021 Shares million** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Shareholders' funds and shareholders liabilities | 43 589 169 | 31 026 146 | 39 155 091 | 7 297 154 |

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **COMPANY** | **31-Dec 2022 Shares million** | **31-Dec 2021 Shares million** | **31-Dec 2022 ZWL '000** | **31-Dec 2021 ZWL '000** |
| Shareholders' funds and shareholders liabilities | 7 426 963 | 7 126 387 | 213 442 | 33 704 |

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), functional currency translation reserve (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

### 16.1 Deposits and current accounts from customers

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| **GROUP** | | | | |
| Current and deposit accounts from customers | 53 215 217 | 35 840 230 | 53 215 217 | 10 425 947 |

### 16.2 Maturity analysis

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| Less than 1 month | 47 046 998 | 28 500 384 | 47 046 998 | 8 290 781 |
| 1 to 3 months | 6 493 557 | 7 285 417 | 6 493 557 | 2 119 333 |
| 3 to 6 months | 706 | 11 526 | 706 | 3 353 |
| 6 months to 1 year | 927 087 | 27 972 | 927 087 | 8 137 |
| 1 to 5 years | 23 784 | 13 458 | 23 784 | 3 914 |
| Over 5 years | - | 1 474 | - | 429 |
| | **54 492 132** | **35 840 230** | **54 492 132** | **10 425 947** |



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 16.3. Sectoral analysis of deposits

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Agriculture | 7 057 450 | 4 768 876 | 7 057 450 | 1 387 269 |
| Banks and other financial institutions | 5 501 425 | - | 5 501 425 | - |
| Distribution | 11 319 809 | 5 116 054 | 11 319 809 | 1 488 264 |
| Individuals | 4 335 092 | 4 861 083 | 4 335 092 | 1 414 092 |
| Manufacturing | 5 625 352 | 4 411 777 | 5 625 352 | 1 283 389 |
| Mining companies | - | 917 603 | - | 266 931 |
| Municipalities and parastatals | 6 057 553 | 11 032 104 | 6 057 553 | 3 209 246 |
| Services | 8 351 989 | 2 330 271 | 8 351 989 | 677 878 |
| Transport and telecommunications | 4 966 547 | 2 402 462 | 4 966 547 | 698 878 |
| | **53 215 217** | **35 840 230** | **53 215 217** | **10 425 947** |

## 17. OTHER LIABILITIES

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **GROUP** | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Trade and other liabilities* | 11 792 185 | 9 456 551 | 11 792 185 | 2 750 917 |

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **COMPANY** | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Trade and other liabilities* | 294 | 1 010 | 294 | 294 |

*The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature. These relate to the Group and Company's operational liabilities to suppliers, employees and regulators. Expense provisions and deferred income are also included. Included in trade and other payables are lease liabilities ranging from 1 to 5 years in respect of leased properties in which the Group is a lease. Also included in trade and other liabilities are ECL provisions in respect of guarantees and facilities approved but not drawn down.

### 17.1 Lease Liabilities

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| At 1 January | 333 182 | 132 312 | 96 923 | 23 946 |
| Monetary adjustment | ( 783 343) | ( 122 850) | - | - |
| Remeasurements | 1 068 717 | 473 390 | 446 036 | 106 718 |
| Finance costs accrual | 7 160 | 57 002 | 7 160 | 12 850 |
| Payment of lease liabilities | ( 259 200) | ( 206 672) | ( 183 603) | ( 46 591) |
| | 366 516 | 333 182 | 366 516 | 96 923 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 18. BORROWINGS

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Banks and financial institutions | 600 000 | 5 159 837 | 600 000 | 1 501 000 |
| Offshore borrowings | 19 076 270 | 9 921 310 | 19 076 270 | 2 886 116 |
| Other institutions | 1 599 980 | 5 250 828 | 1 599 980 | 1 527 469 |
| | **21 276 250** | **20 331 975** | **21 276 250** | **5 914 585** |

*Included in Offshore borrowings are loan balances of ZWL5 641 749 953 (2021 ZWL1 310 2876 160), ZWL958 067 460 (2021 ZWL677 596 574) and ZWL3 158 604 705 (2021 ZWL898 231 833) due to Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden (FMO), Norfund and Swedfund respectively. The carrying amounts of deposits from other banks and other financial institutions approximate the related fair values. All the loan balances except for Afreximbank are part of the Group's Blocked Funds which were registered with the Reserve Bank of Zimbabwe (RBZ) for an orderly expunging of the debts. In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of Part XIII of the Finance Act No. 7 of 2021 under section 52. The Blocked funds are listed under Annex 1 of the Finance Act no 7 of 2021. In 2019, the Group transferred the ZWL equivalent of the legacy debts at a rate of US$/ZWL1:1 to the RBZ as per requirement of the Exchange Control directive RU 28 of 2019. In terms of section 52 of the Finance Act no 7 of 2021, outstanding blocked funds were to be liquidated through the issuance of Government-backed zero coupon or non-interest bearing foreign exchange savings bonds or such other debt instruments denominated in foreign currency. During the year US$8 244 148 Treasury Bills were received by the Bank at 0% coupon rate with maturity varying maturity profiles of between three to twenty years in respect of the legacy debts in favour of Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden N.V. (FMO)'s principal portion of the liability.

Subsequent to year end Treasury bills have been issued in respect of the amount owing to Swedfund.

The line of credit balances have been translated at 31 December 2022 at the closing rate of USD / ZWL 684.3339.

## 19. INVESTMENT SECURITIES

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Amortised cost – Gross | 13 786 267 | 5 977 600 | 4 010 434 | 1 081 820 |
| Additions | 23 143 832 | 12 991 063 | 12 743 732 | 2 928 614 |
| Monetary adjustment | ( 20 175 931) | ( 5 182 397) | - | - |
| Impairment allowance – Stage 1 (20.3) | - | - | - | - |
| | **16 754 167** | **13 786 267** | **16 754 166** | **4 010 434** |

The Group holds Treasury Bills and Government Bonds amounting to ZWL 16 754 167 000 ( 2021 - ZWL 13 786 267 000) with interest rates ranging from 0% to 18%. The Treasury Bills are measured at amortised cost in line with the Bank's business model to collect contractual cashflows and the contractual terms are such that the financial assets give rise to cashflows that are solely payments of principal and interest. Of this amount a total of ZWL 6 599 817 413 are with respect to blocked funds.

Included in interest income is interest from investment securities held by the Bank

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Interest income from investment securities | 2 581 785 | 1 769 790 | 1 755 252 | 421 220 |

### 19.1 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.

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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**19. INVESTMENT SECURITIES (continued)**

**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 vaâlued 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.

During the reporting periods ended 31 December 2022 and 31 December 2021, 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.

**Financial instruments measured at fair value – fair value hierarchy**

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **Level 1 ZWL '000** | **Level 2 ZWL '000** | **Level 3 ZWL '000** |
| Trade and other investments | 255 056 | - | - | 255 056 |
| Trade and other investments | 125 471 | - | - | 125 471 |

| | Historical Cost* | | | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **Level 1 ZWL '000** | **Level 2 ZWL '000** | **Level 3 ZWL '000** |
| Trade and other investments | 255 056 | - | - | 255 056 |
| Trade and other investments | 36 500 | - | - | 36 500 |

**Financial instruments not measured at fair value**

Below is a list of the Group's financial investments not measured at fair value, but whose carrying amounts approximate fair value.

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| **Assets** | | | | |
| Cash and cash equivalents | 21 538 825 | 16 748 886 | 21 538 825 | 4 872 262 |
| Loans, advances and other accounts | 46 285 257 | 32 948 046 | 46 285 257 | 9 584 609 |
| Investment securities | 16 754 167 | 13 786 267 | 16 754 166 | 4 010 434 |
| **Total** | **84 578 249** | **63 483 199** | **84 578 249** | **18 467 305** |
| **Liabilities** | | | | |
| Deposits and other liabilities | 53 215 217 | 35 840 230 | 53 215 217 | 10 425 947 |
| | 53 215 217 | 35 840 230 | 53 215 217 | 10 425 947 |

**Cash and cash equivalents**

Cash and cash equivalents consists of balances with the Central Bank, other banks and cash on hand 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 19. INVESTMENT SECURITIES (continued)

**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 Non negotiable certificate of deposits with the Government (government bonds). There is currently no observable active market for these instruments; or a reliable proxy to discount the expected future cash flows. Treasury bills are denominated in both USD and ZWL, whilst the Non-negotiable certificate of deposits (NNCDs) are in ZWL only. 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.

**Trade and other investments**

These are equity investments held by the Group in a third part entity. There is currently no observable active market for these equities or a reliable proxy to discount the expected future cash flows. In performing this assessment, Directors have determined that interest rates are consistent with the latest transactions that the Group entered into. The issuer advises the Group of the equities' value and this value is significantly unobservable as the equities are not traded on an active market. The fair value would therefore, increase or decrease depending on the movements in the issuer's net carrying assets value.

**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.

## 20. 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 | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Allowance for impairment losses on financial assets | ( 432 404) | ( 350 285) | ( 432 404) | ( 101 898) |
| Prepayments and other assets | ( 83 628) | ( 15 430) | - | - |
| Lease liabilities | ( 170 234) | ( 124 166) | ( 170 234) | ( 36 120) |
| Right of use assets | 52 609 | 106 880 | 52 609 | 26 139 |
| Staff loans IFRS 9 adjustments | 148 698 | - | 148 698 | - |
| Quoted and other investments | 12 753 | 6 274 | 12 753 | 676 |
| Investment properties | 2 419 575 | 917 926 | 2 419 575 | 262 005 |
| Property and equipment | 4 366 870 | 3 355 698 | 2 827 202 | 728 086 |
| Suspended interest | ( 9 864) | ( 694) | ( 9 864) | ( 185) |
| Deferred income | ( 15 144) | ( 12 728) | ( 15 159) | ( 3 703) |
| Staff loans IFRS 9 Fair value adjustment | ( 136 312) | - | ( 136 312) | - |
| Provisions | ( 732 088) | ( 443 340) | ( 732 088) | ( 133 456) |
| Closing deferred tax liabilities/(assets) | 5 420 831 | 3 440 135 | 3 964 776 | 741 544 |
| Opening balance at 1 January | 3 440 135 | 1 608 142 | 741 544 | 742 |
| Current year charge/(credit) | 1 980 696 | 1 831 993 | 3 223 232 | 740 802 |
| Relating to profit or loss (note 8.1) | 1 842 965 | 720 661 | 1 283 553 | 227 838 |
| Relating to other comprehensive income (note 6.3) | 176 512 | 425 741 | 1 915 366 | 559 929 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**20. DEFERRED TAX (continued)**

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **COMPANY** | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| Assessed losses | ( 10) | ( 31) | ( 10) | ( 10) |
| Provisions | ( 4) | ( 15) | ( 4) | ( 4) |
| Closing deferred tax liabilities/(assets) | ( 14) | ( 46) | ( 14) | ( 14) |
| Opening balance at 1 January | ( 46) | ( 75) | ( 14) | ( 14) |
| Current year charge/(credit) | 32 | 29 | - | - |
| Relating to profit or loss (note 8.1) | 60 | 28 | ( 14) | 8 |
| Relating to other comprehensive income (note 6.3) | ( 28) | - | - | - |

**21. CASH AND CASH EQUIVALENTS**

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| Balances with the Central Bank** | 6 922 379 | 3 202 127 | 6 922 379 | 931 501 |
| Current, nostro accounts* and cash | 12 467 091 | 11 415 447 | 12 467 091 | 3 320 761 |
| Interbank placements | 2 149 354 | 2 131 312 | 2 149 354 | 620 000 |
| Expected Credit loss allowance | - | - | - | - |
| | **21 538 825** | **16 748 886** | **21 538 825** | **4 872 262** |

| **COMPANY** | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| Cash | 14 | 47 | 14 | 14 |

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

**Balances with the Central Bank, other banks and cash are used to facilitate customer and the Bank's transactions which include payments and cash withdrawals.

**22. LOANS AND ADVANCES**

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| **GROUP** | **2022 ZWL '000** | **2021 ZWL '000** | **2022 ZWL '000** | **2021 ZWL '000** |
| Fixed term loans – Corporate | 36 474 938 | 19 752 866 | 36 474 938 | 5 746 122 |
| Fixed term loans – Retail | 9 267 515 | 6 941 389 | 9 267 515 | 2 019 255 |
| Mortgages | 531 634 | 948 541 | 531 634 | 275 931 |
| Overdrafts | 11 170 | 5 305 250 | 11 170 | 1 543 301 |
| | 46 285 257 | 32 948 046 | 46 285 257 | 9 584 609 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**22. LOANS AND ADVANCES (continued)**

**22.1. Maturity analysis**

| GROUP | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Less than 1 month | 7 662 476 | 8 255 019 | 7 662 476 | 2 401 391 |
| 1 to 3 months | 17 465 825 | 4 920 832 | 17 465 825 | 1 431 473 |
| 3 to 6 months | 1 739 818 | 698 015 | 1 739 818 | 203 053 |
| 6 months to 1 year | 13 013 761 | 8 209 978 | 13 013 761 | 2 388 288 |
| 1 to 5 years | 43 627 023 | 8 761 709 | 43 627 023 | 2 548 787 |
| Over 5 years | - | 3 519 503 | - | 1 023 826 |
| | 83 508 903 | 34 365 056 | 83 508 903 | 9 996 818 |
| Allowances for impairment losses on loans and advance | ( 1 603 602) | ( 1 417 010) | ( 1 603 602) | ( 412 209) |
| ECL at 1 January | ( 1 417 010) | ( 844 210) | ( 412 209) | ( 152 784) |
| Monetary adjustment | 1 004 801 | 318 999 | - | - |
| ECL charged through profit or loss | ( 1 523 591) | ( 907 853) | ( 1 523 591) | ( 264 095) |
| Bad debts written off | 332 198 | 16 054 | 332 198 | 4 670 |
| Suspended interest on credit impaired financial assets | - | - | - | - |
| | 81 905 301 | 32 948 046 | 81 905 301 | 9 584 609 |
| Other assets | 8 842 631 | 9 567 644 | 8 504 329 | 2 265 354 |
| | **90 747 933** | **42 515 690** | **90 409 630** | **11 849 963** |

| COMPANY | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Other assets | 54 053 | 8 267 | 54 053 | 2 404 |

The Bank is continuing recovery efforts in respect of loans written off in the year under review amounting to ZWL 1 042 971 000 (2021: ZWL4 670 199).

**22.2 Sectoral analysis of utilisations**

| | Inflated Adjusted | | | |
|---|---|---|---|---|
| | 2022 ZWL '000 | % | 2021 ZWL '000 | % |
| Agriculture | 12 245 045 | 26% | 7 970 387 | 23% |
| Distribution | 9 567 480 | 21% | 6 621 300 | 19% |
| Individuals | 8 130 098 | 18% | 10 004 413 | 29% |
| Manufacturing | 1 699 351 | 4% | 4 161 153 | 12% |
| Mining | 993 094 | 2% | 677 455 | 2% |
| Services and other | 13 650 189 | 29% | 4 930 348 | 14% |
| | **46 285 257** | **100%** | **34 365 056** | **100%** |

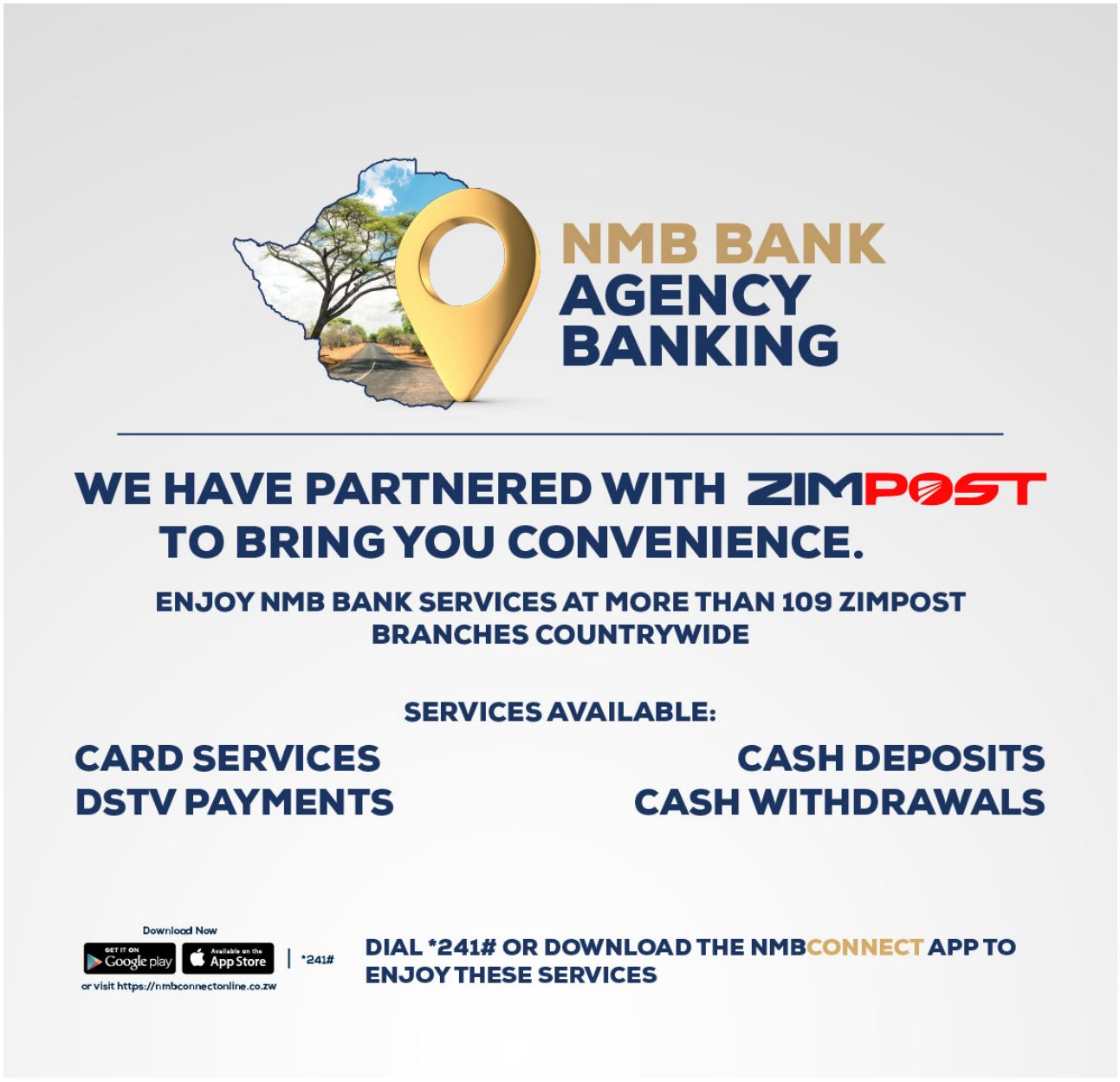
# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**22. LOANS AND ADVANCES (continued)**
**22.2 Sectoral analysis of utilisations (continued)**

| | Historical Cost* | | | |
|---|---|---|---|---|
| | 2022 ZWL '000 | % | 2021 ZWL '000 | % |
| Agriculture | 12 245 045 | 26% | 2 318 591 | 23% |
| Distribution | 9 567 480 | 21% | 1 926 141 | 19% |
| Individuals | 8 130 098 | 18% | 2 910 290 | 29% |
| Manufacturing | 1 699 351 | 4% | 1 210 482 | 12% |
| Mining | 993 094 | 2% | 197 072 | 2% |
| Services and other | 13 650 189 | 29% | 1 434 242 | 14% |
| | **46 285 257** | **100%** | **9 996 818** | **100%** |

The material concentration of loans and advances is with Services and other at 29% (2021 - 14%) and agriculture sector at 26% (2021 - 23%).



