NMBZ HOLDINGS LIMITED

Holding Company of **NMB BANK LIMITED**
(Registered Commercial Bank)

Dually listed on the London Stock Exchange (LSE) and Zimbabwe Stock Exchange (ZSE)

Enquiries:

NMBZ HOLDINGS LIMITED

Benefit P Washaya, Chief Executive Officer, NMBZ Holdings Limited benefitw@nmbz.co.zw
Gerald Gore, Deputy Chief Executive Officer, NMBZ Holdings Limited geraldg@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-(242) 759 651/9

NMB Bank Zimbabwe @NMBBankZim +263775710000

CONDENSED REVIEWED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL SUMMARY

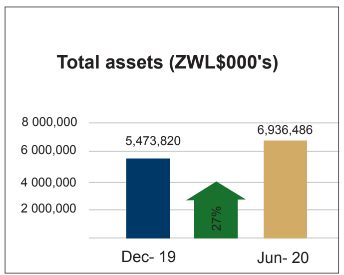
	Inflation adjusted			Historical Cost		
	30 June 2020 Reviewed	30 June 2019 Reviewed	31 December 2019 Audited	30 June 2020 Reviewed	30 June 2019 Reviewed	31 December 2019 Audited
Total income (ZWL)	1 248 545 848	1 291 433 954	1 914 723 540	1 461 158 296	104 329 370	464 285 244
Operating profit before impairment charge and loss on net monetary position (ZWL)	883 605 127	865 002 477	1 149 090 915	1 252 502 523	73 508 993	341 453 654
Total comprehensive income (ZWL)	992 251 893	703 127 345	672 728 135	1 725 623 822	61 425 194	473 463 396
Basic earnings per share (ZWL cents)	170.53	174.77	55.15	270.66	14.55	71.56
Total deposits (ZWL)	3 493 310 688	4 021 200 461	3 120 529 011	3 493 310 688	480 292 497	1 191 079 845
Total gross loans and advances (ZWL)	1 439 233 342	2 103 827 197	1 396 704 117	1 439 233 342	263 435 295	533 110 289
Total shareholders' funds and shareholders' liabilities (ZWL)	2 860 394 662	1 521 627 784	1 854 516 185	2 389 080 902	136 054 899	579 169 046

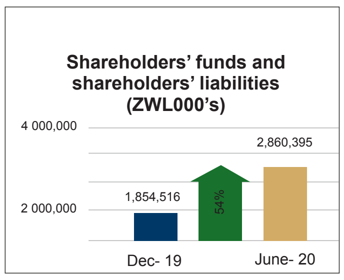
CHAIRMAN'S STATEMENT

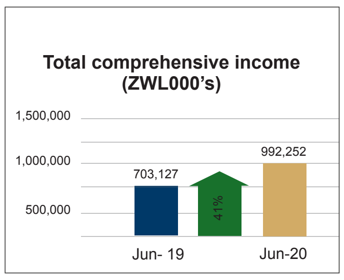
INTRODUCTION

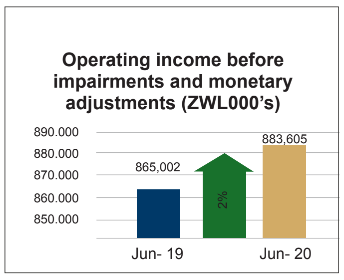
The 2020 operating environment was largely characterised by the unprecedented global challenges emanating from the novel COVID-19 pandemic. Global and regional economies have experienced significant challenges due to the COVID-19 virus and the Zimbabwean economy was no exception. The Government of Zimbabwe pronounced a number of socio-economic restrictions, effectively plunging the nation into lockdown conditions in an attempt to manage the spread of the virus as well as mitigate its ravaging effects, which was followed by subsequent pronouncements and measures to gradually alter and vary the lockdown conditions. A raft of policy pronouncements have also been made and these have all significantly impacted on the Group's operating environment.

In spite of the difficult local operating environment and the unique global circumstances, the Group remained resilient and this culminated in the financial results which were underpinned by the Banking subsidiary's digitalisation drive and fair value gains on the bank's property portfolio. The Bank's digital strategy could not have come at a better time as it has been quite pivotal in driving business within the COVID-19 induced circumstances. The Bank has recorded significant growth and expansion on its digital platforms and this has resulted in enhanced service delivery. Furthermore, in response to the prevailing hyperinflationary environment, the Group has adopted a number of value preservation strategies in order to ensure that shareholders' value is not eroded.









HYPERINFLATIONARY REPORTING

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement to the effect that the Zimbabwean economy had met all conditions necessary to be classified as a hyperinflationary economy. On that basis, the Directors have prepared the accompanying financial statements using the hyper-inflationary accounting basis to achieve fair presentation at the reporting date of 30 June 2020. The following results commentary is primarily on the Group's hyperinflationary adjusted financial statements at the reporting date.

GROUP RESULTS

FINANCIAL PERFORMANCE

The profit before taxation was ZWL844 746 155 (June 2019 – ZWL852 273 012) during the period under review and this gave rise to total comprehensive income of ZWL992 251 893 (June 2019 – ZWL703 127 345). The Group achieved a basic earnings per share of 170.53 cents (June 2019 – 174.77 cents) and this translated into the headline losses per share of 1.28 cents (June 2019 – earnings per share of 35.82 cents). The significant differential between the basic and headline losses per share is largely due to investment properties fair value adjustments and gains arising from the translation of foreign currency balances due to the depreciation of the Zimbabwe dollar against the USD and other major currencies.

Total income amounted to ZWL1 248 545 848 and this was down 3% from ZWL1 291 433 954 recorded during the six months ended 30 June 2019 mainly due to a reduction in net interest income due to sub-optimal market interest rates.

Operating expenses amounted to ZWL327 844 569 and these were down 4% from ZWL341 124 089 recorded during the six months ended 30 June 2019. The reduced costs were a result of cost containment measures adopted by the Group in addition to improved efficiencies arising out of the Group's digital drive.

The Group recorded an impairment credit loss on financial assets measured at amortised cost amounting to ZWL25 219 962 compared to an expected credit loss reversal of ZWL7 896 544 during the six months ended 30 June 2019 due to growth in the banking subsidiary's financial assets.

The Bank has continued with its drive to reduce non-performing loans (NPLs) and this saw the NPL ratio reduce from 1.37% as at 31 December 2019 to 0.81% as at 30 June 2020. The drop in the NPL ratio is largely due to aggressive collections and stricter credit underwriting standards.

Financial position

The Group's total assets increased by 27% from ZWL5 473 819 939 as at 31 December 2019 to ZWL6 936 485 718 as at 30 June 2020 mainly due to a 47% increase in property and equipment, a 126% increase in investment properties and a 6% increase in cash and cash equivalents.

Investment properties increased from ZWL602 234 779 as at 31 December 2019 to ZWL1 363 353 363 as at 30 June 2020 whilst property and equipment increased from ZWL1 032 743 479 at 31 December 2019 to ZWL1 514 418 395 as at 30 June 2020 mainly due to the significant increase in property values in ZWL terms in line with market changes.

Gross loans and advances increased by 3% from ZWL1 396 704 117 as at 31 December 2019 to ZWL1 439 233 342 as at 30 June 2020 mainly due to a slowdown in advances during the period under review in view of the prevailing economic conditions.

Cash and cash equivalents increased from ZWL1 289 795 771 as at 31 December 2019 to ZWL1 369 056 048 at 30 June 2020 mainly due to the upward foreign exchange revaluation of the Group's foreign denominated liquid assets.

Total deposits increased by 12% from ZWL3 120 529 011 at 31 December 2019 to ZWL3 493 310 688 as at 30 June 2020 as a result of deposit mobilization strategies and the translation of foreign denominated deposits to the local currency.

The Bank maintained a sound liquidity position with a liquidity ratio of 73.90% which was significantly above the statutory minimum of 30%.

Capital

The banking subsidiary maintained adequate capital levels to cover all risks as reflected by a capital adequacy ratio of 39.39% as at 30 June 2020 (31 December 2019 – 39.49%). The ratio was well above the regulatory minimum of 12%.

The Group's shareholders' funds and shareholders' liabilities increased by 54% from ZWL1 854 516 185 as at 31 December 2019 to ZWL2 860 394 662 as at 30 June 2020 as a result of the current period's total comprehensive income.

The Bank's regulatory capital as at 30 June 2020 was ZWL1 466 396 127 and was above the minimum regulatory capital of ZWL25 million. The Bank submitted its capitalisation plan to the RBZ in terms of the requirements for a Tier 1 bank to have a minimum Zimbabwe dollar equivalent of USD30 million by 31 December 2021. We await approval of our capitalisation plan by the RBZ.

DIVIDEND

The Board has resolved not to declare an interim dividend as the Group is firmly focused on achieving the revised minimum regulatory capital requirement of the ZWL equivalent of USD30 million for a Tier 1 Bank by 31 December 2021.

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 and Deputy Chairman), Mr James de la Fargue (Non-Executive Director), Ms Jean Maguranyanga (Independent Non-Executive Director), Mr Julius Tichelaar (Non Executive Director), Ms Sabinah Chitehwe (Independent Non-Executive Director), Ms Christine Glover (Non-Executive Director) and Mr Givemore Taputaira (Independent Non-Executive Director).

FUNCTIONAL CURRENCY

As announced in the Group's financial statements for the year ended 31 December 2019, we continue to closely monitor the developments in the economic and monetary landscape. On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an Interbank foreign exchange market to formalize the buying and selling of foreign currency through the Banks and Bureaux de change. To operationalize this, the RBZ denominated the existing RTGS balances as RTGS dollars and initial trades between the RTGS dollar and the US$ were pegged at USD/RTGS$1:2.5. On the same date, Statutory Instrument 33 (SI 33) of 2019 was also issued and it specified that all assets and liabilities that were in USD immediately before 22 February 2019 were deemed to have been valued in RTGS$ at a rate of USD/RTGS$1:1.

On 24 June 2019, through Statutory Instrument 142 (SI 142) of 2019, the Government of Zimbabwe discontinued the multicurrency regime which had been in place since February 2009 and also introduced the Zimbabwe Dollar (ZWL), which was designated as the country's sole legal tender to be used for all local transactions and other purposes.

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

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

The Directors, having assessed all these developments, concluded that the Group's functional currency remains the Zimbabwe dollar having changed from USD to RTGS dollars on 22 February 2019, which subsequently changed to Zimbabwe Dollars (ZWL) following the issuance of SI 142 of 2019 on 24 June 2019.

LEGACY DEBTS

The banking subsidiary owed USD13 840 412 to various lines of credit providers as at 30 June 2020. The Bank registered these foreign debts with the Reserve Bank of Zimbabwe (RBZ) as required by the regulatory directives. During the previous financial period, the Bank transferred to the RBZ the ZWL equivalent of the foreign debts at a rate of USD/ZWL1:1. The RBZ has indicated that they will be issuing a USD denominated instrument for these debts and consequently these debts and the RBZ deposits have been accounted for at the closing exchange rate of USD/ZWL 1:63.74 at 30 June 2020. This effectively values the original credit lines at a rate of 1:1 on a netted off basis. The RBZ approved the line of credit balances amounting to USD13 840 412.

Jupiter (H)087 - 318

CHAIRMAN'S STATEMENT (continued)

CORPORATE SOCIAL INVESTMENTS

During the period under review, the Group channelled its Corporate Social Investments towards education, environment conservation as well as the support of disadvantaged and vulnerable groups. Donations towards education were to the Ministry of Education Mashonaland West Provincial Wellness Launch and Matabeleland North Athletics team NASH/NAPH. Donations were also made to KidzCan for treatment of children living with cancer and commemoration of the World Kidney Day.

The Group in conjunction with other banks also channelled its Corporate Social Investments towards the fight against COVID-19 under the Bankers Association of Zimbabwe. Leveraging the ecosystem of customers, business partners and the public at large, the Bank also set up a COVID-19 donations platform through which institutions and individuals are making donations towards fighting this global pandemic.

CORPORATE DEVELOPMENTS

In the advent of the 'new normal', where physical interactions have to be kept at a minimum in line with the World Health Organisation (WHO) guidelines on fighting the novel COVID-19 pandemic, the Bank's strategy is anchored on the enhancement of its digital touch points to ensure uninterrupted service delivery to the Bank's valued clients via digital platforms.

The Bank continues with its financial inclusion drive and has intensified the opening of a number of low cost accounts via our NMBLite product.

The construction of our new Head Office along Borrowdale Road has been completed and the envisaged migration was hampered by the unforeseeable COVID-19 induced challenges.

COVID-19 UPDATE

The Group has been closely monitoring the developments around the COVID-19 crisis. To this end, we have fully embraced and implemented the WHO guidelines to ensure the safety of our valued clients, staff and stakeholders. Amongst several initiatives, we have enabled remote working for staff, accelerated the Bank's digital transformation drive and we continue to encourage our customers to fully utilize the Bank's enhanced digital banking platforms thereby minimizing the need for them to physically visit the Bank's banking halls and offices. These measures have significantly contributed towards the maintenance of social distancing by decongesting the Bank's branches and workspaces. Where customers and staff have had to visit the branches and offices, we have strictly adhered to the prescribed WHO regulations which include temperature checking, sanitization and the correct wearing of masks at all times.

OUTLOOK AND STRATEGY

The operating environment continues to be challenging and the introduction of the RBZ's Foreign Exchange (FX) Auction system on 23 June 2020 should hopefully result in price discovery and stabilisation of the FX market.

We continue to be optimistic that the measures being taken by the Government and the Central Bank to stimulate the economy will have the desired effects in the short to medium term and consequently improve the country's economic climate. The containment of the COVID-19 pandemic continues to be a prerequisite for an economic rebound and the measures taken so far by the Government should lead to a slowdown in the spread of the Corona virus which should result in an increase in the level of economic activities in the country.

As aforementioned, the banking subsidiary has continued to enhance its digital offerings and some digital platforms will be launched shortly which will provide customers with simplicity and convenience in transacting and digitally meet a greater part of their information requirements.

APPRECIATION

I remain sincerely grateful to our valued clients, shareholders and regulatory authorities who continue to support the Group in the face of the numerous challenges posed by the tough operating environment. To my fellow board members, management and staff, I extend my heartfelt gratitude for their continued diligence, dedication and relentless efforts which have culminated in the achievement of these commendable results.

