NMBZ Holdings Limited

Annual Report 2017

NMBZ HOLDINGS LIMITED

Contents

Financial Summary

	31 December 2017	31 December 2016
Total income (US$)	53 606 281	51 520 403
Operating profit before impairment charge (US$)	16 870 839	14 268 630
Total comprehensive income (US$)	10 029 136	5 055 196
Basic earnings per share (US cents)	2.58	1.32
Total deposits (US$)	348 956 385	260 550 383
Gross loans and advances (US$)	211 005 418	205 858 392
Total shareholders' funds and shareholders' liabilities (US$)	65 651 843	55 600 406

Enquiries:

NMBZ HOLDINGS LIMITED

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

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

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

Email: enquiries@nmbz.co.zw

Telephone: +263-4-759 651/9

Group Profile

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

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

Avondale	- 20 King George Road, Avondale, Harare
Borrowdale	- Shops 37 & 38, Sam Levy's Village, Borrowdale, Harare
Borrowdale Excellence Centre	- Block 3 Suite F, Sam Levy Village, Borrowdale, Harare
Bulawayo	- NMB Centre, Corner George Silundika Street/Leopold Takawira Street, Bulawayo
Chinhoyi	- 469 Magamba Way, Chinhoyi
Eastgate	- Shop 24, Eastgate Mall, Corner Sam Nujoma Street/Robert Mugabe Road, Harare
Gweru	- 36 Robert Mugabe Road, Gweru
Head Office	- Unity Court, Corner Kwame Nkrumah Avenue/First Street, Harare
Joina City	- Shop 105A, First floor, Joina City Corner Jason Moyo / Innez Terrace, Harare
Kwekwe	- 57A Robert Mugabe Way, Kwekwe
Masvingo	- Stand no. 377 Robert Mugabe Way, Masvingo
Msasa	- 77 Amby Drive, Harare
Mutare	- Embassy Building, Corner Aerodrome Road/Second Street, Mutare
Southerton	- 7 - 9 Plymouth Road, Harare

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

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

Chairman's Statement

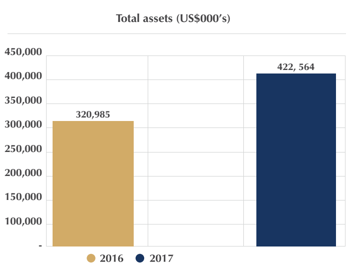
for the year ended 31 December 2017

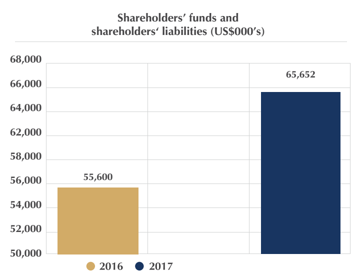
MR B. A. Chikwanha: **Chairman**

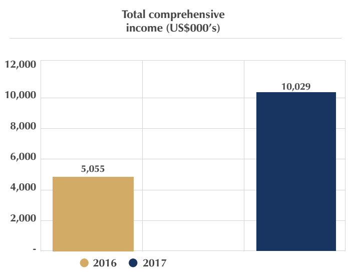
INTRODUCTION

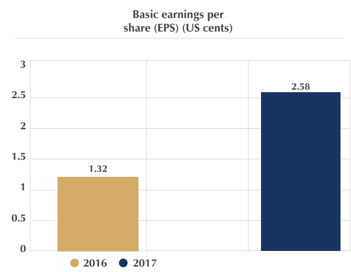
The country witnessed a leadership transition in November 2017 which ushered in a new political dispensation. This was followed by various re-engagement efforts with the international community and there has been a notable increase in interest from foreign investors raising prospects of an economic turnaround. This said, the 2017 operating environment was characterised by nostro funding challenges, cash shortages, job losses, inflationary pressures and company closures. Despite the environment, the group recorded a positive set of results, largely driven by the banking subsidiary's decision to broaden its target market, migration to digital channels, stricter credit underwriting standards and concerted efforts to contain non-performing loans and operating expenditure.

The key financial highlights of the Group as at 31 December 2017, achieved under an exceedingly challenging operating environment are as depicted below:









GROUP RESULTS

Financial performance

The profit before taxation was US$13 017 690 (2016 – US$6 208 904) during the period under review and this gave rise to total comprehensive income of US$10 029 136 (2016 – US$5 055 196). The Group achieved a basic earnings per share of 2.58 cents (2016 - 1.32 cents).

Operating expenses amounted to US$27 578 347 and these were up 5% from a prior year amount of US$26 176 706 as a net result of some staff and non-recurring expenditures incurred in the period.

Impairment losses on loans and advances amounted to US$3 853 149 for the current period from a prior year amount of US$8 059 726 and the decrease was mainly due to stricter credit underwriting standards and loan monitoring. The bank embarked on an aggressive loan collection process and strengthening of our credit systems over the last 3 years and this saw the progressive reduction of our NPL ratio to the current single digit figure. Loans and advances amounting to US$6 712 298 were written off during the year under review in line with regulatory provisions and recovery efforts will continue off balance sheet.

Financial position

The Group's total assets increased by 32% from US$320 984 926 as at 31 December 2016 to US$422 564 352 as at 31 December 2017 mainly due to a 273% increase in investment securities, an increase of 29% in cash and cash equivalents and a 34% increase in investment properties.

Gross loans and advances increased by 3% from US$205 858 392 as at 31 December 2016 to US$211 005 418 as at 31 December 2017 mainly due to the underwriting of new quality loans and advances under the Bank's tight credit sanctioning regime. The Bank's non-performing loans ratio reduced to 7.98% as at 31 December 2017 from 10.69% as at 31 December 2016.

Investment securities (Treasury Bills and Bonds) increased by 273% from US$24 744 752 as at 31 December 2016 to US$92 245 425 as at 31 December 2017 mainly due to some purchases from both the primary and secondary bond markets.

The deposits increased by 34% from US$260 550 383 as at 31 December 2016 to US$348 955 386 as at 31 December 2017 as a result of a significant improvement in market liquidity and deposit mobilization strategies. The Bank's liquidity ratio closed the period at 46.08% (2016 – 40.06%) and this was above the statutory requirement of 30%.

Capital

The banking subsidiary's capital adequacy ratio at 31 December 2017 calculated in accordance with the guidelines of the Reserve Bank of Zimbabwe (RBZ) was 24.26% (31 December 2016 - 23.32%). The minimum required by the RBZ is 12%. Our capitalisation level is adequate to support the underwriting of new business.

The Group's shareholders' funds and shareholders' liabilities have increased by 18% from US$55 600 406 as at 31 December 2016 to US$65 651 843 as at 31 December 2017 as a result of the current year's attributable profit.

The Bank's regulatory capital as at 31 December 2017 was US$61 135 389 and is above the minimum required regulatory capital of US$25 million.

DIVIDEND

In light of the improved financial performance recorded in the year under review, the need to utilise retained earnings in the holding company and limit the utilization of retained earnings in the banking subsidiary, the Board has proposed a scrip dividend alternative to the cash dividend of 0.36 cents per share. The scrip dividend option was arrived at taking into account shareholders' expectations and value preservation and the need to ensure sustainable organic growth in view of the banking subsidiary's regulatory capitalization requirements.

DIRECTORATE

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

CORPORATE SOCIAL INVESTMENTS

The Group made social investments into the country's educational system, the enhancement of youth enterprenurial skills through partnerships with other stakeholders, the disadvantaged, vulnerable groups, supporting environmental protection and conservation initiatives, the arts and various sporting disciplines during the twelve months under review. The activities and charities supported during the year included the Zimbabwe National Paralympic Games, Tokwe Mukosi flood victims, Enactus BOOST Fellowship programme for universities, several schools, HIFA, Birdlife Zimbabwe, St Monica Parish (Chitungwiza), as well as the Salvation Army Annual Fundraising Pro-AM golf day and many other charitable events.

CORPORATE DEVELOPMENTS

In the year under review, the bank's focus was on the promotion of e-channels in order to increase the customer touch points. The bank upgraded its core banking system and other electronic channels aimed at improving the processing capacity of our systems in an effort to enhance the customer experience and transactional convenience. The bank also launched a cheaper mobile point of sale device mPos in line with our drive to promote electronic payments and these are being rolled out to SMEs and the informal sector. We are in the process of putting finishing touches to a service centre in Bindura and the facility will be opened in the first quarter of 2018.

In terms of shareholder developments, FMO (of The Netherlands) and Norfund (of Norway) who jointly owned 17.98% of NMBZ Holdings Limited (NMBZ) joined forces with Rabo Development B.V (the holding company for Rabobank, the second largest bank in the Netherlands) and pooled their investments in financial services in African countries to form an investment company called Arise. The company was formed in 2016 and asset transfers were largely concluded during the year under review. NMBZ, which now counts Arise as a shareholder stands to benefit from capacity development support, access to a network of other African banks that are part of the partnership as well as equity participation.

OUTLOOK AND STRATEGY

The efforts to broaden the target market have continued to be accelerated with a nationwide blitz to acquire low cost accounts in an effort to promote the national financial inclusion agenda. The Bank also launched the Life and retirement products which are underwritten by Old Mutual. We will continue to promote our mortgages and leasing products as we assist our customers to own homes and for companies to retool. The bank will continue to leverage on its strong shareholder base to access the best technology platforms to accelerate our digital strategy and drive responsible inclusive growth and financial inclusion in Zimbabwe.

We will continue to drive the roll out of our low cost POS machines to both the formal and informal sectors. Recent political changes and a 'Zimbabwe is open for business' approach to the international community promises a more optimistic picture for the financial services sector and the country as a whole and NMBZ looks forward to playing its role in this economic renaissance.

APPRECIATION

My utmost appreciation goes to our clients, shareholders and regulatory authorities for their unwavering support in the period under review. I would also like to thank my fellow Board members, management and staff for their profound commitment, dedication and passion which have underpinned the achievement of the Group's notable results.

MR. B. A. CHIKWANHA
CHAIRMAN
14 March 2018

DIVIDEND DECLARATION NOTICE

for the year ended 31 December 2017

Notice is hereby given that the board declared a scrip dividend alternative to the cash dividend of 0.36 cents per share for the year ended 31 December 2017 payable in respect of all the ordinary shares of the Company. This dividend will be payable in full to all Shareholders of the Company registered at the close of business on 6 April 2018.

The payment of the dividend will take place on or about 9 May 2018. The applicable shareholders' tax will be deducted from the Gross Dividends.

The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 3 April 2018 and ex-dividend as from 4 April 2018.

The forms of election with the full details and terms of the scrip/cash dividend offer will be mailed to shareholders on 13 April 2018 and the last date of receiving the forms of election is 4 May 2018.

Shareholders are requested to submit / update their mailing and banking details to the Transfer Secretaries and also immediately contact the Transfer Secretary should they not have received their dividend election forms by 20 April 2018 on the following contacts.

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

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

Email: info@fts-net.com

BY ORDER OF THE BOARD

S. PASHAPA
Company Secretary

22 March 2018

REPORT OF THE DIRECTORS

for the year ended 31 December 2017

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2017.

1. SHARE CAPITAL

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

1.1 Authorised: 600 000 000 ordinary shares of US$0,00028 each.

1.2 Issued and fully paid: 384 974 542 ordinary shares of US$0,00028 each.

Share options amounting to 547 191 were exercised by Directors and managerial staff during the year.

2. GROUP ACTIVITIES AND RESULTS

The Group's total comprehensive income was US$10 029 136 for the year ended 31 December 2017 (2016 - US$5 055 196).

3. CAPITAL ADEQUACY

As at 31 December 2017, the Bank's regulatory capital adequacy ratio was 24.26% (2016 - 23.32%).

4. DIRECTORATE

4.1 Board of Directors

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

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

4.2 Directors' Interests

As at 31 December 2017, the Directors of the Group (NMBZ Holdings Limited and the Bank) held the following direct and indirect beneficial interests in the shares of the Company:-

	31 December 2017 Shares	31 December 2016 Shares
Mr. B. A. Chikwanha*	10 000	10 000
Ms. J. Maguranyanga	600	600
Mr. B. P. Washaya**	277 943	2 070
Mr. J. de la Fargue***	-	-
Mr. E. Sandersen ****	-	-
Mr. J. Tichelaar *****	-	-
Mr. B. Ndachena******	77 642	77 642
Mr. C. Chikaura	-	-
Ms. S. Chitehwe	-	-
	366 185	**90 312**

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

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

***Mr. J. de la Fargue represents African Century Financial Investments Limited (71 207 639 shares) on the board of Directors of NMBZ Holdings Limited and NMB Bank Limited.

****Mr. E Sandersen represents ARISE BV (69 142 858 shares) on the board of Directors of NMBZ Holdings Limited and NMB Bank Limited.

*****Mr J. Tichelaar represents AfricInvest (34 571 429 shares) on the board of Directors of NMBZ Holdings Limited and NMB Bank Limited.