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**22.3 Impairment analysis of financial assets measured at amortised cost**

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Gross carrying amount at 1 January 2022 | 42 820 563 | 653 409 | 458 727 | 43 932 699 |
| Monetary adjustment | ( 29 073 035) | ( 778) | ( 318 537) | ( 29 392 350) |
| **Transfers** | ( 543 394) | 460 211 | 83 183 | - |
| - to 12 months to ECL | 140 069 | ( 132 752) | ( 7 317) | - |
| - to lifetime ECL not credit impaired | ( 620 655) | 622 423 | ( 1 768) | - |
| - to lifetime ECL credit impaired | ( 62 808) | ( 29 460) | 92 268 | - |
| Net movement in financial assets | 40 332 790 | 106 491 | 298 553 | 40 737 834 |
| **Balance as at 31 December 2022** | **53 536 924** | **1 219 333** | **521 926** | **55 278 183** |
| **Loss allowance analysis** | | | | |
| At 1 January 2022 | 1 168 375 | 62 544 | 186 090 | 1 417 009 |
| - ECL – Loans, advances & guarantees | 1 117 060 | 62 544 | 186 090 | 1 365 694 |
| - Guarantees and facilities approved not drawn down | ( 25 960) | - | - | ( 25 960) |
| - ECL – Investment securities | 51 408 | - | - | 51 408 |
| - ECL – Interbank placements | 25 867 | - | - | 25 867 |
| Monetary adjustment | 535 295 | 287 610 | - | 822 905 |
| **Transfers** | ( 16 118) | 17 853 | ( 1 735) | - |
| - to 12 month ECL | 15 533 | ( 12 551) | ( 2 982) | - |
| - to lifetime ECL not credit impaired | ( 30 862) | 31 944 | ( 1 082) | - |
| - to lifetime ECL credit impaired | ( 789) | ( 1 540) | 2 329 | - |
| Net increase/(decrease) in ECL | 66 427 | 98 075 | 167 696 | 332 198 |
| Loans and advances | 67 464 | 101 372 | 162 786 | 331 623 |
| Guarantees and facilities approved not drawn down | 15 223 | - | - | 15 223 |
| Investment securities | 46 218 | 693 | 15 672 | 62 583 |
| Interbank placements | ( 62 478) | ( 3 990) | ( 10 763) | ( 77 231) |
| Bad debts written off | - | - | - | - |
| Revaluation exchange on loans and advances ECL | ( 822 905) | - | - | ( 822 905) |
| **Balance as at 31 December 2022** | **931 074** | **466 083** | **352 051** | **1 749 207** |
| Loans and advances | 880 796 | 469 379 | 347 141 | 1 697 317 |
| Guarantees and facilities approved not drawn down | ( 10 737) | - | - | ( 10 737) |
| Investment securities | 97 626 | 693 | 15 672 | 113 991 |
| Interbank placements | ( 36 611) | ( 3 990) | ( 10 763) | ( 51 364) |
| | **931 074** | **466 083** | **352 051** | **1 749 207** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 22.4 Impairment analysis of financial assets measured at amortised cost

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Gross carrying amount at 1 January 2021 | 21 777 096 | 140 024 | 36 840 | 21 953 960 |
| Monetary adjustment | ( 13 204 404) | ( 88 137) | ( 23 189) | ( 13 315 730) |
| **Transfers** | ( 736 992) | 447 300 | 289 692 | - |
| - to 12 months to ECL | 180 336 | ( 165 696) | ( 14 639) | - |
| - to lifetime ECL not credit impaired | ( 630 425) | 631 103 | ( 679) | - |
| - to lifetime ECL credit impaired | ( 286 903) | ( 18 107) | 305 010 | - |
| Net movement in financial assets | 34 984 863 | 154 222 | 155 384 | 35 294 469 |
| **Balance as at 31 December 2021** | **42 820 563** | **653 409** | **458 727** | **43 932 699** |
| **Loss allowance analysis** | | | | |
| At 1 January 2021 | 755 067 | 50 861 | 38 282 | 844 210 |
| - ECL – Loans, advances & guarantees | 715 295 | 50 861 | 38 282 | 804 438 |
| - Guarantees and facilities approved not drawn down | 10 943 | - | - | 10 943 |
| - ECL – Investment securities | 23 097 | - | - | 23 097 |
| - ECL – Interbank placements | 5 732 | - | - | 5 732 |
| Monetary adjustment | ( 296 429) | 989 | ( 18 080) | ( 313 520) |
| **Transfers** | ( 139 931) | 34 303 | 105 628 | - |
| - to 12 month ECL | 2 404 | ( 2 354) | ( 50) | - |
| - to lifetime ECL not credit impaired | ( 52 665) | 52 720 | ( 55) | - |
| - to lifetime ECL credit impaired | ( 89 670) | ( 16 063) | 105 733 | - |
| Net increase/(decrease) in ECL | 816 240 | ( 23 609) | 60 260 | 852 891 |
| Loans and advances | 804 697 | ( 23 609) | 60 260 | 841 348 |
| Guarantees and facilities approved not drawn down | ( 36 903) | - | - | ( 36 903) |
| Investment securities | 28 311 | - | - | 28 311 |
| Interbank placements | 20 135 | - | - | 20 135 |
| Bad debts written off | - | - | - | - |
| Revaluation exchange on loans and advances ECL | 33 428 | - | - | 33 428 |
| **Balance as at 31 December 2021** | **1 168 375** | **62 544** | **186 090** | **1 417 009** |
| Loans and advances | 1 117 060 | 62 544 | 186 090 | 1 365 694 |
| Guarantees and facilities approved not drawn down | ( 25 960) | - | - | ( 25 960) |
| Investment securities | 51 408 | - | - | 51 408 |
| Interbank placements | 25 867 | - | - | 25 867 |
| | **1 168 375** | **62 544** | **186 090** | **1 417 009** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 22.5 Loans to officers and executive directors

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Included in advances and other accounts (note 20) are loans to officers:- | | | | |
| At 1 January | 267 258 | 357 878 | 77 745 | 64 768 |
| Monetary adjustment | ( 269 574) | ( 148 185) | - | - |
| Net additions during the year | 178 164 | 57 565 | 98 103 | 12 977 |
| | 175 848 | 267 258 | 175 848 | 77 745 |
| Expected credit loss allowance on loans to officers | - | - | - | - |
| | **175 848** | **267 258** | **175 848** | **77 745** |

### 22.6 The terms and conditions applicable to loans and advances are as follows:

| Product | Tenure | Interest rate |
|---|---|---|
| Overdraft | Payable on demand | Penalty interest rate of eleven percentage points above loan rate up to a maximum penalty rate of 72% per annum. |
| Loan | Loan payable over a maximum period of 120 months (includes mortgage loans) | From 120% per annum up to a maximum of 215% per annum. Loans to employees and executive Directors are at an interest rate that considers the relevant risk of staff which is usually lower than the other markets for individual customers. |
| Bankers Acceptances | Loan payable over a minimum period of 30 days up to 90 days. | From 50%pa to 205% per annum. |

### 23. OTHER ASSETS

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Trade and other receivables | 8 767 621 | 9 356 746 | 8 403 647 | 2 216 529 |
| Consumable stocks | 75 010 | 210 898 | 100 682 | 48 825 |
| | **8 842 631** | **9 567 644** | **8 504 329** | **2 265 354** |

| COMPANY | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Other assets | **54 053** | **8 267** | **54 053** | **2 404** |

### 23.1. Trade and other payables

| GROUP | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Services deposits* | 2 366 005 | 1 912 339 | 2 366 005 | 556 301 |
| Collateral repossessions*** | 3 923 843 | - | 3 923 843 | - |
| Other receivables**** | 2 552 784 | 7 655 305 | 2 214 482 | 1 709 053 |
| | **8 842 631** | **9 567 644** | **8 504 329** | **2 265 354** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

| COMPANY | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Other assets | **54 053** | **8 267** | **54 053** | **2 404** |

* Service deposits relate to amounts pledged as collateral for VISA and the RTGS accounts.
** Prepayments and stocks are in respect of services, utilities and consumables for the Group.
*** Collateral repossession assets are in relation to a commodity which the Group holds for sale as part of collateral exercise
**** Included in other receivables is ZWL 2 996 645 017 (2021: ZWL1 507 838 292) placed with the RBZ for the facilitation of legacy debts settlement in terms of regulatory directives. Nil impairment has been recognised. During the month of March 2023 an equivalent US$ Treasury Bills have been issued to the Bank by Government in lieu of the deposit.

## 24. NON-CURRENT ASSETS HELD FOR SALE

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 Dec 2022 ZWL '000 | 31 Dec 2021 ZWL '000 | 31 Dec 2022 ZWL '000 | 31 Dec 2021 ZWL '000 |
| Balance at 1 January | - | - | - | - |
| Additions during the year | 380 629 | - | 380 629 | - |
| Monetary adjustment | - | - | - | - |
| Reclassification from/(to) investment property | - | - | - | - |
| **Balance at 31 December** | **380 629** | **-** | **380 629** | **-** |

The non-current assets held for sale comprise of immovable property, and other qualifying assets which the bank used to hold as part of collateral for loans and advances and have now been recovered from customers for borrowings from the bank. The Bank is in the process of realising these assets. During the year there no transfers from non-current assets held for sale to the Bank's fixed assets portfolio.

## 25. TRADE AND OTHER INVESTMENTS

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| GROUP | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Balance at 1 January | 125 471 | 60 105 | 36 500 | 10 878 |
| Additions | - | 87 022 | - | 17 177 |
| Monetary adjustment | 70 548 | ( 59 116) | - | - |
| Gain recognised in profit or loss | 59 037 | 37 460 | 218 556 | 8 445 |
| | **255 056** | **125 471** | **255 056** | **36 500** |

The instruments are designated as financial assets at fair value through profit or loss as they are held in perpetuity and they represent equity holdings in another third part entity. The gain or losses relate to foreign exchange rate movements since the instruments are denominated in foreign currency and are recognised through profit or loss.

## 26. INVESTMENTS IN GROUP COMPANIES

| COMPANY | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Investment in subsidiaries: NMB Bank Limited | **7 373 127** | **7 118 777** | **159 564** | **31 491** |

The subsidiary is registered in Zimbabwe, and the extent of the Group has 100% beneficial interest therein and its principal business activities are in Banking. The consolidated financial statements include the financial information of the subsidiary listed above.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 27. INVESTMENT PROPERTIES

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| **GROUP** | | | | |
| At 1 January | 12 093 934 | 9 136 396 | 3 518 133 | 1 653 496 |
| Additions | 3 848 480 | 197 741 | 2 764 347 | 44 577 |
| Disposals | ( 154 855) | ( 104 271) | ( 45 050) | ( 23 505) |
| Fair value gains | 6 830 600 | 2 864 068 | 16 380 731 | 1 843 565 |
| **At 31 December** | **22 618 160** | **12 093 934** | **22 618 161** | **3 518 133** |

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

Rental income amounting to ZWL 151 565 630 (2021: ZWL 47 699 896) was received and no operating expenses were incurred on the leased investment properties in the current year due to the net leasing arrangement on the properties.

The Bank has no restrictions on the realisability of its 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 Bank's investment properties as at 31 December 2022 has been arrived at on the basis of valuations carried out by independent professional valuers, Integrated Properties 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 3**

The fair value for investment properties of ZWL 22 618 160 000 (2021: ZWL 12 093 934 000) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

## 28. INTANGIBLE ASSETS

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **Cost** | 31 Dec 2022 ZWL '000 | 31 Dec 2021 ZWL '000 | 31 Dec 2022 ZWL '000 | 31 Dec 2021 ZWL '000 |
| Balance 1 January 2021 | 1 226 159 | 1 226 159 | 9 122 | 9 122 |
| Inflation adjustment | 1 027 386 | 1 027 386 | - | - |
| Acquisitions | 53 850 | 53 850 | 12 139 | 12 139 |
| **Balance at 31 December 2021** | **2 307 395** | **2 307 395** | **21 261** | **21 261** |
| Acquisitions | 15 714 | 15 714 | 14 133 | 14 133 |
| **Balance at 31 December 2022** | **2 323 109** | **2 323 109** | **35 394** | **35 394** |
| **Accumulated amortisation** | | | | |
| Balance 1 January 2021 | 1 029 950 | 1 029 950 | 4 988 | 4 988 |
| Amortisation for the year | 12 712 | 12 712 | 2 865 | 2 865 |
| **Balance at 31 December 2021** | **1 042 662** | **1 042 662** | **7 853** | **7 853** |
| Amortisation for the year | 289 691 | 289 691 | 4 395 | 4 395 |
| **Balance at 31 December 2022** | **1 332 353** | **1 332 353** | **12 248** | **12 248** |
| **Carrying amount** | | | | |
| At 31 December 2022 | 990 757 | 990 757 | 23 147 | 23 147 |
| **At 31 December 2021** | **1 264 733** | **1 264 733** | **13 409** | **13 409** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 29. PROPERTY AND EQUIPMENT

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital work in progress | Computers | Motor Vehicles | Furniture & Equipment | Right of Use Assets** | Freehold Land & Buildings* | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **Cost/Revaluation amount** | | | | | | | |
| **At 1 January 2021** | 2 379 404 | 2 394 559 | 250 494 | 1 272 192 | 597 559 | 8 051 892 | 14 946 100 |
| Additions | 201 991 | 251 506 | - | 83 095 | - | - | 536 592 |
| Remeasurement – Right of use assets | - | - | - | - | 142 891 | - | 142 891 |
| Capitalisations | ( 92 688) | - | - | - | - | 92 688 | - |
| Revaluations | - | - | - | - | - | 1 722 254 | 1 722 254 |
| Disposals | - | ( 2 630) | ( 14 095) | - | - | - | ( 16 725) |
| **At 31 December 2021** | **2 488 707** | **2 643 435** | **236 399** | **1 355 287** | **740 450** | **9 866 834** | **17 331 112** |
| Additions | 1 056 283 | 978 623 | 350 713 | 126 460 | - | - | 2 512 079 |
| Remeasurement – Right of use assets | - | - | - | - | 844 868 | - | 844 868 |
| Revaluations | - | - | - | - | - | 714 046 | 714 046 |
| Disposals | - | ( 952) | ( 17 122) | - | - | - | ( 18 074) |
| **At 31 December 2022** | **3 544 990** | **3 621 106** | **569 990** | **1 481 747** | **1 585 318** | **10 580 880** | **21 384 031** |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2021** | **-** | **1 349 771** | **206 520** | **911 171** | **137 977** | **84 152** | **2 689 591** |
| Charge for the year – Property and equipment | - | 78 074 | 2 275 | 35 999 | - | 292 | 116 640 |
| Charge for period – Right of use assets | - | - | - | - | 170 109 | - | 170 109 |
| Disposals | - | ( 2 630) | ( 14 095) | - | - | - | ( 16 725) |
| **At 31 December 2021** | **-** | **1 425 215** | **194 700** | **947 170** | **308 086** | **84 444** | **2 959 615** |
| Charge for the year – Property and equipment | - | 418 649 | 57 326 | 115 527 | - | 4 712 | 596 213 |
| Charge for period – Right of use assets | - | - | - | - | 262 154 | - | 262 154 |
| Disposals | - | ( 952) | ( 17 122) | - | - | - | ( 18 074) |
| **At 31 December 2022** | **-** | **1 842 913** | **234 903** | **1 062 697** | **570 240** | **89 156** | **3 799 908** |
| **Carrying amount** | | | | | | | |
| **At 31 December 2022** | 3 544 990 | 1 778 194 | 335 087 | 419 051 | 1 015 078 | 10 491 724 | 17 584 123 |
| **At 31 December 2021** | 2 488 707 | 1 218 220 | 41 699 | 408 117 | 432 364 | 9 782 390 | 14 371 497 |

*Assets measured using the revaluation model
** Right-of-Use Assets recognised in respect of leased properties in which the Group is a lessee. The Right-of-Use Assets are depreciated over the shorter of the lease term including extension options where the Group is certain to exercise such and the useful life of the underlying asset.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**29. PROPERTY AND EQUIPMENT (continued)**

| | Historical Cost* | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital work in progress | Computers | Motor Vehicles | Furniture & Equipment | Right of Use Assets** | Freehold Land & Buildings* | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **Cost/Revaluation amount** | | | | | | | |
| **At 1 January 2021** | 8 615 | 83 148 | 3 392 | 44 827 | 33 330 | 1 457 224 | 1 630 536 |
| Additions | 49 832 | 55 340 | - | 18 148 | - | - | 123 320 |
| Remeasurement – Right of use assets | - | - | - | - | 61 811 | - | 61 811 |
| Capitalisations | ( 24 265) | - | - | - | - | 24 265 | - |
| Disposals | - | ( 695) | ( 63) | - | - | - | ( 758) |
| Revaluations | - | - | - | - | - | 1 408 660 | 1 408 660 |
| **At 31 December 2021** | **34 182** | **137 793** | **3 329** | **62 975** | **95 141** | **2 890 149** | **3 223 569** |
| Additions | 1 056 283 | 740 557 | 263 968 | 101 967 | - | - | 2 162 776 |
| Remeasurement – Right of use assets | - | - | - | - | 277 945 | - | 277 945 |
| Disposals | - | ( 331) | ( 76) | - | - | - | ( 407) |
| Revaluations | - | - | - | - | - | 7 749 051 | 7 749 051 |
| **At 31 December 2022** | **1 090 465** | **878 019** | **267 221** | **164 942** | **373 086** | **10 639 200** | **13 412 932** |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2021** | - | 10 044 | 1 200 | 5 993 | 9 891 | 15 230 | 42 358 |
| Charge for the year – Property and equipment | - | 22 699 | 662 | 10 872 | - | 29 216 | 63 449 |
| Charge for period – Right of use assets | - | - | - | - | 37 881 | - | 37 881 |
| Remeasurement – Right of use assets | - | - | - | - | 15 145 | - | 15 145 |
| Disposals | - | ( 695) | ( 63) | - | - | - | ( 758) |
| **At 31 December 2021** | - | 32 048 | 1 799 | 16 865 | 62 917 | 44 446 | 158 075 |
| Charge for the year – Property and equipment | - | 77 470 | 20 885 | 16 965 | - | 103 029 | 218 350 |
| Charge for period – Right of use assets | - | - | - | - | 71 926 | - | 71 926 |
| Remeasurement – Right of use assets | - | - | - | - | ( 35 200) | - | ( 35 200) |
| Disposals | - | ( 44) | ( 76) | - | - | - | ( 120) |
| **At 31 December 2022** | **-** | **109 475** | **22 608** | **33 830** | **99 643** | **147 475** | **413 030** |
| **Carrying amount** | | | | | | | |
| At 31 December 2022 | 1 090 465 | 768 545 | 244 612 | 131 113 | 273 443 | 10 491 724 | 12 999 902 |
| At 31 December 2021 | 34 182 | 105 745 | 1 530 | 46 110 | 32 224 | 2 845 703 | 3 065 493 |

**Fair value hierarchy**

Immovable properties were revalued as at 31 December 2022 on the basis of valuations carried out by independent professional valuers, Integrated Properties 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 ZWL332 – ZWL574 per square metre.