May I take this opportunity to implore all our valued stakeholders to remain vigilant and resolute as we all put up a fight against the horrendous COVID-19 pandemic.

B. A. CHIKWANHA
CHAIRMAN
25 August 2020

REVIEWER'S STATEMENT

These condensed inflation adjusted interim financial statements have been reviewed by Ernst & Young Chartered Accountants (Zimbabwe) and an adverse review conclusion issued thereon due to continuing issues from prior years with regards to non-compliance with International Accounting Standard 21, *"The Effects of Changes in Foreign Exchange Rates"* and International Accounting Standard 8, *"Accounting Polices, Changes in Accounting Estimates and Errors"* and their effect on base numbers used for reporting under International Accounting Standard 29, *"Financial Reporting in Hyperinflationary Economies"*. The reviewer's report is available for inspection at the Holding Company's registered office. The engagement partner for this review is Mr Walter Mupanguri (PAAB Practicing Number 0367).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2020

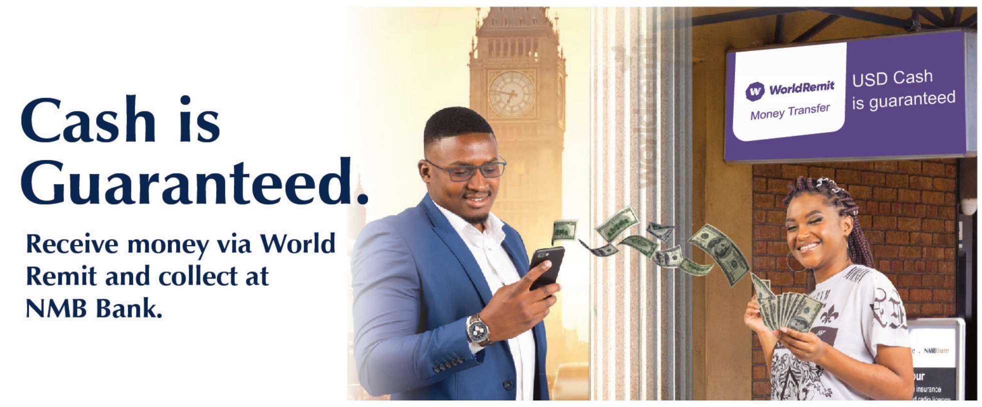
	Note	Inflation Adjusted 30 June 2020 ZWL Reviewed	Inflation Adjusted 30 June 2019 ZWL Restated Reviewed	Historical Cost* 30 June 2020 ZWL	Historical Cost* 30 June 2019 ZWL
Interest income	4	205 869 041	284 733 413	127 969 603	23 200 282
Interest expense		(37 096 152)	(85 307 388)	(22 245 160)	(6 890 386)
Net interest income		**168 772 889**	**199 426 025**	**105 724 443**	**16 309 896**
Fee and commission income	5.1	241 177 285	221 924 797	154 253 951	18 569 148
Net foreign exchange gains		133 139 769	355 453 683	114 112 987	32 664 282
Revenue		**543 089 943**	**776 804 505**	**374 091 381**	**67 543 326**
Other income	5.2	668 359 753	429 322 061	1 064 821 755	29 895 658
Operating income		**1 211 449 696**	**1 206 126 566**	**1 438 913 136**	**97 438 984**
Operating expenditure	6	(327 844 569)	(341 124 089)	(186 410 613)	(23 929 991)
Operating income before impairment charge and loss on net monetary position		**883 605 127**	**865 002 477**	**1 252 502 523**	**73 508 993**
Impairment losses on financial assets measured at amortised cost		(25 219 962)	7 896 544	(25 219 962)	943 144
Loss on net monetary position		(13 639 010)	(20 626 009)	-	-
Profit before taxation		**844 746 155**	**852 273 012**	**1 227 282 561**	**74 452 137**
Taxation charge	7	(155 504 400)	(162 249 579)	(133 332 999)	(17 013 168)
Profit for the period		**689 241 755**	**690 023 433**	**1 093 949 562**	**57 438 969**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation gain on land and buildings, net of tax	5.3	303 010 138	13 103 912	631 674 260	3 986 225
Total comprehensive income for the period		**992 251 893**	**703 127 345**	**1 725 623 822**	**61 425 194**
Earnings/(losses) per share (ZWL cents)					
- Basic	9.3	170.53	174.77	270.66	14.55
- Diluted	9.3	160.69	161.18	255.53	13.42
- Headline	9.3	(1.28)	35.82	1.11	3.21

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	Inflation Adjusted 30 June 2020 ZWL Reviewed	Inflation Adjusted 31 Dec 2019 ZWL Restated Audited	Historical Cost* 30 June 2020 ZWL	Historical Cost* 31 Dec 2019 ZWL
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	2 087 754	2 087 754	84 116	84 116
Capital reserves		440 278 222	441 838 966	19 121 607	19 184 170
Functional currency translation reserve		167 928 479	167 928 479	11 619 648	11 619 648
Revaluation reserves		587 498 371	284 488 233	807 754 210	176 079 950
Retained earnings		1 535 555 646	846 313 891	1 423 455 131	329 505 569
Total equity		**2 733 348 472**	**1 742 657 323**	**2 262 034 712**	**536 473 453**
Redeemable ordinary shares	11	14 335 253	37 557 157	14 335 253	14 335 253
Subordinated term loan	12	112 710 937	74 301 705	112 710 937	28 360 340
Total shareholders' funds and shareholders' liabilities		**2 860 394 662**	**1 854 516 185**	**2 389 080 902**	**579 169 046**
LIABILITIES					
Deposits and other liabilities	13.1	3 649 929 722	3 322 435 897	3 649 929 722	1 268 146 016
Deferred tax liabilities		411 392 690	1 637 282	414 985 705	97 653 191
Current tax liabilities		14 768 644	295 230 575	14 768 644	624 937
Total shareholders' funds and liabilities		**6 936 485 718**	**5 473 819 939**	**6 468 764 973**	**1 945 593 190**
ASSETS					
Cash and cash equivalents	15	1 369 056 048	1 289 795 771	1 369 056 048	492 304 267
Investment securities	14.1	129 932 320	280 766 312	129 932 320	107 166 155
Loans, advances and other assets	16	2 526 003 092	2 233 628 818	2 436 533 439	817 960 242
Trade and other investments		7 325 771	4 223 647	7 325 771	1 612 131
Investment properties		1 363 353 363	602 234 779	1 363 353 363	229 867 982
Intangible assets	18	26 396 729	30 427 133	2 639 087	1 397 186
Property and equipment	19	1 514 418 395	1 032 743 479	1 159 924 945	295 285 227
Total assets		**6 936 485 718**	**5 473 819 939**	**6 468 764 973**	**1 945 593 190**

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020

	Inflation Adjusted						
	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Share Option Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2019	2 015 305	409 288 762	-	1 560 744	-	258 875 925	671 740 736
Total comprehensive income for the period	-	-	-	-	13 103 912	690 023 433	703 127 345
Share issue – scrip dividend	72 449	30 989 460	-	-	-	-	31 061 909
Change in functional currency translation reserve	-	-	167 928 479	-	-	-	167 928 479
Dividends paid	-	-	-	-	-	(52 230 685)	(52 230 685)
Balances at 30 June 2019 - Restated	**2 087 754**	**440 278 222**	**167 928 479**	**1 560 744**	**13 103 912**	**896 668 673**	**1 521 627 784**
Total comprehensive income for the period	-	-	-	-	271 384 321	(50 354 782)	221 029 539
Balance as at 31 December 2019 - Restated	**2 087 754**	**440 278 222**	**167 928 479**	**1 560 744**	**284 488 233**	**846 313 891**	**1 742 657 323**
Unwinding of share option reserve	-	-	-	(1 560 744)	-	-	(1 560 744)
Total comprehensive income for the period	-	-	-	-	303 010 138	689 241 755	992 251 893
Balances at 30 June 2020	**2 087 754**	**440 278 222**	**167 928 479**	**-**	**587 498 371**	**1 535 555 646**	**2 733 348 472**

	Historical Cost*						
	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Share Option Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2019	80 975	16 463 734	-	62 563	136 741	47 377 400	64 121 413
Total comprehensive income for the period	-	-	-	-	3 986 225	57 438 969	61 425 194
Share issue – scrip dividend	3 141	2 657 873	-	-	-	-	2 661 014
Change in functional currency translation reserve	-	-	11 619 648	-	-	-	11 619 648
Dividends paid	-	-	-	-	-	(3 772 370)	(3 772 370)
Balances at 30 June 2019	**84 116**	**19 121 607**	**11 619 648**	**62 563**	**4 122 966**	**101 043 999**	**136 054 899**
Total comprehensive income for the period	-	-	-	-	171 956 984	228 461 570	400 418 554
Balance as at December 2019	**84 116**	**19 121 607**	**11 619 648**	**62 563**	**176 079 950**	**329 505 569**	**536 473 453**
Unwinding of share option reserve	-	-	-	(62 563)	-	-	(62 563)
Total comprehensive income for the period	-	-	-	-	631 674 260	1 093 949 562	1 725 623 822
Balances at 30 June 2020	**84 116**	**19 121 607**	**11 619 648**	**-**	**807 754 210**	**1 423 455 131**	**2 262 034 712**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2020

	Inflation Adjusted		Historical Cost*	
	30 June 2020 ZWL Reviewed	30 June 2019 ZWL Restated Reviewed	30 June 2020 ZWL	30 June 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	844 746 155	852 273 012	1 227 282 561	74 452 137
Non-cash items:				
- Depreciation(excluding right of use assets)	19 299 688	34 764 116	4 340 825	988 561
- Depreciation – Right of use assets	1 985 839	5 967 714	1 501 219	537 067
- Amortisation of intangible assets	7 238 239	22 309 322	328 236	373 555
- Impairment losses on financial assets measured at amortised costs	25 219 962	(7 896 544)	25 219 962	(943 144)
- Investment properties fair value gains	(640 103 624)	(380 064 124)	(1 053 907 444)	(27 991 540)
- Trade and other investments fair value adjustment	(3 102 124)	(4 762 662)	(5 713 640)	(506 254)
- Interest capitalised on subordinated term loan	5 459 411	2 309 884	2 888 228	275 887
- Unrealised foreign exchange gains	(113 156 723)	(247 818 512)	(113 156 723)	(29 598 834)
Operating cash flows before changes in operating assets and liabilities	**147 586 823**	**277 082 206**	**88 783 224**	**17 587 435**
Changes in operating assets and liabilities				
Increase/(Decrease) in deposits and other liabilities	(1 492 755 091)	(324 288 863)	561 534 790	(26 719 258)
(Increase)/Decrease in loans, advances and other assets	1 527 246 950	(403 980 927)	(410 549 859)	(9 734 285)
Net cash generated/(used) from operations	182 078 682	(451 187 584)	239 768 155	(18 866 108)
TAXATION				
Tax on dividends paid	-	(2 074 228)	-	(247 740)
Corporate tax paid	(12 483 633)	(10 211 836)	(9 197 573)	(1 219 677)
Net cash inflow/(outflow) from operations	169 595 049	(463 473 648)	230 570 582	(20 333 525)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(3 207 838)	(789 701)	(1 570 139)	(94 320)
(Acquisition)/Disposal of investment securities	150 833 992	75 578 716	(22 766 165)	9 026 936
Acquisition of property and equipment	(85 399 196)	(82 103 509)	(19 605 609)	(9 806 241)
Proceeds on disposal of investment properties	262 500	-	262 500	-
Acquisition of investment properties	(121 277 460)	(2 832 244)	(79 840 437)	(338 276)
Net cash (used)/generated in investing activities	(58 788 002)	(10 146 738)	(123 519 850)	(21 545 426)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on subordinated term loan	-	(1 507 481)	-	(180 050)
Repayment of lease liabilities	(8 839 289)	(2 938 988)	(5 082 972)	(559 029)
Cash dividend paid	-	(11 528 654)	-	(832 659)
Share issue costs – scrip dividend	-	(428 632)	-	(30 958)
Net cash outflow from financing activities	(8 839 289)	(16 403 755)	(5 082 972)	(1 602 696)
Net increase in cash and cash equivalents	101 967 759	(490 024 142)	101 967 759	(23 148 122)
Net foreign exchange and monetary adjustments on cash and cash equivalents	774 784 022	838 399 746	774 784 022	100 136 405
Cash and cash equivalents at beginning of the period	492 304 267	941 420 167	492 304 267	112 440 912
Cash and cash equivalents at the end of the period	1 369 056 048	1 289 795 771	1 369 056 048	189 429 195

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

1. REPORTING ENTITY

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

2. ACCOUNTING CONVENTION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019. These condensed consolidated interim financial statements do not include all the information required for the full annual financial statements prepared in accordance with International Financial Reporting Standards.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 August 2020.

2.1 Basis of preparation

The condensed consolidated financial statements including comparatives, have been prepared under the inflation adjusted accounting basis to account for changes in the general purchasing power of the ZWL. The restatement is based on the Consumer Price Index at the statement of financial position date. The Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 indicating the economy had become hyper-inflationary. As such, the Directors have prepared the accompanying financial statements using the hyperinflationary statements using the hyper-inflationary accounting basis. The indices are derived from the monthly inflation rates which are issued by the Zimbabwe National Statistics Agency (ZIMSTAT). As a result of the change in the Group's functional currency on 22 February 2019, the CPI indices for the prior periods are in respect of the USD functional currency which was prevailing at the time. The indices used are shown below. These condensed consolidated financial statements are reported in Zimbabwean dollars and rounded to the nearest dollar.

Dates	Indices	Conversion factor
31 December 2018	88.81	16.2736
30 June 2019	172.61	8.3726
31 December 2019	551.63	2.6199
30 June 2020	1 445.21	1.0000

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

- All comparative figures as of and for the periods ended 31 December 2018, 30 June 2019, 31 December 2019 have been restated by applying the change in the index from the date of last re-measurement to 30 June 2020;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 30 June 2020;
- Gains and losses arising from the monetary assets or liability positions have been included in the income statement;
- Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to 30 June 2020;
- Property and equipment and accumulated depreciation have been restated by applying the change in the index from the earlier of February 2009 and date of their purchase or re-assessment to 30 June 2020;
- Equity has been restated by applying the change in index from the date of issue to 30 June 2020;

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

IAS 29 discourages the publication of historical results as a supplement to the inflation adjusted results. However, historical results have been published to allow comparability of the results during the transitional phase in applying the Standard.