****** Mr. B. Ndachena is the Chief Finance Officer of NMBZ Holdings Limited and NMB Bank Limited.

NMBZ HOLDINGS LIMITED

4. DIRECTORATE (cont'd)

4.3 Total share options granted to executive directors

	31 December 2017 Share options	31 December 2016 Share options
Mr. B. P. Washaya	-	275 873
Mr. B. Ndachena	-	193 111
	-	468 984

4.4 Directors' attendance at meetings

4.4.1 Board of Directors

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

**The alternate Director attended one meeting and hence AfricInvest was represented at all meetings during the year.

4.4.2 Audit Committee

Name	Meetings held	Meetings attended
Ms. S. Chitehwe	**4**	**3**
Mr. C. Chikaura	4	4
Ms. J. Maguranyanga	4	4

4.4.3 Risk and Compliance Management Committee

Name	Meetings held	Meetings attended
Mr. C. Chikaura	**4**	**4**
Mr. J. de la Fargue	4	4
Mr. E. Sandersen	4	4
Mr. B. A. Chikwanha	4	4

4.4.4 Asset and Liability Management (ALCO) & Finance Committee

Meetings	Meetings held	Meetings attended
Mr. C. Chikaura	**4**	**4**
Mr. J. de la Fargue	4	3
Mr. J. Tichelaar (alternate Mr B. Zwinkels**)	4	4
Mr. E. Sandersen	4	4
Mr. B. P. Washaya	4	4
Mr. B. Ndachena	4	4
Ms. S. Chitehwe	4	4

**The alternate Director attended one meeting and hence AfricInvest was represented at all meetings during the year.

4. DIRECTORATE (cont'd)

4.4.5 Loans Review Committee

Name	Meetings Held	Meetings attended
Ms. J. Maguranyanga	**4**	**4**
Mr. E. Sandersen	4	4
Ms. S. Chitehwe	4	4
Mr. J. Tichelaar (alternate Mr B. Zwinkels**)	4	4

** The alternate Director attended one meeting and hence AfricInvest was represented at all meetings during the year.

4.4.6 Human Resources, Remuneration and Nominations Committee

Name	Meetings held	Meetings attended
Ms. J. Maguranyanga	**4**	**4**
Mr. B. A. Chikwanha	4	4
Mr. B.P. Washaya	4	4
Mr. J. Tichelaar (alternate Mr B. Zwinkels**)	4	4
Mr. C. Chikaura	4	4
Mr. J. de la Fargue	4	4

** The alternate Director attended one meeting and hence AfricInvest was represented at all meetings during the year.

4.4.7 Credit Committee

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

5. CORPORATE GOVERNANCE

The Group adheres to international best practice with regards to corporate governance. In particular, the Group emulates corporate governance principles set out in the Combined Code of the United Kingdom, the King III report of South Africa, the National Code on Corporate Governance and the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline No. 01-2004/BSD. The Board has set up the Audit Committee, Human Resources and Remuneration Committee, ALCO & Finance Committee, Credit Committee, Loans Review Committee and the Risk Management Committee to assist in the discharge of its duties and responsibilities. The Board also adheres to the Bank's Code of Ethics.

5.1 The Board of Directors

The NMBZ Holdings Limited and NMB Bank Limited boards comprise of nine Directors each. The boards of the holding company and the Bank are identical. The Group obtained regulatory approval to have one board for NMBZ Holdings Limited and the banking subsidiary. The boards comprise, of two executive and seven non-executive Directors. Of the seven non-executive Directors, four are independent non-executive Directors. The Chairpersons of the board and all the board committees are independent non-executive Directors. The boards and the board committees meet at least four times a year.

5.2 Audit Committee

The committee oversees the Group's financial reporting process, monitoring the integrity and appropriateness of the Group's financial statements; evaluating the adequacy of the Group's financial and operational processes, compliance, internal controls and risk management processes and the selection, compensation, independence and performance of the Group's external and internal auditors. The committee meets at least four times a year. The committee meets regularly with the internal and external auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and objectivity.

Membership:	Ms. S. Chitehwe	Chairperson-Independent Non-Executive Director
	Ms. J. Maguranyanga	Independent Non-Executive Director
	Mr. C. Chikaura	Independent Non-Executive Director

5. CORPORATE GOVERNANCE

5.3 Human Resources, Remuneration and Nominations Committee

The committee is responsible for setting the Group's remuneration philosophy and reviews the overall remuneration structures of the Group, including all material remuneration proposals and packages for Executive Directors and senior personnel.

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

5.4 Loans Review Committee

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

Membership:	Ms. J. Maguranyanga	Chairperson-Independent Non-Executive Director
	Ms. S. Chitehwe	Independent Non-Executive Director
	Mr. J. Tichelaar	Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director

5.5 Credit Committee

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

Membership:	Mr. B. A. Chikwanha	Chairperson - Independent Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer
	Mr. J. de la Fargue	Non-Executive Director
	Mr. C. Chikaura	Independent Non-Executive Director

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

The ALCO & Finance Committee is responsible for deriving the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest-rate movements, liquidity constraints, foreign exchange exposure and capital adequacy. In addition, the Committee monitors the business and financial strategies of the Company and keeps track of financial performance vis a vis the budget.

Membership:	Mr. C. Chikaura	Chairperson-Independent Non-Executive Director
	Mr. J de la Fargue	Non-Executive Director
	Mr. E. Sandersen	Non-Executive Director
	Mr. J. Tichelaar	Non-Executive Director
	Mr. B. P. Washaya	Chief Executive Officer
	Mr. B. Ndachena	Chief Finance Officer
	Ms. S. Chitehwe	Independent Non-Executive Director

5.7 Risk and Compliance Management Committee

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

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

5.8 Professional Advice

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

6. AUDITORS

At the forthcoming Annual General Meeting, the shareholder will be asked to authorise the Directors to approve the auditors' remuneration for the year ended 31 December 2017 and to appoint auditors of the Group for the ensuing year.

By order of the Board

Miss S Pashapa
Company Secretary
Harare

14 March 2018

Statement of Directors' Responsibility
for the year ended 31 December 2017

1. RESPONSIBILITY

The Directors of the Group are mandated by the Companies Act (Chapter 24:03) of Zimbabwe to maintain adequate accounting records and to prepare consolidated and separate financial statements that present a true and fair view of the state of affairs of the Group and Company at the end of each financial year. The information contained in these consolidated and separate financial statements has been prepared on a going concern basis and is in accordance with the provisions of the Companies Act (Chapter 24:03) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe, and International Financial Reporting Standards (IFRSs).

2. CORPORATE GOVERNANCE

In its operations, the Group is guided by principles of corporate governance derived from the King III Report of South Africa, the National Code on Corporate Governance, the United Kingdom Combined Code and the Reserve Bank of Zimbabwe Corporate Governance Guideline No. 01-2004/BSD. The Directors of the Group are cognisant of their responsibility to exercise the duty of care and act in good faith in order to safeguard all stakeholders' interests.

3. BOARD OF DIRECTORS

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

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

4. INTERNAL FINANCIAL CONTROLS

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

5. GOING CONCERN

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

6. INTERNAL AUDIT

The internal audit function has formally defined objectives, authority, and responsibilities enshrined in the Internal Audit Charter, which principles are consistent with those of the Institute of Internal Auditors. The function is guided by the Internal Audit Manual and the Reserve Bank of Zimbabwe's Guideline on Minimum Internal Audit Standards in Banking Institutions, in conducting its activities. The internal audit function is independent of business lines and has unrestricted access to the Audit Committee. The internal audit functions include evaluating the effectiveness of the risk management systems, reviewing the systems of internal control including internal financial controls and the conduct of the Group's operations.

7. REMUNERATION

The Human Resources, Remuneration and Nominations Committee determines the remuneration policy for the Group. The remuneration policy is designed to reward performance and retain highly skilled individuals. Accordingly, a discretionary performance related bonus is offered in addition to a basic salary package.

8. EMPLOYEE PARTICIPATION AND DEVELOPMENT

The Group encourages active participation by its employees in its ownership. In line with this commitment, managerial employees have in the past participated in the Group's share option scheme. The Group is working on operationalising a new share option scheme for staff members approved in the 2012 Annual General Meeting. The Group is also committed to enhancing the skills of staff and sponsors attendance of courses at reputable local and international institutions.

9. SOCIAL RESPONSIBILITY

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

10. REGULATION

The banking subsidiary of the Group is subject to regulation and supervision by the Reserve Bank of Zimbabwe, which conducts the functions of the Registrar of Banking Institutions and is also the supervisor of banking institutions. Where appropriate, the Group participates in industry-consultative meetings and discussion groups aimed at enhancing the business environment.

11. ETHICS

As a Group, we aim to ensure that we adhere to the highest standards of responsible business practice. In that regard, the Group's values include integrity and excellence. The Group's employees are thus expected to adhere to the highest standards of personal integrity and professional conduct. The Group monitors its staff conduct through the code of conduct and ensures through its anti-money-laundering policies that it does not conduct business with entities whose activities are unethical.

12. FINANCIAL STATEMENTS

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

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

Preparation of the Group financial statements

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

Approval of the Group financial statements

The consolidated and separate financial statements of the Group appearing on pages 17 to 69 were approved by the Board of Directors on 14 March 2018 and are signed on their behalf by:

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Mr. B. A. Chikwanha
Chairman

Date: 14 March 2018

....

Mr. B. P. Washaya
Group Chief Executive Officer

Date: 14 March 2018

NMBZ HOLDINGS LIMITED

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

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

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

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of NMBZ Holdings Limited (the Group and Company) set out on pages 17 to 69, which comprise the statements of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and Company as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate 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 consolidated and separate 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 consolidated and separate financial statements.

Key Audit Matter	How our audit addressed the matter
Valuation of properties	
The Group holds properties which are accounted for as investment property and property and equipment per notes 25 and 27 respectively. The fair value model per International Accounting Standard 40 is applied for investment properties while the revaluation model per International Accounting Standard 16 is applied for property and equipment. The valuation of properties is of a subjective nature due to the use of judgment, estimates and assumptions in determining fair values and resulted in additional auditor attention in this area. These judgements have a higher estimation uncertainty as a result of the absence of an active property market due to the current liquidity constraints in Zimbabwe. The comparability of property values is subjective. Management engaged an external valuation expert to determine the fair value of its properties. As disclosed in notes 25 and 27, the Group uses the open market value basis approach to determine the fair value on the basis of the following key assumptions and estimations: • Market rental growth • Market yield • Occupancy rates	We used our own valuation specialists to assist us in performing our audit procedures in this area, which included: • Evaluation of the competency, independence and objectivity of the external valuer, • Evaluation of whether the method of measurement used is appropriate in the circumstances and whether in line with acceptable industry practice, • Evaluation of whether assumptions used by management are reasonable given the limited market data available and the measurement requirements of International Financial Reporting Standards (IFRS), • Evaluation of whether data on which the estimate is based is accurate, complete and relevant by performing recalculations and inspecting source documents and; • Testing the accuracy of values derived through performance of recalculations of underlying calculations and inspecting source documents used to determine the valuation.

Key Audit Matter	How our audit addressed the matter
Existence of loans and advances	
48.36% of the Group's total assets comprise loans and advances amounting to $204 333 927 which are disclosed in note 20 to the financial statements. The loans are significant to the Group in value and comprise a large volume of balances of varying magnitude. A significant amount of audit effort was therefore required to independently verify the existence of the loans.	In evaluating the existence of loans and advances we performed the following procedures: • We tested the controls on the creation of loan accounts in the Group's bank operating system, • We reviewed the customer statements to verify that the Group actually disbursed loans to its customers, • We agreed the samples selected to the signed facility agreements granted by the Group to its customers, • We sent independent circularisation letters to the Group's customers and, • Where we did not get responses on circularisation, we reviewed the customer statements for consistency in loan repayments during the year under review and for subsequent settlement of instalments after year end.

Key Audit Matter	How our audit addressed the matter
Impairment of loans and advances	
The Group is exposed to credit risk on its portfolio of loans and advances amounting to $204 333 927 as disclosed in Note 20, which represents 48.36% of the Group's total assets. Significant judgement is exercised by management in assessing the impairment of advances as disclosed in note 20.3 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. Management applied judgment on the following; • Amount and timing of cash flows • Evaluation of the borrower's financial situation and the net realisable value of collateral There is subjectivity involved in determination of the amounts of advances deemed uncollectable and requiring impairment by management. The determination of uncollectible amounts is on a client by client basis. 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: • Tested internal controls over the credit granting and monitoring and assessed whether these were in accordance with laid down Group policies and procedures. • We analysed customer payment trends during the year and period after year end. • We reviewed the financial performance, financial position, cash flows and future projections for selected material advances. • We reviewed security for selected loans and advances and assessed whether it adequately covered the outstanding loan balance. • We tested the valuation of security pledged on the loan balances by comparing its values to recent market valuations. • We selected material advances and analysed the accuracy of the classification of loans into various credit risk grades and credit quality portfolios as prescribed by the regulator and International Financial Reporting Standards respectively. • We reviewed the assumptions applied by management in determining the credit loss history. • We reviewed correspondence received from legal representatives to test the completeness of the impaired loans and advances.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.
Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

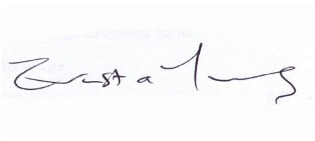
Other matter

The consolidated and separate financial statements of the Group for the year ended 31 December 2016 were audited by a predecessor auditor who expressed an unmodified opinion on those statements on 15 March 2017.