**Level 3**

The fair value of immovable properties of ZWL10 491 724 000 (2021: ZWL2 845 703 978) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**29. PROPERTY AND EQUIPMENT (continued)**

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

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| At 1 January | 9 866 834 | 8 051 892 | 2 890 149 | 1 457 224 |
| Transfers from work in progress | - | 92 688 | - | 24 265 |
| Revaluation gain | 714 046 | 1 722 254 | 7 749 051 | 1 408 660 |
| Depreciation | ( 89 156) | ( 84 444) | ( 147 475) | ( 44 445) |
| Balance at 31 December | 10 491 724 | 9 782 390 | 10 491 724 | 2 845 704 |

**Valuation technique and significant unobservable inputs**

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

| Standard | Effective Date | Executive Summary |
|---|---|---|
| The direct comparison method was applied on all residential properties. | • Weighted average expected market rental growth (5%);<br>• Average market yield of 10%. | The estimated fair value would increase /(decrease) if:<br>• expected market rental growth were higher/ (lower); and<br>• the risk adjusted discount rates were lower/ (higher). |

| Change in rate | Changes in fair value following changes in | |
|---|---|---|
| | Expected market rental growth | Discount rates |
| +5% | 93 738 | 329 780 |
| +3% | 56 243 | 197 868 |
| +1% | 18 748 | 65 956 |
| -1% | ( 18 748) | ( 65 956) |
| -3% | ( 56 243) | ( 197 868) |
| -5% | ( 93 738) | ( 329 780) |




Gerald Gore (CEO - centre left) and Jim Hodges (Head of EIB Representation Southern Africa and Indian Ocean - centre right) during the signing of the €12 Million Line of Credit Signing Ceremony.

# Notes to the Consolidated Financial Statements (continued)

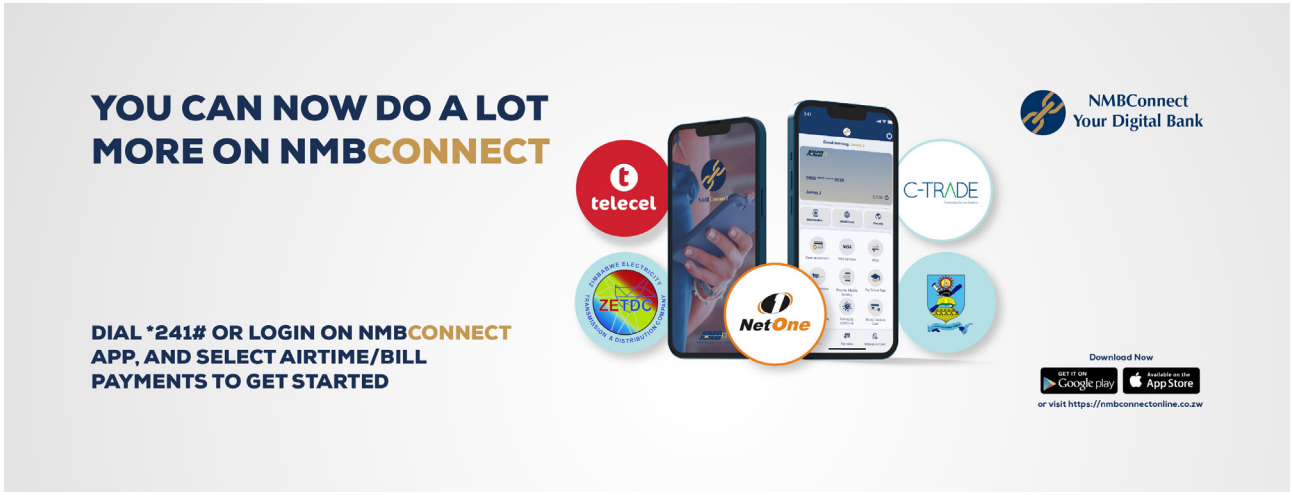
for the year ended 31 December 2022

## 30. INTEREST RATE REPRICING AND GAP ANALYSIS

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

### 30.1 TOTAL POSITION

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 21 538 825 | - | - | - | - | 21 538 825 |
| Investment securities | 6 508 884 | 700 000 | 3 407 711 | 6 905 972 | - | 17 522 567 |
| Quoted and other investments | - | - | - | - | 255 056 | 255 056 |
| Loans, advances | 7 662 476 | 17 465 825 | 14 753 579 | 42 023 421 | - | 81 905 301 |
| Other assets | - | - | - | - | 8 842 631 | 8 842 631 |
| Non-current assets held for sale | - | - | - | - | 380 629 | 380 629 |
| Intangible assets | - | - | - | - | 990 757 | 990 757 |
| Property and equipment | - | - | - | - | 17 584 123 | 17 584 123 |
| Investment properties | - | - | - | - | 22 618 160 | 22 618 160 |
| | 35 710 185 | 18 165 825 | 18 161 290 | 48 929 394 | 50 671 353 | 171 638 049 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 47 046 998 | 6 493 557 | 927 793 | 23 784 | - | 54 492 132 |
| Other liabilities | - | - | - | - | 11 792 185 | 11 792 185 |
| Borrowings | - | - | - | - | 21 276 250 | 21 276 250 |
| Current tax liabilities | - | - | - | - | 44 047 | 44 047 |
| Deferred tax liabilities | - | - | - | - | 5 420 831 | 5 420 831 |
| Equity | - | - | - | - | 42 662 846 | 42 662 846 |
| Subordinated loan | 926 323 | - | - | - | - | 926 323 |
| | 47 973 322 | 6 493 557 | 927 793 | 23 784 | 81 196 159 | 136 614 614 |
| Interest rate repricing gap | ( 12 263 137) | 11 672 268 | 17 233 497 | 48 905 610 | ( 30 524 804) | 35 023 434 |
| **Cumulative gap** | **( 12 263 137)** | **( 590 869)** | **16 642 628** | **65 548 238** | **35 023 434** | **-** |



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.1 TOTAL POSITION (continued)**

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 16 748 886 | - | - | - | - | 16 748 886 |
| Investment securities | 4 125 119 | 6 187 679 | 2 861 633 | 611 836 | - | 13 786 267 |
| Quoted and other investments | - | - | - | - | 125 471 | 125 471 |
| Loans, advances and other assets | 8 255 019 | 4 920 832 | 8 907 993 | 10 864 202 | 9 567 644 | 42 515 690 |
| Intangible assets | - | - | - | - | 1 264 733 | 1 264 733 |
| Property and equipment | - | - | - | - | 14 371 497 | 14 371 497 |
| Investment properties | - | - | - | - | 12 093 934 | 12 093 934 |
| | 29 129 024 | 11 108 511 | 11 769 625 | 11 476 039 | 37 423 278 | 100 906 477 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 28 500 384 | 7 285 417 | 39 498 | 14 931 | - | 35 840 230 |
| Current tax liabilities | - | - | - | - | 811 441 | 811 441 |
| Deferred tax liabilities | - | - | - | - | 3 440 135 | 3 440 135 |
| Redeemable ordinary shares | - | - | - | - | 49 279 | 49 279 |
| Equity | - | - | - | - | 30 209 888 | 30 209 888 |
| Subordinated loan | 766 979 | - | - | - | - | 766 979 |
| | 29 267 364 | 7 285 417 | 39 498 | 14 931 | 34 510 742 | 71 117 952 |
| Interest rate repricing gap | ( 138 340) | 3 823 095 | 11 730 128 | 11 461 108 | 2 912 536 | 29 788 525 |
| **Cumulative gap** | **( 138 340)** | **3 684 756** | **15 414 884** | **26 875 989** | **29 788 522** | **-** |



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.1 TOTAL POSITION (continued)**

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 21 538 825 | - | - | - | - | 21 538 825 |
| Investment securities | 6 508 884 | 700 000 | 3 407 711 | 6 137 571 | - | 16 754 166 |
| Quoted and other investments | - | - | - | - | 255 056 | 255 056 |
| Loans, advances | 7 662 476 | 17 465 825 | 14 753 579 | 42 023 421 | - | 81 905 301 |
| Other assets | - | - | - | - | 8 504 329 | 8 504 329 |
| Non-current assets held for sale | - | - | 380 629 | - | - | 380 629 |
| Intangible assets | - | - | - | - | 23 147 | 23 147 |
| Property and equipment | - | - | - | - | 12 999 902 | 12 999 902 |
| Investment properties | - | - | - | - | 22 618 160 | 22 618 160 |
| | 35 710 185 | 18 165 825 | 18 541 919 | 48 160 993 | 44 400 593 | 164 979 514 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 47 046 998 | 6 493 557 | 927 793 | 23 784 | - | 54 492 132 |
| Other liabilities | - | - | - | - | 11 792 185 | 11 792 185 |
| Borrowings | - | - | - | - | 21 276 250 | 21 276 250 |
| Current tax liabilities | - | - | - | - | 44 047 | 44 047 |
| Deferred tax liabilities | - | - | - | - | 3 964 776 | 3 964 776 |
| Equity | - | - | - | - | 38 228 768 | 38 228 768 |
| Subordinated loan | 926 323 | - | - | - | - | 926 323 |
| | 47 973 322 | 6 493 557 | 927 793 | 23 784 | 75 306 025 | 130 724 482 |
| Interest rate repricing gap | ( 12 263 137) | 11 672 268 | 17 614 126 | 48 137 209 | ( 30 905 432) | - |
| **Cumulative gap** | **( 12 263 137)** | **( 590 869)** | **17 023 257** | **65 160 464** | **-** | **-** |

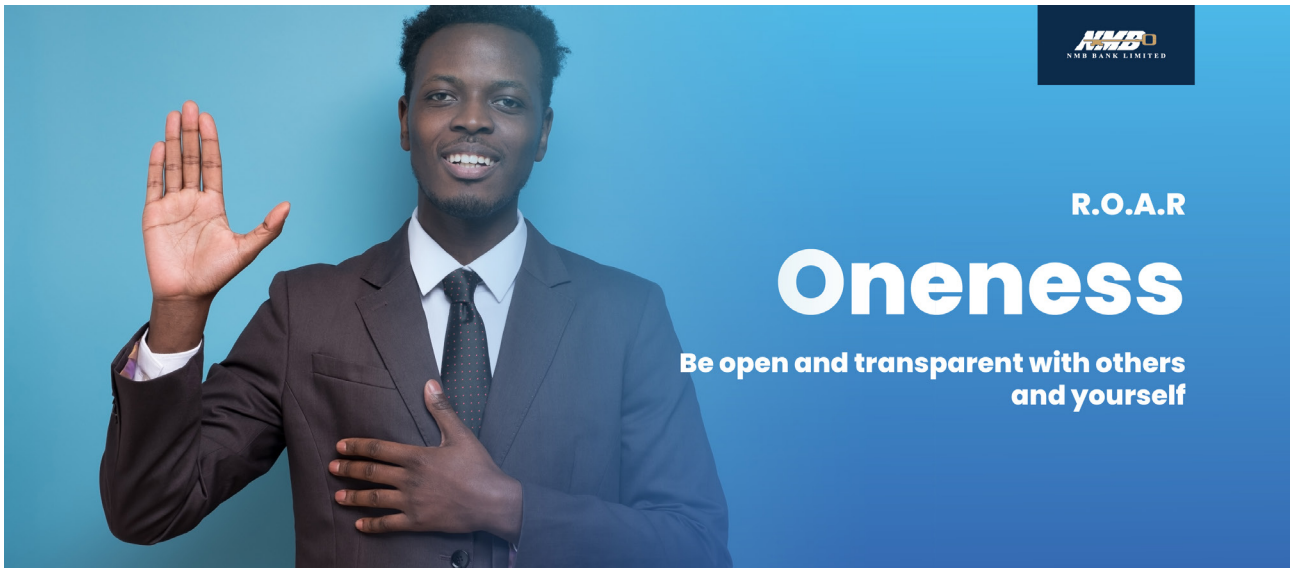


# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.1 TOTAL POSITION (continued)**

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 4 872 262 | - | - | - | - | 4 872 262 |
| Investment securities | 1 200 000 | 1 800 000 | 832 451 | 177 983 | - | 4 010 434 |
| Quoted and other investments | - | - | - | - | 36 500 | 36 500 |
| Loans, advances and other assets | 2 401 391 | 1 431 473 | 2 591 341 | 3 160 404 | 2 265 354 | 11 849 963 |
| Intangible assets | - | - | - | - | 13 408 | 13 408 |
| Property and equipment | - | - | - | - | 3 065 495 | 3 065 495 |
| Investment properties | - | - | - | - | 3 518 133 | 3 518 133 |
| | 8 473 653 | 3 231 473 | 3 423 792 | 3 338 387 | 8 898 890 | 27 366 195 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 14 205 366 | 2 119 333 | 11 490 | 4 344 | 2 750 917 | 19 091 450 |
| Current tax liabilities | - | - | - | - | 236 049 | 236 049 |
| Deferred tax liabilities | - | - | - | - | 741 544 | 741 544 |
| Redeemable ordinary shares | - | - | - | - | 14 | 14 |
| Equity | - | - | - | - | 3 825 576 | 3 825 576 |
| Subordinated loan | 223 115 | - | - | - | - | 223 115 |
| | 14 428 481 | 2 119 333 | 11 490 | 4 344 | 7 554 100 | 24 117 748 |
| Interest rate repricing gap | ( 5 954 828) | 1 112 140 | 3 412 302 | 3 334 043 | 1 344 790 | 3 248 447 |
| **Cumulative gap** | **( 5 954 828)** | **( 4 842 688)** | **( 1 430 386)** | **1 903 657** | **3 248 447** | **-** |



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**

**30.2. Zimbabwean dollars**

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

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 6 904 057 | - | - | - | - | 6 904 057 |
| Investment securities | 6 508 884 | 700 000 | 3 407 711 | 6 137 571 | - | 16 754 166 |
| Quoted and other investments | - | - | - | - | 255 056 | 255 056 |
| Loans, advances and other assets | 3 064 990 | 1 746 582 | 8 852 147 | 2 101 171 | - | 15 764 891 |
| Other assets | - | - | - | - | 2 082 213 | 2 082 213 |
| Non-current assets held for sale | - | - | - | - | 380 629 | 380 629 |
| Intangible assets | - | - | - | - | 990 757 | 990 757 |
| Property and equipment | - | - | - | - | 17 584 123 | 17 584 123 |
| Investment properties | - | - | - | - | 22 618 160 | 22 618 160 |
| | 16 477 931 | 2 446 582 | 12 259 858 | 8 238 742 | 43 910 939 | 83 334 053 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 20 845 415 | 6 170 342 | 927 793 | 23 784 | - | 27 967 334 |
| Current tax liabilities | - | - | - | - | 44 047 | 44 047 |
| Deferred tax liabilities | - | - | - | - | 5 420 831 | 5 420 831 |
| Equity | - | - | - | - | 42 662 846 | 42 662 846 |
| Subordinated loan | 926 323 | - | - | - | - | 926 323 |
| | 21 771 738 | 6 170 342 | 927 793 | 23 784 | 48 127 724 | 77 021 382 |
| Interest rate repricing gap | ( 5 293 808) | ( 3 723 759) | 11 332 065 | 8 214 958 | ( 4 216 785) | 6 312 672 |
| **Cumulative gap** | **( 5 293 808)** | **( 9 017 566)** | **2 314 499** | **10 529 457** | **6 312 672** | **-** |

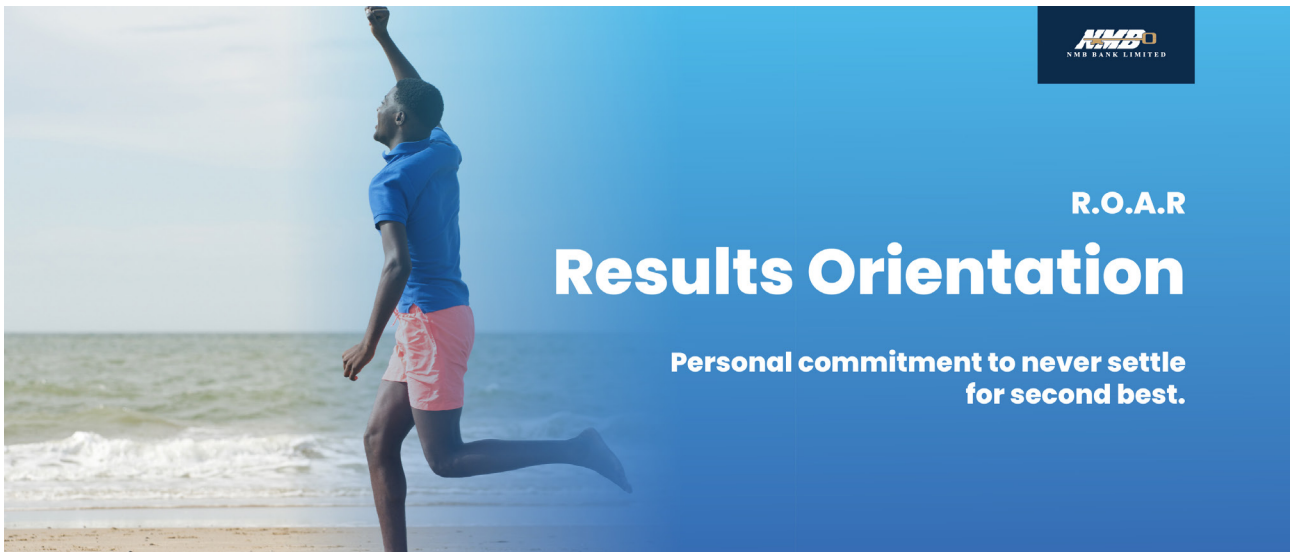


# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.2 Zimbabwean dollars (continued)**

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 4 044 500 | - | - | - | - | 4 044 500 |
| Investment securities | 4 125 119 | 6 187 679 | 2 861 633 | 611 836 | - | 13 786 267 |
| Loans, advances and other assets | 4 245 845 | 2 530 956 | 4 581 693 | 6 021 317 | 3 571 845 | 20 951 656 |
| Intangible assets | - | - | - | - | 1 264 733 | 1 264 733 |
| Property and equipment | - | - | - | - | 14 371 496 | 14 371 496 |
| Investment properties | - | - | - | - | 12 093 934 | 12 093 934 |
| | 12 415 464 | 8 718 635 | 7 443 326 | 6 633 153 | 31 302 008 | 66 512 586 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 24 294 386 | 3 624 538 | 19 650 | 7 429 | 4 704 690 | 32 650 693 |
| Current tax liabilities | - | - | - | - | 811 441 | 811 441 |
| Deferred tax liabilities | - | - | - | - | 3 440 135 | 3 440 135 |
| Redeemable ordinary shares | - | - | - | - | 49 279 | 49 279 |
| Equity | - | - | - | - | 30 259 166 | 30 259 166 |
| Subordinated loan | 766 979 | - | - | - | - | 766 979 |
| | 25 061 365 | 3 624 538 | 19 650 | 7 429 | 39 264 711 | 67 977 693 |
| Interest rate repricing gap | ( 12 645 901) | 5 094 097 | 7 423 676 | 6 625 724 | ( 7 962 703) | ( 1 465 107) |
| **Cumulative gap** | **( 12 645 901)** | **( 7 551 804)** | **( 128 128)** | **6 497 596** | **( 1 465 107)** | **-** |