2.2 Functional and presentation currency

For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Zimbabwe Dollars (ZWL) which is the functional currency of the Group, and the presentation currency for the consolidated financial statements. Note 2.5.6 provides further information on the determination of the Group's functional currency.

2.3 Basis of consolidation

The Group financial results incorporate the financial results of the Company and its subsidiaries. Subsidiaries are 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses; profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest 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.

2.4 Comparative financial information

The interim financial statements comprise consolidated statements of financial position, comprehensive income, changes in equity and cash flows. The comparative information covers a period of six months.

2.5 Use of estimates and judgements

In preparation of the Group 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 six months ended 30 June 2020 is included in the following notes:

2.5.1 Deferred tax

Provision for 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.

2.5.2 Valuation of properties

Significant judgements and estimates have been applied as detailed below for the valuation of Investment Properties and of Land and Buildings held under Property, Plant and Equipment:

Statutory Instrument 142 of 2019 introduced the Zimbabwe Dollar (ZWL) as the sole legal tender effective 24 June 2019. This appears to have been a follow up measure to the Monetary Policy Statement (MPS) of 22 February 2019 which added the RTGS$ to the then basket of currencies. The MPS established an Inter-Bank Foreign Exchange market which continued to function up to the reporting year end date. These events have created complex valuation challenges for the short term.

Valuations rely on historical market evidence for calculation inputs. This includes transaction prices for comparable properties, rents and capitalisation rates. Such market evidence does not exist at present to calculate ZWL values. Therefore, valuers have adopted the approach for the meanwhile of converting USD valuation inputs at the Inter-Bank Foreign Exchange Auction Rate of the day to calculate ZWL property values.

This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed below:

Overstating the property values

The key inputs for the valuation of non-residential investment property are the rent income and the capitalisation rate. No trends for ZWL rents have yet been established neither is there easily verifiable market evidence of ZWL transactions to enable analysis of the yields. It is unlikely that ZWL rent movements will mirror the activity on the Inter-Bank Foreign Exchange market. In addition, the property market will price the risk associated with the ZWL which is not a fully convertible currency, and this will be reflected through the capitalisation rates.

Therefore, a direct conversion of USD valuation inputs likely results in overstated ZWL property values.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

2.5.2 Valuation of properties (continued)

Property sub-sectors will respond differently to the new currency

To use a single conversion rate for different property sub-sectors does not recognise the fact that each will respond differently to the reintroduced ZWL. Non-residential property is likely to lag behind the economic cycle quite considerably. Whereas residential property which is more sentiment driven, is likely to respond positively quicker.

Ignoring market dynamics (supply and demand)

Applying a conversion rate to USD valuation inputs to calculate ZWL property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently.

It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate.

2.5.3 Investment securities

The Group has Treasury Bills for which there is currently no market information to facilitate the application of fair value principles, in determining fair value disclosures.

However, in terms of IFRS 9, investment securities measured at amortised cost do not require fair value adjustments. As such none of the Group's investment securities required the application of fair value measurement principles to determine their carrying amounts.

2.5.4 Intangible assets

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

2.5.5 Impairment losses on financial instruments

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

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

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

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

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

2.5.6 Determination of functional currency

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

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

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

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

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

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

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

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

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

2.6.0 Lease arrangements

The Group adopted IFRS 16, Leases, on 1 January 2019. As permitted by the IFRS 16 transitional provisions, the Group elected not to restate comparative figures. The Directors exercised significant judgement on determining whether the various contractual relationships which the Group is party to, contain lease arrangements which fall into the scope of IFRS 16. Significant judgement was also exercised in determining whether the Group is reasonably certain that it will exercise extension options present in lease contracts as well as the determination of incremental borrowing rates applied in determining the lease liability.

2.6.1 COVID-19

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

2.6.2 Going concern

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

3. ACCOUNTING POLICIES

The selected principal accounting policies applied in the preparation of these condensed financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

3. ACCOUNTING POLICIES (continued)

3.1 Fair value measurement principles (continued)

flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

3.2 Investment properties

Investment properties are stated at fair value. Gains and losses arising from a change in fair value of investment properties are recognised in the profit or loss statement. The fair value is determined at the end of each reporting period by a professional valuer.

3.3 Share - based payments

The Group issues share options to certain employees in terms of the Employee Share Option Scheme. Share options are measured at fair value at the date of grant. The fair value determined at the date of grant of the options is expensed on a straight-line basis 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 has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and other behavioural considerations.

3.4 Property and equipment

The residual value and the useful life of property and equipment are reviewed at least each financial period-end. The revaluation model is used for the Group's land and buildings with the fair values determined by an independent professional valuer using significant unobservable market inputs. If the residual value of an asset increases by an amount equal to or greater than the asset's 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.

3.5 Intangible assets

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

3.6 Shareholders' funds and shareholders' liabilities

Shareholders' funds and shareholders' liabilities refer to the total investment made by the shareholders to the Group and it consists of share capital, share premium, Functional Currency Translation Reserve, share options reserve, retained earnings, redeemable ordinary shares and subordinated term loans.

3.7 Taxation

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

Current
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 Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.

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

Deferred taxation
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and short term highly liquid investments with maturities of three months or less when purchased. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

3.9 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the Group has satisfactorily performed the performance obligations set out in the underlying contract with its customers and that economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

3.10 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.

3.11 Interest expense

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

3.12 Leases

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

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

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

Measurement of right-of-use assets

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

3. ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

Lessor accounting
The Group did not need to make any adjustments to the accounting for lease contracts in which the Group is the lessor under operating leases as a result of the adoption of IFRS 16.

Short-term leases
The Group does not recognise lease liabilities or Right-of-Use Assets in respect of short-term leases which are accounted for on a straight-line basis.

3.13 Financial Instruments

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

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

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

3.13.1 Financial Assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

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

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

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

Classification and subsequent measurement of debt instruments depend on:

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in interest and similar income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through

- OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net Investment Income'. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

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

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

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

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

Equity instruments

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

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

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

(ii) Impairment

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

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

No impairment loss is recognised on equity investments.
With the exception of POCI financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:
- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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

Expected Credit Losses

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the

3.13.1 Financial Assets (continued)

Expected Credit Losses (continued)

difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

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

Special consideration has been made in respect of the uncertainties posed by the COVID-19 pandemic on the recoverability of the Group's financial instruments. The Group's ECL computations have taken this into account, resulting in notable increases in the ECL.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

Purchased or originated credit-impaired (POCI) financial assets

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

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

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

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

Definition of default and cure

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

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

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

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

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

It is the Bank's policy to consider a financial instrument as 'cured' and subsequently reclassified out of Stage 3 when none of the above mentioned default criteria have been present for at least six consecutive months. The decision whether to classify a financial asset as Stage 1 or Stage 2 once cured depends on the updated credit grade at the time of the cure and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

Significant increase in credit risk

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

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

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

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

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

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

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

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

Jupiter (H)087 - 318

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

3. ACCOUNTING POLICIES (continued)

3.13.1 Financial Assets (continued)

Significant increase in credit risk (continued)

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

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:
- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty. Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates the new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are
also recognised in profit or loss as a gain or loss on derecognition.

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

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either
- the Bank transfers substantially all the risks and rewards of ownership, or
- the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

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

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

3.13.2 Financial Liabilities

(i) Classification and subsequent measurement

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

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

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

(ii) Derecognition

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

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

3.13.3 Financial guarantee contracts and loan commitments

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

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

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

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

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

3.13.4 Critical Accounting Estimates and Judgements

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

Note 2.5 (Use of estimates and judgements) provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

3.13.5 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

3. ACCOUNTING POLICIES (continued)

3.13 Financial Instruments (continued)

3.13.5 Measurement of the expected credit loss allowance (continued)

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

The guiding principle of the Expected Credit Loss evaluation is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments and allocate commensurate loss provisions. Under the general approach, there are two measurement bases:
- 12-month ECLs (Stage 1 ECLs) that is evaluated for all financial instruments with no significant deterioration in credit quality since initial recognition.
- Lifetime ECLs (Stages 2 and 3 ECLs) that is evaluated for financial instruments for which significant increase in credit risk or default has occurred on an individual or collective basis.

Probability of Default (PD)

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

Exposure at Default (EAD)

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

Loss Given Default (LGD)

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

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

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

Renegotiated loans and advances

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

Collateral repossessed

The Bank'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 fair value at the repossession date in line with the Bank's policy.

4. INTEREST INCOME

	Inflation adjusted		Historical cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Loans and advances to banks	5 196 133	3 150 400	2 980 143	282 764
Loans and advances to customers	190 954 025	214 374 164	119 161 161	17 884 227
Investment securities	9 718 883	67 208 849	5 828 299	5 033 291
	205 869 041	284 733 413	127 969 603	23 200 282

5. NON-INTEREST INCOME

5.1 FEE AND COMMISSION INCOME

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Retail banking customer fees	71 709 961	83 918 750	47 269 488	10 057 590
Corporate banking credit related fees	30 682 472	10 327 568	20 688 016	2 754 380
Financial guarantee fees	2 835 946	666 379	1 717 761	79 114
International banking commissions	4 769 260	6 747 517	2 999 072	598 868
Digital banking fees	131 179 646	120 264 583	81 579 614	5 079 196
	241 177 285	221 924 797	154 253 951	18 569 148

5.2 OTHER INCOME

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Trade and other investments fair value adjustments	3 102 124	4 762 662	5 713 640	506 254
Fair value gains on investment properties	640 103 624	380 064 124	1 053 907 444	27 991 540
Rental income	1 722 165	2 495 821	1 456 767	194 895
Bad debts recovered	2 078 628	13 373 536	1 308 953	1 131 780
Other net operating income	21 353 212	28 625 918	2 434 951	71 189
	668 359 753	429 322 061	1 064 821 755	29 895 658

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

5.3 OTHER COMPREHENSIVE INCOME

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Revaluations of land and buildings	402 510 811	17 648 367	839 099 708	5 368 653
Tax effect	(99 500 673)	(4 544 455)	(207 425 448)	(1 382 428)
	303 010 138	13 103 912	631 674 260	3 986 225

6. OPERATING EXPENDITURE

	Inflation Adjusted		Historical Cost	
	31 December 30 June 2020 ZWL	31 December 30 June 2019 ZWL Restated	31 December 30 June 2020 ZWL	31 December 30 June 2019 ZWL
The operating profit is after recognising the following:				
Administration costs	179 526 651	141 674 553	112 698 385	11 501 078
Impairment reversal on land and buildings	-	-	-	(40 600)
Depreciation – (excluding right of use assets)	19 299 688	34 764 116	4 340 825	988 561
Amortisation of intangible assets	7 238 239	22 309 322	328 236	373 555
Depreciation –right of use assets	1 985 839	5 967 714	1 501 219	537 067
Staff costs - salaries, allowances and related costs	119 794 152	136 408 384	67 541 948	10 570 330
	327 844 569	341 124 089	186 410 613	23 929 991

7. TAXATION

	Inflation Adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Income tax expense				
Current tax	22 311 558	16 081 502	22 311 558	1 920 735
Deferred tax	133 192 842	146 168 077	111 021 441	15 092 433
	155 504 400	162 249 579	133 332 999	17 013 168

8. IMPAIRMENT LOSSES ON FINANCIAL ASSETS MEASURED AT AMORTISED COST

Impairment losses are calculated by estimating the expected credit losses for all financial assets (including loan commitments and guarantees) measured at amortised cost or fair value through OCI (FVOCI). ECLs arising from financial assets measured at armotised cost and at FVOCI are recognized in profit or loss. However, the loss allowance in respect of assets measured at FVOCI shall not reduce the carrying amount of the financial asset in the Statement of Financial Position but will be accumulated in a reserve through OCI. The aggregate impairment losses which are made during the year are dealt with as per paragraph 8.3.

The Group has considered the increased uncertainties arising out of the COVID-19 developments in the computation of ECLs, resulting in significant increases being noted in the Groups ECLs during the period under review.

8.1 Lifetime expected credit losses

Lifetime ECLs are recognized where the Bank's counterparty to a financial asset has been classified as default as defined in the Bank's accounting and credit policies. Financial assets are written off against lifetime ECL provisions once the probability of recovering any significant amounts becomes remote.

8.2 Twelve Month Expected credit losses

The 12-Month ECL relates to the day 1 impairment provisions on financial assets as well as financial assets which are considered not to have had a significant increase in credit risk as defined in the Bank's accounting and credit policies.

8.3 Regulatory Guidelines and International Financial Reporting Standards Requirements

The Banking Regulations 2000 gives guidance on provisioning for doubtful debts and stipulates certain minimum percentages to be applied to the respective categories of the loan book.

IFRS 9, Financial Instruments IFRS 9, prescribes the provisioning for impairment losses based on the expected credit losses from the expected cash flows from financial assets held by the bank, including guarantees and loan commitments.

The two prescriptions are likely to give different results. The Group has taken the view that where the IFRS 9 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 charged to the profit or loss.

8.4 Suspended interest

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations 2000 issued by the RBZ.

9. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of NMBZ Holdings Limited adjusted for the after tax effect of: (a) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity; (b) any interest recognised in the period related to dilute potential ordinary shares; (c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares; that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

9. EARNINGS PER SHARE (continued)

9.1 Earnings

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Profit for the period	689 241 755	690 023 433	1 093 949 562	57 438 969
Headline (losses)/earnings for the period	(5 178 881)	141 420 994	4 476 245	12 692 709

9.2 Number of shares

	Inflation adjusted		Historical Cost	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
9.2.1 Basic earnings per share				
Weighted average number of ordinary shares for basic and headline earnings per share	404 171 689	394 824 611	404 171 689	394 824 611
9.2.2 Diluted earnings per share				
Number of shares at beginning of period	404 171 689	392 955 196	404 171 689	392 955 196
Effect of dilution:				
Weighted average number of shares issued – scrip dividend	-	11 216 493	-	11 216 493
Share options approved but not granted	23 942 639	23 942 639	23 942 639	23 942 639
	428 114 328	428 114 328	428 114 328	428 114 328

	ZWL	ZWL Restated	ZWL	ZWL
9.2.3 Headline (losses)/ earnings				
Profit for the period	689 241 755	690 023 433	1 093 949 562	57 438 969
Add/(deduct) non-recurring items				
Trade investments fair value gains	(3 102 124)	(4 762 662)	(5 713 640)	(506 254)
Unrealised foreign exchange revaluation gains	(113 156 723)	(247 818 512)	(113 156 723)	(29 598 834)
Fair value gains on investment properties	(640 103 624)	(380 064 124)	(1 053 907 444)	(27 991 540)
Tax thereon	61 941 834	84 042 858	83 304 490	13 350 368
Headline (losses)/ earnings	(5 178 882)	141 420 993	4 476 245	12 692 709

This is calculated in accordance with the Statement of Investment Practice No. 1 issued by the former Institute of Investment Management and Research (now the Chartered Financial Analysts (CFA) Society of the UK).

9.3 Earnings/(losses) per share (ZWL cents)

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Basic	170.53	174.77	270.66	14.55
Diluted	160.99	161.18	255.53	13.42
Headline	(1.28)	35.82	1.11	3.21

10. SHARE CAPITAL

10.1

	30 June 2020 Shares ZWL	31 December 2019 million ZWL	30 June 2020 Shares	31 December 2019 million
Authorised				
Ordinary shares of ZWL0.00028 each	600	600	168 000	168 000

10.2 Issued and fully paid

	Inflation adjusted			
	30 June 2020 Shares million	31 December 2019 Shares million	30 June 2020 ZWL	31 December 2019 ZWL Restated
10.2.1 Ordinary shares				
Ordinary shares	404	404	2 087 754	2 087 754

	Inflation adjusted			
	30 June 2020 Shares million	31 December 2019 Shares million	30 June 2020 ZWL	31 December 2019 ZWL Restated
Redeemable ordinary shares	104	104	84 116	84 116

	Historical Cost			
	30 June 2020 Shares million	31 December 2019 Shares million Restated	30 June 2020 ZWL	31 December 2019 ZWL
10.2.2 Redeemable ordinary shares	104	104	29 040	29 040

No ordinary shares were issued during the six months ended 30 June 2020. Of the unissued ordinary shares of 196 million shares (2019 – 196 million), options which may be granted in terms of the 2012 ESOS amount to 23 942 639. No share options were exercised from the scheme as at 30 June 2020.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

11. REDEEMABLE ORDINARY SHARES

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Nominal value (note 10.2.2)	29 040	472 586	29 040	29 040
Share premium	14 306 213	37 084 571	14 306 213	14 306 213
	14 335 253	37 557 157	14 335 253	14 335 253

On 30 June 2013 the Company received USD14 831 145 capital from Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden N.V. (FMO), Norwegian Investment Fund for Developing Countries (Norfund) and AfricInvest Financial Sector Holdings (AfricInvest) who were allocated 34 571 429 shares each (total of 103 714 287) for individually investing USD4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements set by the Reserve Bank of Zimbabwe of ZWL100 million by 31 December 2020. FMO and Norfund combined together with Rabobank to form ARISE which is a development finance institution primarily focusing on investing in African financial institutions to support and enhance financial service delivery in Africa.

NMBZ Holdings Limited (NMBZ) entered into a share buy-back agreement with Norfund, FMO and AfricInvest, where these three strategic investors have a right at their own discretion at any time after the 5th anniversary (30 June 2018) but before the 9th anniversary (30 June 2022) of its first subscription date, to request NMBZ to buy back all or part of its NMBZ shares at a price to be determined using the agreed terms as detailed in the share buy-back agreement. The 5th anniversary, which is the initial exercisable date of the share buy-back agreement was reached on 30 June 2018. 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.

12. SUBORDINATED TERM LOAN

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
At 1 January	74 301 705	24 502 313	28 360 340	1 505 647
Monetary adjustment	(48 512 547)	(20 557 643)	-	-
Exchange revaluation	81 462 368	67 811 778	81 462 369	25 883 189
Interest capitalised	5 459 411	3 018 021	2 888 228	1 151 954
Interest paid	-	(472 764)	-	(180 450)
	112 710 937	74 301 705	112 710 937	28 360 340

In 2013, the Group received a subordinated term loan amounting to USD1.4 million from a Development Financial Institution which attracts an interest rate of LIBOR plus 10% and had 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 defaulted on a principal repayments with respect to this subordinated loan during the year ended six months ended 30 June 2020 as a result of the prevailing nostro funding challenges affecting the economy. However, there were no defaults on interest payments. There were no breaches to the financial covenants between the Group and the Development Financial Institution at the reporting date of 30 June 2020.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation, as RTGS dollars. The RBZ pegged the initial trades at US$/RTGS$1:2.5. In order to manage the transition, the RBZ also advised on the same date that all foreign liabilities or legacy debts due to suppliers and service providers, declared dividends e.t.c would be treated separately after registering such debts with the RBZ Exchange Control Department for an orderly expunging of these debts.

Consequently, the Group registered its legacy debts, which included the subordinated term loan and offshore lines of credit and transferred the ZWL equivalent of these debts at a rate of US$/ZWL1:1 to the RBZ in terms of the RBZ directive. As such, in terms of SI 33 of 2019 and the RBZ directive, these legacy debts and the related amounts transferred to the RBZ in terms of the RBZ directive on the legacy debts, have been translated using the interbank rate at reporting date. The RBZ approved the legacy debt in respect of the subordinated term loan.

13. DEPOSITS AND OTHER LIABILITIES

13.1 Deposits and other liabilities

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Deposits from banks and other financial institutions**	1 506 340 051	809 586 115	1 506 340 051	309 012 254
Current and deposit accounts from customers*	1 986 970 637	2 310 942 896	1 986 970 637	882 067 591
Total deposits	3 493 310 688	3 120 529 011	3 493 310 688	1 191 079 845
Trade and other payables*	156 619 034	201 906 886	156 619 034	77 066 171
	3 649 929 722	3 322 435 897	3 649 929 722	1 268 146 016

* 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 trade and other payables are lease liabilities in respect of leased properties in which the Group is a lessee.

Also included in trade and other liabilities are ECL provisions in respect of guarantees and facilities approved but not drawn down.

** Included in deposits from banks and other financial institutions are loan balances of ZWL554 146 338, ZWL286 569 001 and ZWL528 854 064 due to Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden (FMO), Swedfund and Afreximbank. The carrying amounts of deposits from other banks and other financial institutions approximate the related fair values. All the loan balances except for Afrexibank are part of the Group's legacy debts which were registered with the Reserve Bank of Zimbabwe (RBZ) for an orderly expunging of the debts. During the year ended 31 December 2019, the Group transferred the ZWL equivalent of the legacy debts at a rate of US$/ZWL1:1 to the RBZ as per requirement of the Exchange Control directive RU 28 of 2019. There were no breaches to the financial covenants. However, the Group defaulted on the principal repayments repayments on the FMO and Swedfund facilities during the period under review due to the nostro-funding challenges that were prevailing in the economy and the above mentioned lines of credit balances were transferred to the RBZ for an orderly expunging of the debts. The Bank has been communicating with the lenders regarding these developments.

The line of credit balances have been translated at 30 June 2020 at the closing rate of USD/ZWL1:63.74. Consequently, the amount transferred to the RBZ for the settlement of these debts has been translated at the same closing rate as it represents the Bank's right to the settlement of the related lines of credit. The RBZ approved the legacy debt in respect of the FMO and Swedfund lines of credit.

13.2 Maturity analysis

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Less than 1 month	1 958 829 014	2 737 077 430	1 958 829 014	1 044 719 581
1 to 3 months	1 092 347 571	132 384 950	1 092 347 571	50 530 229
3 to 6 months	288 445 669	88 276 533	288 445 669	33 694 415
6 months to 1 year	153 496 604	115 092 629	153 496 604	43 929 895
1 to 5 years	27 504	47 194 890	27 504	18 013 895
Over 5 years	164 326	502 579	164 326	191 830
	3 493 310 688	3 120 529 011	3 493 310 688	1 191 079 845

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

13. DEPOSITS AND OTHER LIABILITIES (continued)

13.3 Sectoral analysis of deposits

	Inflation adjusted				Historical Cost			
	30 June 2020 ZWL	%	31 December 2019 ZWL Restated	%	30 June 2020 ZWL	%	31 December 2019 ZWL	%
Agriculture	42 707 032	1	66 495 341	2	42 707 032	1	25 380 716	2
Banks and other financial institutions	1 506 340 051	43	809 586 115	26	1 506 340 051	43	309 012 254	26
Distribution	177 623 734	5	312 541 045	10	177 623 734	5	119 294 305	10
Individuals	279 975 306	8	269 948 734	9	279 975 306	8	103 037 176	9
Manufacturing	675 654 304	20	430 320 538	14	675 654 304	20	164 249 753	14
Mining companies	34 085 542	1	53 071 581	2	34 085 542	1	20 256 979	2
Municipalities and parastatals	86 150 225	3	151 939 106	4	86 150 225	3	57 993 887	4
Other deposits	244 729 198	7	303 417 568	10	244 729 198	7	115 811 950	10
Services	358 825 699	10	566 004 896	18	358 825 699	10	216 039 339	18
Transport and telecommunications	87 219 597	2	157 204 087	5	87 219 597	2	60 003 485	5
	3 493 310 688	100	3 120 529 011	100	3 493 310 688	100	1 191 079 845	100

14. FINANCIAL INSTRUMENTS

14.1 Investment securities

	Note	Inflation adjusted		Historical Cost	
		30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020	31 December 2019
Amortised cost – Gross		130 393 426	281 820 836	130 393 426	107 568 657
Impairment allowance	16.3	(461 106)	(1 054 524)	(461 106)	(402 502)
- ECL at 1 January		(1 054 524)	(7 231 829)	(402 502)	(444 390)
- Monetary adjustment		652 022	6 287 048	-	-
- ECL charged through profit and loss		(58 604)	(109 743)	(58 604)	41 888
		129 932 320	280 766 312	129 932 320	107 166 155

The Group holds Treasury Bills and Government Bonds totaling ZWL130 393 426 with interest rates ranging from 2% to 18%. The Treasury Bills are measured at amortised cost in line with the Bank's business model to collect contractual cashflows and the contractual terms are such that the financial assets give rise to cashflows that are solely payments of principal and interest. Of the total Treasury Bills balance of ZWL130 393 426, a total of ZWL114 179 886 had been pledged as security against interbank borrowings at 30 June 2020.

14.2 Maturity analysis of investment securities measured at amortised cost

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Less than 1 month	2 528 129	6 549 790	2 528 129	2 500 000
1 to 3 months	17 774 132	16 741 459	17 774 132	6 390 075
3 to 6 months	35 200 000	49 778 402	35 200 000	19 000 000
6 months to 1 year	50 360 440	143 538 425	50 360 440	54 787 417
1 to 5 years	13 148 494	35 392 271	13 148 494	13 508 934
Over 5 years	11 382 231	29 820 489	11 382 231	11 382 231
	130 393 426	281 820 836	130 393 426	107 568 657
Expected Credit loss allowance	(461 106)	(1 054 524)	(461 106)	(402 502)
	129 932 320	280 766 312	129 932 320	107 166 155

14.3 Fair values of financial instruments

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

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

Valuation models

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

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

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

14.3.1 Financial instruments measured at fair value – fair value hierarchy

	Inflation adjusted			
	31 June 2020 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade and other investments	7 325 771	-	-	7 325 771
	7 325 771	-	-	7 325 771
	31 Dec 2019 ZWL Restated	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade and other investments	4 223 647	-	-	4 223 647
	4 223 647	-	-	4 223 647

During the reporting period ended 30 June 2020 and 31 December 2019, 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.

NMBZ HOLDINGS LIMITED

Holding Company of NMB BANK LIMITED
(Registered Commercial Bank)
Dually listed on the London Stock Exchange (LSE) and Zimbabwe Stock Exchange (ZSE)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

14. FINANCIAL INSTRUMENTS (continued)

14.3.1 Financial instruments measured at fair value – fair value hierarchy

	Historical Cost			
	30 June 2020 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade and other investments	7 325 771	-	-	7 325 771
	7 325 771	-	-	7 325 771
	31 Dec 2019 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade and other investments	1 612 131	-	-	1 612 131
	1 612 131	-	-	1 612 131

Level 3 fair value measurements

Reconciliation of trade and other investments

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Balance at 1 January	4 223 647	1 830 794	1 612 131	112 501
Gain recognised in profit or loss	3 102 124	2 392 853	5 713 640	1 499 630
	7 325 771	4 223 647	7 325 771	1 612 131

14.3.2 Financial instruments not measured at fair value

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

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Assets				
Cash and cash equivalents	1 369 056 048	1 289 795 771	1 369 056 048	492 304 267
Loans, advances and other accounts	2 526 003 092	2 233 628 818	2 436 533 439	817 960 242
Investment securities	129 932 320	280 766 312	129 932 320	107 166 155
Total	4 024 991 460	3 804 190 901	3 935 521 807	1 417 430 664
Liabilities				
Deposits and other liabilities	3 649 929 722	3 322 435 897	3 649 929 722	1 268 146 016
	3 649 929 722	3 322 435 897	3 649 929 722	1 268 146 016

15. CASH AND CASH EQUIVALENTS

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Balances with the Central Bank	616 622 760	699 603 351	616 622 760	267 032 753
Current, nostro accounts* and cash	677 935 252	419 736 453	677 935 252	160 209 897
Interbank placements	75 000 000	171 604 491	75 000 000	65 500 000
Expected Credit loss allowance	(501 964)	(1 148 524)	(501 964)	(438 383)
	1 369 056 048	1 289 795 771	1 369 056 048	492 304 267

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

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

16. LOANS, ADVANCES AND OTHER ASSETS

16. 1 Total loans, advances and other assets

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Fixed term loans – Corporate	979 815 593	675 373 875	979 815 593	264 688 911
Fixed term loans – Retail	176 287 662	248 295 838	176 287 662	94 772 446
Mortgages	65 729 823	153 495 347	65 729 823	58 587 891
Overdrafts	162 018 744	273 795 109	162 018 744	97 600 959
	1 383 851 822	1 350 960 169	1 383 851 822	515 650 207
Other assets	1 142 151 270	882 668 649	1 052 681 617	302 310 035
	2 526 003 092	2 233 628 818	2 436 533 439	817 960 242

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

16. LOANS, ADVANCES AND OTHER ASSETS (continued)

16.1.2 Maturity analysis

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Less than 1 month	264 429 315	362 691 051	264 429 315	138 436 142
1 to 3 months	215 702 983	168 078 148	215 702 983	64 154 025
3 to 6 months	89 164 354	56 693 764	89 164 354	21 639 536
6 months to 1 year	296 429 046	276 403 465	296 429 046	105 500 893
1 to 5 years	481 854 751	402 628 472	481 854 751	153 679 923
Over 5 years	91 652 893	130 209 217	91 652 893	49 699 770
Total advances	1 439 233 342	1 396 704 117	1 439 233 342	533 110 289
Allowances for impairment losses on loans and advance	(54 947 636)	(44 840 761)	(54 947 636)	(17 115 341)
Impairment loss allowance at 1 January	(44 840 761)	(216 450 141)	(17 115 341)	(13 300 688)
Monetary adjustment	27 725 420	181 603 455	-	-
ECL charge through profit or loss	(30 773 577)	(12 915 183)	(30 773 577)	(4 929 615)
Revaluation exchange loss movement through profit or loss	(7 058 718)	-	(7 058 718)	-
Bad debts written off	-	2 921 108	-	1 114 962
Suspended interest on credit impaired financial assets	(433 884)	(903 187)	(433 884)	(344 741)
	1 383 851 822	1 350 960 169	1 383 851 822	515 650 207
Other assets*	1 142 151 270	882 668 649	1 052 681 617	302 310 035
	2 526 003 092	2 233 628 818	2 436 533 439	817 960 242

*Included in other assets is an amount of ZWL904 685 146 pledged with the RBZ for the facilitation of legacy debts settlement in terms of Regulatory directives.