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated and company financial statements, have in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

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



Ernst and Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/Kwame Nkrumah Avenue
Harare
Zimbabwe

20 March 2018

Statements of Comprehensive Income

for the year ended 31 December 2017

	Note	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Interest income	4	32 061 931	33 860 139	-	-
Interest expense	5	(9 157 095)	(11 075 067)	-	-
Net interest income		**22 904 836**	**22 785 072**	**-**	**-**
Fee and commission income	6.1	18 832 185	15 179 149	-	-
Net foreign exchange gains		1 583 164	743 255	-	-
Revenue		**43 320 185**	**38 707 476**	**-**	**-**
Other income	6.2	1 129 001	1 737 860	21 760	(819)
Operating income/(loss)		**44 449 186**	**40 445 336**	**21 760**	**(819)**
Operating expenditure	7	(27 578 347)	(26 176 706)	-	-
Net operating income before impairment charge		**16 870 839**	**14 268 630**	**21 760**	**(819)**
Impairment losses on loans and advances	20.3	(3 853 149)	(8 059 726)	-	-
Profit/(loss) before taxation		**13 017 690**	**6 208 904**	**21 760**	**(819)**
Taxation (charge)/credit	8	(3 078 864)	(1 150 738)	(285)	41
Profit/(loss) for the year		**9 938 826**	**5 058 166**	**21 475**	**(778)**
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss					
Revaluations, net of tax	6.3	90 310	(2 970)	-	-
Total comprehensive income/(loss) for the year		10 029 136	5 055 196	21 475	(778)
Earnings per share (US cents)					
-Basic	9.3	2.58	1.32		
-Diluted	9.3	2.43	1.23		

NMBZ HOLDINGS LIMITED

Statements of Financial Position

as at 31 December 2017

	Note	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	78 751	78 598	78 751	78 598
Capital reserves	11	18 209 647	17 585 247	15 821 845	15 800 111
Retained earnings	12	31 612 288	22 185 818	763 511	742 036
Total equity		**49 900 686**	**39 849 663**	**16 664 107**	**16 620 745**
Redeemable ordinary shares	13	14 335 253	14 335 253	14 335 253	14 335 253
Subordinated loan	14	1 415 904	1 415 490	-	-
Total shareholders' funds and shareholders' liabilities	**15**	**65 651 843**	**55 600 406**	**30 999 360**	**30 955 998**
LIABILITIES					
Deposits and other liabilities	16.1	356 912 509	265 384 520	697 528	656 568
Total shareholders' funds and liabilities		**422 564 352**	**320 984 926**	**31 696 888**	**31 612 566**
ASSETS					
Cash and cash equivalents	19	89 553 202	69 421 257	110 929	53
Current tax assets	8.4	231 007	368 445	75 518	85 752
Loans, advances and other assets	20	210 483 221	199 617 095	860	7 385
Investment securities	17.1	92 245 425	24 744 752	-	-
Non-current assets held for sale	21	36 000	2 261 300	-	-
Investments:-					
Trade investments	22	102 347	88 930		
Group companies	23	-	-	31 491 009	31 505 686
Quoted and other investments	24	15 533	88 650	15 533	9 831
Investment properties	25	18 977 000	14 202 270	-	-
Intangible assets	26	2 380 180	1 647 034	-	-
Property and equipment	27	7 335 988	6 280 286	-	-
Deferred tax assets	18	1 204 449	2 264 907	3 039	3 859
Total assets		**422 564 352**	**320 984 926**	**31 696 888**	**31 612 566**

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MR. B. A. CHIKWANHA

Directors

....
MR. B. P. WASHAYA
14 March 2018

....
MISS. S. PASHAPA
Company Secretary
14 March 2018

Statements of Changes in Equity

for the year ended 31 December 2017

GROUP

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Regulatory Reserve US$	Revaluation Reserve US$	Retained Earnings US$	Total US$
Balances at 1 January 2016	**78 598**	**15 737 548**	**62 563**	**3 746 729**	**2 970**	**15 166 059**	**34 794 467**
Profit for the year	-	-	-	-	-	5 058 166	5 058 166
Other comprehensive loss	-	-	-	-	(2 970)	-	(2 970)
Transfer from regulatory reserve	-	-	-	(1 961 593)	-	1 961 593	-
Balances at 31 December 2016	**78 598**	**15 737 548**	**62 563**	**1 785 136**	**-**	**22 185 818**	**39 849 663**
Share based payments – share options exercised	153	21 734	-	-	-	-	21 887
Profit for the year	-	-	-	-	-	9 938 826	9 938 826
Other comprehensive income	-	-	-	-	90 310	-	90 310
Transfer to regulatory reserve	-	-	-	512 356	-	(512 356)	-
Balances at 31 December 2017	**78 751**	**15 759 282**	**62 563**	**2 297 492**	**90 310**	**31 612 288**	**49 900 686**

COMPANY

	Share Capital US$	Share Premium US$	Share Option Reserve US$	Retained (loss)/ Earnings US$	Total US$
Balances at 1 January 2016	**78 598**	**15 737 548**	**62 563**	**742 814**	**16 621 523**
Loss for the year	-	-	-	(778)	(778)
Balances at 31 December 2016	**78 598**	**15 737 548**	**62 563**	**742 036**	**16 620 745**
Profit for the year	-	-	-	21 475	21 475
Share-based payments – share options exercised	153	21 734	-	-	21 887
Balances at 31 December 2017	**78 751**	**15 759 282**	**62 563**	**763 511**	**16 664 107**

Statements of Cashflows
for the year ended 31 December 2017

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	13 017 690	6 208 904	21 760	(819)
Non-cash items				
- Impairment losses on loans and advances	3 853 149	8 059 726	-	-
- Investment properties fair value adjustment	(302 255)	(412 006)	-	-
- Profit on disposal of property and equipment	-	(368 206)	-	-
- Loss on disposal of property and equipment (included in staff costs)	56 637	-	-	-
- Profit on disposal of investment properties	(12 951)	(50 000)	-	-
- Quoted and other investments fair value adjustment	(35 176)	(31 554)	(21 760)	819
- Impairment (reversal)/charge on land and buildings	(89 660)	51 600	-	-
- Depreciation	1 136 810	1 319 396	-	-
- Non-current assets held for sale fair value adjustment	-	3 000	-	-
- Interest capitalised on subordinated loan	165 345	158 599	-	-
- Amortisation of intangible asset	832 567	532 768	-	-
- Loss on disposal of non-current asset held for sale	75 300	-	-	-
Operating cash flows before changes in operating assets and liabilities	18 697 456	15 472 227	-	-
Changes in operating assets and liabilities				
Increase/(decrease) in deposits and other liabilities	91 527 989	(17 902 723)	16 000	-
(Increase)/(decrease) in loans, advances and other assets	(14 719 275)	27 412 159	-	-
Net cash generated from operations	95 506 170	24 981 663	16 000	-
Taxation				
Corporate tax paid	(1 757 028)	(1 842 635)	-	-
Capital gains tax paid	(155 265)	(12 234)	-	-
Net cash from operating activities	93 593 877	23 126 794	16 000	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	1 076	581 414	-	-
Purchase of property and equipment	(1 565 713)	(1 267 404)	-	-
Acquisition of investment properties	(4 792 476)	(5 794 464)	-	-
Acquisition of intangible assets	(2 038 933)	(490 417)	-	-
Acquisition (net) of investment securities	(67 500 670)	(10 196 760)	-	-
Proceeds on disposal of investment properties	332 951	180 000	-	-
Proceeds on disposal of quoted investments	94 877	-	94 876	-
Proceeds on disposal of non-current asset held for sale	2 150 000	-	-	-
Net cash (used in)/generated from investing activities	(73 318 888)	(16 987 631)	94 876	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on subordinated loan	(164 931)	(157 253)	-	-
Proceeds from share based payments – share options exercised	21 887	-	-	-
Net cash used in financing activities	(143 044)	(157 253)	-	-
Net increase in cash and cash equivalents	20 131 945	5 981 910	110 876	-
Cash and cash equivalents at the beginning of the year	69 421 257	63 439 347	53	53
Cash and cash equivalents at the end of the year (note 19)	89 553 202	69 421 257	110 929	53

BASIS OF CONSOLIDATION

The consolidated and separate financial statements comprise of the financial statements of the Group and company. All companies in the Group have a December year end. Inter-group transactions, balances, income and expenses are eliminated on consolidation.

BUSINESS COMBINATIONS

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

Subsidiaries

Subsidiaries are those investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements, using the acquisition method, from the date that control effectively commences until the date that control effectively ceases

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

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

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

Loss of control

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into United States Dollars (US$), which is the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.
Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

TAXATION

Income tax

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

Current tax

Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income and any adjustment to tax payable in respect of previous years.

TAXATION (cont'd)

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

Deferred tax

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

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

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

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

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

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

FINANCIAL INSTRUMENTS

Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and financial liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities recognised at fair value through profit or loss.

(iii) Financial assets or financial liabilities held for trading

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

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

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

FINANCIAL INSTRUMENTS (cont'd)

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

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

Financial assets and financial liabilities at fair value through profit or loss are recognised in the statement of financial position at fair value. Changes in fair value are recognised in 'Net profit or loss on financial assets and liabilities designated at fair value through profit or loss'.

(v) 'Day 1' profit or loss

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

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

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

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

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

The amortisation is included in 'Interest income' in the profit or loss. Impairment losses are recognised in profit or loss under 'Impairment losses on loans and advances'.

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

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

(vii) Deposits and other liabilities

Deposits and other liabilities are non-trading financial liabilities payable on demand and at variable interest rates. Subsequent to initial measurement deposits and other liabilities are measured at amortised cost applying the effective interest method.

(viii) Quoted and trade investments

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

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

(ix) Reclassification of financial assets

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

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

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

FINANCIAL INSTRUMENTS (cont'd)

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either;
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Fair value measurement

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

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

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

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

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

FINANCIAL INSTRUMENTS (cont'd)

Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

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

Regulatory guidelines and International Financial Reporting Standards Requirements in respect of the Group's banking activities

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

FINANCIAL INSTRUMENTS (cont'd)

Regulatory guidance and International Financial Reporting Standards in respect of the Group's banking activities (cont'd)
IAS 39 Financial Instruments: Recognition and Measurement (IAS39) prescribes the allowance for impairment losses based on the actual loan losses incurred in the past applied to the sectoral analysis of book debts and the discounting of expected cash flows on specific problem accounts.

The two prescriptions are likely to give different results. The Board has taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is recognised directly in equity as a transfer from retained earnings to a regulatory reserve and where it is more; the full amount will be recognised in profit or loss.

Non-performing loans

Interest on loans and advances is accrued as income until such time as reasonable doubt exists about its recoverability, thereafter and until all or part of the loan is written off, interest continues to accrue on customer's accounts but is not included in income. The suspended interest is recognised as a provision in the statement of financial position. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations, Statutory Instrument, 205 of 2000.

Renegotiated loans and advances

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been re-negotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously renews re-negotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans original EIR.

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its credit risk on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See note 39.1.4 for further analysis of collateral).

Collateral repossessed

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

Offsetting financial instruments

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

CASH AND CASH EQUIVALENTS

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

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

PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. The previous remaining carrying amount is derecognized. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Land and buildings are measured at revalued amount less accumulated depreciation on buildings and impairment losses determined 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.

INTANGIBLE ASSETS

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

Amortisation of intangible assets

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

Computer software	20%

LEASES

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

As a lessee

Leases which do not transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rentals payable are recognised as an expense in the period in which they are incurred.

As lessor

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

IMPAIRMENT OF NON FINANCIAL ASSETS

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

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

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

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

INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. Revaluation is done at the end of each year by a registered independent professional valuer.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

FINANCIAL GUARANTEES

In the ordinary course of business, the banking subsidiary give financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, where appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recognised in the profit or loss. The premium received is recognised in profit or loss on a straight line basis over the life of the guarantee, or in full, depending on the conditions attached to the guarantee.

FEES AND COMMISSION INCOME

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

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

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

INTEREST INCOME

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

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

INTEREST EXPENSE

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

EMPLOYEE BENEFITS

Retirement benefits are provided for the Group's employees through a defined contribution plan and the National Social Security Authority Scheme.

Defined Contribution Plan
Obligations for contribution to the defined contribution pension plan are recognised as an expense in profit or loss as they are incurred.

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

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

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

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursements.

SHAREHOLDERS' FUNDS AND SHAREHOLDERS' LIABILITIES

Shareholders' funds and shareholders' liabilities refers to the total investment made by the shareholders in the Group and it consists of share capital, share premium, share options reserve, retained earnings, redeemable ordinary shares and subordinated loans. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

1. REPORTING ENTITY

The holding company is incorporated and domiciled in Zimbabwe and is an investment holding company. Its registered office is 64 Kwame Nkrumah Avenue, Harare. Its principal operating subsidiary is engaged in commercial and retail banking.

2. ACCOUNTING CONVENTION

Statement of compliance

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

The consolidated and separate financial statements were approved by the Board of Directors on 14 March 2018.

2.1 Basis of preparation

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

2.2 Comparative financial information

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

2.3 Use of estimates, judgements and assumptions

In preparation of the consolidated and separate financial statements, Directors have made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

2.3.1 Deferred tax

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.3.2 Land and buildings

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

2.3.3 Investment properties

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

2. ACCOUNTING CONVENTION (cont'd)

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

2.3.4 Non-current assets held for sale

Non-current assets were valued by an independent professional valuer. All non-current assets held for sale are measured at their fair values. The valuer applied the rental yield method to assess fair value of non-current assets held for sale. The determined fair value of non-current assets held for sale is most sensitive to the estimated yield as well as the long term vacancy rate. In addition, the property market is currently not stable due to liquidity constraints and hence comparable values are also not stable.

2.3.5 Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

2.3.6 Going concern

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

2. 4 Standards issued and not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these financial statements.

2.4.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 *Construction Contracts* and IFRIC *13 Customer Loyalty Programmes*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

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

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

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

2.4.2 IFRS 9 Financial Instruments

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is required to apply IFRS 9 initially on 1 January 2018. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

The Group has performed a preliminary assessment of the potential impact on the following areas of adoption of IFRS 9 based on its positions at 31 December 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

2.4.2 IFRS 9 Financial Instruments (cont'd)

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

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2017, would have had a material impact on its accounting for loans and advances already measured at amortised cost, investment securities and trade and other investments measured at armotised cost. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them at amortised cost or FVOCI. The Group has not yet made a decision in this regard.

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

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

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

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

The Group believes that impairment losses will increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statement. The estimated impact of the adoption of IFRS 9 on the Group's equity as at 1 January is based on assessments undertaken to date and is summarized below. The actual impact of adopting IFRS 9 at 1 January 2018 may change because:
- The Group has not finalized the testing and assessment of controls over its new IT systems; and
- The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

	As reported 31 Dec 2017 US$	Estimated IFRS 9 adjustment US$	Estimated adjusted opening balance at 1 Jan 2018 US$
Equity			
Regulatory reserves	2 297 492	(2 297 492)	-
Retained earnings	31 612 288	(4 070 179)	27 542 109
Liabilities			
ECL on loans, advances and investments	-	12 469 982	12 469 982
ECL on undrawn facilities	-	1 091 284	1 091 284
ECL on financial guarantees	-	460 691	460 691
IAS 39 provisions	5 445 968	(5 445 968)	-

The total estimated adjustment (net of tax) to the opening balance of the Group's equity at 1 January 2018 is US$6 367 671. The principal component of the estimated adjustments is:
A decrease of 13% and 100% in retained earnings and regulatory reserve respectively due to the impairment losses on financial assets recognised on the initial application of IFRS 9. The regulatory reserve of US$2 297 492 will be transferred to retained earnings on adoption of IFRS 9 on 1 January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2017.

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

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

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

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

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

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

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

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

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

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

2.4.4 IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group is currently assessing the potential impact on the financial statements resulting from the application of IFRS 16.

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2017 or 2016.