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.2 Zimbabwean dollars (continued)**

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 6 904 057 | - | - | - | ( 7 200 813) | ( 296 756) |
| Investment securities | 6 508 884 | 700 000 | 3 407 711 | 6 137 571 | - | 16 754 166 |
| Loans and advances | 3 064 990 | 1 746 582 | 8 852 147 | 2 101 171 | - | 15 764 891 |
| Other assets | - | - | - | - | 8 504 329 | 8 504 329 |
| Non-current assets held for sale | - | - | 380 629 | - | - | 380 629 |
| Intangible assets | - | - | - | - | 23 147 | 23 147 |
| Property and equipment | - | - | - | - | 12 999 902 | 12 999 902 |
| Investment properties | - | - | - | - | 22 618 160 | 22 618 160 |
| | 16 477 932 | 2 446 582 | 12 640 487 | 8 238 742 | 36 944 724 | 76 748 467 |
| **Liabilities and equity** | | | | | | |
| Deposits | 20 845 415 | 6 170 342 | 927 793 | 23 784 | - | 27 967 334 |
| Other liabilities | - | - | - | - | 6 760 418 | 6 760 418 |
| Current tax liabilities | - | - | - | - | 44 047 | 44 047 |
| Deferred tax liabilities | - | - | - | - | 3 964 776 | 3 964 776 |
| Equity | - | - | - | - | 38 228 768 | 38 228 768 |
| Subordinated loan | 926 323 | - | - | - | - | 926 323 |
| | 21 771 738 | 6 170 342 | 927 793 | 23 784 | 48 998 009 | 77 891 667 |
| Interest rate repricing gap | ( 5 293 807) | ( 3 723 760) | 11 712 694 | 8 214 958 | ( 12 053 285) | ( 1 143 199) |
| **Cumulative gap** | **( 5 293 807)** | **( 9 017 566)** | **2 695 128** | **10 910 086** | **( 1 143 199)** | **-** |



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.2 Zimbabwean dollars (continued)**

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 1 176 548 | - | - | - | - | 1 176 548 |
| Investment securities | 1 200 000 | 1 800 000 | 832 451 | 177 983 | - | 4 010 434 |
| Loans, advances and other assets | 1 235 119 | 736 257 | 1 332 817 | 1 625 506 | 1 550 152 | 6 479 851 |
| Intangible assets | - | - | - | - | 13 409 | 13 409 |
| Property and equipment | - | - | - | - | 3 065 495 | 3 065 495 |
| Investment properties | - | - | - | - | 3 518 134 | 3 518 134 |
| | 3 611 667 | 2 536 257 | 2 165 268 | 1 803 489 | 8 147 189 | 18 263 870 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 7 067 253 | 1 054 381 | 5 716 | 2 161 | 1 368 597 | 9 498 108 |
| Current tax liabilities | - | - | - | - | 236 049 | 236 049 |
| Deferred tax liabilities | - | - | - | - | 741 544 | 741 544 |
| Redeemable ordinary shares | - | - | - | - | 14 | 14 |
| Equity | - | - | - | - | 3 825 576 | 3 825 576 |
| Subordinated loan | 132 633 | - | - | - | - | 132 633 |
| | 7 199 886 | 1 054 381 | 5 716 | 2 161 | 6 171 780 | 14 433 924 |
| Interest rate repricing gap | ( 3 588 219) | 1 481 876 | 2 159 552 | 1 801 328 | 1 975 409 | 3 829 946 |
| **Cumulative gap** | **( 3 588 219)** | **( 2 106 343)** | **53 209** | **1 854 537** | **3 829 946** | **-** |




Geral Gore (Chief Executive Officer) & Rachel Mushosho representing Dr. J. T. Chipika (Deputy Governor, RBZ) at the NMB Bank Head Office official opening.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.3 Other foreign currencies**

The table below analyses the Group's interest rate risk exposure on assets and liabilities denominated in currencies other than Zimbabwe Dollars. The amounts are shown at the equivalent values in Zimbabwe Dollars, the presentation currency. The assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 14 634 768 | - | - | - | 7 200 813 | 21 835 581 |
| Loans and advances | 4 597 486 | 15 719 242 | 5 901 432 | 39 922 250 | - | 66 140 410 |
| Quoted investments | - | - | - | - | 65 354 | 65 354 |
| | 19 232 253 | 15 719 242 | 5 901 432 | 39 922 250 | 7 266 168 | 88 041 345 |
| **Liabilities and equity** | | | | | | |
| Deposits | 26 201 583 | 323 215 | - | - | 3 018 578 | 29 543 376 |
| Other liabilities | - | - | - | - | 5 031 767 | - |
| Borrowings | - | - | - | - | 22 465 942 | - |
| | 26 201 583 | 323 215 | - | - | 30 516 287 | 29 543 376 |
| Interest rate repricing gap | ( 6 969 331) | 15 396 029 | 5 901 432 | 39 922 250 | ( 23 250 119) | 58 497 969 |
| **Cumulative gap** | **( 6 969 331)** | **8 426 698** | **14 328 129** | **54 250 379** | **31 000 260** | **-** |

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 9 995 250 | - | - | - | - | 9 995 250 |
| Quoted and other investments | - | - | - | - | 125 471 | 125 471 |
| Loans, advances and other assets | 4 009 174 | 2 389 876 | 4 326 301 | 5 276 363 | 5 562 322 | 21 564 036 |
| | 14 004 424 | 2 389 876 | 4 326 301 | 5 276 363 | 5 687 793 | 31 684 757 |
| Liabilities and equity | | | | | | |
| Deposits | 24 537 972 | 3 660 879 | 19 847 | 7 504 | 4 751 861 | 32 978 063 |
| | 24 537 972 | 3 660 879 | 19 847 | 7 504 | 4 751 861 | 32 978 063 |
| Interest rate repricing gap | ( 10 533 548) | ( 1 271 003) | 4 306 454 | 5 268 859 | 935 932 | ( 1 293 306) |
| **Cumulative gap** | **( 10 533 548)** | **( 11 804 551)** | **( 7 498 097)** | **( 2 229 238)** | **( 1 293 306)** | **-** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**30. INTEREST RATE REPRICING AND GAP ANALYSIS (continued)**
**30.3 Other foreign currencies (continued)**

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 14 634 768 | - | - | - | 7 200 813 | 21 835 581 |
| Loans and advances | 4 597 486 | 15 719 242 | 5 901 432 | 39 922 250 | - | 66 140 410 |
| Unquoted investments | - | - | - | - | 65 354 | 65 354 |
| | 19 232 254 | 15 719 242 | 5 901 432 | 39 922 250 | 7 266 167 | 88 041 344 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 26 201 583 | 323 215 | - | - | 3 018 578 | 29 543 376 |
| Other liabilities | - | - | - | - | 5 031 767 | 5 031 767 |
| Borrowings | - | - | - | - | 22 465 942 | 22 465 942 |
| | 26 201 583 | 323 215 | - | - | 30 516 287 | 57 041 085 |
| Interest rate repricing gap | ( 6 969 330) | 15 396 028 | 5 901 432 | 39 922 250 | ( 23 250 120) | 31 000 259 |
| **Cumulative gap** | **( 6 969 330)** | **8 426 698** | **14 328 129** | **54 250 379** | **31 000 259** | **-** |

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non interest bearing | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **As at 31 December 2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 3 695 714 | - | - | - | - | 3 695 714 |
| Loans, advances and other assets | 1 166 271 | 695 216 | 1 258 524 | 1 534 897 | 715 202 | 5 370 110 |
| | 4 861 985 | 695 216 | 1 258 524 | 1 534 897 | 715 202 | 9 065 824 |
| **Liabilities and equity** | | | | | | |
| Deposits and other liabilities | 14 198 298 | 2 118 278 | 11 484 | 4 342 | 2 749 548 | 19 081 950 |
| Subordinated loan | ( 132 410) | - | - | - | - | ( 132 410) |
| | 14 065 888 | 2 118 278 | 11 484 | 4 342 | 2 749 548 | 18 949 540 |
| Interest rate repricing gap | ( 9 203 903) | ( 1 423 062) | 1 247 040 | 1 530 555 | ( 2 034 346) | ( 9 883 716) |
| **Cumulative gap** | **( 9 203 903)** | **( 10 626 965)** | **( 9 379 925)** | **( 7 849 370)** | **( 9 883 716)** | **-** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 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 Zimbabwe Dollars, the presentation currency.

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | ZWL | USD | ZAR | GBP | EUR | BWP | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL |
| **As at 31 December 2022** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | ( 296 757) | 20 542 187 | 628 812 | 101 708 | 451 431 | 111 443 | 21 538 825 |
| Investment securities | 16 754 166 | - | - | - | - | - | 16 754 166 |
| Trade and other investments | 189 703 | - | - | - | 65 354 | - | 255 056 |
| Loans and advances | 8 518 357 | 37 765 090 | 1 726 | 3 | 16 | 65 | 46 285 257 |
| Other assets | 8 504 329 | - | - | - | - | - | 8 504 329 |
| Non-current assets held for sale | 380 629 | - | - | - | - | - | 380 629 |
| Intangible assets | 23 147 | - | - | - | - | - | 23 147 |
| Property and equipment | 12 999 902 | - | - | - | - | - | 12 999 902 |
| Investment properties | 22 618 160 | - | - | - | - | - | 22 618 160 |
| | 69 691 635 | 58 307 277 | 630 537 | 101 711 | 516 801 | 111 509 | 129 359 471 |
| **Liabilities and equity** | | | | | | | |
| Deposits | 23 671 841 | 29 160 065 | 161 741 | 16 133 | 62 127 | 143 310 | 53 215 217 |
| Current tax liabilities | 44 048 | - | - | - | - | - | 44 048 |
| Other liabilities | 6 760 418 | 5 026 411 | - | 15 | 4 086 | 1 255 | 11 792 185 |
| Borrowings | ( 1 189 692) | 22 465 942 | | | | | 21 276 250 |
| Deferred tax liabilities | 3 964 776 | - | - | - | - | - | 3 964 776 |
| Subordinated term loan | 926 323 | - | - | - | - | - | 926 323 |
| Equity | 38 228 768 | - | - | - | - | - | 38 228 768 |
| | 72 406 482 | 56 652 418 | 161 741 | 16 148 | 66 214 | 144 565 | 129 447 567 |
| Net foreign exchange position | **( 2 714 847)** | **1 654 859** | **468 796** | **85 563** | **450 587** | **( 33 056)** | **( 88 096)** |

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | ZWL | USD | ZAR | GBP | EUR | BWP | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL |
| **As at 31 December 2021** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 1 801 593 | 2 379 503 | 595 530 | 8 528 | 56 197 | 30 911 | 4 872 262 |
| Investment securities | 4 010 434 | - | - | - | - | - | 4 010 434 |
| Trade and other investments | - | - | - | - | 36 500 | - | 36 500 |
| Advances and other assets | 6 415 277 | 3 168 988 | 321 | 3 | 18 | 2 | 9 584 609 |
| Intangible assets | 13 409 | - | - | - | - | - | 13 409 |
| Property and equipment | 3 065 495 | - | - | - | - | - | 3 065 495 |
| Investment properties | 3 518 134 | - | - | - | - | - | 3 518 134 |
| | 18 824 341 | 5 548 491 | 595 851 | 8 531 | 92 715 | 30 913 | 25 100 842 |
| **Liabilities and equity** | | | | | | | |
| Deposits and other liabilities | 5 182 748 | 5 137 067 | 85 916 | 8 662 | 1 757 | 9 797 | 10 425 947 |
| Current tax liabilities | 236 049 | - | - | - | - | - | 236 049 |
| Deferred tax liabilities | 741 544 | - | - | - | - | - | 741 544 |
| Subordinated term loan | 223 115 | - | - | - | - | - | 223 115 |
| Equity | 7 059 704 | - | - | - | - | - | 7 059 704 |
| | 13 443 160 | 5 137 067 | 85 916 | 8 662 | 1 757 | 9 797 | 18 686 359 |
| Net foreign exchange position | **5 381 181** | **411 424** | **509 935** | **( 131)** | **90 958** | **21 116** | **-** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**31. FOREIGN EXCHANGE POSITIONS (continued)**

| | Historical Cost* | | | | | | |
|---|---|---|---|---|---|---|---|
| | ZWL | USD | ZAR | GBP | EUR | BWP | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL |
| **As at 31 December 2022** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | ( 296 757) | 20 542 187 | 628 812 | 101 708 | 451 431 | 111 443 | 21 538 825 |
| Investment securities | 16 754 167 | - | - | - | - | - | 16 754 167 |
| Trade and other investments | 189 703 | - | - | - | 65 354 | - | 255 056 |
| Loans and advances | 8 518 357 | 37 765 090 | 1 726 | 3 | 16 | 65 | 46 285 257 |
| Other assets | 8 842 631 | - | - | | | | 8 842 631 |
| Non-current assets held for sale | 380 629 | | | | | | 380 629 |
| Intangible assets | 990 757 | - | - | - | - | - | 990 757 |
| Property and equipment | 17 584 123 | - | - | - | - | - | 17 584 123 |
| Investment properties | 22 618 160 | - | - | - | - | - | 22 618 160 |
| | 75 581 770 | 58 307 277 | 630 537 | 101 711 | 516 801 | 111 509 | 135 249 605 |
| **Liabilities and equity** | | | | | | | |
| Deposits | 23 671 841 | 29 160 065 | 161 741 | 16 133 | 62 127 | 143 310 | 53 215 217 |
| Current tax liabilities | 44 047 | - | - | - | - | - | 44 047 |
| Other liabilities | 6 760 418 | 5 026 411 | - | 15 | 4 086 | 1 255 | 11 792 185 |
| Borrowings | ( 1 189 692) | 22 465 942 | - | - | - | - | 21 276 250 |
| Deferred tax liabilities | 5 420 831 | - | - | - | - | - | 5 420 831 |
| Subordinated term loan | 926 323 | - | - | - | - | - | 926 323 |
| Equity | 42 662 846 | - | - | - | - | - | 42 662 846 |
| | 78 296 614 | 56 652 418 | 161 741 | 16 148 | 66 214 | 144 565 | 135 337 699 |
| Net foreign exchange position | **( 2 714 844)** | **1 654 859** | **468 797** | **85 564** | **450 587** | **( 33 056)** | **( 88 094)** |

| | Historical Cost* | | | | | | |
|---|---|---|---|---|---|---|---|
| | ZWL | USD | ZAR | GBP | EUR | BWP | Total |
| | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL |
| **As at 31 December 2021** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 6 193 158 | 8 179 778 | 2 047 194 | 29 314 | 193 183 | 106 259 | 16 748 886 |
| Investment securities | 13 786 267 | - | - | - | - | - | 13 786 267 |
| Trade and other investments | ( 1) | - | - | - | 125 471 | - | 125 471 |
| Advances and other assets | 22 053 062 | 10 893 711 | 1 105 | 101 | 61 | 6 | 32 948 046 |
| Intangible assets | 1 264 733 | - | - | - | - | - | 1 264 733 |
| Property and equipment | 14 371 497 | - | - | - | - | - | 14 371 497 |
| Investment properties | 12 093 934 | - | - | - | - | - | 12 093 934 |
| | 69 762 649 | 19 073 489 | 2 048 299 | 29 415 | 318 715 | 106 265 | 91 338 832 |
| **Liabilities and equity** | | | | | | | |
| Deposits and other liabilities | 17 816 211 | 17 659 178 | 295 346 | 29 776 | 6 040 | 33 679 | 35 840 230 |
| Current tax liabilities | 811 441 | - | - | - | - | - | 811 441 |
| Deferred tax liabilities | 3 440 135 | - | - | - | - | - | 3 440 135 |
| Subordinated term loan | 766 979 | - | - | - | - | - | 766 979 |
| Redeemable ordinary shares | 49 279 | - | - | - | - | - | 49 279 |
| Equity | 30 209 888 | - | - | - | - | - | 30 209 888 |
| | 53 093 933 | 17 659 178 | 295 346 | 29 776 | 6 040 | 33 679 | 71 117 952 |
| Net foreign exchange position | **16 668 716** | **1 414 311** | **1 752 953** | **( 361)** | **312 675** | **72 586** | **20 220 880** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 32. CONTINGENT LIABILITIES

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| **GROUP** | | | | |
| Guarantees | 742 746 | 962 327 | 742 746 | 279 941 |
| Facilities approved but not drawn down | - | 223 183 | - | 64 924 |
| Expected credit losses on facilities approved but not drawdown | - | ( 6 793) | - | ( 1 976) |
| Expected credit losses on guarantees | ( 15 223) | ( 5 985) | ( 15 223) | 1 741 |
| **Balance at 31 December** | **727 523** | **1 172 732** | **727 523** | **344 630** |

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 specified acts. 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

There were no capital commitments during the year under review. Capital commitments are financed from the Group's own resources.

## 34. 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.

### 34.1 Compensation of key management personnel of the Group

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Short term employee benefits | 7 829 905 | 5 449 229 | 6 352 080 | 1 296 487 |
| Post employment benefits | 429 470 | 169 248 | 313 170 | 39 667 |
| Termination benefits | 597 308 | 25 425 | 309 181 | 3 040 |
| | **8 856 683** | **5 643 902** | **6 974 431** | **1 339 194** |

### 34.2. 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).

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Executive directors | 175 849 | 267 258 | 175 849 | 77 745 |
| Officers | 4 890 907 | 1 365 762 | 4 890 907 | 397 301 |
| | 5 066 756 | 1 633 020 | 5 066 756 | 475 046 |
| Expected credit loss allowance – Stage 1 | ( 55 036) | ( 17 736) | ( 55 036) | ( 5 160) |
| | 5 011 720 | 1 615 284 | 5 011 720 | 469 886 |

### 34.3. 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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

## 35. EMPLOYEE BENEFITS

### 35.1. 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 71 540 shares in NMBZ Holdings Limited as at 31 December 2021.

### 35.2 Expense recognised in profit or loss

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Defined Contribution Plan – NSSA | 97 490 | 34 448 | 72 845 | 8 073 |
| Defined Contribution Plan – NMB Bank Limited Pension Fund | 331 980 | 134 801 | 240 325 | 31 593 |
| | **429 470** | **169 249** | **313 170** | **39 666** |

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

The Group does not have defined benefit plans.

### 35.3. Employee Share Option Scheme

In 2012, the Company established a share option programme that entitles Executive Directors and Senior Managers to purchase shares in the Company (equity settled). The beneficiary has a right to acquire a certain number of the Company's shares at any time during the Exercise Period at the Exercise Price. 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.