16.2 Sectoral analysis of utilisations

	Inflation adjusted				Historical Cost			
	30 June 2020 ZWL	%	31 December 2019 ZWL Restated	%	30 June 2020 ZWL	%	31 December 2019 ZWL	%
Agriculture and horticulture	457 721 761	32	253 524 002	18	457 721 761	32	96 767 992	18
Conglomerates	43 824 781	3	6 280 981	-	43 824 781	3	2 397 398	-
Distribution	96 804 587	7	336 962 856	16	96 804 587	7	87 785 991	16
Food & beverages	84 902 259	6	3 031 557	6	84 902 259	6	29 457 868	6
Individuals	212 110 136	14	77 177 136	24	212 110 136	14	126 212 109	24
Manufacturing	285 628 556	20	330 665 109	11	285 628 556	20	60 715 905	11
Mining	1 216 358	-	159 070 563	-	1 216 358	-	1 157 120	-
Services	257 024 904	18	229 991 913	24	257 024 904	18	128 615 906	24
	1 439 233 342	100	1 396 704 117	100	1 439 233 342	100	533 110 289	100

The material concentration of loans and advances are to the agriculture and horticulture sector at 32% (2019 – 18%) and the manufacturing sector at 20% (2019 - 11%).

16.3 Impairment analysis of financial instruments measured at amortised cost

	Inflation adjusted			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2020	2 335 203 247	30 731 236	19 077 740	2 385 012 224
Monetary adjustment	(1 443 875 683)	(19 001 380)	(11 795 926)	(1 474 672 990)
Transfers	9 686 339	(12 365 456)	2 679 117	
- to 12 months to ECL	14 328 649	(14 245 187)	(83 462)	-
- to lifetime ECL not credit impaired	(2 555 722)	2 586 076	(30 355)	-
- to lifetime ECL credit impaired	(2 086 589)	(706 345)	2 792 934	-
Net movement in financial assets	924 429 576	4 027 517	1 723 084	930 180 176
Balance as at 30 June 2020	1 825 443 479	3 391 917	11 684 015	1 840 519 410
Loss allowance analysis				
At 1 January 2020	20 058 931	819 694	3 981 948	24 860 573
- ECL – Loans, advances & guarantees	12 313 699	819 694	3 981 948	17 115 341
- Guarantees and facilities approved not drawn down	6 904 347	-	-	6 904 347
- ECL – Investment securities	402 502	-	-	402 502
- ECL – Interbank placements	438 383	-	-	438 383
Transfers	180 924	(595 864)	414 940	-
- to 12 month ECL	622 516	(618 132)	(4 384)	-
- to lifetime ECL not credit impaired	(142 230)	143 913	(1 683)	-
- to lifetime ECL credit impaired	(299 362)	(121 645)	421 007	-
Net increase/(decrease) in ECL	24 174 740	587 710	457 512	25 219 962
Loans and advances	29 728 355	587 710	457 512	30 773 577
Guarantees and facilities approved not drawn down	(5 675 801)	-	-	(5 675 801)
Investment securities	58 605	-	-	58 605
Interbank placements	63 581	-	-	63 581
Revaluation exchange losses on loans and advances ECL	7 058 718	-	-	7 058 718
Balance as at 30 June 2020	**51 473 313**	**811 540**	**4 854 400**	**57 139 253**
Loans and advances	49 281 696	811 540	4 854 400	54 947 636
Guarantees and facilities approved not drawn down	1 228 547	-	-	1 228 547
Investment securities	461 106	-	-	461 106
Interbank placements	501 964	-	-	501 964
	51 473 313	**811 540**	**4 854 400**	**57 139 253**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

16. LOANS, ADVANCES AND OTHER ASSETS (continued)

16.3 Impairment analysis of financial instruments measured at amortised cost (continued)

	Inflation adjusted			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2019	6 058 045 168	408 759 319	317 002 492	6 783 806 979
Monetary adjustment	(5 056 550 775)	(369 151 603)	(265 967 709)	(5 691 670 087)
Transfers	(25 810 961)	29 279 540	(3 468 581)	
- to 12 months to ECL	3 518 133	(3 228 025)	(290 109)	-
- to lifetime ECL not credit impaired	(27 073 980)	33 631 682	(6 557 702)	-
- to lifetime ECL credit impaired	(2 255 114)	(1 124 117)	3 379 230	-
Net movement in financial assets	518 917 352	14 563 834	10 873 808	544 354 994
Balance as at 31 December 2019	1 494 600 784	83 451 090	58 440 010	1 636 491 884
Loss allowance analysis				
At 1 January 2019	20 302 891	2 235 763	13 647 640	36 186 294
- ECL – Loans, advances & guarantees	18 963 283	2 235 763	13 647 640	34 846 686
- ECL – Investment securities	1 164 264	-	-	1 164 264
- ECL – Interbank placements	175 344	-	-	175 344
Transfers	(2 267 029)	2 295 772	(28 743)	-
- to 12 month ECL	92 040	(85 797)	(6 243)	-
- to lifetime ECL not credit impaired	(1 775 514)	2 682 969	(907 455)	-
- to lifetime ECL credit impaired	(583 555)	(301 400)	884 955	-
Net increase/(decrease) in ECL	34 516 855	(2 384 006)	(3 186 533)	28 946 316
Loans and advances	15 564 615	(2 384 006)	(265 426)	12 915 183
Guarantees and facilities approved not drawn down	18 088 802	-	-	18 088 802
Investment securities	(109 743)	-	-	(109 743)
Interbank placements	973 181	-	-	973 181
Bad debts written off	-	-	(2 921 108)	(2 921 108)
Balance as at 31 December 2019	52 552 717	2 147 529	10 432 364	65 132 610
Loans and advances	32 260 863	2 147 529	10 432 369	44 840 761
Guarantees and facilities approved not drawn down	18 088 801	-	-	18 088 801
Investment securities	1 054 524	-	-	1 054 524
Interbank placements	1 148 524	-	-	1 148 524
	52 552 712	2 147 529	10 432 369	65 132 610

16.4 Credit-impaired financial assets

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Total credit impaired financial assets	11 684 015	19 077 740	11 684 015	7 281 814
Expected credit losses on credit impaired financial assets	(4 854 400)	(10 432 369)	(4 854 400)	(3 981 948)
Retail loans insurance	(499 057)	(1 307 487)	(499 057)	(499 057)
Suspended interest on credit-impaired financial assets	(433 884)	(903 187)	(433 884)	(344 739)
Net credit impaired financial assets	5 896 674	6 434 697	5 896 674	2 456 070

The net credit-impaired financial assets of these accounts represent recoverable portions covered by realisable security, which includes guarantees, cession of debtors, mortgages over properties, equities and promissory notes all fair valued at ZWL4 131 650 (2019 – ZWL8 335 250).

16.5 Loans to related parties (included under loans, advances and other assets)

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Executive directors	1 177 733	1 954 913	1 177 733	746 174
Officers	46 165 070	70 598 522	46 165 070	26 946 866
Officers' companies	-	-	-	-
	47 342 803	72 553 435	47 342 803	27 693 040
ECL on staff loans – Stage 1	(1 834 371)	(127 721)	(1 834 371)	(48 750)
	45 508 432	72 425 714	45 508 432	27 644 290

17. INTANGIBLE ASSETS

	Inflation adjusted	
	Computer Software ZWL	Total ZWL
Cost		
Balance at 1 January 2019	123 362 720	123 362 720
Capitalisation acquisitions	1 668 628	1 668 628
Balance at 31 December 2019	125 031 348	125 031 348
Acquisitions	3 207 838	3 207 838
Balance at 30 June 2020	128 239 186	128 239 186
Accumulated amortisation		
Balance at 1 January 2019	77 951 380	77 951 380
Amortisation for the year	16 652 838	16 652 838
Balance at 31 December 2019	94 604 218	94 604 218
Amortisation for the year	7 238 239	7 238 239
Balance at 30 June 2020	101 842 457	101 842 457
Carrying amount		
At 30 June 2020	26 396 729	26 396 729
Restated at 31 December 2019	30 427 133	30 427 133
At 1 January 2019 - Restated	45 411 343	45 411 343

17. INTANGIBLE ASSETS (continued)

	Historical Cost	
	Computer Software ZWL	Total ZWL
Cost		
Balance at 1 January 2019	5 375 405	5 375 405
Acquisitions	94 320	94 320
Balance at 31 December 2019	5 469 725	5 469 725
Acquisitions	1 570 139	1 570 139
Balance at 30 June 2020	7 039 864	7 039 864
Accumulated amortisation		
Balance at 1 January 2019	3 338 632	3 338 632
Amortisation for the year	733 909	733 909
Balance at 31 December 2019	4 072 541	4 072 541
Amortisation for the year	328 236	328 236
Balance at 30 June 2020	4 400 777	4 400 777
Carrying amount		
At 30 June 2020	2 639 087	2 639 087
At 31 December 2019	1 397 186	1 397 186
At 1 January 2019	2 036 775	2 036 775

18. PROPERTY AND EQUIPMENT

	Inflation adjusted						
Cost/Revaluation amount	Capital work in progress ZWL Restated	Computers ZWL Restated	Motor Vehicles ZWL Restated	Furniture & Equipment ZWL Restated	Right of Use Assets ZWL Restated	Freehold Land & Buildings ZWL Restated	Total ZWL Restated
At 1 January 2019 - restated	168 996 470	166 264 633	29 873 411	105 750 226	-	69 247 791	540 132 531
Additions	48 037 157	30 073 122	3 040 032	11 395 371	-	-	92 545 682
Initial recognition – Right of Use Asset	-	-	-	-	38 275 228	-	38 275 228
Capitalisations	(37 762 870)	3 213 701	769 427	2 666 736	-	31 113 005	-
Revaluation gain	-	-	-	-	-	383 149 135	383 149 135
Translation gains on change in functional	-	-	-	-	-	226 166 302	226 166 302
At 31 December 2019 - restated	**179 570 757**	**199 551 456**	**33 682 871**	**119 512 334**	**38 275 228**	**709 716 833**	**1 280 268 878**
Additions	71 363 740	13 696 542	-	338 913	-	-	85 399 196
Initial recognition – Right of Use Asset	-	-	-	-	-	-	-
Capitalisations	542 202	(542 202)	-	-	-	-	-
Disposals	-	-	(4 047 718)	-	-	-	(4 047 718)
Remeasurement of Right of Use Asset	-	-	-	-	21 591 106	-	21 591 106
Revaluation gain	-	-	-	-	-	402 510 811	402 510 811
At 30 June 2020	**251 476 699**	**212 665 196**	**29 635 153**	**119 851 247**	**59 866 334**	**1 112 187 643**	**1 781 014 019**
Accumulated depreciation							
At 1 January 2019 - restated	-	85 899 869	23 837 869	87 777 468	-	1 665 221	199 180 428
Charge for the year	-	27 452 336	4 226 561	7 926 049	8 989 273	1 583 168	50 177 388
Disposals	-	-	(4 047 718)	-	-	-	(4 047 718)
At 31 December 2019 - restated	**-**	**113 352 206**	**24 016 712**	**95 703 517**	**8 989 273**	**3 248 389**	**245 310 098**
Charge for period	-	9 161 977	1 157 810	4 271 648	-	4 708 253	19 299 688
Charge for period – Right of Use Asset	-	-	-	-	1 985 839	-	1 985 839
At 30 June 2020	**-**	**122 514 183**	**25 174 522**	**99 975 165**	**10 975 112**	**7 956 642**	**266 595 624**
Carrying amount							
At 30 June 2020	**251 476 699**	**85 483 360**	**4 460 631**	**19 876 082**	**48 891 222**	**1 104 230 401**	**1 514 418 395**
At 31 December 2019 – Restated	**179 570 757**	**83 983 948**	**9 666 158**	**23 808 817**	**29 285 955**	**706 427 844**	**1 032 743 479**
At 1 January 2019 - Restated	**168 996 470**	**80 364 764**	**6 035 542**	**17 972 758**	**-**	**67 582 569**	**340 952 102**