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

For the year ended 31 December 2017	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Other US$	Total US$
Third party income	29 721 100	14 340 614	7 658 528	546 651	1 339 388	53 606 281
Interest expense	(1 950 582)	(3 392 090)	(3 814 423)	-	-	(9 157 095)
Net operating income	**27 770 518**	**10 948 524**	**3 844 105**	**546 651**	**1 339 388**	**44 449 186**
Other material non-cash items:						
Impairment losses on loans and advances	1 599 035	2 254 114	-	-	-	3 853 149
Depreciation of property and equipment	963 415	15 069	9 566	6 127	142 633	1 136 810
Amortisation of intangible assets	-	-	-	-	832 567	832 567
Segment profit/(loss) before tax	**5 622 404**	**3 372 984**	**2 774 647**	**(91 733)**	**1 339 388**	**13 017 690**
Income tax expense	-	-	-	-	(3 078 864)	(3 078 864)
Profit/(loss) for the year	**5 622 404**	**3 372 984**	**2 774 647**	**(91 733)**	**(1 739 476)**	**9 938 826**
As at 31 December 2017						
Assets and liabilities						
Capital expenditure	1 386 270	2 388	1 958	2 873	2 211 157	3 604 646
Total assets	**108 656 867**	**152 311 200**	**118 870 271**	**3 612 619**	**39 113 395**	**422 564 352**
Total liabilities	**109 755 085**	**127 512 638**	**96 952 318**	**15 052 401**	**9 055 971**	**358 328 413**

3. SEGMENT INFORMATION (Cont'd)

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

For the year ended 31 December 2016	Retail Banking US$	Corporate Banking US$	Treasury US$	International Banking US$	Corporate Finance US$	Other US$	Total US$
Third party income	29 011 529	14 595 952	4 813 944	451 117	660 345	1 987 516	51 520 403
Interest expense	(5 021 782)	(4 580 004)	(1 417 555)	-	(55 726)	-	(11 075 067)
Net operating income	**23 989 747**	**10 015 948**	**3 396 389**	**451 117**	**604 619**	**1 987 516**	**40 445 336**
Other material non-cash items							
Impairment losses on loans and advances	(4 527 156)	(3 496 994)	-	-	(35 576)	-	(8 059 726)
Depreciation of property and equipment	1 002 084	48 765	31 329	26 261	22 665	188 292	1 319 396
Amortisation of intangible assets	-	-	-	-	-	532 768	532 768
Segment profit/(loss) before tax	**466 829**	**1 197 279**	**3 182 690**	**(800 014)**	**174 604**	**1 987 516**	**6 208 904**
Income tax expense	-	-	-	-	-	(1 150 738)	(1 150 738)
Profit/(loss) for the year	**466 829**	**1 197 279**	**3 182 690**	**(800 014)**	**174 604**	**836 778**	**5 058 166**
As at 31 December 2016							
Assets and liabilities							
Capital expenditure	997 785	36 759	-	236	-	723 041	1 757 821
Total assets	**84 579 341**	**125 687 660**	**87 613 797**	**10 137**	**240 957**	**22 853 034**	**320 984 926**
Total liabilities	**61 017 973**	**101 048 104**	**97 437 938**	**-**	**-**	**7 295 995**	**266 800 010**

4. INTEREST INCOME

	GROUP		COMPANY	
	2017 US$	**2016 US$**	**2017 US$**	**2016 US$**
Loans and advances to banks	1 139 233	1 245 664	-	-
Loans and advances to customers	25 986 567	29 789 449	-	-
Investment securities	4 936 131	2 825 026	-	-
	32 061 931	**33 860 139**	**-**	**-**

5. INTEREST EXPENSE

	GROUP	
	2017 US$	**2016 US$**
Due to banks	1 464 721	3 903 230
Due to customers	7 222 456	6 833 176
Other borrowed funds	469 918	338 661
	9 157 095	**11 075 067**

6. NON INTEREST INCOME AND OTHER COMPREHENSIVE INCOME/(LOSS)

6.1 Fee and commission income

	GROUP		COMPANY	
	2017 US$	**2016 US$**	**2017 US$**	**2016 US$**
Retail banking customer fees	16 156 939	13 287 237	-	-
Corporate banking credit related fees	1 906 408	1 029 037	-	-
Financial guarantee fees	222 187	230 837	-	-
International banking commissions	546 651	451 117	-	-
Corporate finance fees	-	180 921	-	-
	18 832 185	**15 179 149**	**-**	**-**

6. NON INTEREST INCOME AND OTHER COMPREHENSIVE INCOME/(LOSS) (cont'd)

6.2 Other income

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Quoted and other investments fair value adjustments	35 176	31 554	21 760	(819)
Profit on disposal of property and equipment	-	368 205	-	-
Fair value adjustment on investment properties	302 255	412 006	-	-
Profit on disposal on investment properties	12 951	50 000	-	-
Fair value adjustment on non-current assets held for sale	-	(3 000)	-	-
Loss on disposal of non-current asset held for sale	(75 300)	-	-	-
Rental income	135 900	142 400	-	-
Bad debts recovered	580 295	675 006	-	-
Other operating income	137 724	61 689	-	-
	1 129 001	**1 737 860**	**21 760**	**(819)**

6.3 Other comprehensive income/(loss)

	2017	2016	2017	2016
	US$	US$	US$	US$
Revaluations of property and equipment	121 630	(4 000)	-	-
Tax effect (note 17)	(31 320)	1 030	-	-
	90 310	**(2 970)**	**-**	**-**

7. OPERATING EXPENDITURE

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
The operating profit is after charging the following:-				
Administration costs	11 866 111	12 098 932	-	-
Audit fees:				
Current year	35 938	61 468	-	-
Prior year	95 456	84 892	-	-
Impairment (reversal)/charge on land and buildings	(89 660)	51 600	-	-
Amortisation of intangible assets	832 567	532 768	-	-
Depreciation	1 136 810	1 319 396	-	-
Directors' remuneration	719 318	813 208	-	-
- Fees for services as Directors	233 102	252 827	-	-
- Other emoluments	476 823	501 778	-	-
- Expenses	9 393	58 603	-	-
Staff costs - salaries, allowances and related costs	12 981 807	11 214 442	-	-
	27 578 347	**26 176 706**	**-**	**-**

8. TAXATION

8.1 Income tax charge/(credit)

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Current tax	1 930 812	1 497 265	-	-
Capital gains tax	118 919	12 234	-	-
Deferred tax (note 18)	1 029 133	(358 761)	285	(41)
	3 078 864	**1 150 738**	**285**	**(41)**

NMBZ HOLDINGS LIMITED

8. TAXATION (cont'd)

8.2 Reconciliation of income tax charge/(credit)

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Based on results for the period at a rate of 25.75%	3 352 055	1 598 793	5 603	(211)
Tax effect of:				
-Income not subject to tax	(1 677 198)	(730 316)	(5 603)	-
-Non-deductible expenses	1 285 088	274 266	-	211
-Tax rate differential on capital gains	-	(4 239)	285	(41)
-Capital gains tax	118 919	12 234	-	-
	3 078 864	**1 150 738**	**285**	**(41)**

8.3 Total taxation charge/(credit) analysed by company

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Stewart Holdings (Private) Limited	-	1 010	-	-
NMB Bank Limited	3 078 579	1 149 769	-	-
NMBZ Holdings Limited	285	(41)	285	(41)
	3 078 864	**1 150 738**	**285**	**(41)**

8.4 Current tax (assets)/liabilities

At 1 January	(368 445)	(23 075)	(85 752)	(85 752)
Charge for the year (current and capital gains tax)	2 049 731	1 509 499	10 234	-
Payments during the year (current and capital gains tax)	(1 912 293)	(1 854 869)	-	-
	(231 007)	**(368 445)**	**(75 518)**	**(85 752)**

9. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of NMBZ Holdings Limited adjusted for the after tax effect of:

(a) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity;

(b) any interest recognised in the period related to 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

	GROUP	
	2017	2016
	US$	US$
Profit for the year	9 938 826	5 058 166

9.2 Number of shares

	2017	2016
Weighted average shares in issue	**384 746 646**	**384 427 351**
Diluted weighted average number of shares	**408 689 285**	**412 498 424**
Weighted average number of shares	384 746 646	384 427 351
Effect of dilution:		
Share options granted but not issued	-	4 128 434
Share options approved but not granted	23 942 639	23 942 639
Diluted weighted average number of shares	**408 689 285**	**412 498 424**

9. EARNINGS PER SHARE (cont'd)

9.3 Earnings per share (US cents)

Basic	2.58	1.32
Diluted	2.43	1.23

10. SHARE CAPITAL

10.1 Authorised

	GROUP AND COMPANY			
	2017 Shares million	2016 Shares million	2017 US$	2016 US$
Ordinary shares of US$0.00028 each	600	600	168 000	168 000

10.2 Issued and fully paid

10.2.1 Ordinary shares

	GROUP AND COMPANY			
	31 Dec 2017 Shares million	31 Dec 2016 Shares million	31 Dec 2017 US$	31 Dec 2016 US$
Ordinary shares	282	281	78 751	78 598
	282	281	78 751	78 598

10.2.2 Redeemable ordinary shares

	31 Dec 2017 Shares million	31 Dec 2016 Shares million	31 Dec 2017 US$	31 Dec 2016 US$
At 1 January	104	104	29 040	29 040
	104	104	29 040	29 040

Of the unissued ordinary shares of 214 million shares (2016 – 215 million), options which may be granted in terms of the 2012 Employee Share Option Scheme amount to 23 942 639 (2016 – 28 071 073). As at 31 December 2017; 547 191 share options were exercised from the Scheme.

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

11. CAPITAL RESERVES

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
Share premium	15 759 282	15 737 548	15 759 282	15 737 548
Share option reserve	62 563	62 563	62 563	62 563
Revaluation reserve	90 310	-	-	-
Regulatory	2 297 492	1 785 136	-	-
Total capital reserve	**18 209 647**	**17 585 247**	**15 821 845**	**15 800 111**

11.1 Nature and purpose of reserves

11.1.1 Share premium

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

11.1.2 Share option reserve

The share option reserve is used to recognise the value of equity settled share based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to note 37.3 for further details of these plans.

11. CAPITAL RESERVES (cont'd)

11.1.3 Regulatory reserve

This reserve represents the excess of the regulatory provision when compared to the IAS 39 impairment allowance on loan and advances.

11.1.4 Revaluation reserve

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

12. RETAINED EARNINGS

Analysis of retained profit by company

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
NMBZ Holdings Limited	763 511	742 036	763 511	742 036
NMB Bank Limited	30 848 777	21 437 257	-	-
Stewart Holdings (Private) Limited	-	6 525	-	-
Total	**31 612 288**	**22 185 818**	**763 511**	**742 036**

13. REDEEMABLE ORDINARY SHARES

	GROUP & COMPANY	
	2017	**2016**
	US$	**US$**
Nominal value (note 10.2.2)	29 040	29 040
Share premium	14 306 213	14 306 213
	14 335 253	14 335 253

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

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

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

14. SUBORDINATED LOAN

	GROUP	
	2017	**2016**
	US$	**US$**
Balance at 1 January	1 415 490	1 414 144
Interest capitalised	165 345	158 599
Interest paid	(164 931)	(157 253)
	1 415 904	**1 415 490**

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

The above liability would, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

The Group has not had any defaults on the principal and interest with respect to this subordinated loan during the year ended 31 December 2017.

15. TOTAL SHAREHOLDERS' FUNDS AND SHAREHOLDERS' LIABILITIES

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Shareholders' funds and shareholders'liabilities	65 651 843	55 600 406	30 999 360	30 955 998
	65 651 843	55 600 406	30 999 360	30 955 998

Shareholders' funds and shareholders' liabilities refer to the total investments made by the shareholders into the Group and it consists of share capital (refer to Note 10), capital and reserves (refer to Note 11), retained earnings (refer to Note 12), redeemable ordinary shares (refer to Note 13) and the subordinated loan (refer to Note 14).

16. DEPOSITS AND OTHER LIABILITIES

16.1 Deposits and other liabilities by type

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Deposits from banks and other financial institutions**	17 213 617	50 002 468	-	-
Current and deposit accounts from customers*	331 742 768	210 547 915	-	-
Total deposits	348 956 385	260 550 383	-	-
Trade and other payables*	7 956 124	4 834 137	697 528	656 568
	356 912 509	265 384 520	697 528	656 568

* The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature.

** Included in deposits from banks and other financial institutions are loan balances of US$5 000 000, US$3 333 333, US$1 651 225 and US$3 157 843 due to Norsad, Nederlandse Financierings- Maatschappij Voor Ontiwikkelingslanden (FMO), Swedfund and Societie de Promotion de Paticipation Pour la Cooperation Economique SA (Proparco) respectively. FMO and Swedfund facilities will mature on 16 October 2020, whilst the Proparco and Norsad facilities mature on 15 April 2019 and 14 April 2018 respectively. The Group has not had any defaults on the principal and interest with respect to these loans during the period ended 31 December 2017. Furthermore, the Group had no breaches to the financial covenants with respect to these loans as at 31 December 2017.

16.2 Maturity analysis

	GROUP	
	2017	2016
	US$	US$
Less than 1 month	279 698 410	185 752 420
1 to 3 months	37 746 638	35 339 615
3 to 6 months	2 472 911	2 927 632
6 months to 1 year	11 751 881	6 358 137
1 to 5 years	17 094 715	29 980 749
Over 5 years	191 830	191 830
	348 956 385	260 550 383

16.3 Sectoral analysis of deposits

	GROUP			
	2017		2016	
	US$	%	US$	%
Agriculture	10 034 242	3	6 274 099	3
Banks and other financial institutions	17 213 617	5	50 002 468	19
Distribution	38 540 570	11	24 098 216	9
Individuals	29 133 379	8	21 782 045	8
Manufacturing	62 426 525	18	39 033 359	15
Mining companies	8 086 319	2	5 056 123	2
Municipalities and parastatals	25 633 695	7	16 027 950	6
Other deposits	57 598 053	17	36 014 266	14
Services	87 501 920	25	54 712 221	21
Transport and telecommunications companies	12 788 064	4	7 549 636	3
	348 956 385	100	260 550 383	100

17. FINANCIAL INSTRUMENTS

17.1 Investment securities

	GROUP	
	2017	2016
	US$	US$
Held to maturity	13 744 715	12 476 046
Loans and receivables	78 500 710	12 268 706
	92 245 425	**24 744 752**

The Group holds Treasury Bills and Government bonds amounting to US$92 245 425 with interest rates ranging from 2% to 10%. Liquidity induced trades have occurred in the secondary market and there is industry consensus that these trades do not represent free market activity. In light of the absence of an observable active market for the Treasury Bills, the instruments are measured at amortised cost. Of the total Treasury Bills balance, a total of US$35 886 406 has been pledged as security on interbank borrowings.