### 35.3.1. Measurement of fair value - share options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula. The service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value. The inputs used in measuring the fair values at grant date of the equity-settled share based payment plans were as follows:

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Underlying Price | 30.00 | 10.01 | 30.00 | 10.01 |
| Reporting Date | **31/12/2022** | **31/12/2021** | **31/12/2022** | **31/12/2021** |
| Historical Volatility | 31.54% | 69.53% | 31.54% | 69.53% |
| Expiry Date | N/A | N/A | N/A | N/A |
| Risk Free Rate | 0.30 | 0.21 | 0.30 | 0.21 |
| Dividend yield | 1.53% | 0 | 1.53% | 0 |
| Days to exercise date | 608 | 973 | 608 | 973 |
| Number of years left to exercise date | 1.67 | 2.67 | 1.67 | 2.67 |
| **Average value of share options** | **28.00** | **4.95** | **28.00** | **4.95** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 35.3.2. Reconciliation of outstanding share options

Movements in the number of share options outstanding and their related exercise price are as follows

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Execise price per option ZWL | Options | Execise price per option ZWL | Options |
| Opening Balance | 13.65 | 5 614 215 | - | - |
| Granted | 28.00 | 10 141 568 | 13.65 | 5 614 215 |
| Execised | ( 13.99) | ( 5 614 215) | - | - |
| **Closing Balance** | | **10 141 568** | | **5 614 215** |

### 35.3.3. Reconciliation of the share option Reserve

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Opening Balance | 113 606 | - | 27 768 | - |
| Sharebased payment expense | 145 985 | 113 606 | 103 297 | 27 768 |
| Exercise of options | ( 2 349) | - | ( 1 496) | - |
| **Closing Balance** | **257 242** | **113 606** | **129 569** | **27 768** |

### 35.4. 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.

Inflation adjusted contributions by the employer are recognised in profit or loss account and during the period amounted to ZWL10 020 880 (2021 – restated ZWL 34 447 772).

## 36. EXCHANGE RATES

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

| | | | 31-Dec-22 Mid - rate ZWL | 31-Dec-21 Mid - rate ZWL |
|---|---|---|---|---|
| | United States Dollar | USD | 684.3339 | 108.6660 |
| | British Sterling | GBP | 824.7971 | 146.6994 |
| | South African Rand | ZAR | 15.9250 | 15.9250 |
| | European Euro | EUR | 123.0211 | 123.0211 |
| | Botswana Pula | BWP | 9.2264 | 9.2264 |

## 37. 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;

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**37. RISK MANAGEMENT (continued)**

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

**37.1. 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**

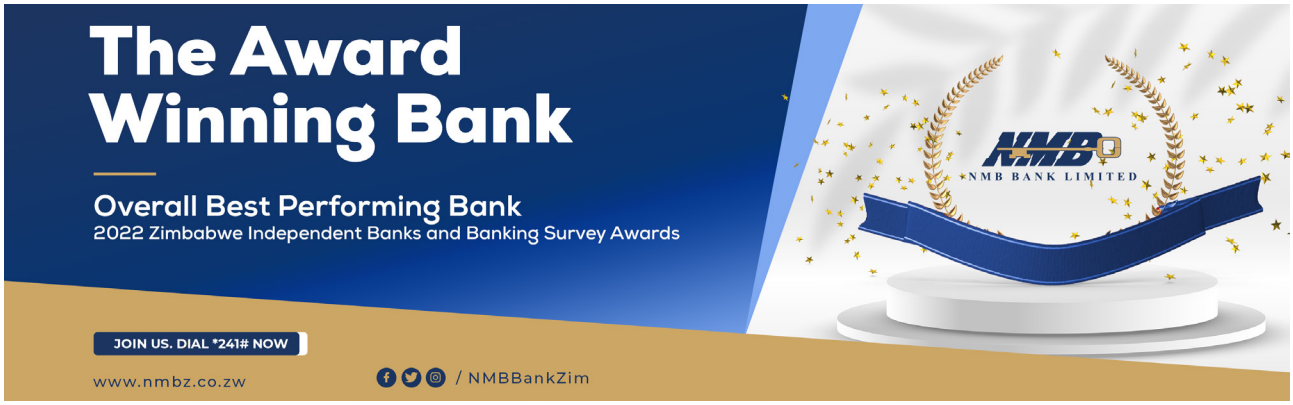
- Responsible for evaluating & approving credit proposals from the business units.
- Together with business units, has primary responsibility on the quality of the loan book.
- Reviewing credit policy for approval by the Board Credit Committee.
- Reviewing business unit level credit portfolios to ascertain 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.



# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**37. RISK MANAGEMENT (continued)**

**37.1. Credit Risk (continued)**

**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.

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.

**37.1.1. Maximum exposure to credit risk without taking account of any collateral**

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Cash and cash equivalents (excluding cash on hand) | 21 473 089 | 16 360 522 | 21 473 089 | 4 759 287 |
| Investment securities | 16 754 167 | 13 786 267 | 16 754 166 | 4 010 434 |
| Loans and advances | 81 905 301 | 32 948 046 | 81 905 301 | 9 736 981 |
| Total | 120 132 558 | 63 094 836 | 120 132 557 | 18 506 702 |
| Guarantees | 742 746 | 962 327 | 742 746 | 279 941 |
| Facilities approved but not drawn down | - | 223 183 | - | 64 924 |
| | 742 745 | 1 185 510 | 742 745 | 344 865 |
| | **120 875 303** | **64 280 346** | **120 875 303** | **18 851 567** |

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.

**37.1.2. Risk concentrations of maximum exposure to credit risk on lending activities**

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | Gross Maximum Exposure ZWL'000 | Net Maximum Exposure ZWL'000 | Gross Maximum Exposure ZWL'000 | Net Maximum Exposure ZWL'000 |
| Agriculture and horticulture | 12 245 045 | 12 245 045 | 7 970 387 | 7 970 387 |
| Distribution | 9 567 480 | 9 567 480 | 6 621 300 | 6 621 300 |
| Individuals | 8 130 098 | 8 130 098 | 10 004 413 | 10 004 413 |
| Manufacturing | 1 699 351 | 1 699 351 | 4 161 152 | 4 161 152 |
| Mining | 993 094 | 993 094 | 677 455 | 677 455 |
| Services | 13 650 189 | 13 650 189 | 4 930 348 | 4 930 348 |
| | 46 285 257 | 46 285 257 | 34 365 055 | 34 365 055 |
| Expected credit loss on loans and advances | ( 1 749 207) | ( 1 749 207) | ( 1 417 010) | ( 1 417 010) |
| **Net exposure** | **44 536 050** | **44 536 050** | **32 948 045** | **32 948 045** |

**37.1.3. 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 ZWL13 739 159 961 (2021:ZWL9 756 840 671).

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 37.1.4. Credit quality per sector on lending activities

| | Historical Cost* | | | | | |
|---|---|---|---|---|---|---|
| | Grade A Pass | Grade B Special Mention | Grade C Substandard | Grade D Doubtful | Grade E Loss | Total |
| | ZWL'000 | ZWL'000 | ZWL'000 | ZWL'000 | ZWL'000 | ZWL'000 |
| **At 31 December 2022** | | | | | | |
| Agriculture and horticulture | 11 664 893 | 292 354 | - | 287 798 | - | 12 245 045 |
| Conglomerates | 1 574 006 | - | - | - | - | 1 574 006 |
| Distribution | 9 545 384 | 81 | - | 22 015 | - | 9 567 480 |
| Food and beverages | 5 355 054 | - | - | - | - | 5 355 054 |
| Individuals | 7 880 377 | 90 846 | 147 718 | 10 767 | 390 | 8 130 098 |
| Manufacturing | 1 699 351 | - | - | - | - | 1 699 351 |
| Mining | 993 094 | - | - | - | - | 993 094 |
| Services | 7 114 325 | 1 102 740 | 28 079 | 30 407 | - | 8 275 551 |
| **Net exposure** | **45 826 484** | **1 486 021** | **175 797** | **350 987** | **390** | **47 839 679** |
| **At 31 December 2021** | | | | | | |
| Agriculture and horticulture | 7 323 703 | 531 773 | 114 911 | - | - | 7 970 387 |
| Conglomerates | 859 400 | - | - | - | - | 859 400 |
| Distribution | 6 037 675 | 29 874 | 2 090 | 12 709 | - | 6 082 348 |
| Food and beverages | 1 860 095 | - | - | - | - | 1 860 095 |
| Individuals | 7 710 020 | 112 137 | 267 287 | 603 | - | 8 090 047 |
| Manufacturing | 1 759 420 | - | - | - | - | 1 759 420 |
| Mining | 672 391 | - | - | 5 065 | - | 677 456 |
| Services | 5 486 603 | 83 038 | 78 485 | 78 | - | 5 648 204 |
| **Net exposure** | **31 709 308** | **756 822** | **462 774** | **18 455** | **-** | **32 947 357** |

### 37.1.5. Credit quality per sector on lending activities

| | |
|---|---|
| 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 |

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**37.2. 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 2022.

| | | Sensitivity of net interest income | | | | |
|---|---|---|---|---|---|---|
| | Change in interest rates | 0 to 1 month | 1 to 3 months | 3 months to 1 year | 1 year to 5 years | Total |
| | % | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 | ZWL '000 |
| **At 31 December 2022** | | | | | | |
| ZWL | 5% | ( 110 186 271) | ( 2 084 054) | 30 877 803 | 29 759 809 | ( 51 632 713) |
| ZWL | 3% | ( 66 111 762) | ( 1 250 432) | 18 526 682 | 17 855 885 | ( 30 979 627) |
| ZWL | 1% | ( 22 037 254) | ( 416 811) | 6 175 561 | 59 951 962 | 43 673 458 |
| ZWL | -1% | 22 037 254 | 416 811 | ( 6 175 561) | ( 5 951 962) | 10 326 542 |
| ZWL | -3% | 66 111 762 | 1 250 432 | ( 18 526 682) | ( 17 855 885) | 30 979 627 |
| ZWL | -5% | 110 186 271 | 2 084 054 | ( 30 877 803) | ( 29 759 809) | 51 632 713 |
| **At 31 December 2021** | | | | | | |
| ZWL | 5% | ( 378 776) | ( 7 164) | 106 146 | 102 302 | ( 177 492) |
| ZWL | 3% | ( 227 266) | ( 4 298) | 63 687 | 61 381 | ( 106 496) |
| ZWL | 1% | ( 75 755) | ( 1 433) | 21 229 | 206 091 | 150 132 |
| ZWL | -1% | 75 755 | 1 433 | 21 229 | 204 853 | 303 270 |
| ZWL | -3% | 227 266 | 4 298 | ( 63 687) | ( 61 381) | 106 496 |
| ZWL | -5% | 378 776 | 7 164 | ( 106 146) | ( 102 302) | 177 492 |

**37.3. 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.

| | Change in interest rates | Effect on profit before tax | Effect on equity |
|---|---|---|---|
| | % | ZWL '000 | ZWL '000 |
| **At 31 December 2022** | | | |
| USD | 5% | ( 1 733 132) | ( 2 084 054) |
| USD | 3% | ( 66 111 762) | ( 1 250 432) |
| USD | 1% | ( 22 037 254) | ( 416 811) |
| USD | -1% | 22 037 254 | 416 811 |
| USD | -3% | 66 111 762 | 1 250 432 |
| USD | -5% | 110 186 271 | 2 084 054 |
| **At 31 December 2021** | | | |
| USD | 5% | 5 958 | ( 7 164) |
| USD | 3% | ( 227 266) | ( 4 298) |
| USD | 1% | ( 75 755) | ( 1 433) |
| USD | -1% | 75 755 | 1 433 |
| USD | -3% | 227 266 | 4 298 |
| USD | -5% | 378 776 | 7 164 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 37.4. 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.

| | Sensitivity of net interest income | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | 0 to 1 month | 1 to 3 months | 3 months to 1 year | 1 year to 5 years | Total |
| **At 31 December 2022** | **%** | **ZWL '000** | **ZWL '000** | **ZWL '000** | **ZWL '000** | **ZWL '000** |
| Guarantees | - | 14 882 341 | 4 032 850 | 88 503 358 | - | 107 418 549 |
| Commitments to lend | - | - | - | - | - | - |
| Irrevocable letters of credit | - | - | - | - | - | - |
| | - | 14 882 341 | 4 032 850 | 88 503 358 | - | 107 418 549 |
| **At 31 December 2021** | | | | | | |
| Guarantees | - | 51 160 | 13 863 | 304 239 | - | 369 262 |
| Commitments to lend | - | 315 | 45 041 | 118 394 | - | 163 750 |
| Irrevocable letters of credit | - | - | - | - | - | - |
| | - | 51 475 | 58 904 | 422 633 | - | 533 012 |

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

### 37.5. 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.

### 37.6. 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.

### 37.7. 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.

### 37.8. 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

### 37.9. Environmental, Social & Governance (ESG) Risk

Environment, Social and Governance (ESG) or sustainability risk is the consideration of non-financial risks arising from the environment (flora and fauna) as well as societal issues. The Group is not only concerned about making profits, but is also keen on assessing the impact it has on the planet and the people it interacts with. There is a growing number of frameworks and standards aimed at addressing global concerns on sustainability. Global risk reports show that environmental and societal risks have overtaken economic and geopolitical risks in terms of both likelihood and impact.

#### 37.9.1.Reserve Bank of Zimbabwe Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Group's banking subsidiary on 24 June 2021. Below are the final ratings from the onsite examination.

**CAMELS* Ratings**

| CAMELS Component | Latest RBS** Ratings 30/06/21 | Previous RBS Ratings 24/11/2016 | Previous RBS Ratings 30/06/2013 | Previous RBS Ratings 31/01/2008 |
|---|---|---|---|---|
| Capital Adequacy | 2 | 2 | 2 | 4 |
| Asset Quality | 2 | 3 | 4 | 2 |
| Management | 2 | 3 | 3 | 3 |
| Earnings | 2 | 2 | 2 | 3 |
| Liquidity | 2 | 3 | 2 | 3 |
| Sensitivity to Market Risk | 2 | 2 | 2 | 3 |
| Composite Rating | 2 | 3 | 3 | 3 |

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

#### 37.9.1.1. Summary RAS ratings

| RAS Component | Latest RBS** Ratings 30/06/21 | Previous RBS Ratings 24/11/2016 | Previous RBS Ratings 30/06/2013 | Previous RBS Ratings 31/01/2008 |
|---|---|---|---|---|
| Overall Inherent Risk | Moderate | High | High | High |
| Overall Risk Management Systems | Acceptable | Acceptable | Acceptable | Acceptable |
| Overall Composite Risk | Moderate | Moderate | Moderate | Moderate |
| **Direction of Overall Composite Risk** | **Stable** | **Stable** | **Stable** | **Stable** |

*** RAS stands for Risk Assessment System.

#### 37.9.1.2. Summary risk matrix – 30 June 2021 on - site examination

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

**KEY**

| | | |
|---|---|---|
| High | Moderate/Acceptable | Low |

**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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

**Adequacy of Risk Management Systems**

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

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

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

**Overall Composite Risk**

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

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

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

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

**Direction of Overall Composite Risk**

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

**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 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Long Term | BB+ | BB+ | BB+ | - | BB- |

The 2020 rating which was due to expire in August 2020 was withdrawn by GCR on 23 June 2020 following the Bank's waiver of external ratings. The Bank waived the 2020/2021 external ratings in line with a general dispensation extended by the Reserve Bank of Zimbabwe due to the COVID-19 pandemic.

The 2022/2023 external ratings were obtained during the month of April 2022 with a long term rating of BB+.

**37.10. Regulatory Compliance**

The Group has generally complied with all regulatory requirements that govern its operations. In line with its capital preservation strategy, the Bank is holding a portfolio of investment property under authorization from the Reserve Bank of Zimbabwe.

**37.11. Capital management**

**37.11.1. Holding company**

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

**37.11.2. 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 comprise not less than 50% of the capital base and the regulatory reserves and portfolio provisions are limited to 1.25% of total risk weighted assets.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2022

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

| | Inflation Adjusted | | Historical Cost* | |
|---|---|---|---|---|
| | 2022 ZWL '000 | 2021 ZWL '000 | 2022 ZWL '000 | 2021 ZWL '000 |
| Share capital | 4 013 | 4 013 | 17 | 17 |
| Share premium | 7 114 764 | 7 114 764 | 31 475 | 31 475 |
| Retained earnings | 27 783 506 | 16 556 204 | 30 254 039 | 5 112 719 |
| Functional currency translation reserve | 1 588 744 | 1 588 744 | 11 620 | 11 620 |
| | 36 491 027 | 25 263 725 | 30 297 151 | 5 155 831 |
| Less: capital allocated for market and operational risk | ( 5 135 505) | ( 1 035 501) | ( 5 135 505) | ( 187 404) |
| Tier 1 capital | 31 355 522 | 24 228 224 | 25 161 647 | 4 968 427 |
| Tier 2 capital (subject to limit as per Banking Regulations) | 3 391 719 | 3 262 273 | 8 688 013 | 1 420 672 |
| Fair valuation gains on land and buildings | 537 391 | 1 296 169 | 5 833 685 | 848 731 |
| Subordinated debt | 926 323 | 766 979 | 926 323 | 223 115 |
| Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted asset | 1 928 005 | 1 199 125 | 1 928 005 | 348 826 |
| Tier 1 & 2 capital | 34 747 241 | 27 490 497 | 33 849 660 | 6 389 099 |
| Tier 3 capital (sum of market and operational risk capital) | 5 135 505 | 1 035 501 | 5 135 505 | 187 404 |
| **Total capital base** | **39 882 746** | **28 525 998** | **38 985 164** | **6 576 503** |
| **Total risk weighted assets** | **154 240 369** | **83 054 572** | **154 240 369** | **24 160 630** |
| Tier 1 ratio | 20.33% | 29.17% | 16.31% | 20.56% |
| Tier 2 ratio | 2.20% | 3.93% | 5.63% | 5.88% |
| Tier 3 ratio | 3.33% | 1.25% | 3.33% | 0.78% |
| Total capital adequacy ratio | 25.86% | 34.35% | 25.28% | 27.22% |
| RBZ minimum required | 12.00% | 12.00% | 12.00% | 12.00% |




Gerald Gore (Chief Executive Officer) & Margret Chipunza (Chief Finance Officer) presented with the Overall Best Performing Bank & Financial Inclusion Runner Up Awards