18. PROPERTY AND EQUIPMENT

	Historical Cost						
Cost/Revaluation amount	Capital work in progress ZWL	Computers ZWL	Motor Vehicles ZWL	Furniture & Equipment ZWL	Right of Use Assets ZWL	Freehold Land & Buildings ZWL	Total ZWL
At 1 January 2019	9 463 994	7 413 351	1 269 770	4 478 223	-	3 852 998	26 478 336
Additions	19 774 151	2 975 151	206 348	1 352 847	-	-	24 308 497
Capitalisations	(14 413 772)	1 226 643	293 684	1 017 871	-	11 875 574	-
Revaluation gain	-	-	-	-	-	236 960 551	236 960 551
Translation gain on change in functional currency	-	-	-	-	-	15 653 157	15 653 157
Initial recognition – Right of use asset	-	-	-	-	4 096 580	-	4 096 580
Reversal of impairment	-	-	-	-	-	40 600	40 600
At 31 December 2019	**14 824 373**	**11 615 145**	**1 769 802**	**6 848 941**	**4 096 580**	**268 382 880**	**307 537 722**
Additions	14 059 872	5 318 326	-	227 412	-	-	19 605 609
Right of Use Asset re-measurement	-	-	-	-	11 776 445	-	11 776 445
Capitalisations	206 954	(206 954)	-	-	-	-	-
Revaluation gain	-	-	-	-	-	839 099 708	839 099 708
Disposals	-	-	(180 000)	-	-	-	(180 000)
At 30 June 2020	**29 091 199**	**16 726 516**	**1 589 802**	**7 076 353**	**15 873 025**	**1 107 482 588**	**1 177 839 484**
Accumulated depreciation							
At 1 January 2019	-	3 607 903	1 008 262	3 626 458	-	391 644	8 634 267
Charge for the year	-	1 427 692	222 449	481 383	1 310 867	175 836	3 618 227
At 31 December 2019	**-**	**5 035 595**	**1 230 711**	**4 107 841**	**1 310 867**	**567 480**	**12 252 495**
Charge for the year	-	1 172 454	90 892	392 772	-	2 684 707	4 340 825
Charge for period – Right of Use Asset	-	-	-	-	1 501 219	-	1 501 219
Disposals	-	-	(180 000)	-	-	-	(180 000)
At 30 June 2020	**-**	**6 208 049**	**1 141 603**	**4 500 613**	**2 812 086**	**3 252 187**	**17 914 538**
Carrying amount							
At 30 June 2020	**29 091 199**	**10 518 468**	**448 199**	**2 575 739**	**13 060 939**	**1 104 230 401**	**1 159 924 945**
At 31 December 2019	**14 824 373**	**6 579 550**	**539 092**	**2 741 100**	**2 785 713**	**267 815 400**	**295 285 227**
At 1 January 2019	**9 463 994**	**3 805 448**	**261 508**	**851 765**	**-**	**3 461 354**	**17 844 069**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

19. LEASES

The Group leases various buildings for the furtherance of its trade. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group's leases are recognised as a right-of-use asset and a corresponding liability is also recognised in the Statement of Financial Position from the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a leasing arrangement are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if it is provided in the leasing agreement.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Right-of-Use Assets represent the Group's rights to occupy land and buildings in various lease arrangements in which the Group is a lessee. The Right-of-Use Assets are depreciated over the shorter of the lease term including extension options where the Group is certain to exercise such and the useful life of the underlying asset

The lease payments are discounted using the Group's incremental borrowing rate. The Group does not recognise Right of Use Assets or lease liabilities or short term leases which are expensed on a straight line basis.

20. CAPITAL COMMITMENTS

	← Inflation adjusted →		← Historical Cost →	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Capital expenditure contracted for	5 447 693	15 269 794	5 447 693	5 828 388
Capital expenditure authorised but not yet contracted for	112 558 144	308 021 310	112 558 144	117 569 873
Balance at 31 December	118 005 837	323 291 104	118 005 837	123 398 261

The capital expenditure will be funded from the Group's own resources.

21. CONTINGENT LIABILITIES

	← Inflation adjusted →		← Historical Cost →	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Guarantees	161 995 686	332 604 057	161 995 686	126 952 189
Facilities approved but not drawn down	33 896 956	52 576 367	33 896 956	20 067 960
Expected credit losses on facilities approved but not drawndown	(319 214)	(3 869 621)	(319 214)	(1 477 002)
Expected credit losses on guarantees	(909 332)	(14 219 185)	(909 332)	(5 427 344)
Closing balances	194 664 096	367 091 618	194 664 096	140 115 803

22. EXCHANGE RATES

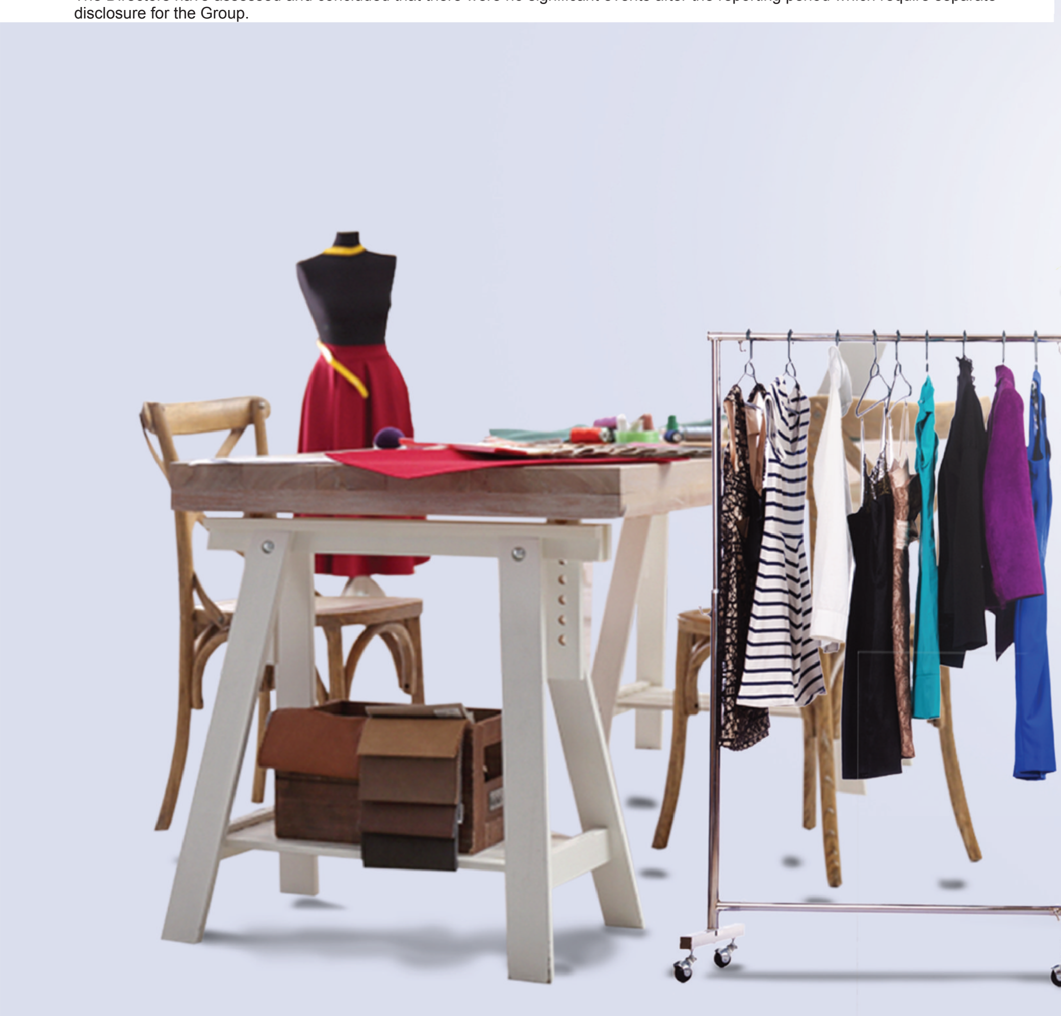
The following exchange rates have been used to translate the foreign currency balances to Zimbabwean dollars (ZWL) at period end:-

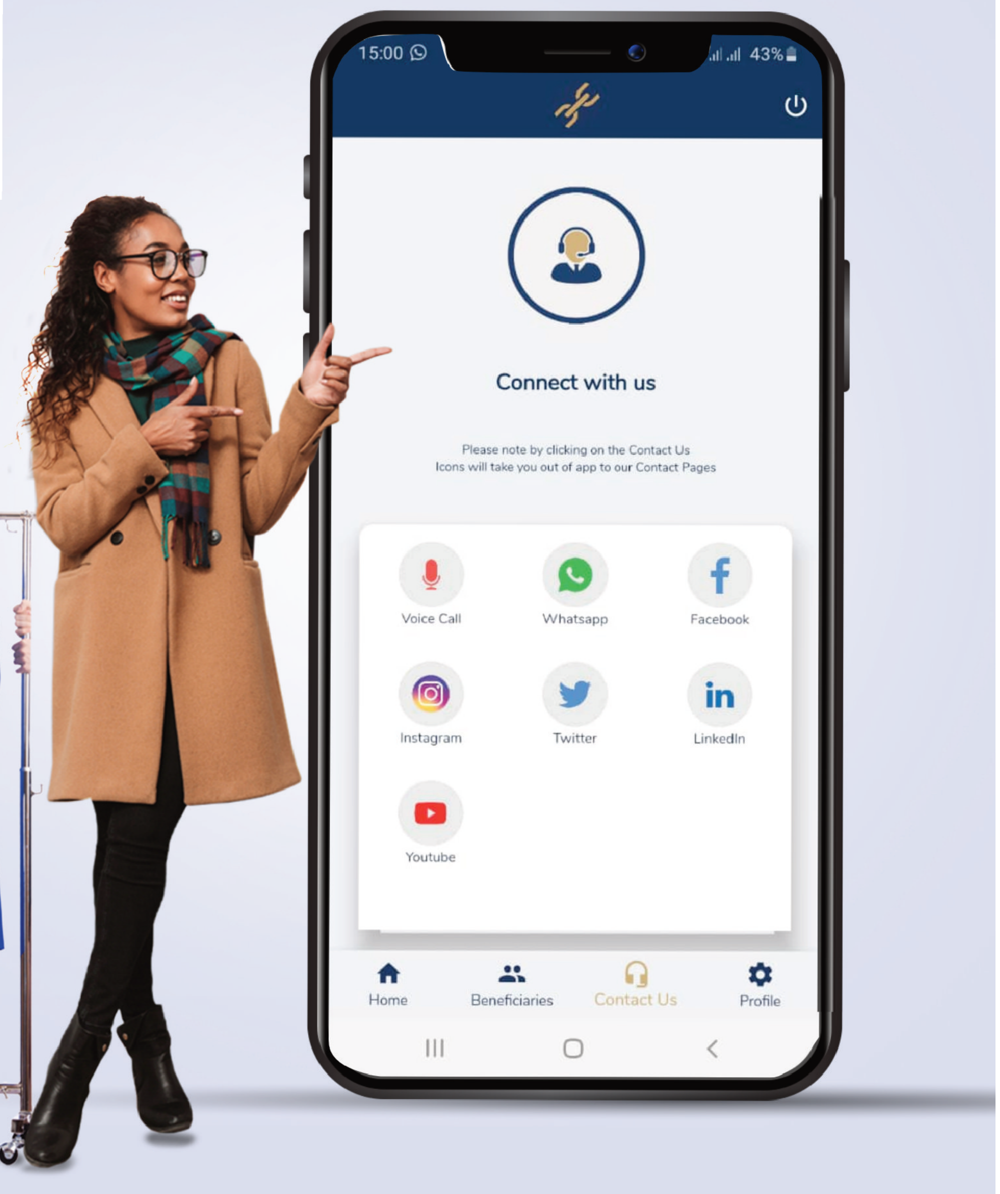
		30 June 2020 Mid - rate ZWL	31 December 2019 Mid - rate ZWL
United States Dollar	USD	63.7442	16.7734
British Sterling	GBP	78.6922	22.1677
South African Rand	ZAR	0.2723	0.8350
European Euro	EUR	71.5337	18.8164
Botswana Pula	BWP	0.1852	0.6302

The translation of foreign currency denominated Profit or loss items was done using the various spot rates which applied on the respective transaction dates during the period under review.

23. EVENTS AFTER THE REPORTING PERIOD

The Directors have assessed and concluded that there were no significant events after the reporting period which require separate disclosure for the Group.