17.2 Maturity analysis of investment securities held to maturity

	2017	2016
	US$	US$
Less than 1 month	-	-
1 to 3 months	-	-
3 to 6 months	-	-
6 months to 1 year	2 424 461	-
1 year to 5 years	-	2 424 461
Over 5 years	11 320 254	10 051 585
	13 744 715	**12 476 046**

17.3 Maturity analysis of investment securities - loans and receivables

	2017	2016
	US$	US$
Less than 1 month	6 150 000	-
1 to 3 months	142 246	168 563
3 to 6 months	722 972	48 341
6 months to 1 year	6 138 889	266 785
1 year to 5 years	65 346 603	11 785 017
	78 500 710	**12 268 706**

17.4 Fair values of financial instruments

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

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

Valuation models

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

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

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

17. FINANCIAL INSTRUMENTS (cont'd)

17.4 Fair values of financial instruments (cont'd)

Financial instruments measured at fair value – fair value hierarchy

	GROUP			
	31 Dec 2017 US$	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**
Trade investments	102 347	-	-	102 347
Quoted investments	15 533	15 533	-	-
	117 880	**15 533**	**-**	**102 347**
	31 Dec 2016 US$	**Level 1** US$	**Level 2** US$	**Level 3** US$
Trade investments	88 930	-	-	88 930
Quoted investments	88 650	88 650	-	-
	177 580	**88 650**	**-**	**88 930**

17.4 Fair values of financial instruments

During the reporting periods ended 31 December 2017 and 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The trade investments were valued using the net asset value method.

17.4.1 Financial instruments not measured at fair value

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

31 December 2017	GROUP			
Assets	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**	**Total carrying amount US$**
Cash and cash equivalents	-	89 553 202	-	89 553 202
Loans, advances and other assets	-	-	210 483 221	210 483 221
Investment securities	-	-	92 245 425	92 245 425
	-	**89 553 202**	**302 728 646**	**392 281 848**
Liabilities				
Deposits and other liabilities	-	356 912 509	-	356 912 509
	-	**356 912 509**	**-**	**356 912 509**

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

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17. FINANCIAL INSTRUMENTS (cont'd)

17.4.1 Financial instruments not measured at fair value (cont'd)

Cash and cash equivalents

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

Loans, advances and other assets

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

Investment securities

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

Deposits and other liabilities

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

17.4.2 RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

31 December 2017	GROUP			
	Trade investments US$	Loans, advances and other assets US$	Investment securities US$	Total US$
Balance at 1 January	88 930	199 617 095	24 744 752	224 450 777
Net movement	-	10 866 126	-	10 866 126
Fair value gain	13 417	-	-	13 417
Additions	-	-	75 005 892	75 005 892
Disposals	-	-	(7 505 219)	(7 505 219)
Balance at 31 December	**102 347**	**210 483 221**	**92 245 425**	**302 830 993**

31 December 2016	GROUP			
	Trade investments US$	Loans, advances and other assets US$	Investment securities US$	Total US$
Balance at 1 January	77 805	235 088 981	14 547 992	249 714 778
Net movement	-	(35 471 886)	-	(35 471 886)
Fair value gain	11 125	-	-	11 125
Additions	-	-	21 074 945	21 074 945
Disposals	-	-	(10 878 185)	(10 878 185)
Balance at 31 December	**88 930**	**199 617 095**	**24 744 752**	**224 450 777**

18. DEFERRED TAX

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Allowance for impairment losses on loans and advances	(1 402 337)	(2 138 568)	-	-
Bad debts	(1 187 613)	(908 972)	-	-
Prepayments	232 241	336 274	-	-
Quoted and other investments	6 429	8 369	1 311	491
Non-current assets held for sale	1 800	113 065	-	-
Investment properties	971 758	441 701	-	-
Property and equipment	697 611	494 505	-	-
Staff loans	(71 249)	(98 336)	-	-
Unrealised foreign exchange gains	401 164	170 795	-	-
Suspended interest	(315 572)	(530 711)	-	-
Deferred income	(67 670)	(66 025)	-	-
Assessed losses	(12 386)	(11 743)	-	-
Provision for share based payments	(4 350)	(4 350)	(4 350)	(4 350)
Provision for leave pay	(454 275)	(70 911)	-	-
Closing deferred tax asset	**(1 204 449)**	**(2 264 907)**	**(3 039)**	**(3 859)**
Deferred tax asset at the beginning of the year	(2 264 907)	(1 905 116)	(3 859)	(3 818)
Current year charge/(credit)	**1 060 458**	**(359 791)**	**820**	**(41)**
Relating to profit or loss (note 8.1)	1 029 133	(358 761)	285	(41)
Relating to other comprehensive income	31 325	(1 030)	535	-

19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017	2016	2017	2016
Balances with Reserve Bank of Zimbabwe	US$	US$	US$	US$
Balances with the Central Bank*	79 876 937	36 166 732	-	-
Balances with other banks and cash				
Current, nostro accounts** and cash	6 676 265	8 754 525	110 929	53
Interbank placements	3 000 000	24 500 000	-	-
	89 553 202	**69 421 257**	**110 929**	**53**

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

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

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

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20. LOANS, ADVANCES AND OTHER ASSETS

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Fixed term loans	20 026 342	16 889 687	-	-
Local loans and overdrafts	184 307 585	178 602 573	-	-
	204 333 927	195 492 260	-	-
Other assets	6 149 294	4 124 835	860	7 385
	210 483 221	**199 617 095**	**860**	**7 385**

20.1.1 Maturity analysis

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Less than 1 month	71 137 746	86 086 528	-	-
1 to 3 months	10 680 845	9 247 720	-	-
3 to 6 months	2 954 340	7 423 426	-	-
6 months to 1 year	11 024 220	16 327 018	-	-
1 to 5 years	80 804 577	63 528 044	-	-
Over 5 years	34 403 690	23 245 657	-	-
Total loans and advances	211 005 418	205 858 392	-	-
Allowance for impairment losses on loans and advances (note 20.3)	(5 445 968)	(8 305 117)	-	-
Provision for suspended interest	(1 225 523)	(2 061 015)	-	-
	204 333 927	195 492 260	-	-
Other assets (note 20.5)	6 149 294	4 124 835	860	7 385
	210 483 221	**199 617 095**	**860**	**7 385**

20.2 Sectoral analysis of utilisations

	GROUP 2017 US$	%	2016 US$	%
Agriculture and horticulture	28 531 460	14	22 172 296	11
Conglomerates	9 210 926	4	8 149 399	4
Distribution	28 737 726	14	22 957 893	11
Food & beverages	10 417 745	5	7 016 516	4
Individuals	82 589 355	39	90 381 441	44
Manufacturing	8 565 178	4	14 562 333	7
Mining	736 466	-	789 502	-
Services	42 216 562	20	39 829 012	19
	211 005 418	**100**	**205 858 392**	**100**

The material concentration of loans and advances are with individuals 39% (2016 - 44%) and services sector at 20% (2016 - 19%).

20.3 Allowances for impairment losses on loans and advances

	GROUP 2017 Specific US$	2017 Portfolio US$	2017 Total US$	2016 Specific US$	2016 Portfolio US$	2016 Total US$
At 1 January	6 207 672	2 097 445	8 305 117	7 574 789	1 007 847	8 582 636
Recognised in profit or loss	3 334 133	519 016	3 853 149	6 970 128	1 089 598	8 059 726
Bad debts written off	(6 712 298)	-	(6 712 298)	(8 337 245)	-	(8 337 245)
At 31 December	2 829 507	2 616 461	5 445 968	6 207 672	2 097 445	8 305 117

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

20.4 Non-performing loans and advances

	GROUP	
	2017 US$	2016 US$
Gross non-performing loans and advances	16 848 747	22 015 828
Allowance for impairment losses on loans and advances	(2 829 507)	(6 207 672)
Retail loans insurance	(1 457 059)	(1 577 628)
Interest in suspense	(1 225 523)	(1 748 031)
Net non-performing loans and advances	**11 336 658**	**12 482 497**

The net non-performing loans and advances represent recoverable portions covered by realisable security, which includes guarantees, cessation of debtors, mortgages over properties, equities and promissory notes all fair valued at US$15 483 847 (2016 - US$17 573 875).

20.5 Other assets

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
Service deposits*	3 308 570	1 725 910	-	-
Prepayments and stocks	1 306 665	1 555 840	-	-
Other receivables	1 534 059	843 085	860	7 385
	6 149 294	**4 124 835**	**860**	**7 385**

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

20.6 Loans to officers

	GROUP	
	2017 US$	2016 US$
Included in advances and other accounts (note 20.1) are loans to officers:-		
At 1 January	7 011 331	4 885 369
Net additions during the year	555 338	2 495 746
	7 566 669	7 381 115
Fair value adjustment	(267 531)	(369 784)
Balance at 31 December	**7 299 138**	**7 011 331**

Loans to officers amounting to US$3 147 515 were granted at a preferential rate of 6% per annum as part of their overall remuneration agreements, US$2 843 485 was granted at a commercial rate of 13% per annum and the balance amounting to US$1 575 669 being mortgage loans which were granted at a commercial rate of 12% per annum.

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

Product	Tenure	Interest rate
Overdraft	Payable on demand	Penalty interest rate of ten percentage points above loan rate up to a maximum penalty rate of 18% per annum.
Loan	Loan payable over a maximum period of 120 months (includes mortgage loans).	From 8% per annum up to a maximum of 18% per annum. Loans to employees and executive Directors are at a discounted interest rate.
Bankers Acceptances	Loan payable over a minimum period of 30 days up to 90 days.	Average of 12% per annum.

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21. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
At 1 January	2 261 300	2 264 300	-	-
Fair value adjustment		(3 000)	-	-
Disposals	(2 225 300)	-	-	-
	36 000	**2 261 300**	**-**	**-**

During the year under review, the Bank concluded the sale of a portion of land which was previously classified as held for sale at a price of US$2 150 000.

Measurement of fair value

Fair value hierarchy

The fair value of non-current assets held for sale was determined by an independent professional valuer, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation. Non-current assets held for sale are measured at fair value.

The values were arrived at by applying weighted average rate of US$7 per square metre.

Level 2

The fair value of non-current assets held for sale of U$36 000 (2016 – US$2 261 300) has been categorised under level 2 in the fair value hierarchy based on the inputs used for the valuation technique highlighted above. (see note 2.3.4 use of judgement and estimates).

22. TRADE INVESTMENTS

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
Unlisted	102 347	88 930	-	-
Directors' valuation	**102 347**	**88 930**	**-**	**-**

Unlisted trade investments represent an equity investment in SWIFT. The trade investments were valued using the net asset value method at 31 December 2017 (see note 17.4 on fair value measurement).

23. INVESTMENTS IN GROUP COMPANIES

23.1 Subsidiaries

	COMPANY	
	2017 US$	2016 US$
Investments in subsidiaries:		
-NMB Bank Limited	31 491 009	31 491 006
-Stewart Holdings Limited	-	14 680
	31 491 009	**31 505 686**

Stewart Holdings Limited disposed of all its equity holdings and was subsequently deregistered by the group with effect from September 2017.

23.2 Shareholding

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

	2017	2016
NMB Bank Limited	100% (Banking)	100% (Banking)

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

24. QUOTED AND OTHER INVESTMENTS

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$	US$	US$	US$
Quoted investments	15 533	88 650	15 533	9 831

The quoted investments comprise shares stated for year-end purposes at the last trading date of 31 December 2017. As these investments are trading on an active market they have been classified as Level 1 in the fair value hierarchy.

25. INVESTMENT PROPERTIES

	GROUP	
	2017	2016
	US$	US$
At 1 January	14 202 270	8 125 800
Improvements	4 792 475	5 794 464
Fair value adjustments	302 255	412 006
Transfer from property and equipment	-	-
Disposal	(320 000)	(130 000)
At 31 December	**18 977 000**	**14 202 270**

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

Rental income amounting to US$135 900 (2016 - US$142 400) was received and no operating expenses were incurred on the investment properties in the current year due to the net leasing arrangement on the properties.

Included in investment properties are properties which were acquired as part of the foreclosure process with marketability restrictions measured at US$10 255 000 as at 31 December 2017. The Group has no restrictions on the realisability of all the remaining investment properties and no contractual obligations to purchase, construct or develop the investment properties or for repairs, maintenance and enhancements

Measurement of fair value

Fair value hierarchy

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation.

Level 2

The fair value for investment properties of US$8 722 000 (2016 - US$7 382 270) has been categorised under level 2 in the fair value hierarchy based on the inputs used for the valuation technique described below.

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

	31 December 2017	31 December 2016
	US$	US$
At 1 January	7 382 270	2 830 800
Acquisitions	1 740 158	3 988 019
Disposals	(320 000)	-
Fair value adjustments	(80 428)	563 451
Balance at 31 December	**8 722 000**	**7 382 270**

The values were arrived at by applying yield rates of 5% on rental values of between US$4 - US$7 per square metre. The properties are leased out under operating leases to various tenants.

Level 3

The fair value for investment properties of US$10 255 000 (2016 - US$6 820 000) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

25. INVESTMENT PROPERTIES (cont'd)

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

	31 December 2017 US$	31 December 2016 US$
At 1 January	6 820 000	5 295 000
Acquisitions	3 052 317	1 806 445
Disposals	-	(130 000)
Fair value adjustments	382 683	(151 445)
Balance at 31 December	**10 255 000**	**6 820 000**

Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	inter-relationship between key unobservable inputs and fair value measurement
The investment method (Discounted cash flows) was used to value all income producing properties. The **direct comparison method** was applied on all residential properties	• Weighted average expected market rental growth (5%); • Void period (average 3 months after the end of each lease); • Occupancy rate (55%); and • Average market yield of 10%.	The estimated fair value would increase /(decrease) if: • expected market rental growth were higher/ (lower); • void periods were shorter/(longer); • the occupancy rates were higher /(lower); and • the risk adjusted discount rates were lower/ (higher).