# Historical Five Year Financial Summary

for the year ended 31 December 2022

**38. OTHER SUPPLEMENTAL INFORMATION**

**HISTORICAL FIVE YEAR FINANCIAL SUMMARY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Historical Cost* | | | | |
|---|---|---|---|---|---|
| | **2022** | **2021** | **2020** | **2019** | **2018** |
| | **ZWL'000** | **ZWL'000** | **ZWL'000** | **ZWL'000** | **ZWL'000** |
| Interest income | 15 800 168 | 2 568 881 | 501 216 | 70 557 | 39 333 |
| Interest expense | ( 4 591 382) | ( 751 921) | ( 90 638) | ( 16 894) | ( 8 865) |
| Net interest income | 11 208 786 | 1 816 961 | 410 578 | 53 663 | 30 468 |
| Fee and commissions income | 10 705 516 | 2 927 160 | 815 541 | 99 863 | 1 900 |
| Net foreign exchange gains | 4 048 384 | 76 799 | 217 274 | 87 242 | 28 539 |
| Revenue | 25 962 685 | 4 820 920 | 1 443 393 | 240 768 | 60 907 |
| Other income | 17 940 335 | 2 107 419 | 1 226 847 | 206 623 | 4 968 |
| Operating income | 43 903 021 | 6 928 339 | 2 670 240 | 447 391 | 65 875 |
| Operating expenditure | ( 13 733 992) | ( 2 825 609) | ( 814 190) | ( 105 938) | ( 34 720) |
| Operating income before impairment charge and loss on net monetary position | 30 169 030 | 4 102 730 | 1 856 050 | 341 453 | 31 155 |
| Impairment losses on financial assets measured at amortised cost | ( 1 191 393) | ( 248 107) | ( 127 975) | ( 11 049) | ( 4 012) |
| Profit before tax | **28 977 636** | **3 854 623** | **1 728 075** | **330 404** | **27 143** |
| Taxation | ( 3 509 130) | ( 912 597) | 85 514 | ( 44 505) | ( 5 922) |
| Profit for the period | **25 468 507** | **2 942 026** | **1 813 589** | **285 899** | **21 221** |
| Other comprehensive income | | | | | |
| Revaluation gains on land and buildings, net of tax | 5 833 685 | 848 731 | 891 186 | 175 943 | 46 |
| Translation gain on change in functional currency, net of tax | - | - | - | 11 620 | - |
| **Total comprehensive income for the period** | **31 302 191** | **3 790 757** | **2 704 775** | **473 462** | **21 267** |

# Historical Five Year Financial Summary (continued)

for the year ended 31 December 2022

**SHAREHOLDER'S FUNDS**

| | Historical Cost* | | | | |
|---|---|---|---|---|---|
| | **2022** | **2021** | **2020** | **2019** | **2018** |
| | **ZWL'000** | **ZWL'000** | **ZWL'000** | **ZWL'000** | **ZWL'000** |
| Share capital | 115 | 84 | 84 | 84 | 81 |
| Share premium | 172 496 | 19 122 | 19 122 | 19 184 | 64 040 |
| Treasury shares reserve | ( 394) | ( 7) | - | - | - |
| Functional currency translation reserve | 11 620 | 11 620 | 11 620 | 11 620 | - |
| Revaluation reserve | 7 749 682 | 1 915 997 | 1 067 266 | 176 080 | - |
| Share Option Reserve | 129 569 | 27 768 | - | - | - |
| Retained earnings | 30 165 681 | 5 085 120 | 2 143 096 | 329 506 | - |
| **Total equity** | **38 228 767** | **7 059 704** | **3 241 188** | **536 474** | **64 121** |
| Redeemable ordinary shares | - | 14 335 | 14 335 | 28 360 | 1 506 |
| Subordinated term loan | 926 323 | 223 115 | 132 633 | 14 335 | 14 335 |
| **Total shareholders' funds and shareholders' liabilities** | **39 155 090** | **7 297 154** | **3 388 156** | **579 169** | **79 962** |
| **LIABILITIES** | | | | | |
| Deposits | 53 215 217 | 10 425 947 | 6 413 943 | 1 267 778 | 447 105 |
| Other liabilities | 11 792 185 | 2 750 917 | - | - | - |
| Borrowings | 21 276 250 | 5 914 585 | - | - | - |
| Current tax liabilities | - | 236 049 | 57 205 | 98 021 | - |
| Deferred tax liabilities | 3 964 776 | 741 544 | 174 728 | 625 | - |
| **Total liabilities** | **90 248 428** | **20 069 042** | **6 645 876** | **1 366 424** | **447 105** |
| **Total shareholder's funds and liabilities** | **129 403 518** | **27 366 196** | **10 034 032** | **1 945 593** | **527 067** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 21 538 825 | 4 872 262 | 1 964 637 | 492 304 | 112 441 |
| Investment securities | 16 754 166 | 4 010 434 | 1 081 820 | 107 166 | 117 249 |
| Deferred tax assets | - | - | - | - | 1 909 |
| Current tax assets | - | - | - | - | 286 |
| Loans, advances | 46 285 257 | 9 584 609 | 3 730 887 | 817 960 | 254 203 |
| Other assets | 8 504 329 | 2 265 354 | - | - | 36 |
| Current assets held for sale | 380 629 | - | - | - | - |
| Trade and other investments | 255 056 | 36 500 | 10 878 | 1 612 | 113 |
| Current tax assets | 44 047 | - | - | - | - |
| Investment properties | 22 618 160 | 3 518 133 | 1 653 496 | 229 868 | 20 951 |
| Property and equipment | 12 999 902 | 3 065 495 | 1 588 179 | 295 285 | 17 844 |
| Intangible assets | 23 147 | 13 408 | 4 134 | 1 397 | 2 037 |
| **Total assets** | **129 403 518** | **27 366 195** | **10 034 031** | **1 945 592** | **527 069** |

# Historical Five Year Financial Summary (continued)

for the year ended 31 December 2022

| | Historical Cost* | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| | ZWL'000 | ZWL'000 | ZWL'000 | ZWL'000 | ZWL'000 |
| **CLOSING NUMBER OF SHARES** | **398 195 181** | **404 171 689** | **404 171 689** | **392 955 196** | **392 955 196** |
| **Share performances** | | | | | |
| Net asset value per share (ZWL cents) | 9600.51 | 1746.71 | 724.70 | 136.28 | 19.98 |
| Basic earnings per share (ZWL cents) | 3014.19 | 1591.59 | 448.72 | 71.56 | 5.43 |
| Dividend per share (ZWL cents) | - | - | - | - | 0.96 |
| Dividend cover (times) | - | - | - | - | 5.64 |
| Price/earnings ratio | 1.25 | 0.63 | 0.89 | 0.57 | 4.44 |
| Closing price per share (ZWL cents) | 3767 | 1001 | 400 | 41 | 24 |
| Market capitalisation (ZWL) | 15 000 012 481 | 4 046 769 036 | 1 616 686 756 | 165 710 392 | 94 309 247 |
| Financial performance | | | | | |
| Return on shareholders' funds (%)[1] | 28.77% | 24.91% | 92.34% | 27.03 | 15.28 |
| Return on assets (%) | 9.27% | 7.66% | 26.96% | 4.03 | 2.37 |
| Total cost/net income total income (%)[2] | 39.34% | 44.91% | 35.28% | 58.8 | 70.7 |
| Non-interest income/total income (%) | 47.63% | 54.60% | 81.85% | 47.37 | 40.1 |
| Effective tax rate (%) | 25.32% | 32.34% | -4.95% | 21.85 | 23.7 |

1. The return on shareholders' funds is based on shareholders' funds at the end of the year.
2. Includes charge for impairment of losses on loans and advances.
   At an Extraordinary General Meeting held on 19 February 2014, the Company approved a share consolidation exercise at a ratio of 10:1 and consolidated 3 500 000 000 (3.5 billion) shares with a nominal value of ZWL0.000028 per share to 350 000 000 (350 million) shares with a nominal value of ZWL0.00028 per share. The Company also approved an increase in the authorized share capital from 350 000 000 shares with a nominal value of ZWL0.00028 per share to 600 000 000 shares with a nominal value ZWL0.00028 per share.

**39. STATEMENT OF CASH FLOWS**

Included in Cash flows from operating activities for the year ended 31 December 2021, were movements on borrowings amounting to ZWL 11.58 billion (Historical - ZWL 4,33 billion). This arose due to the fact that deposits were and other liabilities inclusive of borrowings were report as a single line item on the face of the financial statements.

Due to the current year disaggregation of the financial statements line items which saw Deposits, other liabilities and borrowings reporting separately, on the face of financial statements, the movement on borrrowings is now reported as part of cash flows from financing activities. Below is a summary of the impact of the disaggregation.

**39. STATEMENT OF CASH FLOWS (continued)**

There was no effect on the Statement of Financial Position, Statement of Comprehensive Income and the Statement of changes in equity as a result of this disaggregation of the line item.

The impact of the disaggregation on cash flows is as detailed below for the prior year;

| | Impact on Working capital changes | Impact on Financing activites | Overall net impact on Cash |
|---|---|---|---|
| | ZWL'000 | ZWL'000 | ZWL'000 |
| **2021** | | | |
| **Inflation adjusted** | | | |
| Borrowings | ( 11 575 101) | 11 575 101 | - |
| **Historical** | | | |
| Borrowings | ( 4 329 774) | 4 329 774 | - |

# Historical Five Year Financial Summary (continued)

for the year ended 31 December 2022

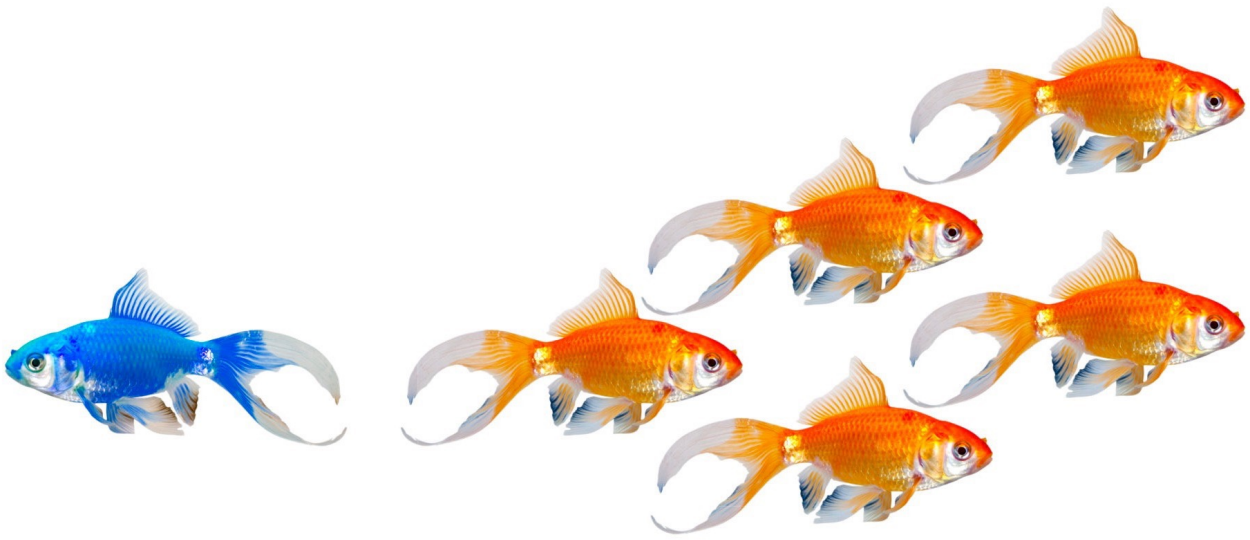
**40. EVENTS AFTER REPORTING DATE**

The Group continues to access its various credit lines including the receipt of USD3.5 Million and ZWL2 Billion from some of its lenders. There were no other material events after the reporting date which could significantly affect the consolidated financial statements of the Group.

During the month of March 2023, US$4 196 264.00 Treasury Bills at 0% coupon were received by the Bank in lie of the RBZ deposit in relation to Swedfund (One of the Group's off shore creditors). This is part of the Government's legacy debt framework.

The **NMB Way**

**Disruption**



# Sustainability Report

for the year ended 31 December 2022

**Sustainability Key Performance Indicators for the year ended 31 December 2022**

In pursuit of the continuous development of our environmental, social and governance (ESG) reporting, this report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, which represent global best practice for reporting publicly on a range of economic, environmental and social impacts. We also demonstrate how our business activities support the ultimate objectives of the United Nations Sustainable Development Goals (SDGs), the United Nations Global Compact (UNGC) Principles and Sustainability Accounting Standards Board (SASB). Verification of sustainability information was done internally and review was conducted by external auditors.

As a responsible corporate citizen, we aim to understand the impacts of our business activities on society, the environment and economies. We are committed to tracking, assessing and reporting on our impact, both positive and negative. Our impact areas or Key Performance Indicators (KPIs) are informed by the expectations of our stakeholders, and the economic, social and environmental context in which we operate.

As part of our integrated reporting framework and in conjunction with the triple bottom line reporting method, we have identified various impact areas, informed by the United Nations' Sustainable Development Goals (SDGs) and directly relevant to our core business as a provider of financial products and services. Below is a list of the Group's Key Performance Indicators (KPIs) or material issues based on GRI standards against the Sustainable Development Goals (SDGs). The reporting was a combination of both qualitative and quantitative impact analysis. Our ESG materiality assessment identifies the most relevant or material issues from an ESG perspective. These are the areas that the business will track and manage periodically track in order to enhance and measure our sustainability footprint. Concentrating on these material issues will reduce overall business risk and improve business compliance.




**GRIs Disclosure**
Environmental

**Focus Area**
Energy sources.

**Measure/Target**
Sources of energy and level of consumption.

**Organisational Achievements**
NMB now Generates 100kWp from solar energy.

**Progress**
Climate change is one of the most significant challenges of our time. As a responsible and responsive institution, we have made a conscious decision to play our part in mitigating climate change by reducing our Greenhouse Gas (GHG) emissions. Solar is a renewable energy source that is replenished by nature and emit little to no greenhouse gases or pollutants into the air. As NMBZ, the importance of transitioning from conventional energy resources to clean and renewable sources is a priority. The Group invested in grid-tied solar systems and equipment at its Headquarters in Harare, Zimbabwe. The system upgrade during the second half of 2022 also allows the bank to remotely monitor energy generation and usage at any given time as well as providing monthly, quarterly and annual reports. A total of 148.66KWh was generated at the NMB HQ Solar plant in 2022 and of this output, 10.54KWh was exported back into the grid through net metering. The site's power is being consumed by the HQ building and the data center. The building load includes lights, computers, air cons, elevator, kitchen electrical appliances, boreholes, pumps, electrical fence and other electrical gadgets.

Going into 2023, we intend to reduce the building load by at least 40%. This can be achieved by performing load management via air cons and light control. Energy consumed by the air-con can be reduced by ensuring that doors are always closed to create an air tight room so that the cooled air does not escape thereby making the air con to continuously run.




**GRIs Disclosure**
Environmental

**Focus Area**
Green House Gases Emissions.

**Measure/Target**
GHGs/Carbon footprint contributions.

**Organisational Achievements**

- ESRM policy
- recording and monitoring of carbon intense activities (e.g. fuel & electricity consumption).

**Progress**
We believe that banks can play a crucial role in promoting carbon dioxide conscious lifestyles among consumers.
Green House Gases (GHGs) emissions are derived from consumption, which is enabled by spending money, and money is handled by banks.

Banks and financial institutions can be key enablers in fighting climate change because they see and process all financial transactions.

Whilst our operations have minimal direct impact to the environment, we understand that we have a responsibility to influence and enhance sustainable behavior in all our operations and those of our customers. Internally, our aim is always to reduce electricity consumption, fuel and water usage as well as manage our waste, by adopting recycling methods.

As a result, the Group's direct and indirect sources of emissions are recorded and monitored as per the Green House Gases GHGs Protocol guidelines (Scope1, Scope 2 & Scope 3). During the period under review, NMBZ,s GHGs emission contributions were at 1,032.35 metric tons of carbon equivalent (tCO2e) compared to 1,136.76 tCO2e recorded in the prior year. Scope 2 or electricity usage (48.70%) was the major contributor to our total emissions. The Group has been implementing measures that are meant to reduce energy consumption. Such initiatives include switching off of lights when not in use and acquisition of sensor light bulbs and use of energy-efficient appliances. The Group also continued to invest in renewable energy sources and as a result we avoided the emission of 337,480Kgs of carbon into the air during the period under review.

Voluntary measuring and disclosing of the Group's GHG emissions is aimed to assist in managing Environmental and Social (E&S) risks, managing operational costs by improving on efficiency and identifying opportunities resulting from the same activities.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Environmental

**Focus Area**
Waste management

**Measure/Target**
Effective waste management processes and monitoring mechanisms.

**Organisational Achievements**

- Waste management policy
- Digital (paperless) banking model.

**Progress**
Poor waste management mechanism contributes to air pollution and climate change and directly affects many ecosystems and species. Our policies considers the impact of waste management on climate change. At NMBZ, the prevention of waste takes priority over recycling or disposal. Therefore, every effort is made during the development of our products to ensure that as little waste is generated as possible. Unavoidable operational waste (mainly paper) is recorded and disposed properly as per our Archiving & Waste Disposal policy. Digitalization tops the five pillars of our strategy. Through product innovation and technological investments, the Group continues to embrace digitalization through automation of its operational and customer transactional processes across the entire business. NMBZ invested into various applications and systems that included Virtual Branch Services for withdrawals and deposits and Smart Stream software for stationery acquisitions and accounting, Credit Quest for loan application and assessment.

We have also successfully upgraded the version of our Iapprove platform and added more functionalities which include but are not limited to online approval and document management solution with capabilities to move requests and documents for approval and authorization electronically. The system enabled the bank to achieve a lot of efficiencies with its customizable workflows as well as request tracking, which automated all internal approvals, reduced the need for messengers to travel from location to location delivering mail.

This was all to reduce the use of paper and ink. The Group also works in close cooperation with the key stakeholders such as the government's Environmental Management Agency (EMA) in managing waste and the environment at large. Our waste management approach includes Reduce, Reuse,
Recycling and Dispose. This is in line with the national efforts to attainment of cleaner cities and good health by 2025.




**GRIs Disclosure**
Environmental

**Focus Area**
Responsible financing.

**Measure/Target**

- Responsible financing.
- Adverse media reports.
- Reputational risk.

**Organisational Achievements**

- ESRM policy, trainings
- Exclusion list
- NMB Bank statement of commitment to Responsible Financing.

**Progress**
To us, being responsible is everything. We understand that we have a key role to play in our society and our environment. Our efforts are to align our business strategy to society's needs and the environment, working with clients and stakeholders to encourage sustainable practices, ensuring good governance and a culture of responsibility and being transparent and accountable for the resulting impact.

The Group recognizes that environmental and social risk management is integral to good business practice and this is outlined within the bank's Environmental & Social Risk Management Policy (ESRM). The framework provides NMBZ's Statement of Commitment to Responsible Financing as well as the Financing Exclusion List. We conduct credit quality assessments based on fair assessments by the Credit Committee and Credit Approval Officers. The Group prioritizes financing of projects and business operations that are considered to have lesser Environmental and Social risks or considered to have effective risk mitigatory measures. This is done through Environmental and Social Due Diligence screening processes. As at 31 December 2022, Corporate and SMEs borrowers with a combined exposure of ZWL2.4 billion or 4.95% of the total loan book had their projects rated high E&S risk (Category A) but with adequate and effective control measures in place. The remaining portion of the book ZWL45.8bln (95.05%) was rated medium risk (Category B) and low risk (Category C).

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Environmental

**Focus Area**
Water and Effluents

**Measure/Target**
Protection of natural water sources (e.g. wetlands)

**Organisational Achievements**
Financial and non-financial support.(e.g. donations & commemorations)

**Progress**
We do understand that water is necessary for the survival of all living organisms on Earth. However, water bodies such as rivers and wetlands are continuously affected by issues to do with climate change. Activities such as unsustainable mining, agriculture and building on wet lands are increasingly reported.