IN PURSUIT OF EXCELLENCE

NMB BANK LIMITED

Registered Commercial Bank. A Member of The Deposit Protection Scheme

STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2020

		Inflation adjusted		Historical Cost*	
		30 June 2020 ZWL Reviewed	30 June 2019 ZWL Restated Reviewed	30 June 2020 ZWL	30 June 2019 ZWL
Interest income		205 869 041	284 733 413	127 969 603	23 200 282
Interest expense		(37 096 152)	(85 307 388)	(22 245 160)	(6 890 386)
Net interest income		168 772 889	199 426 025	105 724 443	16 309 896
Fee and commissions income		241 177 285	221 924 797	154 253 951	18 569 148
Net foreign exchange gains		133 139 769	355 453 683	114 112 987	32 495 530
Revenue		543 089 943	776 804 505	374 091 381	67 374 574
Other income	a	668 359 753	429 322 061	1 064 821 755	30 064 410
Operating income		1 211 449 696	1 206 126 566	1 438 913 136	97 438 984
Operating expenditure	b	(329 405 313)	(340 952 063)	(186 473 176)	(23 917 567)
Operating income before impairment charge and loss on net monetary position		882 044 383	865 174 503	1 252 439 960	73 521 417
Impairment losses on financial assets measured at amortised cost		(25 219 962)	7 896 544	(25 219 962)	943 144
Loss on net monetary position		(33 265 303)	(206 421 981)	-	-
Profit before taxation		823 559 118	666 649 066	1 227 219 998	74 464 561
Taxation		(155 504 400)	(162 136 398)	(133 332 999)	(17 022 320)
Profit for the period		668 054 718	504 512 668	1 093 886 999	57 442 241
Other comprehensive income					
Revaluation gains on land and buildings, net of tax		303 010 138	13 103 912	631 674 260	3 986 225
		971 064 856	517 616 580	1 725 561 259	61 428 466
Earnings/(losses) per share (ZWL cents)					
- Basic and diluted	c.4	4 047.33	3 056.53	6 627.19	348.01
- Headline	c.4	(159.73)	(267.11)	19.32	76.92

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	Inflation adjusted		Historical Cost*	
		30 June 2020 ZWL Reviewed	31 December 2019 ZWL Restated Audited	30 June 2020 ZWL	31 December 2019 ZWL
SHAREHOLDER'S FUNDS					
Share capital	d	424 180	424 180	16 506	16 506
Share premium		752 022 609	752 022 609	31 474 502	31 474 502
Functional currency translation reserve		167 928 479	167 928 479	11 619 648	11 619 648
Revaluation reserve		587 498 371	284 488 233	807 754 210	176 079 950
Retained earnings		1 237 590 458	569 535 740	1 423 285 471	329 398 472
Total shareholder's funds		**2 745 464 097**	**1 774 399 241**	**2 274 150 337**	**548 589 078**
LIABILITIES					
Deposits and other liabilities		3 647 386 105	3 315 771 824	3 647 386 105	1 265 602 395
Current tax liabilities		14 844 164	1 835 139	14 844 164	700 457
Deferred tax liabilities		411 406 190	295 265 946	414 999 204	97 666 693
Subordinated term loan		112 710 937	74 301 705	112 710 937	28 360 340
Amount owing to Holding company		2 143 122	5 614 799	2 143 122	2 143 122
Total liabilities		**4 188 490 518**	**3 692 789 413**	**4 192 083 532**	**1 394 473 007**
Total shareholder's funds and liabilities		**6 933 954 615**	**5 467 188 654**	**6 466 233 869**	**1 943 062 085**
ASSETS					
Cash and cash equivalents	e	1 369 056 048	1 289 795 771	1 369 056 048	492 304 267
Investment securitie		129 932 319	280 766 312	129 932 319	107 166 155
Loans, advances and other assets		2 523 471 990	2 226 997 533	2 434 002 336	815 429 137
Trade and other investments		7 325 771	4 223 647	7 325 771	1 612 131
Investment properties	f	1 363 353 363	602 234 779	1 363 353 363	229 867 982
Intangible assets		26 396 729	30 427 133	2 639 087	1 397 186
Property and equipment		1 514 418 395	1 032 743 479	1 159 924 945	295 285 227
Total assets		**6 933 954 615**	**5 467 188 654**	**6 466 233 869**	**1 943 062 085**

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

STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020

Inflation adjusted

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2019	424 180	752 022 609	-	-	221 025 066	973 471 855
Change in functional currency translation reserve	-	-	167 928 479	-	-	167 928 479
Total comprehensive income for the period	-	-	-	13 103 912	504 512 668	517 616 580
Dividends paid	-	-	-	-	(52 230 685)	(52 230 685)
Balances at 30 June 2019	**424 180**	**752 022 609**	**167 928 479**	**13 103 912**	**673 307 049**	**1 606 786 229**
Total comprehensive income for the period	-	-	-	271 384 321	(103 771 309)	167 613 012
Balances at 31 December 2019	**424 180**	**752 022 609**	**167 928 479**	**284 488 233**	**569 535 740**	**1 774 399 241**
Total comprehensive income for the period	-	-	-	303 010 138	668 054 718	971 064 856
Dividend: paid	-	-	-	-	-	-
Balances at 30 June 2020	**424 180**	**752 022 609**	**167 928 479**	**587 498 371**	**1 237 590 458**	**2 745 464 097**

STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020

Historical Cost*

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2019	16 506	31 474 502	-	136 741	47 267 030	78 894 779
Change in functional currency translation reserve	-	-	11 619 648	-	-	11 619 648
Total comprehensive income for the period	-	-	-	3 986 225	57 442 241	61 428 466
Dividend paid	-	-	-	-	(3 772 370)	(3 772 370)
Balances at 30 June 2019	**16 506**	**31 474 502**	**11 619 648**	**4 122 966**	**100 936 901**	**148 170 523**
Profit for the period	-	-	-	171 956 984	228 461 571	400 418 555
Balances at 31 December 2019	**16 506**	**31 474 502**	**11 619 648**	**176 079 950**	**329 398 472**	**548 589 078**
Total comprehensive income for the period	-	-	-	631 674 260	1 093 886 999	1 725 561 259
Balances at 30 June 2020	**16 506**	**31 474 502**	**11 619 648**	**807 754 210**	**1 423 285 471**	**2 274 150 337**

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

STATEMENT OF CASH FLOWS
for the six months ended 30 June 2020

	Inflation adjusted		Historical Cost*	
	30 June 2020 ZWL Reviewed	30 June 2019 ZWL Restated Reviewed	30 June 2020 ZWL	30 June 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	823 559 118	666 649 066	1 227 219 998	74 464 561
Non-cash items				
-Impairment losses on financial assets measured at amortised cost	25 219 962	(7 896 544)	25 219 962	(943 144)
- Investment properties fair value adjustment	(640 103 624)	(380 064 124)	(1 053 907 444)	(27 991 540)
-Trade and other investments fair value gains	(3 102 124)	(4 762 662)	(5 713 640)	(506 254)
-Depreciation (excluding Right of use assets)	19 299 688	34 764 116	4 340 825	988 561
- Depreciation – Right of use assets	1 985 839	5 967 714	1 501 219	537 067
-Interest capitalised on subordinated term loan	5 459 411	2 309 884	2 888 228	275 887
- Amortisation of intangible assets	7 238 239	22 309 322	328 236	373 555
- Unrealised foreign exchange gains	(113 156 723)	(247 818 512)	(113 156 723)	(29 598 834)
Operating cash flows before changes in operating assets and liabilities	126 399 786	91 458 260	88 720 661	17 599 859
Changes in operating assets and liabilities				
(Decrease)/Increase in deposits and other liabilities	(1 488 634 636)	(328 963 301)	561 534 792	(27 152 693)
Decrease/(increase) in loans, advances and other assets	1 544 313 530	(198 444 246)	(410 487 298)	(9 394 652)
Net cash generated/(used) from operations	182 078 680	(435 949 287)	239 768 155	(18 947 486)
Taxation				
Corporate tax paid	(12 483 633)	(10 211 836)	(9 197 573)	(1 219 677)
Net cash inflow/(outflow) from operating activities	169 595 047	(446 161 123)	230 570 582	(20 167 163)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(3 207 838)	(789 701)	(1 570 139)	(94 320)
Acquisition of property and equipment	(85 399 196)	(82 103 509)	(19 605 609)	(9 806 241)
Acquisition of investment properties	(121 277 460)	(2 832 244)	(79 840 437)	(338 276)
Disposal/(Acquisition) of investment securities	150 833 993	75 578 716	(22 766 165)	9 026 936
Decrease in amount owing from Holding Company	-	4 674 439	-	558 303
Increase in amount owing to Holding Company	-	18 286 435	-	2 184 087
Proceeds on disposal of investment properties	262 500	-	262 500	-
Net cash inflow/(outflow) from investing activities	(58 788 001)	12 814 136	(123 519 850)	1 530 489
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(52 230 685)	-	(3 772 370)
Payment of interest on subordinated term loan	-	(1 507 481)	-	(180 050)
Repayment of lease liabilities	(8 839 289)	(2 938 988)	(5 082 972)	(559 029)
Net cash outflow from financing activities	(8 839 289)	(56 677 154)	(5 082 972)	(4 511 449)
Net increase/(decrease) in cash and cash equivalents	101 967 759	(490 024 143)	101 967 759	(23 148 123)
Net foreign exchange and monetary adjustments on cash and cash equivalents	774 784 022	838 399 746	774 784 022	100 136 406
Cash and cash equivalents at beginning of the period	492 304 267	941 420 168	492 304 267	112 440 912
Cash and cash equivalents at the end of the period	1 369 056 048	1 289 795 771	1 369 056 048	189 429 195

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

There are no material differences between the Bank and the Holding company as the Bank is the principal operating subsidiary of the Group. The notes to the financial statements under NMBZ Holdings Limited are therefore the same as those of the Bank in every material respect where applicable.

a. OTHER INCOME

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
Trade and other investments fair value gains	3 102 124	4 762 662	5 713 640	675 006
Fair value gains on investment properties	640 103 624	380 064 124	1 053 907 444	27 991 540
Rental income	1 722 165	2 495 821	1 456 767	194 895
Bad debts recovered	2 078 628	13 373 536	1 308 953	1 131 780
Other operating income	21 353 212	28 625 918	2 434 951	71 189
	668 359 753	429 322 061	1 064 821 755	30 064 410

b. OPERATING EXPENDITURE

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
The operating profit is after recognising the following:				
Administration costs	181 087 395	141 502 527	112 760 948	11 488 654
Impairment reversal on land and buildings*	-	-	-	(40 600)
Depreciation – (excluding Right of use assets)	19 299 688	34 764 116	4 340 825	988 561
Amortisation of intangible assets	7 238 239	22 309 322	328 236	373 555
Depreciation – Right of use assets	1 985 839	5 967 714	1 501 219	537 067
Staff costs - salaries, allowances and related costs	119 794 152	136 408 384	67 541 948	10 570 330
	329 405 313	340 952 063	186 473 176	23 917 567

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

c. EARNINGS PER SHARE

The calculation of earnings per share is based on the following figures:

		Inflation adjusted		Historical Cost	
		30 June 2020 ZWL	30 June 2019 ZWL Restated	30 June 2020 ZWL	30 June 2019 ZWL
c.1	**Earnings/(losses)**				
	Profit for the year	668 054 718	504 512 668	1 093 886 999	57 442 241
	Headline earnings	(26 365 917)	(44 089 772)	3 189 319	14 180 190
c.2	**Number of shares**				
	Weighted average shares in issue	16 506 050	16 506 050	16 506 050	16 506 050
c.3	**Headline (losses)/ earnings**				
	Profit for the period	668 054 718	504 512 668	1 093 886 999	57 442 241
	Add/(deduct) non-recurring items				
	Trade investments fair value gains	(3 102 124)	(4 762 662)	(5 713 640)	(506 254)
	Unrealised foreign exchange revaluation gains	(113 156 723)	(247 818 512)	(113 156 723)	(29 598 834)
	Fair value gains on investment properties	(640 103 624)	(380 064 124)	(1 053 907 444)	(27 991 540)
	Tax thereon	61 941 834	84 042 858	82 080 126	13 350 368
	Headline earnings	(26 365 919)	(44 089 772)	3 189 318	12 695 981
	Earnings/(losses) per share (ZWL cents)				
c.4	**Basic**	4 047.33	3 056.53	6 627.19	348.01
	Diluted basic	4 047.33	3 056.53	6 627.19	348.01
	Headline	(159.73)	(267.11)	19.32	76.92

d. SHARE CAPITAL

d.1 Authorised

The authorised ordinary share capital at 30 June 2020 is at the historical cost figure of ZWL25 000 (2019 - ZWL25 000) comprising 25 million ordinary shares of ZWL0.001 each.

d.2 Issued and fully paid

The issued share capital at 30 June 2020 is at the historical cost figure of ZWL16 506 (2019 - ZWL16 506) and inflation adjusted figure of ZWL424 180 (2019 – ZWL424 180) comprising 16 506 050 (2019 - 16 506 050) ordinary shares of ZWL0.001 each in historical cost terms.

e. CASH AND CASH EQUIVALENTS

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 Dec 2019 ZWL Restated	30 June 2020 ZWL	31 Dec 2019 ZWL
Balances with the Central Bank	616 622 760	699 603 351	616 622 760	267 032 753
Current, nostro accounts and cash	677 935 252	419 736 453	677 935 252	160 209 897
Interbank placements	75 000 000	171 604 491	75 000 000	65 500 000
Expected Credit loss allowance	(501 964)	(1 148 524)	(501 964)	(438 383)
	1 369 056 048	1 289 795 771	1 369 056 048	492 304 267

f. INVESTMENT PROPERTIES

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
At 1 January	602 234 779	54 888 826	229 867 982	20 950 606
Additions/Improvements	121 277 460	920 939	79 840 437	351 515
Disposals	(262 500)	(13 897 528)	(262 500)	(5 304 570)
Fair value gains	640 103 624	509 278 434	1 053 907 444	194 387 322
Reclassification from non-current assets held for sale	-	471 586	-	180 000
Translation gain on change in functional currency	-	50 572 522	-	19 303 109
Closing balances	1 363 353 363	602 234 779	1 363 353 363	229 867 982

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 ZWL1 722 165 (2019 – ZWL2 495 821) 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 measured at ZWL4 252 010 as at 30 June 2020 which were acquired as part of the foreclosure process with marketability restrictions. The Bank 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

The fair value of the Bank's investment properties as at 30 June 2020 was 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

f. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

Level 3

The fair value for investment properties of ZWL1 363 353 624 has been categorised under Level 3 in the fair value hierarchy based on the inputs used for the valuation technique highlighted above.

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

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
At 1 January	602 234 779	54 888 826	229 867 982	20 950 606
Additions/Improvements	121 277 460	920 939	79 840 437	351 515
Disposals	(262 500)	(13 897 527)	(262 500)	(5 304 570)
Fair value gains	640 103 624	509 278 434	1 053 907 444	194 387 322
Reclassification from non-current assets held for sale	-	471 586	-	180 000
Translation gain on change in functional currency	-	50 572 521	-	19 303 109
Closing balances	1 363 353 363	602 234 779	1 363 353 363	229 867 982

The values were arrived at by applying yield rates of 5% on rental values of between ZWL32 – ZWL70 per square metre. Some of the properties are leased out under operating leases to various tenants.

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).

Below is an indication of the sensitivity analysis at different discount rates;

	Change in fair value	
Change in rate	June 2020	31 December 2019
	ZWL	ZWL
+5%	68 167 668	48 873 124
+3%	40 900 601	29 323 849
+1%	13 633 534	9 774 616
-1%	(13 633 534)	(9 774 616)
-3%	(40 900 601)	(29 323 849)
-5%	(68 167 668)	(48 873 124)

g. CORPORATE GOVERNANCE AND RISK MANAGEMENT

1. RESPONSIBILITY

These condensed financial statements are the responsibility of the directors. This responsibility includes the setting up of internal control and risk management processes, which are monitored independently. The information contained in these condensed financial statements has been prepared on the going concern basis and is in accordance with the provisions of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and International Financial Reporting Standards.