26. INTANGIBLE ASSETS

	Work in Progress* US$	Computer Software US$	Total US$
Cost			
Balance at 1 January 2016	228 595	2 554 709	2 783 304
Acquisitions	-	490 417	490 417
Balance at 1 January 2017	**228 595**	**3 045 126**	**3 273 721**
Acquisitions	-	1 565 713	1 565 713
Balance at 31 December 2017	**228 595**	**4 610 839**	**4 839 434**
Accumulated amortisation and impairment			
Balance at 1 January 2016	-	1 093 919	1 093 919
Amortisation for the year	-	532 768	532 768
Balance at 1 January 2017	**-**	**1 626 687**	**1 626 687**
Amortisation for the year	-	832 567	832 567
Balance at 31 December 2017	**-**	**2 459 254**	**2 459 254**
Carrying amount			
At 31 December 2017	228 595	2 151 585	2 380 180
At 1 January 2017	228 595	1 418 439	1 647 034
At 1 January 2016	228 595	1 460 790	1 689 385

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

*The work in progress relates to a computer software whose development commenced in 2015 and is now expected to be fully deployed for its intended use in 2018. The Directors performed an impairment assessment on the intangible asset and were satisfied that the asset had no signs of impairment as at 31 December 2017.

27. PROPERTY AND EQUIPMENT

	Capital work in progress US$	Computers US$	Motor vehicles US$	Furniture & equipment US$	Freehold land & buildings* US$	Total US$
Cost/Revaluation amount						
At 1 January 2016	585 511	2 962 337	3 710 725	3 633 850	3 257 827	14 150 250
Additions	188 947	541 737	192 113	215 716	128 891	1 267 404
Capitalisation	(585 511)	173 827	180 000	64 348	167 336	-
Revaluation loss	-	-	-	-	(4 000)	(4 000)
Impairment loss	-	-	-	-	(51 600)	(51 600)
Disposals	-	-	(2 799 390)	-	-	(2 799 390)
At 1 January 2017	**188 947**	**3 677 901**	**1 283 448**	**3 913 914**	**3 498 454**	**12 562 664**
Additions	268 310	1 598 813	52 454	115 296	4 060	2 038 933
Capitalisations	(163 541)	163 541	-	-	-	-
Revaluation gain	-	-	-	-	121 630	121 630
Reversal of impairment	-	-	-	-	89 660	89 660
Disposals	-	(4 930)	(80 000)	-	-	(84 930)
At 31 December 2017	**293 716**	**5 435 325**	**1 255 902**	**4 029 210**	**3 713 804**	**14 727 957**
Accumulated depreciation						
At 1 January 2016	-	1 775 459	2 987 999	2 586 039	199 667	7 549 164
Charge for the year	-	427 666	370 384	458 831	62 516	1 319 397
Disposals	-	-	(2 586 183)	-	-	(2 586 183)
At 1 January 2017	-	2 203 125	772 200	3 044 870	262 183	6 282 378
Charge for the year	-	563 658	191 573	316 222	65 357	1 136 810
Disposals	-	(2 219)	(25 000)	-	-	(27 219)
At 31 December 2017	**-**	**2 764 564**	**938 773**	**3 361 092**	**327 540**	**7 391 969**
Carrying amount						
At 31 December 2017	**293 716**	**2 670 761**	**317 129**	**668 118**	**3 386 264**	**7 335 988**
At 1 January 2017	**188 947**	**1 474 776**	**511 248**	**869 044**	**3 236 271**	**6 280 286**
At 1 January 2016	**585 511**	**1 186 878**	**722 726**	**1 047 811**	**3 058 160**	**6 601 086**

*Assets measured using the revaluation model.

Measurement of fair value

Fair value hierarchy

Immovable properties were revalued as at 31 December 2017 on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section. All movable assets are measured at their carrying amounts which are arrived at by the application of a depreciation charge on their cost values over the useful lives of the assets.

The valuation of land and buildings was arrived by applying yield rates of 5% on rental levels of between US$3 - US$7 per square metre.

The carrying cost less accumulated depreciation of the land and buildings had revaluations not been performed would be US$3 801 958 as at 31 December 2017 (2016 – US$3 887 520).

Level 3

The fair value of immovable properties of US$3 386 264 (2016 - US$3 236 271) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

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27. PROPERTY AND EQUIPMENT (cont'd)

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

	31 December 2017 US$	31 December 2016 US$
At 1 January	3 236 271	3 058 160
Additions	4 060	128 891
Transfers from work in progress	-	167 336
Revaluation gain/(loss)	121 630	(4 000)
Impairment reversal/(loss)	89 660	(51 600)
Depreciation	(65 357)	(62 516)
Balance at 31 December	**3 386 264**	**3 236 271**

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Direct Comparison Method was applied on all residential properties	• Weighted average expected market rental growth (5%); • Average market yield of 5%. • Marketability restrictions on specific properties with a fixed purchase consideration. • Occupancy rate (100%).	The estimated fair value would increase /(decrease) if: • expected market rental growth were higher/ (lower); and • the risk adjusted discount rates were lower/ (higher).

28. INTEREST RATE REPRICING AND GAP ANALYSIS

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

28. INTEREST RATE REPRICING AND GAP ANALYSIS (cont'd)

28.1 Total position

At 31 December 2017

	GROUP					
	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	89 553 202	-	-	-	-	89 553 202
Current tax assets	-	-	-	-	231 007	231 007
Investment securities	6 150 000	142 246	9 286 322	76 666 857	-	92 245 425
Quoted and other investments	-	-	-	-	117 880	117 880
Loans, advances and other assets	64 466 255	10 680 845	13 978 560	115 208 267	6 149 294	210 483 221
Deferred tax	-	-	-	-	1 204 449	1 204 449
Non-current assets held for sale	-	-	-	-	36 000	36 000
Intangible assets	-	-	-	-	2 380 180	2 380 180
Property, plant and equipment	-	-	-	-	7 335 988	7 335 988
Investment properties	-	-	-	-	18 977 000	18 977 000
	160 169 457	**10 823 091**	**23 264 882**	**191 875 124**	**36 431 798**	**422 564 352**
Liabilities and equity						
Deposits and other Liabilities	279 698 410	37 746 638	14 224 792	17 286 545	7 956 124	356 912 509
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	49 900 686	49 900 686
Subordinated loan	-	-	-	1 415 904	-	1 415 904
	279 698 410	**37 746 638**	**14 224 792**	**18 702 449**	**72 192 063**	**422 564 352**
Interest rate repricing gap	**(119 528 953)**	**(26 923 547)**	**9 040 090**	**173 172 675**	**(35 760 265)**	**-**
Cumulative gap	**(119 528 953)**	**(146 452 500)**	**(137 412 410)**	**35 760 265**	**-**	**-**

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

28.1 Total position

At 31 December 2016

	GROUP					
	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	69 421 257	-	-	-	-	69 421 257
Current tax assets	-	-	-	-	368 445	368 445
Investment securities	-	168 563	315 126	24 261 063	-	24 744 752
Quoted and other investments	-	-	-	-	177 580	177 580
Loans, advances and other assets	75 720 395	9 247 720	23 750 444	86 773 701	4 124 835	199 617 095
Deferred tax	-	-	-	-	2 264 907	2 264 907
Non-current assets held for sale	-	-	-	-	2 261 300	2 261 300
Intangible assets	-	-	-	-	1 647 034	1 647 034
Property, plant and equipment	-	-	-	-	6 280 286	6 280 286
Investment properties	-	-	-	-	14 202 270	14 202 270
	145 141 652	**9 416 283**	**24 065 570**	**111 034 764**	**31 326 657**	**320 984 926**
Liabilities and equity						
Deposits and other liabilities	185 752 420	35 339 615	9 285 769	30 172 579	4 834 137	265 384 520
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	39 849 663	39 849 663
Subordinated loan	-	-	-	1 415 490	-	1 415 490
	185 752 420	**35 339 615**	**9 285 769**	**31 588 069**	**59 019 053**	**320 984 926**
Interest rate repricing gap	**(40 610 768)**	**(25 923 332)**	**14 779 801**	**79 446 695**	**(27 692 396)**	**-**
Cumulative gap	**(40 610 768)**	**(66 534 100)**	**(51 754 299)**	**27 692 396**	**-**	**-**

29. INTEREST RATE REPRICING AND GAP ANALYSIS (cont'd)

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

29.1. United States dollars

At 31 December 2017	Up to 1 month US$	1 month to 3 months US$	GROUP 3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	88 167 319	-	-	-	-	88 167 319
Current tax assets	-	-	-	-	231 007	231 007
Investment securities	6 150 000	142 246	9 286 321	76 666 858	-	92 245 425
Quoted and other investments	-	-	-	-	15 533	15 533
Loans, advances and other assets	64 440 074	10 680 845	13 978 560	115 208 267	6 149 295	210 457 041
Deferred tax	-	-	-	-	1 204 449	1 204 449
Investment properties	-	-	-	-	18 977 000	18 977 000
Intangible assets	-	-	-	-	2 380 180	2 380 180
Property, plant and equipment	-	-	-	-	7 335 988	7 335 988
Non-current assets held for sale	-	-	-	-	36 000	36 000
	158 757 393	**10 823 091**	**23 264 881**	**191 875 125**	**36 329 452**	**421 049 942**
Liabilities and equity						
Deposits and other liabilities	278 362 284	37 746 638	14 224 792	17 286 545	7 956 124	355 576 383
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	49 900 687	49 900 687
Subordinated loan	-	-	-	1 415 904	-	1 415 904
	278 362 284	**37 746 638**	**14 224 792**	**18 702 449**	**72 192 064**	**421 228 227**
Interest rate repricing gap	**(119 604 891)**	**(26 923 547)**	**9 040 089**	**173 172 676**	**(35 862 612)**	**(178 285)**
Cumulative gap	**(119 604 891)**	**(146 528 438)**	**(137 488 349)**	**35 684 327**	**(178 285)**	**-**

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

29.1. United States dollars

At 31 December 2016	Up to 1 month US$	1 month to 3 months US$	GROUP 3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	60 109 588	-	-	-	-	60 109 588
Current tax assets	-	-	-	-	368 445	368 445
Investment securities	-	168 563	315 126	24 261 063	-	24 744 752
Quoted and other investments	-	-	-	-	88 650	88 650
Loans, advances and other assets	75 345 696	9 247 720	23 750 444	86 773 701	4 124 835	199 242 396
Deferred tax	-	-	-	-	2 264 907	2 264 907
Investment properties	-	-	-	-	2 261 300	2 261 300
Intangible assets	-	-	-	-	1 647 034	1 647 034
Property, plant and equipment	-	-	-	-	6 280 286	6 280 286
Non-current assets held for sale	-	-	-	-	14 202 270	14 202 270
	135 455 284	**9 416 283**	**24 065 570**	**111 034 764**	**31 237 727**	**311 209 628**
Liabilities and equity						
Deposits and other liabilities	178 196 328	35 339 615	9 285 769	30 172 579	4 834 137	257 828 428
Redeemable ordinary shares	-	-	-	-	14 335 253	14 335 253
Equity	-	-	-	-	39 849 663	39 849 663
Subordinated loan	-	-	-	1 415 490	-	1 415 490
	178 196 328	**35 339 615**	**9 285 769**	**31 588 069**	**59 019 053**	**313 428 834**
Interest rate repricing gap	**(42 741 044)**	**(25 923 332)**	**14 779 801**	**79 446 695**	**(27 781 326)**	**(2 219 206)**
Cumulative gap	**(42 741 044)**	**(68 664 376)**	**(53 884 575)**	**25 562 120**	**(2 219 206)**	**-**

30. INTEREST RATE REPRICING AND GAP ANALYSIS (cont'd)

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

30.1. Other foreign currencies

At 31 December 2017

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

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

30.1. Other foreign currencies

At 31 December 2016

			GROUP			
	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	9 311 669	-	-	-	-	9 311 669
Quoted and other instruments	-	-	-	-	88 930	88 930
Loans, advances and other assets	374 699	-	-	-	-	374 699
	9 686 368	**-**	**-**	**-**	**88 930**	**9 775 298**
Liabilities and equity						
Deposits and other liabilities	7 556 092	-	-	-	-	7 556 092
	7 556 092	**-**	**-**	**-**	**-**	**7 556 092**
Interest rate repricing gap	**2 130 276**	**-**	**-**		**88 930**	**2 219 206**
Cumulative gap	**2 130 276**	**2 130 276**	**2 130 276**	**2 130 276**	**2 219 206**	**-**

31. FOREIGN EXCHANGE POSITIONS

The table below indicates the currencies to which the Group had significant exposure at 31 December on all its assets and liabilities. The analysis reflects the mismatch by currency. The amounts are shown at the equivalent values in United States Dollars, the presentation currency.

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31. FOREIGN EXCHANGE POSITIONS (cont'd)

31.1 At 31 December 2017

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

The table below indicates the currencies to which the Group had significant exposure at 31 December on all its assets and liabilities. The analysis reflects the mismatch by currency. The amounts are shown at the equivalent values in United States Dollars, the presentation currency.

31.1 At 31 December 2016

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

32. CONTINGENT LIABILITIES

	GROUP	
	2017 US$	2016 US$
Guarantees	8 195 056	2 159 937
Facilities approved but not drawn down	28 943 947	25 175 267
Irrevocable Letters of Credit	-	450 000
	37 139 003	**27 785 204**

The Group enters into various irrevocable commitments and contingent liabilities in its normal course of business in order to meet financial needs of customers. These obligations are not recognised on the statement of financial position, but contain credit risk and are therefore part of the overall risk of the Group.

Guarantees commit the Group to make payments on behalf of clients in the event of a specified act. Guarantees carry the same credit risk as loans and advances to customers.

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

33. CAPITAL COMMITMENTS

	GROUP	
	2017 US$	2016 US$
Capital expenditure contracted for	607 736	69 315
Capital expenditure authorised but not yet contracted for	10 502 287	5 379 915
At 31 December	**11 110 023**	**5 449 230**

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

34. ASSETS UNDER CUSTODY

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

35. OPERATING LEASE COMMITMENTS

	GROUP	
	2017 US$	2016 US$
Lease commitments	4 677 890	4 581 665
Up to 1 year	917 578	916 333
1 – 5 years	3 760 312	3 665 332

Lease commitments relate to future rental commitments up to the expiry of the lease agreements. The amount of operating lease expenses recognised in profit or loss is US$965 666.