Environmental risks controls on protection of water bodies such as wetlands are clearly referenced in our credit sanctioning policies. Our property and land valuers together with our lending processes & procedures assist in assessing the history of a piece of land and the operational implications of a site's current or intended commercial use. Through our E&S risk due diligence and related covenants, our borrowers are compelled to identify environmental risks within their operations and organizations, take measures that reduce the negative impact or risks as well as disclose them to relevant stakeholders. Other than screening all our customers on issues to do with water sources management, the Group also continues to channel both financial and non-financial support to areas that included dam construction and wetlands protection.




**GRIs Disclosure**
Social

**Focus Area**
Customer Protection

**Measure/Target**
Level of Legal Risk and business growth.

**Organisational Achievements**

- Customer Protection Policy.
- Best marketing practices.
- Service Standards
- Confidentiality & Interests declaration
- Consumer Protection policy.
- Staff Code of Conduct and Ethics Charter.

**Progress**
As NMBZ, we respect the laws, regulations and best practices that ensure fair interaction between ourselves and the customers we serve. Our Customer Protection strategy feeds into our Risk Management strategy and then into the overall Bank strategy. As we continue offering excellent services to new and existing customers, we remain guided by the Zimbabwe Consumer Protection Act [Chapter 14:14] as well as the Competition Act [Chapter 14:28].

Internally, our NMB Bank's Consumer Protection Policy, Code of Conduct & Ethics Charter, Service Standards, Confidentiality and Interests Declaration are all in place to give guidance to the staff on how to conduct themselves and to protect the customers. Our policies seeks to promote transparency, fairness, ease of access to NMB Bank financial products and services by committing the bank and its staff members to fair market conduct especially relating to information disclosure and resolution of Customer complaints.

Additionally, the purpose of our policies is to minimize the information asymmetry which may occur between customers and the bank through on-going customer education and awareness programs.

The Group provides platforms for customers and competitors to convey their grievances and complaints. These include customer Complaints & Query boxes across all our networks, Complaints registers, Online Enquiries desk and various social media platforms. Customer complaints are logged into our Operational Loss Tracker (OLTs) system as they are reviewed to establish the root cause. The complaints are then quantified, analyzed, timeously resolved and reported. No litigation or penalty charge to the bank was recorded during the reporting period.

We regularly communicate and educate customers through our website, social media platforms and text messages. Business conditions are published on our website, print & social media and displayed in our banking halls.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Social

**Focus Area**
Customer Privacy.

**Measure/Target**
Right of the customer to privacy.

**Organisational Achievements**

- Customer Protection policy
- Right of the customer to privacy.

**Progress**
We are committed to protecting the privacy of our customers by ensuring that their personal information is safe and secure. To minimize leakages of information into the public domain, the Group continuously upgrades its policies, controls and systems and clearly defines points of information dissemination.

Customer privacy includes matters such as the protection of data; the use of information or data for their original intended purpose only, unless specifically agreed otherwise; the obligation to observe confidentiality and the protection of information or data from misuse or theft. All this applies to consumers as well as B2B customers. The Group therefore has in place effective data management systems, access and information distribution controls.




**GRIs Disclosure**
Social

**Focus Area**
Human Rights Assessment

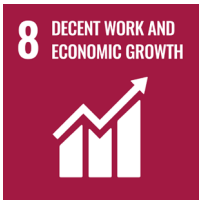
**Measure/Target**

- Promote Human
- Rights initiatives through support and embedding in our systems and policies relevant measures.

**Organisational Achievements**

- Complying with national & international Human Rights law and best standards.
- Staff and customers rights policies & procedures.

**Progress**
The Group operates in accordance with the Zimbabwe Human Rights Commission Act and recognizes other internationally accepted human rights standards, including the UN Guiding Principles on Business and Human Rights. NMB Bank's Human Resources (HR) Manual, Code of Conduct, Consumer Protection Policy, Service Standards and Prevention of Bullying & Sexual Harassment at Work Policy and Gender Equality are all drawn and summarize our objectives and commitment to this aspect. These are reviewed at least once per year. Human rights issues are incorporated into our client and customer due diligence processes. Our Code of Conduct outlines how we expect our staff to behave and the required standards of working. The code makes specific reference to human rights and covers a number of issues relevant to client review. The bank continues to put in place controls and monitoring measures that assist in enhancing human rights management systems.




**GRIs Disclosure**
Social

**Focus Area**
Employment and job creation

**Measure/Target**
Staff complement and turnover levels.

**Organisational Achievements**
Human Resources policy and retention initiatives.

**Progress**
As a financial institution, we understand the critical role we are to play in shaping the unemployment levels and economic growth in Zimbabwe. With the ripple effects of Covid-19 pandemic still felt in the economy, NMBZ continues to create both direct and indirect employment opportunities to those that are available for work. The Bank advanced ZWL40.1bln to fund various large and small businesses and operations across all sectors of the economy leading to increased production capacity and ultimately job creation in the economy. Credit facilities were also availed to women and youths business enterprises.

In terms of direct impact, the Group had a staff complement of 383 as at 31 December 2022 compared to 331 recorded in the prior year. Of the total count, 15% were youths below the age of 25 years. Regardless of the challenging economic environment, the Group prioritizes all staff-welfare related matters.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Social

**Focus Area**
Training and Education.

**Measure/Target**
Create an environment and products that support education for all

**Organisational Achievements**

- Customer and staff educational loan (School and University fee loans.)
- Staff training

**Progress**
As a Group, we believe that children are our future, they are the leaders of tomorrow and education is a very important weapon to prepare them for their future roles as leaders of the community.

As we collectively work towards the attainment of the SDG No.4 (Quality Education) by 2030, the bank is playing a part in ensuring that together, we substantially increase the number of youths and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. In pursuing this goal, and through our Human Capital department, the Group has introduced its Skills for Success program, which aims to bridge the soft skills gap and better prepare the future workforce for the country. The program partners local high schools and institutions dealing with the betterment of children and youth to offer relevant career guidance. In 2022, the Bank rolled out the program to schools that included Dzivarasekwa High School, Dominican Convent Girls and Nyava High School.

The Group also provides internship to university students to enable them to acquire practical experience. Furthermore, the Group offers a wide range of educational loan facilities to its customers and staff. The credit facilities are meant to assist primary, secondary and tertiary level students. The same facilities were also extended to educational corporate service providers, schoolteachers and lecturers across the country. As a result, a total of ZWL1.0billion was directly advanced to the education sector as at 31 December 2022.

Internally, we remain focused on fully equipping our employees with the right knowledge to maximize customer service. The Group makes use of its learning management system, NMBEdulearn to facilitate staff learning and development. We also continue to subscribe to Udemy, an e-library and e-learning platform, where diverse learning content is available to meet the institution's learning requirements. Furthermore, our employees attend online training programs relevant to their learning requirements as well as exchange programs.

The Group has a dedicated training arm that handles upskilling and development staff of the entire organization. Each staff member was afforded an opportunity to go through knowledge and or skills enhancement session through trainings and workshops.




The NMB Bank basketball team, crowned champions of the basketball tournament at the IOBZ Interbank Games 2022.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Social

**Focus Area**
Diversity and equal opportunity.

**Measure/Target**
Diversity and equal opportunity for employment, remuneration and access to financial services.

**Organisational Achievements**

- NMBZ Staff manual
- Gender Policy
- Recruitment & Selection and Promotions & Transfer Policies.
- Consumer Protection.

**Progress**
To us, gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world. We therefore respects and promotes diversity and equal opportunities to all staff and customers regardless of gender. Employment and staff promotions are based on merit. Staff promotions are based on performance, qualification and experience. Our Human Resources policies such as the Gender Policy, Recruitment & Selection, and Promotions & Transfer Policies outline the Group's commitment to diversity and equal opportunities for all. As at 31 December 2022, 40.02% of staff complement were women compared to the previous period's 39.27%, the institution is targeting a minimum 50% proportion.

Clear and transparent remuneration policies are in place. Employees who occupy same positions or do similar jobs are equally graded and remunerated based on the Paterson Job Grading system.

NMBZ also offers its products to both new and existing customers regardless of their gender, community status, race or religion. Resultantly, a total of ZWL1.5billion worth of credit facilities was granted to female customers of the bank compared to ZWL790.0million recorded in December 2021.




**GRIs Disclosure**
Social

**Focus Area**
Local Communities.

**Measure/Target**
Offer products that directly and indirectly promote provisioning of clean water and sanitation.

**Organisational Achievements**

- Mortgage loans
- Funding to municipalities, road & dam construction and health.

**Progress**
Access to safe water, sanitation and hygiene is the most basic human need for health and well-being. NMBZ Group has been financing various projects in both the public and private sectors in support of access to affordable and clean water and health services. In specific terms, these included financing of dam construction by private corporates, financing of local council operations and borehole drilling for schools as well as donations to various communities. As a result, facilities amounting to ZWL0.7billion were advanced to finance the health sector, across the country.




**GRIs Disclosure**
Social

**Focus Area**
Freedom of Association and Collective Bargaining.

**Measure/Target**
Promotion of employee freedom of association and collective bargaining.

**Organisational Achievements**

- Worker's Committee & Works Council
- Disciplinary & Grievance Procedures.

**Progress**
SDG number 16 aims to improve people's lives by reducing violence, improving access to justice, and promoting effective, accountable, and inclusive institutions. The Group respects and promotes employee rights and their freedom of association.

The Group is guided by the UN's International Labour Organization (ILO), which seeks the promotion of social justice and internationally recognized human and labour rights. We also act in accordance with the Zimbabwe Labour Act [Chapter 28:01). NMB has in place a Workers' Committee & Works Council, Disciplinary & Grievance Procedure as well as the guidelines for managing disciplinary hearings.

We fully appreciate that misunderstandings are part of all relationships. Matters of mutual interest are openly discussed through a Works Council, with equal representation from both management and employees. Meetings are held quarterly, with provision for special adhoc meetings. Our employees have the liberty to join a workers union of their choice. The Group engages and solves disputes through the Works Council. The Group's ultimate goal in dispute resolution is to have amicable settlements that are free of duress and prejudice.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Social

**Focus Area**
Occupational Health and Safety (OHS)

**Measure/Target**
Best practices regarding Staff Welfare, Health and working conditions

**Organisational Achievements**

- Staff Medical Aid Facility
- HIV policy
- Employer Funeral Scheme
- Pension Fund Policy
- Covid-19 response Committee

**Progress**
A safe working environment is important in achieving greater efficiency and productivity. Workplace accidents are costly both in human and financial terms. As a result, precautions were put in place to obviate losses resulting from mindless inattention to potential work hazards and dangerous working conditions.

Prevention of accidents and harm to people from work-related activities forms part of our priority list. It is our role to incentivize, subsidise and initiate the right programs for both our employees and customers. NMBZ Group has in place; Staff Medical Aid facility, HIV Policy, Pension Fund and Employer Funeral assisted scheme for its employees.

Our Business Continuity Plan Policy and Committee was put in place to ensure maximum protection of our employees and adherence to Covid-19 protocols and other dangers and disasters.

The group also continuous to invest and maintain temperature screening procedures and hand sanitizers. No covid-19 related death was recorded during the period under review. We are also continuously training our staff members on non-communicable diseases such as cancer and HIV/AIDS.

Some of the measures include smoking restrictions in the presents of both internal and external customers, provisioning of first aid kits at all Units and Branches as well as ensuring that firefighting equipment is provided for and members of staff are well inducted in the use of these kits, equipment and emergency exits in each location. All work related accidents that occur are reported to Human Resources within 24 hours. No accidents or fatalities were recorded during the reporting period.




**GRIs Disclosure**
Environmental

**Focus Area**
Socioeconomic Compliance

**Measure/Target**
Compliance with internal, national and international laws, regulations and best standards.

**Organisational Achievements**

- Complying with E&S management regulations and best standards.
- (ESG Coordinator and Compliance Department).

**Progress**
There is no right way of doing the wrong thing. NMBZ commits to do the right thing, in the right way. Whilst we appreciate delivery of all mandates, this should be done in the correct and prescribed manner. The Group is committed to complying with all applicable laws, regulations, standards and international best practices. Any breach of the applicable laws and regulations exposes the Group to legal, regulatory and reputational risks and may result in de-risking and financial abandonment, which will impair the Group's ability to provide products and services to its customers. The Group therefore realises the serious impact of non-compliance and will continue to place great emphasis and commit resources to measures that will mitigate the same. We have in place our Compliance Policy Manual and Compliance Charter which are all reviewed annually to align to environment shifts.

The Group closely monitors high-risk clients and undertakes annual KYC reviews. Employee training remains a cornerstone to sustained compliance and effective risk management within the organization.

The Group works hand in hand with institutions such as the government's Environmental Management Agency (EMA), Ministry of Health as well as local authorities in reducing environmental, social and related risks. Compliance to ESG regulations forms part of terms and conditions or covenants for our borrowers.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Economic

**Focus Area**

- Whistleblowing
- Anti-bribery and corruption.

**Measure/Target**
Bribery and Corruption free organization.

**Organisational Achievements**
Ethics Charter.

- Code of Conduct.
- Anti-Bribery & Corruption.
- Tip-Offs
- Anonymous reporting policies.

**Progress**
Our policies and procedures sets out our stance on all forms of corruption. We also use these to send a powerful message to our employees as well as to external stakeholders that include our suppliers.

As a Group, we aspire to run our business in an open and transparent manner and therefore have a zero tolerance approach to bribery and corruption. Staff Manual, Ethics Charter, Code of Conduct, Anti-bribery & Corruption (ABC), AML and our Tip-Offs Anonymous reporting policy summarize our commitment in conducting our activities free from any form of bribery and corruption.

The policies are reviewed every year in light of trends and are up to date.

The policies takes into consideration relevant legislative and regulatory frameworks. It is the responsibility of the NMB Board to ensure that exposure to fraud and corruption are appropriately identified, assessed and managed.

The primary aim of the Group's whistle blowing programme is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behavior in the workplace environment. The Group's Whistle-blowing guidelines and Tip Offs Anonymous facility promotes employee disclosure protection, reward and recognition. Tip-Off boxes were placed in all Head Office and Branch bathrooms in addition to the Delloite online platform.

Furthermore, NMBZ whistle-blowing program is also communicated to the Group's customers, suppliers, contractors, business partners and the wider stakeholders using a risk-based approach.

NMBZ has a set of values that embraces integrity, commitment and increased checks (due diligence) on financial operations involving customers and financial institutions from high-risk countries to better identify any suspicious money flows. On the local front, there has been enhanced surveillance of transactions on mobile money and banking platforms through the Central Bank's Financial Intelligence Unit (FIU).



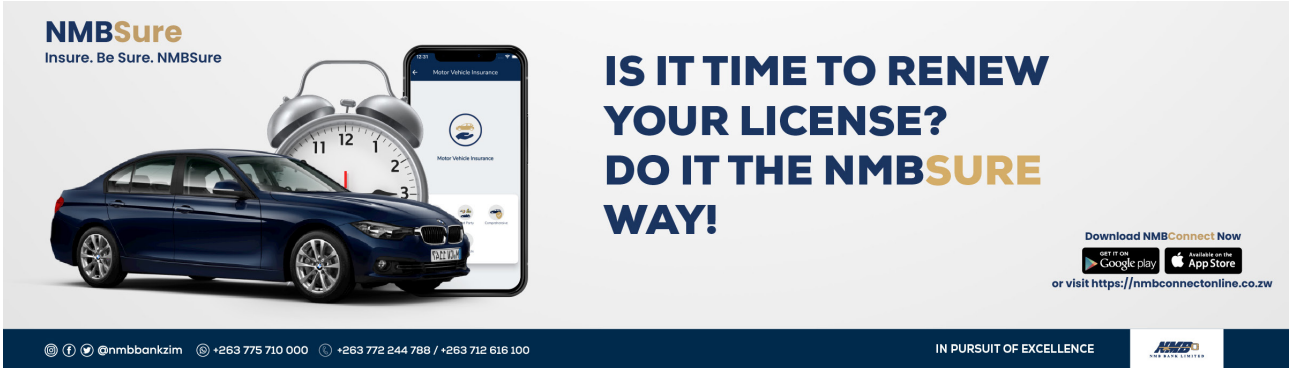

**GRIs Disclosure**
Economic

**Focus Area**
Business performance.

**Measure/Target**
Business profitiability and level of growth.

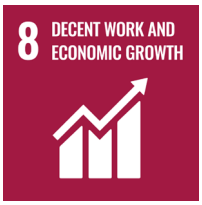
**Organisational Achievements**
Financial disclosures.

**Progress**
The Group discloses its financial performance on a quarterly basis through trading updates, semi-annually through interim financial reports and annually through full year audited financials and annual reports. Areas of disclosures included our revenues, operating costs, economic value retained and dividends paid. We also publish our turnover, profits and taxes paid during the reporting period. NMB Bank was also declared the Overall Winner of the Best Performing Bank in Zimbabwe at the prestigious Zimbabwe Independent Banks & Banking Survey 2022 Awards.



# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Economic

**Focus Area**
Economic impact and growth.

**Measure/Target**
Indirect economic impacts or benefits.

**Organisational Achievements**

- Non-financial disclosures.
- E&S sensitive product innovations.

**Progress**
As a financial institution, we promote economic growth through capital accumulation and technological progress by increasing the savings rate, mobilizing and pooling savings, producing information about investment, facilitating and encouraging the inflows of foreign capital, as well as optimizing the allocation of capital.

In addition, new solutions to help tackle social and environmental challenges also need access to appropriate financing to help innovate, develop, commercialize and scale deployment.

NMBZ Group supports the disadvantaged, SMEs, women, youths and those in the rural areas through offering of low cost products such as NMBlite accounts and various credit facilities. The Bank recruited a number of Agents and Brand Ambassadors that included various government Post Offices across the country including those in the rural areas. These are all to market and offer our products to people. The low cost NMBlite account product was also tailor made for the poor and the unbanked population in the rural areas of Zimbabwe. The Group also extended its wings by adding a Microfinance Unit within its structures. The reason behind this initiative is to create products that will meet the needs of the marginalized. In recognition to its financial inclusion strategy and initiatives, NMB Bank came second for the Financial Inclusion Award in Zimbabwe for the year 2022.




**GRIs Disclosure**
Economic

**Focus Area**
Community support.

**Measure/Target**
Corporate Social Responsibility (CSR).

**Organisational Achievements**
Direct and indirect community support.

**Progress**
Our CSR initiatives help both to improve various aspects of our society as well as promote a positive brand image for us. Our initiatives reflect on our environmental and social impact, ethical responsibility, philanthropic endeavors and financial responsibilities.

As a Group, we play a broader role in the communities in which we live and work beyond what we deliver through our core business activities. We support communities by Investing money, time and skills in partnerships with the government, respected and relevant non-governmental organizations, charities and social enterprises. Our charitable assistance and participation were those to do with education, combating of Covid-19 virus, women emancipation, treatment of cancer and support to the orphans and vulnerable children just to mention but a few. A total of ZWL9.3million was channeled towards this societal responsibility compared to ZWL3.0million for 2021.