2. CORPORATE GOVERNANCE

The Bank adheres to some principles of corporate governance derived from the King IV Report, the United Kingdom Combined Code and RBZ corporate governance guidelines. The Bank is cognisant of its duty to conduct business with due care and in good faith in order to safeguard all stakeholders' interests.

3. BOARD OF DIRECTORS

Board appointments are made to ensure a variety of skills and expertise on the Board. Non-executive directors are of such calibre as to provide independence to the Board. The Chairman of the Board is an independent non-executive director. The Board is supported by mandatory committees in executing its responsibilities. The Board meets at least quarterly to assess risk, review performance and provide guidance to management on both operational and policy issues.

The Board conducts an annual peer based evaluation on the effectiveness of its activities. The process involves the members evaluating each other collectively as a board and individually as members. The evaluation, as prescribed by the RBZ, takes into account the structure of the board, effectiveness of committees, strategic leadership, corporate social responsibility, attendance and participation of members and weaknesses noted. Remedial plans are invoked to address identified weaknesses with a view to continually improve the performance and effectiveness of the Board and its members.

Jupiter (H)087 - 318

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

	Board of Directors		Audit Committee		Risk and Compliance Committe		Asset and Liability Management Committee (ALCO) & Finance Committee		Loans Review Committee		Human Resources, Remuneration and Nominations Committee		Credit Committee		Head Office Project – Sub-Committee		IT & Digital Banking Committee	
Mr. B. A. Chikwanha	2	2									2	2	2	2			1	1
Mr. B. P. Washaya	2	2					2	2			2	2	2	2			1	1
Mr. J. de la Fargue	2	2			2	1	2	1			3	2	2	2	7	7		
Mr. C. Chikaura	2	2	2	2	2	2	2	2			3	3	2	2	7	5		
Mr. J. Tichelaar	2	2					2	2	2	2	2	2					1	1
Mr. B. Ndachena	2	2					2	2							7	7		
Ms. S. Chitehwe	2	2	2	2			2	2	2	2					7	7	1	1
Ms. J. Magura-nyanga	2	2	2	2	2	2			2	2	3	3						
Ms. C. Glover	2	2			2	2	2	2	2	2							1	1
Mr. G. Taputaira	2	2	2	2	2	2											1	1

KEY

Meetings planned	Meetings attended

4. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and Board Risk and Compliance Committee, which are responsible for defining the Group's risk universe, developing policies and monitoring implementation. Risk management is linked logically from the level of individual transactions to the Bank 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 Bank's risk appetite, formulating strategy and policy for managing risk and establishes adequate systems and controls to ensure overall risk remains within acceptable levels and is adequately compensated.
b) Macro Level: It encompasses risk management within a business area or across business lines. These risk management functions are performed by middle management.
c) Micro Level: This involves "On-the-line" risk management where risks are actually created. These are the risk management activities performed by individuals who assume risk on behalf of the organization such as Treasury Front Office, Corporate Banking, Retail banking etc. The risk management in these areas is confined to operational procedures set by management.

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

4.1 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 Bank'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 independence 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 Bank has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book and adequacy or loan loss provisions.

The Bank has automated credit processes from loan origination, appraisal, monitoring and collections. The system has a robust loan monitoring and reporting module which is critical in managing credit risk. In view of the Bank's move into the mass market, retail credit has become a key area of focus. The Bank has put in place robust personal loan monitoring systems and structures to mitigate retail loan delinquencies.

Credit Management
- Responsible for evaluating & approving credit proposals from the business units.
- Together with business units, has primary responsibility on the quality of the loan book.
- Reviewing credit policy for approval by the Board Credit Committee.
- Reviewing business unit level credit portfolios to ascertain changes in the credit quality of individual customers or other counterparties as well as the overall portfolio and detect unusual developments.
- Approve initial customer internal credit grades or recommend to the Credit Committees for approval.
- Setting the credit risk appetite parameters.
- Ensure the Bank 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 Bank 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 Bank, if appropriate (e.g. in relation to deteriorated credits).
- Monitors the on-going development and enhancement of credit risk management across the Bank.
- Reviews the Internal Credit Rating System.
- On-going championing of the Basel II methodologies across the Bank.
- 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 Bank maximizes recoveries from Non-Performing Loans (NPLs).

4.2 Market risk

This is the exposure of the Bank'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 Bank has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the Bank 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 Bank's ability to withstand stressed market conditions. On foreign exchange risk, the bank monitors currency mismatches and makes adjustments depending on exchange rate movement forecast. The mismatches per currency are contained within 5% of the Bank'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.

4.3 Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability of the Bank to fund asset increases or meet obligations as they fall due without incurring unacceptable costs or losses. The Bank 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 Bank also actively monitors its loans to deposit ratio against a set threshold in a bid to monitor and limit funding risk. The Bank monitors funding concentration risk by reviewing the ratio of top 20 depositors to the total funding.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

4. RISK MANAGEMENT (continued)

4.3 Liquidity risk (continued)

Funding mix is also monitored by monitoring the contribution of wholesale and demand deposits to the total funding for the bank. Liquidity risk is monitored through a daily liquidity meeting. This is augmented by a monthly management ALCO and a quarterly board ALCO.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Bank 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 unencumbered liquid investment securities available for immediate sale.

4.4 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 Bank utilises monthly Key Risk Indicators to monitor operational risk in all units. Further to this, the Bank has an elaborate Operational Loss reporting system in which all incidents with a material impact on the well-being of the Bank are reported to risk management. The risk department conducts periodic risk assessments on all the units within the Bank aimed at identifying the top risks and ways to minimise their impact. There is a Board Risk and Compliance Committee whose function is to ensure that this risk is minimized. The 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.

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

4.6 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 Bank conducts its business. To manage this risk, the Bank 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 Bank as these have contributed to the minimisation of losses arising from risky exposures.

4.7 Strategic risk

This refers to current and prospective impact on a Bank'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 Bank 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.

4.8 Risk Ratings

4.8.1 Reserve Bank of Zimbabwe Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Bank in the last quarter of 2016 and detailed below were the final ratings.

4.8.1.1 CAMELS* Ratings

CAMELS Component	Latest RBS** Ratings 24/11/2016	Latest RBS Ratings 30/06/2013	Previous RAS 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 Adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity and **S**ensitivity to Market Risk. CAMELS rating system uses a rating scale of 1-5, where '1' is Strong, '2' is Satisfactory, '3' is Fair, '4' is Weak and '5' is Critical.

**RBS stands for Risk-Based Supervision

4.8.1.2 Summary RAS ratings

RAS Component	Latest RAS*** Ratings 24/11/2016	Latest RAS Ratings 30/06/2013	Previous RBS 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

*** **R**AS stands for **R**isk Assessment **S**ystem

4.8.1.3 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
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Acceptable	Moderate	Stable
Strategic Risk	High	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

KEY

High	Moderate	Low

NOTES TO THE CONDENSED FINANCIAL STATEMENTS for the six months ended 30 June 2020

4. RISK MANAGEMENT (continued)

4.8.1.3 Summary risk matrix -24 November 2016 on – site examination (continued)

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 recognized 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 organization.

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.

4.8.2 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	2020	2019
Long term	BBB-	BB-

The current rating which was due to expire in August 2020 was withdrawn by GCR on 23 June 2020 following the Bank's waiver of external ratings.

The Bank waived the 2020/2021 external ratings in line with a general dispensation extended by the Reserve Bank of Zimbabwe due to the COVID-19 pandemic.

4.9 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.

5. CAPITAL MANAGEMENT

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) and other equity reserves.

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

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

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

The Bank's regulatory capital position at 30 June 2020 was as follows:

	Inflation adjusted		Historical Cost	
	30 June 2020 ZWL	31 December 2019 ZWL Restated	30 June 2020 ZWL	31 December 2019 ZWL
Share capital	424 180	424 180	16 506	16 506
Share premium	752 022 609	752 022 609	31 474 502	31 474 502
Retained earnings	1 237 590 459	569 535 738	1 423 285 471	329 398 472
Functional currency translation reserve	167 928 479	167 928 479	11 619 648	11 619 648
	2 157 965 727	1 489 911 006	1 466 396 127	372 509 128
Less: capital allocated for market and operational risk	(134 796 213)	(35 909 272)	(134 796 213)	(13 706 269)
Tier 1 capital	2 023 169 514	1 454 001 734	1 331 599 914	358 802 859
Tier 2 capital (subject to limit as per Banking Regulations)	639 783 224	339 959 624	860 039 063	194 315 734
Fair valuation gains on land and buildings	587 498 371	284 488 233	807 754 210	176 079 950
Subordinated debt	-	771 144	-	294 339
Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted assets)	52 284 853	54 700 247	52 284 853	17 941 445
Tier 1 & 2 capital	2 662 952 738	1 793 961 358	2 191 638 977	553 118 593
Tier 3 capital (sum of market and operational risk capital)	134 796 213	35 909 272	134 796 213	13 706 269
Total capital base	2 797 748 951	1 829 870 630	2 326 435 190	566 824 862
Total risk weighted assets	6 373 617 051	4 110 168 962	5 905 896 304	1 435 315 609
Tier 1 ratio	31.74%	35.38%	22.55%	25.00%
Tier 2 ratio	10.04%	8.2%	14.56%	13.54%
Tier 3 ratio	2.11%	0.87%	2.28%	0.95%
Total capital adequacy ratio	43.90%	44.52%	39.39%	39.49%
RBZ minimum required	12.00%	12.00%	12.00%	12.00%

6. SEGMENT INFORMATION

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

Retail Banking	Individual customer's deposits and consumer 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 Bank's foreign currency denominated banking business and manages relationships with correspondent.
Digital Banking	Handles the Bank's Digital Banking products including Card and POS services.

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2020 and 2019.

The following table presents income, profit and certain asset and liability information regarding the Bank's operating segments and service units.

	Inflation adjusted						
	Retail Banking ZWL	Corporate Banking ZWL	Treasury ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the six months ended 30 June 2020							**Income**
Third party income	75 785 033	113 214 284	14 053 664	3 477 238	78 453 796	963 561 833	1 248 545 848
Interest and similar expense	(2 641 245)	(22 725 861)	(11 729 046)	-	-	-	(37 096 152)
Net operating income	**73 143 788**	**90 488 423**	**2 324 618**	**3 477 238**	**78 453 796**	**963 561 833**	**1 211 449 696**
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	5 705 854	19 514 107	-	-	-	-	25 219 962
Depreciation of property and equipment	4 200 614	62 406	53 046	6 997	1 919 673	13 056 952	19 299 688
Depreciation of right of use assets	-	-	-	-	-	1 985 839	1 985 839
Amortisation of intangible assets	-	-	-	-	-	7 238 239	7 238 239
Segment profit/(loss)	43 542 563	60 032 521	10 451 114	(6 671 254)	71 890 644	644 313 530	823 559 118
Income tax charge	-	-	-	-	-	(155 504 400)	(155 504 400)
Revaluation of land and buildings, net of tax	-	-	-	-	-	303 010 138	303 010 138
Profit/(loss) for the year	**43 542 563**	**60 032 521**	**10 451 114**	**(6 671 254)**	**71 890 644**	**791 819 268**	**971 064 856**
As at 30 June 2020							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	1 403 854	-	8 094	-	238 680	86 956 406	88 607 034
Total assets	531 671 612	1 745 576 500	355 877 596	291 682 175	15 019 425	3 994 127 307	6 933 954 615
Total liabilities	747 608 969	1 132 422 033	269 532 527	606 155 377	-	1 432 771 612	4 188 490 518

The following table presents income, profit and certain asset and liability information regarding the Bank's operating segments and service units:
For the six months ended 30 June 2019

	Inflation adjusted						
	Retail Banking ZWL	Corporate Banking ZWL	Treasury ZWL	International Banking ZWL	Digital Banking ZWL	Unallocated ZWL	Total ZWL
For the year ended 30 June 2019							
Income							
Third party income	318 294 067	228 889 354	172 802 415	15 101 724	172 592 724	383 753 670	1 291 433 954
Interest and similar expense	(7 917 475)	(33 365 170)	(44 024 743)	-	-	-	(85 307 388)
Net operating income	**310 376 592**	**195 524 184**	**128 777 672**	**15 101 724**	**172 592 724**	**383 753 670**	**1 206 126 566**
Other material non-cash items							
Impairment loss/(reversal) on financial assets measured at amortised cost	3 085 410	(10 981 954)	-	-	-	-	(7 896 544)
Depreciation of property and equipment (excluding right-of-use assets)	8 583 945	847 430	274 501	75 828	15 702 893	9 279 518	34 764 115
Depreciation of right of use assets	-	-	-	-	-	5 967 714	5 967 714
Amortisation of intangible assets	-	-	-	-	-	22 309 322	22 309 322
Segment profit/(loss)	**134 816 844**	**83 137 690**	**105 488 353**	**9 066 159**	**128 032 081**	**206 107 939**	**666 649 066**
Income tax charge	-	-	-	-	-	(162 136 398)	(162 136 398)
Revaluation of land and buildings, net of tax	-	-	-	-	-	13 103 912	13 103 912
Profit for the period	**134 816 844**	**83 137 690**	**105 488 353**	**9 066 159**	**128 032 081**	**57 075 456**	**517 616 580**
As at 31 December 2019							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	17 271 185	-	325 791	52 086	2 789 513	73 775 735	94 214 310
Total assets	**943 848 936**	**1 491 232 155**	**857 535 218**	**290 568 843**	**31 547 085**	**1 852 456 417**	**5 467 188 654**
Total liabilities	**1 507 106 859**	**1 066 798 326**	**684 909 697**	**100 884 932**	**-**	**333 089 599**	**3 692 789 413**

Jupiter (H)087 - 318

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2020

7. **GEOGRAPHICAL INFORMATION**

The Bank operates in one geographical market, Zimbabwe.

Registered Offices

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

Telephone +(263) (242) 759651
Facsimile +(263) (242) 759648

NMB Centre
George Silundika Avenue/
Leopold Takawira Street
Bulawayo
Zimbabwe

+263 (2922) 70169
+263 (2922) 68535

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

Email: enquiries@nmbz.co.zw

Transfer Secretaries

In Zimbabwe
First Transfer Secretaries
1 Armagh Avenue
(Off Enterprise Road)
Eastlea
P O Box 11
Harare
Zimbabwe

In UK
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol
BS99 9ZZ
United Kingdom