36. RELATED PARTIES

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

36.1 Compensation of key management personnel of the Group

	GROUP	
	2017 US$	2016 US$
Short term employee benefits	857 091	871 794
Post employment benefits	45 179	62 663
Termination benefits	416 637	-
	1 318 907	**934 457**

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36. RELATED PARTIES (cont'd)

36.2 Balances of loans to Directors, officers and others

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

	GROUP	
	2017	2016
	US$	US$
Non - executive Directors	-	-
Executive Directors	201 084	240 705
Officers (Note 20.6)	7 566 669	7 381 115
Directors' companies	-	-
Officers' companies	-	-
	7 767 753	7 621 820
Fair value adjustment	(276 695)	(381 887)
	7 491 058	**7 239 933**

36.3 Borrowing powers

Holding Company

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

37. EMPLOYEE BENEFITS

37.1 Pension Fund

All eligible employees of the Group contribute to the NMB Bank Pension Fund, which is a defined contribution plan.

The assets of the Pension Fund are held separately from those of the Group in funds under the control of Trustees. The pension fund assets included 879 344 shares in NMBZ Holdings Limited as at 31 December 2017.

37.2 Expense recognised in profit or loss

	GROUP	
	2017	2016
	US$	US$
Defined Contribution Plan - NSSA	196 169	191 221
Defined Contribution Plan - NMB Bank Pension Fund	445 002	558 670
	641 171	**749 891**

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

37.3 Employee Share Option Scheme

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

37. EMPLOYEE BENEFITS (cont'd)

37.3 Employee Share Option Scheme (cont'd)

Movements in the year

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

	GROUP and COMPANY			
	2017		2016	
	No.	**WAEP$**	**No.**	**WAEP$**
Outstanding as at 1 January	4 128 434	0.036	4 128 434	0.036
Lapsed	(3 581 243)	-	-	-
Issued	-	-	-	-
Exercised	(547 191)	-	-	-
Outstanding as at 31 December	**-**	**0.036**	**4 128 434**	**0.036**

Terms of options outstanding at 31 December 2017

GROUP and COMPANY		
		2017
Expiry date	Exercise price	Shares
	US$	
18 June 2022	0.04	-
		-

37.4 National Social Security Authority Scheme

All employees of the Group are members of the National Social Security Authority Scheme, a defined contribution plan to which both the employer and the employees contribute.

Contributions by the employer are recognised in profit or loss account and during the period amounted to US$196 169 (2016 - US$191 221).

38. EXCHANGE RATES

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

		31 December 2017	31 December 2016
		Mid - rate	**Mid - rate**
British Sterling	GBP	1.3525	1.2375
South African Rand	ZAR	12.3250	13.700
European Euro	EUR	1.1994	1.0570
Botswana Pula	BWP	9.8232	10.6838

39. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and Board Risk 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:

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

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

c) Micro Level: This involves "On-the-line" risk management where risks are actually created. These are the risk management activities performed by individuals who assume risk on behalf of the 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.

39. RISK MANAGEMENT (cont'd)

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

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

39.1 Credit risk

Credit risk is the risk that a financial contract will not be honoured according to the original set of terms. The risk arises when borrowers or counterparties to a financial instrument fail to meet their contractual obligations. The Group's general credit strategies centre on sound credit granting process, diligent credit monitoring and strong loan collection and recovery. There is a separation between loan collection and recovery. There is a separation between loan granting and credit monitoring to ensure independency and effective management of the loan portfolio. The Board has put in place sanctioning committees with specific credit approval limits. The Credit Management department does the initial review of all applications before recommending them to the Executive Credit Committee and finally the Board Credit Committee depending on the loan amount. The Group has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book and adequacy of loan loss provisions.

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

Credit Management

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

Credit Monitoring and Financial Modelling

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

Credit Administration

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

Recoveries

The recoveries unit is responsible for all collections and ensures that the Group maximises recoveries from Non-Performing Loans (NPLs) and loans and advances written off.

39. RISK MANAGEMENT (cont'd)

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

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

	Note	GROUP 2017 US$	GROUP 2016 US$
Cash and cash equivalents (excluding cash on hand)		86 729 957	62 033 603
Investment securities	17	92 245 425	24 744 752
Loans, advances and other accounts		217 154 713	209 983 230
Total		396 130 095	296 761 585
Guarantees	32	8 195 056	2 159 937
Facilities approved but not drawn down	32	28 943 947	25 175 267
Irrevocable lines of credit	32	-	450 000
Total		**37 139 003**	**27 785 204**
Total credit risk exposure		**433 269 098**	**324 546 789**

Where financial instruments are recorded at fair value the amounts shown above represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The effect of collateral and other risk mitigation techniques is shown in the Net Maximum Exposure column below.

39.1.3 Risk concentrations of maximum exposure to credit risk

	31 December 2017 Gross Maximum Exposure US$	31 December 2017 Net Maximum Exposure US$	31 December 2016 Gross Maximum Exposure US$	31 December 2016 Net* Maximum Exposure US$
Agriculture and horticulture	28 531 460	11 444 742	22 172 296	12 801 701
Conglomerates	9 210 926	9 210 926	8 149 399	8 149 399
Distribution	28 737 726	11 484 364	22 957 893	9 201 073
Food and beverages	10 417 745	1 803 969	7 016 516	230 769
Individuals	82 589 355	71 150 975	90 381 441	83 825 012
Manufacturing	8 565 178	2 548 024	14 562 333	6 397 747
Mining	736 466	29 465	789 502	22 995
Services	42 216 562	13 727 221	39 829 012	6 462 626
	211 005 418	121 399 686	205 858 392	127 091 322
Provision for impairment losses on loans and advances	(5 445 968)	(5 445 968)	(8 305 117)	(8 305 117)
Net exposure	205 559 450	115 953 718	197 553 275	118 786 205

39.1.4 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. There are guidelines regarding the acceptability of types of collateral. The main types of collateral obtained are guarantees, cession of debtors, mortgages over properties, equities, subordination of shareholder loans and promissory notes. The fair value of all collateral held by the Group at the reporting date is US$158 339 808 (2016 - US$78 767 070).

39. RISK MANAGEMENT (cont'd)

39.1.5 Credit quality per sector

At 31 December 2017	Pass US$	Special Mention US$	Substandard US$	Doubtful US$	Loss US$	Total US$
Agriculture and horticulture	421 799	26 566 056	87 337	1 167 963	288 305	28 531 460
Conglomerates	-	9 210 926	-	-	-	9 210 926
Distribution	2 951 086	23 814 725	224 759	1 319 397	427 759	28 737 726
Food and Beverage	6 516 720	3 875 994	-	25 031	-	10 417 745
Individuals	69 370 367	9 903 845	1 794 176	1 520 967	-	82 589 355
Manufacturing	1 572 499	4 516 489	5 376	1 255 417	1 215 397	8 565 178
Mining	-	159 466	-	565 000	12 000	736 466
Services	11 829 903	23 446 797	2 017 826	4 079 308	842 728	42 216 562
Total	**92 662 374**	**101 494 298**	**4 129 474**	**9 933 083**	**2 786 189**	**211 005 418**

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

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

39. RISK MANAGEMENT (cont'd)

39.1 Credit risk

39.1.6 Credit quality analysis per grade

Loans and advances to customers

	31 December 2017 US$	31 December 2016 US$
Carrying amount (note 20.1.1)	204 333 927	195 492 260
Assets at amortised cost		
Individually impaired		
Grade 8	4 129 474	6 610 002
Grade 9	9 933 085	11 049 164
Grade 10	2 786 188	4 356 662
Gross amount	**16 848 747**	**22 015 828**
Allowance for impairment		
Impairment	(2 829 507)	(6 207 672)
Suspended interest	(1 225 523)	(1 748 031)
Carrying amount	**12 793 717**	**14 060 125**
Collectively impaired		
1 to 5 low to fair risk	174 716 666	155 770 677
6 to 7 watch list	19 440 006	28 071 887
Gross amount	**194 156 672**	**183 842 564**
Allowance for impairment		
Impairment	(2 616 462)	(2 097 445)
Suspended interest	-	(312 984)
Carrying amount	**191 540 210**	**181 432 135**
Total carrying amount at amortised cost	**204 333 927**	**195 492 260**

39.2 Market risk

This is the exposure of the Group's on and off balance sheet positions to adverse movement in market prices resulting in a loss in earnings and capital. The market prices will range from money market (interest rate risk), foreign exchange and equity markets in which the bank operates. The Group has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the Group should be exposed at any time. Net Interest Margin is the primary measure of interest rate risk, supported by periodic stress tests to assess the Group's ability to withstand stressed market conditions. On foreign exchange risk, the bank monitors currency mismatches and make adjustments depending on exchange rate movement forecast. The mismatches per currency are contained within 5% of the Group's capital position.

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 2017.

39. RISK MANAGEMENT (cont'd)

39.2 Market risk (cont'd)

Sensitivity of net interest income

At 31 December 2017

Currency	% change in interest rates %	0 to 1 months US$	1 to 3 months US$	3months to 1 year US$	1 year to 5 years US$	Total US$
		Sensitivity of net interest income				
USD	5	(5 980 245)	(1 346 177)	452 004	8 658 634	1 784 216
USD	3	(3 588 147)	(807 706)	271 203	5 195 180	1 070 530
USD	1	(1 196 049)	(269 235)	90 401	1 731 727	356 843
USD	-1	1 196 049	269 235	(90 401)	(1 731 727)	(356 843)
USD	-3	3 588 147	807 706	(271 203)	(5 195 180)	(1 070 530)
USD	-5	5 980 245	1 346 177	(452 004)	(8 658 634)	(1 784 216)

216)

At 31 December 2016

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

39.3 Foreign currency exchange rate risk

The table below calculates the effect of a reasonable possible movement of the significant currency rate against the United States Dollar, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income or equity while a positive amount reflects a net potential increase.

At 31 December 2017

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

At 31 December 2016

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

39. RISK MANAGEMENT (cont'd)

39.4 Liquidity risk

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

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board ALCO.

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits to customers. The Group also actively monitors its loans to deposit ratio against a set threshold in a bid to monitor and limit funding risk. The group monitors funding concentration risk by reviewing the ratio of top 20 depositors to the total funding. Funding mix is also monitored by monitoring the contribution of wholesale and demand deposits to the total funding for the bank. Liquidity risk is monitored through daily liquidity reports produced by the Risk Management Department. This is augmented by a monthly management ALCO and a quarterly board ALCO.

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

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Group monitors its liquidity ratio in compliance with Banking Regulations to ensure that it is not less than 30% of the liabilities to the public. Liquid assets consist of cash and cash equivalents, short term bank deposits and liquid investment securities available for immediate sale.

Maturity profile for contingent liabilities

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

At 31 December 2017

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

At 31 December 2016

	On Demand US$	0 to 1 months US$	1 to 3 months US$	3 months to 1 year US$	1 year to to 5 years US$	Total US$
Guarantees	-	1 087 357	268 580	804 000	-	2 159 937
Facilities approved but not drawn down	-	591 116	3 302 870	17 428 238	3 853 043	25 175 267
Irrevocable letters of credit	-	-	-	450 000	-	450 000
	-	**1 678 473**	**3 571 450**	**18 682 238**	**3 853 043**	**27 785 204**

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

39.5 Operational risk

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

39.6 Legal and compliance risk

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Legal risk may entail such issues as contract formation, capacity and contract frustration. Compliance risk is the risk arising from non – compliance with laws and regulations. To manage this risk, permanent relationships are maintained with firms of legal practitioners and access to legal advice is readily available to all departments. The Group has an independent compliance function which is responsible for identifying and monitoring all compliance issues and ensures the Group complies with all regulatory and statutory requirements.

39. RISK MANAGEMENT (cont'd)

39.7 Reputational risk

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

39.8 Strategic risk

This refers to current and prospective impact on a Group's earnings and capital arising from adverse business decisions or implementing strategies that are not consistent with the internal and external environment. To manage this risk, the Group always has a strategic plan that is adopted by the Board of Directors. Further, attainment of strategic objectives by the various departments is monitored periodically at management level.

39.9 Risk ratings

39.9.1 Reserve Bank of Zimbabwe ratings

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

39.9.1.1 CAMELS* ratings

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

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

**RBS stands for Risk-Based Supervision.

39.9.1.2 Summary RAS ratings

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

*** RAS stands for **R**isk **A**ssessment **S**ystem.

39. RISK MANAGEMENT (cont'd)

39.9 Risk ratings (cont'd)

39.9.1.3 Summary risk matrix -24 November 2016 on – site examination

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

KEY

Level of Inherent Risk

Low – reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.
Moderate – could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.
High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of Risk Management Systems

Weak – risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.
Acceptable – management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.
Strong – management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low – would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Moderate – risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment.
On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.
High – risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite Risk

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

39. RISK MANAGEMENT (cont'd)

39.9.2 External credit ratings

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

Security class	2017	2016
Long term	BB+	BB+

The current rating expires in August 2018.

39.10 Regulatory compliance

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

39.11 Capital management

39.11.1 Holding company

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

39.11.2 Banking subsidiary

The primary objective of the Bank's capital management is to ensure that the Bank complies with the RBZ requirements. In implementing the current capital requirements, the RBZ requires the Banking subsidiary to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings (including current year profit), statutory reserve and other equity reserves.

The other component of regulatory capital is Tier 2 capital, which includes subordinated term debt, revaluation reserves and portfolio provisions.

Tier 3 capital relates to an allocation of capital to market and operational risk.

Various limits are applied to elements of the capital base. The core capital (Tier 1) shall compromise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets.