NMB Staff handover donations to the Friends of Dzikwa Society in Dzivarasekwa, Harare.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Economic

**Focus Area**
Procurement.

**Measure/Target**
Best Procurement practices.

**Organisational Achievements**

- Complying with the Zimbabwe Procurement Act.
- NMB Bank Procurement policy & Committee.

**Progress**
At NMBZ we practice ethical procurement. Our code of conduct and policies direct everything from hiring and training talent to sourcing cost-effective supplies from socially responsible vendors. Guided by these principles, NMBZ proactively eliminate unethical practices throughout the supply chain.

All suppliers are treated equally and fairly in accordance with the Zimbabwe Procurement Act, other relevant laws, regulations and best practices. We select suppliers based upon best value and seek ways to maximize competition from all segments of society. The Group considers environmental management, human rights, diversity and inclusion, societal responsibility and product responsibility. Supplier's T&Cs applies to prospective and existing suppliers and compel them to comply with all applicable national and by-laws of their specific geography. An NMB Procurement committee is also in place to provide internal guidance regarding the tender and selection processes.




**GRIs Disclosure**
Economic

**Focus Area**
Job creation & Poverty eradication.

**Measure/Target**
Job creation & Poverty eradication.

**Organisational Achievements**

- Affordable products.
- Job creation.
- Community projects financing.

**Progress**
SDG Goal 1 calls for an end to poverty in all its manifestations by 2030. It also aims to ensure social protection for the poor and vulnerable, increase access to basic services and support people harmed by climate-related extreme events and other economic, social and environmental shocks and disasters.

Through innovation initiatives, the Group offers a range of exciting and low cost products that have seen the rural, old aged, women, the disadvantaged and the youth being able to have bank accounts, bankcards, entrepreneurial investments and employment. These include our NMBLite (277,561 customers) account, targeted for the unbanked populace, and the NMBConnect, which is mainly aimed at bring convenience to both existing and aspiring customers through easy access of all of our banking services. The Group also offered credit facilities to SMEs (ZWL1.8billion) and individuals (ZWL8.1billion) across the country. These included rural customers. The Group also engaged a number of agents across the country to sell bank products and to facilitate business transactions on behalf of the Group. In return, all these individuals and SMEs agents generate income by earning commission.




**GRIs Disclosure**
Economic

**Focus Area**
Partnerships

**Measure/Target**
Partnerships and well coordinated structures

**Organisational Achievements**

- ESRM policy and procedures
- ESG Coordination

**Progress**
As a financial institution, we understand the need for partnerships between government, the private sector and civil society at all levels. These inclusive partnerships built upon principles and values, a shared vision and shared goals that place people and the planet at the center.

NMBZ Group has in place an Environmental & Social Risk Management (ESRM) policy in place. The ESG Officer within the Risk Management department coordinates all ESG programs and initiatives. The Group is also working together with its external shareholders and external consultants in enhancing its sustainability policies and structures. As NMB Group, we have been also participating in sustainability learning forums and workshops during the period, to boost our understanding of climate related issues. Since 2020, the Group has been disclosing non-financial performance voluntarily as per the guidelines from the Zimbabwe Stock Exchange listing requirements, the central bank and Global Reporting Initiative standards.

NMBZ Group will continue to collaborate with the government of Zimbabwe, shareholders, NGOs, churches, corporates, local authorities and other IFIs in ensuring that the Sustainable Development Goals (SDGs) are achieved. We believe and have confidence that together, we will achieve a lot.

# Sustainability Report (continued)

for the year ended 31 December 2022




**GRIs Disclosure**
Economic

**Focus Area**
Attainment of Sustainable Development Goals (SDGs).

**Measure/Target**
Support and collaborate with other stakeholders in attainment of SDGs.

**Organisational Achievements**
Partnerships with Government institutions, Local authorities, NGOs and International stakeholders.

**Progress**
NMB Group continues to enhance and introduce new sustainable products and programs and widen its influence in the areas of ESG issues. We are fully committed to the attainment of SDGs by year 2030, with the main targets being Quality education, Clean water & sanitation, Good health & well-being, Decent work & economic growth, Affordable & clean energy, Responsible consumption & Production, Gender equality, Climate action, Job creation & Poverty eradication, Partnership for goals and Peace, Justice & Strong institutions. The Group will continue to enhance its non-financial disclosures as per the Zimbabwe Stock Exchange requirement and GRIs standards and international best standards.

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# Notice To Members

for the year ended 31 December 2022

Notice is hereby given that the 28th Annual General Meeting of Members of NMBZ Holdings Limited will be held at the NMB Bank Limited Head Office, 19207 Liberation Legacy Way, Harare on **Wednesday 17 May 2023** at **1500 hours** for the following purposes:

**ORDINARY BUSINESS**

1. To receive and adopt the Financial Statements for the year ended 31 December 2022, together with the reports of the Directors and Auditors thereon.

2. To appoint Directors.
   a. In accordance with Article 83 of the Company's Articles of Association Mr. Julius Tim Tichelaar retires by rotation. Being eligible, the Director offers himself for re-election.
   b. In accordance with Article 83 of the Company's Articles of Association Ms. Christine Glover retires by rotation. Being eligible, the Director offers herself for re-election.
   c. In accordance with Article 83 of the Company's Articles of Association Dr. Givemore Taputaira retires by rotation. Being eligible, the Director offers himself for re-election.
   d. In accordance with Article 91.2 of the Company's Articles of Association Mr. Dzingira Matenga who was appointed as a Director of the Company with effect from 19 July 2022 retires from office. Being eligible, the Director offers himself for re-election.

3. To approve Directors' fees for the year ended 31 December 2022.
4. To approve Messrs Ernst & Young's remuneration for the year ended 31 December 2022.
5. To appoint Ernst & Young as the Company's Auditors for the year ending 31 December 2023. Ernst & Young were appointed as the Company's auditors in 2017. The Company sought a 2-year extension of the Ernst & Young term which extension was granted by the Reserve Bank of Zimbabwe. The extended term ends on conclusion of the audit for the year ending 31 December 2023.

**SPECIAL BUSINESS**

**SPECIAL RESOLUTION**

**1. Share Buy Back**

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

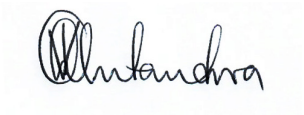
"That the Company, being duly authorised thereto by Article 10 of its Articles of Association, may undertake general repurchases by way of open market transactions on the Zimbabwe Stock Exchange ("ZSE") of any of its own ordinary shares in such manner or on such terms as the directors may from time to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

**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 vote in his/her stead. A proxy need not be a member of the company.
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 2022 Annual Report can be accessed on the company's website: www.nmbz.co.zw. Electronic copies of the 2022 Annual Report (which includes the financial statements, Directors' and Auditors' Report) shall be emailed to those shareholders whose email addresses are on record.

**By Order of the Board**



**MRS V. T. MUTANDWA**
**COMPANY SECRETARY**
**14 April 2023**

# Explanations Regarding the Notice of the Annual General Meeting

for the year ended 31 December 2022

**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 retiring are Mr. Julius Tichelaar, Ms. Christine Glover and Mr Givemore Taputaira. They being eligible, the directors offer themselves for re-election. Mr. Dzingira Matenga was appointed by the directors effective 19 July 2022. In accordance with Article 91.2 of the Articles of Association of the Company, he retires from the board. Being eligible he offers himself for re-election. The re-election of each Director will be voted on separately. The profiles of the retiring Directors are as below:

**Julius Tim Tichelaar – Non Executive Director**

Julius Tichelaar is a Partner at AfricInvest and represents AfricInvest on the Board. He was appointed to the Board on 31 October 2016. Julius leads investments across Africa in disruptors and traditional financial institutions, with a focus on strategic expansion and digital transformation. Julius has 12 years' experience in private equity with sourcing, structuring and execution of transactions in Africa. Previously, he worked on a predecessor fund for financial services at AfricInvest and on a wide range of transactions in other industries. Julius serves as board member for institutions across East and Southern Africa. Julius holds a Master in Science of Management (Msc) with a specialization in Finance from the Erasmus University in Rotterdam, the Netherlands, and graduated with honors.

**Christine Glover – Non-Executive Director**

Christine Glover represents Arise B.V. on the Board, having been appointed as a director on 26 June 2019. She has over thirty years of strategic and operational experience in financial services, with a strong focus on low-cost housing and development finance. She recently retired from Old Mutual Investment Group (South Africa), where she was employed as Head of Development Impact Funds for ten years. She has also held several international consulting and executive management roles throughout her career, where she has made an immense contribution to the development of financial services for low-income households. Christine is a qualified town planner and holds a Master's degree in City and Regional Planning as well as an Honours degree in Architectural History.

**Givemore Taputaira – Independent Non-Executive Director**

Givemore Taputaira is an independent non-executive director who was appointed to the NMBZ Holdings Limited and NMB Bank Limited boards on 2 January 2020. Givemore holds a Bachelor of Science General degree and a Masters in Business Administration degree from the University of Zimbabwe. He is both a Certified International Professional Leader (CIPL) and Certified International Professional Strategist (CIPS). Certification is obtained from Cambridge Global Learning in the United Kingdom. Givemore has over 18 years' experience in ICT and Business Development in 7 different countries within Africa. He previously was a board member of CBZ Holdings Limited, wherein he had the opportunity to chair the Risk and Compliance Committee, as well as the Strategy and Innovation Committee at different times during his tenure on that Board. Givemore is currently the Managing Director at Digital Edge Solutions.

**Dzingira Matenga – Independent Non-Executive Director**

Dzingira Matenga is an independent non-executive director who was appointed to the board on 19 July 2022. Dzingira is the founder of Zamlim Investments, a pan-African company with interests in Intelligent Automation and Artificial Intelligence (via its partnership with New York based Workfusion Inc.) as well as a focus on management consulting for clients in South Africa. He is a Managing Director in Accenture SA's Strategy & Consulting Division and is a former Executive Director of Ernst & Young's Africa Consulting practice. Dzingira is a Chartered Management Accountant, a Prince2 Certified Project Management practitioner and holds a BA (Hons) in Accounting and Finance. He has worked extensively across the globe, including 12 years spent working in Europe (UK, Spain, Greece, France, Germany), Asia (Kazakhstan, China) and North America and has spent the past 13 years working across sub-Saharan Africa on mining, power, logistics and financial services engagements. Dzingira was a special advisor to the Rwandan Development Board (2017 – 2018) and has worked closely with many of Africa's Development Finance Institutions as well as major State Owned Enterprises.

**Resolution 3**

Shareholders are requested to approve Director's fees. The Directors' fees for 2022 amounted to ZWL 175,916,427.52 in inflation adjusted terms.

**Resolution 4**

The Remuneration of the auditors is required to be fixed by the Company in a General meeting in terms of section 191 (6) of the Companies and Other Business Entities Act [Chapter 24:31]. Accordingly, Members will be requested to approve the remuneration paid to the external auditors Messrs Ernst & Young for the year ended 31 December 2022, which audit fee amounted to ZWL 159,127,831.20 in inflation adjusted terms.

**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 191 (2) of the Companies and Other Business Entities Act [Chapter 24:31]. This resolution therefore proposes the appointment of auditors. In accordance with the Banking Act [Chapter 24:20], the Company is required to rotate its auditors every 5 years. Messrs Enrst & Young served their 5-year term which expired after the 2021-year end audit. However due to capacity challenges in the market, the bank sought a 2-year extension of the Ernst & Young term which extension was granted by the Reserve Bank of Zimbabwe. The Ernst & Young term expires after the 2023-year end audit. The Directors propose the appointment of Messrs Ernst & Young as the Company's auditors until the next Annual General Meeting. The Engagement Partner is Walter Mupanguri, a Registered Public Auditor, PAAB practice number 0367.

**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.

# NMBZ Holdings Limited Annual General Meeting Proxy Form

for the year ended 31 December 2022

**NMBZ HOLDINGS LIMITED ANNUAL GENERAL MEETING PROXY FORM**

I / We .....

Of .....

Being a member of NMBZ HOLDINGS LIMITED and entitled to vote, hereby appoint

.....

Of .....

Or failing him .....

Of .....

As my/our proxy to vote on my / our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Wednesday 17 May 2023 at 1500 hours and at any adjournment thereof.

Signed this .....day of .....2023

Signature of member .....

**Note:**

In terms of section 171 of the Companies and Other Business Entities Act [Chapter 24:31] a member of the Company is entitled to appoint one or more proxies to act in the alternative as his or her proxy and to attend, vote and speak in his / her stead. A proxy need not be a member of the Company.

**NMB Safe Custody**



**Need a safe deposit box? We have got you covered.**

Contact support@nmbz.co.zw to get your safe custody box today

# Shareholders' Analysis

for the year ended 31 December 2022

| Size of shareholding | 2022 Number of shareholders | % of Holders | 2022 Issued Shares | % Shareholding |
|---|---|---|---|---|
| 0 – 10,000 | 3,680 | 93.35% | 2,889,490 | 0.71% |
| 10,001 - 50,000 | 129 | 3.27% | 2,992,552 | 0.74% |
| 50,001 - 100,000 | 42 | 1.07% | 3,034,802 | 0.75% |
| 100,001 - 500,000 | 46 | 1.17% | 11,358,890 | 2.81% |
| 500,001 - 1,000,000 | 14 | 0.36% | 9,950,114 | 2.46% |
| 1,000,001 - 10,000,000 | 22 | 0.56% | 69,426,640 | 17.18% |
| 10,000,001 and above | 9 | 0.23% | 304,519,201 | 75.34% |
| **Total** | **3,942** | **100%** | **404,171,689** | **100%** |

| Size of shareholding | 2021 Number of shareholders | % of Holders | 2021 Issued Shares | % Shareholding |
|---|---|---|---|---|
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| 50,001 - 100,000 | 42 | 1.07% | 3,034,802 | 0.75% |
| 100,001 - 500,000 | 46 | 1.17% | 11,358,890 | 2.81% |
| 500,001 - 1,000,000 | 14 | 0.36% | 9,950,114 | 2.46% |
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| 10,000,001 and above | 9 | 0.23% | 304,519,201 | 75.34% |
| **Total** | **3,942** | **100%** | **404,171,689** | **100%** |

**2022**

| Industry | | | Shares | % of Shares |
|---|---|---|---|---|
| Banks | 2 | 0.05 | 19,190 | - |
| Local Companies | 308 | 7.59 | 19,202,646 | 4.75 |
| Employees | 238 | 5.86 | 722,289 | 0.18 |
| Estate Late | 3 | 0.07 | 2,229 | - |
| External Companies | 7 | 0.17 | 125,925,486 | 31.16 |
| Fund Managers | 3 | 0.07 | 2,510 | - |
| Insurance Companies | 7 | 0.17 | 39,597,169 | 9.80 |
| Investment Trusts And Property | 36 | 0.89 | 34,245,367 | 8.47 |
| Local Residents | 3,279 | 80.73 | 16,536,275 | 4.09 |
| Nominees Local | 54 | 1.33 | 31,845,282 | 7.88 |
| Non Residents | 5 | 0.12 | 111,970,853 | 27.70 |
| Non Resident Individuals | 39 | 0.96 | 1,612,129 | 0.40 |
| Other Corporate Holdings | 3 | 0.07 | 3,369 | - |
| Pension Funds | 77 | 1.90 | 22,486,895 | 5.56 |
| **Total** | **4,061** | **100.00** | **404,171,689** | **100.00** |

# Shareholders' Analysis

for the year ended 31 December 2022

**2021**

| Industry | | | Shares | % of Shares |
|---|---|---|---|---|
| Banks | 2 | 0.05 | 19,190 | - |
| Local Companies | 308 | 7.59 | 19,202,646 | 4.75 |
| Employees | 238 | 5.86 | 722,289 | 0.18 |
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| Pension Funds | 77 | 1.90 | 22,486,895 | 5.56 |
| **Total** | **4,061** | **100%** | **404,171,689** | **100.00** |

| Rank | Shareholder | 2022 number of shares | % of shareholding |
|---|---|---|---|
| 1 | AFRICAN CENTURY FINANCIAL INVESTMENTS LTD NNR, | 76,426,874 | 18.91 |
| 2 | ARISE B V | 71,632,001 | 17.72 |
| 3 | OLD MUTUAL LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED | 39,589,966 | 9.8 |
| 4 | AFRICINVEST FINANCIAL SECTOR HOLDING, | 36,702,487 | 9.08 |
| 5 | LALIBELA LIMITED-NNR, | 23,104,516 | 5.72 |
| 6 | LHG MALTA HOLDINGS LIMITED | 20,014,400 | 4.95 |
| 7 | OLD MUTUAL ZIMBABWE LIMITED | 17,066,917 | 4.22 |
| 8 | ALSACE TRUST | 16,885,381 | 4.18 |
| 9 | CORNERSTONE TRUST | 16,875,582 | 4.18 |
| 10 | TN ASSET MANAGEMENT NOMINEES | 11,880,000 | 2.94 |
| | | **330,178,124** | **81.70** |

| Rank | Shareholder | 2021 number of shares | % of shareholding |
|---|---|---|---|
| 1 | AFRICAN CENTURY FINANCIAL INVESTMENTS LTD NNR, | 76,426,874 | 18.91 |
| 2 | ARISE B V | 71,632,001 | 17.72 |
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| 4 | AFRICINVEST FINANCIAL SECTOR HOLDING, | 36,702,487 | 9.08 |
| 5 | LALIBELA LIMITED-NNR, | 23,104,516 | 5.72 |
| 6 | LHG MALTA HOLDINGS LIMITED | 20,014,400 | 4.95 |
| 7 | OLD MUTUAL ZIMBABWE LIMITED | 17,066,917 | 4.22 |
| 8 | ALSACE TRUST | 16,885,381 | 4.18 |
| 9 | CORNERSTONE TRUST | 16,875,582 | 4.18 |
| 10 | TN ASSET MANAGEMENT NOMINEES | 11,880,000 | 2.94 |
| | | **330,178,124** | **81.70** |

# Shareholders' Information

for the year ended 31 December 2022

**MEMBERS' DIARY**

| | |
|---|---|
| Financial year end | 31 December 22 |
| Reports:- | |
| - Announcement of annual results | March 2023 |
| - Annual financial statements posted to shareholders | April 2023 |
| - Annual General Meeting | May 2023 |
| - Announcement of AGM results | May 2023 |
| - Announcement of the 2022 half-year results | August 2023 |



# Secretary and Registered Office

for the year ended 31 December 2022

| | |
|---|---|
| **Company Secretary** | V. T. Mutandwa |

**Registered Offices**

| | |
|---|---|
| NMB Head Office | NMB Centre |
| 19207 Liberation Legacy Way | George Silundika Avenue/ |
| Borrowdale | Leopold Takawira Street |
| Harare | Bulawayo |
| Zimbabwe | Zimbabwe |

| | |
|---|---|
| **Telephone:** | +263 08688003347 / 08677008565 - 6 |
| **Website:** | https://www.nmbz.co.zw |
| **Email:** | enquiries@nmbz.co.zw |

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

**Transfer Secretaries**
First Transfer Secretaries
1 Armagh Avenue
Eastlea
Harare
**Zimbabwe**

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