39. RISK MANAGEMENT (cont'd)

39.11 Capital management (cont'd)

39.11.2 Banking subsidiary (cont'd)

The Bank's regulatory capital position at 31 December 2017 was as follows:

	2017 US$	2016 US$
Share capital	16 506	16 506
Share premium	31 474 502	31 474 502
Retained earnings	30 842 252	21 437 257
Fair value gain on investment properties	(1 197 871)	(1 797 022)
	61 135 389	51 131 243
Less: capital allocated for market and operational risk	(2 918 935)	(980 355)
Credit to insiders	-	-
Tier 1 capital	58 216 454	50 150 888
Tier 2 capital (subject to limit as per Banking Regulations)	5 183 773	5 691 960
Fair value gain on investment properties	1 197 871	1 797 022
Revaluation of property and equipment	90 310	-
Subordinated debt	477 782	849 294
Regulatory reserve (limited to 1.25% of risk weighted assets)	2 297 492	1 785 136
Portfolio provisions (limited to 1.25% of risk weighted assets)	1 120 318	1 260 508
Total Tier 1 & 2 capital	63 400 227	55 842 848
Tier 3 capital (sum of market and operational risk capital)	2 918 935	980 355
Total capital base	**66 319 162**	**56 823 203**
Total risk weighted assets	**273 424 840**	**243 651 546**
Tier 1 ratio	21.29%	20.58%
Tier 2 ratio	1.90%	2.34%
Tier 3 ratio	1.07%	0.40%
Total capital adequacy ratio	24.26%	23.32%
RBZ minimum required	12.00%	12.00%

Historical Five Year Financial Summary

for the year ended 31 December 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2017 US$	2016 US$	2015 US$	2014 US$	2013 US$
Interest income	32 061 931	33 860 139	35 761 355	31 072 461	33 181 704
Interest expense	(9 157 095)	(11 075 067)	(15 118 231)	(12 651519)	(13 006 505)
Net interest income	22 904 836	22 785 072	20 643 124	18 420 942	20 175 199
Net foreign exchange gains	1 583 164	743 255	1 416 445	1 822 432	1 502 044
Fee and commission income	18 832 185	15 179 149	20 984 694	15 121 536	14 673 834
Revenue	43 320 185	38 707 476	43 044 263	35 364 910	36 351 077
Share of profit of associate	-	-	-	-	217 768
Other income	1 129 001	1 737 860	1 234 125	62 025	777 720
Profit on disposal of associate	-	-	-	-	580 136
Operating income	44 449 186	40 445 336	44 278 388	35 426 935	37 926 201
Operating expenditure	(27 578 347)	(26 176 706)	(26 872 649)	(27 984 051)	(25 232 756)
Impairment losses on loans and advances	(3 853 149)	(8 059 726)	(9 496 601)	(5 017 362)	(16 645 810)
Profit /(loss) before taxation	13 017 690	6 208 904	7 909 138	2 425 522	(3 951 865)
Taxation (charge)/credit	(3 078 864)	(1 150 738)	(2 422 040)	(768 455)	630 042
Profit/(loss) after taxation	9 938 826	5 058 166	5 487 098	1 657 067	(3 321 823)
Other comprehensive income for the year, net of tax	90 310	(2 970)	2 970	10 180	-
Total comprehensive income/(loss) for the year	**10 029 136**	**5 055 196**	**5 490 068**	**1 667 247**	**(3 321 823)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2017 US$	2016 US$	2015 US$	2014 US$	2013 US$
SHAREHOLDERS' FUNDS					
Share capital	78 751	78 598	78 598	78 598	78 598
Reserves	49 821 935	39 771 065	34 715 869	29 225 801	27 541 662
Equity	49 900 686	39 849 663	34 794 467	29 304 399	27 620 260
Subordinated loan	1 415 904	1 415 490	1 414 144	1 407 964	1 485 890
Redeemable ordinary shares	14 335 253	14 335 253	14 335 253	14 335 253	14 335 253
Total shareholders' funds and shareholders' liabilities	**65 651 843**	**55 600 406**	**50 543 864**	**45 047 616**	**43 441 403**
LIABILITIES					
Deposits and other liabilities	356 912 509	265 384 520	283 287 243	241 001 418	216 041 709
Capital employed	**422 564 352**	**320 984 926**	**333 831 107**	**286 049 034**	**259 483 112**
ASSETS					
Cash and cash equivalents	89 553 202	69 421 257	63 439 347	54 750 561	48 871 983
Investments securities	92 245 425	24 744 752	14 547 992	3 874 525	4 685 471
Investments in debentures	-	-	-	4 614 047	3 984 723
Deferred tax assets	1 204 449	2 264 907	1 905 116	2 784 594	2 823 544
Current tax assets	231 007	368 445	23 075	1 436 974	1 739 210
Loans, advances and other assets	210 483 221	199 617 095	235 088 981	203 363 052	181 316 271
Non-current assets held for sale	36 000	2 261 300	2 264 300	2 267 300	2 303 300
Quoted and other investments	15 533	88 650	68 220	127 291	145 850
Trade investments	102 347	88 930	77 805	81 390	190 148
Investment properties	18 977 000	14 202 270	8 125 800	4 453 300	4 385 300
Property and equipment	7 335 988	6 280 286	6 601 086	6 345 267	7 372 943
Intangible assets	2 380 180	1 647 034	1 689 385	1 950 733	1 664 369
Employment of capital	**422 564 352**	**320 984 926**	**333 831 107**	**286 049 034**	**259 483 112**

NMBZ HOLDINGS LIMITED

Historical Five Year Financial Summary
as at 31 December

	2017	2016	2015	2014	2013
CLOSING NUMBER OF SHARES	384 974 542**	384 427 351	384 427 351	384 427 351	384 427 351*
Share performance					
Net asset value per share (US cents)	16.69	14.46	12.78	11.72	1.30
Basic earnings per share (US cents)	2.58	1.32	1.43	0.43	(1.00)
Dividend per share (US cents)	0.15	-	-	-	-
Dividend cover (times)	17.2	-	-	-	-
Price/earnings ratio	3.49	2.97	2.5	10.47	(6.50)
Closing price per share (US cents)	9	3.9	3.5	4.5	6.50
Market capitalisation (US$)	34 647 709	14 992 667	13 454 952	17 299 224	24 987 781
Financial performance					
Return on shareholders' funds (%)[1]	15.28	9.1	10.9	3.7	(8)
Return on assets (%)	2.37	1.6	1.7	0.6	(1)
Cost/net income ratio (%)[2]	70.7	84.6	82.1	92.8	110
Non-interest income/total income (%)	40.1	43.7	53.8	35.4	47
Effective tax rate (%)	23.7	18	30	31.68	(16)

1. The return on shareholders' funds is based on shareholders' funds at the end of the year.

2. Includes charge for impairment of losses on loans and advances.

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

** The number of shares in issue increased by 547 191 shares from the share options which were exercised by managerial staff.

NOTICE TO MEMBERS
for the year ended 31 December 2017

Notice is hereby given that the 23rd Annual General Meeting of Members of NMBZ Holdings Limited will be held at the Registered Office of the Company at 4th Floor, Unity Court, Corner 1st Street/ Kwame Nkrumah Avenue, Harare on Thursday, 24 May 2018 at 1500 hours for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 December 2017, together with the reports of the Directors and Auditors thereon.
2. To appoint/re-appoint Directors.
   In accordance with the Articles of Association, Mr. B.A Chikwanha, Mr Erik Sandersen and Ms. J. Maguranyanga, retire by rotation. Being eligible, the directors offer themselves for re-election.
3. To approve directors' fees for the year ended 31 December 2017.
4. To approve Messrs Ernst & Young's remuneration for the year ended 31 December 2017.
5. To appoint Messrs Ernst & Young as the Company's Auditors for the year ending 31 December 2018.

SPECIAL BUSINESS

SPECIAL RESOLUTION

1. To consider, and if deemed fit, to pass, with or without modification, the resolution set out below:
   "That the Company, being duly authorised thereto by Article 10 of its Articles of Association, may undertake general repurchases by way of open market transactions on the Zimbabwe Stock Exchange ("ZSE") of any of its own ordinary shares in such manner or on such terms as the directors may from time to time determine provided that:
   a. the maximum number of shares authorised to be acquired is no more than 10% of the Company's ordinary issued share capital.
   b. for each share, the minimum price shall not be lower than the nominal value of the Company's shares and the maximum price that may be paid is 5% above the weighted average market price for the ordinary shares in the Company as derived from the Zimbabwe Stock Exchange (ZSE) Daily Price Sheet for the five business days immediately preceding the date on which such ordinary shares are contracted to be purchased.
   c. the authority in terms of this special resolution shall unless renewed prior to such time, expire on the first anniversary of this resolution or at the conclusion of the next Annual General Meeting of the Company, whichever is later, save that the Company, may before such expiry, enter into a contract or contracts to purchase its ordinary shares which would or might be completed wholly or partly after the expiry and may purchase its ordinary shares in pursuance of such contract or contracts."

Notes:

1. A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to the Registered Office of the company at least 48 hours before the commencement of the meeting.
2. A Special Resolution is required to be passed by a majority of seventy five per cent of those present and voting (including proxy votes), representing not less than twenty five per cent of the total number of votes in the Company.
3. In terms of special resolution 1, the directors are seeking authority to allow the use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE. The directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the directors will duly take into account following such repurchase for the next 12 months, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital.

BY ORDER OF THE BOARD

S. Pashapa
Company Secretary

14 March 2018

Explanations Regarding The Notice Of The Annual General Meeting

Resolution 1
The Directors of the Company are obliged to present their Report and Accounts to shareholders of the Company at an Annual General meeting. This is a standard form of resolution common to all Annual General Meetings.

Resolution 2
The Company's Articles of Association require one third of the Directors to stand down at each Annual General Meeting and if they are eligible, they may offer themselves for re-election. The Directors standing down are Mr. B.A Chikwanha, Mr. B.P Washaya and Ms. J. Maguranyanga. All the retiring Directors, being eligible, offer themselves for re-election. Information about these Directors is shown below:

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

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

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

Resolution 3
Shareholders are requested to approve Director's fees. The Directors' fees for 2017 amounted to $233 102.

Resolution 4
The Remuneration of the auditors is required to be fixed by the Company in a General meeting in terms of section 150 (6) of the Companies Act [Chapter 24:20]. Accordingly, Members will be requested to approve the remuneration paid to the external auditors of Messrs Ernst & Young for the year ended 31 December 2017, which audit fee has been disclosed in the Annual Report.

Resolution 5
All public companies are required to appoint Auditors at each Annual General Meeting at which Financial Statements are presented, to hold office until the next such meeting in terms of section 150 (2) of the Companies Act [Chapter 24:03]. This resolution therefore proposes the appointment of auditors in accordance with usual practice and the Banking Act [Chapter 24:20].

Special Resolution 1
The resolution seeks to empower the Company to buy back its shares. The Company is authorised in terms of Article 10 of its Articles of Association to buy back its shares. The Zimbabwe Stock Exchange has limited such buy backs to 10% of the Company's issued share capital. The directors are seeking authority to allow the use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE. The directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the directors will duly take into account following such repurchase for the next 12 months, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital. This resolution is required to be passed by a majority of seventy five percent of those present and voting (including proxy votes) representing not less than twenty five percent of the total number of votes in the Company.

Shareholders' Analysis

Size of shareholding	2017 Number of shareholders	% of Holders	2017 Issued Shares	% Shareholding
0 - 5000	3,519	91%	2,107,243	0.55 %
5,001 - 10,000	101	2.63%	729,794	0.19 %
10,001 - 50,000	128	3.33%	2,841,009	0.74 %
50,001 - 100,000	29	0.75%	2,192,721	0.57 %
100,001 - 500,000	35	0.91%	7,939,960	2.06 %
500,001 - 1,000,000	7	0.18%	5,170,377	1.34 %
1,000,001 - 10,000,000	17	0.44%	54,044,324	14.04 %
10,000,001 and above	11	0.29%	309,949,114	80.51%
Total	**3,847**	**100%**	**384,974,542**	**100.00%**

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

Shareholders' Analysis (cont'd)

2017

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

2016

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

Shareholders' Analysis (cont'd)

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

Rank	Shareholder	2016 Number of Shares	% Shareholding
1	African Century Financial Investments Ltd	71,207,639	18.52%
2	Africinvest Financial Sector Holding	34,571,429	8.99%
3	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N V	34,571,429	8.99%
4	Norwegian Investment Fund For Developing Countries (Norfund)	34,571,429	8.99%
5	Old Mutual Life Assurance Company of Zimbabwe Limited	32,769,985	8.52%
6	Old Mutual Zimbabwe Limited	26,557,498	6.91%
7	Lalibela Limited	21,526,695	5.60%
8	Alsace Trust	16,885,381	4.39%
9	Cornerstone Trust	16,875,582	4.39%
10	Wamambo Investments Trust	13,545,247	3.52%
	TOTAL	**303,082,314**	**78.82%**

Shareholders' Information

MEMBERS' DIARY

Financial year end	31 December 2017
Reports:-	
- Announcement of annual results	March 2018
- Annual financial statements posted to shareholders	April 2018
- Annual General Meeting	24 May 2018
- Announcement of the 2018 half-year results	August 2018
Dividend payments:	
- Interim	n/a
- Final	9 May 2018

Secretary And Registered Office

Company Secretary S. PASHAPA

Registered Offices
4th Floor
Unity Court
Corner 1st/ Kwame Nkrumah Avenue
Harare
Zimbabwe
Telephone: +263 4 759651-9 / 759601-6
Facsimile +263 4 759648
Website: http://www.nmbz.co.zw
Email: enquiries@nmbz.co.zw

NMB Centre
Corner George Silundika Avenue/
Leopold Takawira Street
Bulawayo
Zimbabwe
Telephone: +263 9 70169 / +263 9 68535

Auditors
Ernst & Young Chartered Accountants
Angwa City
Cnr Julius Nyerere way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare
Zimbabwe

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

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

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

In UK
Dechert
160 Queen Victoria Street
London
EC4 V4 QQ
United Kingdom

Annual General Meeting Form Of Proxy

I/We, …………………………………………………………………………

of …………………………………………………………………………

being a member of the above company and entitled to vote, hereby appoint

…………………………………………………………………………

of …………………………………………………………………………

or failing him …………………………………………………………………………

of …………………………………………………………………………

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 24 May 2018 at 1500 hours and at any adjournment thereof.

Signed this ………………………………….. day of ………………………………….2018

Signature of member …………………………………………………………………………

Note

(i) In terms of Section 129 of the Companies Act (Chapter 24:03) a member of the company is entitled to appoint one or more proxies to act in the alternative to attend, vote and speak in his stead. A proxy need not be a member of the Company.

(ii) Sections 75 and 76 of the Company's Articles of Association provide that instruments of proxy must be signed and returned to reach the Registered Office of the Company not less than forty-eight hours before the time for holding the meeting.